

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) March 1, 2011

Culp, Inc.

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction
of Incorporation)

1-12597

(Commission File Number)

56-1001967

(I.R.S. Employer
Identification No.)

1823 Eastchester Drive
High Point, North Carolina 27265

(Address of Principal Executive Offices)
(Zip Code)

(336) 889-5161

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former name or address, if changed from last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Forward Looking Information. This report and the exhibits hereto contain statements that may be deemed “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward-looking statements are intended to speak only as of the date on which they are made. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “estimate,” “plan” and “project” and their derivatives, and include but are not limited to statements about the company’s future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company’s business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely. Changes in consumer tastes or preferences toward products not produced by the company could erode demand for the company’s products. Strengthening of the U.S. dollar against other currencies could make the company’s products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on the company’s sales in the U.S. of products produced in those countries. Also, economic and political instability in international areas could affect the company’s operations or sources of goods in those areas, as well as demand for the company’s products in international markets. Other factors that could affect the matters discussed in forward-looking statements are included in the company’s periodic reports filed with the Securities and Exchange Commission, including the “Risk Factors” section in the company’s most recent annual report on Form 10-K filed with the Securities and Exchange Commission on July 15, 2010 for the fiscal year ended May 2, 2010.

Item 2.02 – Results of Operations and Financial Condition

On March 1, 2011, we issued a news release to announce our financial results for the third quarter ended January 30, 2011. The news release is attached hereto as Exhibit 99(a).

Also on March 1, 2011, we released a Financial Information Release containing additional financial information and disclosures about our third quarter ended January 30, 2011. The Financial Information Release is attached hereto as Exhibit 99(b).

The news release and Financial Information Release contain disclosures about free cash flow, a non-GAAP liquidity measure that the company defines as net cash provided by operating activities, less cash capital expenditures and capital lease expenditures, plus any proceeds from sales of fixed assets, and the effects of exchange rate changes on cash and cash equivalents. Management believes the disclosure of free cash flow provides useful information to investors because it measures our available cash flow for potential debt repayment, stock repurchases and additions to cash and cash equivalents. We note, however, that not all of the company’s free cash flow is available for discretionary spending, as we have mandatory debt payments and other cash requirements that must be deducted from our cash available for future use. In operating our business, management uses free cash flow to make decisions about what commitments of cash to make for operations, such as capital expenditures (and financing arrangements for these expenditures), purchases of inventory or supplies, SG&A expenditure levels, compensation, and other commitments of cash, while still allowing for adequate cash to meet known future commitments for cash, such as debt repayment.

The news release and Financial Information Release contain disclosures about return on capital, both for the entire company and for individual business segments. We define return on capital as operating income (on an annualized basis if at a point other than the end of the fiscal year) divided by average capital employed. Operating income excludes restructuring and related charges, and average capital employed is calculated over rolling two – five fiscal periods, depending on which quarter is being presented. Details of these calculations and a reconciliation to information from our GAAP financial statements is set forth in the Financial Information Release. We believe return on capital is an accepted measure of earnings efficiency in relation to capital employed, but it is a non-GAAP performance measure that is not defined or calculated in the same manner by all companies. This measure should not be considered in isolation or as an alternative to net income or other performance measures, but we believe it provides useful information to investors by comparing the operating income we produce to the asset base used to generate that income. Also, annualized operating income does not necessarily indicate results that would be expected for the full fiscal year. We note that, particularly for return on capital measured at the segment level, not all assets are allocated to our operating segments, and there are assets held at the corporate (unallocated) level that may provide support to a segment’s operations and yet are not included in the asset base used to calculate that segment’s return on capital. Thus, the average return on capital for the company’s segments will generally be higher than the company’s overall return on capital. Management uses return on capital to evaluate the company’s earnings efficiency and the relative performance of its segments.

Item 7.01 – Regulation FD Disclosure

European Sales and Marketing Initiatives

Culp, Inc. has disclosed two initiatives in Europe as part of its continuing effort to look for new market opportunities outside the U.S.

Culp has entered into a non-binding letter of intent to form a new company in the United Kingdom that would source and market upholstery fabrics there. The new company, to be known as Culp U.K., would be a joint venture with Flameproofings Ltd. of Manchester, England. Flameproofings' primary business is flame retardant (FR) coating for fabrics, but it also has a small upholstery fabrics business. Under the terms of the letter of intent, Culp would team with Flameproofings to own and operate this business and build an upholstery sourcing, distribution and marketing operation based in Manchester to sell fabrics throughout the United Kingdom. In connection with the formation of Culp U.K., Flameproofings would exit the residential upholstery (face fabrics) business. Current plans call for Culp U.K. to start operations during the first quarter of Culp's 2012 fiscal year. Prior to that time, we expect to negotiate definitive agreements for the formation of Culp U.K. and to set up a warehouse, showroom and distribution facility from which the business would operate. Once operational, we expect Culp U.K. to source fabrics primarily from Culp's China platform, but also from Culp's U.S. operations and directly from other suppliers. Culp U.K. would obtain FR coating services from Flameproofings, which will ensure compliance with unique British FR requirements. The letter of intent calls for Culp U.K. to be owned 51% by Culp and 49% by Flameproofings, with Culp providing up to £100,000 initial equity capital to start the venture, and possibly loans for future capital needs.

