UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended January 30, 2005

Commission File No. 0-12781

CULP, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA	56-1001967
(State or other jurisdiction of incorporation or other organization)	(I.R.S. Employer Identification No.)

101 S. Main St., High Point, North Carolina	27261-2686
(Address of principal executive offices)	(zip code)

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

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

YES X   NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES X   NO

Indicate the number of shares outstanding of each issuer's classes of common stock, as of the latest practical date:

Common shares outstanding at January 30, 2005: 11,550,009
Par Value: $.05

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Item 1: Financial Statements

CULP, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 30, 2005 AND FEBRUARY 1, 2004
UNAUDITED
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED				
	Amounts			Percent of Sales	
	January 30, 2005	February 1, 2004	% Over (Under)	January 30, 2005	February 1, 2004
Net sales	$ 69,060	76,561	(9.8)%	100.0 %	100.0 %
Cost of sales	66,493	62,093	7.1 %	96.3 %	81.1 %
Gross profit	2,567	14,468	(82.3)%	3.7 %	18.9 %
Selling, general and administrative expenses	8,191	10,282	(20.3)%	11.9 %	13.4 %
Restructuring expense	1,135	0	100.0 %	1.6 %	0.0 %
Income (loss) from operations	(6,759)	4,186	(261.5)%	(9.8)%	5.5 %
Interest expense	912	1,534	(40.5)%	1.3 %	2.0 %
Interest income	(42)	(113)	(62.8)%	(0.1)%	(0.1)%
Early extinguishment of debt	0	1,672	(100.0)%	0.0 %	2.2 %
Other expense	49	229	(78.6)%	0.1 %	0.3 %
Income (loss) before income taxes	(7,678)	864	(988.7)%	(11.1)%	1.1 %
Income taxes *	(2,801)	112	(2,600.9)%	36.5 %	13.0 %
Net income (loss)	$ (4,877)	752	(748.5)%	(7.1)%	1.0 %
Net income (loss) per share, basic	$ (0.42)	0.07	(700.0)%		
Net income (loss) per share, diluted	$ (0.42)	0.06	(800.0)%		
Average shares outstanding, basic	11,550	11,529	0.2 %		
Average shares outstanding, diluted	11,550	11,859	(2.6)%		

	NINE MONTHS ENDED				
	Amounts			Percent of Sales	
	January 30, 2005	February 1, 2004	% Over (Under)	January 30, 2005	February 1, 2004
Net sales	$ 212,315	232,968	(8.9)%	100.0 %	100.0 %
Cost of sales	191,506	190,283	0.6 %	90.2 %	81.7 %
Gross profit	20,809	42,685	(51.2)%	9.8 %	18.3 %
Selling, general and administrative expenses	26,309	31,089	(15.4)%	12.4 %	13.3 %
Goodwill impairment	5,126	0	100.0 %	2.4 %	0.0 %
Restructuring expense	2,289	0	100.0 %	1.1 %	0.0 %
Income (loss) from operations	(12,915)	11,596	(211.4)%	(6.1)%	5.0 %
Interest expense	2,789	4,540	(38.6)%	1.3 %	1.9 %
Interest income	(98)	(356)	(72.5)%	(0.0)%	(0.2)%
Early extinguishment of debt	0	1,672	(100.0)%	0.0 %	0.7 %
Other expense	436	536	(18.7)%	0.2 %	0.2 %
Income (loss) before income taxes	(16,042)	5,204	(408.3)%	(7.6)%	2.2 %
Income taxes *	(5,920)	1,717	(444.8)%	36.9 %	33.0 %
Net income (loss)	$ (10,122)	3,487	(390.3)%	(4.8)%	1.5 %
Net income (loss) per share, basic	$ (0.88)	0.30	(393.3)%		
Net income (loss) per share, diluted	$ (0.88)	0.30	(393.3)%		
Average shares outstanding, basic	11,549	11,522	0.2 %		
Average shares outstanding, diluted	11,549	11,764	(1.8)%		

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

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED BALANCE SHEETS
JANUARY 30, 2005, FEBRUARY 1, 2004 AND MAY 2, 2004
UNAUDITED
(Amounts in Thousands)

	Amounts		Increase (Decrease)		
	January 30, 2005	February 1, 2004	Dollars	Percent	* May 2, 2004
Current assets:					
Cash and cash equivalents	$ 13,020	8,932	4,088	45.8 %	14,568
Accounts receivable	26,681	28,282	(1,601)	(5.7)%	30,719
Inventories	46,649	52,000	(5,351)	(10.3)%	49,045
Deferred income taxes	4,910	12,303	(7,393)	(60.1)%	9,256
Other current assets	1,088	2,610	(1,522)	(58.3)%	1,634
Total current assets	92,348	104,127	(11,779)	(11.3)%	105,222
Property, plant & equipment, net	71,024	78,909	(7,885)	(10.0)%	77,770
Goodwill	4,114	9,240	(5,126)	(55.5)%	9,240
Deferred income taxes	7,115	0	7,115	100.0 %	0
Other assets	1,330	1,577	(247)	(15.7)%	1,496
Total assets	$ 175,931	193,853	(17,922)	(9.2)%	193,728
Current liabilities:					
Current maturities of long-term debt	$ 584	544	40	7.4 %	528
Accounts payable	15,580	17,790	(2,210)	(12.4)%	15,323
Accrued expenses	9,568	12,901	(3,333)	(25.8)%	13,028
Accrued restructuring costs	5,093	6,353	(1,260)	(19.8)%	4,968
Income taxes payable	1,690	2,428	(738)	(30.4)%	1,850
Total current liabilities	32,515	40,016	(7,501)	(18.7)%	35,697
Long-term debt, less current maturities	49,975	50,519	(544)	(1.1)%	50,502
Deferred income taxes	0	3,851	(3,851)	(100.0)%	4,138
Total liabilities	82,490	94,386	(11,896)	(12.6)%	90,337
Shareholders' equity	93,441	99,467	(6,026)	(6.1)%	103,391
Total liabilities and shareholders' equity	$ 175,931	193,853	(17,922)	(9.2)%	193,728
Shares outstanding	11,550	11,529	21	0.2 %	11,547

* Derived from audited financial statements.

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 30, 2005 AND FEBRUARY 1, 2004
UNAUDITED
(Amounts in Thousands)

	NINE MONTHS ENDED	
	Amounts	
	January 30, 2005	February 1, 2004
Cash flows from operating activities:		
Net income (loss)	$ (10,122)	3,487
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	14,505	10,294
Amortization of other assets	100	136
Stock-based compensation	157	157
Goodwill impairment	5,126	0
Deferred income taxes	(6,907)	0
Restructuring expense	2,289	0
Changes in assets and liabilities:		
Accounts receivable	4,038	3,977
Inventories	2,396	(2,448)
Other current assets	546	594
Other assets	120	522
Accounts payable	1,659	544
Accrued expenses	(3,460)	(1,170)
Accrued restructuring	(1,733)	(1,390)
Income taxes payable	(160)	2,079
Net cash provided by operating activities	8,554	16,782
Cash flows from investing activities:		
Capital expenditures	(8,216)	(4,097)
Purchases of short-term investments	0	10,043
Net cash (used in) provided by investing activities	(8,216)	5,946
Cash flows from financing activities:		
Payments on vendor-financed capital expenditures	(1,430)	(2,772)
Payments on long-term debt	(471)	(25,437)
Proceeds from common stock issued	15	58
Net cash used in financing activities	(1,886)	(28,151)
Decrease in cash and cash equivalents	(1,548)	(5,423)
Cash and cash equivalents at beginning of period	14,568	14,355
Cash and cash equivalents at end of period	$ 13,020	8,932

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
UNAUDITED

(Dollars in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Capital Contributed in Excess of Par Value	Unearned Compensation	Retained Earnings	Total Shareholders' Equity
Balance, April 27, 2003	11,515,459	$ 576	39,749	(559)	55,999	$95,765
Net income					7,220	7,220
Stock-based compensation				210		210
Common stock issued in connection with stock option plans	31,175	2	194			196
Balance, May 2, 2004	11,546,634	$ 578	39,943	(349)	63,219	$103,391
Net loss					(10,122)	(10,122)
Stock-based compensation				157		157
Common stock issued in connection with stock option plans	3,375	0	15			15
Balance, January 30, 2005	11,550,009	$ 578	39,958	(192)	53,097	$93,441

See accompanying notes to consolidated financial statements.

