

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) August 31, 2010

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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Forward Looking Information. This report and the exhibits hereto contain statements that may be deemed “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. 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 the company’s future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. 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 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 affect the company adversely. Changes in consumer tastes or preferences toward products not produced by the company could erode demand for the company’s products. Strengthening of the U.S. dollar against other currencies could make the company’s 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 the company’s sales in the U.S. of products produced in those countries. Also, economic and political instability in international areas could affect the company’s operations or sources of goods in those areas, as well as demand for the company’s products in international markets. Other factors that could affect the matters discussed in forward-looking statements are included in the company’s periodic reports filed with the Securities and Exchange Commission, including the “Risk Factors” section in the company’s most recent annual report of Form 10-K filed with the Securities and Exchange Commission on July 15, 2010 for the fiscal year ended May 2, 2010.

Item 2.02 – Results of Operations and Financial Condition

On August 31, 2010, we issued a news release to announce our financial results for the first quarter ended August 1, 2010. The news release is attached hereto as Exhibit 99(a).

Also on August 31, 2010, we released a Financial Information Release containing additional financial information and disclosures about our first quarter ended August 1, 2010. 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 the company defines as net cash provided by operating activities, less cash capital expenditures and capital lease expenditures, plus any proceeds from sales of fixed assets, and the effects of exchange rate changes on cash and cash equivalents. 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 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 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.

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 restructuring and related 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 are allocated to our operating segments, and there are assets held at the corporate (unallocated) level that may provide support to a segment’s operations and yet are not included in the asset base used to calculate that segment’s return on capital. Thus, the average return on capital for the company’s segments will generally be higher than 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, and return on capital is also used as a financial goal for purposes of determining certain management incentive compensation awards.

Item 9.01 (d) -- Exhibits

99(a) News Release dated August 31, 2010

99(b) Financial Information Release dated August 31, 2010

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

Dated: August 31, 2010

EXHIBIT INDEX

Exhibit Number

Exhibit

99(a)

News Release dated August 31, 2010

99(b)

Financial Information Release dated August 31, 2010



NEWS RELEASE

Investor Contact: Kenneth R. Bowling
Chief Financial Officer
336-881-5630

Media Contact: Teresa A. Huffman
Vice President of Human Resources
336-889-5161

CULP ANNOUNCES RESULTS FOR FIRST QUARTER FISCAL 2011

HIGH POINT, N.C. (August 31, 2010) — Culp, Inc. (NYSE: CFI) today reported financial and operating results for the first quarter of fiscal 2011 ended August 1, 2010.

Highlights for the first quarter of fiscal 2011 include the following:

- § Net sales were \$55.9 million, a 23 percent increase compared with the first quarter of fiscal 2010, with mattress fabrics segment sales up 18 percent and upholstery fabric segment sales up 30 percent over the same period a year ago.
- § Pre-tax income was \$4.3 million, or 7.7 percent of sales, compared with \$2.0 million, or 4.4 percent of sales in the prior year period, an increase of 115 percent.
- § Net income was \$3.7 million, or \$0.28 per diluted share, compared with net income of \$1.9 million, or \$0.15 per diluted share, for the first quarter of fiscal 2010.
- § The company's financial position remained strong, with cash and cash equivalents and short term investments of \$18.1 million and total debt of \$11.6 million as of August 1, 2010.
- § The projection for second quarter fiscal 2011 is for overall sales to increase in the range of 5 to 10 percent. Mattress fabric sales are expected to be flat to up five percent and upholstery fabrics sales are expected to be up 10 to 15 percent compared with the second quarter of fiscal 2010. Pre-tax income for the second quarter of fiscal 2011 is expected to be in the range of \$3.5 million to \$4.0 million.