As previously disclosed, the company recently formed a new wholly-owned subsidiary in Poland, called Culp Europe. We plan for this operation to sell and distribute upholstery fabrics and make and sell cut and sewn kits in Europe, using fabrics sourced primarily from our China platform, but also from the company's U.S. operations and possibly directly from outside suppliers. Our sales and marketing efforts in Europe also include a program for shipping containers of fabric and cut and sewn kits directly from our operations in China to customers in Europe. Sales activities for Culp Europe are expected to begin during the fourth quarter of fiscal 2011.

We expect these operations to work together to serve the marketplace in Europe because many furniture manufacturers in Poland also sell furniture into the U.K., and a number of U.K. retailers and manufacturers supplement their U.K. furniture production with sourcing from Poland and other Eastern European countries. The initial focus for both of these initiatives is on upholstery fabrics, but once operational we plan to explore the potential for also selling mattress fabrics in Europe from these platforms.

Item 9.01 (d) -- Exhibits

99(a) News Release dated March 1, 2011

99(b) Financial Information Release dated March 1, 2011

SIGNATURES

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

CULP, INC.
(Registrant)

By: /s/ Kenneth R. Bowling
Chief Financial Officer
(principal financial officer)

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

Dated: March 1, 2011

EXHIBIT INDEX

Exhibit Number

Exhibit

99(a)
99(b)

News Release dated March 1, 2011
Financial Information Release dated March 1, 2011



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

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

CULP ANNOUNCES RESULTS FOR THIRD QUARTER FISCAL 2011

HIGH POINT, N.C. (March 1, 2011) — Culp, Inc. (NYSE: CFI) today reported financial and operating results for the third quarter ended January 30, 2011.

Fiscal 2011 Third Quarter Highlights

- § Net sales were \$51.7 million, down 4.3 percent from the third quarter of last year, with mattress fabric segment sales up 3.9 percent and upholstery fabrics segment sales down 12.5 percent.
- § Pre-tax income was \$2.9 million, or 5.6 percent of net sales, compared with \$3.8 million, or 7.1 percent of sales in the prior year period.
- § Net income was \$2.4 million, or \$0.18 per diluted share. These results compare with net income of \$3.0 million, or \$0.23 per diluted share, in the prior year quarter.
- § The company's financial position strengthened during the third quarter, with cash and cash equivalents and short term investments building to \$22.8 million, which exceeded total debt of \$11.6 million.
- § The company established a new subsidiary in Poland, called Culp Europe, that will sell and distribute fabrics, and will make and sell cut and sewn kits, throughout Europe. Sales are expected to begin in Culp's fourth fiscal quarter.
- § Through a proposed new joint venture in the United Kingdom, known as Culp U.K., the company plans to launch an initiative to sell and distribute flame retardant (FR) coated fabrics in the U.K. marketplace. Sales activity and operations are expected to begin in the May to June, 2011 timeframe.

Fiscal 2011 Year to Date Highlights

- § Year to date net sales were \$156.4 million, up 4.9 percent from the same period a year ago.
 - § Year to date pre-tax income was \$10.4 million, or 6.6 percent of sales, compared with \$9.3 million, or 6.2 percent of sales in the prior year period.
 - § Year to date net income was \$10.2 million, or \$0.77 per diluted share, compared with \$7.8 million, or \$0.60 per diluted share, for the same period in fiscal 2010.
 - § The projection for the fourth quarter of fiscal 2011 is for overall sales to decrease approximately 2 to 7 percent over the prior year period. Mattress fabric sales are expected to be flat to slightly down from the same period last year with upholstery fabrics sales approximately 4 to 9 percent lower than the prior year period. Pre-tax income for the fourth quarter of fiscal 2011 is expected to be in the range of \$3.8 to \$4.4 million. Pre-tax income for the fourth quarter of fiscal 2010 was \$5.0 million.
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Overview

For the three months ended January 30, 2011, net sales were \$51.7 million, a 4.3 percent decline compared with \$54.0 million a year ago. The company reported net income of \$2.4 million, or \$0.18 per diluted share, for the third quarter of fiscal 2011, compared with a net income of \$3.0 million, or \$0.23 per diluted share, for the third quarter of fiscal 2010. On a pre-tax basis, the company reported income of \$2.9 million compared with pre-tax income of \$3.8 million for the third quarter of fiscal 2010.

Commenting on the results for the third quarter of fiscal 2011, Frank Saxon, chief executive officer of Culp, Inc., said, "Given the continued macroeconomic challenges in the U.S. and increased raw material costs we experienced, we are pleased with our results for the third quarter, even though they are down from last year's strong third quarter performance. For the year to date period, our sales and profitability are up over the prior year, and we continued to report solid returns on our capital. Further, our net cash position (cash minus debt) is the highest in the company's history, which is enabling us to pursue an aggressive growth strategy during these challenging times.

"We continue to identify new opportunities for growth by expanding our international sales and marketing initiatives primarily in our upholstery fabrics business. We are excited about establishing a European sales and distribution platform with our new operation in Poland and the planned operation in the U.K. We are encouraged by the initial reaction of customers as we enter these markets and begin to capitalize on the global appeal of many of our products in Europe. These initiatives present an opportunity for us to build a significant presence over time in the world's second largest market for furniture fabrics with investment mainly in working capital with minimal risk. We are also optimistic that our European platform may provide the opportunity to sell and distribute mattress fabrics in the future", added Saxon.

