CULP INC
Form 8-K
November 25, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) November 25, 2002

CULP, INC.

(Exact name of registrant as specified in its charter)

North Carolina	0-12781	56-1001967
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer 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 (4 pages) and Financial Information Release (13 pages), both dated November 25, 2002, related to the fiscal 2003 second quarter ended October 27, 2002.

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 (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. Forward-looking statements are statements that include projections, expectations or beliefs about future events of 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 expectations for the company's future sales, gross profit margins, SG&A or other expenses, and earnings, as well as any statements regarding the company's view of estimates of the company's future results by analysts. 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. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. Other factors that could affect the matters discussed in forward looking statements are included in the company's periodic reports filed with the Securities and Exchange Commission.

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: Franklin N. Saxon

Executive Vice President and
Chief Financial Officer

Dated: November 25, 2002

NEWS RELEASE

Investor Contact: Kathy J. Hardy
Corporate Secretary
336-888-6209

Media Contact: Kenneth M. Ludwig
Senior Vice President,
Human Resources
336-889-5161

FOR IMMEDIATE RELEASE

CULP REPORTS SECOND QUARTER 2003 RESULTS

IMPROVED EARNINGS REFLECT BENEFITS
OF RESTRUCTURING ACTIONS AND BALANCE SHEET MANAGEMENT

HIGH POINT, N. C. (November 25, 2002) - Culp, Inc. (NYSE: CFI) today reported financial and operating results for the second quarter and six months ended October 27, 2002. The quarter was highlighted by:

- o Diluted earnings per share of $0.19 (excluding restructuring and related charges)
- o Improved gross profit margin of 17.8% (excluding restructuring related charges)
- o Chattanooga restructuring substantially complete at the end of the quarter
- o Cash position built to $35.0 million from $25.1 million at the end of the first quarter

For the three months ended October 27, 2002, net sales were $83.6 million compared with $96.4 million a year ago. The company reported net income, excluding restructuring and related charges, of $2.3 million, or $0.19 per share diluted, versus net income of $1.2 million, or $0.11 per share diluted, in the second quarter of fiscal 2002, excluding restructuring and related charges, and goodwill amortization. The financial results for the second quarter include a total of $14.5 million in restructuring and related charges, all of which reflect previously announced restructuring initiatives. Including restructuring and related charges, the company reported a net loss of $6.6 million, or $0.57 per share diluted, for the second quarter of fiscal 2003.

For the six months ended October 27, 2002, the company reported net sales of $169.5 million, compared with $182.9 million for the same period a year ago. Excluding restructuring and related charges and the cumulative effect of accounting change, net income for the first six months of fiscal 2003 was $3.2 million, or $0.27 per share diluted, compared with net income of $46,000, or $0.00 per share diluted, excluding restructuring and related charges, and goodwill amortization for the prior-year period. Including restructuring charges and the cumulative effect of accounting change, the company reported a net loss for the first six months of fiscal 2003 of $29.8 million, or $2.61 per share diluted.

As previously announced, due to the adoption of a new accounting standard, "Goodwill and Other Intangible Assets," the company recorded a non-cash goodwill impairment charge, net of income taxes, of $24.2 million, or $2.11 per share diluted, in the first quarter of 2003 related to the goodwill associated with its Culp Decorative Fabrics ("CDF") division. The charge, recorded as "cumulative effect of accounting change," has no effect on operating income or cash flow from operations and does not affect the company's compliance with the terms of its lending agreements.

"In an especially challenging business environment, these results clearly reflect the benefits of the actions we have taken to improve the efficiency of our operations, reduce costs and strengthen our balance sheet," remarked Robert G. Culp, III, chief executive officer of Culp, Inc. "Our top line growth was affected by the overall industry weakness in demand for furniture and bedding. In addition, the 13.3% decline in sales is partly attributable to our strategic initiatives to improve the overall profitability of our sales mix by reducing or eliminating less profitable products. As previously announced, we discontinued our unprofitable wet printed flock business at the end of fiscal 2002. Since that time we have also discontinued a significant number of the finished goods stock keeping units, or SKUs, within CDF in our continued efforts to eliminate products that are not generating acceptable profits. However, in spite of the lower sales volume and the operational disruption resulting from the Chattanooga restructuring, we still reported a meaningful improvement in profitability. Gross profit margin was 17.8% in the second fiscal quarter compared with 16.3% for the same period a year ago, excluding the restructuring related charges in each quarter. Our strategic focus continues to be on effectively managing the aspects of our business that we can control, and we believe our ability to improve profits, excluding restructuring and related charges, in this environment demonstrates our strong execution.

"Our solid performance with respect to managing our working capital and strengthening our balance sheet further extended the progress from the first quarter of this year," said Culp. "Cash flow from operations was $17.8 million for the first six months of 2003, and we have reduced our funded debt by $12.0 million from the end of fiscal 2002. At the end of the second fiscal quarter, we had $35.0 million in cash and cash investments, a significant improvement over $8.6 million a year ago. A key objective for 2003 is to maintain a strong, liquid balance sheet, and we will continue to focus on opportunities for further improvement.

