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) August 28, 2006

Culp, Inc.
(Exact Name of Registrant as Specified in its Charter)

North Carolina	0-12781	56-1001967
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(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:

|_| 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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Item 2.02 - Results of Operations and Financial Condition

On August 28, 2006, the Company issued a news release to announce its financial results for the first quarter ended July 30, 2006. The news release is attached hereto as Exhibit 99(a).

Also on August 28, 2006, the Company released a Financial Information Release containing additional financial information and disclosures about the Company's first quarter ended July 30, 2006. 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 performance measure, that management believes provides useful information to investors because it measures the Company's available cash flow for potential debt repayment, stock repurchases and additions to cash and cash equivalents. In addition, the news release and Financial Information Release contain proforma income statement information, which reconciles the reported and projected income statement information with proforma results, which exclude restructuring and related charges. The Company has included this proforma information in order to show operational performance excluding the effects of restructuring and related charges that are not expected to occur on a regular basis. Management believes this presentation aids in the comparison of financial results among comparable financial periods. In addition, this information is used by management to make operational decisions about the Company's business, is used in certain financial covenants in the Company's loan agreement, and is used by the Company as a financial goal for purposes of determining management incentive bonuses.

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. In addition, 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. 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 26, 2006 for the fiscal year ended April 30, 2006.

Item 9.01 (d) -- Exhibits

99(a) News Release dated August 28, 2006

99(b) Financial Information Release dated August 28, 2006

SIGNATURE

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

CULP, INC.
(Registrant)

By: /s/ Franklin N. Saxon
Franklin N. Saxon
President

By: /s/ Kenneth R. Bowling
Kenneth R. Bowling
Vice President-Finance, Treasurer

Dated: August 28, 2006

Culp Announces First Quarter Results for Fiscal 2007

HIGH POINT, N.C.--(BUSINESS WIRE)--Aug. 28, 2006--Culp, Inc. (NYSE: CFI) today reported financial and operating results for the first quarter ended July 30, 2006.

Overview

For the three months ended July 30, 2006, net sales were $62.6 million compared with $62.3 million a year ago. The company reported net income of $132,000, or $0.01 per diluted share, for the first quarter of fiscal 2007, compared with a net loss of $3.9 million, or $0.34 per diluted share, for the first quarter of fiscal 2006. The financial results for the first quarter of fiscal 2007 included $985,000, or $0.08 per diluted share, in restructuring and related charges, after taxes. Excluding these charges, net income for the first fiscal quarter was $1.1 million, or $0.09 per diluted share. The financial results for the first quarter of fiscal 2006 include after-tax restructuring and related charges of $3.3 million, or $0.29 per diluted share. Excluding these charges, net loss for the first fiscal quarter of 2006 was $628,000, or $0.05 per diluted share. (A reconciliation of the net income (loss) and net income (loss) per share has been set forth on Page 5.)

Robert G. Culp, III, chairman of the board and chief executive officer of Culp, Inc., said, "We are off to a good start for fiscal 2007. We are pleased with our overall year-over-year quarterly sales gain. These improved results reflect the benefits of Culp's transition to a more marketing-oriented company focused on product innovation and changing customer needs. As a result of our strategic initiatives over the last two years in both the mattress fabrics and upholstery fabrics businesses, we have achieved improved profitability in each operating segment. We are encouraged by the progress we have made, and continue to make, as we adapt to a leaner and more agile business model."

Mattress Fabrics Segment

Mattress fabric (known as mattress ticking) sales for the first quarter were $21.8 million, a 4.7 percent decline compared with $22.9 million for the first quarter of fiscal 2006. On a unit volume basis, total yards sold decreased by 5.6 percent compared with the first quarter of fiscal 2006. This trend reflects a decline in demand for printed ticking, a less popular category. However, sales of knitted ticking continued to increase, reflecting changing customer demand. Although prices on the key product lines have trended lower, the average selling price of $2.30 per yard for mattress ticking for the first quarter of fiscal 2007 was slightly higher than the average selling price for the first quarter last year, due to the shift in product mix to increased sales of substantially higher priced knitted ticking. Operating income for this segment was $1.9 million, or 8.5 percent of sales, compared with $1.4 million, or 5.9 percent of sales, for the prior-year period.