Mattress Fabrics Segment

Mattress fabric sales for the third quarter were \$28.0 million, up 3.9 percent compared with \$27.0 million for the third quarter of fiscal 2010.

"Our mattress fabrics business has continued to deliver a consistent performance," said Saxon. "Sales were higher compared with a strong third quarter period in fiscal 2010, even with the discontinuation of a product line since a year ago. On a comparable basis, we are pleased with the favorable sales trends in our continuing product lines, which were up eight percent. We have benefited from our recent investments and initiatives to enhance our operations and develop an efficient and scalable manufacturing platform. However, our profitability for the third quarter was affected by higher raw material costs. To offset these costs, we have announced price increases that will be in effect for most of our fourth quarter. We do not expect any improvement in global pricing trends for raw materials over the near term.

"We have continued to enhance our capabilities in mattress fabrics and Culp is well positioned with a large and modern, vertically integrated manufacturing platform in the major decorative product categories. We have substantially improved upon our supply logistics from pattern inception to fabric delivery. With the completion in the second quarter of our multi-year \$45 million capital investment initiatives, we are now more focused on product development and sales and marketing initiatives. Most importantly, we remain committed to execution for our customers with outstanding service, reliable delivery performance and consistent quality and value," added Saxon.

Upholstery Fabrics Segment

Sales for this segment were \$23.7 million, a 12.5 percent decline compared with sales of \$27.0 million in a very strong third quarter of fiscal 2010. Sales of China-produced fabrics were \$20.7 million in the third quarter of fiscal 2011, while sales of U.S. produced fabrics were \$2.9 million.

“As expected, our upholstery fabrics sales were influenced by weak U.S. consumer demand for furniture,” noted Saxon. “Our business was also affected by rising raw material costs. However, in spite of these factors we remained solidly profitable for the year to date period. Going forward, to offset some of these higher costs, we have implemented price increases that will be realized in our fourth quarter.

“Our China operation has continued to evolve and China produced products accounted for 88 percent of sales in upholstery fabrics in the third quarter. While most of the China produced products have traditionally been sold to our U.S. customers, we have also expanded our sales to the local China and international markets. We have been pleased with the positive response from customers and are excited about the additional opportunities to leverage our substantial China platform.

European Sales and Marketing Growth Initiatives

“We have continued to look for new market opportunities outside the U.S. and further extend our global reach in upholstery fabrics,” added Saxon. “We have recently formed a new wholly-owned subsidiary, called Culp Europe, which is located in Poland, to sell and distribute fabrics and to make and sell cut and sewn kits. We believe the location in Poland has a number of advantages, including the highest concentration of furniture suppliers to the European market, low operating costs, an experienced work force, and close proximity for shipping to customers in most European countries. Our investment is mainly for working capital to support sales growth and minimal start up expenses. This initiative is an attractive market opportunity for Culp as Western and Central Europe together represent the second largest furniture market in the world behind North America. During the fourth quarter of fiscal 2011, we expect to begin sales activities at Culp Europe for upholstery fabrics, which will be sourced from Culp China, Culp U.S. and outside suppliers. We are also setting up a small fabric cut and sew operation at Culp Europe. While this operation is still in the early stages of development, we are very encouraged by the level of interest from our customers.”

Saxon continued, “Along with our efforts in Poland, we have also signed a letter of intent to establish a joint venture in the United Kingdom, known as Culp U.K., to sell and distribute upholstery fabrics throughout the U.K. Culp will be the majority partner, and our investment again will mainly be working capital to support sales growth and minimal start up expenses. The U.K. market is sizable and also unique due to the flame retardant (FR) requirements for upholstery fabrics that are different from other countries in Europe. Through this joint venture, we will partner with a local U.K. company, Flameproofings, Ltd., who has extensive expertise in the application of FR coatings and significant business and customer relationships in the U.K. In addition to providing FR coatings to Culp upholstery fabrics, Flameproofings would also contribute its small fabric distribution business to Culp UK, providing the new venture with a base of business to start operations. Fabrics will be sourced from Culp China, Culp U.S. and outside suppliers for sale in the U.K. market. We believe this joint venture offers a unique opportunity to bring together Culp’s innovative design and global supply network with an established U.K. supplier of FR coatings with existing customer relationships and extensive market knowledge. We expect to commence operations at Culp U.K. during the May to June 2011 timeframe.

“We expect that these two operations will work together to serve the European marketplace. Many furniture manufacturers in Poland also sell furniture into the U.K., and a number of U.K. retailers and manufacturers supplement their furniture production with sourcing from Poland and other eastern European countries. Our globally integrated IT systems will provide a solid foundation to service our customers well. While the initial focus for our European platform is to sell upholstery fabrics, we are optimistic about the potential opportunity to also sell and distribute mattress fabrics in the future,” added Saxon.