"Our previously announced Chattanooga restructuring initiatives were substantially complete at the end of the second quarter. We closed the manufacturing operations at our facility in Chattanooga, Tennessee, and successfully transferred these operations to other plants well ahead of schedule. This restructuring is projected to result in annual cost savings of $12 to $15 million. We believe these actions will significantly improve gross margins while allowing us to continue to meet foreseeable customer demand, all on a substantially lower cost base."

Looking ahead, Culp added, "We believe we have made meaningful progress in managing our costs and improving our profitability. However, like others in our industry, our sales volume continues to be affected by the uncertainties in the economy and decline in overall consumer spending for home furnishings. Additionally, with the elimination of the wet printed flock business and our ongoing initiatives to improve the profitability of our sales mix, we expect the year-over-year decline in consolidated sales for the third fiscal quarter will be somewhat less than we experienced in the second fiscal quarter. We believe that we will realize the benefits from the CDF restructuring initiatives sooner than anticipated, and are confident that we will see further significant year-over-year earnings improvement and stronger free cash flow in the third fiscal quarter. Therefore, at this time, we remain comfortable with the range of published analysts earnings estimates of $0.11 to $0.15 per share diluted for the third fiscal quarter excluding restructuring and related charges. Our strategy for fiscal 2003 will continue to focus on improving the profitability of our sales mix, increasing margins and return on invested capital, and generating free cash flow."

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 (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. Forward-looking statements are statements that include projections, expectations or beliefs about future events of 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 expectations for the company's future sales, gross profit margins, SG&A or other expenses, and earnings, as well as any statements regarding the company's view of estimates of the company's future results by analysts. 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. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. Other factors that could affect the matters discussed in forward-looking statements are included in the company's periodic reports filed with the Securities and Exchange Commission.

CULP, INC.
Condensed Financial Highlights
(Unaudited)

	Three Months Ended	
	October 27, 2002	October 28, 2001
Net sales	$ 83,573,000	$ 96,400,000
Net income (loss)	$ (6,590,000)	$ 857,000
Basic and diluted net income (loss) per share	$ ($0.57)	$0.08
Net income per share, diluted, excluding restructuring and related charges and goodwill amortization*	$ 0.19	$ 0.11
Average shares outstanding:		
Basic	11,483,000	11,221,000
Diluted	11,754,000	11,281,000

	Six Months Ended	
	October 27, 2002	October 28, 2001

Net sales	$ 169,461,000	$ 182,863,000
Net loss	$ (5,675,000)	$ (2,025,000)
Cumulative effect of accounting change, net of income taxes	(24,151,000)	-0-
Net loss	$ (29,826,000)	$ (2,025,000)
Basic and diluted loss per share:		
Loss before cumulative effect of accounting change	$ (0.50)	$ (0.18)
Cumulative effect of accounting change	(2.11)	0.00
Net loss	$ (2.61)	$ (0.18)
Net income per share, diluted, excluding restructuring and related charges, goodwill amortization and cumulative effect of accounting change**	$ 0.27	$ 0.00
Average shares outstanding:		
Basic	11,433,000	11,221,000
Diluted	11,778,000	11,281,000

* Excludes restructuring and related charges of $14.5 million ($8.9 million or $0.77 per share diluted after taxes) for the second quarter of fiscal 2003. Excludes restructuring and related charges of $0.2 million ($0.1 million, or $0.01 per share diluted, after taxes) and goodwill amortization of $350,000 ($230,000, or $0.02 per share diluted, after taxes) for the second quarter of fiscal 2002.

** Excludes cumulative effect of accounting change, net of income taxes, of $24.2 million ($2.11 per share diluted) for the first half of fiscal 2003. Excludes restructuring and related charges of $14.5 million ($8.9 million or $0.78 per share diluted, after taxes) for the first half of fiscal 2003. Excludes restructuring and related charges of $2.5 million ($1.6 million, or $0.15 per share diluted, after taxes) and goodwill amortization of $700,000 ($460,000, or $0.04 per share diluted, after taxes) for the first half of fiscal 2002.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE THREE MONTHS AND SIX MONTHS ENDED OCTOBER 27, 2002 AND OCTOBER 28, 2001

(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED		
	Amounts		
	October 27, 2002	October 28, 2001	% Over (Under)
Net sales	$ 83,573	96,400	(13.3) %

