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 November 1, 1998

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

Common shares outstanding at November 1, 1998: 12,995,021
Par Value: $.05

INDEX TO FORM 10-Q
For the period ended November 1, 1998

CULP, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE THREE MONTHS AND SIX MONTHS ENDED NOVEMBER 1, 1998 AND NOVEMBER 2, 1997

(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	November 1, 1998	November 2, 1997	% Over (Under)	1999	1998
Net sales	$ 128,159	122,926	4.3 %	100.0 %	100.0 %
Cost of sales	107,685	100,191	7.5 %	84.0 %	81.5 %
Gross profit	20,474	22,735	(9.9) %	16.0 %	18.5 %
Selling, general and administrative expenses	15,474	13,632	13.5 %	12.1 %	11.1 %
Income from operations	5,000	9,103	(45.1) %	3.9 %	7.4 %
Interest expense	2,464	1,820	35.4 %	1.9 %	1.5 %
Interest income	(19)	(72)	(73.6) %	(0.0) %	(0.1) %
Other expense (income), net	604	425	42.1 %	0.5 %	0.3 %
Income before income taxes	1,951	6,930	(71.8) %	1.5 %	5.6 %
Income taxes *	644	2,425	(73.4) %	33.0 %	35.0 %
Net income	$ 1,307	4,505	(71.0) %	1.0 %	3.7 %
Net income per share	$0.10	$0.36	(72.2) %		
Net income per share, assuming dilution	$0.10	$0.35	(71.4) %		
Dividends per share	$0.035	$0.035	0.0 %		
Average shares outstanding	12,995	12,668	2.6 %		
Average shares outstanding, assuming dilution	13,120	12,980	1.1 %		

	SIX MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	November 1, 1998	November 2, 1997	% Over (Under)	1999	1998
Net sales	$ 238,826	222,424	7.4 %	100.0 %	100.0 %
Cost of sales	204,741	182,956	11.9 %	85.7 %	82.3 %
Gross profit	34,085	39,468	(13.6) %	14.3 %	17.7 %
Selling, general and administrative expenses	29,947	24,548	22.0 %	12.5 %	11.0 %
Income from operations	4,138	14,920	(72.3) %	1.7 %	6.7 %
Interest expense	4,825	3,100	55.6 %	2.0 %	1.4 %
Interest income	(72)	(162)	(55.6) %	(0.0) %	(0.1) %
Other expense (income), net	1,374	667	106.0 %	0.6 %	0.3 %
Income (loss) before income taxes	(1,989)	11,315	(117.6) %	(0.8) %	5.1 %
Income taxes *	(656)	3,960	(116.6) %	33.0 %	35.0 %
Net income (loss)	$ (1,333)	7,355	(118.1) %	(0.6) %	3.3 %
Net income (loss) per share	($0.10)	$0.58	(117.2) %		
Net income (loss) per share, assuming dilution	($0.10)	$0.57	(117.5) %		
Dividends per share	$0.07	$0.07	0.0 %		
Average shares outstanding	12,998	12,649	2.8 %		
Average shares outstanding, assuming dilution	13,175	12,953	1.7 %		

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

CULP, INC.
CONSOLIDATED BALANCE SHEETS
NOVEMBER 1, 1998, NOVEMBER 2, 1997 AND MAY 3, 1998
Unaudited
(Amounts in Thousands)

	Amounts		Increase (Decrease)		* May 3,
	November 1, 1998	November 2, 1997	Dollars	Percent	1998
Current assets					
Cash and cash investments	$ 1,177	1,209	(32)	(2.6) %	2,312
Accounts receivable	72,998	74,314	(1,316)	(1.8) %	73,773
Inventories	72,392	70,192	2,200	3.1 %	78,594
Other current assets	7,230	6,136	1,094	17.8 %	7,808
Total current assets	153,797	151,851	1,946	1.3 %	162,487
Restricted investments	3,409	8,258	(4,849)	(58.7) %	4,021
Property, plant & equipment, net	126,050	107,377	18,673	17.4 %	128,805
Goodwill	54,433	49,778	4,655	9.4 %	55,162
Other assets	4,333	3,715	618	16.6 %	4,340
Total assets	$ 342,022	320,979	21,043	6.6 %	354,815
Current liabilities					
Current maturities of long-term debt	$ 1,678	100	1,578	1,578.0 %	3,325
Accounts payable	32,640	36,709	(4,069)	(11.1) %	37,214
Accrued expenses	17,143	15,175	1,968	13.0 %	17,936
Income taxes payable	0	1,034	(1,034)	(100.0) %	1,282
Total current liabilities	51,461	53,018	(1,557)	(2.9) %	59,757
Long-term debt	150,210	139,991	10,219	7.3 %	152,312
Deferred income taxes	11,227	9,965	1,262	12.7 %	11,227
Total liabilities	212,898	202,974	9,924	4.9 %	223,296
Shareholders' equity	129,124	118,005	11,119	9.4 %	131,519
Total liabilities and shareholders' equity	$ 342,022	320,979	21,043	6.6 %	354,815
Shares outstanding	12,995	12,687	308	2.4 %	13,007

* Derived from audited financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED NOVEMBER 1, 1998 AND NOVEMBER 2, 1997
Unaudited
(Amounts in Thousands)

		SIX MONTHS ENDED	
		Amounts	
		November 1, 1998	November 2, 1997
Cash flows from operating activities:			
Net income (loss)	$	(1,333)	7,355
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation		9,198	6,869
Amortization of intangible assets		829	533
Changes in assets and liabilities:			
Accounts receivable		775	(17,623)
Inventories		6,202	(11,813)
Other current assets		578	(686)
Other assets		(93)	(188)
Accounts payable		(2,395)	10,668
Accrued expenses		(793)	295
Income taxes payable		(1,282)	(546)
Net cash provided by (used in) operating activities		11,686	(5,136)
Cash flows from investing activities:			
Capital expenditures		(6,443)	(19,216)
Purchases of restricted investments		(66)	(8,662)
Purchase of investments to fund deferred compensation liability		0	(581)
Sale of restricted investments		678	11,422
Business acquired		0	(36,628)
Net cash used in investing activities		(5,831)	(53,665)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		2,535	63,500
Principal payments on long-term debt		(6,284)	(50)
Change in accounts payable-capital expenditures		(2,179)	(3,862)
Dividends paid		(910)	(889)
Common stock issued (purchased)		(152)	481
Net cash provided by (used in) financing activities		(6,990)	59,180
Increase (decrease) in cash and cash investments		(1,135)	379
Cash and cash investments at beginning of period		2,312	830
Cash and cash investments at end of period	$	1,177	1,209

CULP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

(Dollars in thousands, except per share data)

	Common Stock		Capital Contributed in Excess of Par Value	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Balance, April 27, 1997	12,608,759	$ 630	$ 33,899	$ 76,260	$ 110,789
Cash dividends ($0.14 per share)				(1,786)	(1,786)
Net income				15,513	15,513
Common stock issued in connection with stock option plans	114,051	6	997		1,003
Common stock issued in connection with acquisition of Artee Industries, Incorporated's assets	284,211	14	5,386		5,400
Stock options issued in connection with acquisition of Phillips' assets			600		600
Balance, May 3, 1998	13,007,021	650	40,882	89,987	131,519
Cash dividends ($0.07 per share)				(910)	(910)
Net loss				(1,333)	(1,333)
Common stock issued in connection with stock option plans	1,000		8		8
Common stock purchased	(13,000)		(41)	(119)	(160)
Balance, November 1, 1998	12,995,021	$ 650	$ 40,849	$ 87,625	$ 129,124

Culp, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Culp, Inc. and subsidiary, include all adjustments, consisting only of normal, recurring adjustments and accruals, which are, in the opinion of management, necessary for fair presentation of the results of operations and financial position. 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 incorporated by reference in the company's annual report on Form 10-K filed with the Securities and Exchange Commission on July 31, 1998 for the fiscal year ended May 3, 1998. The three and six month periods ended November 1, 1998 includes the results of Phillips, Wetumpka and Artee which were acquired on August 5, 1997, December 30, 1997 and February 2, 1998, respectively.