Balance Sheet

“We have remained focused on maintaining a strong balance sheet through this uncertain economic environment,” added Saxon. “As of January 30, 2011, our balance sheet reflected \$22.8 million in cash and cash equivalents and short term investments, compared with \$19.3 million at the end of the second quarter. Total debt was \$11.6 million, which includes current maturities of long term debt and long term debt. Our next major scheduled principal payment of \$2.2 million is not due until August 2011. Our financial position is the strongest in our company’s history and provides us with a competitive advantage, giving us sufficient capital and flexibility to support our growth strategy.”

Outlook

Commenting on the outlook for the fourth quarter of fiscal 2011, Saxon remarked, “While there are some indications that the U.S. economy is gaining traction, we believe the ongoing issues surrounding the housing market and high unemployment will continue to affect consumer demand for furniture, and to a lesser extent, bedding products. Overall, we expect our sales for the fourth quarter of fiscal 2011 to be 2 to 7 percent lower than the fourth quarter of last year.

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

“In our upholstery fabrics segment, we expect sales to be down 4 to 9 percent for the fourth quarter. We believe the upholstery fabric segment’s operating income will be significantly lower than the same time last year due to lower sales and rising raw material costs.

“Considering these factors, the company expects to report pre-tax income for the fourth fiscal quarter of 2011 in the range of \$3.8 to \$4.4 million. Given the volatility in the income tax area, the income tax expense or benefit and related tax rate for the fourth quarter of fiscal 2011 are too uncertain to project. This is management’s best estimate at present, recognizing that future financial results are difficult to predict because of overall economic uncertainties,” said Saxon.

In closing, Saxon remarked, “Our results to date for fiscal 2011 demonstrate that we are successfully navigating through this challenging period of economic weakness and uncertainty. We have created flexible business models in both of our businesses that have allowed us to remain solidly profitable and, at the same time, have positioned us for significant growth as demand in the U.S. improves and international sales opportunities develop. Our mattress fabrics business has been a consistent performer this fiscal year, even in a challenging environment, and we are realizing the benefits of our enhanced manufacturing capabilities. In the upholstery fabrics business, we have exciting new opportunities ahead with our successful China platform and our new sales and distribution initiatives in Europe. Above all, we are focused on outstanding execution for our customers as a financially strong and trusted supplier of innovative products with excellent quality and delivery performance.”

About the Company

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

This release contains statements that may be deemed “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward-looking statements are intended to speak only as of the date on which they are made. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “estimate,” “plan” and “project” and their derivatives, and include but are not limited to statements about the company’s future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company’s business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely. Changes in consumer tastes or preferences toward products not produced by the company could erode demand for the company’s products. Strengthening of the U.S. dollar against other currencies could make the company’s products less competitive on the basis of price in markets outside the United States and strengthening of currencies in Canada and China can have a negative impact on the company’s sales in the U.S. of products produced in those countries. Also, economic and political instability in international areas could affect the company’s operations or sources of goods in those areas, as well as demand for the company’s products in international markets. Other factors that could affect the matters discussed in forward-looking statements are included in the company’s periodic reports filed with the Securities and Exchange Commission, including the “Risk Factors” section in the company’s most recent annual report on Form 10-K filed with the Securities and Exchange Commission on July 15, 2010, for fiscal year ended May 2, 2010.

CULP, INC.
Condensed Financial Highlights
(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 30, 2011	January 31, 2010	January 30, 2011	January 31, 2010
Net sales	\$ 51,652,000	\$ 53,980,000	\$ 156,443,000	\$ 149,173,000
Income before income taxes	\$ 2,908,000	\$ 3,825,000	\$ 10,387,000	\$ 9,320,000
Net income	\$ 2,425,000	\$ 3,000,000	\$ 10,174,000	\$ 7,755,000
Net income per share:				
Basic	\$ 0.19	\$ 0.24	\$ 0.79	\$ 0.61
Diluted	\$ 0.18	\$ 0.23	\$ 0.77	\$ 0.60
Average shares outstanding:				
Basic	13,005,000	12,713,000	12,936,000	12,679,000
Diluted	13,228,000	13,074,000	13,218,000	12,960,000

-END-

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 30, 2011 AND JANUARY 31, 2010
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED				
	Amounts			Percent of Sales	
	January 30, 2011	January 31, 2010	% Over (Under)	January 30, 2011	January 31, 2010
Net sales	\$ 51,652	53,980	(4.3) %	100.0 %	100.0 %
Cost of sales	43,413	43,323	0.2 %	84.0 %	80.3 %
Gross profit	<u>8,239</u>	<u>10,657</u>	<u>(22.7) %</u>	<u>16.0 %</u>	<u>19.7 %</u>
Selling, general and administrative expenses	5,129	6,435	(20.3) %	9.9 %	11.9 %
Restructuring expense	7	26	(73.1) %	0.0 %	0.0 %
Income from operations	<u>3,103</u>	<u>4,196</u>	<u>(26.0) %</u>	<u>6.0 %</u>	<u>7.8 %</u>
Interest expense	224	327	(31.5) %	0.4 %	0.6 %
Interest income	(57)	(52)	9.6 %	(0.1) %	(0.1) %
Other expense	28	96	(70.8) %	0.1 %	0.2 %
Income before income taxes	<u>2,908</u>	<u>3,825</u>	<u>(24.0) %</u>	<u>5.6 %</u>	<u>7.1 %</u>
Income taxes*	483	825	(41.5) %	16.6 %	21.6 %
Net income	<u>\$ 2,425</u>	<u>3,000</u>	<u>(19.2) %</u>	<u>4.7 %</u>	<u>5.6 %</u>
Net income per share-basic	\$ 0.19	\$ 0.24	(20.8) %		
Net income per share-diluted	\$ 0.18	\$ 0.23	(21.7) %		
Average shares outstanding-basic	13,005	12,713	2.3 %		
Average shares outstanding-diluted	13,228	13,074	1.2 %		

