

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) February 18, 1998

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)
(336) 889-5161
(Registrant's telephone number, including area code)

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

-MORE-

FOR IMMEDIATE RELEASE

CULP REPORTS THIRD QUARTER GAINS

NET INCOME INCREASES 33% TO NEW THIRD-QUARTER RECORD

HIGH POINT, N. C. (Feb. 18, 1998) - Culp, Inc. (NYSE:CFI) today reported higher sales and earnings for the third fiscal quarter ended February 1, 1998.

For the three months ended February 1, 1998, Culp reported that net sales increased 22% to \$118.5 million compared with \$97.5 million a year ago. Net income for the quarter increased 33% to \$4.0 million compared with \$3.0 million. Earnings per share increased 19% to \$0.32 on 12.7 million average shares outstanding versus \$0.27 on 11.3 million average shares outstanding in the year-earlier period.

The gain for the third quarter brought net sales for the first nine months to \$340.9 million, up 16% from \$293.2 million in the first nine months of fiscal 1997. Net income for the first nine months increased 27% to \$11.4 million versus \$8.9 million. Earnings per share increased 14% to \$0.90 on 12.7 million average shares outstanding versus \$0.79 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 third quarter and first nine months was due principally to the Company's secondary stock offering completed in February 1997.

The Company noted that \$11.2 million of the increase in net sales for the third quarter was attributable to the Phillips Mills acquisition that was completed in August 1997. The Company's effective tax rate for the third quarter was 22% compared with 38% a year ago. The lower rate was due

principally to increased tax benefits related to the Company's international sales. The reduced tax rate also reflected a higher proportion of earnings from the Company's Canadian subsidiary that is taxed at a lower effective rate.

"We have now achieved record earnings in 21 consecutive quarters versus the comparable year-earlier period," said Robert G. Culp, III, chief executive officer. "One of the strategic initiatives that has contributed to that consistency is the use of Culp's strong financial position to complement our ongoing internal progress with the acquisition of complementary businesses. The gains in sales for the third quarter and first nine months were aided by the contribution of Phillips Mills which we acquired earlier this year. We also completed the acquisition of the Wetumpka Yarn operations during the third quarter and earlier this month completed the previously announced acquisition of Artee Industries. Transactions such as the purchase of Phillips Mills have enabled us to broaden our product line and customer base, while the Wetumpka and Artee Industries acquisitions extended our vertical integration into the manufacturing and marketing of spun and chenille yarns. The trend toward consolidation continues at all levels within the home furnishings industry, and our intent is to capitalize on other opportunities as they may occur over the longer term."

Culp added, "Industry-wide demand for certain categories of upholstery fabrics from U.S.-based residential furniture customers has not been especially strong in the current fiscal year. We achieved higher sales for the third quarter, aided principally by the incremental contribution from acquisitions, further growth in international shipments and continuing gains in sales of mattress ticking. The positive momentum in shipments of mattress ticking by our Home Fashions business unit reflects the successful introduction of new textures and patterns as well as our investment in increased capacity to meet customers' needs.

"We are continuing to realize strong growth in our international business. Shipments to customers outside the United States were up 45% for the third quarter and are expected to set a new record for fiscal 1998 as a whole. Our competitive position is benefiting from the introduction of more patterns designed for the preferences of specific markets. The addition of new customers is expanding our marketing coverage, and we are also being aided by the capital investment made in printed flock fabrics that are especially popular in a number of international areas."

Culp added, "We have already begun integrating the resources of Wetumpka Yarn and Artee Industries into the design functions of our business units. Our entry into the spun and chenille yarn business offers an exciting opportunity to accelerate our design activities. Our staff of designers and support personnel has never been more experienced, and we have the physical resources to support their design and development of proprietary patterns and styles. We have now moved most of our design personnel into the new Design Center in Burlington, North Carolina. This facility will encourage the sharing of design ideas among business units and provide a unique environment for customers to participate in the development of new patterns. Our focus on design is directly related to our goal of superior customer service which includes the need to provide distinctive fabrics to our worldwide base of customers."

