

FELLOW SHAREHOLDERS

We are very pleased to report another outstanding year for Culp.

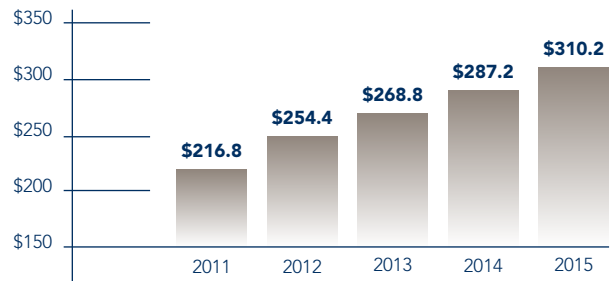
Our financial and operating performance in fiscal 2015 demonstrates our proven ability to deliver favorable results in a dynamic global marketplace. Over the past year, we achieved both higher annual sales and improved profitability in both businesses. Notably, this is the sixth consecutive year of overall annual sales growth, or a 7.2 percent CAGR over the six-year period, and a new record year for mattress fabrics sales. Our pre-tax income was up 21 percent over the prior year, marking the highest level for Culp since our founding. We also achieved a 29 percent return on capital employed, up from 26 percent in the prior year.

Throughout the year, we have continued to execute our strategy with a focus on design creativity and product innovation, supported by exceptional service. Together, these efforts have driven our sales performance, both with existing key customers and new customers. Our ability to sustain excellence in creating innovative fabrics that meet changing customer demand continues to be an important advantage for Culp. We have established a strong leadership position in each of our businesses. And, importantly, we have the fiscal discipline to support our strategy and continue to innovate and invest for the future. The collective value that these capabilities bring to our business is translating into greater value for both our customers and our shareholders.

Cash Returned to Shareholders

We are proud to share our financial success with our shareholders, returning over \$8.3 million in the form of dividends and share repurchases in fiscal 2015. Commencing in the third quarter, we increased the quarterly cash dividend to a new annual rate of \$0.24, effectively doubling the quarterly cash dividend since we reinstated the dividend in June 2011. Our excellent free cash flow of \$15.1 million provided an opportunity to pay another special dividend for the third time in three years. Pursuant to our capital allocation strategy, our Board of Directors approved a special cash dividend of \$0.40 per share, which was paid in July 2015. Notably, since June 2011, the company has returned approximately \$35 million to shareholders in the form of regular quarterly and special dividends and share repurchases. These actions reflect our commitment to delivering value to our shareholders.

NET SALES | FISCAL YEARS 2011-15 (IN MILLIONS)



OUR FOCUS ON DESIGN AND INNOVATION SETS US APART IN THE MATTRESS FABRIC MARKETPLACE.

Mattress Fabrics Segment

For fiscal 2015, mattress fabric sales were \$179.7 million, up 11.8 percent from fiscal 2014, and setting a new annual sales record. These results demonstrate solid execution of the strategic plan that we laid out at the beginning of fiscal 2015, with consistent growth and progress throughout the year.

We are especially pleased with our sales growth this year, which has outpaced overall industry growth. Our focus on design and innovation sets us apart in the mattress fabric marketplace, and we continue to have favorable placements with new product roll-outs to our customers. Our product mix of mattress fabrics and sewn covers across most price points and style trends has allowed us to execute our vision to deliver a full design package from fabric to finished covers. Our design team has done an exceptional job, and we have continued to support our design efforts with investments in the latest technologies and software, including an enhanced new website, to leverage our talents and our Culp Home Fashions brand.



WE DELIVER A FULL DESIGN PACKAGE FROM
MATTRESS FABRIC TO FINISHED COVERS.

Left to right, photos
courtesy of Bassett
Furniture and La-Z-Boy

We made notable progress in our operating performance during fiscal 2015, with the most significant improvement evident in our fourth quarter as we neared completion of our \$9.5 million expansion project. We were also able to benefit from some lower input costs. Our capital investments have already met our expectations with added capacity, enhanced finishing capabilities, and better overall efficiency and throughput. We expect to realize further improvement in fiscal 2016 with additional new equipment installations underway. Importantly, we have also created a strategic infrastructure that will support our future growth initiatives, and we will continue to make sound investments to improve our competitive advantage. We are especially pleased with the year-over-year evolution of our sewn cover business, which further supports our diversification strategy and enhances our strong value proposition. We have a solid competitive position, and we look forward to the opportunities ahead for another strong performance in both mattress fabrics and sewn covers during fiscal 2016.

