

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A
AMENDMENT NO. 1
TO

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 6, 1996

CULP, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NORTH CAROLINA

0-12781

56-1001967

(STATE OR OTHER JURISDICTION OF (COMMISSION FILE NO.)
INCORPORATION)

(IRS EMPLOYER
IDENTIFICATION NO.)

101 SOUTH MAIN STREET
HIGH POINT, NORTH CAROLINA 27260
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
(910) 889-5161
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

(FORMER NAME OR FORMER ADDRESS, IF CHANGED SINCE LAST REPORT)

ITEM 5. OTHER EVENTS

SEE PRESS RELEASE (ATTACHED) DATED NOVEMBER 6, 1996 RELATED TO SECOND-QUARTER EARNINGS FOR THE PERIOD ENDED OCTOBER 27, 1996.

SEE PRESS RELEASE (ATTACHED) DATED OCTOBER 16, 1996 RELATED TO THOMAS M. BYRNES JOINING THE COMPANY AS VICE PRESIDENT OF MARKETING FOR THE CULP TEXTURES BUSINESS UNIT.

SEE FINANCIAL INFORMATION RELEASE (ATTACHED).

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: FRANKLIN N. SAXON
SENIOR VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

BY: STEPHEN T. HANCOCK
STEPHEN T. HANCOCK
GENERAL ACCOUNTING MANAGER

DATED: DECEMBER 19, 1996

(Culp logo)
CULP

FOR IMMEDIATE RELEASE

Contact:
FRANKLIN N. SAXON
Senior Vice President &
Chief Financial Officer

CULP REPORTS RECORD SECOND QUARTER SALES AND EARNINGS

EARNINGS PER SHARE INCREASE 22%

HIGH POINT, North Carolina (November 6, 1996) A Culp, Inc. today reported sales and earnings for the second quarter and first half of its 1997 fiscal year.

For the three months ended October 27, 1996, Culp reported that net sales increased 16% to \$105.2 million compared with \$90.7 million a year ago. Net income for the quarter increased 24% to \$3.7 million or \$0.33 per share, compared with \$3.0 million, or \$0.27 per share, in the second quarter of fiscal 1996.

The gains for the second quarter brought net sales for the first half to \$195.7 million, up 20% from \$163.0 million in the first six months of fiscal 1996. Net income for the first half was \$5.9 million, or \$0.52 per share, up 31% from \$4.5 million, or \$0.40 per share, in the year-earlier period.

"This marks the 16th consecutive quarter in which we have reported higher earnings versus the comparable year-earlier period," remarked Robert G. Culp, III, Chief Executive Officer. "We had started fiscal 1997 on a strong note in the first quarter, and these gains mark a continuation of that positive momentum in our business. Demand for our upholstery fabrics has been generally strong in each of our major product categories, and shipments of mattress ticking are also up. We are continuing to realize significant growth in international sales which rose 32% for the quarter. Our business with U.S.-based customers increased 12% from year ago, reflecting our success in supplying more of the fabric needs of current accounts as well as achieving a broadening in our customer base."

Culp noted, "We are particularly pleased that the growth in sales is being accompanied by an improvement in profitability. Our goal of delivering more value to customers has meant a considerable investment of funds in expanding and modernizing our manufacturing resources.

-MORE-

Culp, Inc. [] P.O. Box 2686 [] 101 S. Main Street [] High Point, NC
27261-2686 [] 910-868-6266 [] Fax 910-887-7089

We are also broadening our use of computer-aided design equipment, and related internal systems, to develop new patterns. Earning a reasonable return on this additional invested capital is essential for us to continue providing new fabrics and innovative designs with consistently high quality and service. A principal factor which has aided our margins has been the increased volume which has led to higher productivity and greater economies of scale at our manufacturing facilities. We have also benefited from a shift in our product mix toward fabrics with higher margins.

"Our financial position remains one of the strongest in the textile industry. Aided by the internally generated funds available from operations, we are maintaining an aggressive capital spending program. We have recently increased our capital spending plans for fiscal 1997 to approximately \$21 million. The thrust of this additional investment, which would represent a new annual total for Culp, will be on expanding capacity as well as taking advantage of opportunities to become more vertically integrated to reduce costs and improve our flexibility to respond to customers' needs."

Culp, Inc. is a leading manufacturer and marketer of fabrics for the furniture, bedding and institutional furnishings markets.