Overview

For the period ended August 1, 2010, net sales were \$55.9 million, a 23 percent increase compared with \$45.5 million a year ago. The company reported net income of \$3.7 million, or \$0.28 per diluted share, for the first quarter of fiscal 2011, compared with net income of \$1.9 million, or \$0.15 per diluted share, for the first quarter of fiscal 2010. On a pre-tax basis, the company reported income of \$4.3 million compared with pre-tax income of \$2.0 million for the first quarter of fiscal 2010.

Commenting on the results, Frank Saxon, president and chief executive officer of Culp, Inc., said, "Our stronger sales for the first quarter of fiscal 2011 reflect better consumer demand trends than a year ago, particularly in the first two months of the quarter, as well as success from our sales and marketing initiatives. Our improved profitability reflects the higher sales volumes, as well as the benefits of a leaner and more cost-efficient operating platform. Today, Culp has a strong competitive position in both mattress fabrics and upholstery fabrics, and, as always, our primary focus is on outstanding execution for our customers as a financially stable and trusted supplier."

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Mattress Fabrics Segment

Mattress fabric sales for the first quarter were \$30.9 million, an 18 percent increase compared with \$26.3 million for the first quarter of fiscal 2010.

“Our mattress fabrics business delivered a solid performance, primarily driven by improved retail demand in the bedding industry in the first two months of the quarter, and by the closure of a key competitor in late calendar 2009,” said Saxon. “These results also reflect the benefits of our recent operating initiatives and the ongoing investments to develop an efficient and scalable manufacturing platform. We recently completed a capital project to expand the internal production of our knitted fabrics product line, which has been our fastest growing category. For fiscal 2011, we will continue to fund capital expenditures for maintenance and expansion-related projects in mattress fabrics. While we are pleased with our first quarter results, we are seeing some slowdown in industry demand as well as increased pricing pressures and higher raw material costs. Above all, we remain focused on execution for our customers with outstanding service, reliable delivery performance and consistent quality and value.”

Upholstery Fabrics Segment

Sales for this segment, which include both fabric and cut and sewn kits, were \$25.0 million, a 30 percent increase compared with \$19.2 million in the first quarter of fiscal 2010. Sales of China produced fabrics were \$22.1 million in the first quarter of fiscal 2011, up 37 percent over the prior year period, while sales of U.S. produced fabrics were \$2.9 million, down five percent from the first quarter of fiscal 2010.

“We are encouraged by the significant sales growth for the upholstery fabrics business,” noted Saxon. “Our sales gain was primarily driven by the growth from our China operation. While most of the China produced products are being sold to our U.S. customers, we are also pleased with the increase in sales to the local China market and to international customers. Additionally, the broad-based sales gains among different customer segments reflect the success of our product development, sales and marketing initiatives. The response from both our existing and new customers has been very favorable, and we will continue to focus on expanding these important initiatives to drive our growth in fiscal 2011. While we are pleased with the first quarter results, we are also experiencing higher raw material costs in this segment.”

Balance Sheet

“A top priority for fiscal 2011 will be to further strengthen our financial position, especially in light of the ongoing economic uncertainties,” added Saxon. “As of August 1, 2010, our balance sheet reflected \$18.1 million in cash and cash equivalents and short term investments. Total debt was \$11.6 million, which includes current maturities of long term debt and long term debt. Our next major scheduled principal payment of \$2.2 million is not due until August 2011. Our strong financial position provides us with a competitive advantage, giving us sufficient capital and flexibility to support our growth strategy.”

Outlook

Commenting on the outlook for the second quarter of fiscal 2011, Saxon remarked, “We expect that the economic uncertainties and ongoing issues surrounding the housing market and high unemployment will continue to affect consumer demand for furniture and bedding products. Overall, we expect our sales for the second quarter of fiscal 2011 to be 5 to 10 percent higher than the second quarter of last year.

“We expect sales in our mattress fabrics segment to be flat to up five percent compared with the same period a year ago. Operating income in this segment is expected to be flat to slightly down compared with the same period a year ago, due primarily to higher raw materials costs and increased pricing pressure.