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Culp, Inc. and subsidiaries (the "company") include all adjustments, which are, in the opinion of management, necessary for fair presentation of the results of operations and financial position. All of these adjustments are of a normal recurring nature except as disclosed in notes 9 and 13 to the consolidated financial statements. Results of operations for interim periods may not be indicative of future results. The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements, which are included in the company's annual report on Form 10-K filed with the Securities and Exchange Commission on July 16, 2004 for the fiscal year ended May 2, 2004. Certain items in the fiscal 2004 consolidated financial statements have been reclassified to conform with the current presentation.

The company's nine months ended January 30, 2005 and February 1, 2004 represent 39 and 40 week periods, respectively.

2. Stock-Based Compensation

Compensation costs related to employee stock option plans are recognized utilizing the intrinsic value-based method prescribed by APB No. 25, Accounting for Stock Issued to Employees, and related Interpretations. The company has adopted the disclosure requirements of SFAS No. 123, Accounting for Stock- Based Compensation, as amended by SFAS No. 148. Accordingly, compensation cost is recorded over the vesting period of the options based upon the difference in option price and fair market price at the date of grant, if any.

The following table illustrates the effect on net income (loss) and income (loss) per share if the company had applied the fair value recognition provisions of SFAS No. 123, as amended by SFAS No. 148, for the three months ended January 30, 2005 and February 1, 2004.

(dollars in thousands, except per share data)	January 30, 2005	February 1, 2004
Net income (loss), as reported	$ (4,877)	$ 752
Add: Total stock-based employee compensation expense included in net income, net of tax	33	39
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of tax	(117)	(116)
Pro forma net income (loss)	$ (4,961)	$ 675
Income (loss) per share:		
Basic - as reported	$ (0.42)	$ 0.07
Basic - pro forma	(0.43)	0.06
Diluted - as reported	(0.42)	0.06
Diluted - pro forma	(0.43)	0.06

The following table illustrates the effect on net income (loss) and income (loss) per share if the company had applied the fair value recognition provisions of SFAS No. 123, as amended by SFAS No. 148, for the nine months ended January 30, 2005 and February 1, 2004.

(dollars in thousands, except per share data)	January 30, 2005	February 1, 2004
Net income (loss), as reported	$ (10,122)	$ 3,487
Add: Total stock-based employee compensation expense included in net income, net of tax	100	105
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of tax	(394)	(356)
Pro forma net income (loss)	$ (10,416)	$ 3,236
Income (loss) per share:		
Basic - as reported	$ (0.88)	$ 0.30
Basic - pro forma	(0.90)	0.28
Diluted - as reported	(0.88)	0.30
Diluted - pro forma	(0.90)	0.28

3. Accounts Receivable

A summary of accounts receivable follows:

(dollars in thousands)	January 30, 2005	May 2, 2004
Customers	$ 28,689	$ 33,064
Allowance for doubtful accounts	(963)	(1,442)
Reserve for returns and allowances	(1,045)	(903)
	$ 26,681	$ 30,719

A summary of the activity in the allowance for doubtful accounts follows:

	Nine months ended	
(dollars in thousands)	January 30, 2005	February 1, 2004
Beginning balance	$ (1,442)	$ (1,558)
Provision (for) recovery of bad debt expense	434	(162)
Net write-offs	45	47
Ending balance	$ (963)	$ (1,673)

4. Inventories

Inventories are carried at the lower of cost or market. Cost is determined using the FIFO (first-in, first-out) method.

A summary of inventories follows:

(dollars in thousands)	January 30, 2005	May 2, 2004
Raw materials	$ 20,200	$ 21,015
Work-in-process	2,868	2,489
Finished goods	23,581	25,541
	$ 46,649	$ 49,045

5. Accounts Payable

A summary of accounts payable follows:

(dollars in thousands)	January 30, 2005	May 2, 2004
Accounts payable-trade	$ 15,096	$ 13,438
Accounts payable-capital expenditures	484	1,885
	$ 15,580	$ 15,323

6. Accrued Expenses

A summary of accrued expenses follows:

(dollars in thousands)	January 30, 2005	May 2, 2004
Compensation, commissions and related benefits	$ 5,832	$ 8,040
Interest	1,417	459
Accrued rebates	661	2,258
Other	1,658	2,271
	$ 9,568	$ 13,028

7. Long-Term Debt

A summary of long-term debt follows:

(dollars in thousands)	January 30, 2005	May 2, 2004
Unsecured term notes	$ 49,975	$ 49,975
Canadian government loan	584	1,055
	50,559	51,030
Less current maturities	(584)	(528)
	$ 49,975	$ 50,502

The Company's long-term debt of $50.6 million is unsecured and is comprised of $50.0 million in outstanding senior notes, with a fixed interest rate of 7.76% (payable semi-annually in March and September) and a $584,000, non-interest bearing term loan with the Canadian government. The unsecured senior notes are payable over an average remaining term of five years beginning March 2006 through March 2010. The final payment on the Canadian government loan is due during the company's third quarter of fiscal 2006.

In December 2004, the company amended its agreement with its bank to provide for a reduced revolving loan commitment of $10.0 million from an existing commitment of $15.0 million, including letters of credit up to $2.5 million. Borrowings under the facility generally carry interest at the London Interbank Offered Rate plus an adjustable margin based upon the company's debt/EBITDA ratio, as defined by the agreement. As of January 30, 2005, there were $406,000 in outstanding letters of credit in support of inventory purchases and no borrowings outstanding under the agreement. The credit facility expires August 2005.

On February 18, 2005, the company entered into an agreement with its bank to amend the Interest and Leases Coverage ratio such that at the end of each fiscal quarter beginning with the third fiscal quarter of fiscal year 2005, the Interest and Leases Coverage Ratio shall not be less than 1.25 to 1.0

The company's loan agreements require, among other things, that the company maintain compliance with certain financial ratios. At January 30, 2005, the company was in compliance with these financial covenants.

The principal payment requirements of long-term debt during the next five fiscal years are: 2005 - $0; 2006 - $8,119,000; 2007 - $7,535,000; 2008 - $19,835,000; and 2009 - $7,535,000.

8. Cash Flow Information

Payments for interest and income taxes follows:

(dollars in thousands)	Nine months ended January 30, 2005	Nine months ended February 1, 2004
Interest	$ 1,995	$ 3,835
Income tax payments (refunds)	1,125	(362)

The non-cash portion of capital expenditures representing vendor financing totaled $29,000 and $331,000 for the nine months ended January 30, 2005 and February 1, 2004, respectively.

