

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

FORM 8-K

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

Date of Report (Date of earliest event reported) June 16, 2010

Culp, Inc.

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction
of Incorporation)

1-12597

(Commission File Number)

56-1001967

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

1823 Eastchester Drive
High Point, North Carolina 27265

(Address of Principal Executive Offices)
(Zip Code)

(336) 889-5161

(Registrant's Telephone Number, Including Area Code)

Not Applicable

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Forward Looking Information. This report and the exhibits hereto contain statements that may be deemed “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward-looking statements are intended to speak only as of the date on which they are made. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “estimate,” “plan” and “project” and their derivatives, and include but are not limited to statements about the company’s future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company’s business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely. Changes in consumer tastes or preferences toward products not produced by the company could erode demand for the company’s products. Strengthening of the U.S. dollar against other currencies could make the company’s products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on the company’s sales in the U.S. of products produced in those countries. Also, economic and political instability in international areas could affect the company’s operations or sources of goods in those areas, as well as demand for the company’s products in international markets. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. Other factors that could affect the matters discussed in forward-looking statements are included in the company’s periodic reports filed with the Securities and Exchange Commission, including the “Risk Factors” section in the company’s most recent annual report of Form 10-K filed with the Securities and Exchange Commission on July 16, 2009 for the fiscal year ended May 3, 2009.

Item 2.02 – Results of Operations and Financial Condition

On June 16, 2010, we issued a news release to announce our financial results for the fourth quarter and fiscal year ended May 2, 2010. The news release is attached hereto as Exhibit 99(a).

Also on June 16, 2010, we released a Financial Information Release containing additional financial information and disclosures about our fourth quarter and fiscal year ended May 2, 2010. The Financial Information Release is attached hereto as Exhibit 99(b).

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

The news release and Financial Information Release contain adjusted income statement information, which reconciles reported and projected income statement information with adjusted results, on a pre-tax basis, which exclude restructuring and related charges. This information constitutes a non-GAAP performance measure. The company has included this adjusted information in order to show operational performance excluding the effects of restructuring and related charges that occur on an irregular basis. We have presented pre-tax results because the company’s income tax provisions and percentages have been volatile and unpredictable in recent periods. Management believes these presentations aid in the comparison of financial results among comparable financial periods. We note, however, that the usefulness of earnings before income taxes and excluding restructuring and related charges is limited in that these performance measures do not necessarily indicate the likely future financial results of the company and that the excluded income tax and restructuring charges can and do relate to liabilities or charges that reflect reductions in income, future expenditures, or lower values for our assets and business. Adjusted income statement information is used by management to make operational decisions about our business and to evaluate the financial success of the company or its individual segments, especially when comparing results among various periods, is used in certain financial covenants in our loan agreements, and is used by the company as financial goals for purposes of determining management incentive bonuses.

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

Item 9.01 (d) -- Exhibits

99(a) News Release dated June 16, 2010

99(b) Financial Information Release dated June 16, 2010

SIGNATURES

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

CULP, INC.
(Registrant)

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

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

Dated: June 16, 2010

EXHIBIT INDEX

Exhibit Number

Exhibit

99(a)

News Release dated June 16, 2010

99(b)

Financial Information Release dated June 16, 2010



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

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

CULP ANNOUNCES RESULTS FOR FOURTH QUARTER AND FISCAL 2010

HIGH POINT, N.C. (June 16, 2010) — Culp, Inc. (NYSE: CFI) today reported financial and operating results for the fourth quarter and fiscal year ended May 2, 2010.

Fiscal 2010 fourth quarter highlights:

- § Net sales were \$57.2 million, up 20 percent from the fourth quarter of last year, with mattress fabric segment sales up 26 percent and upholstery fabrics segment sales up 13 percent.
- § Pre-tax income was \$5.0 million, compared with \$2.2 million in the prior year period.
- § Net income was \$5.4 million, or \$0.41 per diluted share, compared with net income of \$1.7 million, or \$0.13 per diluted share, in the prior year. A tax benefit of \$0.4 million was recorded in this quarter due to various factors.
- § The company increased its total cash position by \$2.3 million, while incurring \$3.2 million in capital expenditures and lowering its total debt from \$16.4 million to \$11.7 million, a reduction of \$4.7 million, or 29 percent.

Fiscal 2010 full year highlights:

- § Net sales were \$206.4 million, up 1.2 percent over the prior year. Mattress fabric segment sales were even with the prior year while upholstery fabric sales were up 3.4 percent. This marks the first annual sales gain for upholstery fabrics in ten years.
- § Pre-tax income was \$14.3 million, compared with a pre-tax loss of \$6.9 million in the prior year period. Restructuring and related (credits) charges were (\$0.3) million in the current year and \$13.1 million in the prior year.
- § Net income was \$13.2 million, or \$1.01 per diluted share, compared with a net loss of \$38.8 million, or \$3.07 per diluted share, in the prior year period. Fiscal 2009 included a \$27.2 million charge for the establishment of a valuation allowance against the company's net deferred tax assets.
- § Cash flow from operations was \$21.6 million, driven primarily by net income plus depreciation and amortization, totaling \$17.7 million.
- § The company's financial position strengthened considerably during the year with cash and cash equivalents and short-term investments totaling \$21.3 million at year end, exceeding total debt of \$11.7 million. The company increased its total cash position by \$9.5 million during the year, while incurring \$7.4 million in capital expenditures and reducing debt by \$4.8 million.