“In our upholstery fabrics segment, we expect sales to be up approximately 10 to 15 percent for the second quarter. We believe the upholstery fabric segment’s operating income will reflect moderate improvement over the same period a year ago, due to higher sales.

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“Considering these factors, the company expects to report pre-tax income for the second fiscal quarter of 2011 in the range of \$3.5 to \$4.0 million. Given the volatility in the income tax area during fiscal 2010 and the first quarter of fiscal 2011, the income tax expense or benefit and related tax rate for the second quarter of fiscal 2011 are too uncertain to project. This is management’s best estimate at present, recognizing that future financial results are difficult to predict because of overall economic uncertainties,” said Saxon.

In closing, Saxon remarked, “Even with the increasingly apparent economic headwinds, we are optimistic about our prospects for fiscal 2011 as we have the key advantages of a lean and agile manufacturing platform, a strong balance sheet and a leading competitive position in both operating segments. We see additional opportunities in our mattress fabrics business to refine and expand our product offerings and further enhance our value proposition to customers. We are also pleased with the momentum in our upholstery fabrics sales, as we continue to see positive results from our product development and sales and marketing initiatives. With our global business models and financial resources, we are well positioned to make good progress in both of our businesses, regardless of the economic environment we face.”

About the Company

Culp, Inc. is one of the world’s largest marketers of mattress fabrics for bedding and upholstery fabrics for furniture. The company’s fabrics are used principally in the production of bedding products and residential and commercial upholstered furniture.

This release contains statements that may be deemed “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. 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 the company’s future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. 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 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 affect the company adversely. Changes in consumer tastes or preferences toward products not produced by the company could erode demand for the company’s products. Strengthening of the U.S. dollar against other currencies could make the company’s 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 the company’s sales in the U.S. of products produced in those countries. Also, economic and political instability in international areas could affect the company’s operations or sources of goods in those areas, as well as demand for the company’s products in international markets. Other factors that could affect the matters discussed in forward-looking statements are included in the company’s periodic reports filed with the Securities and Exchange Commission, including the “Risk Factors” section in the company’s most recent annual report on Form 10-K filed with the Securities and Exchange Commission on July 15, 2010, for fiscal year ended May 2, 2010.

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CULP, INC.
Condensed Financial Highlights
(Unaudited)

	Three Months Ended	
	August 1, 2010	August 2, 2009
Net sales	\$ 55,912,000	\$ 45,478,000
Income before income taxes	\$ 4,278,000	\$ 1,991,000
Net income	\$ 3,747,000	\$ 1,876,000
Net income per share:		
Basic	\$ 0.29	\$ 0.15
Diluted	\$ 0.28	\$ 0.15
Average shares outstanding:		
Basic	12,870,000	12,653,000
Diluted	13,199,000	12,751,000

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CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME
FOR THE THREE MONTHS ENDED AUGUST 1, 2010 AND AUGUST 2, 2009

(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	August 1, 2010	August 2, 2009	% Over (Under)	August 1, 2010	August 2, 2009
Net sales	\$ 55,912	45,478	22.9 %	100.0 %	100.0 %
Cost of sales	46,203	37,891	21.9 %	82.6 %	83.3 %
Gross profit	9,709	7,587	28.0 %	17.4 %	16.7 %
Selling, general and administrative expenses	5,212	4,895	6.5 %	9.3 %	10.8 %
Restructuring credit	(6)	(158)	(96.2) %	(0.0) %	(0.3) %
Income from operations	4,503	2,850	58.0 %	8.1 %	6.3 %
Interest expense	210	357	(41.2) %	0.4 %	0.8 %
Interest income	(38)	(12)	216.7 %	(0.1) %	(0.0) %
Other expense	53	514	(89.7) %	0.1 %	1.1 %
Income before income taxes	4,278	1,991	114.9 %	7.7 %	4.4 %
Income taxes*	531	115	361.7 %	12.4 %	5.8 %
Net income	\$ 3,747	1,876	99.7 %	6.7 %	4.1 %
Net income per share-basic	\$ 0.29	0.15	93.3 %		
Net income per share-diluted	\$ 0.28	0.15	86.7 %		
Average shares outstanding-basic	12,870	12,653	1.7 %		
Average shares outstanding-diluted	13,199	12,751	3.5 %		

