

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) November 30, 2017

**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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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This report and the exhibits attached hereto contain “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 21E 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, and we disclaim any duty to update such statements. 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 expectations for our future operations, production levels, sales, profit margins, profitability, operating income, capital expenditures, working capital levels, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, and other performance measures, as well as any statements regarding potential acquisitions, future economic or industry trends or future developments. 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, as well as our success in finalizing acquisition negotiations. Decreases in these economic indicators could have a negative effect on our 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 us adversely. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in the value of the U.S. dollar versus other currencies could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our 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 our sales of products produced in those places. Also, economic and political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A “Risk Factors” in our Form 10-K filed with the Securities and Exchange Commission on July 14, 2017 for the fiscal year ended April 30, 2017.

## **Item 2.02 – Results of Operations and Financial Condition**

The information set forth in this Item 2.02 of this Current Report, and in Exhibits 99(a) and 99(b), is intended to be “furnished” under Item 2.02 of Form 8-K. Such information shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

On November 30, 2017, we issued a news release to announce our financial results for our second quarter and six months ended October 29, 2017. The news release is attached hereto as Exhibit 99(a).

Also on November 30, 2017, we released a Financial Information Release containing additional financial information and disclosures about our second quarter and six months ended October 29, 2017. 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 we define as net cash provided by operating activities, less cash capital expenditures, less investment in unconsolidated joint venture, plus any proceeds from sales of equipment, plus any proceeds from life insurance policies, less payments on our life insurance policy, less payments on vendor-financed capital expenditures, less the purchase of long-term investments associated with our Rabbi Trust, plus proceeds from the sale of long-term investments associated with our Rabbi Trust, and plus or minus the effects of exchange rate changes on cash and cash equivalents. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the Financial Information Release. 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, dividends, 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 may 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, and also for making decisions about dividend payments and share repurchases.

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 certain non-recurring 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 are 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 and expenses are allocated to our operating segments, and there are assets and expenses at the corporate (unallocated) level that may provide support to a segment's operations and yet are not included in the assets and expenses used to calculate that segment's return on capital. Thus, the average return on capital for the company's segments will generally be different from 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.

The news release and Financial Information Release contain disclosures about our consolidated adjusted effective income tax rate, which is a non-GAAP liquidity measure that represents our estimated cash expenditures for income taxes. The consolidated adjusted effective income tax rate is calculated by eliminating the non-cash items that affect our GAAP income tax expense, including reductions in income taxes due to the utilization of our U.S. net operating loss (NOL) carryforwards, excess income tax benefits related to stock-based compensation, reversal of any uncertain income tax positions, and other non-cash foreign income tax expenses. Currently our income tax payments are not significant in the U.S. due to NOL carryforward amounts, and thus the consolidated adjusted effective income tax rate represents primarily income tax expense for our subsidiaries located in China and Canada. A reconciliation of our consolidated adjusted effective income tax rate to our consolidated effective GAAP income tax rate is set forth in the Financial Information Release. We believe this information is useful to investors because it demonstrates the amount of cash, as a percentage of income before income taxes, expected to be required to fund our income tax liabilities incurred for the periods reported. Our consolidated income tax expense on a GAAP basis can vary widely over different reporting periods due to the effects of non-cash items, and we believe the calculation of our consolidated adjusted effective tax rate is helpful in comparing financial reporting periods and the amount of income tax liability that we are or will be required to pay to taxing authorities in cash. We note that non-cash reductions in our U.S. NOL carryforwards are based on pre-tax losses in prior periods and will not be available to reduce taxes on current earnings once the NOL carryforward amounts are utilized (which is currently expected to occur within this fiscal year.) Management uses the consolidated adjusted effective income rate to analyze the effect that income tax expenditures are likely to have on cash balances and overall liquidity.

The news release and Financial Information Release contains disclosures about our Adjusted EBITDA, which is a non-GAAP performance measure that reflects net income excluding tax expenses and net interest expense, as well as depreciation and amortization expense and stock based compensation expense. Details of these calculations and a reconciliation to information from our GAAP financial statements is set forth in the Financial Information Release. We believe presentation of Adjusted EBITDA is useful to investors because earnings before interest, income taxes, depreciation and amortization, and similar performance measures that exclude certain charges from earnings, are often used by investors and financial analysts in evaluating and comparing companies in our industry. We note, however, that such measures are not defined uniformly by various companies, with differing expenses being excluded from net income to calculate these performance measures. For this reason, Adjusted EBITDA should not be viewed in isolation by investors and should not be used as a substitute for net income calculated in accordance with GAAP, nor should it be used for direct comparisons with similarly titled performance measures reported by other companies. Use of Adjusted EBITDA as an analytical tool has limitations in that this measure does not reflect all expenses that are necessary to fund and operate our business, including funds required to pay taxes, service our debt, and fund capital expenditures, among others. Management uses Adjusted EBITDA to help it analyze the company's earnings and operating performance, by excluding the effects of expenses that depend upon capital structure and debt level, tax provisions (which can be volatile for our company as described above), and non-cash items such as depreciation, amortization and stock based compensation expense that do not require immediate uses of cash.

**Item 9.01 (d) -- Exhibits**

99(a) News Release dated November 30, 2017

99(b) Financial Information Release dated November 30, 2017

**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: November 30, 2017**

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit</u>
99(a)	News Release dated November 30, 2017
99(b)	Financial Information Release dated November 30, 2017



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

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

## **CULP ANNOUNCES RESULTS FOR SECOND QUARTER FISCAL 2018**

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### ***Board of Directors Authorizes Increase in Quarterly Cash Dividend from \$0.08 to \$0.09 Per Share***

HIGH POINT, N.C. (November 30, 2017) — Culp, Inc. (NYSE: CULP) today reported financial and operating results for the second quarter and six months ended October 29, 2017.

#### **Fiscal 2018 Second Quarter Highlights**

- Net sales were \$80.7 million, up 7.1 percent, with mattress fabrics sales up 6.8 percent and upholstery fabrics sales up 7.7 percent, as compared with the same quarter last year.
- Pre-tax income was \$6.2 million, compared with \$7.2 million in the second quarter of fiscal 2017. The \$6.2 million included approximately \$400,000 of non-recurring legal and other professional expenses.
- Net income was \$4.0 million, or \$0.32 per diluted share, compared with net income of \$4.5 million, or \$0.36 per diluted share, in the prior year period.
- The company's financial position reflected total cash and investments of \$49.1 million and no outstanding debt. (See summary of cash and investments table on page 5). The \$49.1 million was achieved despite spending \$7.5 million in capital expenditures, which includes vendor financed payments, and \$4.6 million on dividend payments during the first six months of this fiscal year.
- The company announced a 12.5 percent increase in its quarterly cash dividend from \$0.08 to \$0.09 per share, or \$0.36 per share on an annualized basis, commencing in the third quarter of fiscal 2018.