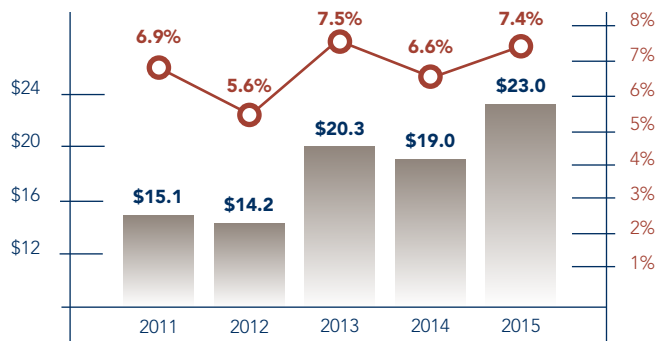
Upholstery Fabrics Segment

We are pleased with the steady growth in sales and improved profitability for upholstery fabrics in fiscal 2015. Upholstery fabric sales were \$130.4 million, up 3.1 percent from fiscal 2014, marking the sixth straight year of annual sales gains. These results reflect the continued success of our product-driven strategy with a focus on design and innovation. This strategy has also allowed us to diversify our customer base and target additional end-user markets, including the hospitality market and "lifestyle" retail category.

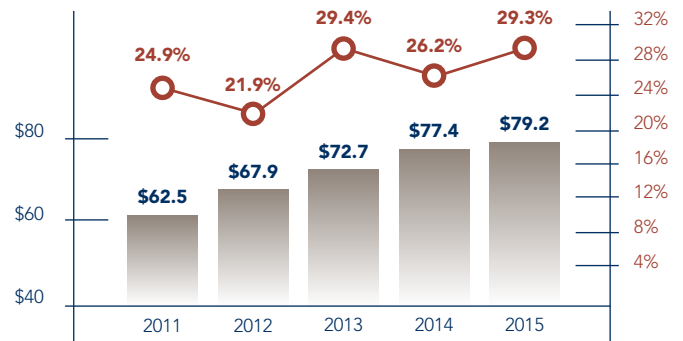


“CULP HAS A PROVEN REPUTATION AS AN INDUSTRY LEADER KNOWN FOR INNOVATIVE PRODUCTS AND CREATIVE FABRIC DESIGNS.”

PRE-TAX INCOME AND PRE-TAX MARGIN (EXCLUDING RESTRUCTURING)
FISCAL YEARS 2011-15 (IN MILLIONS)



CAPITAL EMPLOYED AND RETURN ON CAPITAL
FISCAL YEARS 2011-15 (IN MILLIONS)



Our 100 percent owned China platform provides significant manufacturing flexibility, and we have continued to leverage this capability to meet changing customer demand. Sales of China produced fabrics accounted for approximately 90 percent of upholstery fabric sales in fiscal 2015, providing a diverse product mix of fabric styles and price points with excellent service and quality.

We made the decision in the second quarter to close our finished goods warehouse and distribution facility located in Poznan, Poland, due to the ongoing economic concerns in Europe. However, we remain very interested in developing business in Europe, and we are still assessing the best strategy for selling upholstery fabric into this market as economic conditions improve.

Culp has a proven reputation as an industry leader known for innovative products and creative fabric designs. Our ability to keep pace with current style trends is a critical advantage for our customers. We were pleased with our favorable showings at this year's furniture markets, with positive customer response to our latest product introductions and significant placements. We believe Culp is well positioned for sustained growth in upholstery fabrics, especially as the overall economy improves with a more stable U.S. housing market and higher consumer spending for home furnishings.