	NINE MONTHS ENDED				
	Amounts			Percent of Sales	
	January 30, 2011	January 31, 2010	% Over (Under)	January 30, 2011	January 31, 2010
Net sales	\$ 156,443	149,173	4.9 %	100.0 %	100.0 %
Cost of sales	130,886	121,795	7.5 %	83.7 %	81.6 %
Gross profit	<u>25,557</u>	<u>27,378</u>	<u>(6.7) %</u>	<u>16.3 %</u>	<u>18.4 %</u>
Selling, general and administrative expenses	14,544	16,716	(13.0) %	9.3 %	11.2 %
Restructuring credit	-	(317)	(100.0) %	0.0 %	(0.2) %
Income from operations	<u>11,013</u>	<u>10,979</u>	<u>0.3 %</u>	<u>7.0 %</u>	<u>7.4 %</u>
Interest expense	659	1,026	(35.8) %	0.4 %	0.7 %
Interest income	(144)	(81)	77.8 %	(0.1) %	(0.1) %
Other expense	111	714	(84.5) %	0.1 %	0.5 %
Income before income taxes	<u>10,387</u>	<u>9,320</u>	<u>11.4 %</u>	<u>6.6 %</u>	<u>6.2 %</u>
Income taxes*	213	1,565	(86.4) %	2.1 %	16.8 %
Net income	<u>\$ 10,174</u>	<u>7,755</u>	<u>31.2 %</u>	<u>6.5 %</u>	<u>5.2 %</u>
Net income per share-basic	\$ 0.79	\$ 0.61	29.5 %		
Net income per share-diluted	\$ 0.77	\$ 0.60	28.3 %		
Average shares outstanding-basic	12,936	12,679	2.0 %		
Average shares outstanding-diluted	13,218	12,960	2.0 %		

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

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
JANUARY 30, 2011, JANUARY 31, 2010 AND MAY 2, 2010
Unaudited
(Amounts in Thousands)

	<u>Amounts</u>		<u>Increase (Decrease)</u>		<u>* May 2, 2010</u>
	<u>January 30, 2011</u>	<u>January 31, 2010 (1)</u>	<u>Dollars</u>	<u>Percent</u>	
Current assets					
Cash and cash equivalents	\$ 17,259	15,994	1,265	7.9 %	18,295
Short-term investments	5,518	3,021	2,497	82.7 %	3,023
Accounts receivable	16,909	20,871	(3,962)	(19.0) %	19,822
Inventories	26,407	24,366	2,041	8.4 %	26,002
Deferred income taxes	296	57	239	419.3 %	150
Assets held for sale	112	98	14	14.3 %	123
Income taxes receivable	407	331	76	23.0 %	728
Other current assets	1,521	1,217	304	25.0 %	1,698
Total current assets	<u>68,429</u>	<u>65,955</u>	<u>2,474</u>	<u>3.8 %</u>	<u>69,841</u>
Property, plant & equipment, net	30,571	26,431	4,140	15.7 %	28,403
Goodwill	11,462	11,462	-	0.0 %	11,462
Deferred income taxes	1,322	-	1,322	100.0 %	324
Other assets	2,093	2,660	(567)	(21.3) %	2,568
Total assets	<u>\$ 113,877</u>	<u>106,508</u>	<u>7,369</u>	<u>6.9 %</u>	<u>112,598</u>
Current liabilities					
Current maturities of long-term debt	\$ 2,400	4,880	(2,480)	(50.8) %	196
Current portion of obligation under a capital lease	-	107	(107)	(100.0) %	-
Accounts payable - trade	17,121	18,649	(1,528)	(8.2) %	22,278
Accounts payable - capital expenditures	203	790	(587)	(74.3) %	567
Accrued expenses	5,971	8,144	(2,173)	(26.7) %	9,613
Accrued restructuring	71	362	(291)	(80.4) %	324
Income taxes payable - current	289	153	136	88.9 %	224
Total current liabilities	<u>26,055</u>	<u>33,085</u>	<u>(7,030)</u>	<u>(21.2) %</u>	<u>33,202</u>
Accounts payable - capital expenditures	-	188	(188)	(100.0) %	-
Income taxes payable - long-term	3,934	3,690	244	6.6 %	3,876
Deferred income taxes	622	1,092	(470)	(43.0) %	982
Long-term debt , less current maturities	9,166	11,529	(2,363)	(20.5) %	11,491
Total liabilities	<u>39,777</u>	<u>49,584</u>	<u>(9,807)</u>	<u>(19.8) %</u>	<u>49,551</u>
Shareholders' equity	<u>74,100</u>	<u>56,924</u>	<u>17,176</u>	<u>30.2 %</u>	<u>63,047</u>
Total liabilities and shareholders' equity	<u>\$ 113,877</u>	<u>106,508</u>	<u>7,369</u>	<u>6.9 %</u>	<u>112,598</u>
Shares outstanding	<u>13,214</u>	<u>12,935</u>	<u>279</u>	<u>2.2 %</u>	<u>13,052</u>

* Derived from audited financial statements.