CULP, INC.
CONDENSED FINANCIAL HIGHLIGHTS
(Unaudited)

	THREE MONTHS ENDED	
	OCTOBER 27, 1996	OCTOBER 29, 1995
Net sales	\$ 105,204,000	\$ 90,672,000
Net income	\$ 3,710,000	\$ 3,000,000
Earnings per share	\$ 0.33	\$ 0.27

	SIX MONTHS ENDED	
	OCTOBER 27, 1996	OCTOBER 29, 1995
Net sales	\$ 195,733,000	\$ 163,029,000
Net income	\$ 5,920,000	\$ 4,515,000
Earnings per share	\$ 0.52	\$ 0.40

-MORE-

(Culp logo)
CULP

NEWS RELEASE

Contact:
KENNETH M. LUDWIG
Senior Vice President,
Human Resources

FOR IMMEDIATE RELEASE

High Point, North Carolina, (October 16, 1996) --- Culp, Inc. has announced that Thomas M. Byrnes has joined the firm as vice president of marketing for the Culp Textures business unit. In this capacity, he will report to Howard L. Dunn, president and chief operating officer.

Prior to joining Culp, Byrnes was with the Mastercraft division of Collin and Aikman for 10 years, most recently as vice president of marketing. Previously, he was a sales representative for Chromatex, Inc.

Culp, Inc. is a leading manufacturer and marketer of fabrics for the furniture, bedding and institutional furnishings markets. The company operates plants in the Carolinas, Georgia, Pennsylvania and Canada.

Culp, Inc. [] P.O. Box 2686 [] 101 S. Main Street [] High Point, NC
27261-2686 [] 910-889-5161 [] Fax 910-889-7245

CULP, INC. FINANCIAL INFORMATION RELEASE
 CONSOLIDATED INCOME STATEMENTS
 FOR THE THREE MONTHS AND SIX MONTHS ENDED OCTOBER 27, 1996 AND OCTOBER 29, 1995

(AMOUNTS IN THOUSANDS, EXCEPT FOR PER SHARE DATA)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	OCTOBER 27, 1996	October 29, 1995	% Over (Under)	1997	1996
Net sales	\$ 105,204	90,672	16.0%	100.0%	100.0
Cost of sales	86,082	74,565	15.4%	81.8%	82.2
Gross profit	19,122	16,107	18.7%	18.2%	17.8
Selling, general and administrative expenses	11,704	9,675	21.0%	11.1%	10.7
Income from operations	7,418	6,432	15.3%	7.1%	7.1
Interest expense	1,242	1,388	(10.5%)	1.2%	1.5
Interest income	(60)	0	** %	(0.1)%	0.0
Other expense (income), net	301	219	37.4%	0.3%	0.2
Income before income taxes	5,935	4,825	23.0%	5.6%	5.3
Income taxes *	2,225	1,825	21.9%	37.5%	37.8
Net income	\$ 3,710	3,000	23.7%	3.5%	3.3
Average shares outstanding	11,312	11,211	0.9%		
Net income per share	\$0.33	\$0.27	22.2%		
Dividends per share	\$0.0325	\$0.0275	18.2%		

	SIX MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	OCTOBER 27, 1996	October 29, 1995	% Over (Under)	1997	1996
Net sales	\$ 195,733	163,029	20.1%	100.0%	100.0
Cost of sales	160,691	134,724	19.3%	82.1%	82.6
Gross profit	35,042	28,305	23.8%	17.9%	17.4
Selling, general and administrative expenses	22,568	18,129	24.5%	11.5%	11.1
Income from operations	12,474	10,176	22.6%	6.4%	6.2
Interest expense	2,424	2,685	(9.7)%	1.2%	1.6
Interest income	(117)	0	** %	(0.1)%	0.0
Other expense (income), net	696	326	113.5%	0.4%	0.2
Income before income taxes	9,471	7,165	32.2%	4.8%	4.4
Income taxes *	3,551	2,650	34.0%	37.5%	37.0
Net income	\$ 5,920	4,515	31.1%	3.0%	2.8
Average shares outstanding	11,304	11,209	0.9%		
Net income per share	\$0.52	\$0.40	30.0%		
Dividends per share	\$0.0650	\$0.0550	18.2%		