9. Restructuring and Asset Impairment Charges

A summary of accrued restructuring follows:

(dollars in thousands)	January 30, 2005	May 2, 2004
Fiscal 2005 Upholstery Fabrics	$ 1,088	$ 0
Fiscal 2003 Culp Decorative Fabrics	3,987	4,834
Fiscal 2002 Wet Printed Flock	0	100
Fiscal 2001 Culp Decorative Fabrics	18	34
	$ 5,093	$ 4,968

Fiscal 2005 Upholstery Fabrics

In October 2004, management approved a restructuring plan within the upholstery fabrics segment aimed at reducing costs, increasing asset utilization and improving profitability. Due to continued pressure on demand in this segment, management decided to further adjust the company's cost structure and bring U.S. manufacturing capacity in line with current and expected demand. The restructuring plan principally involves consolidation of the company's decorative fabrics weaving operations by closing Culp's facility in Pageland, South Carolina, and consolidating those operations into the Graham, North Carolina facility. Additionally, the company will be consolidating its yarn operations by integrating the production of the Cherryville, North Carolina plant into the company's Shelby, North Carolina facility. Another element of the restructuring plan is a substantial reduction in certain raw material and finished goods stock keeping units, or SKUs, to reduce manufacturing complexities and lower costs, with the ongoing objective of identifying and eliminating products that are not generating acceptable volumes or margins. Finally, the company is making reductions in selling, general and administrative expenses. Overall, these restructuring actions will reduce the number of associates by approximately 250 people, representing approximately 14 percent of those in Culp's upholstery fabrics segment. The implementation of these restructuring initiatives began in the second quarter and is expected to be completed by May 1, 2005, the end of the current fiscal year. The company expects the restructuring actions to result in total pre-tax charges of approximately $19 million ($12 million on an after-tax basis). Approximately $14 million of the pre-tax amount is expected to be non-cash items, including $5.1 million for goodwill impairment (See note 13). Of the total charges expected, $13.2 million ($8.2 million, net of taxes, or $0.71 per diluted share) was incurred through the third quarter. The remaining charges are expected to be recorded in the fourth quarter of fiscal 2005, as incurred.

The $13.2 million in charges incurred thus far in fiscal 2005 consist of the following: (1) $5.5 million of restructuring expenses related to accelerated depreciation associated with plant and equipment scheduled to be disposed of, either by sale or by abandonment, over the next three months and inventory mark-downs (2) $5.1 million of goodwill impairment, which represents all of the remaining goodwill associated with the upholstery fabrics segment; (3) $1.3 million in restructuring expenses related to employee termination costs, (4) $850,000 of restructuring expenses related to the dismantling, moving, and relocation of equipment to other company facilities, and (5) approximately $400,000 in write-down of equipment. As reflected in the consolidated financial statements, restructuring and related expenses were recorded as $2.3 million in the line item "restructuring expense" and $5.5 million in "cost of sales."

The following summarizes the fiscal 2005 activity in the restructuring accrual:

(dollars in thousands)	Employee Termination Benefits	Lease Termination and Other Exit Costs	Total
Balance, October 31, 2004	$ 1,305	0	1,305
Paid in fiscal 2005	(217)	0	(217)
Balance, January 30, 2005	$ 1,088	0	1,088

Fiscal 2003 Culp Decorative Fabrics Restructuring

During the second quarter of fiscal 2005, the accrual was reduced $114,000 in employee termination benefits to reflect the current estimates of future health care claims and reduced $165,000 in lease termination and other exit costs to reflect current estimates of sub-lease income. The total of these adjustments was $279,000, or approximately $176,000 net of tax, or $0.01 per share diluted.

The following summarizes the fiscal 2005 activity in the restructuring accrual:

(dollars in thousands)		Employee Termination Benefits	Lease Termination and Other Exit Costs	Total
Balance, May 2, 2004	$	500	4,334	4,834
Adjustments in fiscal 2005		(114)	(165)	(279)
Paid in fiscal 2005		(71)	(497)	(568)
Balance, January 30, 2005	$	315	3,672	3,987

Fiscal 2002 Wet Printed Flock Restructuring

During the first quarter of fiscal 2005, assets held for sale consisting of land and a building valued at $180,000 in the other assets line of the May 2, 2004 Consolidated Balance Sheet were sold, resulting in a restructuring credit of $54,000. An additional restructuring credit of $84,000 was recognized relating to the write-off of the remaining reserve balance, which consisted of building related exit costs.

The following summarizes the fiscal 2005 activity in the CVP restructuring accrual:

(dollars in thousands)		Employee Termination Benefits	Lease Termination and Other Exit Costs	Total
Balance, May 2, 2004	$	0	100	100
Adjustments in fiscal 2005		0	(84)	(84)
Paid in fiscal 2005		0	(16)	(16)
Balance, January 30, 2005	$	0	0	0

Fiscal 2001 Culp Decorative Fabrics Restructuring

During the second quarter of fiscal 2005, the reserve was reduced $12,000 to reflect current estimates of future health care claims.

The following summarizes the fiscal 2005 activity in the CDF restructuring accrual:

(dollars in thousands)		Employee Termination Benefits	Lease Termination and Other Exit Costs	Total
Balance, May 2, 2004	$	34	0	34
Adjustments in fiscal 2005		(12)	0	(12)
Paid in fiscal 2005		(4)	0	(4)
Balance, January 30, 2005	$	18	0	18

10. Comprehensive Income (Loss)

Comprehensive income (loss) is the total of net income (loss) and other changes in equity, except those resulting from investments by shareholders and distributions to shareholders not reflected in net income (loss).

A summary of total comprehensive income (loss) follows:

	Three months ended			
(dollars in thousands)		January 30, 2005		February 1, 2004
Net income (loss)	$	(4,877)	$	752
Unrealized gain in fair value of short-term investments		0		57
Net comprehensive income (loss)	$	(4,877)	$	809

	Nine months ended			
(dollars in thousands)		January 30, 2005		February 1, 2004
Net Income (loss)	$	(10,122)	$	3,487
Unrealized gain (loss) in fair value of short-term investments		0		0
Net comprehensive income (loss)	$	(10,122)	$	3,487

11. Income (Loss) per Share

Basic income (loss) per share is computed using the weighted-average number of shares outstanding during the period. Diluted income per share uses the weighted-average number of shares outstanding during the period plus the dilutive effect of stock options calculated using the treasury stock method. Weighted average shares used in the computation of basic and diluted income (loss) per share follows:

	Three months ended	
(amounts in thousands)	January 30, 2005	February 1, 2004
Weighted average common shares outstanding, basic	11,550	11,529
Effect of dilutive stock options	0	330
Weighted average common shares outstanding, diluted	11,550	11,859

Options to purchase 590,625 shares and 247,625 shares of common stock were not included in the computation of diluted income (loss) per share for the three months ended January 30, 2005 and February 1, 2004, respectively, because the exercise price of the options was greater than the average market price of the common shares.

Options to purchase 119,008 shares of common stock were not included in the computation of diluted net loss per share for the three months ended January 30, 2005 because the company incurred a net loss for the period.

	Nine months ended	
(amounts in thousands)	January 30, 2005	February 1, 2004
Weighted average common shares outstanding, basic	11,549	11,522
Effect of dilutive stock options	0	242
Weighted average common shares outstanding, diluted	11,549	11,764

Options to purchase 479,167 shares and 392,606 shares of common stock were not included in the computation of diluted income (loss) per share for the nine months ended January 30, 2005 and February 1, 2004, respectively, because the exercise price of the options was greater than the average market price of the common shares.

Options to purchase 157,417 shares of common stock were not included in the computation of diluted net loss per share for the nine months ended January 30, 2005 because the company incurred a net loss for the period.

12. Segment Information

The company's operations are classified into two segments: mattress fabrics and upholstery fabrics. The mattress fabrics segment principally manufactures and sells fabrics to bedding manufacturers. The upholstery fabrics segment principally manufactures and sells fabrics primarily to residential and commercial (contract) furniture manufacturers. The upholstery fabrics segment consists of two divisions: Culp Decorative Fabrics and Culp Velvets/Prints. Since these divisions have similar products, manufacturing processes, customers, methods of distribution and economic characteristics, they are aggregated for segment reporting purposes.