2. Accounts Receivable

A summary of accounts receivable follows (dollars in thousands):

	November 1, 1998	May 3, 1998
Customers	$ 75,061	$ 75,695
Allowance for doubtful accounts	(1,338)	(1,244)
Reserve for returns and allowances	(725)	(678)
	$ 72,998	$ 73,773

3. Inventories

Inventories are carried at the lower of cost or market. Cost is determined for substantially all inventories using the LIFO (last-in, first-out) method.

A summary of inventories follows (dollars in thousands):

	November 1, 1998	May 3, 1998
Raw materials	$ 43,079	$ 45,319
Work-in-process	6,129	6,608
Finished goods	28,461	31,017
Total inventories valued at FIFO cost	77,669	82,944
Adjustments of certain inventories to the LIFO cost method	(2,364)	(2,364)
Adjustments of certain inventories to market	(2,913)	(1,986)
	$ 72,392	$ 78,594

4. Restricted Investments

Restricted investments were purchased with proceeds from industrial revenue bond issues and are invested pending application of such proceeds to project costs or repayment of the bonds. The investments are stated at cost which approximates market value.

5. Accounts Payable

A summary of accounts payable follows (dollars in thousands):

	November 1, 1998	May 3, 1998
Accounts payable-trade	$ 31,945	$ 34,340
Accounts payable-capital expenditures	695	2,874
	$ 32,640	$ 37,214

6. Accrued Expenses

A summary of accrued expenses follows (dollars in thousands):

	November 1, 1998	May 3, 1998
Compensation and benefits	$ 11,417	$ 12,212
Other	5,726	5,724
	$ 17,143	$ 17,936

7. Long-Term Debt

A summary of long-term debt follows (dollars in thousands):

	November 1, 1998	May 3, 1998
Senior unsecured notes	$ 75,000	$ 75,000
Industrial revenue bonds and other obligations	35,176	34,787
Revolving credit facility	35,000	30,000
Revolving line of credit	0	6,000
Obligations to sellers	6,712	9,850
	151,888	155,637
Less current maturities	(1,678)	(3,325)
	$ 150,210	$ 152,312

On April 2, 1998, the company completed the sale of $75,000,000 of senior unsecured notes (the "Notes") in a private placement to insurance companies. The Notes have a fixed coupon rate of 6.76% and an average term of 10 years. The principal payments become due from March 2006 to March 2010 with interest payable semi-annually.

The company's revolving credit agreement (the "Credit Agreement") provides an unsecured multi-currency revolving credit facility, which expires in April 2002, with a syndicate of banks in the United States. The Credit Agreement provides for a revolving loan commitment of $88,000,000. The agreement requires payment of a quarterly facility fee in advance. In October 1998, the company amended the Credit Agreement and certain covenants therein. Additionally, the amendment increased the interest rate 0.375% to 6.5313% (LIBOR plus 1.125%) on borrowings outstanding at November 1, 1998.

The company's $6,000,000 revolving line of credit expires on November 30, 1999. However, the line of credit will automatically be extended for an additional three-month period on each February 28, May 31, August 31 and November 30 unless the bank notifies the company that the line of credit will not be extended.

The industrial revenue bonds (IRBs) are generally due in balloon maturities which occur at various dates from 2006 to 2013. The IRBs are collateralized by restricted investments of $3,409,000 and letters of credit for the outstanding balance of the IRBs and certain interest payments due thereunder.

The company's loan agreements require, among other things, that the company maintain compliance with certain financial ratios. At November 1, 1998, the company was in compliance with the amended financial covenants.

At November 1, 1998, the company had three interest rate swap agreements with a bank in order to reduce its exposure to floating interest rates on a portion of its variable rate borrowings. The following table summarizes certain data regarding the interest rate swaps:

notational amount	interest rate	expiration date
$ 15,000,000	7.3%	April 2000
$ 5,000,000	6.9%	June 2002
$ 5,000,000	6.6%	July 2002

The estimated amount at which the company could terminate these agreements as of November 1, 1998 is approximately $998,000. Net amounts paid under these agreements increased interest expense by approximately $119,000 and $120,000 for the six months of fiscal 1999 and 1998, respectively. Management believes the risk of incurring losses resulting from the inability of the bank to fulfill its obligation under the interest rate swap agreements to be remote and that any losses incurred would be immaterial.

8. Cash Flow Information

Payments for interest and income taxes during the period were (dollars in thousands)

	1999	1998
Interest	$ 4,974	$ 3,115
Income taxes	2,067	4,488

9. Foreign Exchange Forward Contracts

The company generally enters into foreign exchange forward and option contracts as a hedge against its exposure to currency fluctuations on firm commitments to purchase certain machinery and equipment and raw materials and certain anticipated Canadian dollar expenses of the company's Canadian subsidiary. The company had no outstanding foreign exchange forward and option contracts as of November 1, 1998.

10. Net Income (Loss) Per Share

The following tables reconcile the numerators and denominators of net income (loss) per share and net income (loss) per share, assuming dilution for the three and six months ended November 1, 1998 and November 2, 1997:

THREE MONTHS ENDED

	November 1, 1998			November 2, 1997		
(Amounts in thousands, except per share data)	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income per share	$1,307	12,995	$0.10	$4,505	12,668	$0.36
Effect of dilutive securities:						
Options	-	125		-	312	
Net income per share, assuming dilution	$1,307	13,120	$0.10	$4,505	12,980	$0.35

SIX MONTHS ENDED

	November 1, 1998			November 2, 1997		
(Amounts in thousands, except per share data)	(Loss) (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income (loss) per share	($1,333)	12,998	($0.10)	$7,355	12,649	$0.58
Effect of dilutive securities:						
Options	-	177		-	304	
Net income (loss) per share, assuming dilution	($1,333)	13,175	($0.10)	$7,355	12,953	$0.57

CULP, INC.
SALES BY PRODUCT CATEGORY/BUSINESS UNIT
FOR THE THREE MONTHS AND SIX MONTHS ENDED NOVEMBER 1, 1998 AND NOVEMBER 2, 1997
(Amounts in thousands)

	THREE MONTHS ENDED (UNAUDITED)					
		Amounts			Percent of Total Sales	
Product Category/Business Unit		November 1, 1998	November 2, 1997	% Over (Under)	1999	1998
Upholstery Fabrics						
Culp Decorative Fabrics	$	59,573	56,781	4.9 %	46.5 %	46.2 %
Culp Velvets/Prints		38,728	43,928	(11.8) %	30.2 %	35.7 %
		98,301	100,709	(2.4) %	76.7 %	81.9 %
Mattress Ticking						
Culp Home Fashions		23,491	22,217	5.7 %	18.3 %	18.1 %
Yarn						
Culp Yarn		6,367	0	100.0 %	5.0 %	0.0 %
	* $	128,159	122,926	4.3 %	100.0 %	100.0 %

	SIX MONTHS ENDED (UNAUDITED)					
		Amounts			Percent of Total Sales	
Product Category/Business Unit		November 1, 1998	November 2, 1997	% Over (Under)	1999	1998
Upholstery Fabrics						
Culp Decorative Fabrics	$	111,018	96,595	14.9 %	46.5 %	43.4 %
Culp Velvets/Prints		68,722	82,325	(16.5) %	28.8 %	37.0 %
		179,740	178,920	0.5 %	75.3 %	80.4 %
Mattress Ticking						
Culp Home Fashions		46,123	43,504	6.0 %	19.3 %	19.6 %
Yarn						
Culp Yarn		12,963	0	100.0 %	5.4 %	0.0 %
	* $	238,826	222,424	7.4 %	100.0 %	100.0 %

* U.S. sales were $94,472 and $87,622 for the second quarter of fiscal 1999 and fiscal 1998, respectively; and $178,782 and $162,029 for the six months of fiscal 1999 and fiscal 1998, respectively. The percentage increase in U.S. sales was 7.8% for the second quarter and an increase of 10.3% for the six months.

