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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

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Date of Report (Date of earliest event reported) November 9, 1995

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)

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Item 5. Other Events

See Press Release (attached) dated November 9, 1995 related to second quarter earnings for the period ended October 29, 1995.

See Financial Information Release (attached).

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  
Franklin N. Saxon  
Vice President and  
Chief Financial Officer

By: Stephen T. Hancock  
General Accounting Manager

Dated: November 9, 1995

(CULP LOGO APPEARS HERE)

FOR IMMEDIATE RELEASE

CULP REPORTS GAINS FOR SECOND QUARTER

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FIRST HALF RESULTS REFLECT INCREASED SALES AND EARNINGS

HIGH POINT, North Carolina (November 9, 1995) - Culp, Inc. today reported higher sales and earnings for the second quarter and first half of its 1996 fiscal year.

For the three months ended October 29, 1995, Culp reported net sales of \$90.7 million, an increase of 16%, compared with \$78.4 million a year ago. Net income for the quarter totaled \$3.0 million, or \$0.27 per share, compared with \$2.8 million, or \$0.25 per share, in the second quarter of fiscal 1995.

The gains for the second quarter brought net sales for the first half to \$163.0 million, up from \$144.8 million in the first six months of fiscal 1995. Net income for the first half was \$4.5 million, or \$0.40 per share, up from \$4.3 million, or \$0.38 per share, in the year-earlier period.

Commenting on the results, Robert G. Culp, III, Chief Executive Officer, said, "Culp's gains for the second quarter are especially gratifying because they were achieved against the backdrop of continued caution by retailers about the near-term outlook for consumer spending on home furnishings. Our ability to counter this trend was aided significantly by increased exports of upholstery fabrics, but shipments during the quarter to U.S.-based customers were also up from a year ago. We did receive a benefit during the second quarter from the inclusion of Rayonese Textile, which was acquired during the fourth quarter of fiscal 1995, but recorded a 13% gain in sales even without that incremental business. Acquisitions over the past two years have significantly broadened the company's product offerings, enabling us to supply more of our existing customers' needs while supporting an aggressive marketing initiative to expand Culp's overall base of business."

Culp remarked, "The overall trend in purchases of home furnishings certainly remains an important factor underlying Culp's performance, but we are continuing to capitalize on

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opportunities to enhance the company's basic competitive stance. The steady increase in sales to other customers outside the United States is serving as a tangible measure of the return from the considerable investment we have made to establish -- and meet -- world-class standards for service, quality and value. Over the past six years through fiscal 1995, our exports rose more than tenfold. The continuation of that growth in the current fiscal year reflects our firm commitment to utilize our resources as effectively as possible, operating efficiently and containing costs while increasing our capabilities to offer customers innovative, market-driven fabric designs.

"We recognize the caution prevailing among retailers and manufacturers which suggests a challenging environment for Culp during the important second half of our fiscal year. The current momentum in our incoming orders, however, remains generally positive; and we are confident that our strategic plan is sound for building on the company's longer term success which includes increased sales and net earnings in each of the past five years."

Culp, Inc. is a leading manufacturer and marketer of fabrics for the furniture, bedding, and institutional furnishings markets. The company's common shares are traded on The Nasdaq Stock Market (National Market) under the symbol CULP.

CULP, INC.  
Condensed Financial Highlights  
(Unaudited)

	October 29, 1995	Three Months Ended October 30, 1994
Net sales	\$ 90,672,000	\$ 78,445,000
Net income	\$ 3,000,000	\$ 2,800,000
Earnings per share	\$ 0.27	\$ 0.25

  

	October 29, 1995	Six Months Ended October 30, 1994
Net sales	\$ 163,029,000	\$ 144,794,000
Net income	\$ 4,515,000	\$ 4,250,000
Earnings per share	\$ 0.40	\$ 0.38

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CULP, INC. FINANCIAL INFORMATION RELEASE  
 CONSOLIDATED INCOME STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED OCTOBER 29, 1995 AND OCTOBER 30, 1994

(Amounts in Thousands, Except for Per Share Data)

THREE MONTHS ENDED (UNAUDITED)