#### **Fiscal 2018 Year to Date Highlights**

- Net sales were \$160.2 million, up 2.7 percent, with mattress fabrics sales up 1.0 percent and upholstery fabrics sales up 5.4 percent compared with the same period a year ago.
- Pre-tax income was \$12.9 million, compared with \$15.7 million for the same period last year.
- Net income was \$9.0 million, or \$0.71 per diluted share, compared with net income of \$9.8 million, or \$0.78 per diluted share, in the prior year period.
- Annualized consolidated return on capital was 25 percent, compared with 34 percent for the same period a year ago.
- During the first half of fiscal 2018, the company paid \$4.6 million in dividends, of which \$2.6 million was for a special dividend. Since June 2011, the company has returned a total of \$51.0 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

#### **Financial Outlook**

- The projection for third quarter fiscal 2018 is for overall sales to be slightly higher than the previous year's third quarter. Pre-tax income for the third quarter of fiscal 2018 is expected to be in the range of \$6.8 million to \$7.4 million. Pre-tax income for the third quarter of fiscal 2017 was \$7.0 million.
- The company's performance for the second half of fiscal 2018 is currently expected to be somewhat better than the results achieved during the second half of last fiscal year, excluding any impact from potential acquisitions.



## Overview

For the second quarter ended October 29, 2017, net sales were \$80.7 million, compared with \$75.3 million for the same period a year ago. The company reported net income of \$4.0 million, or \$0.32 per diluted share, for the second quarter of fiscal 2018, compared with net income of \$4.5 million, or \$0.36 per diluted share, for the second quarter of fiscal 2017. The results for the second quarter of fiscal 2018 included approximately \$400,000 of non-recurring legal and professional expenses related to the proposed acquisition of a China business that was not completed. The effective GAAP income tax rate was 34.2 percent for the second quarter of fiscal 2018, compared with 37.5 percent for the second quarter of last year. The rate decrease was primarily due to the mix of earnings between the company's U.S. parent and foreign subsidiaries. The consolidated adjusted effective income tax rate was 14.2 percent for the second quarter of fiscal 2018, compared with 17.8 percent for the prior year. (A reconciliation of consolidated adjusted effective income tax rate to consolidated GAAP effective income tax rate is presented on page 6.)

Commenting on the results, Frank Saxon, president and chief executive officer of Culp, Inc., said, "Overall, our second quarter sales were higher than expected, and we are pleased with the solid top line performance for both upholstery fabrics and mattress fabrics. We have continued to drive product innovation and creativity and leverage the strength of our efficient global manufacturing platform. We have just completed a major transition period in our mattress fabrics business, and we expect to realize greater operating efficiencies from these changes going forward. Our strategic initiatives focused on product and customer diversification are producing favorable results for our upholstery fabrics business. Importantly, we have the financial strength to continue to make the strategic investments to enhance our operations, including potential acquisitions that support our growth objectives.

"We are also pleased that our board has approved an increase in our quarterly cash dividend from \$0.08 to \$0.09 per share, or \$0.36 per share on an annualized basis. This is an important milestone for Culp, as \$0.36 per share is three times the payment amount when dividends were reinstated in July 2012. Our financial performance and strong balance sheet have enabled us to take this action, which is consistent with our capital allocation strategy and confirms our commitment to generate value for our shareholders," added Saxon.

## Mattress Fabrics Segment

Mattress fabrics sales for the second quarter were \$48.6 million, up 6.8 percent compared with \$45.5 million for the second quarter of fiscal 2017.

"We are pleased with the solid growth in mattress fabrics sales for the second quarter," said Iv Culp, president of Culp's mattress fabrics division. "Notably, we continued to execute our strategy in an uncertain market environment, and Culp again outperformed reported mattress industry growth trends. Our strategic focus on design creativity and innovation and our ability to provide a diverse product offering across all price points, including mattress fabrics and sewn covers, have been the key drivers of our sales performance. Sales for the second quarter of fiscal 2018 also reflected aggressive marketing of some new product roll-outs. Our global manufacturing platform supports our product strategy with outstanding customer service and delivery performance.

"We have made excellent progress in enhancing our platform and production capabilities as we have recently completed a period of major transformation across our North American manufacturing operations. As expected, we experienced some disruptions to our production through the second quarter, as well as higher expenses associated with product roll-outs; however, we expect to realize greater operating efficiencies going forward. All of our knitting and other fabric forming equipment has been placed into service in our expanded Stokesdale, North Carolina, facility, and our U.S. mattress cover operation, CLASS, is fully operational in its new location, also in North Carolina. We have also finished the installation of new equipment in our Canada operation, and we are now focused on further refinement of our overall inspection and quality processes to support our continuous improvement initiatives.

"From product design to final delivery, we are executing our diversification strategy to offer a full complement of fabrics and sewn covers. We are excited about the increasing sales contribution from CLASS, our mattress cover business, as we have expanded our business with traditional customers and made impressive strides in reaching new customer markets, especially the fast growing boxed bedding space. Additionally, our newest joint venture mattress cover production facility in Haiti will further strengthen our ability to grow our CLASS business. We have commenced production activities, and we will continue to

gradually add capacity in line with expected demand. The Haiti operation complements our U.S. operations with additional capacity via a mirrored platform, improving our ability to meet customer demand and remain cost-competitive. We also have the ability to utilize our China fabric and cut and sew platform to expand our business to new markets. With the transformation of our North American operations and our global production capabilities for both fabric and sewn covers, we are well positioned to meet demand in all segments of the market. At the same time, we continue to look for supportive opportunities to add to our platform through acquisitions or other strategies that will support our growth.

“Looking ahead, Culp has a solid competitive position across all product categories, supported by a sustainable, efficient global platform with sufficient capacity and distribution capabilities. Overall, we expect to see solid improvement in our quarterly operating results as we move into the second half of fiscal 2018,” added Culp.

### **Upholstery Fabrics Segment**

Sales for this segment were \$32.1 million for the second quarter of fiscal 2018, up 7.7 percent compared with sales of \$29.8 million in the second quarter of fiscal 2017.

“We are pleased with the solid growth in our upholstery fabric sales for the second quarter, as we benefitted from the success of our various growth initiatives,” noted Boyd Chumbley, president of Culp’s upholstery fabric division. “However, our operating performance was affected by higher than anticipated freight costs associated with our China operation. During our second quarter, a forced Chinese government shutdown in certain textile mills for environmental control disrupted the supply chain, and we incurred additional freight costs in order to ensure customer deliveries. We also experienced some impact from an unfavorable China foreign exchange rate.