CULP, INC.
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THE THREE MONTHS AND SIX MONTHS ENDED NOVEMBER 1, 1998 AND NOVEMBER 2, 1997
(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Geographic Area		Amounts November 1, 1998	Amounts November 2, 1997	% Over (Under)	Percent of Total Sales 1999	Percent of Total Sales 1998
North America (Excluding USA)	$	8,502	8,162	4.2 %	25.2 %	23.1 %
Europe		7,223	6,624	9.0 %	21.4 %	18.8 %
Middle East		10,060	7,439	35.2 %	29.9 %	21.1 %
Far East & Asia		5,435	9,720	(44.1) %	16.1 %	27.5 %
South America		1,238	1,216	1.8 %	3.7 %	3.4 %
All other areas		1,229	2,143	(42.7) %	3.6 %	6.1 %
	$	33,687	35,304	(4.6) %	100.0 %	100.0 %

SIX MONTHS ENDED (UNAUDITED)

Geographic Area		Amounts November 1, 1998	Amounts November 2, 1997	% Over (Under)	Percent of Total Sales 1999	Percent of Total Sales 1998
North America (Excluding USA)	$	15,755	15,206	3.6 %	26.2 %	25.2 %
Europe		10,906	11,125	(2.0) %	18.2 %	18.4 %
Middle East		18,360	14,003	31.1 %	30.6 %	23.2 %
Far East & Asia		10,303	15,662	(34.2) %	17.2 %	25.9 %
South America		2,238	1,462	53.1 %	3.7 %	2.4 %
All other areas		2,482	2,937	(15.5) %	4.1 %	4.9 %
	$	60,044	60,395	(0.6) %	100.0 %	100.0 %

International sales, and the percentage of total sales, for each of the last seven fiscal years follows: fiscal 1992-$ 37,913 (20%); fiscal 1993-$ 41,471 (21%); fiscal 1994-$ 44,038 (18%); fiscal 1995-$ 57,971 (19%); fiscal 1996-$ 77,397 (22%); fiscal 1997-$ 101,571 (25%); and fiscal 1998-$ 137,223 (29%) . International sales for the second quarter represented 26.3% and 28.7% for 1999 and 1998, respectively. Year-to-date international sales represented 25.1% and 27.2% of total sales for 1999 and 1998, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following analysis of the 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

For the three months ended November 1, 1998, net sales rose 4.3% to $128.2 million compared with $122.9 million in the year-earlier period. Net income for the quarter totaled $1.3 million, or $0.10 per share diluted, compared with net income of $4.5 million, or $0.35 per share diluted, for the second quarter of fiscal 1998. Net sales for the quarter, excluding Artee Industries, decreased .9% versus the same quarter of last year. Artee Industries was acquired at the beginning of the fourth quarter of fiscal 1998. During the quarter, demand for Culp Velvets/Prints products being shipped directly or indirectly into the emerging markets of Russia and other former Soviet countries, India and Eastern Europe continued to experience a slowdown, which began after the close of fiscal 1998. All of these areas are generally experiencing very weak economic conditions which, in turn, have affected demand for furniture and other home furnishings. This decline in international sales was offset by increased sales of other products into other regions, principally the Middle East, and from increased international sales related to Phillips Mills. Sales of upholstery fabrics to US-based manufacturers were down 1.4% for the quarter from a year ago. This portion of the company's business has been generally soft throughout fiscal 1998 and into the first half of fiscal 1999. Demand for the company's products is dependent on the various factors which affect consumer purchases of upholstered furniture and bedding including housing starts and sales of existing homes, the level of consumer confidence, prevailing interest rates for home mortgages and the availability of consumer credit.

Three and Six Months ended November 1, 1998 compared with Three and Six Months ended November 2, 1997

Net Sales. For the three months ended November 1, 1998, net sales rose 4.3% to $128.2 million compared with $122.9 million in the year-earlier period. For the first six months, net sales increased by $16.4 million or 7.4%, compared with the year earlier period. The increase in sales for the second quarter was due to inclusion of sales of $6.4 million from Artee Industries, which was acquired in February 1998. The increase in sales for the first six months was due to inclusion of sales of $22.1 million from Artee Industries and Phillips Mills. Phillips Mills was acquired in August 1997. These incremental sales were offset by a decline in sales of certain products of the Culp Velvets/Prints division that are primarily marketed internationally. Sales for the second quarter and first six months from Culp Velvets/Prints decreased $5.2 million and $13.6 million, respectively, from the prior year periods. These were declines of 11.8% and 16.5%, respectively. A large percentage of the company's international sales have been generated in recent years by shipments directly or indirectly to customers in the emerging markets of Russia and other former Soviet countries, India and Eastern Europe. All of these areas are experiencing very weak economic conditions which, in turn, have affected demand for furniture and other home furnishings. The company has significantly curtailed production schedules for these fabrics and has shifted its marketing focus for this product category to geographic areas where demand is more favorable. International sales have increased from a year ago in other regions, notably the Middle East.

Sales for the second quarter and first six months from the Culp Decorative Fabrics business unit increased $2.8 million and $14.4 million, respectively, increases of 4.9% and 14.9%, respectively, from a year ago. The second quarter increase is attributable to strong international sales into the Middle East countries. The first six months increase is primarily attributable to the incremental sales in the first quarter from Phillips Mills. Sales for the second quarter and first six months from the Culp Home Fashions unit, which principally consists of mattress ticking and bedding products, rose 5.7% and 6.0%, respectively, increases of $1.3 million and $2.6 million, respectively.

Gross Profit and Cost of Sales. Gross profit for the second quarter of 1999 decreased by $2.3 million and amounted to 16.0% of net sales compared with 18.5% in 1998. For the first six months, gross profit decreased by $5.4 million and amounted to 14.3% of net sales compared with 17.7% a year ago. The company was affected by an under-absorption of fixed costs as a result of lower-than-expected sales in certain business units, especially in certain product categories where international sales represent a significant portion of shipments. Competitive pressures also contributed to the decline in margins from a year ago. The cost of raw materials is flat to slightly lower. The continuing slowdown in international sales of certain fabrics, combined with other competitive issues, will likely lead to lower gross profit compared with the prior year through the second half of fiscal 1999.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased as a percentage of net sales for the second quarter of 1999 to 12.1% compared with 11.1% a year ago. For the first six months, these expenses increased as a percentage of sales to 12.5% versus 11.0% for the prior year. The company was affected by lower-than-expected sales in certain product categories. Compared with a year ago, the company is incurring higher expenses related to expanded resources for designing and sampling fabrics with new patterns and textures.

Interest Expense. Net interest expense for the second quarter of 1999 was

$2.4 million, up from $1.7 million in 1998 and for the first six months was $4.8 million versus $2.9 million last year. The increase is due principally to borrowings related to the acquisition of Artee Industries in February 1998 and Phillips Mills completed in August 1997. The company also has higher borrowings due to financing of prior year capital expenditures.

Other Expense. Other expense increased to $604,000 and $1,374,000 for the second quarter and first six months of 1999, respectively, compared with $425,000 and $667,000, respectively, for the year-earlier periods, principally due to the amortization of goodwill associated with the acquisitions of Artee Industries and Phillips Mills and to the write-off of certain fixed assets in the first quarter.

Income Taxes. The effective tax rate for the second quarter and first six months of 1999 was 33.0% compared with 35.0% in the year-earlier periods.

Net Income (Loss) Per Share. Net income per share for the second quarter of 1999 totaled $0.10 per share diluted compared with $0.35 per share diluted a year ago. For the first half, the company reported a net loss of $0.10 per share versus net income of $0.57 per share diluted in the prior year.