	Amounts			Percent of Sales	
	October 29, 1995	October 30, 1994	% Over (Under)	1996	1995
Net sales	90,672	78,445	15.6 %	100.0 %	100.0 %
Cost of sales	74,565	64,272	16.0 %	82.2 %	81.9 %
Gross profit	16,107	14,173	13.6 %	17.8 %	18.1 %
Selling, general and administrative expenses	9,675	8,363	15.7 %	10.7 %	10.7 %
Income from operations	6,432	5,810	10.7 %	7.1 %	7.4 %
Interest expense	1,388	1,144	21.3 %	1.5 %	1.5 %
Interest income	0	(24)	(100.0)%	0.0 %	(0.0)%
Other expense (income), net	219	190	15.3 %	0.2 %	0.2 %
Income before income taxes	4,825	4,500	7.2 %	5.3 %	5.7 %
Income taxes *	1,825	1,700	7.4 %	37.8 %	37.8 %
Net income	3,000	2,800	7.1 %	3.3 %	3.6 %
Average shares outstanding	11,211	11,205	0.1 %		
Net income per share	\$0.27	\$0.25	8.0 %		
Dividends per share	\$0.0275	\$0.025	10.0 %		

SIX MONTHS ENDED (UNAUDITED)

	Amounts			Percent of Sales	
	October 29, 1995	October 30, 1994	% Over (Under)	1996	1995
Net sales	163,029	144,794	12.6 %	100.0 %	100.0 %
Cost of sales	134,724	119,521	12.7 %	82.6 %	82.5 %
Gross profit	28,305	25,273	12.0 %	17.4 %	17.5 %
Selling, general and administrative expenses	18,129	15,932	13.8 %	11.1 %	11.0 %
Income from operations	10,176	9,341	8.9 %	6.2 %	6.5 %
Interest expense	2,685	2,221	20.9 %	1.6 %	1.5 %
Interest income	0	(47)	(100.0)%	0.0 %	(0.0)%
Other expense (income), net	326	367	(11.2)%	0.2 %	0.3 %
Income before income taxes	7,165	6,800	5.4 %	4.4 %	4.7 %
Income taxes *	2,650	2,550	3.9 %	37.0 %	37.5 %
Net income	4,515	4,250	6.2 %	2.8 %	2.9 %
Average shares	11,209	11,202	0.1 %		
Net income per share	\$0.40	\$0.38	5.3 %		
Dividends per share	\$0.055	\$0.05	10.0 %		

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

CULP, INC. FINANCIAL INFORMATION RELEASE  
 CONSOLIDATED BALANCE SHEETS  
 OCTOBER 29, 1995, OCTOBER 30, 1994 AND APRIL 30, 1995

(Unaudited, Amounts in Thousands)

	Amounts October 29, 1995	October 30, 1994	Increase (Decrease) Dollars	Percent	* April 30, 1995
Current assets					
Cash and cash investments	930	257	673	261.9 %	1,393
Accounts receivable	46,930	42,727	4,203	9.8 %	44,252
Inventories	49,632	42,504	7,128	16.8 %	45,771
Other current assets	3,415	2,510	905	36.1 %	3,194
Total current assets	100,907	87,998	12,909	14.7 %	94,610
Restricted investments	0	1,624	(1,624)	(100.0)%	795
Property, plant & equipment, net	73,876	68,848	5,028	7.3 %	75,805
Goodwill	23,189	18,725	4,464	23.8 %	22,600
Other assets	2,432	1,209	1,223	101.2 %	1,189
Total assets	200,404	178,404	22,000	12.3 %	194,999
Current Liabilities					
Current maturities of long-term debt	11,555	6,008	5,547	92.3 %	11,555
Accounts payable	30,175	28,685	1,490	5.2 %	32,250
Accrued expenses	11,075	8,688	2,387	27.5 %	11,532
Income taxes payable	1,729	1,653	76	4.6 %	661
Total current liabilities	54,534	45,034	9,500	21.1 %	55,998
Long-term debt	65,137	63,462	1,675	2.6 %	62,187
Deferred income taxes	5,382	3,477	1,905	54.8 %	5,418
Total liabilities	125,053	111,973	13,080	11.7 %	123,603
Shareholders' equity	75,351	66,431	8,920	13.4 %	71,396
Total liabilities and stockholders' equity	200,404	178,404	22,000	12.3 %	194,999
Shares outstanding	11,219	11,205	14	0.1 %	11,205

\* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE SIX MONTHS ENDED OCTOBER 29, 1995 AND OCTOBER 30, 1994  
 (Unaudited, Amounts in Thousands)

	SIX MONTHS ENDED	
	Amounts October 29, 1995	October 30, 1994
Cash flows from operating activities:		
Net income	4,515	4,250
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	6,138	5,340
Amortization of intangible assets	358	298
Provision for deferred income taxes	(36)	(272)
Changes in assets and liabilities:		
Accounts receivable	(2,678)	(5,984)
Inventories	(3,861)	(5,908)
Other current assets	(221)	(11)
Other assets	(1,309)	(470)
Accounts payable	(2,075)	(901)
Accrued expenses	(457)	530
Income taxes payable	1,068	1,017
Net cash provided by (used in) operating activities	1,442	(2,111)
Cash flows from investing activities:		
Capital expenditures	(5,090)	(10,184)
Purchases of restricted investments	0	(46)
Proceeds from sale of restricted investments	795	1,345
Business acquired	0	0
Net cash provided by (used in) investing activities	(4,295)	(8,885)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	6,000	8,000
Principal payments on long-term debt	(3,050)	(92)
Net increase (decrease) in bank overdrafts	0	1,120
Dividends paid	(617)	(560)
Proceeds from sale of common stock	57	92
Net cash provided by (used in) financing activities	2,390	8,560
Increase (decrease) in cash and cash investments	(463)	(2,436)
Cash and cash investments at beginning of period	1,393	2,693
Cash and cash investments at end of period	930	257

CULP, INC. FINANCIAL INFORMATION RELEASE  
FINANCIAL ANALYSIS  
OCTOBER 29, 1995

	FISCAL 95 Q2	FISCAL 96 Q1	Q2	Q3	Q4
<b>INVENTORIES</b>					
Inventory turns	6.2	5.1	6.0		
<b>RECEIVABLES</b>					
Days sales in receivables	50	45	47		
Percent current & less than 30 days past due (Trade only)	99.4%	97.0%	98.2%		
<b>WORKING CAPITAL</b>					
Current ratio	2.0	2.0	1.9		
Working capital turnover	5.8	5.8	5.7		
Working capital	\$42,964	\$45,069	\$46,373		
Working capital as a % of sales	13.7%	15.6%	12.8%		
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>					
Depreciation rate	8.8%	8.9%	8.9%		
Percent property, plant & equipment are depreciated	44.0%	44.9%	46.7%		
Capital expenditures	\$18,058 (1)	\$3,006	\$1,203		
<b>PROFITABILITY</b>					
Net profit margin	3.6%	2.1%	3.3%		
Gross profit margin	18.1%	16.9%	17.8%		
Operating income margin	7.4%	5.2%	7.1%		
SG & A expenses/net sales	10.7%	11.7%	10.7%		
Return on beginning capital employed	9.2%	4.2%	8.3%		
Return on beginning equity	17.9%	8.5%	16.8%		
Earnings per share	\$0.25	\$0.14	\$0.27		
<b>LEVERAGE (3)</b>					
Interest & dividend coverage	4.0	2.3	3.7		
Total liabilities/equity	166.1%	165.4%	166.0%		
Long-term debt/equity	95.5%	93.2%	86.4%		
Funded debt/equity	102.1%	109.1%	101.8%		
Funded debt/capital employed	50.5%	52.2%	50.4%		
Funded debt	\$67,846	\$79,217	\$76,692		
Funded debt/EBITDA (LTM)	2.28	2.42	2.27		
<b>OTHER</b>					
Book value per share	\$5.93	\$6.48	\$6.72		
Employees at quarter end	2,604	2,773	2,847		
Sales per employee (annualized)	\$121,000	\$105,000	\$129,000		
Capital employed (3)	\$134,277	\$151,841	\$152,043		
Effective income tax rate	37.8%	35.3%	37.8%		
EBITDA (2)	\$8,528	\$6,852	\$9,494		
EBITDA/net sales	10.9%	9.5%	10.5%		

(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.



