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CULP INC  
Form 8-K  
February 20, 2001

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

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Date of Report (Date of earliest event reported) February 20, 2001

CULP, INC.

(Exact name of registrant as specified in its charter)

|   |                       |                                      |
|---|-----------------------|--------------------------------------|
| North Carolina                                    | 0-12781               | 56-1001967                           |
| (State or other jurisdiction<br>of incorporation) | (Commission File No.) | (IRS Employer<br>Identification No.) |

101 South Main Street  
High Point, North Carolina 27260  
(Address of principal executive offices)  
(336) 889-5161  
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Item 5. Other Events

See attached Press Release (3 pages) and Financial Information Release (10 pages), both dated February 20, 2001, related to the fiscal 2001 third quarter ended January 28, 2001.

Forward Looking Information. This Report 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. Such statements are inherently subject to risks and uncertainties. Forward-looking statements are statements that include projections,

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expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives. 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. Because of the significant percentage of the Company's sales derived from international shipments, 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. Additionally, economic and political instability in international areas could affect the demand for the Company's products.

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: Phillip W. Wilson  
Vice President and  
Chief Financial Officer

Dated: February 20, 2001

FOR IMMEDIATE RELEASE

CULP REPORTS THIRD QUARTER RESULTS  
INCLUDING RESTRUCTURING CHARGE

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SAVINGS OF \$12 MILLION EXPECTED FROM ACTIONS TO REDUCE COSTS

HIGH POINT, N. C. (Feb. 20, 2001) -- As anticipated, Culp, Inc. (NYSE: CFI) today reported a loss for its third fiscal quarter that reflects the widespread contraction in demand that the home furnishings industry has encountered as well as charges from the Company's announced actions to reduce costs and increase efficiency.

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For the three months ended January 28, 2001, Culp reported net sales of \$95.9 million compared with \$113.2 million a year ago. Including previously announced restructuring costs, the Company reported a net loss for the quarter of \$5.5 million, or \$0.49 per share diluted, compared with net income of \$1.4 million, or \$0.13 per share diluted, in the year-earlier period.

Net sales for the first nine months of fiscal 2001 totaled \$308.7 million compared with \$358.7-million in the year-earlier period. Including previously announced restructuring costs, the Company reported a net loss for the first nine months of \$6.9 million, or \$0.61 per share diluted, compared with net income of \$6.2 million, or \$0.52 per share diluted, in the year-earlier period.

Robert G. Culp, III, chief executive officer, commented, "Our results for the third fiscal quarter reflect the contraction in demand that we had identified at mid year and which we again highlighted publicly last month. We have found widespread softness in orders for upholstery fabrics for U.S. furniture sales, especially in the promotional categories of the market. This appears to be an industry-wide pattern that became evident with the well-publicized deceleration in spending by consumers that began during the fourth calendar quarter of 2000. The weakness that we have been experiencing in international sales is also persisting. We have obtained little relief in terms of the high relative value of the U.S. dollar against foreign currencies compared with a year ago. Our sales of fabrics to customers outside the United States during the third quarter were down 31% from the year-earlier period.

"We are continuing our fundamental mission of marketing new fabric patterns and textures that help our customers meet the needs of consumers. At the same time, we understand that execution of this strategy demands stringent containment of expenses during the difficult period in which we are operating. The restructuring plan we announced last month is well underway. As we began executing the initial phase of this program to reduce costs, we recognized that the severity of the current downturn in demand necessitated a more aggressive effort. We have accordingly decided to consolidate additional capacity in the Culp Decorative Fabrics division and have taken steps that will lower our selling, general and administrative expenses significantly. The total charge from the restructuring, cost reduction and inventory adjustment initiatives is expected to exceed \$6.0 million, about half of which should represent non-cash items. We recognized \$3.2 million of restructuring charges and special costs in the third quarter, and most of the balance will be reflected in our results for the fourth fiscal period. Our target is to achieve annualized cost reductions of at least \$12 million when these steps are fully implemented."

Culp added, "We are continuing to manage our balance sheet to maximize the return on our financial assets and generated sufficient cash from operations through the first nine months to reduce debt and payables related to capital expenditures by \$21.8 million. We recently amended our credit facility and were in compliance with the revised terms as of the close of the third quarter. As a result of the amendments to that facility, the Company is restricted from paying cash dividends at this time. Although we respect Culp's heritage of paying a quarterly cash dividend for 18 consecutive years, we recognize the priority of

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conserving cash to enhance our financial liquidity during this challenging period.

"We appreciate the response of our organization to these difficult, but necessary actions. Culp has developed a strong culture of teamwork over the years, and the decisions involving personnel reductions have been especially hard. Although we are starting to benefit from the steps to lower costs, we expect to report a loss for fiscal 2001 as a whole based on current trends. We are confident about the basic value we add to the manufacturers of upholstered furniture and bedding and are optimistic about a longer-term recovery in our financial performance."

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

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. Such statements are inherently subject to risks and uncertainties. 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 characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives. 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. Because of the significant percentage of the Company's sales derived from international shipments, 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. Additionally, economic and political instability in international areas could affect the demand for the Company's products.