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- § The projection for the first quarter of fiscal 2011 is for overall sales to increase 11 to 16 percent over the prior year period. Mattress fabric sales are expected to be up 15 to 20 percent and upholstery fabrics sales are expected to be up 5 to 10 percent compared with the prior year. Pre-tax income for the first quarter of fiscal 2011 is expected to be in the range of \$3.6 to \$4.0 million. Pre-tax income for the first quarter of fiscal 2009 was \$1.8 million.

Overview

For the three months ended May 2, 2010, net sales were \$57.2 million, a 20 percent increase compared with \$47.8 million a year ago. The company reported net income of \$5.4 million, or \$0.41 per diluted share, for the fourth quarter of fiscal 2010, compared with net income of \$1.7 million, or \$0.13 per diluted share, for the fourth quarter of fiscal 2009. Net sales for fiscal 2010 were \$206.4 million, compared with net sales of \$203.9 million in fiscal 2009. Net income for fiscal 2010 was \$13.2 million, or \$1.01 per diluted share, compared with a net loss of \$38.8 million, or \$(3.07) per share, in fiscal 2009. The results for fiscal 2009 included a \$27.2 million non-cash charge for the establishment of a valuation allowance against substantially all of the company's net deferred tax assets.

Frank Saxon, chief executive officer of Culp, Inc., said, "We are pleased with our performance for the fourth quarter, capping off a year of significant growth and progress for Culp. We are encouraged by the recent improvement in consumer demand trends, as evidenced by an overall 20 percent sales gain compared with a year ago. In particular, our mattress fabrics business has benefited from a recent uptick in consumer demand in the bedding industry. We have also continued to see favorable growth trends in our upholstery fabrics business, although not to the same level as bedding. Overall, our improved performance for the quarter and year reflects the benefits of a lean and agile operating platform and a strong competitive position in both businesses. Culp represents a stable and trusted supplier for our customers with a proven ability to execute. Our strong financial position is a key advantage in these uncertain economic times and provides us with greater operating flexibility to pursue our growth initiatives."

Mattress Fabrics Segment

Mattress fabric sales for the fourth quarter of fiscal 2010 were \$33.4 million, a 26 percent increase compared with \$26.6 million for the prior year period. For fiscal 2010, mattress fabric sales were \$114.8 million, compared with \$115.4 million in fiscal 2009.

"Our mattress fabrics business had a great fourth quarter, primarily driven by significant improvement in consumer demand in the bedding industry," said Saxon. "Additionally, we are benefiting from the closure of a key competitor in late calendar 2009. These results also reflect the benefits of recent operating initiatives and the ongoing investments we have made to develop an efficient and scalable manufacturing platform. During the fourth quarter, we completed the installation of state-of-the-art finishing equipment for our growing knit business. We are also in the process of further expanding our capacity for both knit and woven product lines, as well as completing an energy efficiency initiative in our Canadian operation that will have an environmental benefit and reduce our operating costs going forward. Our capital expenditures in mattress fabrics for fiscal 2010 totaled approximately \$6.6 million, reflecting our continued commitment to the industry. While we are pleased with the trends in this business, we are also facing increased pricing pressures and higher material costs. As we move into fiscal 2011, we are continuing our high level of capital spending for modernizing and expanding our woven and knit capacities. Above all, we will focus on execution for our customers with outstanding service, reliable delivery performance and consistent quality and value."

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Upholstery Fabrics Segment

Sales for this segment were \$23.8 million for the fourth quarter of fiscal 2010, a 13 percent improvement compared with \$21.2 million in the prior year. During this period, sales of China produced fabrics were \$19.8 million, up 15 percent over the prior year period. Sales of U.S. produced fabrics were \$4.0 million, up three percent from the fourth quarter of fiscal 2009. For fiscal 2010, upholstery fabrics sales were \$91.6 million, up three percent compared with \$88.5 million in fiscal 2009. Sales of China produced fabrics were \$77.3 million for the year, up 14 percent, and sales of U.S. produced fabrics were \$14.3 million, down 30 percent.

“Our upholstery fabrics business has made substantial progress this fiscal year and we are pleased with the improvement in sales and profitability,” Saxon noted. “Our sales results for the year mark the first annual sales gain for this business in ten years. At the same time, we have returned Culp’s upholstery fabrics business to solid profitability. After a multi-year restructuring process, we have established a leaner and more agile manufacturing platform, including a wholly-owned China operation that is scalable and vertical, but not capital intensive. We also have one remaining U.S. manufacturing facility that supports our customer needs. Our top priorities for upholstery fabrics in fiscal 2010 were to place a greater emphasis on product development, sales and marketing initiatives, and delivery performance. Customer response has been very favorable and we believe we have made excellent progress in each of these key areas. For fiscal 2011, we will continue to focus on these same key objectives.”