* PERCENT OF SALES COLUMN IS CALCULATED AS A % OF INCOME BEFORE INCOME TAXES.
** MEASUREMENT IS NOT MEANINGFUL.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
OCTOBER 27, 1996, OCTOBER 29, 1995 AND APRIL 28, 1996

(UNAUDITED, AMOUNTS IN THOUSANDS)

	AMOUNTS		Increase (Decrease)		* April 28, 1996
	OCTOBER 27, 1996	October 29, 1995	Dollars	Percent	
Current assets					
Cash and cash investments	\$ 744	930	(186)	(20.0)%	498
Accounts receivable	52,202	46,930	5,272	11.2%	52,038
Inventories	52,300	49,632	2,668	5.4%	47,395
Other current assets	3,697	3,415	282	8.3%	4,167
Total current assets	108,943	100,907	8,036	8.0%	104,098
Restricted investments	5,379	0	5,379		5,274
Property, plant & equipment, net	80,316	73,876	6,440	8.7%	76,961
Goodwill	22,568	23,189	(621)	(2.7)%	22,871
Other assets	2,321	2,432	(111)	(4.6)%	2,440
Total assets	\$ 219,527	200,404	19,123	9.5%	211,644
Current Liabilities					
Current maturities of long-term debt	\$ 7,100	11,555	(4,455)	(38.6)%	7,100
Accounts payable	26,936	30,175	(3,239)	(10.7)%	27,308
Accrued expenses	16,841	11,075	5,766	52.1%	12,564
Income taxes payable	836	1,729	(893)	(51.6)%	197
Total current liabilities	51,713	54,534	(2,821)	(5.2)%	47,169
Long-term debt	72,891	65,137	7,754	11.9%	74,941
Deferred income taxes	8,088	5,382	2,706	50.3%	8,088
Total liabilities	132,692	125,053	7,639	6.1%	130,198
Shareholders' equity	86,835	75,351	11,484	15.2%	81,446
Total liabilities and shareholders' equity	\$ 219,527	200,404	19,123	9.5%	211,644
Shares outstanding	11,339	11,219	120	1.1%	11,290

* DERIVED FROM AUDITED FINANCIAL STATEMENTS.

CULP, INC. FINANCIAL INFORMATION RELEASE
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED OCTOBER 27, 1996 AND OCTOBER 29, 1995
 (Unaudited, Amounts In Thousands)

	SIX MONTHS ENDED	
	October 27, 1996	October 29, 1995

	Amounts	
	-----	-----
Cash flows from operating activities:		
Net income	\$ 5,920	4,515
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	6,321	6,138
Amortization of intangible assets	444	358
Provision for deferred income taxes	0	(36)
Changes in assets and liabilities:		
Accounts receivable	(164)	(2,678)
Inventories	(4,905)	(3,861)
Other current assets	470	(221)
Other assets	(22)	(23)
Accounts payable	3,220	1,632
Accrued expenses	4,277	(457)
Income taxes payable	639	1,068
	-----	-----
Net cash provided by (used in) operating activities	16,200	6,435
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(9,676)	(5,090)
Purchases of restricted investments	(107)	0
Purchase of investments to fund deferred compensation liability	0	(1,286)
Proceeds from sale of restricted investments	2	795
	-----	-----
Net cash provided by (used in) investing activities	(9,781)	(5,581)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	1,000	6,000
Principal payments on long-term debt	(3,050)	(3,050)
Change in accounts payable-capital expenditures	(3,592)	(3,707)
Dividends paid	(735)	(617)
Proceeds from sale of common stock	204	57
	-----	-----
Net cash provided by (used in) financing activities	(6,173)	(1,317)
	-----	-----
Increase (decrease) in cash and cash investments	246	(463)
Cash and cash investments at beginning of period	498	1,393
	-----	-----
Cash and cash investments at end of period	\$ 744	930
	=====	=====