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

|                              | Three Months Ended  |                     |
|------------------------------|---------------------|---------------------|
|                              | January 28,<br>2001 | January 30,<br>2000 |
| Net sales                    | \$95,880,000        | \$113,181,000       |
| Net income (loss)            | \$(5,470,000)       | \$ 1,432,000        |
| Net income (loss) per share: |                     |                     |
| Basic                        | \$ (0.49)           | \$ 0.13             |
| Diluted                      | \$ (0.49)           | \$ 0.13             |
| Average shares outstanding:  |                     |                     |
| Basic                        | 11,211,000          | 11,296,000          |
| Diluted                      | 11,211,000          | 11,389,000          |

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|                              | Nine Months Ended   |                     |
|------------------------------|---------------------|---------------------|
|                              | January 28,<br>2001 | January 30,<br>2000 |
| Net sales                    | \$308,739,000       | \$358,660,000       |
| Net income (loss)            | \$ (6,884,000)      | \$ 6,189,000        |
| Net income (loss) per share: |                     |                     |
| Basic                        | \$ (0.61)           | \$ 0.53             |
| Diluted                      | \$ (0.61)           | \$ 0.52             |
| Average shares outstanding:  |                     |                     |
| Basic                        | 11,209,000          | 11,703,000          |
| Diluted                      | 11,209,000          | 11,816,000          |

-END-

CULP, INC. FINANCIAL INFORMATION RELEASE  
CONSOLIDATED STATEMENTS OF INCOME (LOSS)  
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 28, 2001 AND JANUARY 30, 2000

(Amounts in Thousands, Except for Per Share Data)

|   | THREE MONTHS ENDED (UNAUDITED) |                     |                   |       |
|---|--------------------------------|---------------------|-------------------|-------|
|   | Amounts                        |                     |                   | Perce |
|   | January 28,<br>2001            | January 30,<br>2000 | % Over<br>(Under) | 2001  |
| Net sales                                       | \$ 95,880                      | 113,181             | (15.3) %          | 100.  |
| Cost of sales                                   | 86,047                         | 94,712              | (9.1) %           | 89.   |
| Gross profit                                    | 9,833                          | 18,469              | (46.8) %          | 10.   |
| Selling, general and<br>administrative expenses | 12,480                         | 13,949              | (10.5) %          | 13.   |
| Restructuring expense                           | 2,504                          | 0                   | 100.0 %           | 2.    |
| Income (loss) from operations                   | (5,151)                        | 4,520               | (214.0) %         | (5.   |
| Interest expense                                | 2,222                          | 2,366               | (6.1) %           | 2.    |
| Interest income                                 | (18)                           | (8)                 | 125.0 %           | (0.   |
| Other expense (income), net                     | 811                            | 229                 | 254.1 %           | 0.    |
| Income (loss) before income taxes               | (8,166)                        | 1,933               | (522.5) %         | (8.   |
| Income taxes *                                  | (2,696)                        | 501                 | (638.1) %         | 33.   |
| Net income (loss)                               | \$ (5,470)                     | 1,432               | (482.0) %         | (5.   |
| Net income (loss) per share                     | (\$0.49)                       | \$0.13              | (476.9) %         |       |
| Net income (loss) per share, assuming dilution  | (\$0.49)                       | \$0.13              | (476.9) %         |       |
| Dividends per share                             | \$0.035                        | \$0.035             | 0.0 %             |       |
| Average shares outstanding                      | 11,211                         | 11,296              | (0.8) %           |       |
| Average shares outstanding, assuming dilution   | 11,211                         | 11,389              | (1.6) %           |       |

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| NINE MONTHS ENDED (UNAUDITED)                   |                     |                     |                   |               |
|---|---------------------|---------------------|-------------------|---------------|
| -----   |                     |                     |                   |               |
| Amounts   |                     |                     |                   |               |
| -----   |                     |                     |                   |               |
|   | January 28,<br>2001 | January 30,<br>2000 | % Over<br>(Under) | Perco<br>2001 |
| -----   |                     |                     |                   |               |
| Net sales                                       | \$ 308,739          | 358,660             | (13.9) %          | 100.          |
| Cost of sales                                   | 267,845             | 296,072             | (9.5) %           | 86.           |
| -----   |                     |                     |                   |               |
| Gross profit                                    | 40,894              | 62,588              | (34.7) %          | 13.           |
| Selling, general and<br>administrative expenses | 39,749              | 45,022              | (11.7) %          | 12.           |
| Restructuring expense                           | 2,504               | 0                   | 100.0 %           | 0.            |
| -----   |                     |                     |                   |               |
| Income (loss) from operations                   | (1,359)             | 17,566              | (107.7) %         | (0.           |
| Interest expense                                | 6,830               | 7,266               | (6.0) %           | 2.            |
| Interest income                                 | (40)                | (41)                | (2.4) %           | (0.           |
| Other expense (income), net                     | 2,127               | 1,200               | 77.3 %            | 0.            |
| -----   |                     |                     |                   |               |
| Income (loss) before income taxes               | (10,276)            | 9,141               | (212.4) %         | (3.           |
| Income taxes *                                  | (3,392)             | 2,952               | (214.9) %         | 33.           |
| -----   |                     |                     |                   |               |
| Net income (loss)                               | \$ (6,884)          | 6,189               | (211.2) %         | (2.           |
| =====   |                     |                     |                   |               |
| Net income (loss) per share                     | (\$0.61)            | \$0.53              | (215.1) %         |               |
| Net income (loss) per share, assuming dilution  | (\$0.61)            | \$0.52              | (217.3) %         |               |
| Dividends per share                             | \$0.105             | \$0.105             | 0.0 %             |               |
| Average shares outstanding                      | 11,209              | 11,703              | (4.2) %           |               |
| Average shares outstanding, assuming dilution   | 11,209              | 11,816              | (5.1) %           |               |