Effective May 3, 2004, the company began evaluating the operating performance of its segments based upon income (loss) from operations before restructuring and related charges or credits and certain unallocated corporate expenses. Previously, the company evaluated operating segment performance based upon gross profit. Operating income (loss) for the prior period and gross profit for both periods by segment is presented for comparative purposes. Unallocated corporate expenses represent primarily compensation and benefits for certain executive officers and all costs related to being a public company. Segment assets include assets used in the operation of each segment and consist of accounts receivable, inventories, and property, plant and equipment. The company no longer allocates goodwill to its operating segments for the purposes of evaluating operating performance.

Financial information for the company's operating segments as follows:

	Three months ended	
(dollars in thousands)	January 30, 2005	February 1, 2004
Net sales:		
Mattress Fabrics	$ 25,576	$ 25,114
Upholstery Fabrics	43,484	51,447
	$ 69,060	$ 76,561
Gross profit:		
Mattress Fabrics	$ 3,478	$ 5,093
Upholstery Fabrics	3,391	9,375
Total segment gross profit	6,869	14,468
Restructuring related charges	(4,302) (1)	0
	$ 2,567	$ 14,468
Income (loss) from operations:		
Mattress Fabrics	$ 1,589	$ 3,039
Upholstery Fabrics	(2,010)	2,260
Total segment income (loss) from operations	(421)	5,299
Unallocated corporate expenses	(901)	(1,113)
Goodwill impairment	0	0
Restructuring and related charges	(5,437) (2)	0
	$ (6,759)	$ 4,186

(1) Restructuring related charges represent accelerated depreciation associated with plant and equipment scheduled to be disposed of, either by sale or abandonment, over the next three months and is included in the cost of sales line item in the Consolidated Statements of Income (Loss). These charges primarily relate to the Upholstery Fabrics segment.

(2) Restructuring and related charges represent the $4.3 million in related charges for accelerated depreciation and $1.1 million in restructuring charges for asset movement costs and fixed asset write-downs. (see note 9). Restructuring charges are included in the restructuring expense line item in the Consolidated Statements of Income (Loss). These charges primarily relate to the Upholstery Fabrics segment.

(dollars in thousands)	Nine months ended January 30, 2005		Nine months ended February 1, 2004
Net sales:			
Mattress Fabrics	$ 78,414		$ 79,122
Upholstery Fabrics	133,901		153,846
	$ 212,315		$ 232,968
Gross profit:			
Mattress Fabrics	$ 12,735		$ 17,494
Upholstery Fabrics	13,575		25,191
Total segment gross profit	26,310		42,685
Restructuring related charges	(5,501)	(3)	0
	$ 20,809		$ 42,685
Income (loss) from operations:			
Mattress Fabrics	$ 7,166		$ 11,430
Upholstery Fabrics	(4,417)		3,993
Total income from operations	2,749		15,423
Unallocated corporate expenses	(2,748)		(3,827)
Goodwill impairment	(5,126)	(4)	0
Restructuring and related charges	(7,790)	(5)	0
	$ (12,915)		$ 11,596

(3) Restructuring related charges primarily represent accelerated depreciation associated with plant and equipment scheduled to be disposed of, either by sale or abandonment, over the next three months and inventory markdowns; both are included in the cost of sales line item in the Consolidated Statements of Income (Loss). These charges primarily relate to the Upholstery Fabrics segment.

(4) The goodwill impairment was the result of an evaluation of all the remaining goodwill associated with the Upholstery Fabrics segment.

(5) Restructuring and related charges primarily represent the $5.5 million in related charges for accelerated depreciation and inventory markdowns and $2.3 million in restructuring charges for fixed asset write-downs, employee termination benefits, and asset movement costs (see note 9). Restructuring charges are included in the restructuring expense line item in the Consolidated Statements of Income (Loss). These charges primarily relate to the Upholstery Fabrics segment.

Balance sheet information for the company's operating segments follow:

(dollars in thousands)	January 30, 2005	May 2, 2004
Segment assets:		
Mattress Fabrics		
Current assets	$ 24,356	$ 24,565
Property, plant and equipment (6)	21,943	23,126
Total mattress fabrics assets	46,299	47,691
Upholstery Fabrics		
Current assets	48,974	55,199
Property, plant and equipment (7)	43,736	54,644
Total upholstery fabrics assets	92,710	109,843
Total segment assets	139,009	157,534
Non-segment assets:		
Cash and cash equivalents	13,020	14,568
Deferred income taxes	12,025	9,256
Other current assets	1,088	1,634
Property, plant & equipment	5,345	0
Goodwill	4,114	9,240
Other assets	1,330	1,496
Total assets	$ 175,931	$ 193,728

	Nine months ended	
(dollars in thousands)	January 30, 2005	February 1, 2004
Capital expenditures:		
Mattress Fabrics	$ 1,988	$ 365
Upholstery Fabrics	962	4,005
Unallocated corporate	5,376(8)	0
	$ 8,326	$ 4,370
Depreciation expense:		
Mattress Fabrics	$ 2,743	$ 2,823
Upholstery Fabrics	7,184	7,471
Total segment depreciation expense	9,927	10,294
Accelerated depreciation	4,578	0
	$ 14,505	$ 10,294

(6) Included in property, plant and equipment are assets located in the U.S. totaling $8.3 million and $9.8 million for January 30, 2005 and May 2, 2004, respectively.
(7) Included in property, plant and equipment are assets located in the U.S. totaling $40.6 million and $51.5 million for January 30, 2005 and May 2, 2004, respectively.
(8) Unallocated corporate capital expenditures for fiscal 2005 primarily represent capital spending for the new corporate office building.

13. Goodwill Impairment

Due to the continued pressure on demand in the Culp Decorative Fabrics division within the upholstery fabrics segment, operating profits and cash flows were significantly lower than expected for the second quarter and year to date for fiscal 2005. As a result, management determined that the goodwill associated with the segment should be tested for impairment in accordance with the provisions of FAS 142, Goodwill and Other Intangible Assets. An independent business valuation specialist was engaged to assist the company in the determination of the fair market value of the upholstery fabrics segment. The fair value as determined using several different methods, including comparable companies, comparable transactions and discounted cash flow analysis was less than the carrying value. Accordingly, the company recorded a goodwill impairment charge of $5.1 million ($3.2 million net of taxes of $1.9 million), or $0.28 per share diluted in the second quarter of fiscal 2005, related to the goodwill associated with the upholstery fabrics segment. After the goodwill impairment charge, the company's remaining goodwill of $4.1 million relates to the mattress fabrics segment.

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14. Recent Accounting Pronouncements

In November 2004, the FASB issued SFAS No.151,"Inventory Costs, an amendment of ARB No.43, Chapter 4," which clarifies the types of costs that should be expensed rather than capitalized as inventory. This statement also clarifies the circumstances under which fixed overhead costs associated with operating facilities involved in inventory processing should be capitalized. The provisions of SFAS No.151 are effective for fiscal years beginning after June 15, 2005 and the company will adopt this standard in fiscal 2007. Management has not determined the impact, if any, that this statement will have on our consolidated financial position or results of operations.

SFAS No. 123 (Revised 2004), "Share-Based Payment," issued in December 2004, is a revision of FASB Statement 123, "Accounting for Stock-Based Compensation" and supercedes APB Opinion No. 25," Accounting for Stock Issued to Employees," and its related implementation guidance. The Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123 (Revised 2004) requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. This statement is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005 and the company will adopt the standard in the second quarter of fiscal 2006. Management has not determined the impact, if any, that this statement will have on our consolidated financial position or results of operations.