Balance Sheet

“Throughout fiscal 2010, we have strengthened our balance sheet and generated significant cash flow in this tough economic environment,” added Saxon. “Notably, at the end of the year, our balance sheet reflected \$21.3 million in cash and cash equivalents and short-term investments, up from \$11.8 million at the end of fiscal 2009. Over the same time, we have reduced our total debt, which includes current maturities of long-term debt plus long-term debt, to \$11.7 million, compared with \$16.4 million at the end of fiscal 2009, and incurred \$7.4 million in capital expenditures. Our next major scheduled principal payment of \$2.2 million is not due until August 2011. Our sound financial position provides us with sufficient capital to support our growth strategy.”

Outlook

Commenting on the outlook for the first quarter of fiscal 2011, Saxon remarked, “We believe that macro-economic trends, including high unemployment, consumer credit concerns and a volatile housing market, will continue to influence consumer behavior, and the demand outlook for furniture and bedding remains difficult to predict. However, we are encouraged by trends in both of our businesses as compared with this time last year and currently expect that overall sales will be up 11 to 16 percent compared with the same quarter of fiscal 2010. We believe our profitability will be somewhat affected by higher raw material costs in both segments and increased pricing pressure in mattress fabrics.

“Sales in our mattress fabrics segment are expected to be up approximately 15 to 20 percent for the first quarter, with operating profit significantly higher compared with last year’s first quarter. In our upholstery fabrics segment, we expect sales to be approximately 5 to 10 percent higher for the first quarter than a year ago. Accordingly, we expect the upholstery fabrics segment to report a profit that is higher than the first quarter of last year.

“Considering these factors, we expect to report pre-tax income in the first quarter in the range of \$3.6 to \$4.0 million. Given the volatility in the income tax area during fiscal 2010 and continuing into fiscal 2011, the income tax expense and related tax rate for the first quarter of fiscal 2011 are too uncertain to project. This is management’s best estimate at present, recognizing that future financial results are difficult to predict because of overall economic uncertainties,” said Saxon.

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In closing, Saxon remarked, "We have demonstrated strong execution with favorable results in fiscal 2010, even in the face of ongoing challenges in the economy. We have worked hard to create a scalable and sustainable manufacturing platform in both businesses that allows us to serve our customers very well, achieve increasing profitability in a challenging business environment, and at the same time, position Culp for further profitable growth as the home furnishings industry recovers. As we begin fiscal 2011, we have a focused strategy and the financial strength to fund our growth initiatives. Our mattress fabrics business has shown consistent operational improvement and we believe Culp is well positioned to capitalize on additional growth opportunities with our enhanced manufacturing capabilities. In the upholstery fabrics business, our sales and marketing initiatives are producing favorable results. With our China and U.S. manufacturing platforms, we have a balanced strategy that will support our continued growth and profitability. Above all, we are focused on outstanding execution for our customers as a financially stable and reliable source of innovative fabrics, delivery performance and quality."

About the Company

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

This release contains statements that may be deemed "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward-looking statements are intended to speak only as of the date on which they are made. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives, and include but are not limited to statements about the company's future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely. Changes in consumer tastes or preferences toward products not produced by the company could erode demand for the company's products. Strengthening of the U.S. dollar against other currencies could make the company's products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on the company's sales in the U.S. of products produced in those countries. Also, economic and political instability in international areas could affect the company's operations or sources of goods in those areas, as well as demand for the company's products in international markets. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. Other factors that could affect the matters discussed in forward-looking statements are included in the company's periodic reports filed with the Securities and Exchange Commission, including the "Risk Factors" section in the company's most recent annual report on Form 10-K filed with the Securities and Exchange Commission on July 16, 2009, for the fiscal year ended May 3, 2009.

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CULP, INC.
Condensed Financial Highlights
(Unaudited)

	<u>Three Months Ended</u>		<u>Fiscal Year Ended</u>	
	<u>May 2, 2010</u>	<u>May 3, 2009</u>	<u>May 2, 2010</u>	<u>May 3, 2009</u>
Net sales	\$ 57,243,000	\$ 47,762,000	\$ 206,416,000	\$ 203,938,000
Income (loss) before income taxes	\$ 4,996,000	\$ 2,212,000	\$ 14,316,000	\$ (6,883,000)
Net income (loss)	\$ 5,432,000	\$ 1,695,000	\$ 13,188,000	\$ (38,842,000)
Net income (loss) per share:				
Basic	\$ 0.42	\$ 0.13	\$ 1.04	\$ (3.07)
Diluted	\$ 0.41	\$ 0.13	\$ 1.01	\$ (3.07)
Income before income taxes, excluding restructuring and related charges*	\$ 4,959,000	\$ 2,260,000	\$ 14,004,000	\$ 6,206,000
Average shares outstanding:				
Basic	12,801,000	12,653,000	12,709,000	12,651,000
Diluted	13,200,000	12,694,000	13,057,000	12,651,000

* Excludes restructuring and related credits of \$37,000 for the fourth quarter of fiscal 2010. Excludes restructuring and related credits of \$312,000 for fiscal 2010.

*Excludes restructuring and related charges of \$48,000 for the fourth quarter of fiscal 2009. Excludes restructuring and related charges of \$13.1 million for fiscal 2009.