“We have continued to drive innovation and creativity and execute our product-driven strategy and reach new market segments. Our results for the second quarter reflect the success of this strategy, highlighted by expanded sales of LiveSmart®, our popular ‘performance’ line of highly durable, stain-resistant fabric. We have also seen continued solid growth in sales of fabrics designed for the hospitality market, and we are excited about the opportunities to reach a more diverse customer base. We are exploring potential acquisitions in the hospitality market that will complement our upholstery fabrics business, which is principally in the residential market.

“We had an excellent showing at the recent October furniture market, and our creative designs and innovative products continue to distinguish the Culp brand. We are especially pleased with the favorable customer response to LiveSmart®, as many manufacturers are featuring this fabric in their showrooms. We have recently launched a new website specifically for this innovative product line along with a more aggressive marketing campaign, and we remain optimistic about the sales opportunities for Culp.

“Looking ahead, we are encouraged by a more favorable market outlook as consumer spending for home furnishings is starting to pick up. We believe Culp is well positioned to benefit from any further improvement in demand trends, and we look forward to continued growth in the second half of fiscal 2018,” added Chumbley.

### **Balance Sheet**

“We have maintained a strong financial position through the first half of fiscal 2018, even while spending \$7.5 million on capital expenditures, which include vendor-financed payments, and returning \$4.6 million to shareholders in regular and special dividends,” added Ken Bowling, senior vice president and chief financial officer of Culp, Inc. “As of October 29, 2017, total cash and investments were \$49.1 million, with no outstanding debt on the company’s line of credit.”

### **Dividends and Share Repurchases**

The company also announced that its Board of Directors approved a 12.5 percent increase in the company’s quarterly cash dividend from \$0.08 to \$0.09 per share, or \$0.36 per share on an annualized basis. This payment will be made on January 16, 2018, to shareholders of record as of January 2, 2018. Future dividend payments are subject to board approval and may be adjusted at the board’s discretion as business needs or market conditions change.

The company did not repurchase any shares during the first half of fiscal 2018, leaving \$5.0 million available under the share repurchase program approved by the Board in June 2016.

Since June 2011, the company has returned a total of \$51.0 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

### **Financial Outlook**

Commenting on the outlook for the third quarter of fiscal 2018, Bowling remarked, "We expect overall sales to be slightly higher as compared with the third quarter of last year.

"Mattress fabrics sales are expected to be slightly higher than the same period a year ago. Operating income and margins in this segment are expected to be somewhat higher as compared to a year ago.

"In our upholstery fabrics segment, we expect sales to be slightly higher than the same period a year ago. Operating income and margins in this segment are expected to be slightly lower as compared to last year, as we expect to face higher shipment costs out of China and an unfavorable China foreign exchange rate.

"Considering these factors, the company expects to report pre-tax income for the third fiscal quarter of 2018 in the range of \$6.8 million to \$7.4 million. Pre-tax income for last year's third quarter was \$7.0 million.

"With respect to the full year, capital expenditures for fiscal 2018, including vendor financed payments, are currently expected to be comparable to the previous year and mostly related to additional improvement projects for mattress fabrics. Additionally, the company expects another good year of cash flow, even with the expected level of capital expenditures and modest growth in working capital," added Bowling.

### **About the Company**

Culp, Inc. is one of the world's largest marketers of mattress fabrics for bedding and upholstery fabrics for residential and commercial furniture. The company markets a variety of fabrics to its global customer base of leading bedding and furniture companies, including fabrics produced at Culp's manufacturing facilities and fabrics sourced through other suppliers. Culp has operations located in the United States, Canada, China and Haiti.

*This press release contains "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 21E 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, and we disclaim any duty to update such statements. 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 expectations for our future operations, production levels, sales, profit margins, profitability, operating income, capital expenditures, working capital levels, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, and other performance measures, as well as any statements regarding potential acquisitions, future economic or industry trends or future developments. 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, as well as our success in finalizing acquisition negotiations. Decreases in these economic indicators could have a negative effect on our 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 us adversely. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in the value of the U.S. dollar versus other currencies could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our 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 our sales of products produced in those places. Also, economic and political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A "Risk Factors" in our Form 10-K filed with the Securities and Exchange Commission on July 14, 2017 for the fiscal year ended April 30, 2017.*

**CULP, INC.**  
**Condensed Financial Highlights**  
(Unaudited)

	Three Months Ended		Six Months Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
Net sales	\$ 80,698,000	\$ 75,343,000	\$ 160,230,000	\$ 156,026,000
Income before income taxes	\$ 6,159,000	\$ 7,159,000	\$ 12,900,000	\$ 15,706,000
Net income	\$ 3,976,000	\$ 4,475,000	\$ 8,959,000	\$ 9,789,000
Net income per share:				
Basic	\$ 0.32	\$ 0.36	\$ 0.72	\$ 0.80
Diluted	\$ 0.32	\$ 0.36	\$ 0.71	\$ 0.78
Average shares outstanding:				
Basic	12,440,000	12,308,000	12,420,000	12,297,000
Diluted	12,580,000	12,507,000	12,613,000	12,495,000

**Summary of Cash and Investments**  
**October 29, 2017, October 30, 2016 and April 30, 2017**  
(Unaudited)  
*(Amounts in thousands)*

	Amounts		
	October 29, 2017	October 30, 2016	April 30, 2017*
Cash and cash equivalents	\$ 15,739	\$ 13,910	\$20,795
Short-term investments - Available for Sale	2,478	2,430	2,443
Short-term investments - Held-To-Maturity	4,015	-	-
Long-term investments - Held-To-Maturity	26,853	31,050	30,945
Total cash and investments	<b>\$ 49,085</b>	<b>\$ 47,390</b>	<b>\$54,183</b>

\* Derived from audited financial statements.

**Consolidated Adjusted Effective Income Tax Rate,  
For the Six Months Ended October 29, 2017, and October 30, 2016  
(Unaudited)**  
*(Amounts in Thousands)*

		<b>SIX MONTHS ENDED</b>	
		Amounts	
		<b>October 29, 2017</b>	October 30, 2016
Consolidated Effective GAAP Income Tax Rate	(1)	<b>29.1%</b>	37.7%
Non-Cash U.S. Income Tax Expense		<b>(19.1)%</b>	(19.6)%
Excess Income Tax Benefits Related To Stock-Based Compensation		<b>4.3%</b>	-
Other Non-Cash Foreign Income Tax Expense		<b>(0.1)%</b>	(0.3)%
Consolidated Adjusted Effective Income Tax Rate	(2)	<b>14.2%</b>	17.8%

(1) Calculated by dividing consolidated income tax expense by consolidated income before income taxes.

(2) Represents estimated cash income tax expense for our subsidiaries located in Canada and China divided by consolidated income before income taxes.

