

“ We believe our accomplishments over the past year have enhanced our ability to serve our customers and strengthen our competitive position. ”

We are pleased to report another year of growth and progress for Culp in fiscal 2018, with higher annual sales in both of our businesses. Our mattress fabrics segment had another record year, and our upholstery fabrics segment showed impressive growth over the prior year, reversing multi-year trends of reduced sales. These results demonstrate consistent execution of our product-driven strategy, with a relentless focus on design creativity and product innovation. Our ability to offer a diverse product mix and reach new market segments, with the support of our efficient and global manufacturing platform, has been a key differentiator for Culp in the marketplace.

We had many important accomplishments in fiscal 2018 that will continue to enhance our operations and open new markets for both businesses. We have realized the benefits of substantial multi-year investments in our mattress fabrics business, with enhanced production capabilities and improved operating efficiencies, supported by exceptional customer service. Following the end of the year, we announced a majority investment in an e-commerce company primarily focused on bedding accessories and home textile products that will expand our addressable market for mattress fabrics. In our upholstery fabrics business, we have continued to diversify both our product and customer mix with favorable results, and we completed an acquisition that will expand our reach in the growing hospitality market for upholstery fabrics. Importantly, we have the financial strength to support our strategy and continue to pursue additional growth opportunities for Culp.

Mattress Fabrics Segment

We delivered another solid sales performance in mattress fabrics, despite some headwinds late in the fiscal year as we began to realize the impact of lower-priced imported mattresses. For fiscal 2018, mattress fabrics sales were \$192.6 million, a new record for Culp.

We were pleased to achieve these results during a period of major transition across all our production facilities. With the substantial investments and significant changes in our operations in fiscal 2018, we have enhanced our ability to serve our customers. Our operating results for the year were affected by the production disruptions and costs associated with these changes. However, going forward, we have a sustainable production and distribution platform that will favorably position Culp for the long term, especially as market conditions improve.





Design and innovation continue to distinguish Culp in the marketplace and remain our top priorities to meet customer style preferences and changing demand trends. With a full complement of mattress fabrics and sewn covers across all price points, we have continued to successfully execute our product diversification strategy. Our sales for the year reflect continued growth in CLASS, our mattress cover business. Importantly, CLASS has allowed us to develop new products with our existing customers and reach new customers and additional market segments, especially the boxed bedding space. Our new joint venture mattress cover production facility in Haiti complements our existing production capacity and further enhances our ability to expand our CLASS business and remain cost competitive. We commenced production in Haiti during the second quarter of fiscal 2018, and we have the flexibility to add more capacity as needed to meet changes in customer demand.

In line with our product diversification strategy, we launched a new offering of bedding accessories, including mattress pads and protectors, at the Las Vegas Market in January. This new product line, being offered directly to bedding accessory retailers under the brand name “Comfort Supply Company by Culp”, introduced highly stylized, design-driven products to the bedding accessories category. We are excited about the growth potential for this innovative new product line as we commenced sales in early fiscal 2019.

Following the end of fiscal 2018, we completed a majority investment in eLuxury, an internet company offering bedding

accessories and home goods direct to consumers. eLuxury’s primary products include a line of mattress pads manufactured in Evansville, Indiana, in addition to handmade platform beds, cotton bed sheets, and other bedding and bath items. Their products are available on eLuxury’s own branded website, eLuxury.com, Amazon and other leading online retailers for specialty home goods.

This strategic investment substantially expands our addressable market and provides an exciting new sales channel for Culp to participate in the rapidly growing e-commerce direct-to-consumer space. This business combination brings together eLuxury’s experience in e-commerce, online brand building, and direct-to-consumer shopping and fulfillment expertise with Culp’s extensive global production, sourcing and distribution capabilities. We also have an opportunity to market our new products for Comfort Supply Company by Culp, as well as other finished products that we may develop, including items made from upholstery fabrics, through this e-commerce platform.

Looking ahead, we believe the investments we have made in our global platform and our strategic initiatives over the past year will further enhance our competitive advantage and leadership position in mattress fabrics. While we expect the soft demand trends and the impact of lower-priced imported mattresses to continue to affect our business into the first half of fiscal 2019, we remain optimistic about our long-term growth prospects.



Upholstery Fabrics Segment

For fiscal 2018, our upholstery fabric sales were \$131.1 million, up 10.4 percent over fiscal 2017, reversing multi-year trends of reduced sales. Throughout the year, we have pursued a product-driven strategy with a sustained focus on innovation and creative designs, supported by our substantial global manufacturing platform. Our design team has done an outstanding job in keeping pace with current style trends and meeting the changing demands of our customers.

Our sales performance reflects the strength of our product mix, led by continued growth in our line of highly durable, stain-resistant performance fabrics, such as LiveSmart®. In fiscal 2018, we launched a new website specifically for this innovative product line along with a more aggressive marketing campaign, and we remain optimistic about the additional sales opportunities for Culp.