"We showed significant improvement in our operating margins over the same period a year ago, reflecting the productivity gains from our $10.0 million capital project implemented over the past 18 months. We also continue to see higher sales and profits in knitted ticking, and we expect this product line to represent a higher percentage of our mattress ticking business in fiscal 2007. We are experiencing a growing trend with our customers to use more knits on the top of the mattress and woven jacquards on the sides. Culp is well positioned to benefit from this trend and we will continue to focus on offering the right product mix to meet customer demand."

Upholstery Fabrics Segment

Sales for this segment were $40.7 million, a 3.3 percent increase compared with $39.4 million in the first quarter of fiscal 2006. Total yards sold increased by 6.3 percent, while average selling prices were 3.9 percent lower compared with the first quarter of fiscal 2006. Sales of upholstery fabrics reflect significantly higher sales of non-U.S. produced fabrics, but continued soft demand industry wide for U.S. produced fabrics, driven by consumer preference for leather and suede furniture and other imported fabrics, including an increasing amount of cut and sewn kits. Sales of non-U.S. produced fabrics were $23.5 million in the first quarter, up 103 percent over the prior year period, while sales of U.S. produced fabrics were $17.2 million, down 38 percent from the first quarter of fiscal 2006. Operating income for the upholstery fabrics segment for the first quarter of fiscal 2007 was $1.6 million compared with an operating loss of $380,000 for the same period a year ago. These results reflect continued strong growth in sales and profits of non-U.S. produced fabrics, significantly lower U.S. manufacturing fixed costs and variances, and lower selling, general and administrative expenses.

Culp remarked, "We are pleased with the favorable trends in our upholstery fabrics segment as we experienced a modest year-over-year quarterly sales gain and an improved operating profit for this segment. These results were driven by the sales of non-U.S. produced fabrics, which have continued to show strong growth trends. Sales of non-U.S. produced upholstery fabrics surpassed sales of U.S. produced upholstery fabrics for the first time. Our customers have continued to aggressively source fabrics produced outside the U.S. and we believe Culp is well positioned to benefit from this growing demand. The ongoing focus of this business will be on the development of new products based on understanding our customer's needs. Additionally, we will continue to vigorously pursue opportunities to expand our capabilities and improve our performance to customers in our China operation.

"With respect to our U.S. upholstery fabric operations, the improved operating margins demonstrate the aggressive steps we have taken to reduce our manufacturing complexities and improve our cost structure," added Culp. "We continue to focus on creating a sustainable business model that will support the lower customer demand for U.S. produced fabrics. After several years of consolidation activities, Culp has now become a more market driven company with fewer fixed assets and substantially less operating risk going forward. We believe we have made considerable progress toward reaching our target operating model and enhancing our competitive position."

Balance Sheet

"Maintaining a strong balance sheet will continue to be an important priority for Culp in fiscal 2007," added Culp. "At the end of the first fiscal quarter, our balance sheet reflects $8.4 million in cash and cash equivalents. Long-term debt now stands at $47.3 million compared with $50.6 million a year ago. As of July 30, 2006, we also have $2.5 million in assets held for sale, which we expect will be sold in fiscal 2007. Additionally, as previously noted, our capital spending plans for fiscal 2007 are modest and not expected to exceed $2.0 million."