CULP, INC.
Reconciliation of Income (Loss) before Income Taxes
as Reported to Adjusted Income before Income Taxes
(Unaudited)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>May 2, 2010</u>	<u>May 3, 2009</u>	<u>May 2, 2010</u>	<u>May 3, 2009</u>
Income (loss) before income taxes, as reported	\$ 4,996,000	\$ 2,212,000	\$ 14,316,000	\$ (6,883,000)
Restructuring and related charges (credits)	<u>\$ (37,000)</u>	<u>\$ 48,000</u>	<u>\$ (312,000)</u>	<u>\$ 13,089,000</u>
Adjusted income before income taxes	<u>\$ 4,959,000</u>	<u>\$ 2,260,000</u>	<u>\$ 14,004,000</u>	<u>\$ 6,206,000</u>

-END-

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS AND TWELVE MONTHS ENDED MAY 2, 2010 AND MAY 3, 2009
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED				
	Amounts			Percent of Sales	
	May 2, 2010	May 3, 2009	% Over (Under)	May 2, 2010	May 3, 2009
Net sales	\$ 57,243	\$ 47,762	19.9 %	100.0 %	100.0 %
Cost of sales	45,843	39,408	16.3 %	80.1 %	82.5 %
Gross profit	<u>11,400</u>	<u>8,354</u>	36.5 %	<u>19.9 %</u>	<u>17.5 %</u>
Selling, general and administrative expenses	6,090	5,252	16.0 %	10.6 %	11.0 %
Restructuring (credit) expense	(52)	33	N.M.	(0.1) %	0.1 %
Income from operations	<u>5,362</u>	<u>3,069</u>	74.7 %	<u>9.4 %</u>	<u>6.4 %</u>
Interest expense	288	620	(53.5) %	0.5 %	1.3 %
Interest income	(36)	(14)	157.1 %	(0.1) %	(0.0) %
Other expense	114	251	(54.6) %	0.2 %	0.5 %
Income before income taxes	<u>4,996</u>	<u>2,212</u>	125.9 %	<u>8.7 %</u>	<u>4.6 %</u>
Income taxes*	(436)	517	N.M.	(8.7) %	23.4 %
Net income	<u>\$ 5,432</u>	<u>\$ 1,695</u>	220.5 %	<u>9.5 %</u>	<u>3.5 %</u>
Net income per share-basic	\$ 0.42	\$ 0.13	223.1 %		
Net income per share-diluted	\$ 0.41	\$ 0.13	215.4 %		
Average shares outstanding-basic	12,801	12,653	1.2 %		
Average shares outstanding-diluted	13,200	12,694	4.0 %		

	TWELVE MONTHS ENDED				
	Amounts			Percent of Sales	
	May 2, 2010	May 3, 2009 (1)	% Over (Under)	May 2, 2010	May 3, 2009
Net sales	\$ 206,416	\$ 203,938	1.2 %	100.0 %	100.0 %
Cost of sales	167,639	179,286	(6.5) %	81.2 %	87.9 %
Gross profit	<u>38,777</u>	<u>24,652</u>	57.3 %	<u>18.8 %</u>	<u>12.1 %</u>
Selling, general and administrative expenses	22,805	19,751	15.5 %	11.0 %	9.7 %
Restructuring (credit) expense	(370)	9,471	N.M.	(0.2) %	4.6 %
Income (loss) from operations	<u>16,342</u>	<u>(4,570)</u>	N.M.	<u>7.9 %</u>	<u>(2.2) %</u>
Interest expense	1,314	2,359	(44.3) %	0.6 %	1.2 %
Interest income	(116)	(89)	30.3 %	(0.1) %	(0.0) %
Other expense	828	43	N.M.	0.4 %	0.0 %
Income (loss) before income taxes	<u>14,316</u>	<u>(6,883)</u>	(308.0) %	<u>6.9 %</u>	<u>(3.4) %</u>
Income taxes*	1,128	31,959	N.M.	7.9 %	N.M.
Net income (loss)	<u>\$ 13,188</u>	<u>\$ (38,842)</u>	(134.0) %	<u>6.4 %</u>	<u>(19.0) %</u>
Net income (loss) per share-basic	\$ 1.04	\$ (3.07)	(133.9) %		
Net income (loss) per share-diluted	\$ 1.01	\$ (3.07)	(132.9) %		
Average shares outstanding-basic	12,709	12,651	0.5 %		
Average shares outstanding-diluted	13,057	12,651	3.2 %		

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

(1) Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
MAY 2, 2010 AND MAY 3, 2009
Unaudited
(Amounts in Thousands)

