

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 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 29, 2010

**Culp, Inc.**

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction  
of Incorporation)

1-12597

(Commission File Number)

56-1001967

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

1823 Eastchester Drive  
High Point, North Carolina 27265

(Address of Principal Executive Offices)  
(Zip Code)

(336) 889-5161

(Registrant's Telephone Number, Including Area Code)

Not Applicable

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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# INDEX

	<u>Page</u>
Item 2.02 - Results of Operations and Financial Condition	3
Item 7.01 – Regulation FD Disclosure	4
Item 9.01(d) - Exhibits	4
Signature	5
Exhibits	6

**Forward Looking Information.** This report and the exhibits hereto contain statements that may be deemed “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward-looking statements are intended to speak only as of the date on which they are made. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “estimate,” “plan” and “project” and their derivatives, and include but are not limited to statements about the company’s future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company’s business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely. Changes in consumer tastes or preferences toward products not produced by the company could erode demand for the company’s products. Strengthening of the U.S. dollar against other currencies could make the company’s products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on the company’s sales in the U.S. of products produced in those countries. Also, economic and political instability in international areas could affect the company’s operations or sources of goods in those areas, as well as demand for the company’s products in international markets. Other factors that could affect the matters discussed in forward-looking statements are included in the company’s periodic reports filed with the Securities and Exchange Commission, including the “Risk Factors” section in the company’s most recent annual report on Form 10-K filed with the Securities and Exchange Commission on July 15, 2010 for the fiscal year ended May 2, 2010.

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

On November 29, 2010, we issued a news release to announce our financial results for the second quarter ended October 31, 2010. The news release is attached hereto as Exhibit 99(a).

Also on November 29, 2010, we released a Financial Information Release containing additional financial information and disclosures about our second quarter ended October 31, 2010. The Financial Information Release is attached hereto as Exhibit 99(b).

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

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

**Item 7.01 – Regulation FD Disclosure**

The company has formed a subsidiary known as Culp Europe Sp. z.o.o., incorporated in Poland. The formation of this entity is part of our ongoing efforts to expand sales in international markets, particularly in Europe. Culp Europe intends to lease a building by January 2011 near Poznan, Poland, and plans to begin sales and distribution activities at that location in early 2011 for upholstery fabrics sourced primarily from our China platform, but also from the company's U.S. operations and possibly directly from outside suppliers. Our sales and marketing efforts in Europe also include a program for shipping containers of fabric and cut and sew kits directly from our operations in China to customers in Europe. We expect sales for Culp Europe to begin by the end of the fourth quarter of fiscal 2011.

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

99(a) News Release dated November 29, 2010

99(b) Financial Information Release dated November 29, 2010

SIGNATURES

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

Culp, Inc.  
(Registrant)

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

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

Dated: November 29, 2010

## EXHIBIT INDEX

Exhibit Number

Exhibit

99(a)

News Release dated November 29, 2010

99(b)

Financial Information Release dated November 29, 2010

**Culp Announces Results for Second Quarter Fiscal 2011**

HIGH POINT, N.C.--(BUSINESS WIRE)--November 29, 2010--Culp, Inc. (NYSE: CFI) today reported financial and operating results for the second quarter of fiscal 2011 ended October 31, 2010.

**Fiscal 2011 Second Quarter Highlights**

- Net sales for the second quarter were \$48.9 million, a two percent decline over the second quarter of fiscal 2010, with mattress fabrics segment sales even with the prior year period and upholstery fabric segment sales down five percent over the same period a year ago.
- Pre-tax income for the second quarter was \$3.2 million, or 6.5 percent of sales, compared with \$3.5 million, or 7.0 percent of sales in the prior year period, an 8.6 percent decline.
- Net income was \$4.0 million, or \$0.30 per diluted share, compared with net income of \$2.9 million, or \$0.22 per diluted share, for the second quarter of fiscal 2010. Net income for the second quarter of fiscal 2011 included an \$801,000 income tax benefit, while net income for the previous year period included income tax expense of \$625,000.

**Fiscal 2011 Year to Date Highlights**

- Year to date sales were \$104.8 million, up 10 percent from the same period a year ago.
  - Year to date pre-tax income was \$7.5 million, or 7.1 percent of sales, compared with \$5.5 million, or 5.8 percent of sales for the same period last year, an increase of 36 percent.
  - Year to date net income was \$7.7 million, or \$0.59 per diluted share, compared with net income of \$4.8 million, or \$0.37 per diluted share, for the same period a year ago. Year to date net income included a \$270,000 income tax benefit, while net income for the previous year period included income tax expense of \$740,000.
  - With year to date capital expenditures of \$5.1 million, the company has completed a multi-year expansion in its mattress fabrics business, with capital expenditures totaling \$25 million plus \$20 million spent for two acquisitions.
  - The company's financial position remained strong, with cash and cash equivalents and short term investments of \$19.3 million and total debt of \$11.6 million as of October 31, 2010.
  - The projection for third quarter fiscal 2011 is for overall sales to be down in the range of 5 to 10 percent. Mattress fabric sales are expected to be comparable to last year, and upholstery fabrics sales are expected to be down 10 to 20 percent compared with the third quarter of fiscal 2010. Pre-tax income for the third quarter of fiscal 2011 is expected to be in the range of \$2.6 to \$3.3 million. Pretax income for the third quarter of last year was \$3.8 million.
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## Overview