Culp concluded, "During the fourth fiscal quarter, we expect to strengthen our capital structure with the closing of a private placement of \$75 million of senior unsecured notes. The notes are expected to have a fixed coupon rate of 6.76% and an average term of 10 years. The proceeds will be used to repay borrowings under the Company's bank credit facility, thereby enhancing our financial flexibility."

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.

This Release contains statements that could be deemed "forward-looking statements" within the meaning of the federal securities laws, which statements are inherently subject to risks and uncertainties. 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 characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives. 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 adversely affect the Company. In addition, the value of the U.S. dollar relative to other currencies can affect the competitiveness of the Company's products in international markets.

Item 5. Other Events

See attached Press Release (4 pages) and Financial Information Release (12 pages), both dated February 18, 1998, related to the quarter ended February 1, 1998.

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: February 18, 1998

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED INCOME STATEMENTS
FOR THREE MONTHS AND NINE MONTHS ENDED FEBRUARY 1, 1998 AND JANUARY 26, 1997

(Amounts in Thousands, Except for Per Share Data)

THREE MONTHS ENDED (UNAUDITED)					
	Amounts			Percent of Sales	
	February 1, 1998	January 26, 1997	% Over (Under)	1998	1997
Net sales	\$ 118,457	97,468	21.5 %	100.0 %	100.0 %
Cost of sales	97,554	80,317	21.5 %	82.4 %	82.4 %
Gross profit	20,903	17,151	21.9 %	17.6 %	17.6 %
Selling, general and administrative expenses	13,162	10,760	22.3 %	11.1 %	11.0 %
Income from operations	7,741	6,391	21.1 %	6.5 %	6.6 %
Interest expense	2,180	1,228	77.5 %	1.8 %	1.3 %
Interest income	(73)	(73)	0.0 %	(0.1) %	(0.1) %
Other expense (income), net	492	421	16.9 %	0.4 %	0.4 %
Income before income taxes	5,142	4,815	6.8 %	4.3 %	4.9 %
Income taxes *	1,140	1,805	(36.8) %	22.2 %	37.5 %
Net income	\$ 4,002	3,010	33.0 %	3.4 %	3.1 %
Net income per share	\$0.32	\$0.27	18.5 %		
Net income per share (assuming dilution)	\$0.31	\$0.26	19.2 %		
Dividends per share	\$0.0350	\$0.0325	7.7 %		
Average shares outstanding	12,692	11,342	11.9 %		
Average shares outstanding (assuming dilution)	12,986	11,653	11.4 %		

NINE MONTHS ENDED (UNAUDITED)					
	Amounts			Percent of Sales	
	February 1, 1998	January 26, 1997	% Over (Under)	1998	1997
Net sales	\$ 340,881	293,201	16.3 %	100.0 %	100.0 %
Cost of sales	280,510	241,008	16.4 %	82.3 %	82.2 %
Gross profit	60,371	52,193	15.7 %	17.7 %	17.8 %
Selling, general and administrative expenses	37,710	33,328	13.1 %	11.1 %	11.4 %
Income from operations	22,661	18,865	20.1 %	6.6 %	6.4 %
Interest expense	5,280	3,652	44.6 %	1.5 %	1.2 %
Interest income	(235)	(190)	23.7 %	(0.1) %	(0.1) %
Other expense (income), net	1,159	1,117	3.8 %	0.3 %	0.4 %
Income before income taxes	16,457	14,286	15.2 %	4.8 %	4.9 %
Income taxes *	5,100	5,356	(4.8) %	31.0 %	37.5 %
Net income	\$ 11,357	8,930	27.2 %	3.3 %	3.0 %
Net income per share	\$0.90	\$0.79	13.9 %		
Net income per share (assuming dilution)	\$0.88	\$0.77	14.3 %		
Dividends per share	\$0.1050	\$0.0975	7.7 %		
Average shares outstanding	12,663	11,317	11.9 %		
Average shares outstanding (assuming dilution)	12,964	11,618	11.6 %		

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

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
FEBRUARY 1, 1998, JANUARY 26, 1997 AND APRIL 27, 1997

(Unaudited, Amounts in Thousands)