	<u>Amounts</u>		<u>Increase (Decrease)</u>	
	<u>May 2, 2010</u>	<u>* May 3, 2009</u>	<u>Dollars</u>	<u>Percent</u>
Current assets				
Cash and cash equivalents	\$ 18,295	\$ 11,797	6,498	55.1 %
Short-term investments	3,023	-	3,023	100.0 %
Accounts receivable	19,822	18,116	1,706	9.4 %
Inventories	26,002	23,978	2,024	8.4 %
Deferred income taxes	150	54	96	177.8 %
Assets held for sale	123	1,209	(1,086)	(89.8) %
Income taxes receivable	728	210	518	246.7 %
Other current assets	1,698	1,264	434	34.3 %
Total current assets	<u>69,841</u>	<u>56,628</u>	<u>13,213</u>	<u>23.3 %</u>
Property, plant and equipment, net	28,403	24,253	4,150	17.1 %
Goodwill	11,462	11,593	(131)	(1.1) %
Deferred income taxes	324	-	324	100.0 %
Other assets	2,568	2,820	(252)	(8.9) %
Total assets	<u>\$ 112,598</u>	<u>\$ 95,294</u>	<u>17,304</u>	<u>18.2 %</u>
Current liabilities				
Current maturities of long-term debt	\$ 196	\$ 4,764	(4,568)	(95.9) %
Current portion of an obligation under capital lease	-	626	(626)	(100.0) %
Accounts payable - trade	22,278	17,030	5,248	30.8 %
Accounts payable - capital expenditures	567	923	(356)	(38.6) %
Accrued expenses	9,613	6,504	3,109	47.8 %
Accrued restructuring	324	853	(529)	(62.0) %
Income taxes payable - current	224	83	141	169.9 %
Total current liabilities	<u>33,202</u>	<u>30,783</u>	<u>2,419</u>	<u>7.9 %</u>
Accounts payable - capital expenditures	-	638	(638)	(100.0) %
Income taxes payable - long-term	3,876	3,264	612	18.8 %
Deferred income taxes	982	974	8	0.8 %
Long-term debt , less current maturities	11,491	11,604	(113)	(1.0) %
Total liabilities	<u>49,551</u>	<u>47,263</u>	<u>2,288</u>	<u>4.8 %</u>
Shareholders' equity	<u>63,047</u>	<u>48,031</u>	<u>15,016</u>	<u>31.3 %</u>
Total liabilities and shareholders' equity	<u>\$ 112,598</u>	<u>\$ 95,294</u>	<u>17,304</u>	<u>18.2 %</u>
Shares outstanding	<u>13,052</u>	<u>12,768</u>	<u>284</u>	<u>2.2 %</u>

* Derived from audited financial statements

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED MAY 2, 2010 AND MAY 3, 2009
Unaudited
(Amounts in Thousands)

	TWELVE MONTHS ENDED	
	Amounts	
	May 2, 2010	* May 3, 2009 (2)
Cash flows from operating activities:		
Net income (loss)	\$ 13,188	\$ (38,842)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	4,010	6,712
Amortization of other assets	548	488
Stock-based compensation	834	425
Excess tax benefit related to stock options exercised	(429)	-
Deferred income taxes	(148)	33,430
(Gain) loss on impairment of equipment	(65)	(32)
Restructuring expenses, net of gain on sale of related assets	(170)	7,960
Foreign currency exchange losses (gains)	688	(88)
Changes in assets and liabilities, net of effects of acquisition of assets:		
Accounts receivable	(1,684)	8,924
Inventories	(2,020)	12,850
Other current assets	(418)	28
Other assets	(67)	10
Accounts payable-trade	5,157	(5,278)
Accrued expenses	2,853	(1,667)
Accrued restructuring	(529)	(579)
Income taxes	(171)	(1,504)
Net cash provided by operating activities	<u>21,577</u>	<u>22,837</u>
Cash flows from investing activities:		
Capital expenditures	(7,431)	(1,970)
Purchase of short-term investments	(3,023)	-
Net cash paid for acquisition of assets	-	(11,365)
Proceeds from the sale of buildings and equipment	583	4,607
Net cash used in investing activities	<u>(9,871)</u>	<u>(8,728)</u>
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	-	11,000
Payments on vendor-financed capital expenditures	(985)	(1,236)
Payments on a capital lease obligation	(626)	(754)
Payments on long-term debt	(4,789)	(16,055)
Debt issuance costs	(15)	(133)
Proceeds from common stock issued	673	21
Excess tax benefit related to stock options exercised	429	-
Net cash used in financing activities	<u>(5,313)</u>	<u>(7,157)</u>
Effect of exchange rate changes on cash and cash equivalents	105	(69)
Increase in cash and cash equivalents	6,498	6,883
Cash and cash equivalents at beginning of year	<u>11,797</u>	<u>4,914</u>
Cash and cash equivalents at end of year	<u>\$ 18,295</u>	<u>\$ 11,797</u>
Free Cash Flow (1)	<u>\$ 13,652</u>	<u>\$ 23,415</u>

(1) Free Cash Flow reconciliation is as follows:

	FY 2010	FY 2009
Net cash provided by operating activities	\$ 21,577	\$ 22,837
Minus: Capital Expenditures	(7,431)	(1,970)
Add: Proceeds from the sale of buildings and equipment	583	4,607
Minus: Payments on vendor-financed capital expenditures	(985)	(1,236)
Minus: Payments on a capital lease obligation	(626)	(754)
Add: Excess tax benefit related to stock options exercised	429	-
Effects of exchange rate changes on cash and cash equivalents	105	(69)
	<u>\$ 13,652</u>	<u>\$ 23,415</u>

* Derived from audited financial statements.

(2) Certain prior year amounts have been reclassified to conform to current year presentation to reflect the effects of foreign exchange losses and gains in operating cash flows and cash and cash equivalents held as of May 3, 2009. Reclassifications are not material to total net cash provided by operating activities, total net cash used in investing activities, and total net cash used in financing activities.