Liquidity and Capital Resources

Liquidity. Cash and cash investments were $1.2 million as of November 1, 1998 and November 2, 1997, compared with $2.3 million at the end of fiscal 1998. Funded debt (long-term debt, including current maturities, less restricted investments) was $148.5 million at the close of the second quarter, up from $131.8 million as of November 2, 1997 and down from $151.6 million at the end of fiscal 1998. As a percentage of total capital (funded debt plus total shareholders' equity), the company's borrowings amounted to 53.5% as of November 1, 1998, compared with 52.8% as of November 2, 1997 and 53.5% at the end of fiscal 1998. The company's working capital as of November 1, 1998 was $102.3 million, compared with $98.8 million as of November 2, 1997 and $102.7 million at the close of fiscal 1998.

Because of seasonal factors, the company typically generates the majority of its cash from operating activities during the second fiscal half. Operating activities, principally a decrease in inventories and depreciation, provided $11.7 million during the first half. Capital expenditures during the first half totaled $6.4 million. Financing activities, principally payments on long-term borrowings, utilized $7.0 million in cash during the first half.

Financing Arrangements. As of November 1, 1998, the company had outstanding balances of $35 million under a $88 million syndicated five-year, unsecured, multi-currency revolving credit facility. The company also has $75 million of senior unsecured notes ("Notes") with insurance companies. The Notes have a fixed coupon rate of 6.76% and an average term of 10 years. In addition, the company has a total of $35.2 million in outstanding industrial revenue bonds ("IRBs") which have been used to finance capital expenditures. The IRBs are collateralized by restricted investments of $3.4 million as of November 1, 1998 and letters of credit for the outstanding balance of the IRBs and certain interest payments due thereunder.

In October 1998, the company amended the syndicated revolving credit facility to amend certain covenants. Additionally, the amendment increased the interest rate 0.375% to 6.5313% (LIBOR plus 1.125%) on borrowings outstanding at November 1, 1998.

The company's loan agreements require, among other things, that the company maintain compliance with certain financial ratios. As of November 1, 1998, the company was in compliance with the amended financial covenants.

As of November 1, 1998, the company had three interest rate swap agreements to reduce its exposure to floating interest rates on a $25 million notional amount. The effect of these contracts is to "fix" the interest rate payable on $25 million of the company's bank borrowings at a weighted average rate of 7.1%. The company also enters into foreign exchange forward and option contracts to hedge against currency fluctuations with respect to firm commitments to purchase certain machinery, equipment, raw materials and certain anticipated Canadian dollar expenses of the company's Canadian subsidiary.

Capital Expenditures. The company maintains an ongoing program of capital expenditures designed to increase capacity as needed, enhance manufacturing efficiencies through modernization and increase the company's vertical integration. The company anticipates spending $10-$15 million in fiscal 1999. The company believes that cash flows from operations and funds available under existing credit facilities will be sufficient to fund capital expenditures and working capital requirements for the foreseeable future.

Seasonality

The company's business is slightly seasonal, with increased sales during the company's second and fourth fiscal quarters. This seasonality results from one-week closings of the company's manufacturing facilities, and the facilities of most of its customers in the United States, during the first and third quarters for the holiday weeks including July 4th and Christmas.

Year 2000 Considerations

Management has developed a plan to modify the company's information technology to recognize the year 2000. The plan has three distinct areas of focus; namely, traditional information systems, technology used in support areas, and preparedness of suppliers and customers.

The initiative for traditional information systems, which started in 1992, has led to substantial completion of the assessment, required changes and testing of the company's operational systems (order entry, billing, sales, finished goods) and financial systems (payroll, human resources, accounts payable, accounts receivable, general ledger, fixed assets). The company is currently focused on modifying the remaining systems that support the company's manufacturing processes and plans to be substantially complete with this phase by May 1, 1999.

The second area of focus has been an assessment of non-traditional information technology which includes the electronics in equipment such as telephone switches and manufacturing equipment. A plan, targeted to be substantially complete by December 31, 1998, has been formed to evaluate all these components at every location. This step will be followed during calendar 1999 with installation and testing of required changes.

The third area of focus is communications with suppliers and vendors to understand their level of compliance and assure a constant flow of materials to support business plans. Communication to date has shown a high level of awareness and planning by these parties.

Formal contingency plans will not be formulated unless the company has identified specific areas where there is a substantial risk of year 2000 problems occurring. No such areas have been identified.

The plan is being administered by a team of internal staff and management; and the cost of this initiative, principally represented by internal resources, is not expected to be material to the company's results of operations or financial position. This project is not expected to have a significant effect on the company's operations, though no assurance can be given in this regard.

Forward-Looking Information

The company's quarterly report on Form 10-Q contains statements that could be deemed "forward-looking statements," within the meaning of the federal securities laws. Such statements are inherently subject to risks and uncertainties. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income and general economic conditions. Decreases in these economic indicators could have a negative effect on the company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely. Because of the increasing percentage of the company's sales derived from international shipments, 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. Additionally, economic and political instability in international areas could affect the demand for the company's products.

New Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures About Segments of an Enterprise and Related Information," effective for periods beginning after December 15, 1997. The purpose of this standard is to disclose disaggregated information which provides information about the operating segments an enterprise engages in, consistent with the way management reviews financial information to make decisions about the enterprise's operating matters. The company will comply with the requirements of this standard for the fiscal year ending May 2, 1999.

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The provisions of SFAS No. 133 are effective for periods beginning after June 15, 1999, although early adoption is allowed. The company has not determined the financial impact of adopting this SFAS and has not determined if it will adopt its provisions prior to its effective date.

Part II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders of the company was held in High Point, North Carolina on September 15, 1998. Of the 12,995,021 shares of common stock outstanding on the record date, 11,690,111 shares were present in person or by proxy.

At the Annual Meeting, shareholders voted on:

ratifying the appointment of KPMG Peat Marwick LLP as the independent auditors of the company for the current fiscal year, and;

the election of three directors: Howard L. Dunn, Jr., Bland W. Worley, and Earl N. Phillips, Jr., to serve until the 2001 Annual Meeting, and the election of one director: Robert T. Davis to serve until the 1999 Annual Meeting.

A. Proposal to ratify the election of KPMG Peat Marwick LLP as independent auditors of the company for fiscal year 1999:

For	11,675,261
Against	9,500
Abstain	5,350
Broker Non-Votes	-0-

B. Proposal for Election of Directors:

Howard L. Dunn, Jr.		Earl N. Phillips, Jr.	
For	11,434,973	For	11,434,964
Against	-0-	Against	-0-
Abstain	255,138	Abstain	255,147
Broker Non-Votes	-0-	Broker Non-Votes	-0-

Bland W. Worley		Robert T. Davis	
For	11,434,704	For	11,434,464
Against	-0-	Against	-0-
Abstain	255,407	Abstain	255,647
Broker Non-Votes	-0-	Broker Non-Votes	-0-

Item 6. Exhibits and Reports on Form 8-K

The following exhibits are filed as part of this report or incorporated by reference. Management contracts, compensatory plans, and arrangements are marked with an asterisk (*).

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 January 29, 1995, filed March 15, 1995, and are incorporated herein by reference.

3(ii) Restated and Amended Bylaws of the Company, as amended, were filed as Exhibit 3(b) to the Company's Form 10-K for the year ended April 28, 1991, filed July 25, 1991, and are incorporated herein by reference.

10(a) Loan Agreement dated December 1, 1988 with Chesterfield County, South Carolina relating to Series 1988 Industrial Revenue Bonds in the principal amount of $3,377,000 was filed as Exhibit 10(n) to the Company's Form 10-K for the year ended April 29, 1989, and is incorporated herein by reference.

10(b) Loan Agreement dated November 1, 1988 with the Alamance County Industrial Facilities and Pollution Control Financing Authority relating to Series A and B Industrial Revenue Refunding Bonds in the principal amount of $7,900,000, was filed as exhibit 10(o) to the Company's Form 10-K for the year ended April 29, 1990, and is incorporated herein by reference.

10(c) Loan Agreement dated January 5, 1990 with the Guilford County Industrial Facilities and Pollution Control Financing Authority, North Carolina, relating to Series 1989 Industrial Revenue Bonds in the principal amount of $4,500,000, was filed as Exhibit 10(d) to the Company's Form 10-K for the year ended April 19, 1990, filed on July 15, 1990, and is incorporated herein by reference.