For the quarter ended October 31, 2010, net sales were \$48.9 million, a two percent decline compared with \$49.7 million a year ago. The company reported net income of \$4.0 million, or \$0.30 per diluted share, for the second quarter of fiscal 2011, compared with net income of \$2.9 million, or \$0.22 per diluted share, for the second quarter of fiscal 2010. Net income for the second quarter of fiscal 2011 includes an \$801,000 income tax benefit, while net income for the previous year included income tax expense of \$625,000. The income tax benefit for the second quarter of fiscal 2011 is primarily due to the reversal of the non-cash valuation allowance against net deferred tax assets associated with the company's China operations. On a pre-tax basis, the company reported income of \$3.2 million compared with pre-tax income of \$3.5 million for the second quarter of fiscal 2010.

Commenting on the results, Frank Saxon, president and chief executive officer of Culp, Inc., said, "While second quarter results reflect a much weaker U.S. retail environment, our year to date sales, profitability and return on capital are up from the prior year period. The uncertainties surrounding the economic outlook, a continued weak housing market, and high unemployment are all keeping U.S. consumers on the sidelines for now. However, we have continued to perform well during this period and we have strengthened our business models in both of our businesses. Additionally, we are pursuing international sales and marketing initiatives in our upholstery fabrics business, especially in Europe and China. We are excited about the global appeal of our products and the opportunity to reach new customers. Our strong financial resources are enabling us to pursue a more active growth strategy during these challenging times."

### Mattress Fabrics Segment

Mattress fabric sales for the second quarter were \$28.3 million, relatively flat compared with \$28.2 million for the second quarter of fiscal 2010.

"Our mattress fabrics business delivered a consistent performance, in spite of the weaker demand in the bedding industry," said Saxon. "While sales were about the same level as the second quarter last year, these results reflect the planned discontinuation of a product line since a year ago. On a comparable basis, we are pleased with the favorable sales trends in our continuing product lines, which were up seven percent. We have benefited from our recent investments and initiatives to enhance our operations and develop an efficient and scalable manufacturing platform. However, our profitability for the second quarter was affected by increased competitive pricing pressures and higher raw material costs.

"We have recently completed a capital project to expand the internal production of our knitted fabrics product line, our fastest growing category. Including the second quarter capital expenditures, we have completed a multi-year expansion in our mattress fabrics business with a total investment of nearly \$45 million, which included \$25 million in capital expenditures and \$20 million for two successful acquisitions. With these investments, Culp is well positioned with a large and modern, vertically integrated manufacturing platform in the two major product categories of the mattress fabrics industry. We have substantially improved upon our supply logistics from pattern inception to fabric delivery. With the completion of these expansions, our capital spending in mattress fabrics for the foreseeable future will be substantially lower. Above all, we remain focused on execution for our customers with outstanding service, reliable delivery performance and consistent quality and value," added Saxon.

### Upholstery Fabrics Segment

Sales for this segment were \$20.5 million, a 4.5 percent decline compared with \$21.5 million in the second quarter of fiscal 2010. Sales of China-produced fabrics were \$17.2 million in the second quarter of fiscal 2011, a four percent decline over the prior year period, while sales of U.S. produced fabrics were \$3.4 million, down 6.8 percent from the second quarter of fiscal 2010.

"As expected, our upholstery fabrics sales were influenced by weak U.S. consumer demand for furniture," noted Saxon. "In addition to lower volumes, our profitability in this segment has also been affected by rising raw material costs. In order to offset some of these increases, we have implemented price increases on certain products."

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“Our China operation has continued to be a steady performer for this business segment and China produced products accounted for 84 percent of sales in upholstery fabrics. While most of the China produced products have traditionally been sold to our U.S. customers, we have also expanded our sales to the local China market. While the level of these sales is still small, we have been pleased with the favorable customer response and are excited about the additional opportunities to leverage our substantial China platform. At the same time, we are expanding our global reach with greater emphasis on sales to customers in Europe and other international markets. We are encouraged by the interest from these new customer segments as a result of our product development, sales and marketing initiatives. We will continue to focus on these important areas during the balance of fiscal 2011.”

## **Balance Sheet**

“In light of the ongoing economic uncertainties, we remain diligent in maintaining a strong financial position,” added Saxon. “As of October 31, 2010, our balance sheet reflected \$19.3 million in cash and cash equivalents and short term investments. Total debt was \$11.6 million, which includes current maturities of long term debt and long term debt. Our next major scheduled principal payment of \$2.2 million is not due until August 2011. Our financial position is the strongest in our company’s history and provides us with a competitive advantage, giving us sufficient capital and flexibility to support our growth strategy.”