**Reconciliation of Free Cash Flow**  
**For the Six Months Ended October 29, 2017 and October 30, 2016**  
(Unaudited)  
*(Amounts in thousands)*

	<b>Six Months Ended October 29, 2017</b>	<b>Six Months Ended October 30, 2016</b>
Net cash provided by operating activities	\$ 10,178	\$ 17,049
Minus: Capital Expenditures	(4,978)	(6,308)
Minus: Investment in unconsolidated joint venture	(609)	-
Plus: Proceeds from the sale of equipment	6	-
Minus: Payments on vendor-financed capital expenditures	(2,500)	-
Plus: Proceeds from the sale of long-term investments (Rabbi Trust)	54	-
Minus: Purchase of long-term investments (Rabbi Trust)	(1,457)	(929)
Effect of exchange rate changes on cash and cash equivalents	19	(38)
	<u>\$ 713</u>	<u>\$ 9,774</u>
Free Cash Flow	<u>\$ 713</u>	<u>\$ 9,774</u>

**Reconciliation of Return on Capital**  
**For the Six Months Ended October 29, 2017 and October 30, 2016**  
(Unaudited)  
*(Amounts in thousands)*

	<u>Six Months Ended</u> <u>October 29, 2017</u>	<u>Six Months Ended</u> <u>October 30, 2016</u>	
Consolidated Income from Operations	\$ 13,352	\$ 15,973	
Average Capital Employed (2)	<u>105,341</u>	<u>93,019</u>	
Return on Average Capital Employed (1)	<u>25.3%</u>	<u>34.3%</u>	
Average Capital Employed			
	<u>October 29, 2017</u>	<u>July 30, 2017</u>	<u>April 30, 2017</u>
Total assets	\$ 201,043	\$ 207,904	\$ 205,634
Total liabilities	<u>(47,963)</u>	<u>(58,227)</u>	<u>(57,004)</u>
Subtotal	\$ 153,080	\$ 149,677	\$ 148,630
Less:			
Cash and cash equivalents	(15,739)	(18,322)	(20,795)
Short-term investments - Available for Sale	(2,478)	(2,469)	(2,443)
Short-term investments - Held-to-Maturity	(4,015)	-	-
Long-term investments - Held-to-Maturity	(26,853)	(30,907)	(30,945)
Long-term investments - Rabbi Trust	(6,921)	(6,714)	(5,466)
Deferred income taxes - non-current	(491)	(436)	(419)
Income taxes payable - current	692	884	287
Income taxes payable - long-term	487	487	467
Deferred income taxes - non-current	4,641	4,253	3,593
Line of credit	-	5,000	-
Deferred compensation	6,970	6,769	5,520
Total Capital Employed	<u>\$ 109,373</u>	<u>\$ 108,222</u>	<u>\$ 98,429</u>
Average Capital Employed (2)	<u>\$ 105,341</u>		
	<u>October 30, 2016</u>	<u>July 31, 2016</u>	<u>May 1, 2016</u>
Total assets	\$ 179,127	\$ 183,360	\$ 175,142
Total liabilities	<u>(43,178)</u>	<u>(51,925)</u>	<u>(46,330)</u>
Subtotal	\$ 135,949	\$ 131,435	\$ 128,812
Less:			
Cash and cash equivalents	(13,910)	(45,549)	(37,787)
Short-term investments - Available for Sale	(2,430)	(2,434)	(4,359)
Long-term investments - Held-To-Maturity	(31,050)	-	-
Long-term investments - Rabbi Trust	(4,994)	(4,611)	(4,025)
Income taxes receivable	-	-	(155)
Deferred income taxes - non-current	(581)	(1,942)	(2,319)
Income taxes payable - current	513	358	180
Income taxes payable - long-term	3,734	3,779	3,841
Deferred income taxes - non-current	1,699	1,532	1,483
Line of credit	-	7,000	-
Deferred compensation	5,171	5,031	4,686
Total Capital Employed	<u>\$ 94,101</u>	<u>\$ 94,599</u>	<u>\$ 90,357</u>
Average Capital Employed (2)	<u>\$ 93,019</u>		

Notes:

(1) Return on average capital employed represents operating income for the six month periods ending October 29, 2017 and October 30, 2016 times two quarters to arrive at an annualized value then divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments - Available for Sale, short-term investments - Held-To-Maturity, long-term investments (Held-To-Maturity), long-term investments (Rabbi Trust), noncurrent deferred income tax assets and liabilities, income taxes receivable and payable, line of credit, and deferred compensation.

(2) Average capital employed used for six months ending October 29, 2017 was computed using the three quarterly periods ending October 29, 2017, July 30, 2017 and April 30, 2017. Average capital employed used for six months ending October 30, 2016 was computed using the three quarterly periods ending October 30, 2016, July 31, 2016 and May 1, 2016.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF NET INCOME**  
**FOR THREE AND SIX MONTHS ENDED OCTOBER 29, 2017 AND OCTOBER 30, 2016**  
**(UNAUDITED)**  
**(Amounts in Thousands, Except for Per Share Data)**

	<b>THREE MONTHS ENDED</b>				
	Amounts			Percent of Sales	
	October 29, 2017	October 30, 2016	% Over (Under)	October 29, 2017	October 30, 2016
Net sales	\$ 80,698	75,343	7.1 %	100.0 %	100.0 %
Cost of sales	<u>64,894</u>	<u>58,442</u>	<u>11.0 %</u>	<u>80.4 %</u>	<u>77.6 %</u>
Gross profit	<u>15,804</u>	16,901	(6.5) %	19.6 %	22.4 %
Selling, general and administrative expenses	<u>9,415</u>	9,602	(1.9) %	11.7 %	12.7 %
Income from operations	<u>6,389</u>	7,299	(12.5) %	7.9 %	9.7 %
Interest expense	37	-	100.0 %	0.0 %	0.0 %
Interest income	(128)	(15)	753.3 %	(0.2) %	(0.0) %
Other expense	<u>321</u>	<u>155</u>	<u>107.1 %</u>	<u>0.4 %</u>	<u>0.2 %</u>
Income before income taxes	<u>6,159</u>	7,159	(14.0) %	7.6 %	9.5 %
Income taxes*	<u>2,108</u>	2,684	(21.5) %	34.2 %	37.5 %
Loss from investment in unconsolidated joint venture	<u>75</u>	-	100.0 %	0.1 %	0.0 %
Net income	<u>\$ 3,976</u>	<u>4,475</u>	<u>(11.2) %</u>	<u>4.9 %</u>	<u>5.9 %</u>
Net income per share-basic	<u>\$0.32</u>	\$0.36	(11.1) %		
Net income per share-diluted	<u>\$0.32</u>	\$0.36	(11.1) %		
Average shares outstanding-basic	<u>12,440</u>	12,308	1.1 %		
Average shares outstanding-diluted	<u>12,580</u>	12,507	0.6 %		