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE THREE MONTHS ENDED MAY 2, 2010 AND MAY 3, 2009

(Amounts in thousands)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts		% Over (Under)	Percent of Total Sales	
	May 2, 2010	May 3, 2009		May 2, 2010	May 3, 2009
Net Sales by Segment					
Mattress Fabrics	\$ 33,418	26,588	25.7 %	58.4 %	55.7 %
Upholstery Fabrics	23,825	21,174	12.5 %	41.6 %	44.3 %
Net Sales	<u>\$ 57,243</u>	<u>47,762</u>	<u>19.9 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Gross Profit by Segment					
				Gross Profit Margin	
Mattress Fabrics	\$ 7,407	5,392	37.4 %	22.2 %	20.3 %
Upholstery Fabrics	4,008	2,977	34.6 %	16.8 %	14.1 %
Subtotal	<u>11,415</u>	<u>8,369</u>	<u>36.4 %</u>	<u>19.9 %</u>	<u>17.5 %</u>
Restructuring related charges	<u>(15) (1)</u>	<u>(15) (1)</u>	<u>0.0 %</u>	<u>(0.0) %</u>	<u>(0.0) %</u>
Gross Profit	<u>\$ 11,400</u>	<u>8,354</u>	<u>36.5 %</u>	<u>19.9 %</u>	<u>17.5 %</u>
Selling, General and Administrative expenses by Segment					
				Percent of Sales	
Mattress Fabrics	\$ 2,482	1,848	34.3 %	7.4 %	7.0 %
Upholstery Fabrics	2,385	2,310	3.2 %	10.0 %	10.9 %
Unallocated Corporate	1,223	1,094	11.8 %	2.1 %	2.3 %
Selling, General and Administrative expenses	<u>6,090</u>	<u>5,252</u>	<u>16.0 %</u>	<u>10.6 %</u>	<u>11.0 %</u>
Operating Income (loss) by Segment					
				Operating Income (Loss) Margin	
Mattress Fabrics	\$ 4,925	3,545	38.9 %	14.7 %	13.3 %
Upholstery Fabrics	1,623	666	143.7 %	6.8 %	3.1 %
Unallocated Corporate	(1,223)	(1,094)	11.8 %	(2.1) %	(2.3) %
Subtotal	<u>5,325</u>	<u>3,117</u>	<u>70.8 %</u>	<u>9.3 %</u>	<u>6.5 %</u>
Restructuring credit (expense) and restructuring related charges	<u>37 (1)</u>	<u>(48) (1)</u>	<u>N.M.</u>	<u>0.1 %</u>	<u>(0.1) %</u>
Operating income	<u>\$ 5,362</u>	<u>3,069</u>	<u>74.7 %</u>	<u>9.4 %</u>	<u>6.4 %</u>
Depreciation by Segment					
Mattress Fabrics	\$ 838	925	(9.4) %		
Upholstery Fabrics	130	32	306.3 %		
Total Depreciation	<u>968</u>	<u>957</u>	<u>1.1 %</u>		

Notes:

(1) See page 6 for detailed explanations of restructuring credit (expense) and restructuring related charges.

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE TWELVE MONTHS ENDED MAY 2, 2010 AND MAY 3, 2009

(Amounts in thousands)

	TWELVE MONTHS ENDED (UNAUDITED)				
	Amounts		% Over (Under)	Percent of Total Sales	
	May 2, 2010	May 3, 2009		May 2, 2010	May 3, 2009
Net Sales by Segment					
Mattress Fabrics	\$ 114,848	115,396	(0.5) %	55.6 %	56.6 %
Upholstery Fabrics	91,568	88,542	3.4 %	44.4 %	43.4 %
Net Sales	<u>\$ 206,416</u>	<u>203,938</u>	<u>1.2 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Gross Profit by Segment					
Mattress Fabrics	\$ 23,652	20,996	12.7 %	20.6 %	18.2 %
Upholstery Fabrics	15,183	7,253	109.3 %	16.6 %	8.2 %
Subtotal	<u>38,835</u>	<u>28,249</u>	<u>37.5 %</u>	<u>18.8 %</u>	<u>13.9 %</u>
Restructuring related charges	<u>(58) (1)</u>	<u>(3,597) (1)</u>	<u>N.M.</u>	<u>(0.0) %</u>	<u>(1.8) %</u>
Gross Profit	<u>\$ 38,777</u>	<u>24,652</u>	<u>57.3 %</u>	<u>18.8 %</u>	<u>12.1 %</u>
Selling, General and Administrative expenses by Segment					
Mattress Fabrics	\$ 8,178	7,749	5.5 %	7.1 %	6.7 %
Upholstery Fabrics	9,227	8,756	5.4 %	10.1 %	9.9 %
Unallocated Corporate	5,400	3,225	67.4 %	2.6 %	1.6 %
Subtotal	<u>22,805</u>	<u>19,730</u>	<u>15.6 %</u>	<u>11.0 %</u>	<u>9.7 %</u>
Restructuring related charges	<u>- (1)</u>	<u>21 (1)</u>	<u>N.M.</u>	<u>0.0 %</u>	<u>0.0 %</u>
Selling, General and Administrative expenses	<u>\$ 22,805</u>	<u>19,751</u>	<u>15.5 %</u>	<u>11.0 %</u>	<u>9.7 %</u>
Operating Income (loss) by Segment					
Mattress Fabrics	\$ 15,474	13,247	16.8 %	13.5 %	11.5 %
Upholstery Fabrics	5,956	(1,503)	N.M.	6.5 %	(1.7) %
Unallocated Corporate	(5,400)	(3,225)	67.4 %	(2.6) %	(1.6) %
Subtotal	<u>16,030</u>	<u>8,519</u>	<u>88.2 %</u>	<u>7.8 %</u>	<u>4.2 %</u>
Restructuring credit (expense) and restructuring related charges	<u>312 (1)</u>	<u>(13,089) (1)</u>	<u>N.M.</u>	<u>0.2 %</u>	<u>(6.4) %</u>
Operating income (loss)	<u>\$ 16,342</u>	<u>(4,570)</u>	<u>N.M.</u>	<u>7.9 %</u>	<u>(2.2) %</u>
Depreciation by Segment					
Mattress Fabrics	\$ 3,458	3,542	(2.4) %		
Upholstery Fabrics	552	1,080	(48.9) %		
Subtotal	<u>4,010</u>	<u>4,622</u>	<u>(13.2) %</u>		
Accelerated Depreciation	-	2,090	(100.0) %		
Total Depreciation	<u>4,010</u>	<u>6,712</u>	<u>(40.3) %</u>		