## **Outlook**

Commenting on the outlook for the third quarter of fiscal 2011, Saxon remarked, “We expect that the economic uncertainties and ongoing issues surrounding the housing market and high unemployment will continue to affect U.S. consumer demand for furniture and bedding products. Additionally, our third quarter of last year was exceptionally strong, especially in upholstery fabrics. Overall, we expect our sales for the third quarter of fiscal 2011 to be 5 to 10 percent lower than the third quarter of last year.

“We expect sales in our mattress fabrics segment to be comparable with the same period a year ago. Operating income in this segment is expected to be somewhat lower than the same period a year ago, due primarily to higher raw materials costs and increased pricing pressure.

“In our upholstery fabrics segment, we are comparing to a strong third quarter of last year. We expect sales to be down 10 to 20 percent for the third quarter. We believe the upholstery fabric segment’s operating income will be significantly lower than the same time last year due to lower sales and rising raw material costs.

“Considering these factors, the company expects to report pre-tax income for the third fiscal quarter of 2011 in the range of \$2.6 to \$3.3 million. Given the volatility in the income tax area, the income tax expense or benefit and related tax rate for the third quarter of fiscal 2011 are too uncertain to project. This is management’s best estimate at present, recognizing that future financial results are difficult to predict because of overall economic uncertainties,” said Saxon.

In closing, Saxon remarked, “We are making excellent progress in this uncertain and unpredictable business environment. It is in times like these that we can achieve the greatest gains for our long-term competitive position. Our financial strength enables us to be more aggressive while a number of competitors around the world are struggling with lower demand and a weaker financial position. We will continue to build upon our ‘economic moats’ in both businesses and pursue sales, marketing and product development initiatives, especially in Europe and China. Above all, we are focused on outstanding execution for our customers as a financially stable and trusted supplier of innovative fabrics, delivery performance and quality.”

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## About the Company

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

This release contains statements that may be deemed "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward-looking statements are intended to speak only as of the date on which they are made. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives, and include but are not limited to statements about the company's future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely. Changes in consumer tastes or preferences toward products not produced by the company could erode demand for the company's products. Strengthening of the U.S. dollar against other currencies could make the company's products less competitive on the basis of price in markets outside the United States and strengthening of currencies in Canada and China can have a negative impact on the company's sales in the U.S. of products produced in those countries. Also, economic and political instability in international areas could affect the company's operations or sources of goods in those areas, as well as demand for the company's products in international markets. Other factors that could affect the matters discussed in forward-looking statements are included in the company's periodic reports filed with the Securities and Exchange Commission, including the "Risk Factors" section in the company's most recent annual report on Form 10-K filed with the Securities and Exchange Commission on July 15, 2010, for fiscal year ended May 2, 2010.

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

	Three Months Ended		Six Months Ended	
	October 31, 2010	November 1, 2009	October 31, 2010	November 1, 2009
Net sales	\$ 48,879,000	\$ 49,716,000	\$ 104,791,000	\$ 95,193,000
Income before income taxes	\$ 3,201,000	\$ 3,504,000	\$ 7,479,000	\$ 5,495,000
Net income	\$ 4,002,000	\$ 2,879,000	\$ 7,749,000	\$ 4,755,000
Net income per share:				
Basic	\$ 0.31	\$ 0.23	\$ 0.60	\$ 0.38
Diluted	\$ 0.30	\$ 0.22	\$ 0.59	\$ 0.37
Average shares outstanding:				
Basic	12,932,000	12,671,000	12,901,000	12,662,000
Diluted	13,167,000	12,852,000	13,186,000	12,804,000

**CONTACT:**

Culp, Inc.

Investor Contact:

Kenneth R. Bowling, Chief Financial Officer

336-881-5630

or

Media Contact:

Teresa A. Huffman, Vice President of Human Resources

336-889-5161

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF NET INCOME**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED OCTOBER 31, 2010 AND NOVEMBER 1, 2009**  
**(UNAUDITED)**  
**(Amounts in Thousands, Except for Per Share Data)**