	<b>SIX MONTHS ENDED</b>				
	Amounts			Percent of Sales	
	October 29, 2017	October 30, 2016	% Over (Under)	October 29, 2017	October 30, 2016
Net sales	\$ 160,230	156,026	2.7 %	100.0 %	100.0 %
Cost of sales	<u>127,962</u>	<u>120,705</u>	<u>6.0 %</u>	<u>79.9 %</u>	<u>77.4 %</u>
Gross profit	<u>32,268</u>	35,321	(8.6) %	20.1 %	22.6 %
Selling, general and administrative expenses	<u>18,916</u>	19,348	(2.2) %	11.8 %	12.4 %
Income from operations	<u>13,352</u>	15,973	(16.4) %	8.3 %	10.2 %
Interest expense	37	-	100.0 %	0.0 %	0.0 %
Interest income	(259)	(40)	547.5 %	(0.2) %	(0.0) %
Other expense	<u>674</u>	<u>307</u>	<u>119.5 %</u>	<u>0.4 %</u>	<u>0.2 %</u>
Income before income taxes	<u>12,900</u>	15,706	(17.9) %	8.1 %	10.1 %
Income taxes*	<u>3,748</u>	5,917	(36.7) %	29.1 %	37.7 %
Loss from investment in unconsolidated joint venture	<u>193</u>	-	100.0 %	0.1 %	0.0 %
Net income	<u>\$ 8,959</u>	<u>9,789</u>	<u>(8.5) %</u>	<u>5.6 %</u>	<u>6.3 %</u>
Net income per share-basic	<u>\$0.72</u>	\$0.80	(10.0) %		
Net income per share-diluted	<u>\$0.71</u>	\$0.78	(9.0) %		
Average shares outstanding-basic	<u>12,420</u>	12,297	1.0 %		
Average shares outstanding-diluted	<u>12,613</u>	12,495	0.9 %		

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



**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED BALANCE SHEETS**  
**OCTOBER 29, 2017, OCTOBER 30, 2016, AND APRIL 30, 2017**  
**Unaudited**  
**(Amounts in Thousands)**

	<u>Amounts</u>		<u>Increase (Decrease)</u>		<u>* April 30, 2017</u>
	<u>October 29, 2017</u>	<u>October 30, 2016</u>	<u>Dollars</u>	<u>Percent</u>	
<b>Current assets</b>					
Cash and cash equivalents	\$ 15,739	13,910	1,829	13.1 %	20,795
Short-term investments - Available for Sale	2,478	2,430	48	2.0 %	2,443
Short-term investments - Held-To-Maturity	4,015	-	4,015	100.0 %	-
Accounts receivable	24,220	19,039	5,181	27.2 %	24,577
Inventories	50,209	45,954	4,255	9.3 %	51,482
Other current assets	2,263	1,675	588	35.1 %	2,894
Total current assets	<u>98,924</u>	<u>83,008</u>	<u>15,916</u>	<u>19.2 %</u>	<u>102,191</u>
Property, plant & equipment, net	52,530	45,537	6,993	15.4 %	51,651
Goodwill	11,462	11,462	-	0.0 %	11,462
Deferred income taxes	491	581	(90)	(15.5) %	419
Long-term Investments - Held-To-Maturity	26,853	31,050	(4,197)	(13.5) %	30,945
Long-term Investments - Rabbi Trust	6,921	4,994	1,927	38.6 %	5,466
Investment in unconsolidated joint venture	1,522	-	1,522	100.0 %	1,106
Other assets	2,340	2,495	(155)	(6.2) %	2,394
Total assets	<u>\$ 201,043</u>	<u>179,127</u>	<u>21,916</u>	<u>12.2 %</u>	<u>205,634</u>
<b>Current liabilities</b>					
Accounts payable - trade	\$ 24,600	20,183	4,417	21.9 %	29,101
Accounts payable - capital expenditures	3,209	3,000	209	7.0 %	4,767
Accrued expenses	7,364	8,878	(1,514)	(17.1) %	11,947
Income taxes payable - current	692	513	179	34.9 %	287
Total current liabilities	<u>35,865</u>	<u>32,574</u>	<u>3,291</u>	<u>10.1 %</u>	<u>46,102</u>
Accounts payable - capital expenditures	-	-	-	0.0 %	1,322
Income taxes payable - long-term	487	3,734	(3,247)	(87.0) %	467
Deferred income taxes	4,641	1,699	2,942	173.2 %	3,593
Deferred compensation	6,970	5,171	1,799	34.8 %	5,520
Total liabilities	<u>47,963</u>	<u>43,178</u>	<u>4,785</u>	<u>11.1 %</u>	<u>57,004</u>
Shareholders' equity	<u>153,080</u>	<u>135,949</u>	<u>17,131</u>	<u>12.6 %</u>	<u>148,630</u>
Total liabilities and shareholders' equity	<u>\$ 201,043</u>	<u>179,127</u>	<u>21,916</u>	<u>12.2 %</u>	<u>205,634</u>
Shares outstanding	<u>12,435</u>	<u>12,312</u>	<u>123</u>	<u>1.0 %</u>	<u>12,357</u>

\* Derived from audited financial statements.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**SUMMARY OF CASH AND INVESTMENTS**  
**OCTOBER 29, 2017 AND OCTOBER 30, 2016, AND APRIL 30, 2017**  
**Unaudited**  
**(Amounts in Thousands)**

	Amounts		
	<u>October 29,</u> <u>2017</u>	<u>October 30,</u> <u>2016</u>	<u>April 30,</u> <u>2017*</u>
Cash and cash equivalents	<b>\$ 15,739</b>	\$ 13,910	\$20,795
Short-term investments - Available for Sale	<b>2,478</b>	2,430	2,443
Short-term investments - Held-To-Maturity	<b>4,015</b>	-	-
Long-term investments - Held-To-Maturity	<b>26,853</b>	31,050	30,945
Total Cash and Investments	<b>\$ 49,085</b>	\$ 47,390	\$54,183

\* Derived from audited financial statements.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED OCTOBER 29, 2017 AND OCTOBER 30, 2016**  
**Unaudited**  
**(Amounts in Thousands)**