	Amounts		Increase		* April 27, 1997
	February 1,	January 26,	(Decrease)		
	1998	1997	Dollars	Percent	
Current assets					
Cash and cash investments	\$ 348	406	(58)	(14.3)%	830
Accounts receivable	73,109	50,157	22,952	45.8 %	56,691
Inventories	75,032	50,755	24,277	47.8 %	53,463
Other current assets	7,202	3,701	3,501	94.6 %	5,450
Total current assets	155,691	105,019	50,672	48.3 %	116,434
Restricted investments	3,976	11,778	(7,802)	(66.2)%	11,018
Property, plant & equipment, net	113,658	86,146	27,512	31.9 %	91,231
Goodwill	48,558	22,413	26,145	116.7 %	22,262
Other assets	5,439	2,906	2,533	87.2 %	3,007
Total assets	\$ 327,322	228,262	99,060	43.4 %	243,952
Current liabilities					
Current maturities of long-term debt	\$ 1,120	6,100	(4,980)	(81.6)%	100
Accounts payable	35,921	20,833	15,088	72.4 %	29,903
Accrued expenses	12,683	15,644	(2,961)	(18.9)%	15,074
Income taxes payable	1,941	1,753	188	10.7 %	1,580
Total current liabilities	51,665	44,330	7,335	16.5 %	46,657
Long-term debt	144,079	86,266	57,813	67.0 %	76,541
Deferred income taxes	9,965	8,088	1,877	23.2 %	9,965
Total liabilities	205,709	138,684	67,025	48.3 %	133,163
Shareholders' equity	121,613	89,578	32,035	35.8 %	110,789
Total liabilities and shareholders' equity	\$ 327,322	228,262	99,060	43.4 %	243,952
Shares outstanding	12,700	11,352	1,348	11.9 %	12,609

* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL ANALYSIS
FEBRUARY 1, 1998

	FISCAL 97		FISCAL 98			LTM
	Q3	Q1	Q2	Q3	Q4	
INVENTORIES						
Inventory turns	6.2	5.8	6.1	5.4		
RECEIVABLES						
Days sales in receivables	47	50	55	52		
Percent current & less than 30 days past due	99.8%	95.0%	97.8%	94.1%		
WORKING CAPITAL						
Current ratio	2.4	3.6	2.9	3.0		
Working capital turnover (4)	5.3	5.1	4.8	4.7		
Working capital	\$60,689	\$88,969	\$98,833	\$104,026		
Working capital as a % of sales (4)	15.6%	23.8%	21.9%	23.7%		
PROPERTY, PLANT & EQUIPMENT						
Depreciation rate	7.5%	7.1%	7.4%	7.4%		
Percent property, plant & equipment are depreciated	47.9%	46.8%	45.3%	44.8%		
Capital expenditures	\$26,958 (1)	\$9,153	\$10,063	\$8,967		
PROFITABILITY						
Return on average total capital	7.5%	7.6%	10.0%	8.3%		9.3%
Return on average equity	14.1%	10.2%	15.6%	13.4%		14.6%
Net income per share	\$0.27	\$0.23	\$0.36	\$0.32		\$1.28
Net income per share (diluted)(7)	\$0.26	\$0.22	\$0.35	\$0.31		\$1.25
LEVERAGE (3)						
Total liabilities/equity	154.8%	123.1%	172.0%	169.2%		
Funded debt/equity	90.0%	77.4%	111.7%	116.1%		
Funded debt/capital employed	47.4%	43.6%	52.8%	53.7%		
Funded debt	\$80,588	\$87,930	\$131,833	\$141,223		
Funded debt/EBITDA (LTM) (6)	2.09	2.18	2.83	2.95		
EBITDA/Interest expense, net (LTM)	8.8	9.1	8.5	7.5		
OTHER						
Book value per share	\$7.89	\$8.98	\$9.30	\$9.58		
Employees at quarter end	3,143	3,180	3,554	3,771		
Sales per employee (annualized)	\$125,000	\$125,000	\$146,000	\$129,000		\$134,000
Capital employed (3)	\$170,166	\$201,467	\$249,838	\$262,836		
Effective income tax rate	37.5%	35.0%	35.0%	22.2%		
EBITDA (2)	\$9,279	\$9,012	\$12,643	\$11,390		\$44,627
EBITDA/net sales	9.5%	9.1%	10.3%	9.6%		10.0%

(1) Expenditures for entire year

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

(3) 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"

(6) EBITDA includes pro forma amounts for Phillips and Wetumpka acquisitions in Qtr 2 and Qtr 3 of fiscal 1998.