Cost of sales		69,830	80,858	(13.6) %
Gross profit		13,743	15,542	(11.6) %
Selling, general and administrative expenses		9,481	11,550	(17.9) %
Restructuring expense		13,360	0	100.0 %
Income (loss) from operations		(9,098)	3,992	(127.9) %
Interest expense		1,676	1,963	(14.6) %
Interest income		(121)	(34)	255.9 %
Other expense (income), net		242	765	(68.4) %
Income (loss) before income taxes		(10,895)	1,298	(939.4) %
Income taxes *		(4,305)	441	(1,076.2) %
Net Income (loss)	$	(6,590)	857	(869.0) %
Net Income (loss) per share-basic		($0.57)	$0.08	(812.5) %
Net Income (loss) per share-diluted		($0.57)	$0.08	(812.5) %
Net income per share, diluted, excluding restructuring and related charges and goodwill amortization (see proforma statement on page 7)		$0.19	$0.11	72.7 %
Average shares outstanding-basic		11,483	11,221	2.3 %
Average shares outstanding-diluted		11,483	11,281	1.8 %

		SIX MONTHS ENDED (UNAUDITED)		
		Amounts		
		October 27, 2002	October 28, 2001	% Over (Under)
Net sales	$	169,461	182,863	(7.3) %
Cost of sales		141,864	156,532	(9.4) %
Gross profit		27,597	26,331	4.8 %
Selling, general and administrative expenses		19,918	22,785	(12.6) %
Restructuring expense		13,360	1,303	925.3 %
Income (loss) from operations		(5,681)	2,243	(353.3) %
Interest expense		3,579	4,031	(11.2) %
Interest income		(271)	(57)	375.4 %
Other expense (income), net		453	1,337	(66.1) %
Loss before income taxes		(9,442)	(3,068)	(207.8) %
Income taxes *		(3,767)	(1,043)	(261.2) %
Loss before cumulative effect of accounting change		(5,675)	(2,025)	(180.2) %
Cumulative effect of accounting change,				

net of income taxes		(24,151)	0	
Net loss	$	(29,826)	(2,025)	
Basic loss per share:				
Loss before cumulative effect of accounting change	$	(0.50)	(0.18)	(175.1) %
Cumulative effect of accounting change		(2.11)	0.00	(100.0) %
Net loss		(2.61)	(0.18)	(1,345.6) %
Diluted loss per share:				
Loss before cumulative effect of accounting change	$	(0.50)	(0.18)	(175.1) %
Cumulative effect of accounting change		(2.11)	0.00	(100.0) %
Net loss		(2.61)	(0.18)	(1,345.6) %
Net income per share, diluted, excluding restructuring and related charges, goodwill amortization and cumulative effect of accounting change (see proforma statement on page 8)		$0.27	$0.00	N/A
Average shares outstanding-basic		11,433	11,221	1.9 %
Average shares outstanding-diluted		11,433	11,221	1.9 %

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

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
OCTOBER 27, 2002, OCTOBER 28, 2001, AND APRIL 28, 2002
Unaudited
(Amounts in Thousands)

		Amounts		Increase (Decrease)	
		October 27, 2002	October 28, 2001	Dollars	Percent
Current assets					
Cash and cash investments	$	35,037	8,590	26,447	307.
Accounts receivable		32,869	49,402	(16,533)	(33.
Inventories		54,571	60,814	(6,243)	(10.
Other current assets		15,944	9,851	6,093	61.
Total current assets		138,421	128,657	9,764	7.
Property, plant & equipment, net		85,049	105,697	(20,648)	(19.
Goodwill		9,240	47,781	(38,541)	(80.
Other assets		2,888	1,682	1,206	71.

Total assets	$	235,598	283,817	(48,219)	(17.
Current liabilities					
Current maturities of long-term debt	$	462	3,136	(2,674)	(85.
Accounts payable		18,948	25,870	(6,922)	(26.
Accrued expenses		16,199	15,448	751	4.
Accrued restructuring		10,065	1,748	8,317	475.
Total current liabilities		45,674	46,202	(528)	(1.
Long-term debt		96,096	107,447	(11,351)	(10.
Deferred income taxes		3,502	10,330	(6,828)	(66.
Total liabilities		145,272	163,979	(18,707)	(11.
Shareholders' equity		90,326	119,838	(29,512)	(24.
Total liabilities and shareholders' equity	$	235,598	283,817	(48,219)	(17.
Shares outstanding		11,483	11,221	262	2.

* Derived from audited financial statements.