	<b>THREE MONTHS ENDED</b>				
	Amounts			Percent of Sales	
	<b>October 31, 2010</b>	November 1, 2009	% Over (Under)	<b>October 31, 2010</b>	November 1, 2009
Net sales	\$ 48,879	49,716	(1.7) %	<b>100.0</b> %	100.0 %
Cost of sales	<b>41,270</b>	40,582	1.7 %	<b>84.4</b> %	81.6 %
Gross profit	<u>7,609</u>	<u>9,134</u>	<u>(16.7) %</u>	<u>15.6</u> %	<u>18.4</u> %
Selling, general and administrative expenses	4,202	5,385	(22.0) %	8.6 %	10.8 %
Restructuring credit	-	(184)	N.M.	0.0 %	(0.4) %
Income from operations	<u>3,407</u>	<u>3,933</u>	<u>(13.4) %</u>	<u>7.0</u> %	<u>7.9</u> %
Interest expense	225	342	(34.2) %	0.5 %	0.7 %
Interest income	(49)	(16)	206.3 %	(0.1) %	(0.0) %
Other expense	30	103	(70.9) %	0.1 %	0.2 %
Income before income taxes	<u>3,201</u>	<u>3,504</u>	<u>(8.6) %</u>	<u>6.5</u> %	<u>7.0</u> %
Income taxes*	(801)	625	N.M.	(25.0) %	17.8 %
Net income	<u>\$ 4,002</u>	<u>2,879</u>	<u>39.0</u> %	<u>8.2</u> %	<u>5.8</u> %
Net income per share-basic	\$ 0.31	\$ 0.23	34.8 %		
Net income per share-diluted	\$ 0.30	\$ 0.22	36.4 %		
Average shares outstanding-basic	12,932	12,671	2.1 %		
Average shares outstanding-diluted	13,167	12,852	2.5 %		

	<b>SIX MONTHS ENDED</b>				
	Amounts			Percent of Sales	
	<b>October 31, 2010</b>	November 1, 2009	% Over (Under)	<b>October 31, 2010</b>	November 1, 2009
Net sales	\$ 104,791	95,193	10.1 %	<b>100.0</b> %	100.0 %
Cost of sales	<b>87,473</b>	78,473	11.5 %	<b>83.5</b> %	82.4 %
Gross profit	<u>17,318</u>	<u>16,720</u>	<u>3.6</u> %	<u>16.5</u> %	<u>17.6</u> %
Selling, general and administrative expenses	9,416	10,280	(8.4) %	9.0 %	10.8 %
Restructuring credit	(8)	(343)	N.M.	(0.0) %	(0.4) %
Income from operations	<u>7,910</u>	<u>6,783</u>	<u>16.6</u> %	<u>7.5</u> %	<u>7.1</u> %
Interest expense	435	699	(37.8) %	0.4 %	0.7 %
Interest income	(87)	(28)	210.7 %	(0.1) %	(0.0) %
Other expense	83	617	(86.5) %	0.1 %	0.6 %
Income before income taxes	<u>7,479</u>	<u>5,495</u>	<u>36.1</u> %	<u>7.1</u> %	<u>5.8</u> %
Income taxes*	(270)	740	N.M.	(3.6) %	13.5 %
Net income	<u>\$ 7,749</u>	<u>4,755</u>	<u>63.0</u> %	<u>7.4</u> %	<u>5.0</u> %
Net income per share-basic	\$ 0.60	\$ 0.38	57.9 %		
Net income per share-diluted	\$ 0.59	\$ 0.37	59.5 %		
Average shares outstanding-basic	12,901	12,662	1.9 %		
Average shares outstanding-diluted	13,186	12,804	3.0 %		

\* 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 31, 2010, NOVEMBER 1, 2009 AND MAY 2, 2010**  
**Unaudited**  
**(Amounts in Thousands)**

	<b>Amounts</b>		<b>Increase (Decrease)</b>		<b>* May 2, 2010</b>
	<b>October 31, 2010</b>	<b>November 1, 2009</b>	<b>Dollars</b>	<b>Percent</b>	
<b>Current assets</b>					
Cash and cash equivalents	\$ 15,262	19,575	(4,313)	(22.0) %	18,295
Short-term investments	4,035	-	4,035	100.0 %	3,023
Accounts receivable	14,810	16,771	(1,961)	(11.7) %	19,822
Inventories	29,435	21,834	7,601	34.8 %	26,002
Deferred income taxes	176	58	118	203.4 %	150
Assets held for sale	123	160	(37)	(23.1) %	123
Income taxes receivable	477	384	93	24.2 %	728
Other current assets	1,234	972	262	27.0 %	1,698
<b>Total current assets</b>	<b>65,552</b>	<b>59,754</b>	<b>5,798</b>	<b>9.7 %</b>	<b>69,841</b>
Property, plant & equipment, net	31,225	24,795	6,430	25.9 %	28,403
Goodwill	11,462	11,462	-	0.0 %	11,462
Deferred income taxes	1,391	-	1,391	100.0 %	324
Other assets	2,278	2,769	(491)	(17.7) %	2,568
<b>Total assets</b>	<b>\$ 111,908</b>	<b>98,780</b>	<b>13,128</b>	<b>13.3 %</b>	<b>112,598</b>
<b>Current liabilities</b>					
Current maturities of long-term debt	\$ 2,396	4,863	(2,467)	(50.7) %	196
Current portion of obligation under a capital lease	-	280	(280)	(100.0) %	-
Accounts payable - trade	17,992	16,416	1,576	9.6 %	22,278
Accounts payable - capital expenditures	253	377	(124)	(32.9) %	567
Accrued expenses	5,665	6,455	(790)	(12.2) %	9,613
Accrued restructuring	287	345	(58)	(16.8) %	324
Income taxes payable - current	90	329	(239)	(72.6) %	224
<b>Total current liabilities</b>	<b>26,683</b>	<b>29,065</b>	<b>(2,382)</b>	<b>(8.2) %</b>	<b>33,202</b>
Accounts payable - capital expenditures	-	188	(188)	(100.0) %	-
Income taxes payable - long-term	3,890	3,603	287	8.0 %	3,876
Deferred income taxes	622	1,078	(456)	(42.3) %	982
Long-term debt , less current maturities	9,209	11,568	(2,359)	(20.4) %	11,491
<b>Total liabilities</b>	<b>40,404</b>	<b>45,502</b>	<b>(5,098)</b>	<b>(11.2) %</b>	<b>49,551</b>
Shareholders' equity	71,504	53,278	18,226	34.2 %	63,047
<b>Total liabilities and shareholders' equity</b>	<b>\$ 111,908</b>	<b>98,780</b>	<b>13,128</b>	<b>13.3 %</b>	<b>112,598</b>
Shares outstanding	13,199	12,888	311	2.4 %	13,052