10(d) Loan Agreement dated as of December 1, 1993 between Anderson County, South Carolina and the Company relating to $6,580,000 Anderson County, South Carolina Industrial Revenue Bonds (Culp, Inc. Project) Series 1993, was filed as Exhibit 10(o) to the Company's Form 10-Q for the quarter ended January 30, 1994, filed March 16, 1994, and is incorporated herein by reference.

10(e) Form of Severance Protection Agreement, dated September 21, 1989, was filed as Exhibit 10(f) to the Company's Form 10-K for the year ended April 29, 1990, filed on July 25, 1990, and is incorporated herein by reference. (*)

10(f) Lease Agreement, dated January 19, 1990, with Phillips Interests, Inc. was filed as Exhibit 10(g) to the Company's Form 10-K for the year ended April 29, 1990, filed on July 25, 1990, and is incorporated herein by reference.

10(g) Management Incentive Plan of the Company, dated August 1986 and amended July 1989, filed as Exhibit 10(o) to the Company's Form 10-K for the year ended May 3, 1992, filed on August 4, 1992, and is incorporated herein by reference. (*)

10(h) Lease Agreement, dated September 6, 1988, with Partnership 74 was filed as Exhibit 10(h) to the Company's Form 10-K for the year ended April 28, 1991, filed on July 25, 1990, and is incorporated herein by reference.

10(i) Amendment and Restatement of the Employee's Retirement Builder Plan of the Company dated May 1, 1981 with amendments dated January 1, 1990 and January 8, 1990 were filed as Exhibit 10(p) to the Company's Form 10-K for the year ended May 3, 1992, filed on August 4, 1992, and is incorporated herein by reference. (*)

10(j) First Amendment of Lease Agreement dated July 27, 1992 with Partnership 74 Associates was filed as Exhibit 10(n) to the Company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference.

10(k) Second Amendment of Lease Agreement dated April 16, 1993, with Partnership 52 Associates was filed as Exhibit 10(l) to the Company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference.

10(l) 1993 Stock Option Plan was filed as Exhibit 10(o) to the Company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference. (*)

10(m) First Amendment to Loan Agreement dated as of December 1, 1993 by and between The Guilford County Industrial Facilities and Pollution Control Financing Authority and the Company was filed as Exhibit 10(p) to the Company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.

10(n) First Amendment to Loan Agreement dated as of December 16, 1993 by and between The Alamance County Industrial Facilities and Pollution Control Financing Authority and the Company was filed as Exhibit 10(q) to the Company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.

10(o) First Amendment to Loan Agreement dated as of December 16, 1993 by and between Chesterfield County, South Carolina and the Company was filed as Exhibit 10(r) to the Company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.

10(p) Amendment to Lease dated as of November 4, 1994, by and between the Company and RDC, Inc. was filed as Exhibit 10(w) to the Company's Form 10-Q, for the quarter ended January 29, 1995, filed on March 15, 1995, and is incorporated herein by reference.

10(q) Amendment to Lease Agreement dated as of December 14, 1994, by and between the Company and Rossville Investments, Inc. (formerly known as A & E Leasing, Inc.). was filed as Exhibit 10(y) to the Company's Form 10-Q, for the quarter ended January 29, 1995, filed on March 15, 1995, and is incorporated herein by reference.

10(r) Interest Rate Swap Agreement between Company and First Union National Bank of North Carolina dated April 17, 1995, was filed as Exhibit 10(aa) to the Company's Form 10-K for the year ended April 30, 1995, filed on July 26, 1995, and is incorporated herein by reference.

10(s) Performance-Based Stock Option Plan, dated June 21, 1994, was filed as Exhibit 10(bb) to the Company's Form 10-K for the year ended April 30, 1995, filed on July 26, 1995, and is incorporated herein by reference. (*)

10(t) Interest Rate Swap Agreement between Company and First Union National Bank of North Carolina, dated May 31, 1995 was filed as exhibit 10(w) to the Company's Form 10-Q for the quarter ended July 30, 1995, filed on September 12, 1995, and is incorporated herein by reference.

10(u) Interest Rate Swap Agreement between Company and First Union National Bank of North Carolina, dated July 7, 1995 was filed as exhibit 10(x) to the Company's Form 10-Q for the quarter ended July 30, 1995, filed on September 12, 1995, and is incorporated herein by reference.

10(v) Second Amendment of Lease Agreement dated June 15, 1994 with Partnership 74 Associates was filed as Exhibit 10(v) to the Company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.

10(w) Lease Agreement dated November 1, 1993 by and between the Company and Chromatex, Inc. was filed as Exhibit 10(w) to the Company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.

10(x) Lease Agreement dated November 1, 1993 by and between the Company and Chromatex Properties, Inc. was filed as Exhibit 10(x) to the Company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.

10(y) Amendment to Lease Agreement dated May 1, 1994 by and between the Company and Chromatex Properties, Inc. was filed as Exhibit 10(y) to the Company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.

10(z) Canada-Quebec Subsidiary Agreement on Industrial Development (1991), dated January 4, 1995, was filed as Exhibit 10(z) to the Company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.

10(aa) Loan Agreement between Chesterfield County, South Carolina and the Company dated as of April 1, 1996 relating to Tax Exempt Adjustable Mode Industrial Development Bonds (Culp, Inc. Project) Series 1996 in the aggregate principal amount of $6,000,000 was filed as Exhibit 10(aa) to the Company's Form 10-K for the year ended April 28, 1996, and is incorporated herein by reference.

10(bb) Loan Agreement between the Alamance County Industrial Facilities and Pollution Control Financing Authority, North Carolina and the Company, dated December 1, 1996, relating to Tax Exempt Adjustable Mode Industrial Development Revenue Bonds, (Culp, Inc. Project Series 1996) in the aggregate amount of $6,000,000 was filed as Exhibit 10(cc) to the Company's Form 10-Q for the quarter ended January 26, 1997, and is incorporated herein by reference.

10(cc) Loan Agreement between Luzerne County, Pennsylvania and the Company, dated as of December 1, 1996, relating to Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1996 in the aggregate principal amount of $3,500,000 was filed as Exhibit 10(dd) to the Company's Form 10-Q for the quarter ended January 26, 1997, and is incorporated herein by reference.

10(dd) Second Amendment to Lease Agreement between Chromatex Properties, Inc. and the Company, dated April 17, 1997 was filed as Exhibit 10(dd) to the Company's Form 10-K for the year ended April 27, 1997, and is incorporated herein by reference.

10(ee) Lease Agreement between Joseph E. Proctor (doing business as JEPCO) and the Company, dated April 21, 1997 was filed as Exhibit 10(ee) to the Company's Form 10-K for the year ended April 27, 1997, and is incorporated herein by reference.

10(ff) $125,000,000 Revolving Loan Facility dated April 23, 1997 by and among the Company and Wachovia Bank of Georgia, N.A., as agent, and First Union National Bank of North Carolina, as documentation agent was filed as Exhibit 10(ff) to the Company's Form 10-K for the year ended April 27, 1997, and is incorporated herein by reference.

10(gg) Revolving Line of Credit for $4,000,000 dated April 23, 1997 by and between the Company and Wachovia Bank of North Carolina, N.A. was filed as Exhibit 10(gg) to the Company's Form 10-K for the year ended April 27, 1997, and is incorporated herein by reference.

10(hh) Reimbursement and Security Agreement between Culp, Inc. and Wachovia Bank of North Carolina, N.A., dated as of April 1, 1997, relating to $3,337,000 Principal Amount, Chesterfield County, South Carolina Industrial Revenue Bonds (Culp, Inc. Project) Series 1988 was filed as Exhibit 10(hh) to the Company's Form 10-K for the year ended April 27, 1997, and is incorporated herein by reference.