(7) Net income per share (diluted) represents the potential dilution that could occur if securities to issue common stock were exercised or converted into common stock as required by Statement of Financial Accounting Standards No.128 which was adopted during Qtr 3 of fiscal 1998.

CULP, INC. FINANCIAL INFORMATION RELEASE
 SALES BY PRODUCT CATEGORY/BUSINESS UNIT
 FOR THREE MONTHS AND NINE MONTHS ENDED FEBRUARY 1, 1998 AND JANUARY 26, 1997

(Amounts in thousands)

Product Category/Business Unit	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
	February 1, 1998	January 26, 1997	% Over (Under)	1998	1997
Upholstery Fabrics					
Culp Textures	\$ 21,059	20,389	3.3 %	17.8 %	20.9 %
Rossville/Chromatex	21,120	18,953	11.4 %	17.8 %	19.4 %
	42,179	39,342	7.2 %	35.6 %	40.4 %
Velvets/Prints	44,020	40,387	9.0 %	37.2 %	41.4 %
Phillips	11,236	0	100.0 %	9.5 %	0.0 %
	97,435	79,729	22.2 %	82.3 %	81.8 %
Mattress Ticking					
Culp Home Fashions	20,261	17,739	14.2 %	17.1 %	18.2 %
Yarn					
Artee	761	0	100.0 %	0.6 %	0.0 %
	* \$ 118,457	97,468	21.5 %	100.0%	100.0 %

Product Category/Business Unit	NINE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
	February 1, 1998	January 26, 1997	% Over (Under)	1998	1997
Upholstery Fabrics					
Culp Textures	\$ 67,206	65,191	3.1 %	19.7 %	22.2 %
Rossville/Chromatex	60,843	58,840	3.4 %	17.8 %	20.1 %
	128,049	124,031	3.2 %	37.6 %	42.3 %
Velvets/ Prints	126,345	115,487	9.4 %	37.1 %	39.4 %
Phillips	21,961	0	100.0 %	6.4 %	0.0 %
	276,355	239,518	15.4 %	81.1 %	81.7 %
Mattress Ticking					
Culp Home Fashions	63,765	53,683	18.8 %	18.7 %	18.3 %
Yarn					
Artee	761	0	100.0 %	0.2 %	0.0 %
	* \$ 340,881	293,201	16.3 %	100.0%	100.0 %

*U.S. sales were \$ 79,873 and \$70,931 for the current quarter of fiscal 1998 and fiscal 1997, respectively; and \$242,123 and \$220,791 for the year to date of fiscal 1998 and fiscal 1997, respectively. The percentage increase in U.S. sales was 13% for the current quarter and an increase of 10% for the year to date.

CULP, INC. FINANCIAL INFORMATION RELEASE
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THREE MONTHS AND NINE MONTHS ENDED FEBRUARY 1, 1998 AND JANUARY 26, 1997

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)					
Geographic Area	Amounts			Percent of Total Sales	
	February 1, 1998	January 26, 1997	% Over (Under)	1998	1997
North America (Excluding USA)	\$ 7,562	6,482	16.7 %	19.6 %	24.4 %
Europe	11,581	7,213	60.6 %	30.0 %	27.2 %
Middle East	9,326	4,580	103.6 %	24.2 %	17.3 %
Far East & Asia	7,957	6,862	16.0 %	20.6 %	25.9 %
South America	1,230	855	43.9 %	3.2 %	3.2 %
All other areas	928	545	70.3 %	2.4 %	2.1 %
	\$ 38,584	26,537	45.4 %	100.0 %	100.0 %
	=====	=====	=====	=====	=====