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

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
AUGUST 1, 2010, AUGUST 2, 2009 AND MAY 2, 2010
Unaudited
(Amounts in Thousands)

	<u>Amounts</u>		<u>Increase</u>		<u>* May 2,</u>
	<u>August 1,</u>	<u>August 2,</u>	<u>(Decrease)</u>		
	<u>2010</u>	<u>2009</u>	<u>Dollars</u>	<u>Percent</u>	
Current assets					
Cash and cash equivalents	\$ 14,045	15,481	(1,436)	(9.3) %	18,295
Short-term investments	4,009	-	4,009	100.0 %	3,023
Accounts receivable	18,342	13,837	4,505	32.6 %	19,822
Inventories	29,687	21,717	7,970	36.7 %	26,002
Deferred income taxes	138	52	86	165.4 %	150
Assets held for sale	123	1,037	(914)	(88.1) %	123
Income taxes receivable	568	396	172	43.4 %	728
Other current assets	1,646	1,531	115	7.5 %	1,698
Total current assets	<u>68,558</u>	<u>54,051</u>	<u>14,507</u>	<u>26.8 %</u>	<u>69,841</u>
Property, plant & equipment, net	30,471	24,013	6,458	26.9 %	28,403
Goodwill	11,462	11,462	-	0.0 %	11,462
Deferred income taxes	245	-	245	100.0 %	324
Other assets	2,361	2,885	(524)	(18.2) %	2,568
Total assets	<u>\$ 113,097</u>	<u>92,411</u>	<u>20,686</u>	<u>22.4 %</u>	<u>112,598</u>
Current liabilities					
Current maturities of long-term debt	\$ 194	4,817	(4,623)	(96.0) %	196
Current portion of obligation under a capital lease	-	452	(452)	(100.0) %	-
Accounts payable - trade	22,821	13,592	9,229	67.9 %	22,278
Accounts payable - capital expenditures	498	725	(227)	(31.3) %	567
Accrued expenses	5,964	5,215	749	14.4 %	9,613
Accrued restructuring	316	584	(268)	(45.9) %	324
Income taxes payable - current	182	72	110	152.8 %	224
Total current liabilities	<u>29,975</u>	<u>25,457</u>	<u>4,518</u>	<u>17.7 %</u>	<u>33,202</u>
Accounts payable - capital expenditures	-	550	(550)	(100.0) %	-
Income taxes payable - long-term	3,877	3,538	339	9.6 %	3,876
Deferred income taxes	666	1,072	(406)	(37.9) %	982
Long-term debt, less current maturities	11,453	11,618	(165)	(1.4) %	11,491
Total liabilities	<u>45,971</u>	<u>42,235</u>	<u>3,736</u>	<u>8.8 %</u>	<u>49,551</u>
Shareholders' equity	<u>67,126</u>	<u>50,176</u>	<u>16,950</u>	<u>33.8 %</u>	<u>63,047</u>
Total liabilities and shareholders' equity	<u>\$ 113,097</u>	<u>92,411</u>	<u>20,686</u>	<u>22.4 %</u>	<u>112,598</u>
Shares outstanding	<u>13,084</u>	<u>12,848</u>	<u>236</u>	<u>1.8 %</u>	<u>13,052</u>

* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED AUGUST 1, 2010 AND AUGUST 2, 2009
Unaudited
(Amounts in Thousands)