Additionally, there are Reimbursement and Security Agreements between Culp, Inc. and Wachovia Bank of North Carolina, N.A., dated as of April 1, 1997 in the following amounts and with the following facilities:

$7,900,000 Principal Amount, Alamance County Industrial Facilities and Pollution Control Financing Authority Industrial Revenue Refunding Bonds (Culp, Inc. Project) Series A and B.

$4,500,000 Principal Amount, Guilford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1989.

$6,580,000 Principal Amount, Anderson County South Carolina Industrial Revenue Bonds (Culp, Inc. Project) Series 1993.

$6,000,000 Principal Amount, Chesterfield County, South Carolina Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1996.

$6,000,000 Principal Amount, The Alamance County Industrial Facilities and Pollution Control Financing Authority Tax-exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1996.

$3,500,000 Principal Amount, Luzerne County Industrial Development Authority Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1996.

10(ii) Loan Agreement and Reimbursement and Security Agreement dated July 1, 1997 with the Robeson County Industrial Facilities and Pollution Control Financing Authority relating to the issuance of Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project), Series 1997 in the aggregate principal amount of $8,500,000 was filed as Exhibit 10(ii) to the Company's Form 10-Q for the quarter ended August 3, 1997, and is incorporated herein by reference.

10(jj) Asset Purchase Agreement dated as of August 4, 1997 by and between Culp, Inc., Phillips Weaving Mills, Inc., Phillips Printing Mills, Inc., Phillips Velvet Mills, Inc., Phillips Mills, Inc., Phillips Property Company, LLC, Phillips Industries, Inc. and S. Davis Phillips was filed as Exhibit (10jj) to the Company's Form 10-Q for the quarter ended November 2, 1997, and is incorporated herein by reference.

10(kk) Asset Purchase Agreement dated as of October 14, 1997 among Culp, Inc., Artee Industries, Incorporated, Robert T. Davis, Robert L. Davis, Trustee u/a dated 8/25/94, Robert L. Davis, Louis W. Davis, Kelly D. England, J. Marshall Bradley, Frankie S. Bradley and Mickey R. Bradley was filed as Exhibit 10(kk) to the Company's Form 10-Q for the quarter ended November 2, 1997, and is incorporated herein by reference.

10(ll) Form of Note Purchase Agreement (providing for the issuance by Culp, Inc. of its $20 million 6.76% Series A Senior Notes due 3/15/08 and its $55 million 6.76% Series B Senior Notes due 3/15/10), each dated March 4, 1998, between Culp, Inc. and each of the following:

1. Connecticut General Life Insurance Company;
2. The Mutual Life Insurance Company of New York;
3. United of Omaha Life Insurance Company;
4. Mutual of Omaha Insurance Company;
5. The Prudential Insurance Company of America;
6. Allstate Life Insurance Company;
7. Life Insurance Company of North America; and
8. CIGNA Property and Casualty Insurance Company

This agreement was filed as Exhibit 10(ll) to the Company's Form 10-K for the year ended May 3, 1998, and is incorporated herein by reference.

10(mm) First Amendment to Credit Agreement dated July 22, 1998 among Culp, Inc., Wachovia Bank, N.A., as agent, First Union National Bank, as documentation agent, and Wachovia Bank, N.A., First Union National Bank, SunTrust Bank, Atlanta, and Cooperatieve Centrale Raiffeisen-Boerenleeenbank B.A., Rabobank Nederland, New York Branch. This amendment was filed as Exhibit 10(mm) to the Company's Form 10-Q for the quarter ended August 2, 1998, and is incorporated herein by reference.

10(nn) Second Amendment to Credit Agreement dated October 26, 1998, among Culp, Inc., Wachovia Bank, N.A., as agent, First Union National Bank, as documentation agent, and Wachovia Bank, N.A., First Union National Bank, and SunTrust Bank, Atlanta.

27 Financial Data Schedule

(b) Reports on Form 8-K:

The following report on Form 8-K was filed during the period covered by this report:

(1) Form 8-K dated August 20, 1998, included under Item 5, Other Events, disclosure of the Company's press release for quarterly earnings and the Company's Financial Information Release relating to the financial information for the first quarter ended August 2, 1998.

SIGNATURE

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: December 16, 1998

By: s/s Phillip W. Wilson
Phillip W. Wilson
Vice President and Chief Financial and Accounting Officer

(Authorized to sign on behalf of the registrant and also signing as principal financial officer)

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (this "Second Amendment") is dated as of the 26th day of October, 1998 among CULP, INC. (the "Borrower"), WACHOVIA BANK, N.A. (successor by merger to Wachovia Bank of Georgia, N.A.), as Agent (the "Agent"), FIRST UNION NATIONAL BANK (successor by merger to First Union National Bank of North Carolina), as Documentation Agent and WACHOVIA BANK, N.A.(successor by merger to Wachovia Bank of North Carolina, N.A.), FIRST UNION NATIONAL BANK, and SUNTRUST BANK, ATLANTA (collectively, the "Banks");

W I T N E S S E T H:

WHEREAS, the Borrower, the Agent, the Documentation Agent and the Banks executed and delivered that certain Credit Agreement, dated as of April 23, 1997, as amended by First Amendment to Credit Agreement dated as of July 22, 1998 (as so amended, the "Credit Agreement");

WHEREAS, the Borrower has requested and the Agent, the Documentation Agent and the Banks have agreed to certain amendments to the Credit Agreement, subject to the terms and conditions hereof;

NOW, THEREFORE, for and in consideration of the above premises and other good and valuable consideration, the receipt and sufficiency of which hereby is acknowledged by the parties hereto, the Borrower, the Agent, the Documentation Agent and the Banks hereby covenant and agree as follows:

1. Definitions. Unless otherwise specifically defined herein, each term used herein which is defined in the Credit Agreement shall have the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall from and after the date hereof refer to the Credit Agreement as amended hereby.

2. Amendment to Section 1.01. Section 1.01 of the Credit Agreement hereby is amended by (i) deleting the definitions of "EBIT" and "EBITDA" and (ii) adding the following definitions of "Capital Expenditures", "Consolidated Lease Expense", "EBITDA", "EBILTDA", "Performance Pricing Recommencement Date" and "Second Amendment Effective Date":

"Capital Expenditures" means for any period the sum of all capital expenditures incurred during such period by the Borrower and its Consolidated Subsidiaries, as determined in accordance with GAAP.

"Consolidated Lease Expense" for any period means all rental expense under operating leases of the Borrower and its Consolidated Subsidiaries on a consolidated basis during such period.

"EBITDA" means at any time the sum of the following, determined on a consolidated basis for the Borrower and its Consolidated Subsidiaries, at the end of each Fiscal Quarter, for the Fiscal Quarter just ended and the 3 immediately preceding Fiscal Quarters (and with respect to any Acquisition which is made during such 4 Fiscal Quarter period, the Consolidated Subsidiary acquired in such Acquisition shall be included as if it had been a Consolidated Subsidiary prior to the commencement of such 3 Fiscal Quarter period): (i) Consolidated Net Income; plus (ii) Consolidated Net Interest Expense; plus (iii) taxes on income; plus (iv) depreciation; plus (v) amortization; plus (vi) other non-cash charges.

"EBILTDA" means at any time the sum of the following, determined on a consolidated basis for the Borrower and its Consolidated Subsidiaries, at the end of each Fiscal Quarter, for the Fiscal Quarter just ended and the 3 immediately preceding Fiscal Quarters (and with respect to any Acquisition which is made during such 4 Fiscal Quarter Period, the Consolidated Subsidiary acquired in such Acquisition shall be included as if it had been a Consolidated Subsidiary prior to the commencement of such 4 Fiscal Quarter Period): (i) EBITDA; plus (ii) Consolidated Lease Expense.

"Performance Pricing Recommencement Date" means the first date on and after the commencement of the third Fiscal Quarter for Fiscal Year 2000 on which the Banks receive a Compliance Certificate furnished pursuant to Section 5.01(c) showing compliance with Sections 5.05, 5.15, 5.16, 5.17, 5.19, 5.20, 5.21 and (unless Section 5.23 has terminated pursuant and subject to the last sentence thereof) 5.23.