NINE MONTHS ENDED (UNAUDITED)					
Geographic Area	Amounts			Percent of Total Sales	
	February 1, 1998	January 26, 1997	% Over (Under)	1998	1997
North America (Excluding USA)	\$ 22,574	20,555	9.8 %	22.9 %	28.4 %
Europe	22,811	17,573	29.8 %	23.1 %	24.3 %
Middle East	23,452	13,736	70.7 %	23.7 %	19.0 %
Far East & Asia	23,951	15,893	50.7 %	24.3 %	21.9 %
South America	3,487	2,464	41.5 %	3.5 %	3.4 %
All other areas	2,483	2,189	13.4 %	2.5 %	3.0 %
	\$ 98,758	72,410	36.4 %	100.0 %	100.0 %
	=====	=====	=====	=====	=====

International sales, and the percentage of total sales, for each of the last six 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 current quarter represented 33% and 27% for 1998 and 1997, respectively. Year-to-date international sales represented 29% and 25% 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 second 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					Fiscal 1998
	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	
Yarn											
Artee	-	-	-	-	-	-	-	-	-	-	
	72,357	90,672	86,476	102,162	351,667	90,529	105,204	97,468	105,678	398,879	

Percent increase(decrease) from prior year:

Product Category/Business Units	Fiscal 1996					Fiscal 1997				
Upholstery Fabrics										
Culp Textures	(10.3)	(0.5)	(1.2)	7.6	(0.9)	18.3	5.7	(1.4)	(1.6)	4.5
Rossville/Chromatex	1.4	14.0	13.2	35.5	16.4	18.3	20.9	2.1	(7.4)	7.2
	(5.2)	5.4	5.1	19.7	6.5	18.3	12.4	0.2	(4.4)	5.8
Velvets/Prints	13.9	21.3	12.5	21.8	17.7	48.2	25.4	26.9	7.1	24.5
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
Yarn										
Artee	-	-	-	-	-	-	-	-	-	-
	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	-	-	-	-	-
	9.1	15.6	11.2	19.6	14.2	25.1	16.0	12.7	3.4	13.4

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

(Amounts in thousands)

Product Category/Business Units	Fiscal 1998				
	Q1	Q2	Q3	Q4	TOTAL

Upholstery Fabrics					
Culp Textures	21,693	24,454	21,059		67,206
	18,121	21,602	21,120		60,843
Rossville/Chromatex	-----				
	39,814	46,056	42,179		128,049
Velvets/Prints	38,397	43,928	44,020		126,345
Phillips	-	10,725	11,236		21,961

	78,211	100,709	97,435		276,355

Mattress Ticking					
Culp Home Fashions	21,287	22,217	20,261		63,765

Yarn					
Artee	-	-	761		761

	99,498	122,926	118,457		340,881
	=====				
Upholstery Fabrics					
Culp Textures	4.3	1.9	3.3		3.1
	(0.2)	(0.6)	11.4		3.4
Rossville/Chromatex	-----				
	2.2	0.7	7.2		3.2
Velvets/Prints	10.1	9.2	9.0		9.4
Phillips	-	100.0	100.0		100.0

	5.9	17.2	22.2		15.4

Mattress Ticking					
Culp Home Fashions	27.5	15.4	14.2		18.8

Yarn					
Artee	-	-	100.0		100.0

	9.9	16.8	21.5		16.3
	=====				
Overall Growth Rate					
Internal(without acquisitions)	9.9	6.6	9.2		8.5
External					7.8
	-	10.2	12.3		

	9.9	16.8	21.5		16.3
	=====				

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE

for the three and nine month periods ended February 1, 1998 and January 26, 1997

INCOME STATEMENT COMMENTS

GENERAL - Net sales increased 21.5% to \$118.5 million and net income increased 33.0% to \$4.0 million for the third quarter, as compared with the same quarter of last year. This performance marks the 21st consecutive quarter of record earnings and the 19th consecutive quarter of record sales (based on comparable year-earlier periods). Net sales for the quarter excluding the acquisitions of Phillips Mills and Wetumpka Yarn increased 9.2% versus the same quarter of last year. The company's net profit margin increased slightly to 3.4% for the quarter from 3.1% a year ago. Also, the company has achieved a return on average shareholders' equity of 14.6% for the latest twelve month period. The company acquired Phillips Mills on August 5, 1997 and Wetumpka Yarn on December 30, 1997; the results of these companies are included since their respective acquisition dates.