	THREE MONTHS ENDED	
	Amounts	
	August 1, 2010	August 2, 2009 (2)
Cash flows from operating activities:		
Net income	\$ 3,747	\$ 1,876
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	1,014	933
Amortization of other assets	130	157
Stock-based compensation	96	208
Excess tax benefit related to stock-based compensation	(169)	-
Deferred income taxes	(55)	-
Restructuring expenses, net of gain on sale of related assets	-	(112)
Foreign currency exchange losses	87	427
Changes in assets and liabilities:		
Accounts receivable	1,475	4,291
Inventories	(3,686)	2,263
Other current assets	41	(271)
Other assets	(27)	(15)
Accounts payable-trade	541	(3,431)
Accrued expenses	(3,626)	(1,317)
Accrued restructuring	(8)	(269)
Income taxes	149	(169)
Net cash (used in) provided by operating activities	<u>(291)</u>	<u>4,571</u>
Cash flows from investing activities:		
Capital expenditures	(3,151)	(892)
Purchase of short-term investments	(986)	-
Proceeds from the sale of equipment	-	284
Net cash used in investing activities	<u>(4,137)</u>	<u>(608)</u>
Cash flows from financing activities:		
Payments on vendor-financed capital expenditures	-	(87)
Payments on a capital lease obligation	-	(174)
Payments on long-term debt	(32)	-
Debt issuance costs	-	(15)
Proceeds from common stock issued	170	-
Excess tax benefit related to stock-based compensation	169	-
Net cash provided by (used in) financing activities	<u>307</u>	<u>(276)</u>
Effect of exchange rate changes on cash and cash equivalents	(129)	(3)
(Decrease) increase in cash and cash equivalents	(4,250)	3,684
Cash and cash equivalents at beginning of year	<u>18,295</u>	<u>11,797</u>
Cash and cash equivalents at end of year	<u>\$ 14,045</u>	<u>\$ 15,481</u>
Free Cash Flow (1)	<u>\$ (3,402)</u>	<u>\$ 3,699</u>

(1) Free Cash Flow reconciliation is as follows:

	FY 2011	FY 2010
A) Net cash (used in) provided by operating activities	\$ (291)	\$ 4,571
B) Minus: Capital Expenditures	(3,151)	(892)
C) Add: Proceeds from the sale of equipment	-	284
D) Minus: Payments on vendor-financed capital expenditures	-	(87)
E) Minus: Payments on a capital lease obligation	-	(174)

F) Add: Excess tax benefit related to stock-based compensation	169	-
G) Effects of exchange rate changes on cash and cash equivalents	(129)	(3)
	<u>\$ (3,402)</u>	<u>\$ 3,699</u>

(2) Certain prior year amounts have been reclassified to conform to current year presentation to reflect the effects of foreign exchange losses and gains in operating cash flows and cash and cash equivalents held as of August 2, 2009. Reclassifications are not material to total net cash provided by operating activities, total net cash used in investing activities, and total net cash used in financing activities.

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE THREE MONTHS ENDED AUGUST 1, 2010 AND AUGUST 2, 2009

