SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended January 31, 1999

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 January 31, 1999: 12,995,021
Par Value: $.05

INDEX TO FORM 10-Q
For the period ended January 31, 1999

CULP, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 31, 1999 AND FEBRUARY 1, 1998

(Amounts in Thousands, Except for Per Share Data)

THREE MONTHS ENDED (UNAUDITED)

| | | Amounts | | | Percent of Sales | |
|---|---|---|---|---|---|---|
| | | January 31, 1999 | February 1, 1998 | % Over (Under) | 1999 | 1998 |
| Net sales | $ | 112,093 | 118,457 | (5.4)% | 100.0 % | 100.0 % |
| Cost of sales | | 92,911 | 97,554 | (4.8)% | 82.9 % | 82.4 % |
| Gross profit | | 19,182 | 20,903 | (8.2)% | 17.1 % | 17.6 % |
| Selling, general and administrative expenses | | 14,100 | 13,162 | 7.1 % | 12.6 % | 11.1 % |
| Income from operations | | 5,082 | 7,741 | (34.3)% | 4.5 % | 6.5 % |
| Interest expense | | 2,308 | 2,180 | 5.9 % | 2.1 % | 1.8 % |
| Interest income | | (10) | (73) | (86.3)% | (0.0)% | (0.1)% |
| Other expense (income), net | | 492 | 492 | 0.0 % | 0.4 % | 0.4 % |
| Income before income taxes | | 2,292 | 5,142 | (55.4)% | 2.0 % | 4.3 % |
| Income taxes * | | 753 | 1,140 | (33.9)% | 32.9 % | 22.2 % |
| Net income | $ | 1,539 | 4,002 | (61.5)% | 1.4 % | 3.4 % |
| Net income per share | | $0.12 | $0.32 | (62.5)% | | |
| Net income per share, assuming dilution | | $0.12 | $0.31 | (61.3)% | | |
| Dividends per share | | $0.035 | $0.035 | 0.0 % | | |
| Average shares outstanding | | 12,995 | 12,692 | 2.4 % | | |
| Average shares outstanding, assuming dilution | | 13,124 | 12,986 | 1.1 % | | |

NINE MONTHS ENDED (UNAUDITED)

| | | Amounts | | | Percent of Sales | |
|---|---|---|---|---|---|---|
| | | January 31, 1999 | February 1, 1998 | % Over (Under) | 1999 | 1998 |
| Net sales | $ | 350,919 | 340,881 | 2.9 % | 100.0 % | 100.0 % |
| Cost of sales | | 297,652 | 280,510 | 6.1 % | 84.8 % | 82.3 % |
| Gross profit | | 53,267 | 60,371 | (11.8)% | 15.2 % | 17.7 % |
| Selling, general and administrative expenses | | 44,047 | 37,710 | 16.8 % | 12.6 % | 11.1 % |
| Income from operations | | 9,220 | 22,661 | (59.3)% | 2.6 % | 6.6 % |
| Interest expense | | 7,133 | 5,280 | 35.1 % | 2.0 % | 1.5 % |
| Interest income | | (82) | (235) | (65.1)% | (0.0)% | (0.1)% |
| Other expense (income), net | | 1,866 | 1,159 | 61.0 % | 0.5 % | 0.3 % |
| Income before income taxes | | 303 | 16,457 | (98.2)% | 0.1 % | 4.8 % |
| Income taxes * | | 97 | 5,100 | (98.1)% | 32.0 % | 31.0 % |
| Net income | $ | 206 | 11,357 | (98.2)% | 0.1 % | 3.3 % |
| Net income per share | | $0.02 | $0.90 | (97.8)% | | |
| Net income per share,assuming dilution | | $0.02 | $0.88 | (97.7)% | | |
| Dividends per share | | $0.105 | $0.105 | 0.0 % | | |
| Average shares outstanding | | 12,997 | 12,663 | 2.6 % | | |
| Average shares outstanding, assuming dilution | | 13,171 | 12,964 | 1.6 % | | |