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

CULP, INC. FINANCIAL INFORMATION RELEASE  
CONSOLIDATED BALANCE SHEETS  
JANUARY 28, 2001, JANUARY 30, 2000 AND APRIL 30, 2000  
Unaudited  
(Amounts in Thousands)

| Amounts                   |                     |                         |                 |         |
|---------------------------|---------------------|-------------------------|-----------------|---------|
| -----                     |                     |                         |                 |         |
|                           | January 28,<br>2001 | (2) January 30,<br>2000 | Incre<br>(Decre |         |
| -----                     |                     |                         |                 |         |
|                           |                     |                         |                 | Dollars |
| -----                     |                     |                         |                 |         |
| Current assets            |                     |                         |                 |         |
| Cash and cash investments | \$ 292              | 568                     | (276)           |         |
| Accounts receivable       | 54,474              | 65,788                  | (11,314)        |         |
| Inventories               | 67,156              | 80,874                  | (13,718)        |         |
| Other current assets      | 13,706              | 9,016                   | 4,690           |         |

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|  |            |         |          |
|--|------------|---------|----------|
| Total current assets                       | 135,628    | 156,246 | (20,618) |
| Restricted investments                     | 0          | 1,047   | (1,047)  |
| Property, plant & equipment, net           | 116,207    | 123,303 | (7,096)  |
| Goodwill                                   | 48,827     | 50,222  | (1,395)  |
| Other assets                               | 2,256      | 6,490   | (4,234)  |
| Total assets                               | \$ 302,918 | 337,308 | (34,390) |
| Current liabilities                        |            |         |          |
| Current maturities of long-term debt \$    | 2,159      | 1,678   | 481      |
| Accounts payable                           | 27,084     | 35,347  | (8,263)  |
| Accrued expenses                           | 15,417     | 20,878  | (5,461)  |
| Income taxes payable                       | 0          | 903     | (903)    |
| Total current liabilities                  | 44,660     | 58,806  | (14,146) |
| Long-term debt                             | 119,213    | 137,052 | (17,839) |
| Deferred income taxes                      | 17,459     | 14,583  | 2,876    |
| Total liabilities                          | 181,332    | 210,441 | (29,109) |
| Shareholders' equity                       | 121,586    | 126,867 | (5,281)  |
| Total liabilities and shareholders' equity | \$ 302,918 | 337,308 | (34,390) |
| Shares outstanding                         | 11,211     | 11,216  | (5)      |

(1) Derived from audited financial statements.

(2) As restated (see Restatement paragraph within Financial Narrative)

CULP, INC. FINANCIAL  
INFORMATION RELEASE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED JANUARY 28, 2001 AND JANUARY 30, 2000  
Unaudited  
(Amounts in Thousands)

|                                       | NINE MONTHS ENDED   |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | January 28,<br>2001 | January 30,<br>2000 |
| Cash flows from operating activities: |                     |                     |
| Net income (loss)                     | \$ (6,884)          | 6,189               |

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|  |          |          |
|--|----------|----------|
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |          |          |
| Depreciation   | 14,781   | 14,481   |
| Amortization of intangible assets  | 1,196    | 1,197    |
| Amortization of deferred compensation  | 303      | 180      |
| Restructuring expense  | 2,504    | 0        |
| Changes in assets and liabilities:   |          |          |
| Accounts receivable  | 20,749   | 4,715    |
| Inventories  | 7,315    | (13,804) |
| Other current assets   | (3,357)  | 617      |
| Other assets   | 226      | (560)    |
| Accounts payable   | (4,536)  | 4,619    |
| Accrued expenses   | (8,076)  | (328)    |
| Income taxes payable   | 0        | 903      |
|  | -----    | -----    |
| Net cash provided by operating activities  | 24,221   | 18,209   |
|  | -----    | -----    |
| Cash flows from investing activities:  |          |          |
| Capital expenditures   | (6,532)  | (14,474) |
| Purchases of restricted investments  | 0        | (35)     |
| Sale of investments related to deferred compensation plan                                | 4,547    | 0        |
| Sale of restricted investments   | 0        | 2,328    |
|  | -----    | -----    |
| Net cash used in investing activities  | (1,985)  | (12,181) |
|  | -----    | -----    |
| Cash flows from financing activities:  |          |          |
| Proceeds from issuance of long-term debt   | 564      | 8,510    |
| Principal payments on long-term debt   | (16,678) | (11,770) |
| Change in accounts payable-capital expenditures  | (5,667)  | 5,041    |
| Dividends paid   | (1,177)  | (1,218)  |
| Payments to acquire common stock   | 0        | (6,552)  |
| Proceeds from common stock issued  | 7        | 20       |
|  | -----    | -----    |
| Net cash used in financing activities  | (22,951) | (5,969)  |
|  | -----    | -----    |
| Increase (decrease) in cash and cash investments   | (715)    | 59       |
| Cash and cash investments at beginning of period   | 1,007    | 509      |
|  | -----    | -----    |
| Cash and cash investments at end of period   | \$ 292   | 568      |
|  | =====    | =====    |