(Amounts in thousands)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	August 1, 2010	August 2, 2009	% Over (Under)	August 1, 2010	August 2, 2009
Net Sales by Segment					
Mattress Fabrics	\$ 30,918	26,275	17.7 %	55.3 %	57.8 %
Upholstery Fabrics	24,994	19,203	30.2 %	44.7 %	42.2 %
Net Sales	<u>\$ 55,912</u>	<u>45,478</u>	<u>22.9 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Gross Profit by Segment					
Mattress Fabrics	\$ 5,990	4,761	25.8 %	19.4 %	18.1 %
Upholstery Fabrics	3,719	2,797	33.0 %	14.9 %	14.6 %
Subtotal	<u>9,709</u>	<u>7,558</u>	<u>28.5 %</u>	<u>17.4 %</u>	<u>16.6 %</u>
Restructuring related credit	-	29 (2)	(100.0) %	0.0 %	0.1 %
Gross Profit	<u>\$ 9,709</u>	<u>7,587</u>	<u>28.0 %</u>	<u>17.4 %</u>	<u>16.7 %</u>
Sales, General and Administrative expenses by Segment					
Mattress Fabrics	\$ 1,996	1,809	10.3 %	6.5 %	6.9 %
Upholstery Fabrics	2,101	2,033	3.3 %	8.4 %	10.6 %
Unallocated Corporate expenses	1,115	1,053	5.9 %	2.0 %	2.3 %
Selling, General and Administrative expenses	<u>5,212</u>	<u>4,895</u>	<u>6.5 %</u>	<u>9.3 %</u>	<u>10.8 %</u>
Operating income (loss) by Segment					
Mattress Fabrics	\$ 3,994	2,952	35.3 %	12.9 %	11.2 %
Upholstery Fabrics	1,618	764	111.8 %	6.5 %	4.0 %
Unallocated corporate expenses	(1,115)	(1,053)	(5.9) %	(2.0) %	(2.3) %
Subtotal	<u>4,497</u>	<u>2,663</u>	<u>68.9 %</u>	<u>8.0 %</u>	<u>5.9 %</u>
Restructuring and related credit	<u>6 (1)</u>	<u>187 (3)</u>	<u>(96.8) %</u>	<u>0.0 %</u>	<u>0.4 %</u>
Operating income	<u>\$ 4,503</u>	<u>2,850</u>	<u>58.0 %</u>	<u>8.1 %</u>	<u>6.3 %</u>
Return on Capital (4)					
Mattress Fabrics	32.2%	24.9%			
Upholstery Fabrics	51.5%	31.3%			
Unallocated Corporate	N/A	N/A			
Consolidated	<u>29.5%</u>	<u>19.0%</u>			
Capital Employed (4)					
Mattress Fabrics	52,017	47,634	9.2 %		
Upholstery Fabrics	13,289	8,458	57.1 %		
Unallocated Corporate	(813)	(728)	N/A		
Consolidated	<u>64,493</u>	<u>55,364</u>	<u>16.5 %</u>		
Depreciation Expense by Segment					
Mattress Fabrics	\$ 877	900	(2.6) %		
Upholstery Fabrics	137	33	315.2 %		

Total depreciation expense

1,014

933

8.7 %

Notes:

- (1) The \$6 restructuring credit primarily represents a credit for employee termination benefits.
 - (2) The \$29 restructuring related credit represents a credit of \$50 for inventory markdowns associated with sales on inventory previously reserved for and a charge of \$21 for operating costs associated with a closed plant facility.
 - (3) The \$187 restructuring and related credit represents a credit of \$112 for sales proceeds received on equipment with no carrying value, a credit of \$78 for lease termination and other exit costs, a credit of \$50 for inventory markdowns associated with sales on inventory previously reserved for, offset by a charge of \$21 for other operating costs associated with a closed plant facility, and a charge of \$32 for employee termination benefits.
 - (4) See pages 5 and 6 of this financial information release for calculations.
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CULP, INC. FINANCIAL INFORMATION RELEASE
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE THREE MONTHS ENDED AUGUST 1, 2010
(UNAUDITED)

	Operating Income Three Months Ended August 1, 2010 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	\$ 3,994	\$ 49,610	32.2%
Upholstery Fabrics	1,618	12,575	51.5%
(less: Unallocated Corporate)	(1,115)	(1,290)	N/A
Total	\$ 4,497	\$ 60,895	29.5%