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ITEM 2.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This Report and the exhibits attached 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. In addition, changes in consumer preferences for various categories of furniture coverings, as well as changes in costs to produce such products (including import duties and quotas or other import costs) can have significant effects on demand for the company's products. Also, changes in the value of the U.S. dollar versus other currencies can affect the company's financial results because a significant portion of the company's operations are located outside the United States. Further, 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. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

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

Overview

Culp, Inc., which we sometimes refer to as the company, manufactures and markets mattress fabrics (known as mattress ticking and used for covering mattresses and box springs) and upholstery fabrics primarily for use in furniture manufacturing (residential and commercial). The company's executive offices are located in High Point, North Carolina. The company was organized as a North Carolina corporation in 1972 and made its initial public offering in 1983. Since 1997, the company has been listed on the New York Stock Exchange and traded under the symbol "CFI."

Management believes that Culp is one of the two largest producers of mattress fabrics in North America, as measured by total sales, and one of the three largest marketers of upholstery fabrics for furniture in North America, again measured by total sales. The company's fabrics are used primarily in the production of bedding products and residential and commercial upholstered furniture, including sofas, recliners, chairs, loveseats, sectionals, sofa-beds, office seating and mattress sets. Although Culp markets fabrics at most price levels, the company emphasizes fabrics that have broad appeal in the "good" and "better" priced categories of furniture and bedding.

The company's fiscal year is the 52 or 53 week period ending on the Sunday closest to April 30. The year-to-date period for fiscal 2005 included 39 weeks versus 40 weeks for the same period of fiscal 2004. The company's operating segments are mattress fabrics and upholstery fabrics, with related divisions organized within those segments. In mattress fabrics, Culp Home Fashions markets a broad array of fabrics used by bedding manufacturers. In upholstery fabrics, Culp Decorative Fabrics markets jacquard and dobby woven fabrics for residential and commercial furniture and yarn for use primarily by the company, with some outside sales. Culp Velvets/Prints markets velvet, printed fabrics and microdenier suedes used primarily for residential furniture.

Effective May 3, 2004, the company began allocating selling, general and administrative expenses to its operating segments and began evaluating the operating performance of its segments based upon income (loss) from operations before restructuring and related charges or credits and certain unallocated corporate expenses. Previously, the company evaluated operating segment performance based upon gross profit. Operating income (loss) for the prior period and gross profit for both periods by segment is presented for comparative purposes. Unallocated corporate expenses represent primarily compensation and benefits for certain executive officers and all costs related to being a public company. Segment assets include assets used in the operation of each segment and consist of accounts receivable, inventories, and property, plant and equipment. The company no longer allocates goodwill to its operating segments for the purposes of evaluating operating performance.

The following tables set forth the company's sales, gross profit and operating income (loss) by segment/division for the three and nine months ended January 30, 2005 and February 1, 2004.

CULP, INC.
SALES, GROSS PROFIT AND OPERATING INCOME (LOSS) BY SEGMENT/DIVISION
FOR THE THREE MONTHS ENDED JANUARY 30, 2005 AND FEBRUARY 1, 2004

(Amounts in thousands)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
Net Sales by Segment	January 30, 2005	February 1, 2004	% Over (Under)	January 30, 2005	February 1, 2004
Mattress Fabrics					
Culp Home Fashions	$ 25,576	25,114	1.8 %	37.0 %	32.8 %
Upholstery Fabrics					
Culp Decorative Fabrics	25,051	29,678	(15.6)%	36.3 %	38.8 %
Culp Velvets/Prints	18,433	21,769	(15.3)%	26.7 %	28.4 %
	43,484	51,447	(15.5)%	63.0 %	67.2 %
Net Sales	$ 69,060	76,561	(9.8)%	100.0 %	100.0 %
Gross Profit by Segment				Gross Profit Margin	
Mattress Fabrics	$ 3,478	5,093	(31.7)%	13.6 %	20.3 %
Upholstery Fabrics	3,391	9,375	(63.8)%	7.8 %	18.2 %
Total segment gross profit	6,869	14,468	(52.5)%	9.9 %	18.9 %
Restructuring related charges (1)	(4,302)	0	100.0 %	(6.2)%	0.0 %
Gross Profit	$ 2,567	14,468	(82.3)%	3.7 %	18.9 %
Operating Income (loss) by Segment				Operating Income (Loss) Margin	
Mattress Fabrics	$ 1,589	3,039	(47.7)%	6.2 %	12.1 %
Upholstery Fabrics	(2,010)	2,260	(188.9)%	(4.6)%	4.4 %
Total segment operating income (loss)	(421)	5,299	(107.9)%	(0.6)%	6.9 %
Unallocated corporate expenses	(901)	(1,113)	(19.0)%	(1.3)%	(1.5)%
Goodwill impairment	0	0	(100.0)%	0.0 %	0.0 %
Restructuring and related charges and credits (1)	(5,437)	0	(100.0)%	(7.9)%	0.0 %
Operating income (loss)	$ (6,759)	4,186	(261.5)%	(9.8)%	5.5 %
Depreciation by Segment					
Mattress Fabrics	$ 912	937	(2.7)%		
Upholstery Fabrics	2,330	2,475	(5.9)%		
Total segment depreciation expense	3,242	3,412	(5.0)%		
Accelerated depreciation	4,362	0	100 %		
Total Depreciation	$ 7,604	3,412	122.9 %		

(1) The $4.3 million represents restructuring related charges for accelerated depreciation. The $5.4 million represents accelerated depreciation, asset movement costs, and fixed asset write downs.

CULP, INC.
SALES, GROSS PROFIT AND OPERATING INCOME (LOSS) BY SEGMENT/DIVISION
FOR THE NINE MONTHS ENDED JANUARY 30, 2005 AND FEBRUARY 1, 2004

(Amounts in thousands)

	NINE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
Net Sales by Segment	January 30, 2005	February 1, 2004	% Over (Under)	January 30, 2005	February 1, 2004
Mattress Fabrics					
Culp Home Fashions	$ 78,414	79,122	(0.9)%	36.9 %	34.0 %
Upholstery Fabrics					
Culp Decorative Fabrics	76,249	91,753	(16.9)%	35.9 %	39.4 %
Culp Velvets/Prints	57,652	62,093	(7.2)%	27.2 %	26.7 %
	133,901	153,846	(13.0)%	63.1 %	66.0 %
Net Sales	$ 212,315	232,968	(8.9)%	100.0 %	100.0 %
Gross Profit by Segment				Gross Profit Margin	
Mattress Fabrics	$ 12,735	17,494	(27.2)%	16.2 %	22.1 %
Upholstery Fabrics	13,575	25,191	(46.1)%	10.1 %	16.4 %
Total segment gross profit	26,310	42,685	(38.4)%	12.4 %	18.3 %
Restructuring related charges (1)	(5,501)	0	100.0 %	(2.6)%	0.0 %
Gross Profit	$ 20,809	42,685	(51.2)%	9.8 %	18.3 %
Operating Income (loss) by Segment				Operating Income (Loss) Margin	
Mattress Fabrics	$ 7,166	11,430	(37.3)%	9.1 %	14.4 %
Upholstery Fabrics	(4,417)	3,993	(210.6)%	(3.3)%	2.6 %
Total segment operating income	2,749	15,423	(82.2)%	1.3 %	6.6 %
Unallocated corporate expenses	(2,748)	(3,827)	(28.2)%	(1.3)%	(1.6)%
Goodwill impairment	(5,126)	0	(100.0)%	(2.4)%	0.0 %
Restructuring and related charges and credits (1)	(7,790)	0	(100.0)%	(3.7)%	0.0 %
Operating income (loss)	$ (12,915)	11,596	(211.4)%	(6.1)%	5.0 %
Depreciation by Segment					
Mattress Fabrics	$ 2,743	2,823	(2.8)%		
Upholstery Fabrics	7,184	7,471	(3.8)%		
Total segment depreciation expense	9,927	10,294	(3.6)%		
Accelerated depreciation	4,578	0	100.0 %		
Total Depreciation	$ 14,505	10,294	40.9 %		

(1) The $5.5 million represents restructuring related charges for accelerated depreciation and inventory markdowns. The $7.8 million represents the $5.5 million in restructuring related charges plus $2.3 million in restructuring charges for accrued termination benefits, asset movement costs and fixed asset write-down costs.