\* Derived from audited financial statements.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED OCTOBER 31, 2010 AND NOVEMBER 1, 2009**  
**Unaudited**  
**(Amounts in Thousands)**

	<b>SIX MONTHS ENDED</b>	
	Amounts	
	<b>October 31, 2010</b>	November 1, 2009
Cash flows from operating activities:		
Net income	\$ 7,749	4,755
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,097	2,052
Amortization of other assets	258	286
Stock-based compensation	204	440
Deferred income taxes	(1,183)	8
Restructuring expenses, net of gain on sale of related assets	-	(113)
Loss on impairment of equipment	4	60
Excess tax benefits related to stock-based compensation	(270)	-
Foreign currency exchange losses	60	554
Changes in assets and liabilities		
Accounts receivable	5,110	1,356
Inventories	(3,363)	2,147
Other current assets	477	286
Other assets	(45)	(31)
Accounts payable	(4,493)	(671)
Accrued expenses	(4,112)	(126)
Accrued restructuring	(37)	(508)
Income taxes	121	181
Net cash provided by operating activities	<u>2,577</u>	<u>10,676</u>
Cash flows from investing activities:		
Capital expenditures	(5,076)	(1,976)
Purchase of short-term investments	(1,012)	-
Proceeds from the sale of equipment	27	285
Net cash used in investing activities	<u>(6,061)</u>	<u>(1,691)</u>
Cash flows from financing activities:		
Payments on vendor-financed capital expenditures	(188)	(797)
Payments on capital lease obligation	-	(346)
Payments on long-term debt	(80)	-
Debt issuance costs	(27)	(15)
Excess tax benefits related to stock-based compensation	270	-
Proceeds from common stock issued	511	45
Net cash provided by (used in) financing activities	<u>486</u>	<u>(1,113)</u>
Effect of exchange rate changes on cash and cash equivalents	(35)	(94)
(Decrease) increase in cash and cash equivalents	(3,033)	7,778
Cash and cash equivalents at beginning of period	<u>18,295</u>	<u>11,797</u>
Cash and cash equivalents at end of period	<u>\$ 15,262</u>	<u>19,575</u>
Free Cash Flow (1)	<u>\$ (2,425)</u>	<u>7,748</u>

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

	<b>2nd Qtr FY 2011</b>	<b>2nd Qtr FY 2010</b>
A) Net cash provided by operating activities	\$ 2,577	10,676
B) Minus: Capital Expenditures	(5,076)	(1,976)
C) Add: Proceeds from the sale of buildings and equipment	27	285
D) Minus: Payments on vendor-financed capital expenditures	(188)	(797)
E) Minus: Payments on capital lease obligation	-	(346)
F) Add: Excess tax benefits related to stock-based compensation	270	-
G) Effects of exchange rate changes on cash and cash equivalents	(35)	(94)
	<u>\$ (2,425)</u>	<u>7,748</u>

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE THREE MONTHS ENDED OCTOBER 31, 2010 AND NOVEMBER 1, 2009**  
**(Unaudited)**

(Amounts in thousands)