CULP,INC.
FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED OCTOBER 27, 2002 AND OCTOBER 28, 2001
Unaudited
(Amounts in Thousands)

		SIX MONTHS ENDED	
		Amounts	
		October 27, 2002	October 28, 2001
Cash flows from operating activities:			
Net loss	$	(29,826)	(2,025)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Cumulative effect of accounting change, net of income taxes		24,151	0
Depreciation		7,139	8,871
Amortization of intangible assets		219	785
Amortization of stock based compensation		105	39
Restructuring expense		13,360	1,303

Changes in assets and liabilities:			
Accounts receivable		10,497	8,447
Inventories		3,328	(817)
Other current assets		(2,504)	(2,006)
Other assets		(202)	(17)
Accounts payable		(6,894)	2,522
Accrued expenses		2	711
Accrued restructuring		(1,546)	(1,778)
Income taxes payable		0	(1,268)
Net cash provided by operating activities		17,829	14,767
Cash flows from investing activities:			
Capital expenditures		(5,328)	(2,288)
Net cash used in investing activities		(5,328)	(2,288)
Cash flows from financing activities:			
Principal payments of long-term debt		(11,926)	(1,073)
Change in accounts payable-capital expenditures		1,515	(4,023)
Proceeds from common stock issued		954	0
Net cash used in financing activities		(9,457)	(5,096)
Increase in cash and cash investments		3,044	7,383
Cash and cash investments at beginning of period		31,993	1,207
Cash and cash investments at end of period	$	35,037	8,590
Free Cash Flow (1)	$	14,016	8,456

(1) Free Cash Flow is defined as net cash provided by operating activities less capital expendi
plus or minus the change in accounts payable-capital expenditures

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL ANALYSIS
OCTOBER 27, 2002

	FISCAL 02	FISCAL 0	
	Q2	Q1	Q2
INVENTORIES			
Inventory turns	5.4	4.9	4.9
RECEIVABLES			
Days sales in receivables	47	34	36
WORKING CAPITAL			

Current ratio	2.8	3.4	3.0
Operating working capital turnover (2)	4.1	4.7	4.8
Operating working capital (2)	$84,346	$70,762	$68,492
PROPERTY, PLANT & EQUIPMENT			
Depreciation rate	7.1%	6.4%	6.5%
Percent property, plant & equipment are depreciated	58.1%	60.6%	61.5%
Capital expenditures	$4,729 (1)	$3,070	$2,258
PROFITABILITY			
Net income (loss) per share (basic)	$0.08	$0.08 (5)	($0.57)
Net income (loss) per share (diluted)	$0.08	$0.08 (5)	($0.57)
Net income (loss) per share (diluted)	$0.11 (6)	$0.08 (5)	$0.19 (7
Return on average total capital	4.3% (6)	3.6% (5)	6.8% (7
Return on average equity	4.0% (6)	3.1% (5)	9.4% (7
LEVERAGE			
Total liabilities/equity	136.8%	143.2%	160.8%
Funded debt/equity	92.3%	99.5%	106.9%
Funded debt/capital employed	48.0%	49.9%	51.7%
Funded debt	$110,583	$96,533	$96,558
Funded debt/EBITDA (LTM) (4)	4.26	2.71	2.67
LEVERAGE (NET OF CASH AND CASH INVESTMENTS) (9)			
Total liabilities/equity	N/A	N/A	122.0%
Funded debt/equity	N/A	N/A	68.1%
Funded debt/capital employed	N/A	N/A	40.5%
Funded debt	N/A	N/A	$61,521
Funded debt/EBITDA (LTM) (4)	N/A	N/A	1.70
OTHER			
Book value per share	$10.68	$8.45	$7.87
Employees at quarter end	3,000	2,900	2,568
Sales per employee (annualized)	$128,000	$116,163	$122,272
Capital employed	$230,421	$193,540	$186,884
Effective income tax rate (10)	34.0%	37.0%	37.0%
EBITDA (4)	$8,315	$7,356	$8,810
EBITDA/net sales (4)	8.6%	8.6%	10.5%

(1) Expenditures for entire year
(2) Working capital for this calculation is accounts receivable, inventories and accounts payab
(3) LTM represents "Latest Twelve Months"
(4) EBITDA includes earnings before interest, income taxes, depreciation, amortization, all re
charges, certain non-cash charges and cumulative effect of accounting change, as defined by
(5) Excludes cumulative effect of accounting change made during first quarter fiscal 2003
(6) Excludes restructuring and related charges of $0.2 million ($0.1 million or $0.01 per share
excludes goodwill amortization expense of $350,000 ($230,000 or $.02 per share diluted, aft
(7) Excludes restructuring and related charges of $14.5 million ($8.9 million or $.77 per share
(8) Excludes restructuring and related charges of $9.7 million ($5.8 million or $.51 per share
million ($8.9 million or $0.78 per share diluted, after taxes) for the fourth quarter fisca
2003, respectively, and $24.2 million cumulative effect of accounting change for the first
excludes goodwill amortization expense of $700,000 ($460,000 or $.04 per share diluted, aft
quarters of fiscal 2002
(9) The cash balance of $35.0 million has been excluded from total liabilities, funded debt and
the ratios in this section
(10) Effective income tax rate excludes restructuring and related charges