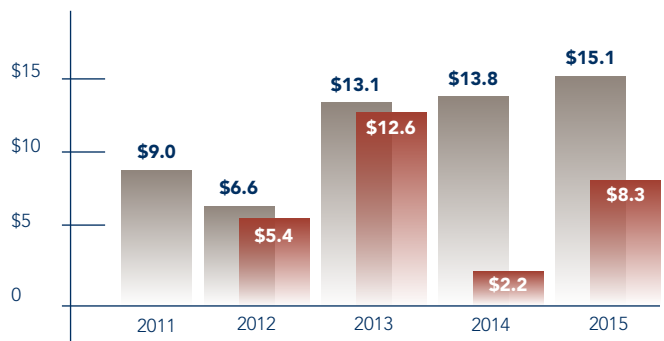
Balance Sheet and Free Cash Flow

As a result of our disciplined execution, we were pleased to end fiscal 2015 with a strong financial position. The company generated \$15.1 million in free cash flow in fiscal 2015, after investing \$10.5 million in capital expenditures. Both our businesses did an outstanding job in managing working

capital, which contributed to the strong free cash flow this fiscal year. During fiscal 2015, we were able to build our net cash position by approximately \$7.0 million and return \$8.3 million of cash to shareholders through dividends and share repurchases. Looking ahead to fiscal 2016, we expect another good year of free cash flow, with capital expenditures projected to be \$7.5 million to \$9.0 million and modest growth in working capital.

As of the end of fiscal 2015, we reported \$39.7 million in cash and cash equivalents and short-term investments. Total debt at the end of the year was \$2.2 million, representing the final installment on our term loan. Notably, our net cash position, or cash minus total debt, was \$37.5 million at the end of fiscal 2015, the highest net cash level in Culp's history. We have since made our scheduled debt payment due in August 2015.

FREE CASH FLOW AND DIVIDENDS PAID AND SHARES REPURCHASED FISCAL YEARS 2011-15 (IN MILLIONS)



QUALITY UPHOLSTERY FABRICS WITH A FRESH EYE FOR STYLE.



“OUR STRATEGY HAS ALLOWED US TO DIVERSIFY OUR CUSTOMER BASE AND TARGET ADDITIONAL END USER MARKETS, INCLUDING THE ‘LIFESTYLE’ RETAIL CATEGORY.”