The company attributes its 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 47% of net sales during the third quarter; additionally, no one customer accounted for more than 7% of sales during the quarter;

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, product development, CAD and support staff now includes over 90 people. Additionally, the company opened its state-of-the-art Design Center in Burlington, North Carolina during January 1998. This facility now brings together most of the company's design resources in one location and utilizes 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 third quarter of last year, upholstery fabric sales increased 22.2% to \$97.4 million and mattress ticking sales increased 14.2% to \$20.3 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 third quarter reflects the incremental sales from the Phillips acquisition of \$11.2 million and gains in Velvets/Prints - up 9.0%; Rossville/Chromatex - up 11.4%; and Culp Textures - up 3.3%. The growth in demand for upholstery fabrics from U.S. manufacturers of residential furniture as a group began slowing during the second half of fiscal 1997 and continued through calendar 1997. The company believes the financial difficulties of several significant furniture retailers, including the summer 1997 bankruptcies of Levitz and Montgomery Wards, significantly contributed to the slower rate of growth. Sales to U.S.-based residential furniture customers excluding sales from Phillips Mills decreased 3% for the quarter. Including Phillips, sales to this customer segment increased 9%. Sales of wet printed flock upholstery fabrics, which remain one of the company's faster growing product lines internationally, increased 69% from the same quarter a year ago. The increased sales by Culp Home Fashions during the third quarter (up 14.2%) reflect the continued positive response to 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.

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE

for the three and nine month periods ended February 1, 1998 and January 26, 1997

International sales were up 45.4% for the quarter compared with the third quarter of fiscal 1997. International sales in all major regions and each upholstery fabric business unit were strong, and accounted for 33% of net sales for the quarter versus 27% for the same quarter of last year. The vast majority of the international sales represent sales of upholstery fabrics to residential furniture distributors and manufacturers. (See International Sales by Geographic Area schedule on page 6.) Almost all of the company's international sales are denominated in U.S. dollars.

GROSS PROFIT - The gross profit increase of 21.9% for the third 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 Mills business unit, a moderate increase in Rossville/Chromatex, and lower results in Velvets/Prints and Culp Textures. The overall gross profit margin of 17.6% remained the same for the quarter versus 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). The company completed a major expansion of wide weaving capacity at Rayonese during the third quarter. Factors which adversely affected the company's profitability during the quarter included: (a) lower demand from U.S. manufacturers of residential furniture, which affected all of the upholstery fabric business units; and (b) lower profitability in the Velvets/Prints business unit that resulted from decreases in sales in certain product lines (tufted and woven velvets, and heat-transfer flock prints). The 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 Culp's facilities) contributed positively during the quarter, although manufacturing efficiencies have not reached the expected levels of performance.

S,G&A EXPENSES - S,G&A expenses for the third 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.

INTEREST EXPENSE - The increase for the third quarter of 77.5% 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 the second quarter, and from capital expenditure and working capital investments that were made during the first nine months of this year.

INTEREST INCOME - Interest income remained the same for the quarter.

OTHER EXPENSE (INCOME), NET - Other expense (income) increased to \$492,000 from \$421,000 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 third quarter was 22.2%, compared with 37.5% for the same quarter of last year. The lower tax rate resulted from higher than expected tax benefits (in the current period as well as prior periods) related to the company's foreign sales corporation ("FSC"), and higher estimated income in Canada which has a lower effective tax rate. The company is estimating the effective tax rate for the full fiscal year at 31.0%, which is down from the 35.0% estimate at the end of the second quarter.

EBITDA - EBITDA for the quarter increased 22.8% to \$11.4 million from last year's third quarter and represented 9.6% of net sales compared with 9.5% of net sales for the same period of last year.