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

CULP, INC.
CONSOLIDATED BALANCE SHEETS
JANUARY 31, 1999, FEBRUARY 1, 1998 AND MAY 3, 1998
Unaudited

(Amounts in Thousands)

| | Amounts January 31, 1999 | Amounts February 1, 1998 | Increase (Decrease) Dollars | Increase (Decrease) Percent | * May 3, 1998 |
|---|---|---|---|---|---|
| Current assets | | | | | |
| Cash and cash investments $ | 655 | 348 | 307 | 88.2 % | 2,312 |
| Accounts receivable | 63,090 | 73,109 | (10,019) | (13.7)% | 73,773 |
| Inventories | 69,210 | 75,032 | (5,822) | (7.8)% | 78,594 |
| Other current assets | 7,560 | 7,202 | 358 | 5.0 % | 7,808 |
| Total current assets | 140,515 | 155,691 | (15,176) | (9.7)% | 162,487 |
| Restricted investments | 3,416 | 3,976 | (560) | (14.1)% | 4,021 |
| Property, plant & equipment, net | 125,885 | 113,658 | 12,227 | 10.8 % | 128,805 |
| Goodwill | 51,615 | 48,558 | 3,057 | 6.3 % | 55,162 |
| Other assets | 5,017 | 5,439 | (422) | (7.8)% | 4,340 |
| Total assets $ | 326,448 | 327,322 | (874) | (0.3) % | 354,815 |
| Current liabilities | | | | | |
| Current maturities of long-term debt $ | 1,678 | 1,120 | 558 | 49.8 % | 3,325 |
| Accounts payable | 25,808 | 35,921 | (10,113) | (28.2)% | 37,214 |
| Accrued expenses | 17,317 | 12,683 | 4,634 | 36.5 % | 17,936 |
| Income taxes payable | 0 | 1,941 | (1,941) | (100.0)% | 1,282 |
| Total current liabilities | 44,803 | 51,665 | (6,862) | (13.3)% | 59,757 |
| Long-term debt | 140,210 | 144,079 | (3,869) | (2.7)% | 152,312 |
| Deferred income taxes | 11,227 | 9,965 | 1,262 | 12.7 % | 11,227 |
| Total liabilities | 196,240 | 205,709 | (9,469) | (4.6)% | 223,296 |
| Shareholders'equity | 130,208 | 121,613 | 8,595 | 7.1 % | 131,519 |
| Total liabilities and shareholders' equity $ | 326,448 | 327,322 | (874) | (0.3)% | 354,815 |
| Shares outstanding | 12,995 | 12,700 | 295 | 2.3 % | 13,007 |

* Derived from audited financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 31, 1999 AND FEBRUARY 1, 1998
Unaudited
(Amounts in Thousands)

| | NINE MONTHS ENDED | |
|---|---|---|
| | Amounts | |
| | January 31, 1999 | February 1, 1998 |
| Cash flows from operating activities: | | |
| Net income | $ 206 | 11,357 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 13,785 | 10,660 |
| Amortization of intangible assets | 1,174 | 883 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 10,546 | (16,418) |
| Inventories | 9,984 | (16,330) |
| Other current assets | 303 | (1,752) |
| Other assets | (95) | (1,942) |
| Accounts payable | (8,609) | 8,783 |
| Accrued expenses | (973) | (2,175) |
| Income taxes payable | (1,282) | 361 |
| Net cash provided by (used in) operating activities | 25,039 | (6,573) |
| Cash flows from investing activities: | | |
| Capital expenditures | (8,500) | (28,183) |
| Purchases of restricted investments | (73) | (8,724) |
| Purchase of investments to fund deferred compensation liability | (735) | (581) |
| Sale of restricted investments | 678 | 15,766 |
| Businesses acquired | 0 | (37,156) |
| Net cash used in investing activities | (8,630) | (58,878) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of long-term debt | 2,535 | 77,600 |
| Principal payments on long-term debt | (16,284) | (9,042) |
| Change in accounts payable-capital expenditures | (2,800) | (2,765) |
| Dividends paid | (1,365) | (1,333) |
| Common stock issued (purchased) | (152) | 509 |
| Net cash provided by (used in) financing activities | (18,066) | 64,969 |
| Decrease in cash and cash investments | (1,657) | (482) |
| Cash and cash investments at beginning of period | 2,312 | 830 |
| Cash and cash investments at end of period | $ 655 | 348 |