	THREE MONTHS ENDED				
	Amounts		% Over (Under)	Percent of Total Sales	
	October 31, 2010	November 1, 2009		October 31, 2010	November 1, 2009
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 28,335	28,202	0.5 %	58.0 %	56.7 %
Upholstery Fabrics	20,544	21,514	(4.5) %	42.0 %	43.3 %
Net Sales	<u>\$ 48,879</u>	<u>49,716</u>	<u>(1.7) %</u>	<u>100.0 %</u>	<u>100.0 %</u>
<b>Gross Profit by Segment</b>					
			Gross Profit Margin		
Mattress Fabrics	\$ 5,030	5,896	(14.7) %	17.8 %	20.9 %
Upholstery Fabrics	2,579	3,281	(21.4) %	12.6 %	15.3 %
Subtotal	<u>7,609</u>	<u>9,177</u>	<u>(17.1) %</u>	<u>15.6 %</u>	<u>18.5 %</u>
Restructuring related charges	-	(43)	(1) (100.0) %	0.0 %	(0.1) %
Gross Profit	<u>\$ 7,609</u>	<u>9,134</u>	<u>(16.7) %</u>	<u>15.6 %</u>	<u>18.4 %</u>
<b>Selling, General and Administrative expenses by Segment</b>					
			Percent of Sales		
Mattress Fabrics	\$ 1,704	1,856	(8.2) %	6.0 %	6.6 %
Upholstery Fabrics	1,777	2,183	(18.6) %	8.6 %	10.1 %
Unallocated Corporate expenses	721	1,346	(46.4) %	1.5 %	2.7 %
Selling, General and Administrative expenses	<u>4,202</u>	<u>5,385</u>	<u>(22.0) %</u>	<u>8.6 %</u>	<u>10.8 %</u>
<b>Operating Income (loss) by Segment</b>					
			Operating Income (Loss) Margin		
Mattress Fabrics	\$ 3,326	4,041	(17.7) %	11.7 %	14.3 %
Upholstery Fabrics	802	1,097	(26.9) %	3.9 %	5.1 %
Unallocated corporate expenses	(721)	(1,346)	(46.4) %	(1.5) %	(2.7) %
Subtotal	<u>3,407</u>	<u>3,792</u>	<u>(10.2) %</u>	<u>7.0 %</u>	<u>7.6 %</u>
Restructuring and related credit	-	141	(2) (100.0) %	0.0 %	0.3 %
Operating income	<u>\$ 3,407</u>	<u>3,933</u>	<u>(13.4) %</u>	<u>7.0 %</u>	<u>7.9 %</u>
<b>Depreciation by Segment</b>					
Mattress Fabrics	\$ 944	880	7.3 %		
Upholstery Fabrics	139	240	(42.1) %		
Subtotal	<u>1,083</u>	<u>1,120</u>	<u>(3.3) %</u>		

## Notes:

(1) The \$43 restructuring related charge represents other operating costs associated with a closed plant facility.

(2) The \$141 restructuring and related credit represents a credit of \$200 for employee termination benefits, offset by a charge of \$43 for other operating costs associated with a closed plant facility, and a charge of \$16 for lease termination and other exit costs. Of this total credit, a credit of \$184 was recorded in restructuring credit and a charge of \$43 was recorded in cost of sales.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE SIX MONTHS ENDED OCTOBER 31, 2010 AND NOVEMBER 1, 2009**  
**(Unaudited)**

(Amounts in thousands)

	SIX MONTHS ENDED				
	Amounts		% Over (Under)	Percent of Total Sales	
	October 31, 2010	November 1, 2009		October 31, 2010	November 1, 2009
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 59,253	54,476	8.8 %	56.5 %	57.2 %
Upholstery Fabrics	45,538	40,717	11.8 %	43.5 %	42.8 %
Net Sales	<u>\$ 104,791</u>	<u>95,193</u>	<u>10.1 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
<b>Gross Profit by Segment</b>					
Gross Profit Margin					
Mattress Fabrics	\$ 11,020	10,658	3.4 %	18.6 %	19.6 %
Upholstery Fabrics	6,298	6,076	3.7 %	13.8 %	14.9 %
Subtotal	<u>17,318</u>	<u>16,734</u>	<u>3.5 %</u>	<u>16.5 %</u>	<u>17.6 %</u>
Restructuring related charges	-	(14)	(2)	(100.0) %	0.0 %
Gross Profit	<u>\$ 17,318</u>	<u>16,720</u>	<u>3.6 %</u>	<u>16.5 %</u>	<u>17.6 %</u>
<b>Selling, General and Administrative expenses by Segment</b>					
Percent of Sales					
Mattress Fabrics	\$ 3,701	3,665	1.0 %	6.2 %	6.7 %
Upholstery Fabrics	3,878	4,216	(8.0) %	8.5 %	10.4 %
Unallocated Corporate expenses	1,837	2,399	(23.4) %	1.8 %	2.5 %
Subtotal	<u>9,416</u>	<u>10,280</u>	<u>(8.4) %</u>	<u>9.0 %</u>	<u>10.8 %</u>
<b>Operating Income (loss) by Segment</b>					
Operating Income (Loss) Margin					
Mattress Fabrics	\$ 7,319	6,993	4.7 %	12.4 %	12.8 %
Upholstery Fabrics	2,420	1,860	30.1 %	5.3 %	4.6 %
Unallocated corporate expenses	(1,837)	(2,399)	(23.4) %	(1.8) %	(2.5) %
Subtotal	<u>7,902</u>	<u>6,454</u>	<u>22.4 %</u>	<u>7.5 %</u>	<u>6.8 %</u>
Restructuring and related credit	8	(329)	(1)	97.6 %	0.0 %
Operating income	<u>\$ 7,910</u>	<u>6,783</u>	<u>16.6 %</u>	<u>7.5 %</u>	<u>7.1 %</u>
<b>Return on Capital (4)</b>					
Mattress Fabrics	28.5%	29.8%			
Upholstery Fabrics	39.1%	38.9%			
Unallocated Corporate	N/A	N/A			
Consolidated	<u>25.2%</u>	<u>23.2%</u>			
<b>Capital Employed (4)</b>					
Mattress Fabrics	51,357	46,983	9.3 %		
Upholstery Fabrics	12,384	9,558	29.6 %		
Unallocated Corporate	(1,021)	(966)	N/A		
Consolidated	<u>62,720</u>	<u>55,575</u>	<u>12.9 %</u>		
<b>Depreciation by Segment</b>					
Mattress Fabrics	\$ 1,822	1,779	2.4 %		
Upholstery Fabrics	275	273	0.7 %		
Subtotal	<u>2,097</u>	<u>2,052</u>	<u>2.2 %</u>		