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BALANCE SHEET COMMENTS

WORKING CAPITAL - Accounts receivable increased 45.8% from January 1997, due to the Phillips acquisition and increased sales for the second quarter. Days sales outstanding represented 52 days, up 11% from 47 days at January 26, 1997 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 47.8% from January 26, 1997, due to the Phillips acquisition, higher overall sales and a higher mix of international sales which have required more finished goods inventory. Inventory turns decreased 13% to 5.4 for the quarter versus 6.2 for the same quarter of last year. Working capital increased significantly to \$104.0 million at February 1, 1998, from \$60.7 million at January 26, 1997 and \$69.8 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 \$39 million during fiscal 1998, which includes about \$13.5 million for expansion projects (35%); \$12.5 million for vertical integration projects (32%); and \$13.0 million for modernization projects (33%). 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. For fiscal 1999, the company is planning to significantly reduce its capital spending to a range of \$10 to \$15 million, and concentrate its efforts on improving the results of the investments made during fiscal 1997 and fiscal 1998. The two largest projects that are currently planned for fiscal 1999 are: (a) completion of the polypropylene yarn extrusion expansion, which began in early fiscal 1998; and (b) building expansions in the Culp Home Fashions business unit to accommodate the significant growth in the company's sales of mattress ticking over the last several years. Depreciation for fiscal 1999 is currently estimated to be approximately \$19 million.

LONG-TERM DEBT - The company's funded debt-to-capital ratio was 53.7% at February 1, 1998, up from 47.4% at January 26, 1997, and up from 37.2% at April 27, 1997. Funded debt was \$141.2 million at February 1, 1998, up from \$80.6 million at January 26, 1997 and up from \$ 65.6 million at April 27, 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 27, 1997 resulted from the Phillips and Wetumpka acquisitions (\$37.2 million), capital expenditures (\$28.2 million), an operating cash flow deficit (\$6.6 million), and a decrease in accounts payable related to capital expenditures (\$2.8 million). During the fourth quarter of fiscal 1998, the company is expecting to significantly strengthen its capital structure with the closing of a private placement of \$75 million of senior, unsecured notes. The notes are expected to have a fixed coupon rate of 6.76% and an average term of 10 years. Additionally, the principal financial covenants include a funded debt to total capital ratio of 60% and a minimum shareholders' equity level. The proceeds will be used to repay borrowings under the company's bank credit facility. (See Pro forma Capitalization Table on page 12 of 12.)

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1997

PHILLIPS MILLS 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.)

ACQUISITION OF WETUMPKA YARN - On December 30, 1997, Culp completed the acquisition of the business and certain assets related to the Wetumpka yarn division of Dan River Inc. The transaction value at closing was \$1.5 million. (See press release, dated December 17, 1997, which provides additional information about the acquisition.)

ACQUISITION OF ARTEE INDUSTRIES - On February 2, 1998, Culp completed the acquisition of the business and substantially all assets and the assumption of certain liabilities of Artee Industries, Incorporated ("Artee"), a yarn manufacturer. The transaction value at closing is estimated at \$18 million, and included the issuance of 284,211 new shares of Culp common stock, \$2.0 million in cash and a \$1.6 million 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 \$7.6 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. (See Form 8-K, dated October 15, 1997, which provides additional information related to the acquisition.)

CULP, INC. FINANCIAL INFORMATION RELEASE
 PRO FORMA CAPITALIZATION TABLE
 FEBRUARY 1, 1998

(Dollars in thousands)

	February 1, 1998		
	Actual	Adjustments	Pro Forma
FUNDED DEBT			
Industrial Revenue Bonds			
and other obligations	30,090		30,090
Syndicated \$125 million credit facility	106,033	9,197 (a) (75,000) (b)	40,230
Notes payable	5,100	1,600 (a)	6,700
Senior unsecured notes	----	75,000 (b)	75,000
	141,223	10,797	152,020
SHAREHOLDERS' EQUITY			
	121,613	5,400 (a)	127,013
TOTAL CAPITAL			
	262,836	16,197	279,033
FUNDED DEBT TO TOTAL CAPITAL			
	53.7%		54.5%

(a) Reflects funding sources for Artee Industries acquisition which closed February 2, 1998. On the acquisition date, the company issued 284,211 shares of its common stock to the Artee Industries shareholders.

(b) Reflects planned issuance of a private placement of senior unsecured notes with a coupon rate of 6.76% and average term of ten years. Estimated debt issuance costs are \$500,000.