Outlook

Commenting on the outlook for the second quarter of fiscal 2007, Culp remarked, "While we are encouraged by the progress we have made, the sluggish retail home furnishings market is significantly affecting our business and the industry in general. Overall, we expect our second quarter sales to be approximately 10 percent lower than sales for the second quarter of fiscal 2006. We expect sales in our mattress ticking segment will show a slightly greater decline than the 4.7 percent decline we had in the first quarter. Operating income in this segment, however, is expected to improve over the same period last year due to our growing knitted ticking business and the benefits from our recent capital project. In the upholstery fabrics segment, we expect continued growth in sales of fabrics produced outside the U.S., although not at the same rate as the previous two quarters. However, sales of domestically produced upholstery fabrics will continue to reflect very weak demand, resulting in an estimated 10 to 15 percent overall segment decline year-over-year. Even with sharply lower U.S. sales, we believe the upholstery fabric segment's operating results for the second quarter will show improvement due to higher sales and profitability in our non-U.S. operations, lower manufacturing fixed costs and variances in our U.S. operations, and reduced selling, general and administrative expenses. As a result, we expect to report an operating profit in upholstery fabrics in our second quarter, although at a lower operating margin than the first quarter of fiscal 2007. This compares with an operating loss of $69,000 for the second quarter of fiscal 2006.

"Considering these factors, we expect the company to report second quarter results in the range of $0.05 to 0.08 per diluted share, excluding restructuring and related charges. This is management's best estimate at present, recognizing that future financial results are difficult to predict because the upholstery fabrics industry is undergoing a dramatic transition and many internal changes are still underway within the company. The actual results will depend primarily upon the level of demand throughout the quarter, the company's progress with respect to restructuring activities for our domestic upholstery fabrics operations and the impact of raw material costs."

The company estimates that restructuring and related charges of approximately $500,000 ($310,000 net of taxes, or $0.03 per diluted share) will be incurred during the second fiscal quarter. Including the restructuring and related charges, the company expects to report net income for the second fiscal quarter in the range of $0.02 to $0.05 per diluted share. (A reconciliation of the projected net income per share calculation has been set forth on Page 5.)

In closing, Culp remarked, "Culp is moving forward in fiscal 2007 with a number of difficult steps behind us and a leaner structure on which to operate more profitably. While the marketplace remains very challenging, we believe we are pursuing the right strategies to further enhance the leadership positions we enjoy in both of our operating segments. We are realizing the full benefits of the capital project in the mattress ticking segment and are encouraged by the growth trends in our knitted ticking business. Our non-U.S. produced upholstery fabric business, including our China platform, continues to gain momentum and we are aggressively pursuing opportunities for extending our global market reach and capabilities. With the strategic steps we have taken in our U.S. upholstery fabric operations, we have created a better model to sustain our domestic operations and continue to meet current customer demand. Our primary objective is to restore

Culp to profitability in fiscal 2007 and position the company for growth over the long term in today's global marketplace."

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 or marketed by the company could erode demand for the company's products. In addition, 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. 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.

CULP, INC.
Condensed Financial Highlights
(Unaudited)

	Three Months Ended July 30, 2006	Three Months Ended July 31, 2005
Net sales	$ 62,585,000	$ 62,340,000
Net income (loss)	$ 132,000	$ (3,941,000)
Net income (loss) per share:		
Basic	$ 0.01	$ (0.34)
Diluted	$ 0.01	$ (0.34)
Net income (loss) per share, diluted, excluding restructuring and related charges(1)	$ 0.09	$ (0.05)
Average shares outstanding:		
Basic	11,672,000	11,551,000
Diluted	11,770,000	11,551,000

(1) Excludes restructuring and related charges of $1.2 million ($985,000 or $0.08 per diluted share, after taxes) for the first quarter of fiscal 2007. Excludes restructuring and related charges of $5.3 million ($3.3 million, or $0.29 per diluted share, after taxes) for the first quarter of fiscal 2006.

CULP, INC.