	<b>SIX MONTHS ENDED</b>	
	Amounts	
	<b>October 29, 2017</b>	<b>October 30, 2016</b>
Cash flows from operating activities:		
Net income	\$ 8,959	9,789
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,713	3,511
Amortization of assets	166	80
Stock-based compensation	1,558	1,657
Deferred income taxes	976	2,121
Realized loss on sale of short-term investments (Available for Sale)	-	12
Loss on sale of equipment	-	9
Loss from investment in unconsolidated joint venture	193	-
Foreign currency exchange loss (gain)	42	(53)
Changes in assets and liabilities:		
Accounts receivable	561	4,142
Inventories	1,597	219
Other current assets	723	751
Other assets	(35)	-
Accounts payable	(5,074)	(3,274)
Accrued expenses and deferred compensation	(3,607)	(2,469)
Income taxes	406	554
Net cash provided by operating activities	<u>10,178</u>	<u>17,049</u>
Cash flows from investing activities:		
Capital expenditures	(4,978)	(6,308)
Investment in unconsolidated joint venture	(609)	-
Proceeds from the sale of short-term investments (Available for Sale)	-	2,000
Purchase of short-term investments (Available for Sale)	(24)	(23)
Purchase of long-term investments (Held-To-Maturity)	-	(31,050)
Proceeds from the sale of long-term investments (Rabbi Trust)	54	-
Purchase of long-term investments (Rabbi Trust)	(1,457)	(929)
Proceeds from the sale of equipment	6	-
Net cash used in investing activities	<u>(7,008)</u>	<u>(36,310)</u>
Cash flows from financing activities:		
Proceeds from line of credit	10,000	7,000
Payments on line of credit	(10,000)	(7,000)
Payments on vendor-financed capital expenditures	(2,500)	-
Dividends paid	(4,603)	(4,307)
Common stock surrendered for withholding taxes payable	(1,147)	(280)
Payments of debt issuance costs	-	(2)
Proceeds from common stock issued	5	11
Net cash used in financing activities	<u>(8,245)</u>	<u>(4,578)</u>
Effect of exchange rate changes on cash and cash equivalents	19	(38)
Decrease in cash and cash equivalents	(5,056)	(23,877)
Cash and cash equivalents at beginning of period	<u>20,795</u>	<u>37,787</u>
Cash and cash equivalents at end of period	<u>\$ 15,739</u>	<u>13,910</u>
Free Cash Flow (1)	<u>\$ 713</u>	<u>9,774</u>

**(1) Free Cash Flow reconciliation is as follows:**

	<b>FY 2018</b>	<b>FY 2017</b>
A) Net cash provided by operating activities	\$ 10,178	17,049
B) Minus: Capital Expenditures	(4,978)	(6,308)
C) Minus: Investment in unconsolidated joint venture	(609)	-
D) Plus: Proceeds from the sale of equipment	6	-
E) Minus: Payments on vendor-financed capital expenditures	(2,500)	-
F) Plus: Proceeds from the sale of long-term investments (Rabbi Trust)	54	-
G) Minus: Purchase of long-term investments (Rabbi Trust)	(1,457)	(929)
H) Effects of exchange rate changes on cash and cash equivalents	19	(38)
	<u>\$ 713</u>	<u>9,774</u>

(2) During the first quarter of fiscal 2018, we adopted ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." Accordingly, we reclassified certain amounts on our Statement of Cash Flows for the six months ended October 30, 2016 to conform to the current year's presentation. As a result, our net cash provided by operating activities increased by \$447 which was fully offset by a corresponding decrease of \$447 to our net cash provided by financing activities. Additionally, our free cash flow increased \$280.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE THREE MONTHS ENDED OCTOBER 29, 2017 AND OCTOBER 30, 2016**  
(Unaudited)  
(Amounts in thousands)

	<b>THREE MONTHS ENDED</b>				
	Amounts			Percent of Total Sales	
	<b>October 29, 2017</b>	October 30, 2016	% Over (Under)	<b>October 29, 2017</b>	October 30, 2016
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 48,601	45,527	6.8 %	60.2 %	60.4 %
Upholstery Fabrics	32,097	29,816	7.7 %	39.8 %	39.6 %
Net Sales	<u>\$ 80,698</u>	<u>75,343</u>	<u>7.1 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
<b>Gross Profit by Segment</b>					
Mattress Fabrics	\$ 9,730	10,756	(9.5) %	20.0 %	23.6 %
Upholstery Fabrics	6,074	6,145	(1.2) %	18.9 %	20.6 %
Gross Profit	<u>\$ 15,804</u>	<u>16,901</u>	<u>(6.5) %</u>	<u>19.6 %</u>	<u>22.4 %</u>
<b>Selling, General and Administrative Expenses by Segment</b>					
Mattress Fabrics	\$ 3,168	3,296	(3.9) %	6.5 %	7.2 %
Upholstery Fabrics	3,700	3,652	1.3 %	11.5 %	12.2 %
Unallocated Corporate expenses	2,547	2,654	(4.0) %	3.2 %	3.5 %
Selling, General and Administrative Expenses	<u>\$ 9,415</u>	<u>9,602</u>	<u>(1.9) %</u>	<u>11.7 %</u>	<u>12.7 %</u>
<b>Operating Income (loss) by Segment</b>					
Mattress Fabrics	\$ 6,562	7,460	(12.0) %	13.5 %	16.4 %
Upholstery Fabrics	2,374	2,493	(4.8) %	7.4 %	8.4 %
Unallocated corporate expenses	(2,547)	(2,654)	(4.0) %	(3.2) %	(3.5) %
Operating income	<u>\$ 6,389</u>	<u>7,299</u>	<u>(12.5) %</u>	<u>7.9 %</u>	<u>9.7 %</u>
<b>Depreciation by Segment</b>					
Mattress Fabrics	\$ 1,698	1,545	9.9 %		
Upholstery Fabrics	207	206	0.5 %		
Depreciation	<u>\$ 1,905</u>	<u>1,751</u>	<u>8.8 %</u>		

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE SIX MONTHS ENDED OCTOBER 29, 2017 AND OCTOBER 30, 2016**  
(Unaudited)  
(Amounts in thousands)