CULP, INC. FINANCIAL INFORMATION RELEASE
SALES / GROSS PROFIT BY SEGMENT/DIVISION

FOR THE THREE MONTHS AND SIX MONTHS ENDED OCTOBER 27, 2002 AND OCTOBER 28, 2001

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

		Amounts			Percent of Total	
Segment/Division Sales		October 27, 2002	October 28, 2001	% Over (Under)	2003	2
Upholstery Fabrics						
Culp Decorative Fabrics	$	33,859	38,492	(12.0) %	40.5 %	39
Culp Velvets/Prints		23,305	30,354	(23.2) %	27.9 %	31
Culp Yarn		1,246	1,532	(18.7) %	1.5 %	1
		58,410	70,378	(17.0) %	69.9 %	73
Mattress Ticking						
Culp Home Fashions		25,163	26,022	(3.3) %	30.1 %	27
	* $	83,573	96,400	(13.3) %	100.0 %	100

Segment Gross Profit (1)					Gross Profit Marg	
Upholstery Fabrics	$	8,810	8,348	5.5 %	15.1 %	11
Mattress Ticking		6,093	7,350	(17.1) %	24.2 %	28
	$	14,903	15,698	(5.1) %	17.8 %	16

SIX MONTHS ENDED (UNAUDITED)

		Amounts			Percent of Total	
Segment/Division Sales		October 27, 2002	October 28, 2001	% Over (Under)	2003	2
Upholstery Fabrics						
Culp Decorative Fabrics	$	68,590	73,652	(6.9) %	40.5 %	40
Culp Velvets/Prints		46,424	55,875	(16.9) %	27.4 %	30
Culp Yarn		3,346	2,498	33.9 %	2.0 %	1
		118,360	132,025	(10.4) %	69.8 %	72
Mattress Ticking						
Culp Home Fashions		51,101	50,838	0.5 %	30.2 %	27

	* $	169,461	182,863	(7.3) %	100.0 %	100

Segment Gross Profit (1)					Gross Profit Marg	
Upholstery Fabrics	$	16,811	13,866	21.2 %	14.2 %	10
Mattress Ticking		11,946	13,599	(12.2) %	23.4 %	26
	$	28,757	27,465	4.7 %	17.0 %	15

* U.S. sales were $72,362 and $82,280 for the second quarter of fiscal 2003 and fiscal 2002, respectively; and $147,827 and $154,079 for the six months of fiscal 2003 and 2002, respectively. The percentage decrease in U.S. sales was 12.1% for the second quarter and a decrease of 4.1% for the six months.

(1) Excludes restructuring related charges of $1.2 million and $0.2 million for the second quarter of fiscal 2003 and 2002, respectively; and excludes $1.2 million for the first six months of fiscal 2003 and 2002.

CULP, INC. FINANCIAL INFORMATION RELEASE
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THE THREE MONTHS AND SIX MONTHS ENDED OCTOBER 27, 2002 AND OCTOBER 28, 2001

(Amounts in thousands)

		THREE MONTHS ENDED (UNAUDITED)		
		Amounts		
Geographic Area		October 27, 2002	October 28, 2001	% Over (Under)
North America (Excluding USA)	$	8,424	8,379	0.5 %
Europe		138	938	(85.3) %
Middle East		760	1,311	(42.0) %
Far East & Asia		1,652	2,891	(42.8) %
South America		171	177	(3.7) %
All other areas		66	424	(84.4) %
	$	11,211	14,120	(20.6) %
Percent of total sales		13.4%	14.6%	

		SIX MONTHS ENDED (UNAUDITED)		
		Amounts		
		October 27,	October 28,	% Over

Geographic Area		2002	2001	(Under)
North America (Excluding USA)	$	15,974	16,410	(2.7) %
Europe		261	1,643	(84.1) %
Middle East		1,647	4,214	(60.9) %
Far East & Asia		2,983	5,483	(45.6) %
South America		414	336	23.1 %
All other areas		355	698	(49.1) %
	$	21,634	28,784	(24.8) %
Percent of total sales		12.8%	15.7%	

International sales, and the percentage of total sales, for each of the last three fiscal years follows: fiscal 2000-$111,104 (23%); fiscal 2001 - $77,824 (19%) and fiscal 2002 - $53,501 (14%).

CULP, INC.
PROFORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE THREE MONTHS ENDED OCTOBER 27, 2002 AND OCTOBER 28, 2001
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)					
	As Reported October 27, 2002	Reclassification & Adjustments		October 27, 2002 Proforma Net of Adjustments	% of Net Sales	Oc o
Net sales	$ 83,573	0		83,573	100.0%	
Cost of sales	69,830	(1,160)	(3)	68,670	82.2%	
Gross profit	13,743	(1,160)		14,903	17.8%	
Selling, general and administrative expenses	9,481	0		9,481	11.3%	
Restructuring expense	13,360	(13,360)	(4)	0	0.0%	
Income (loss) from operations	(9,098)	(14,520)		5,422	6.5%	
Interest expense	1,676	0		1,676	2.0%	
Interest income	(121)	0		(121)	-0.1%	
Other expense (income), net	242	0		242	0.3%	
Income (loss) before income taxes	(10,895)	(14,520)		3,625	4.3%	
Income taxes (1)	(4,305)	(5,646)		1,341	37.0%	
Net income (loss)	$ (6,590)	(8,874)		2,284	2.7%	
Net income (loss) per share-basic	($0.57)	($0.77)		$0.20		
Net income (loss) per share-diluted	($0.57)	($0.77)		$0.19		