Reconciliation of Net Income (Loss) as Reported to
Pro Forma Net Income (Loss)
(Unaudited)

	Three Months Ended July 30, 2006	Three Months Ended July 31, 2005

	July 30, 2006	July 31, 2005
Net income (loss), as reported	$ 132,000	$ (3,941,000)
Restructuring and related charges, net of income taxes	985,000	3,313,000
Pro forma net income (loss)	$ 1,117,000	$ (628,000)

Reconciliation of Net Income (Loss) Per Share as Reported
to Pro Forma Net Income (Loss) Per Share
(Unaudited)

	Three Months Ended July 30, 2006	Three Months Ended July 31, 2005
Net income (loss) per diluted share	$ 0.01	$ (0.34)
Restructuring and related charges, net of income taxes	0.08	0.29
Net income (loss) per diluted share, adjusted	$ 0.09	$ (0.05)

Reconciliation of Projected Range of Net Income Per Share to
Projected Range of Pro Forma Net Income Per Share
(Unaudited)

	Three Months Ending October 29, 2006
Projected range of net income per diluted share	$0.02 - 0.05
Projected restructuring and related charges, net of income taxes	0.03
Projected range of pro forma net income per diluted share	$0.05 - 0.08

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Media Contact:
Kenneth M. Ludwig, 336-889-5161

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME (LOSS)
FOR THE THREE MONTHS ENDED JULY 30, 2006 AND JULY 31, 2005

(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	July 30, 2006	July 31, 2005	% Over (Under)	July 30, 2006	July 31, 2005
Net sales	$ 62,585	62,340	0.4 %	100.0 %	100.0 %
Cost of sales	54,525	55,785	(2.3)%	87.1 %	89.5 %
Gross profit	8,060	6,555	23.0 %	12.9 %	10.5 %
Selling, general and administrative expenses	6,575	9,856	(33.3)%	10.5 %	15.8 %
Restructuring expense	730	1,826	(60.0)%	1.2 %	2.9 %
Income (loss) from operations	755	(5,127)	114.7 %	1.2 %	(8.2)%
Interest expense	950	948	0.2 %	1.5 %	1.5 %
Interest income	(46)	(16)	187.5 %	(0.1)%	(0.0)%
Other (income) expense	(278)	133	(309.0)%	(0.4)%	0.2 %
Income (loss) before income taxes	129	(6,192)	102.1 %	0.2 %	(9.9)%
Income taxes*	(3)	(2,251)	99.9 %	(2.3)%	36.4 %
Net income (loss)	$ 132	(3,941)	103.3 %	0.2 %	(6.3)%
Net income (loss) per share-basic	$ 0.01	(0.34)	102.9 %		
Net income (loss) per share-diluted	$ 0.01	(0.34)	102.9 %		
Net income (loss) per share, diluted, excluding restructuring and related charges (see pro-forma statement on page 5)	$ 0.09	(0.05)	280.0 %		
Average shares outstanding-basic	11,672	11,551	1.0 %		
Average shares outstanding-diluted	11,770	11,551	1.9 %		

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

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
JULY 30, 2006, JULY 31, 2005 AND APRIL 30, 2006

Unaudited
(Amounts in Thousands)

	Amounts		Increase (Decrease)		* April 30, 2006
	July 30, 2006	July 31, 2005	Dollars	Percent	
Current assets					
Cash and cash equivalents	$ 8,387	5,238	3,149	60.1 %	9,714
Accounts receivable	26,044	23,019	3,025	13.1 %	29,049
Inventories	43,055	52,125	(9,070)	(17.4)%	36,693
Deferred income taxes	7,120	7,054	66	0.9 %	7,120
Assets held for sale	2,531	-	2,531	100.0 %	3,111
Other current assets	2,789	1,660	1,129	68.0 %	1,287
Total current assets	89,926	89,096	830	0.9 %	86,974
Property, plant & equipment, net	42,835	60,190	(17,355)	(28.8)%	44,639
Goodwill	4,114	4,114	-	0.0 %	4,114
Deferred income taxes	21,513	12,268	9,245	75.4 %	20,176
Other assets	1,542	1,519	23	1.5 %	1,564