Notes:

(1) The \$8 restructuring credit primarily represents a credit of \$15 for employee termination benefits and a charge of \$7 for lease termination and other exit costs.

(2) The \$14 restructuring related charge represents a charge of \$64 for other operating costs associated with a closed plant facility offset by a credit of \$50 for the sale of inventory previously reserved for.

(3) The \$329 restructuring and related credit represents a credit of \$169 for employee termination benefits, a credit of \$113 for sales proceeds received on equipment with no carrying value, a credit of \$61 for lease termination and other exit costs, a credit of \$50 for the sale of inventory previously reserved for, offset by a charge of \$64 for other operating costs associated with a closed plant facility.

(4) See pages 6 and 7 of this financial information release for calculations.



**CULP, INC. FINANCIAL INFORMATION RELEASE  
RETURN ON CAPITAL EMPLOYED BY SEGMENT  
FOR THE SIX MONTHS ENDED OCTOBER 31, 2010  
(UNAUDITED)**

	<b>Operating Income</b>		
	<b>Six Months</b>	<b>Average</b>	<b>Return on</b>
	<b>Ended</b>	<b>Capital</b>	<b>Avg. Capital</b>
	<b>October 31, 2010</b>	<b>Employed (3)</b>	<b>Employed</b>
	<b>(1)</b>		<b>(2)</b>
Mattress Fabrics	\$ 7,319	\$ 51,357	28.5%
Upholstery Fabrics	2,420	12,384	39.1%
(less: Unallocated Corporate)	(1,837)	(1,021)	N/A
<b>Total</b>	<b>\$ 7,902</b>	<b>\$ 62,720</b>	<b>25.2%</b>

	<b>Average Capital Employed</b>				<b>As of the three Months Ended August 1, 2010</b>				<b>As of the three Months Ended May 2, 2010</b>			
	<b>As of the three Months Ended October 31, 2010</b>				Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total								
Total assets	65,485	22,277	24,146	111,908	66,919	24,415	21,763	113,097	61,922	25,420	25,256	112,598
Total liabilities	(10,634)	(10,275)	(19,495)	(40,404)	(14,902)	(11,126)	(19,943)	(45,971)	(14,720)	(13,559)	(21,272)	(49,551)
<b>Subtotal</b>	<b>\$ 54,851</b>	<b>\$ 12,002</b>	<b>\$ 4,651</b>	<b>\$ 71,504</b>	<b>\$ 52,017</b>	<b>\$ 13,289</b>	<b>\$ 1,820</b>	<b>\$ 67,126</b>	<b>\$ 47,202</b>	<b>\$ 11,861</b>	<b>\$ 3,984</b>	<b>\$ 63,047</b>
Less:												
Cash and cash equivalents	-	-	(15,262)	(15,262)	-	-	(14,045)	(14,045)	-	-	(18,295)	(18,295)
Short-term investments	-	-	(4,035)	(4,035)	-	-	(4,009)	(4,009)	-	-	(3,023)	(3,023)
Deferred income taxes - current	-	-	(176)	(176)	-	-	(138)	(138)	-	-	(150)	(150)
Income taxes receivable	-	-	(477)	(477)	-	-	(568)	(568)	-	-	(728)	(728)
Deferred income taxes - non-current	-	-	(1,391)	(1,391)	-	-	(245)	(245)	-	-	(324)	(324)
Current maturities of long-term debt	-	-	2,396	2,396	-	-	194	194	-	-	196	196
Income taxes payable - current	-	-	90	90	-	-	182	182	-	-	224	224
Income taxes payable - long-term	-	-	3,890	3,890	-	-	3,877	3,877	-	-	3,876	3,876
Deferred income taxes - non-current	-	-	622	622	-	-	666	666	-	-	982	982
Long-term debt, less current maturities	-	-	9,209	9,209	-	-	11,453	11,453	-	-	11,491	11,491
<b>Total Capital Employed</b>	<b>\$ 54,851</b>	<b>\$ 12,002</b>	<b>\$ (483)</b>	<b>\$ 66,370</b>	<b>\$ 52,017</b>	<b>\$ 13,289</b>	<b>\$ (813)</b>	<b>\$ 64,493</b>	<b>\$ 47,202</b>	<b>\$ 11,861</b>	<b>\$ (1,767)</b>	<b>\$ 57,296</b>
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total								
<b>Average Capital Employed (3)</b>	<b>\$ 51,357</b>	<b>\$ 12,384</b>	<b>\$ (1,021)</b>	<b>\$ 62,720</b>								

**Notes:**

(1) Operating income excludes restructuring and related charges--see reconciliation per page 5 of this financial information release.