CULP, INC. FINANCIAL INFORMATION RELEASE  
 SALES BY BUSINESS UNIT  
 FOR THREE MONTHS AND SIX MONTHS ENDED OCTOBER 29, 1995  
 AND OCTOBER 30, 1994

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Business Units	Amounts		% Over (Under)	Percent of Total Sales	
	October 29, 1995	October 30, 1994		1996	1995
Upholstery Fabrics					
Flat Wovens					
Culp Textures	22,715	22,834	(0.5)%	25.1 %	29.1 %
Rossville/Chromatex	17,960	15,758	14.0 %	19.8 %	20.1 %
	40,675	38,592	5.4 %	44.9 %	49.2 %
Velvets/Prints	32,081	26,439	21.3 %	35.4 %	33.7 %
	72,756	65,031	11.9 %	80.2 %	82.9 %
Mattress Ticking	17,916 *	13,414	33.6 %	19.8 %	17.1 %
	90,672	78,445	15.6 %	100.0 %	100.0 %

SIX MONTHS ENDED (UNAUDITED)

Business Units	Amounts		% Over (Under)	Percent of Total Sales	
	October 29, 1995	October 30, 1994		1996	1995
Upholstery Fabrics					
Flat Wovens					
Culp Textures	40,299	42,447	(5.1)%	24.7 %	29.3 %
Rossville/Chromatex	33,318	30,898	7.8	20.4 %	21.3
	73,617	73,345	0.4 %	45.2 %	50.7 %
Velvets/Prints	55,604	47,083	18.1 %	34.1 %	32.5 %
	129,221	120,428	7.3 %	79.3 %	83.2 %
Mattress Ticking	33,808 *	24,366	38.8 %	20.7 %	16.8 %
	163,029	144,794	12.6 %	100.0 %	100.0 %

\* Includes Rayonese shipments of \$2,053 for the three months and \$3,822 for the six months. The percent increase in sales without Rayonese was 20.0% for the three months and 17.4% for the six months. On a consolidated basis, without Rayonese shipments, the percent sales increase for the three months was 13.0% and for the six months was 10.0%.

CULP, INC. FINANCIAL INFORMATION RELEASE  
 EXPORT AND FOREIGN SALES BY GEOGRAPHIC AREA  
 FOR THREE MONTHS AND SIX MONTHS ENDED OCTOBER 29, 1995  
 AND OCTOBER 30, 1994

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts		% Over (Under)	Percent of Total Sales	
	October 29, 1995	October 30, 1994		1996	1995
North America (Excluding USA)	6,223	4,184	48.7 %	31.8 %	28.7 %
Europe	4,297	3,892	10.4 %	22.0 %	26.7 %
Middle East	3,437	1,905	80.4 %	17.6 %	13.1 %
Far East & Asia	3,079	2,086	47.6 %	15.7 %	14.3 %
South America	397	876	(54.7)%	2.0 %	6.0 %
All other areas	2,127	1,652	28.8 %	10.9 %	11.3 %
	19,560 *	14,595	34.0 %	100.0 %	100.0 %

SIX MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts		% Over (Under)	Percent of Total Sales	
	October 29, 1995	October 30, 1994		1996	1995
North America (Excluding USA)	10,790	7,793	38.5 %	31.7 %	30.3 %
Europe	7,482	6,890	8.6 %	22.0 %	26.8 %
Middle East	5,549	2,768	100.5 %	16.3 %	10.8 %
Far East & Asia	4,841	4,131	17.2 %	14.2 %	16.1 %
South America	843	1,184	(28.8)%	2.5 %	4.6 %
All other areas	4,499	2,938	53.1 %	13.2 %	11.4 %
	34,004 *	25,704	32.3 %	100.0 %	100.0 %

\* Includes Rayonese shipments of \$2,053 for the three months and \$3,822 for the six months. The percent increase in sales without Rayonese was 20.0% for the three months and 17.4% for the six months.

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

(Amounts in thousands)