Average shares outstanding-basic	11,483	11,483	11,483
Average shares outstanding-diluted	11,483	11,483	11,754 (5)

Notes:
(1) Percent of net sales column for income taxes is calculated as a % of income (loss) before in
(2) Pre-restructuring income tax rate was 37% and 34% for the second quarter of fiscal 2003 and
(3) The $1.2 million represents restructuring related charges for inventory markdowns and moveme
(4) The $13.4 million represents restructuring charges for the shut down of the Chattanooga oper
additional write-down of wet printed assets held for sale, $1.3 million
(5) Incremental shares of 271,000 for fiscal 2003 included in fully diluted calculation
(6) Excludes CDF and CYN restructuring related charges of $.2 million ($0.01 million or $.01 per
(7) Excludes $350,000 ($230,000 or $0.02 per share diluted, after taxes) of goodwill amortizatio

PROFORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE SIX MONTHS ENDED OCTOBER 27, 2002 AND OCTOBER 28, 2001
(Amounts in Thousands, Except for Per Share Data)

	SIX MONTHS ENDED				
	As Reported October 27, 2002	Reclassification & Adjustments	October 27, 2002 Proforma Net of Restructuring	% of Net Sales	Oc P of
Net sales	$ 169,461	0	169,461	100.0%	
Cost of sales	141,864	(1,160) (3)	140,704	83.0%	
Gross profit	27,597	(1,160)	28,757	17.0%	
Selling, general and administrative expenses	19,918	0	19,918	11.8%	
Restructuring expense	13,360	(13,360) (4)	0	0.0%	
Income (loss) from operations	(5,681)	(14,520)	8,839	5.2%	
Interest expense	3,579	0	3,579	2.1%	
Interest income	(271)	0	(271)	-0.2%	
Other expense (income), net	453	0	453	0.3%	
Income (loss) before income taxes	(9,442)	(14,520)	5,078	3.0%	
Income taxes (1)	(3,767)	(5,646)	1,879	37.0%	
Income (loss) before cumulative effect of accounting change	$ (5,675)	(8,874)	3,199	1.9%	
Net income (loss) per share-basic	($0.50)	($0.78)	$0.28		
Net income (loss) per share-diluted	($0.50)	($0.78)	$0.27		
Average shares outstanding-basic	11,433	11,433	11,433		
Average shares outstanding-diluted	11,433	11,433	11,778 (5)		

Notes:
(1) Percent of net sales column for income taxes is calculated as a % of income (loss) before in
(2) Pre-restructuring income tax rate was 37% and 34% for the first six months of fiscal 2003 an
(3) The $1.2 million represents restructuring related charges for inventory markdowns and moveme
(4) The $13.4 million represents restructuring charges for the shut down of the Chattanooga oper
additional write-down of wet printed assets held for sale, $1.3 million
(5) Incremental shares of 345,000 included in fully diluted calculation
(6) $1.2 million ($.8 million or $0.07 per share diluted, after taxes)of CDF and CYN restructuri
from the cost of sales total; and $1.3 million ($.9 million or $0.07 per share diluted, afte
restructuring charges are excluded to arrive at the proforma amounts
(7) Excludes $700,000 ($460,000 or $0.04 per share diluted, after taxes) of goodwill amortizatio

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE
for the three and six months ended October 27, 2002 and October 28, 2001

OVERVIEW

GENERAL - For the second quarter, net sales decreased 13.3% to $83.6 million; and the company reported net income, excluding restructuring and related charges, of $2.3 million, or $0.19 per share diluted versus net income of $1.2 million, or $0.11 per share diluted in the second quarter of fiscal 2002, excluding restructuring and related charges, and goodwill amortization. The company reported further improvement in its balance sheet by reducing funded debt by $12.0 million during the first half of fiscal 2003 and ending the quarter with $35.0 million in cash and cash investments.

ADOPTION OF SFAS No. 142 - As of April 29, 2002, Culp adopted SFAS No. 142, "Goodwill and Other Intangible Assets." As a result the company recorded during the first quarter of fiscal 2003 a non-operating, non-cash goodwill impairment charge of $37.6 million ($24.2 million net of taxes of $13.4), or $2.11 per share diluted, related to the goodwill associated with the Culp Decorative Fabrics division.

PROFORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS) -- The company has included, within this financial information release, proforma income statements which reconcile the reported income statements with proforma results, which exclude restructuring and related charges, goodwill amortization and cumulative effect of accounting change. See PROFORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS) on pages 7 and 8 of this financial information release.