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

(Dollars in thousands, except per share data)

| | Common Stock Shares | Common Stock Amount | Capital Contributed in Excess of Par Value | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|
| Balance, April 27, 1997 | 12,608,759 | $ 9 630 | $ 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 ($0.105 per share) | | | | (1,365) | (1,365) |
| Net income | | | | 206 | 206 |
| Common stock issued in connection with stock option plans | 1,000 | | 8 | | 8 |
| Common stock purchased | (13,000) | | (41) | (119) | (160) |
| Balance, January 31, 1999 | 12,995,021 | $ 650 | $ 40,849 | $ 88,709 | $ 130,208 |

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 nine month periods ended January 31, 1999 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):

| | January 31, 1999 | May 3, 1998 |
|---|---|---|
| Customers | $ 65,155 | $ 75,695 |
| Allowance for doubtful accounts | (1,460) | (1,244) |
| Reserve for returns and allowances | (605) | (678) |
| | $ 63,090 | $ 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):

| | January 31, 1999 | May 3, 1998 |
|---|---|---|
| Raw materials | $ 42,007 | $ 45,319 |
| Work-in-process | 6,256 | 6,608 |
| Finished goods | 26,830 | 31,017 |
| Total inventories valued at FIFO cost | 75,093 | 82,944 |
| Adjustments of certain inventories to the LIFO cost method | (2,364) | (2,364) |
| Adjustments of certain inventories to market | (3,519) | (1,986) |
| | $ 69,210 | $ 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):

| | January 31, 1999 | May 3, 1998 |
|---|---|---|
| Accounts payable-trade | $ 25,734 | $ 34,340 |
| Accounts payable-capital expenditures | 74 | 2,874 |
| | $ 25,808 | $ 37,214 |

6. Accrued Expenses

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

| | January 31, 1999 | May 3, 1998 |
|---|---|---|
| Compensation and benefits | $ 10,459 | $ 12,212 |
| Other | 6,858 | 5,724 |
| | $ 17,317 | $ 17,936 |

7. Long-Term Debt

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

| | January 31, 1999 | May 3, 1998 |
|---|---|---|
| Senior unsecured notes | $ 75,000 | $ 75,000 |
| Industrial revenue bonds and other obligations | 35,176 | 34,787 |
| Revolving credit facility | 25,000 | 30,000 |
| Revolving line of credit | 0 | 6,000 |
| Obligations to sellers | 6,712 | 9,850 |
| | 141,888 | 155,637 |
| Less current maturities | (1,678) | (3,325) |
| | $ 140,210 | $ 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 LIBOR plus 1.125%. On borrowings outstanding at January 31, 1999, the interest rate was 6.28%.

The company's $6,000,000 revolving line of credit expires on February 28, 2000. However, the line of credit will automatically be extended for an additional three-month period on each May 31, August 31, November 30 and February 28 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 $3,416,000 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 January 31, 1999, the company was in compliance with the amended financial covenants.

At January 31, 1999, 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 January 31, 1999 is approximately $731,000. Net amounts paid under these agreements increased interest expense by approximately $194,000 and $156,000 for the nine 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 | $ 5,908 | $ 5,254 |
| Income taxes | 2,657 | 4,720 |

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 January 31, 1999.