Business Units	Fiscal 1994					Fiscal 1995					Fiscal 1996				
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
Upholstery Fabrics															
Flat Wovens															
Culp Textures	17,444	20,073	19,673	21,127	78,317	19,613	22,834	20,940	21,738	85,125	17,584	22,715			40,299
Rossville/Chromatex	0	0	14,330	16,717	31,047	15,140	15,758	16,397	16,470	63,765	15,358	17,960			33,318
	17,444	20,073	34,003	37,844	109,364	34,753	38,592	37,337	38,208	148,890	32,942	40,675	0	0	73,617
Velvets/Prints	20,888	24,518	23,714	27,916	97,036	20,644	26,439	28,307	31,413	106,803	23,523	32,081			55,604
	38,332	44,591	57,717	65,760	206,400	55,397	65,031	65,644	69,621	255,693	56,465	72,756	0	0	129,221
Mattress Ticking	8,251	9,395	9,531	11,472	38,649	10,952	13,414	12,147	15,820	52,333	15,892	17,916			33,808
	46,583	53,986	67,248	77,232	245,049	66,349	78,445	77,791	85,441	308,026	72,357	90,672	0	0	163,029
Percent increase(decrease) from prior year:															
Business Units															
Upholstery Fabrics															
Flat Wovens															
Culp Textures	(6.5)	(5.2)	3.8	0.3	(1.9)	12.4	13.8	6.4	2.9	8.7	(10.3)	(0.5)			(5.1)
Rossville/Chromatex	N/A	N/A	N/A	N/A	N/A	100.0	100.0	14.4	(1.5)	105.4	1.4	14.0			7.8
	(6.5)	(5.2)	79.4	79.7	37.0	99.2	92.3	9.8	1.0	36.1	(5.2)	5.4			0.4
Velvets/Prints	7.4	16.5	10.0	8.3	10.5	(1.2)	7.8	19.4	12.5	10.1	13.9	21.3			18.1
	0.6	5.7	42.5	40.4	23.1	44.5	45.8	13.7	5.9	23.9	1.9	11.9			7.3
Mattress Ticking	7.5	10.4	27.6	21.2	16.7	32.7	42.8	27.4	37.9	35.4	45.1	33.6			38.8
	1.7	6.4	40.2	37.2	22.0	42.4	45.3	15.7	10.6	25.7	9.1	15.6			12.6

CULP, INC. FINANCIAL INFORMATION RELEASE  
FINANCIAL NARRATIVE  
FOR THE THREE AND SIX MONTHS PERIOD ENDED OCTOBER 29, 1995

## INCOME STATEMENT COMMENTS

(Bullet) GENERAL - The company is pleased to report solid sales and profit gains for its second fiscal quarter in spite of the significant sales weakness in the U. S. retail furniture and bedding industries during the last six months and the raw material price increases which the company has received over the last year. This quarter's performance marks the twelfth consecutive quarter of record earnings and the tenth consecutive quarter of record sales. Additionally, for the first six months, the company achieved a return on shareholders' equity of 12.6%.

The company attributes this successful record to, among other things, two key growth strategies: (1) a focus on markets, other than U.S. Residential Furniture, such as Bedding, Export, Contract and Home Textiles, in order to reduce our dependency on one cyclical and geographical area; and (2) investment in the creative side of our business -- the company has significantly increased the resources (both designers and CAD systems) dedicated to the design and product development areas in each business unit over the last eighteen months.

(Bullet) NET SALES - Upholstery fabric sales increased 11.9% to \$72.8 million and mattress ticking sales increased 33.6% to \$17.9 million for the quarter in comparison to the same quarter of last year. (See Sales by Business Unit schedule on page 5 and Sales by Business Unit - Trend Analysis on page 7.) Three of our four business units reported substantial sales gains for the quarter: Mattress Ticking - up 33.6%; Velvets/Prints - up 21.3%; and Rossville/Chromatex up 14.0%, while our Culp Textures business unit reported essentially flat results. The percent of sales gain for Rossville/Chromatex and Culp Textures represent sharp improvement over the first quarter's sales comparisons. Comments on current backlogs and incoming order rates versus last year are as follows: Mattress Ticking - up slightly; Culp Textures up slightly overall, with strength in the jacquard product line and weakness in the doobby line; Rossville/Chromatex - up moderately with strength in both doobby and jacquard product lines; and Velvets/Prints - up moderately, with strength in the wet prints, heat-transfer prints and woven velvet product lines. The results of the Velvets/Prints business unit were substantially improved from the second quarter of last year. The company instituted an "across-the-board" price increase of approximately 2%, generally effective for shipments after October 1, 1995.

The U.S. residential and contract furniture markets have improved somewhat during the last several months from the very weak business conditions

in our first fiscal quarter. The company believes this trend will continue for the balance of its fiscal year unless there is a significant change in the current favorable mortgage rate environment.