CULP, INC. FINANCIAL INFORMATION RELEASE  
 FINANCIAL ANALYSIS  
 JANUARY 28, 2001

|                 | FISCAL 00 | FISCAL 01 |        |       |       |
|-----------------|-----------|-----------|--------|-------|-------|
|                 | -----     | -----     | -----  | ----- | ----- |
|                 | Q3 (7)    | Q1 (7)    | Q2 (7) | Q3    | Q4    |
|                 | -----     | -----     | -----  | ----- | ----- |
| INVENTORIES     |           |           |        |       |       |
| Inventory turns | 4.8       | 4.7       | 5.1    | 4.9   |       |



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|   |              |           |           |           |
|---|--------------|-----------|-----------|-----------|
| RECEIVABLES   |              |           |           |           |
| Days sales in receivables                           | 49           | 49        | 52        | 48        |
| Percent current & less than 30 days past due        | 97.1%        | 91.5%     | 94.7%     | 94.4%     |
| WORKING CAPITAL                                     |              |           |           |           |
| Current ratio                                       | 2.7          | 3.2       | 2.7       | 3.0       |
| Working capital turnover (4)                        | 4.5          | 4.3       | 4.2       | 4.1       |
| Operating working capital (4)                       | \$111,315    | \$108,509 | \$106,607 | \$94,546  |
| PROPERTY, PLANT & EQUIPMENT                         |              |           |           |           |
| Depreciation rate                                   | 8.2%         | 8.0%      | 7.9%      | 7.5%      |
| Percent property, plant & equipment are depreciated | 49.4%        | 51.1%     | 52.6%     | 53.8%     |
| Capital expenditures                                | \$22,559 (1) | \$2,289   | \$1,370   | \$2,873   |
| PROFITABILITY                                       |              |           |           |           |
| Return on average total capital                     | 4.8%         | (0.3%)    | 2.7%      | (6.4%)    |
| Return on average equity                            | 4.5%         | (5.5%)    | 1.1%      | (17.6%)   |
| Net income (loss) per share                         | \$0.13       | (\$0.16)  | \$0.03    | (\$0.49)  |
| Net income (loss) per share (diluted)               | \$0.13       | (\$0.16)  | \$0.03    | (\$0.49)  |
| LEVERAGE (3)  |              |           |           |           |
| Total liabilities/equity                            | 165.9%       | 156.1%    | 154.6%    | 149.1%    |
| Funded debt/equity                                  | 108.5%       | 107.3%    | 99.5%     | 99.8%     |
| Funded debt/capital employed                        | 52.0%        | 51.8%     | 49.9%     | 50.0%     |
| Funded debt   | \$137,683    | \$136,828 | \$126,757 | \$121,372 |
| Funded debt/EBITDA (LTM) (6)                        | 3.13         | 3.44      | 3.57      | 4.28      |
| EBITDA/Interest expense, net (LTM)                  | 4.6          | 4.2       | 3.9       | 2.8       |
| OTHER   |              |           |           |           |
| Book value per share                                | \$11.31      | \$11.37   | \$11.37   | \$10.85   |
| Employees at quarter end                            | 3,938        | 3,722     | 3,623     | 3,486     |
| Sales per employee (annualized)                     | \$115,000    | \$108,000 | \$121,000 | \$108,000 |
| Capital employed (3)                                | \$264,550    | \$264,320 | \$254,198 | \$242,958 |
| Effective income tax rate                           | 25.9%        | 34.0%     | 37.9%     | 33.0%     |
| EBITDA (2)  | \$9,715      | \$5,177   | \$8,265   | (\$648)   |
| EBITDA/net sales                                    | 8.6%         | 5.1%      | 7.4%      | (0.7%)    |

- (1) Expenditures for entire year.
- (2) Earnings before interest, income taxes, and depreciation & amortization.
- (3) Long-term debt, funded debt and capital employed are all net of restricted investments.
- (4) Working capital for this calculation is accounts receivable, inventories and accounts payable.
- (5) LTM represents "Latest Twelve Months"
- (6) EBITDA includes capitalized interest, pro forma amounts for acquisitions and certain cash and non-cash charges, as defined by the company's credit agreement.
- (7) As restated (see Restatement paragraph within Financial Narrative)