10. Net Income Per Share

The following tables reconcile the numerators and denominators of net income per share and net income per share, assuming dilution for the three and nine months ended January 31, 1999 and February 1, 1998:

THREE MONTHS ENDED

| | January 31, 1999 | | | February 1, 1998 | | |
|---|---|---|---|---|---|---|
| (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 | $1,539 | 12,995 | $0.12 | $4,002 | 12,692 | $0.32 |
| Effect of dilutive securities: | | | | | | |
| Options | - | 129 | | - | 294 | |
| Net income per share, assuming dilution | $1,539 | 13,124 | $0.12 | $4,002 | 12,986 | $0.31 |

NINE MONTHS ENDED

| | January 31, 1999 | | | February 1, 1998 | | |
|---|---|---|---|---|---|---|
| (Amounts in thousands, except per share data) | Income (Numerator) | Shares (Denominator) | Per Share Amount | Income (Numerator) | Shares (Denominator) | Per Share Amount |
| Net income per hare | $206 | 12,997 | $0.02 | $11,357 | 12,663 | $0.90 |
| Effect of dilutive | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| securities: Options | - | 174 | | - | 301 | |
| Net income per share, assuming dilution | $206 | 13,171 | $0.02 | $11,357 | 12,964 | $0.88 |

CULP, INC.
SALES BY PRODUCT CATEGORY/BUSINESS UNIT
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 31, 1999 AND FEBRUARY 1, 1998
(Amounts in thousands)

| | THREE MONTHS ENDED (UNAUDITED) | | | | |
|---|---|---|---|---|---|
| | Amounts | | | Percent of Total Sales | |
| Product Category/Business Unit | January 31, 1999 | February 1, 1998 | % Over (Under) | 1999 | 1998 |
| Upholstery Fabrics | | | | | |
| Culp Decorative Fabrics | $ 50,520 | 53,415 | (5.4)% | 45.1 % | 45.1 % |
| Culp Velvets/Prints | 34,949 | 44,020 | (20.6)% | 31.2 % | 37.2 % |
| | 85,469 | 97,435 | (12.3)% | 76.2 % | 82.3 % |
| Mattress Ticking | | | | | |
| Culp Home Fashions | 22,536 | 20,261 | 11.2 % | 20.1 % | 17.1 % |
| Yarn | | | | | |
| Culp Yarn | 4,088 | 761 | 437.2 % | 3.6 % | 0.6 % |
| | * $ 112,093 | 118,457 | (5.4)% | 100.0% | 100.0 % |

| | NINE MONTHS ENDED (UNAUDITED) | | | | |
|---|---|---|---|---|---|
| | Amounts | | | Percent of Total Sales | |
| Product Category/Business Unit | January 31, 1999 | February 1, 1998 | % Over (Under) | 1999 | 1998 |
| Upholstery Fabrics | | | | | |
| Culp Decorative Fabrics | $ 161,538 | 150,010 | 7.7 % | 46.0 % | 44.0 % |
| Culp Velvets/Prints | 103,671 | 126,345 | (17.9)% | 29.5 % | 37.1 % |
| | 265,209 | 276,355 | (4.0)% | 75.6 % | 81.1 % |
| Mattress Ticking | | | | | |
| Culp Home Fashions | 68,659 | 63,765 | 7.7 % | 19.6 % | 18.7 % |
| Yarn | | | | | |
| Culp Yarn | 17,051 | 761 | 2,140.6 % | 4.9 % | 0.2 % |
| | * $ 350,919 | 340,881 | 2.9 % | 100.0% | 100.0 % |

* U.S. sales were $88,152 and $79,873 for the third quarter of fiscal 1999 and fiscal 1998, respectively; and $266,934 and $242,123 for the nine months of fiscal 1999 and fiscal 1998, respectively. The percentage increase in U.S. sales was 10.4% for the third quarter and an increase of 10.2% for the nine months.