Three and Nine Months ended January 30, 2005 compared with Three and Nine Months ended February 1, 2004

The financial results for the third quarter reflect continued soft demand for domestically produced upholstery fabrics and, to a lesser extent, pricing pressures for mattress ticking and higher raw material costs. Additionally, because of the scheduled holiday plant closings, the third quarter is typically a slow period of the year for the company's business. For the third quarter of fiscal 2005, consolidated net sales decreased 9.8% to $69.1 million; and the company reported a net loss of $4.9 million, or $0.42 per share diluted, compared with net income of $752,000, or $0.06 per diluted share, for the third quarter of fiscal 2004. The financial results for the third quarter of fiscal 2005 include $5.4 million in restructuring and related charges, or $3.4 million net of tax ($0.29 per diluted share). The financial results for the third quarter of fiscal 2004 included a $1.7 million charge, or $1.1 million net of tax ($0.10 per diluted share), associated with a $25.0 million prepayment of the company's outstanding senior notes. For the first nine months of fiscal 2005, net sales decreased 8.9% to $212.3 million; and the company reported a net loss of $10.1 million, or $0.88 per share diluted, compared with net income of $3.5 million or $0.30 per share diluted, for the same period last year. The financial results for the first nine months of fiscal 2005 included $7.8 million in restructuring and related charges, or $4.9 million net of tax ($0.42 per share) and $5.1 million in goodwill impairment, or $3.2 million net of tax ($0.28 per share). The financial results for the first nine months of fiscal 2004 included the $1.7 million prepayment charge, or $1.1 million net of tax ($0.10 per share diluted) described above. Year-to-date for fiscal 2005 included 39 weeks versus 40 weeks for the same period of fiscal 2004.

Goodwill Impairment and Restructuring and Related Charges

Third quarter of fiscal 2005 -- The financial results for the third quarter include a total of $5.4 million in restructuring and related charges. The charges are made up of the following: (1) $1.0 million in restructuring expenses related to the dismantling, moving and relocation of equipment to other company facilities, (2) approximately $143,000 in write-down of equipment and (3) $4.3 million in accelerated depreciation associated with plant and equipment scheduled to be disposed of, either by sale or by abandonment, by fiscal year end. As reflected in the financial statements, restructuring and related expenses were recorded as $1.1 million in the line item "restructuring expense" and $4.3 million in "cost of sales."

First nine months of fiscal 2005 -- The financial results for the first nine months of fiscal 2005 include a total of $12.9 million in restructuring and related charges and goodwill impairment. The charges are made up of the following: (1) $4.6 million in restructuring related expenses associated with accelerated depreciation on plant and equipment scheduled to be disposed of, either by sale or by abandonment, over the next three months; (2) $5.1 million of goodwill impairment, which represents all of the remaining goodwill associated with the upholstery fabrics segment (see note 13 in the Notes to the Consolidated Financial Statements); (3) $1.0 million in restructuring expenses related to personnel costs; (4) approximately $850,000 of restructuring expenses related to the dismantling, moving, and relocation of equipment to other company facilities; (5) approximately $900,000 in restructuring related inventory markdowns; and (6) approximately $400,000 in write-downs of equipment. As reflected in the financial statements, restructuring and related expenses were recorded as $2.3 million in the line item "restructuring expense" and $5.5 million in "cost of sales." The goodwill impairment was accounted for in accordance with SFAS 142, Goodwill and Other Intangible Assets. The write-down of equipment and accelerated depreciation was accounted for in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Personnel costs were accounted for in accordance with SFAS No. 112, Accounting for Employers' Accounting for Postemployment Benefits.

Mattress Fabrics Segment

Net Sales -- For the third quarter of fiscal 2005, the mattress fabrics segment reported sales of $25.6 million compared with $25.1 million for the same period last year. For the first nine months of fiscal 2005, the mattress fabric segment reported sales of $78.4 million compared with $79.1 million for the same period last year. As previously addressed, the year-to-date results reflect a 39 week period versus a 40 week period last year. Mattress ticking has become an increasingly important part of the company's business, accounting for 37% of total sales through the first nine months of fiscal 2005.

Mattress ticking yards sold during the third quarter of fiscal 2005 were 10.9 million compared with 10.0 million yards in the third quarter of last year, an increase of 8.8%. For the first nine months of fiscal 2005, mattress ticking yards sold were 33.0 million yards compared with 31.5 million yards for the same period last year, an increase of 4.8%. This increase in yards sold for both the quarter and year-to-date periods is noteworthy because it occurred as the bedding industry nears the completion of the transition to selling predominantly one-sided mattresses, which utilize about one-third less mattress ticking. This transition at retail began in mid to late calendar year 2002 and was expected to affect sales on a comparable basis through early calendar 2005. The average selling price was $2.34 per yard for the third quarter, compared to $2.50 per yard in the same quarter last year, a decrease of 6.4%. For the first nine months of fiscal 2005, the average selling price for mattress fabrics was $2.36 per yard compared to $2.50 per yard in the same period last year, a decrease of 5.6%.

As indicated earlier, the mattress fabrics segment has faced a challenging pricing environment this fiscal year. This is due in part to the way customers buy ticking. There is a current trend among mattress manufacturers toward using common SKU's and less expensive fabric for the borders, which is the ticking that goes on the side of mattresses and box springs. In addition, mattress manufacturers are currently incurring higher costs for other mattress components, such as steel, as well as costs associated with flame retardant requirements. As a result of these increased costs, mattress manufacturers are placing additional pressure on mattress ticking prices, and in some instances manufacturers are moving to lower priced ticking.

Operating income -- For the third quarter of fiscal 2005, the mattress fabrics segment reported operating income of $1.6 million, or 6.2% of sales, compared with $3.0 million, or 12.1% of sales, for the prior year period. For the first nine months of fiscal 2005, operating income was $7.2 million, or 9.1% of sales compared to $11.4 million, or 14.4% of sales in fiscal 2004. During the first nine months of fiscal 2005, operating income has been affected by industry wide pricing pressure, as well as higher raw material costs due primarily to the increased cost of petroleum based products. In addition to these pressures, operating income for the third quarter of fiscal 2005 was affected by manufacturing variances related to the relocation of mattress ticking looms.

The company is taking aggressive steps to address the challenges facing its business in this segment. First, as previously announced in October 2004, the company has identified opportunities to reduce operating costs by consolidating mattress ticking operations. This $7.0 million capital project involves relocation of ticking looms from an upholstery fabric plant to existing ticking facilities in the U.S. and Canada and the purchase of new weaving machines that are faster and more efficient than the equipment they will replace. This transition is well underway and is expected to be completed as planned by August 2005. More importantly, this transition is expected to generate $4.5 million in annual savings. Second, to partially offset higher material costs, the company is implementing a price increase of approximately three percent in this segment during the fourth quarter of this fiscal year. Third, the company is placing more design emphasis on new products with higher margins. Management believes the steps being taken will help the company improve operating margins.

Segment Assets - Segment assets consist of accounts receivable, inventory and property, plant and equipment. As of January 30, 2005, accounts receivable and inventory totaled $24.4 million, compared to $24.6 at the end of fiscal 2004. Also as of January 30, 2005, property, plant and equipment totaled $21.9 million, compared to $23.1 million at the end of fiscal 2004. Included in property, plant and equipment are assets located in the U.S. totaling $8.3 million and $9.8 million for January 30, 2005 and May 2, 2004, respectively.