CULP, INC. FINANCIAL INFORMATION RELEASE  
SALES BY SEGMENT/DIVISION  
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 28, 2001 AND JANUARY 30, 2000

(Amounts in thousands)

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THREE MONTHS ENDED (UNAUDITED)

| Segment/Division           | Amounts             |                     |                   | Percent of Total Sales |         |
|----------------------------|---------------------|---------------------|-------------------|------------------------|---------|
|                            | January 28,<br>2001 | January 30,<br>2000 | % Over<br>(Under) | 2001                   | 2000    |
| Upholstery Fabrics         |                     |                     |                   |                        |         |
| Culp Decorative Fabrics \$ | 40,955              | 49,654              | (17.5) %          | 42.7 %                 | 43.9 %  |
| Culp Velvets/Prints        | 28,631              | 34,050              | (15.9) %          | 29.9 %                 | 30.1 %  |
| Culp Yarn                  | 2,711               | 4,274               | (36.6) %          | 2.8 %                  | 3.8 %   |
|                            | 72,297              | 87,978              | (17.8) %          | 75.4 %                 | 77.7 %  |
| Mattress Ticking           |                     |                     |                   |                        |         |
| Culp Home Fashions         | 23,583              | 25,203              | (6.4) %           | 24.6 %                 | 22.3 %  |
| * \$                       | 95,880              | 113,181             | (15.3) %          | 100.0 %                | 100.0 % |

NINE MONTHS ENDED (UNAUDITED)

| Segment/Division           | Amounts             |                     |                   | Percent of Total Sales |         |
|----------------------------|---------------------|---------------------|-------------------|------------------------|---------|
|                            | January 28,<br>2001 | January 30,<br>2000 | % Over<br>(Under) | 2001                   | 2000    |
| Upholstery Fabrics         |                     |                     |                   |                        |         |
| Culp Decorative Fabrics \$ | 129,280             | 157,067             | (17.7) %          | 41.9 %                 | 43.8 %  |
| Culp Velvets/Prints        | 90,778              | 112,042             | (19.0) %          | 29.4 %                 | 31.2 %  |
| Culp Yarn                  | 10,164              | 12,761              | (20.4) %          | 3.3 %                  | 3.6 %   |
|                            | 230,222             | 281,870             | (18.3) %          | 74.6 %                 | 78.6 %  |
| Mattress Ticking           |                     |                     |                   |                        |         |
| Culp Home Fashions         | 78,517              | 76,790              | 2.2 %             | 25.4 %                 | 21.4 %  |
| * \$                       | 308,739             | 358,660             | (13.9) %          | 100.0 %                | 100.0 % |

\* U.S. sales were \$77,360 and \$86,359 for the third quarter of fiscal 2001 and fiscal 2000, respectively; and \$246,672 and \$275,699 for the nine months of fiscal 2001 and fiscal 2000, respectively. The percentage decrease in U.S. sales was 10.4% for the third quarter and a decrease of 10.5% for the nine months.

CULP, INC. FINANCIAL INFORMATION RELEASE  
INTERNATIONAL SALES BY GEOGRAPHIC AREA  
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 28, 2001 AND JANUARY 30, 2000

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

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| Geographic Area                  | Amounts             |                     |                   | Percent of Total Sales |         |
|----------------------------------|---------------------|---------------------|-------------------|------------------------|---------|
|                                  | January 28,<br>2001 | January 30,<br>2000 | % Over<br>(Under) | 2001                   | 2000    |
| North America (Excluding USA) \$ | 8,226               | 8,476               | (2.9)%            | 44.4 %                 | 31.6 %  |
| Europe                           | 1,669               | 4,698               | (64.5)%           | 9.0 %                  | 17.5 %  |
| Middle East                      | 3,924               | 8,140               | (51.8)%           | 21.2 %                 | 30.3 %  |
| Far East & Asia                  | 4,277               | 4,422               | (3.3)%            | 23.1 %                 | 16.5 %  |
| South America                    | 147                 | 523                 | (71.9)%           | 0.8 %                  | 1.9 %   |
| All other areas                  | 277                 | 563                 | (50.8)%           | 1.5 %                  | 2.1 %   |
|                                  |                     |                     |                   |                        |         |
| \$                               | 18,520              | 26,822              | (31.0)%           | 100.0 %                | 100.0 % |

NINE MONTHS ENDED (UNAUDITED)

| Geographic Area                  | Amounts             |                     |                   | Percent of Total Sales |         |
|----------------------------------|---------------------|---------------------|-------------------|------------------------|---------|
|                                  | January 28,<br>2001 | January 30,<br>2000 | % Over<br>(Under) | 2001                   | 2000    |
| North America (Excluding USA) \$ | 26,177              | 26,064              | 0.4 %             | 42.2 %                 | 31.4 %  |
| Europe                           | 4,928               | 13,696              | (64.0)%           | 7.9 %                  | 16.5 %  |
| Middle East                      | 14,456              | 24,092              | (40.0)%           | 23.3 %                 | 29.0 %  |
| Far East & Asia                  | 13,103              | 14,088              | (7.0)%            | 21.1 %                 | 17.0 %  |
| South America                    | 732                 | 1,773               | (58.7)%           | 1.2 %                  | 2.1 %   |
| All other areas                  | 2,671               | 3,248               | (17.8)%           | 4.3 %                  | 3.9 %   |
|                                  |                     |                     |                   |                        |         |
| \$                               | 62,067              | 82,961              | (25.2)%           | 100.0 %                | 100.0 % |