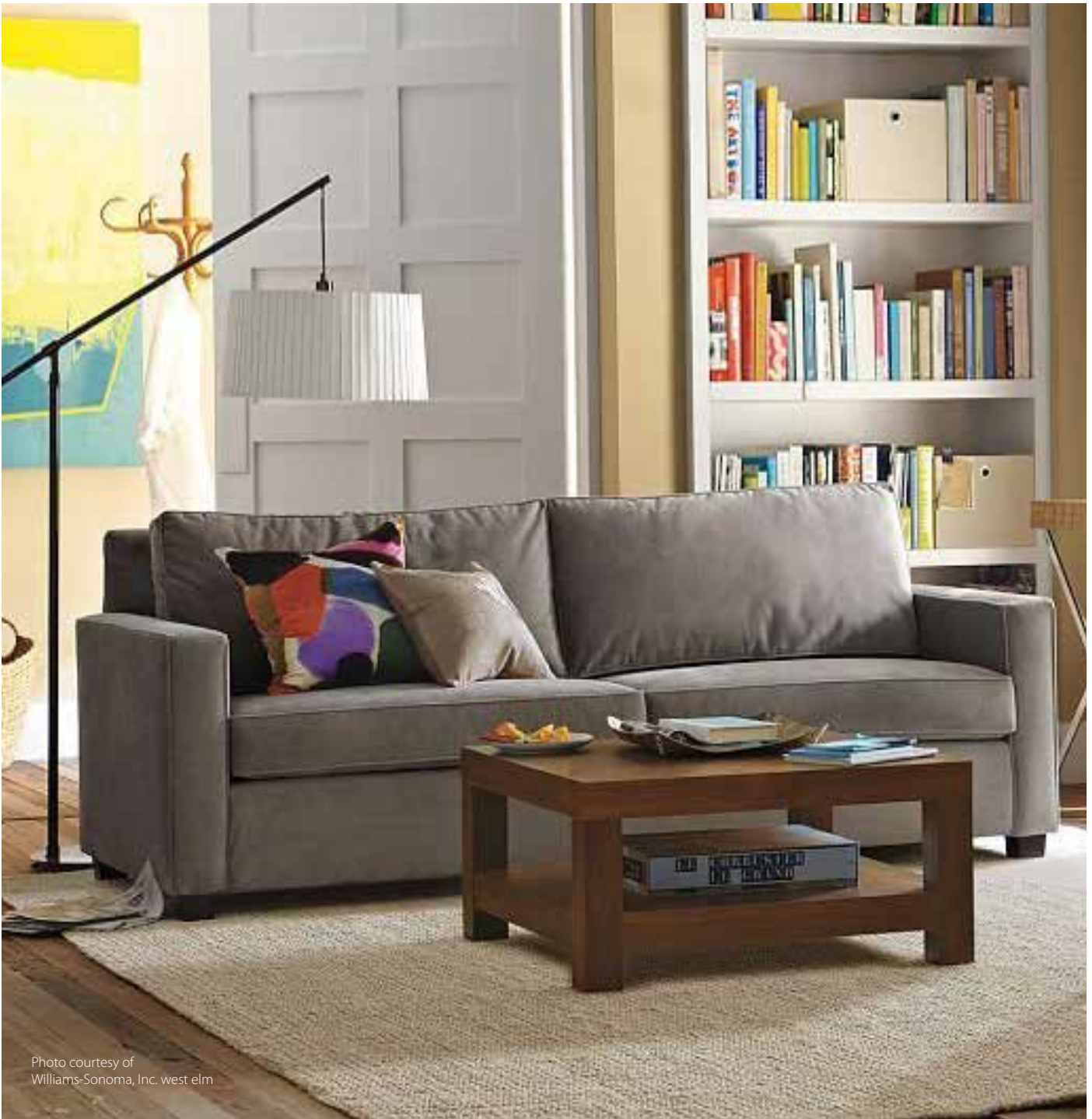


Photo courtesy of Williams-Sonoma, Inc. west elm



CULP OFFERS A DIVERSE PRODUCT MIX OF FABRIC STYLES AND PRICE POINTS WITH EXCELLENT SERVICE AND QUALITY.

Capital Allocation Strategy

Our focus on the efficient use of our capital is inherent in Culp's overall business strategy. We have previously shared our capital allocation strategy in our annual reports, and we are pleased to report that we again met our stated objectives in fiscal 2015.

As always, our first priority is to fund organic growth in both mattress fabrics and upholstery fabrics. In fiscal 2015, we built working capital by less than \$2.0 million for the year, which supported the growth of both businesses. Additionally, we spent \$10.5 million in capital expenditures, most of which related to our mattress fabrics business.

Secondly, we increased our regular quarterly dividend by 20 percent to \$0.06 per share for an annual level of \$0.24 per share. Third, we repurchased 43,000 shares of Culp common stock at an average price of \$17.30 per share for \$745,000.

Fourth, our net cash position of \$37.5 million at year-end was well above our \$31.0 million target level. As we have previously stated, our objective is to use those excess funds for special dividends, subject to cash availability in the United States, prevailing market conditions and the overall business outlook, and assuming there are no acquisition opportunities. As such, after the end of fiscal 2015, we were pleased to announce another special dividend of \$0.40 per share. This action demonstrates our confidence in Culp's leadership position and growth opportunities, and reinforces our commitment to generating value for our shareholders.

Looking Ahead

We are pleased with Culp's performance in fiscal 2015 and our ability to execute our strategy and enhance our leadership position in a global marketplace. Our consistent top-line growth reflects our outstanding design capabilities and unique capacity to deliver a wide range of innovative fabrics that keep pace with customer demand and style trends. We are well positioned for continued growth with our flexible and scalable global manufacturing platform, backed by exceptional customer service. And, importantly, we have the financial strength to make the right strategic investments to further expand our production capabilities and capitalize on new market opportunities.

We are proud of our company, and we continue to be inspired by the talent and dedication of our team of long-term associates who represent Culp around the world. And, we are grateful to have the support and leadership of an outstanding management team and board of directors. Together, we are committed to outstanding performance for our customers as a financially stable and trusted source for innovative fabrics. We are excited about the opportunities before us as we look ahead to fiscal 2016 and beyond.

Thank you for the support your investment provides.

Sincerely,

Franklin N. Saxon
President and Chief Executive Officer

Robert C. Culp, III
Chairman of the Board

August 12, 2015