(1) Certificates of deposit with maturities of six months have been reclassified from cash and cash equivalents to short-term investments to conform to current year presentation.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 30, 2011 AND JANUARY 31, 2010
Unaudited
(Amounts in Thousands)

	NINE MONTHS ENDED	
	Amounts	
	January 30, 2011	January 31, 2010 (2)
Cash flows from operating activities:		
Net income	\$ 10,174	7,755
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,205	3,042
Amortization of other assets	385	416
Stock-based compensation	280	695
Deferred income taxes	(1,219)	190
Restructuring expenses, net of gain on sale of related assets	-	(127)
Loss (gain) on sale of equipment	15	(72)
Excess tax benefits related to stock-based compensation	(285)	(182)
Foreign currency exchange losses	33	613
Changes in assets and liabilities:		
Accounts receivable	3,053	(2,742)
Inventories	(291)	(385)
Other current assets	204	46
Other assets	13	(48)
Accounts payable	(5,459)	1,558
Accrued expenses	(3,822)	1,555
Accrued restructuring	(253)	(491)
Income taxes	379	109
Net cash provided by operating activities	<u>6,412</u>	<u>11,932</u>
Cash flows from investing activities:		
Capital expenditures	(5,580)	(4,209)
Purchase of short-term investments	(4,532)	(3,021)
Proceeds from the sale of short-term investments	2,037	-
Proceeds from the sale of equipment	27	513
Net cash used in investing activities	<u>(8,048)</u>	<u>(6,717)</u>
Cash flows from financing activities:		
Payments on vendor-financed capital expenditures	(188)	(797)
Payments on capital lease obligation	-	(519)
Payments on long-term debt	(129)	(32)
Debt issuance costs	(27)	(15)
Excess tax benefits related to stock-based compensation	285	182
Proceeds from common stock issued	591	250
Net cash provided by (used in) financing activities	<u>532</u>	<u>(931)</u>
Effect of exchange rate changes on cash and cash equivalents	68	(87)
(Decrease) increase in cash and cash equivalents	(1,036)	4,197
Cash and cash equivalents at beginning of period	<u>18,295</u>	<u>11,797</u>
Cash and cash equivalents at end of period	<u>\$ 17,259</u>	<u>15,994</u>
Free Cash Flow (1)	<u>\$ 1,024</u>	<u>7,015</u>

(1) Free Cash Flow reconciliation is as follows:

	3rd Qtr FY 2011	3rd Qtr FY 2010
A) Net cash provided by operating activities	\$ 6,412	11,932
B) Minus: Capital Expenditures	(5,580)	(4,209)
C) Add: Proceeds from the sale of equipment	27	513
D) Minus: Payments on vendor-financed capital expenditures	(188)	(797)
E) Minus: Payments on capital lease obligation	-	(519)
F) Add: Excess tax benefits related to stock-based compensation	285	182
G) Effects of exchange rate changes on cash and cash equivalents	68	(87)

- (2) Certificates of deposit with maturities of six months have been reclassified from cash and cash equivalents to short-term investments on the January 31, 2010 Consolidated Balance Sheet. The purchase of these certificates of deposit have been classified in investing activities on the Statement of Cash Flows for the nine month period ending January 31, 2010 to conform to current year presentation.
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CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE THREE MONTHS ENDED JANUARY 30, 2011 AND JANUARY 31, 2010
(Unaudited)
(Amounts in thousands)

	THREE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	January 30, 2011	January 31, 2010	% Over (Under)	January 30, 2011	January 31, 2010
Net Sales by Segment					
Mattress Fabrics	\$ 27,991	26,953	3.9 %	54.2 %	49.9 %
Upholstery Fabrics	<u>23,661</u>	<u>27,027</u>	<u>(12.5) %</u>	<u>45.8 %</u>	<u>50.1 %</u>
Net Sales	<u>\$ 51,652</u>	<u>53,980</u>	<u>(4.3) %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Gross Profit by Segment					
			Gross Profit Margin		
Mattress Fabrics	\$ 4,596	5,587	(17.7) %	16.4 %	20.7 %
Upholstery Fabrics	<u>3,643</u>	<u>5,098</u>	<u>(28.5) %</u>	<u>15.4 %</u>	<u>18.9 %</u>
Subtotal	<u>8,239</u>	<u>10,685</u>	<u>(22.9) %</u>	<u>16.0 %</u>	<u>19.8 %</u>
Restructuring related charges	-	(28) (2)	(100.0) %	0.0 %	(0.1) %
Gross Profit	<u>\$ 8,239</u>	<u>10,657</u>	<u>(22.7) %</u>	<u>16.0 %</u>	<u>19.7 %</u>
Selling, General and Administrative expenses by Segment					
			Percent of Sales		
Mattress Fabrics	\$ 1,780	2,031	(12.4) %	6.4 %	7.5 %
Upholstery Fabrics	2,517	2,627	(4.2) %	10.6 %	9.7 %
Unallocated Corporate expenses	<u>832</u>	<u>1,777</u>	<u>(53.2) %</u>	<u>1.6 %</u>	<u>3.3 %</u>
Selling, General and Administrative expenses	<u>5,129</u>	<u>6,435</u>	<u>(20.3) %</u>	<u>9.9 %</u>	<u>11.9 %</u>
Operating Income (loss) by Segment					
			Operating Income (Loss) Margin		
Mattress Fabrics	\$ 2,816	3,556	(20.8) %	10.1 %	13.2 %
Upholstery Fabrics	1,126	2,471	(54.4) %	4.8 %	9.1 %
Unallocated corporate expenses	<u>(832)</u>	<u>(1,777)</u>	<u>(53.2) %</u>	<u>(1.6) %</u>	<u>(3.3) %</u>
Subtotal	<u>3,110</u>	<u>4,250</u>	<u>(26.8) %</u>	<u>6.0 %</u>	<u>7.9 %</u>
Restructuring and related charges	<u>(7) (1)</u>	<u>(54) (2)</u>	<u>(87.0) %</u>	<u>(0.0) %</u>	<u>(0.1) %</u>
Operating income	<u>\$ 3,103</u>	<u>4,196</u>	<u>(26.0) %</u>	<u>6.0 %</u>	<u>7.8 %</u>
Depreciation by Segment					
Mattress Fabrics	\$ 974	842	15.7 %		
Upholstery Fabrics	<u>134</u>	<u>149</u>	<u>(10.1) %</u>		
Subtotal	<u>1,108</u>	<u>991</u>	<u>11.8 %</u>		