"Second Amendment Effective Date" means October 26, 1998.

3. Amendment to Section 2.03(a). Section 2.03(a) of the Credit Agreement hereby is amended by deleting the first sentence in its entirety, and substituting therefor the following.

In addition to making Syndicated Borrowings, at any time on and after (but not before) the commencement of Fiscal Year 2001, the Borrower may, as set forth in this Section 2.03, request the Banks to make offers to make Money Market Borrowings available to the Borrower.

4. Amendment to Section 2.06(a). Section 2.06(a) of the Credit Agreement hereby is amended by deleting it in its entirety and substituting the following therefor:

(a) "Applicable Margin" means:

(i) for the period commencing on the Second Amendment Effective Date to the Performance Pricing Recommencement Date, (x) for any Base Rate Loan, 0.00%, and (y) for any Euro-Dollar Loan or Foreign Currency Loan, 1.125%; and

(ii) from and after the Performance Pricing Recommencement Date, (x) for any Base Rate Loan, 0.00% and (y) for each Euro-Dollar Loan, the percentage determined on each Performance Pricing Determination Date by reference to the table set forth below as to such type of Loan and the Debt/EBITDA Ratio for the quarterly or annual period ending immediately prior to such Performance Pricing Determination Date.

Debt/EBITDA Ratio	Applicable Margin
< 1.0 to 1.0	0.25%
> 1.0 to 1.0 but < 2.0 to 1.0	0.275%
> 2.0 to 1.0 but < 2.5 to 1.0	0.30%
> 2.5 to 1.0 but < 3.0 to 1.0	0.3625%
> 3.0 to 1.0 but < 3.5 to 1.0	0.55%
> 3.5 to 1.0	0.75%

In determining interest for purposes of this Section 2.06 and fees for purposes of Section 2.07, the Borrower and the Banks shall refer to the Borrower's most recent consolidated quarterly and annual (as the case may be) financial statements delivered pursuant to Section 5.01(a) or (b), as the case may be. If such financial statements require a change in interest pursuant to this Section 2.06 or fees pursuant to Section 2.07, the Borrower shall deliver to the Agent, along with such financial statements, a notice to that effect, which notice shall set forth in reasonable detail the calculations supporting the required change. The "Performance Pricing Determination Date" is the date which is the last date on which such financial statements are permitted to be delivered pursuant to Section 5.01(a) or (b), as applicable. Any such required change in interest and fees shall become effective on such Performance Pricing Determination Date, and shall be in effect until the next Performance Pricing Determination Date, provided that: (x) for Fixed Rate Loans, changes in interest shall only be effective for Interest Periods commencing on or after the Performance Pricing Determination Date; and (y) no fees or interest shall be decreased pursuant to this Section 2.06 or Section 2.07 if a Default is in existence on the Performance Pricing Determination Date.

5. Amendment to Section 2.07(a). Section 2.07(a) of the Credit Agreement hereby is amended by deleting it in its entirety and substituting the following therefor:

(a) The Borrower shall pay to the Agent, for the ratable account of each Bank, a facility fee, calculated in the manner provided in the last paragraph of Section 2.06(a)(ii), on the aggregate amount of such Bank's Commitment (without taking into account the amount of the outstanding Loans made by such Bank), at a rate per annum equal to: (i) for the period commencing on the Second Amendment Effective Date to and including the first Performance Pricing Determination Date occurring after the commencement of the third Fiscal Quarter of Fiscal Year 2000, 0.375%; and (ii) from and after the first Performance Pricing Determination Date occurring after the commencement of the third Fiscal Quarter of Fiscal Year 2000, the percentage determined on each Performance Pricing Determination Date by reference to the table set forth below and the Debt/EBITDA Ratio for the quarterly or annual period ending immediately prior to such Performance Pricing Determination Date:

Debt/EBITDA Ratio	Facility Fee
< 1.0 to 1.0	0.10%
> 1.0 to 1.0 but 2.0 to 1.0	0.125%
> 2.0 to 1.0 but 2.5 to 1.0	0.15%
> 2.5 to 1.0 but 3.0 to 1.0	0.1875%
> 3.0 to 1.0	0.25%

Such facility fees shall accrue from and including the Closing Date to (but excluding the Termination Date) and shall be payable on each March 31, June 30, September 30 and December 31 and on the Termination Date.

6. Amendment to Section 5.01(c). Section 5.01(c) of the Credit Agreement hereby is amended by (i) deleting the word "and" before the reference to "5.21" in the 7th line thereof and substituting a comma therefor, and (ii) adding after such reference to "5.21" the word and

reference "and 5.23".

7. Amendment to Section 5.01(d). Section 5.01(d) of the Credit Agreement hereby is amended by (i) deleting the word "and" before the reference to "5.21" in the 7th line thereof and substituting a comma therefor, and (ii) adding after such reference to "5.21" the word and reference "and 5.23".

8. Amendment to Section 5.19. Section 5.19 of the Credit Agreement hereby is amended by deleting it in its entirety and substituting the following therefor:

> SECTION 5.19. Interest and Leases Coverage. At the end of each Fiscal Quarter, the ratio of EBILTDA to the sum of (x) Consolidated Net Interest Expense plus (y) Consolidated Lease Expense shall not have been less than: (i) for the period from and including the second Fiscal Quarter of Fiscal Year 1999 through and including the first Fiscal Quarter of Fiscal Year 2000, 2.0 to 1.0; (ii) for the period from and including the second Fiscal Quarter of Fiscal Year 2000 through and including the third Fiscal Quarter of Fiscal Year 2000, 2.25 to 1.0; and (iii) at all times thereafter, 3.0 to 1.0.

9. Amendment to Section 5.21. Section 5.21 of the Credit Agreement hereby is amended by deleting it in its entirety and substituting the following therefor:

> SECTION 5.21. Debt/EBITDA Ratio. The Debt/EBITDA Ratio at the end of each Fiscal Quarter will be less than: (i) for the period from and including the second Fiscal Quarter of Fiscal Year 1999 through and including the first Fiscal Quarter of Fiscal Year 2000, 5.0 to 1.0; (ii) for the period from and including the second Fiscal Quarter of Fiscal Year 2000 through and including the third Fiscal Quarter of Fiscal Year 2000, 4.0 to 1.0; and (iii) at all times thereafter, 3.5 to 1.0.

10. New Section 5.23. A new Section 5.23 hereby is added to the Credit Agreement, as follows:

> SECTION 5.23. Capital Expenditures. Commencing with the second Fiscal Quarter of Fiscal Year 1999 and continuing through the end of the first Fiscal Quarter of Fiscal Year 2000, Capital Expenditures for any Fiscal Quarter shall not exceed the sum of (i) 100% of the amount set forth for Capital Expenditures for such Fiscal Quarter in the quarterly projections of cash flows of the Borrower dated October 26, 1998 furnished to the Banks; plus (ii) 50% of the amount of Capital Expenditures permitted under clause (i) for the immediately preceding Fiscal Quarter but not expended; provided that after giving effect to the incurrence of any Capital Expenditures permitted by this Section, no Default shall be in existence or be created thereby. So long as no Default is in existence on the first day of the second Fiscal Quarter of Fiscal Year 2000, this covenant shall terminate, and thereafter all references in this Agreement to Section 5.23 shall be ignored.

11. New Section 5.24. A new Section 5.24 hereby is added to the Credit Agreement, as follows:

> SECTION 5.24. Bank Debt. From and after the Second Amendment Effective Date, the Borrower shall not, and shall not permit any Subsidiary to, incur any Debt to any bank or other financial institution, other than Debt arising in the ordinary course of business from or with respect to (i) the endorsement of negotiable instruments and (ii) the operating accounts of, and cash management services provided to, the Borrower and its Subsidiaries.

12. Amendment to Section 6.01(b). Section 6.01(b) of the Credit Agreement hereby is amended by deleting the reference "5.22" in the 3rd line thereof and substituting therefor the reference "5.24".