(2) Return on average capital employed represents operating income for the 6 month period ending October 31, 2010 times 2 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, long-term debt, including current maturities, current and noncurrent deferred tax assets and liabilities, current and long-term income taxes payable, and income taxes receivable.

(3) Average capital employed computed using the three periods ending May 2,2010, August 1,2010, October 31, 2010.

**CULP, INC. FINANCIAL INFORMATION RELEASE  
RETURN ON CAPITAL EMPLOYED BY SEGMENT  
FOR THE SIX MONTHS ENDED NOVEMBER 1, 2009  
(UNAUDITED)**

	<b>Operating Income</b>		
	<b>Six Months Ended November 1, 2009 (1)</b>	<b>Average Capital Employed (3)</b>	<b>Return on Avg. Capital Employed (2)</b>
Mattress Fabrics	\$ 6,993	\$ 46,983	29.8%
Upholstery Fabrics	1,860	9,558	38.9%
(less: Unallocated Corporate)	(2,399)	(966)	N/A
<b>Total</b>	<b>\$ 6,454</b>	<b>\$ 55,575</b>	<b>23.2%</b>

<b>Average Capital Employed</b>	<b>As of the three Months Ended November 1, 2009</b>				<b>As of the three Months Ended August 2, 2009</b>				<b>As of the three Months Ended May 3, 2009</b>			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	56,686	19,598	22,496	98,780	57,772	16,128	18,511	92,411	58,626	22,078	14,590	95,294
Total liabilities	(10,625)	(10,461)	(24,416)	(45,502)	(10,138)	(7,670)	(24,427)	(42,235)	(11,372)	(10,999)	(24,892)	(47,263)
<b>Subtotal</b>	<b>\$ 46,061</b>	<b>\$ 9,137</b>	<b>\$ (1,920)</b>	<b>\$ 53,278</b>	<b>\$ 47,634</b>	<b>\$ 8,458</b>	<b>\$ (5,916)</b>	<b>\$ 50,176</b>	<b>\$ 47,254</b>	<b>\$ 11,079</b>	<b>\$ (10,302)</b>	<b>\$ 48,031</b>
Less:												
Cash and cash equivalents	-	-	(19,575)	(19,575)	-	-	(15,481)	(15,481)	-	-	(11,797)	(11,797)
Deferred income taxes - current	-	-	(58)	(58)	-	-	(52)	(52)	-	-	(54)	(54)
Income taxes receivable	-	-	(384)	(384)	-	-	(396)	(396)	-	-	(210)	(210)
Current maturities of long-term debt	-	-	4,863	4,863	-	-	4,817	4,817	-	-	4,764	4,764
Income taxes payable - current	-	-	329	329	-	-	72	72	-	-	83	83
Income taxes payable - long-term	-	-	3,603	3,603	-	-	3,538	3,538	-	-	3,264	3,264
Deferred income taxes - non-current	-	-	1,078	1,078	-	-	1,072	1,072	-	-	974	974
Long-term debt, less current maturities	-	-	11,568	11,568	-	-	11,618	11,618	-	-	11,604	11,604
<b>Total Capital Employed</b>	<b>\$ 46,061</b>	<b>\$ 9,137</b>	<b>\$ (496)</b>	<b>\$ 54,702</b>	<b>\$ 47,634</b>	<b>\$ 8,458</b>	<b>\$ (728)</b>	<b>\$ 55,364</b>	<b>\$ 47,254</b>	<b>\$ 11,079</b>	<b>\$ (1,674)</b>	<b>\$ 56,659</b>
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total								
<b>Average Capital Employed (3)</b>	<b>\$ 46,983</b>	<b>\$ 9,558</b>	<b>\$ (966)</b>	<b>\$ 55,575</b>								

**Notes:**

(1) Operating income excludes restructuring and related credits--see reconciliation per page 5 of this financial information release.

(2) Return on average capital employed represents operating income for the 6 month period ending November 1, 2009 times 2 to arrive at an annualized value then divided by average capital employed. Average capital employed does not include cash and cash equivalents, long-term debt, including current maturities, current and noncurrent deferred tax assets and liabilities, current and long-term income taxes payable, and income taxes receivable.

(3) Average capital employed computed using the three periods ending May 3,2009, August 2,2009, and November 1, 2009.