Notes:

(1) See page 7 for detailed explanations of restructuring credit (expense) and restructuring related charges.

CULP, INC. FINANCIAL INFORMATION RELEASE
ADJUSTED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MAY 2, 2010 AND MAY 3, 2009
(Unaudited)
(Amounts in Thousands, Except for Per Share Data)

THREE MONTHS ENDED

	As Reported		Adjustments	% of Sales	May 2, 2010		As Reported		Adjustments	% of Sales	May 3, 2009		Adjusted % Over (Under)
	May 2, 2010	% of Sales			Adjusted Results	% of Sales	May 3, 2009	% of Sales			Adjusted Results	% of Sales	
Net sales	\$ 57,243	100.0%	-		57,243	100.0%	47,762	100.0%	-		47,762	100.0%	19.9%
Cost of sales	45,843	80.1%	(15)	0.0%(1)	45,828	80.1%	39,408	82.5%	(15)	0.0%(2)	39,393	82.5%	16.3%
Gross Profit	11,400	19.9%	(15)	0.0%	11,415	19.9%	8,354	17.5%	(15)	0.0%	8,369	17.5%	36.4%
Selling, general and administrative expenses	6,090	10.6%	-	0.0%	6,090	10.6%	5,252	11.0%	-	0.0%	5,252	11.0%	16.0%
Restructuring (credit) expense	(52)	-0.1%	52	0.1%(1)	-	0.0%	33	0.1%	(33)	-0.1%(2)	-	0.0%	0.0%
Income from operations	5,362	9.4%	37	0.1%	5,325	9.3%	3,069	6.4%	(48)	-0.1%	3,117	6.5%	70.8%
Interest expense	288	0.5%	-	0.0%	288	0.5%	620	1.3%	-	0.0%	620	1.3%	-53.5%
Interest income	(36)	-0.1%	-	0.0%	(36)	-0.1%	(14)	0.0%	-	0.0%	(14)	0.0%	157.1%
Other expense	114	0.2%	-	0.0%	114	0.2%	251	0.5%	-	0.0%	251	0.5%	-54.6%
Income before income taxes	4,996	8.7%	37	0.1%(3)	4,959	8.7%	2,212	4.6%	(48)	-0.1%(4)	2,260	4.7%	119.4%

Notes:

- (1) The \$15 restructuring related charge represents other operating costs associated with closed plant facilities. The \$52 restructuring credit represents a credit of \$43 for sales proceeds received on equipment with no carrying value, a credit of \$16 for employee termination benefits, offset by a charge of \$7 for lease termination and other exit costs.
- (2) The \$15 restructuring related charge represents \$57 for other operating costs associated with closed plant facilities and a credit of \$42 for inventory markdowns. The \$33 restructuring charge represents \$43 for lease termination and other exit costs and a credit of \$10 for employee termination benefits.
- (3) The \$37 represents a cash credit.
- (4) Of this total charge, \$90 and \$42 represent a cash charge and a non-cash credit, respectively.

CULP, INC. FINANCIAL INFORMATION RELEASE
ADJUSTED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE TWELVE MONTHS ENDED MAY 2, 2010 AND MAY 3, 2009
(Unaudited)
(Amounts in Thousands, Except for Per Share Data)