International sales, and the percentage of total sales, for each of the last five fiscal years follows: fiscal 1996-\$77,397 (22%); fiscal 1997-\$101,571 (25%); fiscal 1998-\$137,223 (29%); fiscal 1999-\$113,354 (23%); and fiscal 2000-\$111,104 (23%). International sales for the third quarter represented 19.3% and 23.7% for 2001 and 2000, respectively. Year-to-date international sales represented 20.1% and 23.1% of total sales for 2001 and 2000, respectively.

Culp, Inc.  
SALES BY SEGMENT/DIVISION - TREND ANALYSIS  
1999 vs 2000 vs 2001

(Amounts in thousands)

| Segment/Division | Fiscal 1999 |    |    |    |       | Fiscal 2000 |    |    |
|------------------|-------------|----|----|----|-------|-------------|----|----|
|                  | Q1          | Q2 | Q3 | Q4 | TOTAL | Q1          | Q2 | Q3 |
|                  |             |    |    |    |       |             |    |    |

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|                         |         |         |         |         |         |         |         |         |  |
|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|--|
| Upholstery Fabrics      |         |         |         |         |         |         |         |         |  |
| Culp Decorative Fabrics | 51,445  | 59,573  | 50,520  | 60,520  | 222,058 | 50,516  | 56,897  | 49,654  |  |
| Culp Velvets/Prints     | 29,994  | 38,728  | 34,949  | 40,402  | 144,073 | 36,209  | 41,783  | 34,050  |  |
| Culp Yarn               | 6,596   | 6,367   | 4,088   | 4,462   | 21,513  | 4,129   | 4,358   | 4,274   |  |
|                         | 88,035  | 104,668 | 89,557  | 105,384 | 387,644 | 90,854  | 103,038 | 87,978  |  |
| -----                   |         |         |         |         |         |         |         |         |  |
| Mattress Ticking        |         |         |         |         |         |         |         |         |  |
| Culp Home Fashions      | 22,632  | 23,491  | 22,536  | 26,781  | 95,440  | 25,083  | 26,504  | 25,203  |  |
|                         | 110,667 | 128,159 | 112,093 | 132,165 | 483,084 | 115,937 | 129,542 | 113,181 |  |
|                         | =====   |         |         |         |         |         |         |         |  |

Percent increase(decrease) from prior year:

|                                 |        |        |        |        |        |        |        |       |  |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|-------|--|
| Segment/Division                |        |        |        |        |        |        |        |       |  |
| -----                           |        |        |        |        |        |        |        |       |  |
| Upholstery Fabrics              |        |        |        |        |        |        |        |       |  |
| Culp Decorative Fabrics         | 29.2   | 4.9    | (5.4)  | 0.6    | 5.7    | (1.8)  | (4.5)  | (1.7) |  |
| Culp Velvets/Prints             | (21.9) | (11.8) | (20.6) | (10.3) | (15.9) | 20.7   | 7.9    | (2.6) |  |
| Culp Yarn                       | 100.0  | 100.0  | 437.2  | (37.3) | 173.1  | (37.4) | (31.6) | 4.5   |  |
|                                 | 12.6   | 3.9    | (8.8)  | (6.2)  | (0.5)  | 3.2    | (1.6)  | (1.8) |  |
| -----                           |        |        |        |        |        |        |        |       |  |
| Mattress Ticking                |        |        |        |        |        |        |        |       |  |
| Culp Home Fashions              | 6.3    | 5.7    | 11.2   | 13.9   | 9.3    | 10.8   | 12.8   | 11.8  |  |
|                                 | 11.2   | 4.3    | (5.4)  | (2.7)  | 1.3    | 4.8    | 1.1    | 1.0   |  |
|                                 | =====  |        |        |        |        |        |        |       |  |
| Overall Growth Rate             |        |        |        |        |        |        |        |       |  |
| Internal (without acquisitions) | (4.6)  | (0.9)  | (8.5)  | (2.7)  | (4.1)  | 4.8    | 1.1    | 1.0   |  |
| External                        | 15.8   | 5.2    | 3.1    | -      | 5.4    | -      | -      | -     |  |
|                                 | 11.2   | 4.3    | (5.4)  | (2.7)  | 1.3    | 4.8    | 1.1    | 1.0   |  |
|                                 | =====  |        |        |        |        |        |        |       |  |