Export and foreign sales, including sales from Rayonese of \$2.1 million, were up 34.0% for the quarter, with particular strength in the Middle East and the Far East and Asia. The majority of the export growth is coming from the Culp Textures and Rossville/Chromatex business units, with particular strength in the jacquard product lines. The company is enjoying increasing success in marketing its upholstery fabric products internationally. We are encouraged by our growing customer base throughout the world and the increasing percentage that our Culp Textures and Rossville/Chromatex product lines represent of our total export shipments. For example, during the quarter we made our first shipment to India, one of the big emerging markets. Offsetting somewhat these positive trends, however, export shipments of mattress ticking are off considerably. The weakness resulted principally from lower shipments to Mexico and Brazil. The overall outlook for export sales gains remains good.

The U.S. bedding and home textiles (particularly "top of the bed") markets have softened significantly since early August. This retail weakness is resulting in a sharply slower rate of growth in our mattress ticking business unit, which includes Rayonese. The company believes this softness is temporary and that business conditions will turn more positive in early 1996.

CULP, INC. FINANCIAL INFORMATION RELEASE (page 9 of 9)  
FINANCIAL NARRATIVE - CONTINUED  
FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 29, 1995

(Bullet) GROSS PROFIT - The gross profit increase of 13.6% for the quarter reflects a significant gain in Velvets/Prints, a moderate gain in Mattress Ticking and a slight gain in Culp Textures. These increases were partially offset by a slight decrease in Rossville/Chromatex. The company's margins, in all business units, are being affected by the significant price increases in its raw materials over the last year. The company has been unable to pass along all of the cost increases it has received. For the near term (third quarter), the company is expecting gross profit gains in Velvets/Prints, Culp Textures and Rossville/Chromatex, and a moderate decrease in Mattress Ticking. The company is hopeful that the Mattress Ticking business unit will report a favorable gross profit comparison for the fourth fiscal quarter.

(Bullet) S,G & A EXPENSES - S,G&A expenses for the quarter were flat as a percentage of sales at 10.7%. This is favorable because of the significantly higher export sales commission during this quarter.

(Bullet) INTEREST EXPENSE - The increase for the quarter is due to additional borrowings related to the Rayonese acquisition, capital expenditures and higher levels of working capital necessary to support sales growth.

(Bullet) EBITDA - EBITDA for the quarter increased \$1.0 million, or 11.5%, from last year's second quarter, and represented 10.5% of net sales compared with 10.8% of net sales last year.

BALANCE SHEET COMMENTS

(Bullet) WORKING CAPITAL - The increase in inventories over fiscal year end is attributable to higher raw material inventories, which are being reduced during the balance of our fiscal year. The company has made excellent progress in reducing finished goods inventory in the last two quarters, with a 6% decrease from fiscal year end and an 8% decrease from second quarter of last year. This is particularly noteworthy because the company has historically built finished goods inventory during the first half of its fiscal year.

(Bullet) PROPERTY, PLANT AND EQUIPMENT - For fiscal 1996, the company has increased its capital spending plans from \$11.0 million to \$15.5 million due to accelerating two projects previously scheduled for fiscal 1997. The projects, scheduled to be completed during April and May 1996, involve expanding the company's production capacity for its jacquard and wet prints product lines. These new projects will have the capacity to generate an estimated \$25.0 million in annual sales on a full utilization basis. The major jacquard weaving project at Rayonese, which included thirty electronic air-jet jacquard looms with a cost of \$6.0 million, was completed and became fully operational during the quarter. Depreciation expense for fiscal 1996 is expected to approximate \$13.5 million. For fiscal 1997, the company believes its capital spending will be in the range of \$8 to \$10 million.

(Bullet) LONG-TERM DEBT - At October 30, 1995, the company had \$15.7 million in IRB borrowings, \$16.0 million in borrowings under its revolving credit facility, \$38.5 million in a term facility, \$1.0 million in a subordinated note payable and \$5.5 million in a convertible note payable. The current maturities of \$11.6 million includes: \$6.0 million repayment of the term loan, \$100,000 repayment of IRBs and the entire amount of the convertible note payable because the note is callable by the holder, beginning March 6, 1996. With its interest rate swap agreements totalling \$25.0 million, the company has effectively "fixed" 46% of its bank borrowings (\$54.5 million) at a weighted average interest rate of 7.1%. The company's funded debt to capital ratio was 50.4%, at October 30, 1995, down from 52.2% at July 30, 1995.