TWELVE MONTHS ENDED

	As Reported		Adjustments		May 2, 2010		As Reported		Adjustments		May 3, 2009		Adjusted % Over (Under)
	May 2, 2010	% of Sales		% of Sales	Adjusted Results	% of Sales	May 3, 2009	% of Sales		% of Sales	Adjusted Results	% of Sales	
Net sales	\$ 206,416	100.0%	-		206,416	100.0%	203,938	100.0%	-		203,938	100.0%	1.2%
Cost of sales	167,639	81.2%	(58)	0.0%(1)	167,581	81.2%	179,286	87.9%	(3,597)	-1.8%(2)	175,689	86.1%	-4.6%
Gross profit	38,777	18.8%	(58)	0.0%	38,835	18.8%	24,652	12.1%	(3,597)	-1.8%	28,249	13.9%	37.5%
Selling, general and administrative expenses	22,805	11.0%	-	0.0%	22,805	11.0%	19,751	9.7%	(21)	0.0%(2)	19,730	9.7%	15.6%
Restructuring (credit) expense	(370)	-0.2%	370	0.2%(1)	-	0.0%	9,471	4.6%	(9,471)	-4.6%(3)	-	0.0%	0.0%
Income (loss) from operations	16,342	7.9%	312	0.2%	16,030	7.8%	(4,570)	-2.2%	(13,089)	-6.4%	8,519	4.2%	88.2%
Interest expense	1,314	0.6%	-	0.0%	1,314	0.6%	2,359	1.2%	-	0.0%	2,359	1.2%	-44.3%
Interest income	(116)	-0.1%	-	0.0%	(116)	-0.1%	(89)	0.0%	-	0.0%	(89)	0.0%	30.3%
Other expense	828	0.4%	-	0.0%	828	0.4%	43	0.0%	-	0.0%	43	0.0%	N.M.
Income (loss) before income taxes	14,316	6.9%	312	0.2%(4)	14,004	6.8%	(6,883)	-3.4%	(13,089)	-6.4%(5)	6,206	3.0%	125.7%

Notes:

(1) The \$58 restructuring related charge represents \$108 for other operating costs associated with closed plant facilities, offset by a credit of \$50 for inventory markdowns. The \$370 restructuring credit represents \$186 for employee termination benefits, \$170 for sales proceeds received on equipment with no carrying value, and \$14 for lease termination and other exit costs.

(2) The \$3.6 million restructuring related charge represents \$3.5 million for inventory markdowns and \$119 for other operating costs associated with closed plant facilities. The \$21 restructuring related charge represents other operating costs associated with closed plant facilities.

(3) The \$9.5 million restructuring charge represents \$8.0 million for write-downs of equipment and buildings, \$786 for employee termination benefits, and \$728 for lease termination and other exit costs.

(4) Of this total credit, \$262 and \$50 represent cash and non-cash credits, respectively.

(5) Of this total charge, \$1.6 million and \$11.5 million represent cash and non-cash charges, respectively.

CULP, INC. FINANCIAL INFORMATION RELEASE
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE TWELVE MONTHS ENDED MAY 2, 2010
(UNAUDITED)

	Operating Income		
	Twelve Months Ended May 2, 2010 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics Upholstery	\$ 15,474	\$ 47,339	32.7%
Fabrics	5,956	10,587	56.3%
(less: Unallocated Corporate)	(5,400)	(5,606)	N/A
Total	\$ 16,030	\$ 52,320	30.6%

Average Capital Employed

	As of May 2, 2010				As of January 31, 2010				As of November 1, 2009			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	61,922	25,420	25,256	112,598	58,609	25,928	21,971	106,508	56,686	19,598	22,496	98,780
Total liabilities	(14,720)	(13,559)	(21,272)	(49,551)	(10,066)	(13,527)	(25,991)	(49,584)	(10,625)	(10,461)	(24,416)	(45,502)
Subtotal	\$ 47,202	\$ 11,861	\$ 3,984	\$ 63,047	\$ 48,543	\$ 12,401	\$ (4,020)	\$ 56,924	\$ 46,061	\$ 9,137	\$ (1,920)	\$ 53,278
Less:												
Cash and cash equivalents	-		(18,295)	\$ (18,295)	-		(19,015)	\$ (19,015)	-	-	(19,575)	(19,575)
Short-term investments	-	\$ -	(3,023)	(3,023)	-	-			-	-		
Current maturities of long-term debt	-		196	196	-		4,880	4,880	-	-	4,863	4,863
Long-term debt, less current maturities			11,491	11,491			11,529	11,529		-	11,568	11,568
Total Capital Employed	\$ 47,202	\$ 11,861	\$ (5,647)	\$ 53,416	\$ 48,543	\$ 12,401	\$ (6,626)	\$ 54,318	\$ 46,061	\$ 9,137	\$ (5,064)	\$ 50,134

	As of August 2, 2009				As of May 3, 2009			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	57,772	16,128	18,511	92,411	58,626	22,078	14,590	95,294
Total liabilities	(10,138)	(7,670)	(24,427)	(42,235)	(11,372)	(10,999)	(24,892)	(47,263)
Subtotal	\$ 47,634	\$ 8,458	\$ (5,916)	\$ 50,176	\$ 47,254	\$ 11,079	\$ (10,302)	\$ 48,031
Less:								
Cash and cash equivalents	-		(15,481)	\$ (15,481)	-		(11,797)	\$ (11,797)
Current maturities of long-term debt	-		4,817	4,817	-		4,764	4,764
Long-term debt, less current maturities			11,618	11,618			11,604	11,604
Total Capital Employed	\$ 47,634	\$ 8,458	\$ (4,962)	\$ 51,130	\$ 47,254	\$ 11,079	\$ (5,731)	\$ 52,602

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	\$ 47,339	\$ 10,587	\$ (5,606)	\$ 52,320

Notes:

- (1) Operating income excludes restructuring and related charges--see reconciliation per page 5 of this financial information release.
- (2) Return on average capital employed represents operating income for the year ended May 2, 2010 divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments, long-term debt, including current maturities and shareholders' equity.
- (3) Average capital employed is computed using the five periods ending May 3, 2009, August 2, 2009, November 1, 2009, January 31, 2010, and May 2, 2010.