Total assets	$ 159,930	167,187	(7,257)	(4.3)%	157,467
Current liabilities					
Current maturities of long-term debt	$ 7,739	8,126	(387)	(4.8)%	8,060
Accounts payable	21,247	18,524	2,723	14.7 %	20,835
Accrued expenses	9,130	10,178	(1,048)	(10.3)%	7,845
Accrued restructuring	3,745	4,855	(1,110)	(22.9)%	4,054
Income taxes payable	3,561	1,179	2,382	202.0 %	2,488
Total current liabilities	45,422	42,862	2,560	6.0 %	43,282
Long-term debt, less current maturities	39,601	42,440	(2,839)	(6.7)%	39,662
Total liabilities	85,023	85,302	(279)	(0.3)%	82,944
Shareholders' equity	74,907	81,885	(6,978)	(8.5)%	74,523
Total liabilities and shareholders' equity	$ 159,930	167,187	(7,257)	(4.3)%	157,467
Shares outstanding	11,685	11,552	133	1.2 %	11,655

* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JULY 30, 2006 AND JULY 31, 2005

Unaudited
(Amounts in Thousands)

	THREE MONTHS ENDED	
	Amounts	
	July 30, 2006	July 31, 2005
Cash flows from operating activities:		
Net income (loss)	$ 132	(3,941)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation	1,702	6,172
Amortization of other assets	23	31
Stock-based compensation	132	53
Deferred income taxes	(1,337)	(2,182)
Restructuring expense	70	853
Gain on sale of equipment	(307)	-
Changes in assets and liabilities:		
Accounts receivable	3,005	5,805
Inventories	(6,362)	(1,626)
Other current assets	(1,502)	1,031
Other assets	(6)	166
Accounts payable	796	(4,413)
Accrued expenses	1,285	622
Accrued restructuring	(309)	(995)
Income taxes payable	1,073	(365)
Net cash (used in) provided by operating activities	(1,605)	1,211
Cash flows from investing activities:		
Capital expenditures	(637)	(3,840)
Proceeds from the sale of buildings and equipment	1,600	2,850
Net cash provided by (used in) investing activities	963	(990)
Cash flows from financing activities:		
Payments on vendor-financed capital expenditures	(428)	(108)
Payments on long-term debt	(382)	-
Proceeds from issuance of long-term debt	-	16
Proceeds from common stock issued	125	2
Net cash used in financing activities	(685)	(90)
(Decrease) increase in cash and cash equivalents	(1,327)	131
Cash and cash equivalents at beginning of period	9,714	5,107
Cash and cash equivalents at end of period	$ 8,387	5,238
Free Cash Flow (1)	$ (1,070)	113

(1) Free Cash Flow reconciliation is as follows:

	FY 2007	FY 2006
A) Net cash (used in) provided by operating activities	$ (1,605)	1,211
B) Minus: Capital Expenditures	(637)	(3,840)
C) Add: Proceeds from the sale of buildings and equipment	1,600	2,850
C) Minus: Payments on vendor-financed capital expenditures	(428)	(108)
	$ (1,070)	113

CULP, INC. FINANCIAL INFORMATION RELEASE
SALES, GROSS PROFIT AND OPERATING INCOME (LOSS) BY SEGMENT
FOR THE THREE MONTHS ENDED JULY 30, 2006 AND JULY 31, 2005