Upholstery Fabrics Segment

Net Sales -- Upholstery fabric sales for the third quarter of fiscal 2005 decreased 15.5% to $43.5 million when compared to the third quarter of fiscal 2004. For the first nine months of fiscal 2005, upholstery fabric sales decreased 13.0% to $133.9 million when compared to the same period last year. Upholstery fabric yards sold during the third quarter were 9.5 million versus 11.7 million in the third quarter of fiscal 2004, a decline of 19.0%. For the first nine months of fiscal 2005, upholstery fabric yards sold were 29.5 million versus 35.4 million for the same period last year. Average selling price was $4.18 per yard for the third quarter compared with $4.29 per yard in the same quarter of last year, a decrease of 2.6 %. For the first nine months of fiscal 2005, the average selling price for upholstery fabrics was $4.22 per yard compared to $4.19 per yard in the same period last year, an increase of less than 1.0%.

The lower sales dollars and yards primarily reflect continued soft demand industry wide for U.S. produced fabrics, as the result of the current consumer preference for leather and suede furniture and the growing competition from imported fabrics and cut and sewn kits, primarily from China. This paradigm shift in the industry is having a significant impact on the company's product mix, leading to significantly lower sales of domestically produced fabrics and rapidly growing sales of offshore manufactured and sourced products. Given these factors, it is difficult for management to predict future demand for upholstery fabrics manufactured in the U.S. or the extent to which the trend toward lower demand will continue.

With the company's offshore sourcing efforts, including the China platform, the company is experiencing higher sales of upholstery fabric products produced outside of the company's U.S. manufacturing plants for fiscal 2005. For the third quarter of fiscal 2005, these sales increased 92.0% over the prior year period and accounted for approximately $8.3 million or 19.2% of upholstery fabric sales for the quarter. Offshore sourced fabrics of $4.3 million accounted for approximately 8.4% of upholstery fabric sales for the same period last year.

Operating income (loss) -- Operating loss for the third quarter of fiscal 2005 was $2.0 million or 4.6% of sales, compared with operating income of $2.3 million, or 4.4% of sales, for the same period last year. For the first nine months of fiscal 2005, this segment has experienced an operating loss of $4.4 million or 3.3% of sales, compared with operating income of $4.0 million or 2.6% of sales, for the same period last year. This significant decrease in segment operating income as compared to last year was primarily due to further underutilization of the company's U.S. manufacturing capacity and manufacturing variances related to restructuring activities. Additionally, the upholstery fabrics segment has been experiencing higher raw material costs due mainly to the increase in cost of petroleum based products. Also, included in the operating loss for the third quarter was a favorable impact of approximately $500,000 related to a change in the inventory aging percentages for the converted product line, which are products sourced, primarily from Asia, by the CVP division. The change was made in order to more accurately reflect current market conditions and the company's actual experiences.

In January 2005, Solutia, which is the company's supplier for acrylic fiber, announced plans to exit the acrylic fiber business by mid-April 2005. The company has already identified and is working closely with international suppliers as alternative sources for procuring acrylic fiber. However, until the fiber purchased from Solutia is utilized and the company begins using these new suppliers, higher fiber costs will be incurred. To partially offset higher raw material prices, the company recently announced a price increase of approximately three to four percent on domestically produced upholstery fabrics.

The company is currently implementing an aggressive restructuring plan to address the significant decline in operating profit in this segment. The purpose of the restructuring plan, announced in October 2004, is to consolidate the decorative fabrics weaving and yarn operations, reduce manufacturing complexities and lower costs, and significantly reduce selling, general and administrative expenses. The restructuring is moving ahead as planned and management believes that the steps taken will improve operating efficiency and will result in higher asset utilization. However, management will continue to closely monitor trends in demand for upholstery fabrics produced by its domestic mills. If sales in the upholstery fabrics segment of U.S.-produced goods continue to decline and the segment is not able to produce acceptable levels of operating profit, the company will take additional actions to adjust its cost structure and capacity to match demand from its customers. The company could experience additional write-downs of its property, plant and equipment in this business if further restructuring actions or consolidations of assets take place.

Segment Assets - Segment assets consist of accounts receivable, inventory and property, plant and equipment. As of January 30, 2005, accounts receivable and inventory totaled $49.0 million, compared to $55.2 million at the end of fiscal 2004. Also as of January 30, 2005, property, plant and equipment totaled $43.7 million, compared to $54.6 million at the end of fiscal 2004. Included in property, plant and equipment are assets located in the U.S. totaling $40.6 million and $51.5 million for January 30, 2005 and May 2, 2004, respectively.

Other Corporate Expenses

Selling, General and Administrative Expenses -- SG&A expenses of $8.2 million for the third quarter of fiscal 2005 decreased approximately $2.1 million, or 20.3%, from the prior year amount. As a percent of net sales, SG&A expenses decreased to 11.9% from 13.4% the previous year, due mostly to lower incentive compensation expense and significant cost reductions, mainly in the sales and marketing expense areas. Year-to-date results also reflect lower spending, as SG&A expenses have decreased by approximately $4.8 million or 15.4% to $26.3 million compared to the same period last year for primarily the same reasons as in the third quarter.

Interest Expense (Income) - Interest expense for the third quarter declined to $912,000 from $1.5 million the previous year due to lower borrowings outstanding. Interest income decreased to $42,000 from $113,000 the previous year due to lower invested balances in fiscal 2005. The year-to-date interest expense and interest income are significantly lower than last year for the same reasons.

Income Taxes -- The effective tax rate (taxes as a percentage of pretax income (loss)) for the first nine months of fiscal 2005 was 36.9% compared with 33.0% for the first nine months of fiscal 2004.

As of January 30, 2005, the company has net deferred income assets of $12.0 million, an increase of $6.9 million over net deferred income tax assets of $5.1 million recorded at the fiscal year ended May 2, 2004. This increase results primarily from the federal and state tax benefits recorded for the loss from U.S. operations for the first nine months of fiscal 2005.

Liquidity and Capital Resources

Liquidity --The company's sources of liquidity include cash and cash equivalents, cash flow from operations and amounts available under its revolving credit line. These sources have been adequate for day-to-day operations and capital expenditures. The company believes its sources of liquidity continue to be adequate to meet its current needs. Cash and cash equivalents as of January 30, 2005 decreased to $13.0 million from $14.6 million at the end of fiscal 2004, primarily reflecting cash flow from operations of $8.6 million, capital expenditures and payments on vendor financed capital expenditures of $9.6 million, and payments on long-term debt of $471,000.

Working Capital -- Accounts receivable as of January 30, 2005 decreased 5.7% from the year-earlier level. Days sales outstanding totaled 32 days at January 30, 2005 compared with 31 days a year ago. Inventories at the close of the third quarter decreased 10.3% from a year ago. Inventory turns for the third quarter were 5.6 versus 4.7 for the year-earlier period. Operating working capital (comprised of accounts receivable and inventories, less trade accounts payable) was $57.8 million at January 30, 2005 down from $62.5 million a year ago.

Financing Arrangements -- The company's long-term debt of $50.6 million is unsecured and is comprised of $50.0 million in outstanding senior notes, with a fixed interest rate of 7.76%, and a $584,000, non-interest bearing term loan with the Canadian government. Additionally, the company has a $10.0 million revolving credit line with a bank. As of January 30, 2005 there was $406,000 in outstanding letters of credit in support of inventory purchases and no borrowings outstanding under the agreement. The current bank agreement expires in August 2005. The first scheduled principal payment on the $50.0 million senior notes is due March 2006 in the amount of $7.5 million. The Canadian government loan is repaid in annual installments of approximately $600,000 per year. The company was in compliance with all financial covenants in its loan agreements as of January 30, 2005.