CULP, INC.
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 31, 1999 AND FEBRUARY 1, 1998

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

| Geographic Area | | Amounts January 31, 1999 | Amounts February 1, 1998 | % Over (Under) | Percent of Total Sales 1999 | Percent of Total Sales 1998 |
|---|---|---|---|---|---|---|
| North America (Excluding USA) | $ | 7,280 | 7,562 | (3.7)% | 30.4 % | 19.6 % |
| Europe | | 3,881 | 11,581 | (66.5)% | 16.2 % | 30.0 % |
| Middle East | | 6,711 | 9,326 | (28.0)% | 28.0 % | 24.2 % |
| Far East & Asia | | 4,993 | 7,957 | (37.3)% | 20.9 % | 20.6 % |
| South America | | 555 | 1,230 | (54.9)% | 2.3 % | 3.2 % |
| All other areas | | 521 | 928 | (43.9)% | 2.2 % | 2.4 % |
| | $ | 23,941 | 38,584 | (38.0)% | 100.0 % | 100.0 % |

NINE MONTHS ENDED (UNAUDITED)

| Geographic Area | | Amounts January 31, 1999 | Amounts February 1, 1998 | % Over (Under) | Percent of Total Sales 1999 | Percent of Total Sales 1998 |
|---|---|---|---|---|---|---|
| North America (Excluding USA) | $ | 23,035 | 22,574 | 2.0 % | 27.4 % | 22.9 % |
| Europe | | 14,787 | 22,811 | (35.2)% | 17.6 % | 23.1 % |
| Middle East | | 25,071 | 23,452 | 6.9 % | 29.9 % | 23.7 % |
| Far East & Asia | | 15,296 | 23,951 | (36.1)% | 18.2 % | 24.3 % |
| South America | | 2,793 | 3,487 | (19.9)% | 3.3 % | 3.5 % |
| All other areas | | 3,003 | 2,483 | 20.9 % | 3.6 % | 2.5 % |
| | $ | 83,985 | 98,758 | (15.0)% | 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 third quarter represented 21.4% and 32.6% for 1999 and 1998, respectively. Year-to-date international sales represented 23.9% and 29.0% 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 January 31, 1999, net sales decreased 5.4% to $112.1 million compared with $118.5 million in the year-earlier period. Net income for the quarter totaled $1.5 million, or $0.12 per share diluted, compared with net income of $4.0 million, or $0.31 per share diluted, for the third quarter of fiscal 1998. Net sales for the quarter, excluding Artee Industries, decreased 8.5% 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, 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. Sales of upholstery fabrics to US-based manufacturers were generally flat as compared with the same quarter a year ago. This portion of the company's business has been generally soft throughout fiscal 1998 and 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 Nine Months ended January 31, 1999 compared with Three and Nine Months ended February 1, 1998

Net Sales. For the three months ended January 31, 1999, net sales decreased 5.4% to $112.1 million compared with $118.5 million in the year-earlier period. For the first nine months of fiscal 1999, net sales increased by $10.0 million or 2.9%, compared with the year earlier period. The decrease in sales for the third quarter was primarily due to a decline in international sales of $14.6 million, partially offset by the incremental sales of $3.3 million from Artee Industries (which was acquired in February 1998) and the increase in sales of $2.3 million of Culp Home Fashions. The increase in sales for the first nine months was due to inclusion of sales of $26.1 million from Artee Industries and Phillips Mills. Phillips Mills was acquired in August 1997. These incremental sales were offset in part by a decline in sales of certain products of the Culp Velvets/Prints division that are primarily marketed internationally. Sales for the third quarter and first nine months from Culp Velvets/Prints decreased $9.1 million and $22.7 million, respectively, from the prior year periods. These were declines of 20.6% and 17.9%, 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, 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.

Sales for the third quarter and first nine months from the Culp Decorative Fabrics business unit decreased $2.9 million and increased $11.5 million, respectively, from the prior year periods. These numbers represent a decline of 5.4% and an increase of 7.7%, respectively. The first nine months' increase is primarily attributable to the incremental sales in the first quarter from Phillips Mills. Sales for the third quarter and first nine months from the Culp Home Fashions unit, which principally consists of mattress ticking and bedding products, rose 11.2% and 7.7%, respectively, increases of $2.3 million and $4.9 million, respectively.