RESTRUCTURING AND RELATED CHARGES-- The financial results for the second quarter include a total of $14.5 million in restructuring and related charges, all of which reflect previously announced restructuring initiatives. The charges are made up of the following: (1) $12.1 million of restructuring expenses related to the Culp Decorative Fabrics ("CDF") division, the largest items of which are lease termination expenses and personnel costs; (2) $1.2 million of 'restructuring related" costs for CDF, which include inventory mark-downs and equipment moving expense; and (3) $1.3 million of restructuring expenses related to further write-downs of equipment in connection with the exit from the wet printed flock business by the Culp Velvets/Prints ("CVP") division. The additional write down, which is a non cash item, was recorded to more closely estimate the current market value of this equipment, which has continued to deteriorate since April 2002. Of the charges related to CDF, approximately $3.9

million are non-cash items, while the remaining $9.4 million relates to cash expenditures. As reflected in the financial statements, restructuring and related charges were recorded as $13.4 million in the line item "restructuring expense" and $1.2 million in "cost of sales" and have reduced net income per share by $0.77 for the second quarter of fiscal 2003.

The restructuring and related charges for CDF reflect the restructuring initiative announced in August 2002. This initiative was substantially completed by the end of the second quarter. In fact, the company is well ahead of schedule in completing the most important elements of the plan as announced. The company continues to expect that the CDF restructuring actions will significantly improve gross margins within the division, while allowing the ability to meet foreseeable levels of demand, all on a substantially lower cost base. The initiative is projected to result in annual cost savings of approximately $12 to $15 million. Approximately $8 million of these savings relate to fixed manufacturing costs and the remaining $4 to $7 million relate to variable manufacturing costs.

Specifically, the company completed the shut down of its operations at CDF's Chattanooga, Tennessee facility at the end of the second quarter, while it was originally contemplated that this process could take until the end of the third quarter. All of the operations have been successfully transferred to CDF's Pageland, South Carolina and Graham, North Carolina plants. In addition, the consolidation of the finishing, yarn-making and distribution operations from the Chattanooga facility to other CDF plants has been completed, with each of those transitions taking place ahead of the targeted completion dates. There are no manufacturing operations remaining at the Chattanooga plant as of the end of the second quarter.

The remaining elements from the CDF restructuring initiative to be completed are as follows: (1) achieve targeted levels of operating efficiency for the looms transferred into Pageland, which is projected to take until the end of the fourth quarter; (2) transfer certain equipment to other CDF plants by the end of this fiscal year; and (3) complete the capital expenditure projects related to the restructuring.

The announced addition to the Pageland plant is currently under construction and is expected to be ready for occupancy in early 2003. The company plans to install ten new high speed weaving machines in the building during the third quarter. These new machines will replace lower speed equipment that is now in place at the Pageland plant, thereby further increasing the efficiency and output of that facility's operations.

Another important element of the CDF restructuring initiative is a major reduction in the complexity of the dobby upholstery product line, which has led to the elimination of approximately 1,500 low volume stock keeping units (SKUs) representing about 70% of the finished goods SKUs (but only 10% of sales) in that product category. This initiative is substantially complete and has been accomplished without significant disruptions of customer relationships.

In line with previous estimates, the CDF restructuring is expected to result in total restructuring and related charges of approximately $15 million. The company currently estimates that this restructuring will result in additional charges of approximately $1.3 million during the second half of the fiscal year, most of which will relate to equipment moving costs.

INCOME STATEMENT COMMENTS

UPHOLSTERY FABRIC SEGMENT

NET SALES - Upholstery fabric sales for the second quarter of fiscal 2003 decreased 17.0% to $58.4 million (see sales by Segment/Division on page 5).

Domestic upholstery fabric sales decreased 13.9% to $51.4 million, due primarily to overall weakness in consumer demand for upholstered furniture. International sales decreased 34.3% to $7.0 million, due primarily to the exiting of the wet printed flock fabric business in April 2002.

In addition to significant overall softness in demand during the quarter, the sales decrease in upholstery fabrics is partially attributable to the company's strategy to focus on improving the profitability of its sales mix by reducing or eliminating products generating little or no profit. In the Culp Velvets/Prints division, the company discontinued its unprofitable wet printed flock business at the end of last fiscal year. This product line reported annual sales last year of approximately $17 million with approximately $2 million in operating losses. In the CDF division, the company discontinued about half of its finished goods SKUs (or approximately 10,000) over the last year, most of which were small volume items and were very costly to produce. These discontinued SKUs include the dobby product line SKUs that were recently eliminated as part of the Chattanooga restructuring. The company expects this process of identifying and dropping its low profit items to continue through the balance of this fiscal year.

The company believes additional factors that are likely impacting upholstery fabric sales are (1) the increasing market share of leather furniture being sold in the U.S.; and (2) the increase in imported fabrics, both in "piece goods" and "cut and sewn kits".