Notably, we had favorable sales trends in fiscal 2018 with both our residential and hospitality market customers. As we continue to diversify our customer base, we have been seeking the right strategic business opportunity to support our growing sales of upholstery fabrics designed for the hospitality market. During the fourth quarter, we completed the acquisition of Read Window Products, Inc., a source for custom window treatments and other products for the hospitality and commercial industries. Based in Knoxville, Tennessee, Read Window Products is a turn-key provider of window treatments offering measuring, sourcing, fabrication and installation services. Adding window treatments to our product line is a logical step in Culp's evolution as a complete source of fabrics for the hospitality market. We are excited about the potential to leverage Culp's outstanding design capabilities, global platform, product innovation and outstanding customer service with the added expertise of Read Window Products as we extend our market reach.

Although fiscal 2018 sales were up, our operating results for the year were lower primarily due to unfavorable currency exchange rates in China, particularly in the second half of the year. We have also seen a continued decline in sales for products manufactured in our U.S.-based operation in Anderson, South Carolina. For fiscal 2018, products from the Anderson facility accounted for 6.0 percent of total upholstery fabric sales. With the declining volumes, this operation reached a level in the fourth quarter of fiscal 2018 where we determined it is not sustainable to continue. Therefore, we will be closing the Anderson facility and expect to cease production by October 30, 2018. During this transition period, we will work closely with our customers to fulfill any outstanding orders, and we also intend to develop alternative fabrics supplied from other Culp locations to ensure their needs are met. We appreciate the hard work and dedication of our loyal associates and the community of Anderson for its many years of support for Culp.

Looking ahead, we will continue to pursue our strategy to diversify both our products and customers and identify new market opportunities for Culp's upholstery fabrics. While we are seeing some overall softness in retail demand for home furnishings, we believe we are well positioned for the long term.

Balance Sheet

Our results for fiscal 2018 reflect solid execution of our strategy and our unwavering focus on sound financial management. We were pleased to end the year with a strong balance sheet. As of April 29, 2018, we reported \$54.5 million in cash and investments, slightly higher than the amount reported at the end of fiscal 2017, with no outstanding debt. Cash flow from operations was \$27.5 million, compared with \$34.1 million in fiscal 2017. Free cash flow for the year was \$13.3 million, after spending \$12.4 million in capital expenditures, including vendor-financed payments, and making the investment in Haiti. At the same time, we returned \$6.8 million to shareholders in regular and special dividends.

As we look to fiscal 2019, we expect to return to a maintenance level of capital expenditures. We have a strong foundation, and we are well positioned to continue to make the necessary investments to support our operations and continue to return funds to our shareholders.

Capital Allocation Strategy

Our capital allocation strategy is fundamental to Culp's business and supports our commitment to delivering value to our shareholders. Our top priority is to fund organic growth in both of our businesses. In fiscal 2018, we made additional investments in our mattress fabrics operations as we reached the end of a multi-year expansion project. Another stated objective for capital allocation is to seek suitable acquisitions that add value to our operations and enhance our product mix. As such, we were pleased to complete the acquisition of Read Window Products in fiscal 2018 and finalize our investment in eLuxury following the end of the year. Notably, we closed on both transactions without incurring any debt.

In line with our commitment to use additional cash for dividends and share repurchases, commencing in the third quarter, we raised our quarterly cash dividend from \$0.08 to \$0.09 per share, or \$0.36 per share on an annualized basis.

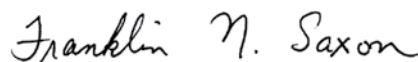
We are proud of our dividend history, as we have continued to increase the quarterly cash dividend every year since we reinstated dividend payments in 2012. The company did not repurchase any shares in fiscal 2018, leaving \$5.0 million available under the share repurchase program. Notably, since June 2011, Culp has returned approximately \$57.0 million to shareholders in the form of regular and special dividends and share repurchases.

Looking Ahead

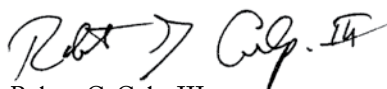
We believe our accomplishments over the past year have enhanced our ability to serve our customers and strengthen our competitive position. The investments we have made to improve our global manufacturing capabilities and our strategic initiatives will support our continued growth, especially as market conditions improve. We are working hard to integrate the operations of Read Window Products and eLuxury, and we are excited about the added value they bring to Culp. We will continue to leverage our core strengths of design, innovation and service that are synonymous with the Culp brand in the marketplace. As always, we are grateful for the opportunity to serve our valued customers, and we are fortunate to have an extraordinary team of associates who are dedicated to exceeding their expectations. We also recognize the outstanding leadership and valuable support of our management team and board of directors. Together, we look forward to the opportunities ahead for Culp.

Finally, we thank our fellow shareholders for the support your investment provides

Sincerely,



Franklin N. Saxon
President and Chief Executive Officer



Robert C. Culp, III
Chairman of the Board