CULP, INC. FINANCIAL INFORMATION RELEASE
 FINANCIAL ANALYSIS
 OCTOBER 27, 1996

	FISCAL 96		FISCAL 97		
	Q2	Q1	Q2	Q3	Q4
INVENTORIES					
Inventory turns	6.0	6.0	6.6		
RECEIVABLES					
Days sales in receivables	47	43	45		
Percent current & less than 30 days past due	98.2%	99.3%	99.9		
WORKING CAPITAL					
Current ratio	1.9	2.2	2.1		
Working capital turnover	5.4	5.4	5.4		
Working capital	\$ 46,373	\$ 53,635	\$ 57,230		
Working capital as a % of sales	12.8%	14.8%	13.6%		
PROPERTY, PLANT & EQUIPMENT					
Depreciation rate	8.9%	8.3%	8.1%		
Percent property, plant & equipment are depreciated	46.7%	48.2%	48.6%		
Capital expenditures	\$ 14,385	\$ 4,475	\$ 5,201		
PROFITABILITY					
Net profit margin	3.3%	2.4%	3.5%		
Gross profit margin	17.8%	17.6%	18.2%		
Operating income margin	7.1%	5.6%	7.1%		
SG & A expenses/net sales	10.7%	12.0%	11.1%		
Return on average total capital	8.3%	5.7%	9.3%		
Return on average equity	16.8%	10.7%	17.4%		
Earnings per share	\$ 0.27	\$ 0.20	\$ 0.33		
LEVERAGE (3)					
Total liabilities/equity	166.0%	149.9%	152.8%		
Long-term debt/equity	86.4%	85.1%	83.9%		
Funded debt/equity	101.8%	87.3%	85.9%		
Funded debt/capital employed	50.4%	46.6%	46.2%		
Funded debt	\$ 76,692	\$ 72,772	\$ 74,612		
Funded debt/EBITDA (LTM)	2.27	1.98	1.97		
OTHER					
Book value per share	\$ 6.72	\$ 7.37	\$ 7.66		
Employees at quarter end	2,847	3,020	3,098		
Sales per employee (annualized)	\$ 129,000	\$ 120,000	\$ 138,000		
Capital employed (3)	\$ 152,043	\$ 156,128	\$ 161,447		
Effective income tax rate	37.8%	37.5%	37.5%		
EBITDA (2)	\$ 9,494	\$ 8,003	\$ 10,540		
EBITDA/net sales	10.5%	8.8%	10.0%		

(1) EXPENDITURES FOR ENTIRE YEAR

(2) EARNINGS BEFORE INTEREST, INCOME TAXES, AND DEPRECIATION & AMORTIZATION.

(3) TOTAL LIABILITIES, LONG-TERM DEBT, FUNDED DEBT AND CAPITAL EMPLOYED ARE ALL NET OF RESTRICTED INVESTMENTS.

CULP, INC. FINANCIAL INFORMATION RELEASE
SALES BY PRODUCT CATEGORY/BUSINESS UNIT
FOR THREE MONTHS AND SIX MONTHS ENDED OCTOBER 27, 1996 AND OCTOBER 29, 1995

(AMOUNTS IN THOUSANDS)

THREE MONTHS ENDED (UNAUDITED)

Product Category/Business Unit	Amounts			Percent of Total Sales	
	OCTOBER 27, 1996	October 29, 1995	% Over (Under)	1997	1996
Upholstery Fabrics					
Culp Textures	\$ 24,001	22,715	5.7%	22.8%	25.1
Rossville/Chromatex	21,722	17,960	20.9%	20.6%	19.8
	-----	-----	-----	-----	-----
	45,723	40,675	12.4%	43.5%	44.9
Velvets/Prints	40,233	32,081	25.4%	38.2%	35.4
	-----	-----	-----	-----	-----
	85,956	72,756	18.1%	81.7%	80.2
Mattress Ticking					
Culp Home Fashions (1)	19,248	17,916	7.4%	18.3%	19.8
	-----	-----	-----	-----	-----
	* \$ 105,204	90,672	16.0%	100.0%	100.0
	=====	=====	=====	=====	=====

SIX MONTHS ENDED (UNAUDITED)

Product Category/Business Unit	Amounts			Percent of Total Sales	
	OCTOBER 27, 1996	October 29, 1995	% Over (Under)	1997	1996
Upholstery Fabrics					
Culp Textures	\$ 44,802	40,299	11.2%	22.9%	24.7
Rossville/Chromatex	39,887	33,318	19.7%	20.4%	20.4
	-----	-----	-----	-----	-----
	84,689	73,617	15.0%	43.3%	45.2
Velvets/Prints	75,100	55,604	35.1%	38.4%	34.1
	-----	-----	-----	-----	-----
	159,789	129,221	23.7%	81.6%	79.3
Mattress Ticking					
Culp Home Fashions (1)	35,944	33,808	6.3%	18.4%	20.7
	-----	-----	-----	-----	-----
	* \$ 195,733	163,029	20.1%	100.0%	100.0
	=====	=====	=====	=====	=====

*US. DOMESTIC SALES WERE \$79,304 AND \$71,112 FOR THE THREE MONTHS OF FISCAL 1997 AND FISCAL 1996, RESPECTIVELY; AND \$149,860 AND \$129,025 FOR THE SIX MONTHS OF FISCAL 1997 AND FISCAL 1996, RESPECTIVELY. THE PERCENTAGE INCREASES IN U.S. DOMESTIC SALES WAS 11.5% FOR THE THREE MONTHS AND 16.1% FOR THE SIX MONTHS.