13. Amendment to Exhibit F. Exhibit F to the Credit Agreement hereby is amended by deleting paragraphs 5 and 7 thereof, substituting therefor paragraphs 5 and 7 set forth in Exhibit F attached hereto, and adding a new paragraph 8 thereto, as set forth in Exhibit F attached hereto.

14. Restatement of Representations and Warranties. The Borrower hereby restates and renews each and every representation and warranty heretofore made by it in the Credit Agreement and the other Loan Documents as fully as if made on the date hereof and with specific reference to this Second Amendment and all other loan documents executed and/or delivered in connection herewith.

15. Effect of Amendment. Except as set forth expressly hereinabove, all terms of the Credit Agreement and the other Loan Documents shall be and remain in full force and effect, and shall constitute the legal, valid, binding and enforceable obligations of the Borrower. The amendments contained herein shall be deemed to have prospective application only, unless otherwise specifically stated herein.

16. Ratification. The Borrower hereby restates, ratifies and reaffirms each and every term, covenant and condition set forth in the Credit Agreement and the other Loan Documents effective as of the date hereof.

17. Counterparts. This Second Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, and delivered by facsimile transmission, each of which when so executed and delivered (including by facsimile transmission) shall be deemed to be an

original and all of which counterparts, taken together, shall constitute but one and the same instrument.

18. Section References. Section titles and references used in this Second Amendment shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreements among the parties hereto evidenced hereby.

19. No Default. To induce the Agent and the Banks to enter into this Second Amendment and to continue to make advances pursuant to the Credit Agreement, the Borrower hereby acknowledges and agrees that, as of the date hereof, and after giving effect to the terms hereof, there exists (i)-no Default or Event of Default and (ii)-no right of offset, defense, counterclaim, claim or objection in favor of the Borrower arising out of or with respect to any of the Loans or other obligations of the Borrower owed to the Banks under the Credit Agreement.

20. Further Assurances. The Borrower agrees to take such further actions as the Agent shall reasonably request in connection herewith to evidence the amendments herein contained to the Borrower.

21. Governing Law. This Second Amendment shall be governed by and construed and interpreted in accordance with, the laws of the State of Georgia.

22. Conditions Precedent. This Second Amendment shall become effective only upon execution and delivery of this Second Amendment by the Borrower, the Agent and each Bank.

IN WITNESS WHEREOF, the Borrower, the Agent and each of the Banks whose signature appears below has caused this Second Amendment to be duly executed, under seal, by its duly authorized officer as of the day and year first above written.

CULP, INC.,
as Borrower (SEAL)

By:
Title:

WACHOVIA BANK, N.A. (successor by merger to Wachovia Bank of Georgia, N.A. and Wachovia Bank North Carolina, N.A.), as Agent and as a Bank (SEAL)

By:
Title:

FIRST UNION NATIONAL BANK (successor by merger to First Union National Bank of North Carolina), as Documentation Agent and as a Bank (SEAL)

By:
Title:

SUNTRUST BANK, ATLANTA,
as a Bank (SEAL)

By:
Title:

EXHIBIT F

5. Interest and Leases Coverage (Section 5.19)

At the end of each Fiscal Quarter, the ratio of EBILTDA to the sum of (x) Consolidated Net Interest Expense plus (y) Consolidated Lease Expense shall not have been less than: (i) for the period from and including the second Fiscal Quarter of Fiscal Year 1999 through and including the first Fiscal Quarter of Fiscal Year 2000, 2.0 to 1.0; (ii) for the period from and including the second Fiscal Quarter of Fiscal Year 2000 through and including the third Fiscal Quarter of Fiscal Year 2000, 2.25 to 1.0; and (iii) at all times thereafter, 3.0 to 1.0.

(a) EBILTDA - Schedule 1 $

(b) Consolidated Net Interest Expense
- Schedule 1 $
(c) Consolidated Lease Expense
- Schedule 1 $____________

(d) Sum of (b) and (c) $____________

(e) Actual ratio of (a) to (d) to 1.0

Minimum ratio [2.0 to 1.0]
[2.25 to 1.0]
[3.0 to 1.0]

7. Debt/EBITDA Ratio (Section 5.21)

The Debt/EBITDA Ratio at the end of each Fiscal Quarter will be less than: (i) for the period from and including the second Fiscal Quarter of Fiscal Year 1999 through and including the first Fiscal Quarter of Fiscal Year 2000, 5.0 to 1.0; (ii) for the period from and including the second Fiscal Quarter of Fiscal Year 2000 through and including the third Fiscal Quarter of Fiscal Year 2000, 4.0 to 1.0; and (iii) at all times thereafter, 3.5 to 1.0.

(a) Total Debt $ ______________

(b) EBITDA - Schedule 1 $ ______________

(c) Actual ratio of (a) to (b) to 1.0

Maximum ratio [<5.0 to 1.0]
[<4.0 to 1.0]
[<3.5 to 1.0]

8. Capital Expenditures (Section 5.23)1

Commencing with the second Fiscal Quarter of Fiscal Year 1999 and continuing through the end of the first Fiscal Quarter of Fiscal Year 2000, Capital Expenditures for any Fiscal Quarter shall not exceed the sum of (i) 100% of the amount set forth for Capital Expenditures for such Fiscal Quarter in the quarterly projections of cash flows of the Borrower dated October 26, 1998 furnished to the Banks; plus (ii) 50% of the amount of Capital Expenditures permitted under clause (i) for the immediately preceding Fiscal Quarter but not expended; provided that after giving effect to the incurrence of any Capital Expenditures permitted by this Section, no Default shall be in existence or be created thereby. So long as no Default is in existence on the first day of the second Fiscal Quarter of Fiscal Year 2000, this covenant shall terminate, and thereafter all references in this Agreement to Section 5.23 shall be ignored.

(a) Capital Expenditures for Fiscal Quarter just ended $______________

(b) Capital Expenditures set forth in 10/7/98 projections for Fiscal Quarter just ended $______________

(c) Capital Expenditures permitted under clause (i) for Fiscal Quarter immediately preceding Fiscal Quarter just ended but not expended $______________

(d) 50% of (c) $______________

(e) sum of (b) plus (d) $______________

Limitation: (a) may not exceed (e)

Schedule 1

EBITDA/EBILTDA

I. EBITDA

(a) Consolidated Net Income for:

quarter	$_______________
quarter	$_______________
quarter	$_______________
quarter	$_______________
Total	$_______________

(b) Consolidated Net Interest Expense for:

quarter	$_______________
quarter	$_______________
quarter	$_______________
quarter	$_______________
Total	$_______________

(c) Income Taxes for:

quarter	$_______________
quarter	$_______________
quarter	$_______________
quarter	$_______________
Total	$_______________

(d) Depreciation expense for:

quarter	$_______________
quarter	$_______________
quarter	$_______________
quarter	$_______________
Total	$_______________

(e) Amortization expense for:

quarter	$______________
quarter	$______________
quarter	$______________
quarter	$______________
Total	$______________

(f) Other Non-cash charges for:

quarter	$______________
quarter	$______________
quarter	$______________
quarter	$______________
Total	$______________
TOTAL EBITDA (sum of (a) through (f))	$______________

II. EBILTDA

(a) EBITDA (from Part I) $ ____________

(b) Capital Lease Expense for:

quarter	$______________
quarter	$______________
quarter	$______________
quarter	$______________
TOTAL EBILTDA (sum of (a) and(b))	$______________

- --------

1 May be deleted from and after termination of the covenant pursuant and subject to the last sentence of Section 5.23.

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6-MOS
MAY-02-1999
MAY-04-1998
NOV-01-1998
1,177
0
75,061
(2,063)
72,392
153,797
229,355
(103,305)
342,022
51,461
0
0
0
650
128,474
342,022
238,826
238,826
204,741
204,741
29,947
0
4,825
(1,989)
(656)
(1,333)
0
0
0
(1,333)
(0.10)
(0.10)