(Amounts in thousands)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
Net Sales by Segment	July 30, 2006	July 31, 2005	% Over (Under)	July 30, 2006	July 31, 2005
Mattress Fabrics	$ 21,845	22,915	(4.7)%	34.9 %	36.8 %
Upholstery Fabrics	40,740	39,425	3.3 %	65.1 %	63.2 %
Net Sales	$ 62,585	62,340	0.4 %	100.0 %	100.0 %
Gross Profit by Segment				Gross Profit Margin	
Mattress Fabrics	$ 3,521	3,095	13.8 %	16.1 %	13.5 %
Upholstery Fabrics	5,285	3,955	33.6 %	13.0 %	10.0 %
Subtotal	8,806	7,050	24.9 %	14.1 %	11.3 %
Restructuring related charges	(746)(1)	(495)(3)	50.7 %	(1.2)%	(0.8)%
Gross Profit	$ 8,060	6,555	23.0 %	12.9 %	10.5 %
Sales, General and Administrative expenses by Segment				Percent of Sales	
Mattress Fabrics	$ 1,663	1,737	(4.3)%	7.6 %	7.6 %
Upholstery Fabrics	3,710	4,335	(14.4)%	9.1 %	11.0 %
Unallocated Corporate expenses	1,202	762	57.7 %	1.9 %	1.2 %
Subtotal	6,575	6,834	(3.8)%	10.5 %	11.0 %
Restructuring related charges	-	3,022(4)	(100.0)%	0.0 %	4.8 %
Selling, General and Administrative expenses	$ 6,575	9,856	(33.3)%	10.5 %	15.8 %
Operating income (loss) by Segment				Operating Income (Loss) Margin	
Mattress Fabrics	$ 1,858	1,358	36.8 %	8.5 %	5.9 %
Upholstery Fabrics	1,575	(380)	514.5 %	3.9 %	(1.0)%
Unallocated corporate expenses	(1,202)	(762)	(57.7)%	(1.9)%	(1.2)%
Subtotal	2,231	216	932.9 %	3.6 %	0.3 %
Restructuring expense and restructuring related charges	(1,476)(2)	(5,343)(5)	(72.4)%	(2.4)%	(8.6)%
Operating income (loss)	$ 755	(5,127)	114.7 %	1.2 %	(8.2)%
Depreciation by Segment					
Mattress Fabrics	$ 942	857	9.9 %		
Upholstery Fabrics	760	1,798	(57.7)%		
Subtotal	1,702	2,655	(35.9)%		
Accelerated depreciation	-	3,517	(100.0)%		
Total Depreciation	$ 1,702	6,172	(72.4)%		

(1) The $746,000 represents restructuring related charges of $507,000 for other operating costs associated with the closing of or closed plant facilities and $239,000 for inventory markdowns.
(2) The $1.5 million represents $507,000 for other operating costs associated with the closing of or closed plant facilities, $385,000 for asset movement costs, $239,000 for inventory markdowns, $235,000 for termination benefits, $116,000 for write-downs of equipment, and a credit of $6,000 for lease termination costs. Of this total charge, $746,000 and $730,000 are included in cost of sales and restructuring expense, respectively.
(3) The $495,000 represents restructuring related charges for accelerated depreciation.
(4) The $3.0 million represents restructuring related charges for accelerated depreciation.

(5) The $5.3 million represents $3.5 million for accelerated depreciation, $1.2 million for asset movement costs, $754,000 for write-downs of equipment, $47,000 for lease termination costs, and a restructuring credit of $142,000 for the reversal of accrued termination benefits. Of this total charge, $495,000, $3.0 million, and $1.8 million are included in cost of sales, selling, general, and administrative expenses, and restructuring expense, respectively.

CULP, INC.
PROFORMA CONSOLIDATED STATEMENTS OF NET INCOME (LOSS)
FOR THE THREE MONTHS ENDED JULY 30, 2006 AND JULY 31, 2005

(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)				
	As Reported July 30, 2006	% of Sales	Adjustments	% of Sales	
Net sales	62,585	100.0%	-	0.0%	
Cost of sales	54,525	87.1%	(746)	-1.2%	(1)
Gross profit	8,060	12.9%	(746)	-1.2%	
Selling, general and administrative expenses	6,575	10.5%	-	0.0%	
Restructuring expense	730	1.2%	(730)	-1.2%	(2)
Income (loss) from operations	755	1.2%	(1,476)	-2.4%	
Interest expense	950	1.5%	-	0.0%	
Interest income	(46)	-0.1%	-	0.0%	
Other (income) expense	(278)	-0.4%	307	0.5%	(3)
Income (loss) before income taxes	129	0.2%	(1,169)	-1.9%	(8)
Income taxes (7)	(3)	-2.3%	(184)	15.7%	
Net income (loss)	$ 132	0.2%	(985)	-1.6%	
Net income (loss) per share-basic	$0.01		($0.08)		
Net income (loss) per share-diluted	$0.01		($0.08)		
Average shares outstanding-basic	11,672		11,672		
Average shares outstanding-diluted	11,770		11,672		