(1) FORMERLY KNOWN AS CULP TICKING

INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THREE MONTHS AND SIX MONTHS ENDED OCTOBER 27, 1996 AND OCTOBER 29, 1995

(AMOUNTS IN THOUSANDS)

THREE MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts			Percent of Total Sales	
	OCTOBER 27, 1996	October 29, 1995	% Over (Under)	1997	1996
	North America (Excluding USA) \$	8,016	6,223	28.8%	31.0%
Europe	5,716	4,297	33.0%	22.1%	22.0%
Middle East	5,079	3,437	47.8%	19.6%	17.6%
Far East & Asia	5,019	3,731	34.5%	19.4%	15.8%
South America	632	397	59.2%	2.4%	2.0%
All other areas	1,438	1,475	(2.5)%	5.6%	10.9%
	<u>\$ 25,900</u>	<u>19,560</u>	<u>32.4%</u>	<u>100.0%</u>	<u>100.0%</u>

SIX MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts			Percent of Total Sales	
	OCTOBER 27, 1996	October 29, 1995	% Over (Under)	1997	1996
	North America (Excluding USA) \$	14,073	10,790	30.4%	30.7%
Europe	10,483	7,482	40.1%	22.9%	22.0%
Middle East	9,156	5,549	65.0%	20.0%	16.3%
Far East & Asia	8,815	5,979	47.4%	19.2%	14.2%
South America	999	843	18.5%	2.2%	2.5%
All other areas	2,347	3,361	(30.2)%	5.1%	13.2%
	<u>\$ 45,873</u>	<u>34,004</u>	<u>34.9%</u>	<u>100.0%</u>	<u>100.0%</u>

CULP, INC.
SALES BY BUSINESS UNIT - TREND ANALYSIS
1995 VS 1996 VS 1997

(AMOUNTS IN THOUSANDS)

Product Category/Business Units	Fiscal 1995					Fiscal 1996				
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
Upholstery Fabrics										
Culp Textures	19,613	22,834	20,940	21,738	85,125	17,584	22,715	20,685	23,400	84,384
Rossville/Chromatex	15,140	15,758	16,397	16,470	63,765	15,358	17,960	18,567	22,318	74,203
	34,753	38,592	37,337	38,208	148,890	32,942	40,675	39,252	45,718	158,587
Velvets/Prints	20,644	26,439	28,307	31,413	106,803	23,523	32,081	31,836	38,280	125,720
	55,397	65,031	65,644	69,621	255,693	56,465	72,756	71,088	83,998	284,307
Mattress Ticking										
Culp Home Fashions (1)	10,952	13,414	12,147	15,820	52,333	15,892	17,916	15,388	18,164	67,360
	66,349	78,445	77,791	85,441	308,026	72,357	90,672	86,476	102,162	351,667

(AMOUNTS IN THOUSANDS)

Product Category/Business Units	FISCAL 1997				
	Q1	Q2	Q3	Q4	TOTAL
Upholstery Fabrics					
Culp Textures	20,801	24,001			44,802
Rossville/Chromatex	18,165	21,722			39,887
	38,966	45,723			84,689
Velvets/Prints	34,867	40,233			75,100
	73,833	85,956			159,789
Mattress Ticking					
Culp Home Fashions (1)	16,696	19,248			35,944
	90,529	105,204			195,733

PERCENT INCREASE(DECREASE) FROM PRIOR YEAR:

Product Category/Business Units										
Upholstery Fabrics										
Culp Textures	12.4	13.8	6.4	2.9	8.7	(10.3)	(0.5)	(1.2)	7.6	(0.9)
Rossville/Chromatex	100.0	100.0	14.4	(1.5)	105.4	1.4	14.0	13.2	35.5	16.4
	99.2	92.3	9.8	1.0	36.1	(5.2)	5.4	5.1	19.7	6.5