Average Capital Employed

	As of the three Months Ended August 1, 2010				As of the three Months Ended May 2, 2010			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	66,919	24,415	21,763	113,097	61,922	25,420	25,256	112,598
Total liabilities	(14,902)	(11,126)	(19,943)	(45,971)	(14,720)	(13,559)	(21,272)	(49,551)
Subtotal	\$ 52,017	\$ 13,289	\$ 1,820	\$ 67,126	\$ 47,202	\$ 11,861	\$ 3,984	\$ 63,047
Less:								
Cash and cash equivalents	-	-	(14,045)	(14,045)	-	-	(18,295)	(18,295)
Short-term investments	-	-	(4,009)	(4,009)	-	-	(3,023)	(3,023)
Deferred income taxes - current	-	-	(138)	(138)	-	-	(150)	(150)
Income taxes receivable	-	-	(568)	(568)	-	-	(728)	(728)
Deferred income taxes - non-current	-	-	(245)	(245)	-	-	(324)	(324)
Current maturities of long-term debt	-	-	194	194	-	-	196	196
Income taxes payable - current	-	-	182	182	-	-	224	224
Income taxes payable - long-term	-	-	3,877	3,877	-	-	3,876	3,876
Deferred income taxes - non-current	-	-	666	666	-	-	982	982
Long-term debt, less current maturities	-	-	11,453	11,453	-	-	11,491	11,491
Total Capital Employed	\$ 52,017	\$ 13,289	\$ (813)	\$ 64,493	\$ 47,202	\$ 11,861	\$ (1,767)	\$ 57,296

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	\$ 49,610	\$ 12,575	\$ (1,290)	\$ 60,895

Notes:

- (1) Operating income excludes restructuring and related charges--see reconciliation per page 4 of this financial information release.
- (2) Return on average capital employed represents operating income for the 3 month period ending August 1, 2010 times 4 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 debt, including current maturities, current and noncurrent deferred tax assets and liabilities, current and long-term income taxes payable, and income taxes receivable.
- (3) Average capital employed computed using the two periods ending May 2, 2010 and August 1, 2010.



CULP, INC. FINANCIAL INFORMATION RELEASE
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE THREE MONTHS ENDED AUGUST 2, 2009
(UNAUDITED)

	Operating Income Three Months Ended August 2, 2009 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	\$ 2,952	\$ 47,444	24.9%
Upholstery Fabrics	764	9,769	31.3%
(less: Unallocated Corporate)	(1,053)	(1,201)	N/A
Total	\$ 2,663	\$ 56,012	19.0%

Average Capital Employed

	As of the three Months Ended August 2, 2009				As of the three Months Ended May 3, 2009			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	57,772	16,128	18,511	92,411	58,626	22,078	14,590	95,294
Total liabilities	(10,138)	(7,670)	(24,427)	(42,235)	(11,372)	(10,999)	(24,892)	(47,263)
Subtotal	\$ 47,634	\$ 8,458	\$ (5,916)	\$ 50,176	\$ 47,254	\$ 11,079	\$ (10,302)	\$ 48,031
Less:								
Cash and cash equivalents	-	-	(15,481)	(15,481)	-	-	(11,797)	(11,797)
Deferred income taxes - current	-	-	(52)	(52)	-	-	(54)	(54)
Income taxes receivable	-	-	(396)	(396)	-	-	(210)	(210)
Current maturities of long-term debt	-	-	4,817	4,817	-	-	4,764	4,764
Income taxes payable - current	-	-	72	72	-	-	83	83
Income taxes payable - long-term	-	-	3,538	3,538	-	-	3,264	3,264
Deferred income taxes - non-current	-	-	1,072	1,072	-	-	974	974
Long-term debt, less current maturities	-	-	11,618	11,618	-	-	11,604	11,604
Total Capital Employed	\$ 47,634	\$ 8,458	\$ (728)	\$ 55,364	\$ 47,254	\$ 11,079	\$ (1,674)	\$ 56,659

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	\$ 47,444	\$ 9,769	\$ (1,201)	\$ 56,012

Notes:

- (1) Operating income excludes restructuring and related charges--see reconciliation per page 4 of this financial information release.
- (2) Return on average capital employed represents operating income for the 3 month period ending August 2, 2009 times 4 quarters to arrive at an annualized value then divided by average capital employed. Average capital employed does not include cash and cash equivalents, long-term debt, including current maturities, current and noncurrent deferred tax assets and liabilities, current and long-term income taxes payable, and income taxes receivable.
- (3) Average capital employed computed using the two periods ending May 3, 2009 and August 2, 2009.