Culp, Inc.  
SALES BY SEGMENT/DIVISION - TREND ANALYSIS  
1999 vs 2000 vs 2001

(Amounts in thousands)

|                         |             |        |        |    |         |
|-------------------------|-------------|--------|--------|----|---------|
|                         | Fiscal 2001 |        |        |    |         |
| Segment/Division        | Q1          | Q2     | Q3     | Q4 | TOTAL   |
| -----                   |             |        |        |    |         |
| Upholstery Fabrics      |             |        |        |    |         |
| Culp Decorative Fabrics | 41,533      | 46,792 | 40,955 |    | 129,280 |
| Culp Velvets/Prints     | 30,074      | 32,073 | 28,631 |    | 90,778  |
| Culp Yarn               | 3,319       | 4,134  | 2,711  |    | 10,164  |

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|                    |         |         |        |         |
|--------------------|---------|---------|--------|---------|
|                    | 74,926  | 82,999  | 72,297 | 230,222 |
| Mattress Ticking   |         |         |        |         |
| Culp Home Fashions | 26,952  | 27,982  | 23,583 | 78,517  |
|                    | 101,878 | 110,981 | 95,880 | 308,739 |

Percent increase(decrease) from prior year:

| Segment/Division                |        |        |        |        |
|---------------------------------|--------|--------|--------|--------|
| Upholstery Fabrics              |        |        |        |        |
| Culp Decorative Fabrics         | (17.8) | (17.8) | (17.5) | (17.7) |
| Culp Velvets/Prints             | (16.9) | (23.2) | (15.9) | (19.0) |
| Culp Yarn                       | (19.6) | (5.1)  | (36.6) | (20.4) |
|                                 | (17.5) | (19.4) | (17.8) | (18.3) |
| Mattress Ticking                |        |        |        |        |
| Culp Home Fashions              | 7.5    | 5.6    | (6.4)  | 2.2    |
|                                 | (12.1) | (14.3) | (15.3) | (13.9) |
| Overall Growth Rate             |        |        |        |        |
| Internal (without acquisitions) | (12.1) | (14.3) | (15.3) | (13.9) |
| External                        | -      | -      | -      | -      |
|                                 | (12.1) | (14.3) | (15.3) | (13.9) |

CULP, INC. FINANCIAL INFORMATION RELEASE  
FINANCIAL NARRATIVE

for the three and nine months ended January 28, 2001 and January 30, 2000

INCOME STATEMENT COMMENTS

GENERAL - For the third quarter, net sales decreased 15.3% to \$95.9 million; and the company reported a net loss of \$5.5 million, or \$0.49 per share diluted (based on 11,211,000 average shares outstanding) versus net income of \$1.4 million, or \$0.13 per share diluted (based on 11,389,000 average shares outstanding). For the first nine months of fiscal 2001, net sales decreased 13.9% to \$308.7 million, and the company reported a net loss of \$6.9 million, or \$0.61 per share diluted (based on 11,209,000 average shares outstanding), versus net income of \$6.2 million, or \$0.52 per share diluted (based on 11,816,000 average shares outstanding), a year ago. The results for the third quarter and first nine months of fiscal 2001 included special charges totaling \$3.2 million before taxes for restructuring actions and inventory write-downs.

The company's long-term, strategic plan encompasses several competitive initiatives:

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Broad Product Offering - continuing to market one of the broadest product lines in upholstery fabrics and mattress ticking. Through its extensive manufacturing capabilities, the company competes in every major category except leather;

Diverse Global Customer Base - maintaining a diverse, global customer base. The company has long-standing relationships with most major upholstery furniture manufacturers. Ownership of the resources in the home furnishings industry is becoming increasingly concentrated, and the company is seeking to increase its business further with existing customers. One customer accounted for approximately 12% of net sales during the third quarter of fiscal 2001. Culp is also pursuing opportunities in other end-use markets in addition to U.S. residential furniture, such as bedding, international, commercial furniture and juvenile furniture;

Design Innovation - continuing to invest in personnel and other resources for the design of upholstery fabrics and ticking with appealing patterns and textures. An integral component of the value Culp provides to customers is supplying fabrics that are fashionable and match current consumer preferences. The company's principal design resources are consolidated in a single facility that has advanced CAD systems and promotes a sharing of innovative designs among the divisions;

Vertical Integration - operating as a vertically integrated manufacturer and taking advantage of economies that can be gained by producing the raw material components that are used in the manufacture of its products; and

Additional Acquisitions - investing in selective acquisitions complementary to existing segments.

RESTRUCTURING ACTIONS - During the third quarter, the company initiated a restructuring plan intended to lower costs, increase efficiency and position the company to operate profitably within the current environment of reduced demand. The plan involves the consolidation of certain manufacturing capacity, the closure of some facilities and an extensive reduction in selling, general and administrative expenses. The company also recognized certain inventory write-downs as part of this initiative. The total charge from the restructuring, cost reduction and inventory write-down initiatives is expected to exceed \$6.0 million, about half of which should represent non-cash items. The company recognized \$3.2 million of restructuring charges and special costs in the third quarter, and most of the balance is expected to be reflected in results for the fourth fiscal period. The company expects to realize annualized cost reductions of at least \$12 million when these steps are fully implemented.