	<b>SIX MONTHS ENDED</b>				
	Amounts			Percent of Total Sales	
	October 29, 2017	October 30, 2016	% Over (Under)	October 29, 2017	October 30, 2016
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 97,030	96,057	1.0 %	60.6 %	61.6 %
Upholstery Fabrics	63,200	59,969	5.4 %	39.4 %	38.4 %
Net Sales	<u>\$ 160,230</u>	<u>156,026</u>	<u>2.7 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
<b>Gross Profit by Segment</b>					
			<b>Gross Profit Margin</b>		
Mattress Fabrics	\$ 19,495	22,657	(14.0) %	20.1 %	23.6 %
Upholstery Fabrics	12,773	12,664	0.9 %	20.2 %	21.1 %
Gross Profit	<u>\$ 32,268</u>	<u>35,321</u>	<u>(8.6) %</u>	<u>20.1 %</u>	<u>22.6 %</u>
<b>Selling, General and Administrative Expenses by Segment</b>					
			<b>Percent of Sales</b>		
Mattress Fabrics	\$ 6,559	6,795	(3.5) %	6.8 %	7.1 %
Upholstery Fabrics	7,511	7,185	4.5 %	11.9 %	12.0 %
Unallocated Corporate expenses	4,846	5,368	(9.7) %	3.0 %	3.4 %
Selling, General, and Administrative Expenses	<u>\$ 18,916</u>	<u>19,348</u>	<u>(2.2) %</u>	<u>11.8 %</u>	<u>12.4 %</u>
<b>Operating Income (loss) by Segment</b>					
			<b>Operating Income (Loss) Margin</b>		
Mattress Fabrics	\$ 12,936	15,862	(18.4) %	13.3 %	16.5 %
Upholstery Fabrics	5,262	5,479	(4.0) %	8.3 %	9.1 %
Unallocated corporate expenses	(4,846)	(5,368)	(9.7) %	(3.0) %	(3.4) %
Operating income	<u>\$ 13,352</u>	<u>15,973</u>	<u>(16.4) %</u>	<u>8.3 %</u>	<u>10.2 %</u>
<b>Return on Capital (1)</b>					
Mattress Fabrics	29.6%	41.8%			
Upholstery Fabrics	59.3%	62.7%			
Unallocated Corporate	N/A	N/A			
Consolidated	<u>25.3%</u>	<u>34.3%</u>			
<b>Capital Employed (2)</b>					
Mattress Fabrics	\$ 91,367	76,201	19.9 %		
Upholstery Fabrics	17,749	18,181	(2.4) %		
Unallocated Corporate	257	(281)	N/A		
Consolidated	<u>\$ 109,373</u>	<u>94,101</u>	<u>16.2 %</u>		
<b>Depreciation by Segment</b>					
Mattress Fabrics	\$ 3,310	3,101	6.7 %		
Upholstery Fabrics	403	410	(1.7) %		
Depreciation	<u>\$ 3,713</u>	<u>3,511</u>	<u>5.8 %</u>		

## Notes:

- (1) See pages 8 and 9 of this financial information release for calculations.
- (2) The capital employed balances are as of October 29, 2017 and October 30, 2016.

CULP, INC. FINANCIAL INFORMATION RELEASE  
CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA  
FOR THE TWELVE MONTHS ENDED OCTOBER 29, 2017 AND OCTOBER 30, 2016  
(UNAUDITED)  
(AMOUNTS IN THOUSANDS)

	Quarter Ended				Trailing 12 Months
	1/29/2017	4/30/2017	7/30/2017	10/29/2017	10/29/2017
Net income	\$ 6,347	\$ 6,198	\$ 4,984	\$ 3,976	\$ 21,505
Income taxes	643	778	1,640	2,108	5,169
Interest income, net	(124)	(134)	(131)	(91)	(480)
Depreciation and amortization expense	1,875	1,863	1,889	1,990	7,617
Stock based compensation	962	739	757	801	3,259
Adjusted EBITDA	<u>\$ 9,703</u>	<u>\$ 9,444</u>	<u>\$ 9,139</u>	<u>\$ 8,784</u>	<u>\$ 37,070</u>

	Quarter Ended				Trailing 12 Months
	1/31/2016	5/1/2016	7/31/2016	10/30/2016	10/30/2016
Net income	\$ 4,862	\$ 3,601	\$ 5,313	\$ 4,475	\$ 18,251
Income taxes	2,317	3,566	3,233	2,684	11,800
Interest income, net	(38)	(26)	(25)	(15)	(104)
Depreciation and amortization expense	1,741	1,830	1,813	1,778	7,162
Stock based compensation	625	778	761	896	3,060
Adjusted EBITDA	<u>\$ 9,507</u>	<u>\$ 9,749</u>	<u>\$ 11,095</u>	<u>\$ 9,818</u>	<u>\$ 40,169</u>
% Over (Under)	<u>2.1%</u>	<u>-3.1%</u>	<u>-17.6%</u>	<u>-10.5%</u>	<u>-7.7%</u>

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**RETURN ON CAPITAL EMPLOYED BY SEGMENT**  
**FOR THE SIX MONTHS ENDED OCTOBER 29, 2017**  
(Amounts in Thousands)  
(Unaudited)

	Operating Income Six Months Ended October 29, 2017 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	\$ 12,936	\$ 87,541	29.6%
Upholstery Fabrics	5,262	17,754	59.3%
(less: Unallocated Corporate)	(4,846)	46	N/A
<b>Total</b>	<b>\$ 13,352</b>	<b>\$ 105,341</b>	<b>25.3%</b>

**Average Capital Employed**

	As of the three Months Ended October 29, 2017				As of the three Months Ended July 30, 2017				As of the three Months Ended April 30, 2017			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	\$ 107,517	\$ 34,974	\$ 58,552	\$ 201,043	\$ 112,112	\$ 34,491	\$ 61,301	\$ 207,904	\$ 111,041	\$ 32,255	\$ 62,338	\$ 205,634
Total liabilities	(16,150)	(17,225)	(14,588)	(47,963)	(24,277)	(14,983)	(18,967)	(58,227)	(27,619)	(16,249)	(13,136)	(57,004)
<b>Subtotal</b>	<b>\$ 91,367</b>	<b>\$ 17,749</b>	<b>\$ 43,964</b>	<b>\$ 153,080</b>	<b>\$ 87,835</b>	<b>\$ 19,508</b>	<b>\$ 42,334</b>	<b>\$ 149,677</b>	<b>\$ 83,422</b>	<b>\$ 16,006</b>	<b>\$ 49,202</b>	<b>\$ 148,630</b>
Less:												
Cash and cash equivalents	-	-	(15,739)	(15,739)	-	-	(18,322)	(18,322)	-	-	(20,795)	(20,795)
Short-term investments - Available for Sale	-	-	(2,478)	(2,478)	-	-	(2,469)	(2,469)	-	-	(2,443)	(2,443)
Short-term investments - Held-To-Maturity	-	-	(4,015)	(4,015)	-	-	-	-	-	-	-	-
Long-term investments - Held-To-Maturity	-	-	(26,853)	(26,853)	-	-	(30,907)	(30,907)	-	-	(30,945)	(30,945)
Long-term investments - Rabbi Trust	-	-	(6,921)	(6,921)	-	-	(6,714)	(6,714)	-	-	(5,466)	(5,466)
Deferred income taxes - non-current	-	-	(491)	(491)	-	-	(436)	(436)	-	-	(419)	(419)
Income taxes payable - current	-	-	692	692	-	-	884	884	-	-	287	287
Income taxes payable - long-term	-	-	487	487	-	-	487	487	-	-	467	467
Deferred income taxes - non-current	-	-	4,641	4,641	-	-	4,253	4,253	-	-	3,593	3,593
Line of credit	-	-	-	-	-	-	5,000	5,000	-	-	-	-
Deferred compensation	-	-	6,970	6,970	-	-	6,769	6,769	-	-	5,520	5,520
<b>Total Capital Employed</b>	<b>\$ 91,367</b>	<b>\$ 17,749</b>	<b>\$ 257</b>	<b>\$ 109,373</b>	<b>\$ 87,835</b>	<b>\$ 19,508</b>	<b>\$ 879</b>	<b>\$ 108,222</b>	<b>\$ 83,422</b>	<b>\$ 16,006</b>	<b>\$ (999)</b>	<b>\$ 98,429</b>