Velvets/Prints	(1.2)	7.8	19.4	12.5	10.1	13.9	21.3	12.5	21.9	17.7
	44.5	45.8	13.7	5.9	23.9	1.9	11.9	8.3	20.7	11.2
Mattress Ticking										
Culp Home Fashions (1)	32.7	42.8	27.4	37.9	35.4	45.1	33.6	26.7	14.8	28.7
	42.4	45.3	15.7	10.6	25.7	9.1	15.6	11.2	19.6	14.2

(1) FORMERLY KNOWN AS CULP TICKING

18.3	5.7	11.2
18.3	20.9	19.7
18.3	12.4	15.0
48.2	25.4	35.1
30.8	18.1	23.7
5.1	7.4	6.3
25.1	16.0	20.1

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE

FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 27, 1996 AND OCTOBER 29, 1995

INCOME STATEMENT COMMENTS

(Bullet) GENERAL - The company is pleased to report that sales increased 16.0% to \$105.2 million, the highest quarterly total ever, and net income increased 23.7% to \$3.7 million for its second quarter, as compared with the second quarter of last year. This performance marks the SIXTEENTH CONSECUTIVE quarter of record earnings and the FOURTEENTH CONSECUTIVE quarter of record sales (based on the comparable year-earlier periods). For the six months, sales increased 20.1 % to \$195.7 million and net income increased 31.1% to \$5.9 million. The company's net profit margin increased to 3.5% from 3.3% for the quarter. Also, the company achieved a return on average shareholders' equity of 15.3% for the latest twelve months. For the last five years, the company has achieved a compound annual growth rate in net income and net sales of 30.5% and 15.1%, respectively.

The company attributes this record to, among other things, several key growth strategies:

- (Bullet) penetrating other markets in addition to U.S. residential furniture, such as bedding, international, contract, juvenile and home textiles;
- (Bullet) investing in the creative aspect of our business - the company has significantly increased the resources (both designers and computer-aided design (CAD) systems) dedicated to the design and product development areas in each business unit;
- (Bullet) investing in selective, accretive acquisitions in businesses which we know and understand and that strengthen existing marketing positions; and
- (Bullet) realizing additional manufacturing integration by producing various raw material components that are used in the manufacture of our fabrics;

(Bullet) NET SALES - Compared with the second quarter of last year, upholstery fabric sales increased 18.1% to \$86.0 million (comprises three business units) and mattress ticking sales increased 7.4% to \$19.2 million (Culp Home Fashions) for the quarter. (See Sales by Business Unit schedule on page 5 and Sales by Business Unit Trend Analysis on page 7.) All upholstery fabrics business units reported solid sales gains for the quarter: Velvets/Prints - up 25.4%; Rossville/Chromatex - up 20.9%; and Culp Textures - up 5.7%. Comments on current backlogs and incoming order rates versus last year are as follows: Culp Home Fashions - up moderately; Culp Textures - up slightly; Rossville/Chromatex - up slightly; and Velvets/Prints - up significantly, with particular strength in the wet prints and velvet product categories. The results of the Velvets/Prints business unit were substantially improved from the second quarter of last year, and these results continued the significant margin improvement trend established early last fiscal year. The company's sales growth in the United States, up 11.5% for the second quarter, was especially noteworthy relative to the industry as a whole.

International sales were up 32.4% for the quarter, with strength in all major regions, including the Middle East, the Far East and Asia, and North America (excluding the U.S.). (See International Sales by Geographic Area schedule on page 6.) An increasing portion of the international growth is being produced by the Culp Textures and Rossville/Chromatex business units. The company is realizing increasing success in marketing its upholstery fabric products internationally, with shipments to over 50 countries during the first half of fiscal 1997. We are encouraged by the geographical balance of our customer base throughout the world.

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE - CONTINUED

FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 27, 1996 AND OCTOBER 29, 1995

(Bullet) GROSS PROFIT - The gross profit increase of 18.7% for the quarter versus the same quarter last year reflects significant gains in Velvets/Prints and Culp Home Fashions, and a moderate gain in Rossville/Chromatex.