NET SALES - Compared with the third quarter of fiscal 2000, upholstery fabric sales decreased 17.8% to \$72.3 million and mattress ticking sales decreased 6.4% to \$23.6 million (See Sales by Segment/Division schedule on Page 5 and Sales by Segment/Division - Trend Analysis on Page 7). International sales were down 31.0% for the quarter and 25.2% for the first nine months.

The company had previously announced that it expected to report a net loss for the third quarter, excluding special charges. Key factors influencing the year-to-year comparisons were continued weakness in consumer spending on home furnishings, especially in the promotional price category, and an adverse impact on exports from the strength in the U.S. dollar compared with a year ago. The slowdown in industry-wide demand also led to a decline in sales at Culp Home Fashions (primarily mattress ticking) for the third quarter. Culp's sales of mattress ticking were up for the first nine months.

The fourth fiscal quarter of the year is historically a strong period for the company's sales. Based on current trends, however, the company does not

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expect to report a profit for fiscal 2001 as a whole.

**GROSS PROFIT** - Gross profit declined 46.8% for the third quarter versus a year ago and decreased as a percentage of net sales from 16.3% to 10.3%. The decline was due principally to lower sales volume for the period which led to unfavorable cost variances in the company's upholstery fabrics operation. The company has taken steps to lower expenses by consolidating certain operations and reducing personnel, but these actions were not sufficient to offset the impact of the significantly lower sales.

**SG&A EXPENSES** - SG&A expenses for the third quarter increased as a percentage of sales from 12.3% to 13.0%. The dollar amount of these expenses declined 10.5% from a year ago, reflecting the company's actions to reduce expenses, but the lower-than-expected sales caused the increase in these costs as a percentage of sales.

**INTEREST EXPENSE** - Interest expense of \$2.2 million for the third quarter was down slightly from \$2.4 million in the prior year due to lower average borrowings.

**OTHER EXPENSE (INCOME), NET** - Other expense (income) for the third quarter totaled \$811,000 compared with \$229,000 in the prior year. The increase is principally due to lower investment income on assets related to the company's nonqualified deferred compensation plan.

**INCOME TAXES** - The effective tax rate for the nine months was 33.0% versus 32.3% in the year-earlier period.

**EBITDA** - Due principally to the lower earnings for the period, EBITDA for the third quarter was \$(648,000) compared with \$9.7 million in the prior year.

### BALANCE SHEET COMMENTS

**WORKING CAPITAL** - Accounts receivable as of January 28, 2001 decreased 17.2% from the year-earlier level, due principally to the lower sales for the period. Days sales outstanding declined to 48 days at January 28, 2001 compared with 49 a year ago. The aging of accounts receivable was 94.4% current and less than 30 days past due versus 97.1% a year ago. Inventories at the close of the third quarter decreased 17.0% from a year ago. Inventory turns for the third quarter were 4.9 versus 4.8 for the year-earlier period. Operating working capital (comprised of accounts receivable, inventory and accounts payable) was \$94.5 million at January 28, 2001, down from \$111.3 million a year ago.

**PROPERTY, PLANT AND EQUIPMENT** - During fiscal 2000 the company's capital spending increased to \$22.6 million compared with \$10.7 million in the prior year. The level of capital spending in fiscal 2001, which was budgeted to be approximately \$16 million at the start of the year, is now expected to total \$8.0 million. Capital spending for fiscal 2002 is budgeted to be approximately \$4.0 million. Depreciation for fiscal 2001 is estimated to be \$19.5 million.

**LONG-TERM DEBT** - The company's funded debt-to-capital ratio was 50.0% at January 28, 2001 compared with 52.0% a year ago. Funded debt was \$121.4 million at January 28, 2001 compared with \$137.7 million a year ago. Funded debt equals long-term debt, including current maturities, less restricted investments, which represent unspent IRB funds. The company has completed an amended credit facility which includes terms that restrict the payment of cash dividends at this time, limit capital expenditures, increase the interest rate on the revolver from LIBOR plus 1.60% to LIBOR plus 4.00% and increase the letter of credit fees on the IRBs from 1.10% to 4.00%. The company was in compliance with all covenants of the amended credit facility as of January 28, 2001. The amended credit facility lowered the amount of funds available under the facility from

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\$88 million to \$25 million. The company had outstanding borrowings of \$10.0 million under the facility at the end of the third quarter.

RESTATEMENT - During the third quarter of fiscal 2001, the company terminated the nonqualified deferred compensation plan covering officers and certain other associates. As a result, the company sold the assets related to the nonqualified plan in order to pay the participants. The proceeds received from selling those assets resulted in recognizing gains from fiscal 1999 and 1998 totaling approximately \$1.1 million. As a result, the January 30, 2000 and April 30, 2000 balance sheets were restated to properly reflect other assets and equity.

### STOCK REPURCHASE

In separate authorizations in June 1998, March 1999, September 1999 and December 1999, the Board of Directors authorized the use of a total of \$20.0 million to repurchase the company's common stock. Over the past two fiscal years, the company has invested \$12.2 million to repurchase a total of 1.8 million shares. No repurchases were made during the first nine months of fiscal 2001, and under the terms of the amended credit facility, the company is currently restricted from any stock repurchases.