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
<b>Average Capital Employed (3)</b>	<b>\$ 87,541</b>	<b>\$ 17,754</b>	<b>\$ 46</b>	<b>\$ 105,341</b>

**Notes:**

(1) See reconciliation per page 6 of this financial information release.

(2) Return on average capital employed represents operating income for the six month period ending October 29, 2017 times two quarters to arrive at an annualized value then divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments - Available for Sale, short-term investments - Held-To-Maturity, long-term investments - Held-To-Maturity, long-term investments - Rabbi Trust, noncurrent deferred income tax assets and liabilities, income taxes receivable and payable, line of credit, and deferred compensation.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**RETURN ON CAPITAL EMPLOYED BY SEGMENT**  
**FOR THE SIX MONTHS ENDED OCTOBER 30, 2016**  
 (Amounts in Thousands)  
 (Unaudited)

	<b>Operating Income Six Months Ended</b>	<b>Average Capital Employed (3)</b>	<b>Return on Avg. Capital Employed (2)</b>
	<b>October 30, 2016 (1)</b>		
Mattress Fabrics	\$ 15,862	\$ 75,828	41.8%
Upholstery Fabrics	5,479	17,476	62.7%
(less: Unallocated Corporate)	<u>(5,368)</u>	<u>(285)</u>	N/A
<b>Total</b>	<b>\$ 15,973</b>	<b>\$ 93,019</b>	<b>34.3%</b>

**Average Capital Employed**

	<b>As of the three Months Ended October 30, 2016</b>				<b>As of the three Months Ended July 31, 2016</b>				<b>As of the three Months Ended May 1, 2016</b>			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	\$ 94,700	29,361	55,066	179,127	\$ 92,959	33,550	56,851	183,360	\$ 94,878	29,463	50,801	175,142
Total liabilities	(18,499)	(11,180)	(13,499)	(43,178)	(16,313)	(16,329)	(19,283)	(51,925)	(20,241)	(12,438)	(13,651)	(46,330)
Subtotal	\$ 76,201	\$ 18,181	\$ 41,567	\$ 135,949	\$ 76,646	\$ 17,221	\$ 37,568	\$ 131,435	\$ 74,637	\$ 17,025	\$ 37,150	\$ 128,812
Less:												
Cash and cash equivalents	-	-	(13,910)	(13,910)	-	-	(45,549)	(45,549)	-	-	(37,787)	(37,787)
Short-term investments - Available for Sale	-	-	(2,430)	(2,430)	-	-	(2,434)	(2,434)	-	-	(4,359)	(4,359)
Long-term investments - Held-To-Maturity	-	-	(31,050)	(31,050)	-	-	-	-	-	-	-	-
Long-term investments - Rabbi Trust	-	-	(4,994)	(4,994)	-	-	(4,611)	(4,611)	-	-	(4,025)	(4,025)
Income taxes receivable	-	-	-	-	-	-	-	-	-	-	(155)	(155)
Deferred income taxes - non-current	-	-	(581)	(581)	-	-	(1,942)	(1,942)	-	-	(2,319)	(2,319)
Income taxes payable - current	-	-	513	513	-	-	358	358	-	-	180	180
Income taxes payable - long-term	-	-	3,734	3,734	-	-	3,779	3,779	-	-	3,841	3,841
Deferred income taxes - non-current	-	-	1,699	1,699	-	-	1,532	1,532	-	-	1,483	1,483
Line of credit	-	-	-	-	-	-	7,000	7,000	-	-	-	-
Deferred compensation	-	-	5,171	5,171	-	-	5,031	5,031	-	-	4,686	4,686
<b>Total Capital Employed</b>	<b>\$ 76,201</b>	<b>\$ 18,181</b>	<b>\$ (281)</b>	<b>\$ 94,101</b>	<b>\$ 76,646</b>	<b>\$ 17,221</b>	<b>\$ 732</b>	<b>\$ 94,599</b>	<b>\$ 74,637</b>	<b>\$ 17,025</b>	<b>\$ (1,305)</b>	<b>\$ 90,357</b>

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
<b>Average Capital Employed (3)</b>	<b>\$ 75,828</b>	<b>\$ 17,476</b>	<b>\$ (285)</b>	<b>\$ 93,019</b>

**Notes:**

(1) See reconciliation per page 6 of this financial information release.

(2) Return on average capital employed represents operating income for the six month period ending October 30, 2016 times two quarters to arrive at an annualized value then divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments - available for sale, long-term investments - Held-To-Maturity, long-term investments - Rabbi Trust, noncurrent deferred tax assets and liabilities, income taxes receivable and payable, line of credit, and deferred compensation.

(3) Average capital employed was computed using the three quarterly periods ending October 30, 2016, July 31, 2016 and May 1, 2016.



**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED ADJUSTED EFFECTIVE INCOME TAX RATE**  
**FOR THE SIX MONTHS ENDED OCTOBER 29, 2017 AND OCTOBER 30, 2016**  
 Unaudited  
 (Amounts in Thousands)

		<u>SIX MONTHS ENDED</u>	
		Amounts	
		<u>October 29,</u>	<u>October 30,</u>
		<u>2017</u>	<u>2016</u>
Consolidated Effective GAAP Income Tax Rate	(1)	<b>29.1%</b>	37.7%
Non-Cash U.S. Income Tax Expense		<b>(19.1)%</b>	(19.6)%
Excess Income Tax Benefits Related To Stock-Based Compensation		<b>4.3%</b>	-
Other Non-Cash Foreign Income Tax Expense		<u><b>(0.1)%</b></u>	<u>(0.3)%</u>
Consolidated Adjusted Effective Income Tax Rate	(2)	<u><b>14.2%</b></u>	<u>17.8%</u>

(1) Calculated by dividing consolidated income tax expense by consolidated income before income taxes.

(2) Represents estimated cash income tax expense for our subsidiaries located in Canada and China divided by consolidated income before income taxes.