In February 2005, the company amended its bank agreement with its lender to change the Interest and Leases Coverage Ratio such that at the end of each Fiscal Quarter beginning with the third Fiscal Quarter of Fiscal Year 2005, the Interest and Leases Coverage Ratio shall not be less than 1.25 to 1.0.

Capital Expenditures -- Capital spending for the first nine months of fiscal 2005 was $8.3 million, including $29,000 that is the non-cash portion of capital expenditures representing vendor financing. Also included in the $8.3 million is approximately $5.4 million in capital spending for the purchase of a building that will serve as the company's new corporate offices and as new space for the company's showrooms. The company expects the annual operating costs of the new building to be significantly lower than the lease and related costs associated with the current facilities. Depreciation for the third quarter was $7.6 million, of which approximately $4.3 million was related to accelerated depreciation associated with plant and equipment scheduled to be disposed of over the next three months. The company's capital budget for fiscal 2005 is $15.6 million, including approximately $2.0 million budgeted for the non-cash portion of expenditures representing vendor financing.

Cash Flow from Operations -- Cash flow from operations was $8.6 million for the first nine months of fiscal 2005, compared with $16.8 million for the same period last year. This decrease was due primarily to lower profitability.

Critical Accounting Policies and Recent Accounting Developments

The company considered the disclosure requirements of Financial Reporting Release No. 60 regarding critical accounting policies and Financial Reporting Release No. 61 regarding liquidity and capital resources, certain trading activities and related party/certain other disclosures, and concluded that there were no material changes during the first nine months of fiscal 2005 that would warrant further disclosure beyond those matters previously disclosed in the company's Annual Report on Form 10-K for the year ended May 2, 2004.

In November 2004, the FASB issued SFAS No.151,"Inventory Costs, an amendment of ARB No.43, Chapter 4," which clarifies the circumstances under which fixed overhead costs associated with operating facilities involved in inventory processing should be capitalized. The provisions of SFAS No.151 are effective for fiscal years beginning after June 15, 2005 and the company will adopt this standard in fiscal 2007. Management has not determined the impact, if any, that this statement will have on the company's consolidated financial position or results of operations.

SFAS No. 123 (Revised 2004), "Share-Based Payment," issued in December 2004, is a revision of FASB Statement 123, "Accounting for Stock-Based Compensation" and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. The Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123 (Revised 2004) requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). The cost will be recognized over the period during which an employee is required to provide service in exchange for the award. This statement is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005 and the company will adopt the standard in the second quarter of fiscal 2006. Management has not determined the impact, if any, that this statement will have on our consolidated financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The company is exposed to market risk from changes in interest rates on debt and foreign currency exchange rates. The company's market risk sensitive instruments are not entered into for trading purposes. The company's exposure to interest rate risk consists of floating rate debt based on the London Interbank Offered Rate plus an adjustable margin under the company's revolving credit agreement. As of January 30, 2005, there were no borrowings outstanding under the company's revolving credit agreement. Additionally, approximately 99% of the company's long-term debt is at a fixed rate. Thus, any reasonably foreseeable change in interest rates would have no material effect on the company's interest expense.

The company's exposure to fluctuations in foreign currency exchange rates is due primarily to a foreign subsidiary domiciled in Canada and firmly committed and anticipated purchases of certain machinery, equipment and raw materials in foreign currencies. The company's Canadian subsidiary uses the United States dollar as its functional currency. The company generally does not use financial derivative instruments to hedge foreign currency exchange rate risks associated with the Canadian subsidiary. However, the company generally enters into foreign exchange forward and option contracts as a hedge against its exposure to currency fluctuations on firmly committed and anticipated purchases of certain machinery, equipment and raw materials. The company does not have any open forward or option contracts outstanding as of January 30, 2005. The amount of Canadian-denominated sales and manufacturing costs is not material to the company's consolidated results of operations; therefore, a 10% change in the exchange rate at January 30, 2005 would not have a significant impact on the company's results of operations or financial position. Additionally, as the company utilizes foreign currency instruments for hedging anticipated and firmly committed transactions, a loss in fair value for those instruments is generally offset by increases in the value of the underlying exposure.

Due to the start up of operations in China, the company does have exposure to fluctuations in currency rates if China allows its currency to float, since it has been essentially fixed in relation to the U.S. dollar. Currently, the risk cannot be hedged. The amount of sales and manufacturing costs denominated in Chinese currency is not material to the company's consolidated results of operations; therefore, a 10% change in the exchange rate at January 30, 2005 would not have a significant impact on the company's results of operations or financial position.

ITEM 4. CONTROLS AND PROCEDURES

The company conducted a review and evaluation of its disclosure controls and procedures, under the supervision and with the participation of the company's principal executive officer and principal financial officer as of January 30, 2005, and the principal executive officer and principal financial officer have concluded that the company's disclosure controls and procedures are adequate and effective. In addition, no change in the company's internal control over financial reporting has occurred during, or subsequent to, the period covered by this report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

Part II - Other Information

Item 6. Exhibits

(a) The following exhibits are filed as part of this report.

3(i)	Articles of Incorporation of the company, as amended, were filed as Exhibit 3(i) to the company's Form 10-Q for the quarter ended July 28, 2002, filed September 11, 2002, and are incorporated herein by reference.
3(ii)	Restated and Amended Bylaws of the company, as amended June 12, 2001, were filed as Exhibit 3(ii) to the company's Form 10-Q for the quarter ended July 29, 2001, filed September 12, 2001, and are incorporated herein by reference.
10(a)	Third Amendment to Amended and Restated Credit Agreement dated as of August 23, 2004 among Culp, Inc. and Wachovia Bank, National Association, as Agent and as Bank, filed as Exhibit 10 to Current Report on Form 8-K dated August 26, 2004, and incorporated herein by reference.
10(b)	Fourth Amendment to Amended and Restated Credit Agreement dated as of December 7, 2004 among Culp, Inc. and Wachovia Bank, National Association, as Agent and as Bank, filed as Exhibit 10(b) to the company's Form 10Q for the quarter ended October 31, 2004, filed December 9, 2004, and incorporated herein by reference.
10(c)	Fifth Amendment to Amended and Restated Credit Agreement dated as of February 18, 2005 among Culp, Inc. and Wachovia Bank, National Association, as Agent and as Bank filed as Exhibit 99(c) to Current Report on Form 8-K dated February 18, 2005, and incorporated herein by reference.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

SIGNATURES

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

CULP, INC.
(Registrant)

Date: March 10, 2005

By: /s/ Franklin N. Saxon

Franklin N. Saxon
President and Chief Operating Officer
(Authorized to sign on behalf
of the registrant and also signing as
principal financial officer)

By: /s/ Kenneth R. Bowling

Kenneth R. Bowling
Vice President-Finance, Treasurer
(Authorized to sign on behalf
of the registrant and also signing as
principal accounting officer)

Exhibit 31.1

CERTIFICATION

I, Robert G. Culp, III, Chairman of the Board and Chief Executive Officer of Culp, Inc., (principal executive officer) certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Culp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2005

By: /s/ Robert G. Culp, III

Robert G. Culp, III
Chairman of the Board and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Franklin N. Saxon, President and Chief Operating Officer of Culp, Inc., (principal financial officer) certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Culp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2005

By: /s/ Franklin N. Saxon

Franklin N. Saxon
President and Chief Operating Officer
(principal financial officer)

Exhibit 32.1

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Culp, Inc. (the "Company") on Form 10-Q for the period ended January 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert G. Culp,III, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert G. Culp, III

Chairman of the Board and
Chief Executive Officer

March 10, 2005

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to Culp, Inc. and will be retained by Culp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Culp, Inc. (the "Company") on Form 10-Q for the period ended January 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Franklin N. Saxon, President and Chief Operating Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Franklin N. Saxon

President and
Chief Operating Officer

March 10, 2005

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to Culp, Inc. and will be retained by Culp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.