Notes:

- (1) The \$7 restructuring charge represents \$17 for lease termination and other exit costs offset by a credit of \$10 for sales proceeds received on equipment with no carrying value.
- (2) The \$28 restructuring related charge represents other operating costs associated with closed plant facilities. The \$54 restructuring and restructuring related charge represents \$40 for lease termination and other exit costs, \$28 for other operating costs associated with closed plant facilities, offset by a credit of \$14 for sales proceeds received on equipment with no carrying value.

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE NINE MONTHS ENDED JANUARY 30, 2011 AND JANUARY 31, 2010
(Unaudited)
(Amounts in thousands)

	NINE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	January 30, 2011	January 31, 2010	% Over (Under)	January 30, 2011	January 31, 2010
Net Sales by Segment					
Mattress Fabrics	\$ 87,244	81,429	7.1 %	55.8 %	54.6 %
Upholstery Fabrics	69,199	67,744	2.1 %	44.2 %	45.4 %
Net Sales	<u>\$ 156,443</u>	<u>149,173</u>	<u>4.9 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Gross Profit by Segment					
			Gross Profit Margin		
Mattress Fabrics	\$ 15,616	16,245	(3.9) %	17.9 %	19.9 %
Upholstery Fabrics	9,941	11,175	(11.0) %	14.4 %	16.5 %
Subtotal	<u>25,557</u>	<u>27,420</u>	<u>(6.8) %</u>	<u>16.3 %</u>	<u>18.4 %</u>
Restructuring related charges	-	(42) (2)	(100.0) %	0.0 %	(0.0) %
Gross Profit	<u>\$ 25,557</u>	<u>27,378</u>	<u>(6.7) %</u>	<u>16.3 %</u>	<u>18.4 %</u>
Selling, General and Administrative expenses by Segment					
			Percent of Sales		
Mattress Fabrics	\$ 5,480	5,696	(3.8) %	6.3 %	7.0 %
Upholstery Fabrics	6,394	6,843	(6.6) %	9.2 %	10.1 %
Unallocated Corporate expenses	2,670	4,177	(36.1) %	1.7 %	2.8 %
Subtotal	<u>14,544</u>	<u>16,716</u>	<u>(13.0) %</u>	<u>9.3 %</u>	<u>11.2 %</u>
Operating Income (loss) by Segment					
			Operating Income (Loss) Margin		
Mattress Fabrics	\$ 10,136	10,549	(3.9) %	11.6 %	13.0 %
Upholstery Fabrics	3,547	4,332	(18.1) %	5.1 %	6.4 %
Unallocated corporate expenses	(2,670)	(4,177)	(36.1) %	(1.7) %	(2.8) %
Subtotal	<u>11,013</u>	<u>10,704</u>	<u>2.9 %</u>	<u>7.0 %</u>	<u>7.2 %</u>
Restructuring and related credit	- (1)	275 (3)	(100.0) %	0.0 %	0.2 %
Operating income	<u>\$ 11,013</u>	<u>10,979</u>	<u>0.3 %</u>	<u>7.0 %</u>	<u>7.4 %</u>
Return on Capital (4)					
Mattress Fabrics	26.0 %	29.7 %			
Upholstery Fabrics	38.1 %	56.2 %			
Unallocated Corporate	N/A	N/A			
Consolidated	<u>23.1 %</u>	<u>25.3 %</u>			
Capital Employed (4)					
Mattress Fabrics	53,954	48,543	11.1 %		
Upholstery Fabrics	12,506	12,401	0.8 %		
Unallocated Corporate	(751)	(2,079)	N/A		
Consolidated	<u>65,709</u>	<u>58,865</u>	<u>11.6 %</u>		
Depreciation by Segment					
Mattress Fabrics	\$ 2,795	2,620	6.7 %		
Upholstery Fabrics	410	422	(2.8) %		
Subtotal	<u>3,205</u>	<u>3,042</u>	<u>5.4 %</u>		