	THREE MONTHS ENDED (UNAUDITED)			
	July 30, 2006 Proforma Net of Adjustments	% of Sales	As Reported July 31, 2005	% of Sales
Net sales	62,585	100.0%	62,340	100.0%
Cost of sales	53,779	85.9%	55,785	89.5%
Gross profit	8,806	14.1%	6,555	10.5%
Selling, general and administrative expenses	6,575	10.5%	9,856	15.8%
Restructuring expense	-	0.0%	1,826	2.9%
Income (loss) from operations	2,231	3.6%	(5,127)	-8.2%
Interest expense	950	1.5%	948	1.5%
Interest income	(46)	-0.1%	(16)	0.0%
Other (income) expense	29	0.0%	133	0.2%
Income (loss) before income taxes	1,298	2.1%	(6,192)	-9.9%
Income taxes (7)	181	13.9%	(2,251)	36.4%
Net income (loss)	1,117	1.8%	(3,941)	-6.3%
Net income (loss) per share-basic	$0.10		($0.34)	
Net income (loss) per share-diluted	$0.09		($0.34)	
Average shares outstanding-basic	11,672		11,551	
Average shares outstanding-diluted	11,770		11,551	

THREE MONTHS ENDED (UNAUDITED)

	Adjustments	% of Sales		July 31, 2005 Proforma Net of Adjustments	% of Sales	Proforma % Over (Under)
Net sales	-	0.0%		62,340	100.0%	0.4%
Cost of sales	(495)	-0.8%	(4)	55,290	88.7%	-2.7%
Gross profit	(495)	-0.8%		7,050	11.3%	24.9%
Selling, general and administrative expenses	(3,022)	-4.8%	(5)	6,834	11.0%	-3.8%
Restructuring expense	(1,826)	-2.9%	(6)	-	0.0%	0.0%
Income (loss) from operations	(5,343)	-8.6%		216	0.3%	932.9%
Interest expense	-	0.0%		948	1.5%	0.2%
Interest income	-	0.0%		(16)	0.0%	187.5%
Other (income) expense	-	0.0%		133	0.2%	-78.2%
Income (loss) before income taxes	(5,343)	-8.6%	(9)	(849)	-1.4%	252.9%
Income taxes (7)	(2,030)	38.0%		(221)	26.0%	181.9%
Net income (loss)	(3,313)	-5.3%		(628)	-1.0%	277.9%
Net income (loss) per share-basic	($0.29)			($0.05)		
Net income (loss) per share-diluted	($0.29)			($0.05)		
Average shares outstanding-basic	11,551			11,551		
Average shares outstanding-diluted	11,551			11,551		

Notes:

(1) The $746,000 represents restructuring related charges of $507,000 for other operating costs associated with the closing of or closed plant facilities and $239,000 for inventory markdowns.
(2) The $730,000 in restructuring expense represents $385,000 for asset movement costs; $235,000 for termination benefits; $116,000 for write-downs of equipment, and a credit of $6,000 for lease termination costs.
(3) The $307,000 represents sales proceeds received on equipment with no carrying value.
(4) The $495,000 represents restructuring related charges for accelerated depreciation.
(5) The $3.0 million represents restructuring related charges for accelerated depreciation.
(6) The $1.8 million in restructuring expense represents $1.2 million in asset movement costs; $754,000 in write-downs of equipment, $47,000 in lease termination costs; and $142,000 in restructuring credits for the reversal of accrued termination benefits.
(7) The percent of net sales column for income taxes is calculated as a % of income (loss) before income taxes.
(8) Of this total charge, $815,000 and $354,000 represent cash and non-cash charges, respectively.
(9) Of this total charge, $1.0 million and $4.3 million represent cash and non-cash charges, respectively.