Gross Profit and Cost of Sales. Gross profit for the third quarter of 1999 decreased by $1.7 million and amounted to 17.1% of net sales compared with 17.6% in the third quarter of 1998. For the first nine months, gross profit decreased by $7.1 million and amounted to 15.2% 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, as discussed above. Competitive pressures also contributed to the decline in margins from a year ago. The cost of raw materials has been flat to slightly lower thus far during fiscal 1999. Management expects that 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 fiscal 1999.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased as a percentage of net sales for the third quarter of 1999 to 12.6% compared with 11.1% a year ago. For the first nine months, these expenses increased as a percentage of sales to 12.6% versus 11.1% for the prior year. The company was affected by lower-than-expected sales in certain product categories. The increase in absolute dollars from a year ago resulted from the Artee acquisition, increased costs in sampling new product and higher costs for credit expenses.

Interest Expense. Net interest expense for the third quarter of 1999 was $2.3 million, up from $2.1 million the same quarter of 1998, and for the first nine months was $7.1 million versus $5.0 million last year. The increase is due principally to borrowings related to the acquisition of Artee Industries in February 1998 and Phillips Mills in August 1997. The company also has higher borrowings due to financing of prior year capital expenditures.

Other Expense. Other expense of $492,000 during the third quarter was comparable with the year-earlier period. For the first nine months of 1999, other expense increased to $1.9 million vs. $1.2 million last year, 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 quarter was 32.9% compared with 22.2% for the same quarter during the prior year. The lower tax rate in the prior year resulted from higher than expected tax benefits related to the company's foreign sales corporation (FSC).

Net Income Per Share. Net income per share for the third quarter of 1999 totaled $0.12 per share diluted compared with $0.31 per share diluted a year ago. For the first nine months, the company reported net income of $0.02 per share diluted versus net income of $0.88 per share diluted in the prior year.

## Liquidity and Capital Resources

Liquidity. Cash and cash investments were $655,000 as of January 31, 1999, compared with $348,000 at February 1, 1998, and $2.3 million at the end of fiscal 1998. Funded debt (long-term debt, including current maturities, less restricted investments) was $138.5 million at the close of the third quarter, down from $141.2 million as of February 1, 1998, 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 51.5% as of January 31, 1999, compared with 53.7% as of February 1, 1998, and 53.5% at the end of fiscal 1998. The company's working capital as of January 31, 1999 was $95.7 million, compared with $104.0 million as of February 1, 1998, and $102.7 million at the close of fiscal 1998.

Cash from operating activities, principally resulting from a decrease in inventories and accounts receivable and depreciation, provided $25.0 million during the first nine months. Capital expenditures during the first nine months totaled $8.5 million. Financing activities, principally payments on long-term borrowings, utilized $18.1 million in cash during the first nine months.

Financing Arrangements. As of January 31, 1999, the company had outstanding balances of $25 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, which were placed in March 1998. 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 January 31, 1999, 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 LIBOR plus 1.125%. On borrowings outstanding at January 31, 1999, the interest rate was 6.28%.

The company's loan agreements require, among other things, that the company maintain compliance with certain financial ratios. As of January 31, 1999, the company was in compliance with the amended financial covenants.

As of January 31, 1999, 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. The programming and testing of these systems is expected to be completed by April 1, 1999. Implementation of these systems is expected to be completed by June 30, 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. Inventories of this equipment have been completed and correspondence has been initiated with vendors and suppliers of this equipment. The company is currently evaluating the vendor responses and testing the equipment. After the testing phase is complete, the company will conduct a review of the inventories and the testing procedures, with this phase expected to be completed by July 31, 1999.

The third area of focus is communications with suppliers and vendors to understand their level of readiness 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. We have a response rate in the 60% - - 70% range, and at the present time no material problems or concerns are indicated by these responses.

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. Costs incurred in the company's readiness effort are being expensed as incurred. Anticipated costs are expected to approximate $800,000 and to date $265,000 has been spent. This project, and the year 2000 issue in general, are 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 significant 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.

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. This amendment was filed as Exhibit 10(nn) to the Company's Form 10-Q for the quarter ended November 1, 1998, and is incorporated herein by reference.

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 November 18, 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 second quarter ended November 1, 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: March 17, 1999 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)

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