During the last six months, the company has begun to realize lower raw material prices for many of its raw materials. Because raw material costs represent the largest element of cost in the company's products (over 50% of sales), management has been actively exploring ways to lower these costs through several key strategies:

- (Bullet) global sourcing of certain commodity-type items;
- (Bullet) further vertical integration of certain large-volume raw material components;
- (Bullet) monitoring existing suppliers to ensure that the company is receiving the best possible combination of value and price; and
- (Bullet) increasing the utilization of the company's various raw material manufacturing capabilities.

(Bullet) S,G & A EXPENSES - S,G&A expenses for the quarter were up as a percentage of sales to 11.1% from 10.7%. This increase is due primarily to higher selling and design expenses. The increase in selling expenses is due primarily to higher sales commissions related to international sales. The increase in design expenses is due to more designers, outside artwork purchased, and additional costs related to our CAD systems.

Additionally, during the second quarter (and first half) of the current year, the company's accrual for incentive plans was significantly higher than the comparable periods of last year.

(Bullet) INTEREST EXPENSE - The decrease for the quarter of 10.5% is primarily due to lower average borrowings outstanding.

(Bullet) OTHER INCOME (EXPENSE), NET - For the first half, the increase is principally due to a non-recurring write-off of certain fixed assets totalling \$175,000. Additionally, in the first quarter of last year, the company recorded a \$100,000 gain related to an environmental matter.

(Bullet) INCOME TAXES - The company estimates that the effective tax rate for fiscal 1997 will again be about 36.5%, due to the lower tax rate related to Canadian income and the tax benefit related to international sales.

(Bullet) EBITDA - EBITDA for the quarter increased 11.0% from last year's second quarter to \$10.5 million, and represented 10.0% of net sales compared with 10.5% of net sales last year.

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE - CONTINUED

FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 27, 1996 AND OCTOBER 29, 1995

BALANCE SHEET COMMENTS

(Bullet) WORKING CAPITAL - Accounts receivable increased 11.2% from October 1995, while sales increased 16.0%. Days' sales outstanding represented 45 days, down from 47 at October 1995. The aging of accounts receivable remained excellent, with 99.9% current and less than 30 days past due. Inventories increased 5.4% from October 1995 and inventory turns were 6.6 versus 6.0 for last year's second quarter. One of the company's key initiatives for fiscal 1997 is to find ways to increase inventory turns.

(Bullet) PROPERTY, PLANT AND EQUIPMENT - For fiscal 1997, the company is planning capital spending in the \$19 to \$22 million range. Major projects include:

- (Bullet) weaving expansions for dobby and jacquard product lines in the Rossville/Chromatex business unit;
- (Bullet) weaving expansion for jacquard greige goods (narrow and wide) at the company's Rayonese facility in Canada, which is part of the Culp Home Fashions business unit;
- (Bullet) printing expansion for the wet print product line in the Velvets/Prints business unit;
- (Bullet) expansion of existing yarn manufacturing capabilities; and
- (Bullet) vertical integration of additional raw material items during the second half of the current fiscal year. Depreciation expense for fiscal 1997 is expected to approximate \$14.0 million.

Although the level of capital expenditures will likely be the highest total ever, the percentage of capital expenditures to cash flow is expected to be the second lowest in eight years. Capital expenditures as a percentage of cash flow (net income plus depreciation, amortization and deferred taxes) is estimated to be in the 70% to 80% range for fiscal 1997. This is especially encouraging because the company is in a financial position to spend aggressively on high-return capital projects and fund the majority of these capital expenditures from internally-generated cash flow.

(Bullet) LONG-TERM DEBT - The company's funded debt-to-capital ratio was 46.2% at October 1996, down from 50.4% at October 1995, and the lowest level in three years. At October 1996, the company had \$22.2 million in IRB borrowings, \$24.3 million in borrowings under its revolving credit facility (total commitment is \$33.5 million), \$32.5 million in a term facility and \$1.0 million in a subordinated note payable. At October 1996, the company had \$5.4 million in restricted investments related to its new IRB, which represents the unexpended project funds. Therefore, net funded debt was \$74.6 million at October 1996, compared with \$76.8 million last year end and \$76.7 million at October 1995. The current maturities of \$7.1 million include repayment of \$6.0 million of the term loan, \$100,000 of the IRBs and \$1.0 million of the subordinated note payable. With its interest rate swap agreements totalling \$25.0 million, the company has effectively "fixed" the interest rate for 44% of its bank borrowings (\$56.8 million) at a weighted average rate of 7.1%.