Notes:

- (1) Restructuring activity represents a charge of \$23 for lease termination and other exit costs offset by a credit of \$13 for employee termination benefits, and a credit of \$10 for sales proceeds received on equipment with no carrying value.
 - (2) The \$42 restructuring related charge represents a charge of \$92 for operating costs associated with closed plant facilities offset by a credit of \$50 for the sale of inventory previously reserved for.
 - (3) The \$275 restructuring and related credit represents a credit of \$169 for employee termination benefits, a credit of \$127 for sales proceeds received on equipment with no carrying value, a credit of \$50 for the sale of inventory previously reserved for, a credit of \$21 for lease termination and other exit costs, offset by a charge of \$92 for other operating costs associated with closed plant facilities.
 - (4) See pages 6 and 7 of this financial information release for calculations.
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CULP, INC. FINANCIAL INFORMATION RELEASE
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE NINE MONTHS ENDED JANUARY 30, 2011
(UNAUDITED)

	Operating Income		
	Nine Months Ended January 30, 2011 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	\$ 10,136	\$ 52,006	26.0%
Upholstery Fabrics	3,547	12,415	38.1%
(less: Unallocated Corporate)	(2,670)	(954)	N/A
Total	\$ 11,013	\$ 63,467	23.1%

Average Capital Employed	As of the three Months Ended January 30, 2011				As of the three Months Ended October 31, 2010				As of the three Months Ended August 1, 2010			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	63,830	22,623	27,424	113,877	65,485	22,277	24,146	111,908	66,919	24,415	21,763	113,097
Total liabilities	(9,876)	(10,117)	(19,784)	(39,777)	(10,634)	(10,275)	(19,495)	(40,404)	(14,902)	(11,126)	(19,943)	(45,971)
Subtotal	\$ 53,954	\$ 12,506	\$ 7,640	\$ 74,100	\$ 54,851	\$ 12,002	\$ 4,651	\$ 71,504	\$ 52,017	\$ 13,289	\$ 1,820	\$ 67,126
Less:												
Cash and cash equivalents	-	-	(17,259)	(17,259)	-	-	(15,262)	(15,262)	-	-	(14,045)	(14,045)
Short-term investments	-	-	(5,518)	(5,518)	-	-	(4,035)	(4,035)	-	-	(4,009)	(4,009)
Deferred income taxes-current	-	-	(296)	(296)	-	-	(176)	(176)	-	-	(138)	(138)
Income taxes receivable	-	-	(407)	(407)	-	-	(477)	(477)	-	-	(568)	(568)
Deferred income taxes - non-current	-	-	(1,322)	(1,322)	-	-	(1,391)	(1,391)	-	-	(245)	(245)
Current maturities of long - term debt	-	-	2,400	2,400	-	-	2,396	2,396	-	-	194	194
Income taxes payable - current	-	-	289	289	-	-	90	90	-	-	182	182
Income taxes payable - long-term	-	-	3,934	3,934	-	-	3,890	3,890	-	-	3,877	3,877
Deferred income taxes - non-current	-	-	622	622	-	-	622	622	-	-	666	666
Long-term debt, less current maturities	-	-	9,166	9,166	-	-	9,209	9,209	-	-	11,453	11,453
Total Capital Employed	\$ 53,954	\$ 12,506	\$ (751)	\$ 65,709	\$ 54,851	\$ 12,002	\$ (483)	\$ 66,370	\$ 52,017	\$ 13,289	\$ (813)	\$ 64,493

	As of the three Months Ended May 2, 2010			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	61,922	25,420	25,256	112,598
Total liabilities	(14,720)	(13,559)	(21,272)	(49,551)
Subtotal	\$ 47,202	\$ 11,861	\$ 3,984	\$ 63,047
Less:				
Cash and cash equivalents	-	-	(18,295)	(18,295)
Short-term investments	-	-	(3,023)	(3,023)
Deferred income taxes-current	-	-	(150)	(150)
Income taxes receivable	-	-	(728)	(728)
Deferred income taxes-non-current	-	-	(324)	(324)
Current maturities of long-term debt	-	-	196	196
Income taxes payable-current	-	-	224	224
Income taxes payable-long-term	-	-	3,876	3,876
Deferred income taxes-non-current	-	-	982	982
Long-term debt, less current maturities	-	-	11,491	11,491
Total Capital Employed	\$ 47,202	\$ 11,861	\$ (1,767)	\$ 57,296
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed(3)	\$ 52,006	\$ 12,415	\$ (954)	\$ 63,467

Notes:

- (1) Operating income excludes restructuring and related charges--see reconciliation per page 5 of this financial information release.
- (2) Return on average capital employed represents operating income for the 9 month period ending January 30, 2011 times 3 divided by 4 to arrive at an annualized value then divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments, long-term debt, including current maturities, current and noncurrent deferred tax assets and liabilities, current and long-term income taxes payable, and income taxes receivable.
- (3) Average capital employed computed using the four periods ending May 2,2010, August 1,2010, October 31, 2010, and January 30, 2011.