GROSS PROFIT - In spite of weak furniture demand and the significant operational disruption in connection with the Chattanooga restructuring, the upholstery fabric segment improved its gross profit dollars and margins. Excluding restructuring related charges of $1.2 million and $0.2 million for the second quarter of fiscal 2003 and 2002, respectively, gross profit dollars and margin increased in the second quarter of fiscal 2003 to $8.8 million and 15.1%, respectively, from $8.3 million and 11.9% in the second quarter of last year. The key factors behind these gains were: (1) a more profitable sales mix; (2) the elimination of losses related to the wet printed flock business; (3) the increasing productivity benefits from the CDF 2001 restructuring; and (4) some cost reduction benefits from the Chattanooga closure.

With the earlier-than-expected cost reduction benefits as a result of the Chattanooga closure being completed by the end of the second quarter, the company is optimistic that gross profit dollars and margins in CDF will continue to improve over the next few quarters. Additionally within CDF, the company is focused on (1) creating and selling products with better margins; (2) continuing to reduce low profit SKUs; and (3) improving manufacturing performance in CDF, in terms of productivity and inventory obsolescence.

MATTRESS TICKING SEGMENT

NET SALES - Mattress fabric sales for the second quarter of fiscal 2003 decreased 3.3% to $25.2 million. Sales to U.S. bedding manufacturers fell 7.1% to $21.0 million, while sales to international customers increased by 21.4% to $4.2 million. The sales decrease is due to the overall weakness in consumer demand for mattresses.

GROSS PROFIT--Culp Home Fashions (CHF) reported for the second quarter of fiscal 2003 lower gross profit dollars and margins of $6.1 million and 24.2%, respectively, both down from $7.3 million and 28.2% during the corresponding quarter of the prior year. The key factors impacting gross profit were a high cost European sourcing agreement and lower sales. CHF entered into an agreement with a European supplier last fall as part of the termination of a long-term supply relationship. The agreement provided, among other things, that the company maintain a certain level of weekly purchases through October 31, 2002. Therefore, for the first and second quarters of this year, the company has been required to source products from this supplier that are significantly more expensive than products manufactured at the company's U.S. and Canadian plants in order to meet the agreement's minimum purchase levels. The company had planned during the last fiscal year for the termination of this supply agreement by initiating a plan to increase capacity in the U.S. and Canadian plants beginning in the first quarter and ending by December 2002. This capacity expansion project accounts for approximately $4.5 million of the company's fiscal 2003 capital spending plan. This supply agreement was concluded on October 31, 2002 and only a few additional containers of product will arrive during the third quarter. There is potential for some residual effect on profits during the third quarter from the supply agreement as the division works down its inventory position of these products.

SG&A EXPENSES - SG&A expenses for the second quarter declined $2.1 million, or 17.9%, from the prior year, and as a percent of net sales, SG&A expenses declined to 11.3% from 12.0%. SG&A expenses in the second quarter included a net reduction of $424,000 in the allowance for doubtful accounts, due to a reduction in past due balances. This compares with bad debt expense of $1.4 million in the year-earlier period.

INTEREST EXPENSE (INCOME)- Interest expense for the second quarter declined to $1.7 million from $2.0 million due to significantly lower borrowings outstanding, offset somewhat by an increase in the interest rate on the private placement debt. Interest income increased to $121,000 from $34,000 due to significantly higher invested cash as compared with the prior year.

OTHER EXPENSE (INCOME), NET - Other expense (income) for the second quarter of fiscal 2003 totaled $242,000 compared with $765,000 in the prior year. The decrease was principally due to the adoption of SFAS No. 142, which discontinued the amortization of goodwill. Goodwill amortization during second quarter fiscal 2002 was $350,000.

INCOME TAXES - Excluding the cumulative effect of accounting change and restructuring and related charges, the effective tax rate for the first half of fiscal 2003 was 37% compared with 34% for the year earlier period.

EBITDA - EBITDA for the second quarter of fiscal 2003 was $8.8 million compared with $8.3 million in the prior year. EBITDA includes earnings before interest, income taxes, depreciation, amortization, all restructuring and related charges, certain non-cash charges and cumulative effect of accounting change, as defined by the company's credit agreement.

BALANCE SHEET COMMENTS

CASH AND CASH INVESTMENTS - Cash and cash investments as of October 27, 2002 increased to $35.0 million from $32.0 million at the end of fiscal 2002, reflecting cash flow from operations of $17.8 million for the first half of fiscal 2003, capital expenditures of $5.3 million, debt repayment of $12.0 million, stock issuance of $1.0 million and an increase in accounts payable for capital expenditures of $1.5 million.

WORKING CAPITAL - Accounts receivable as of October 27, 2002 decreased 33.5% from the year-earlier level, due principally to the decline in international sales with their related longer credit terms, and an increase in the number of customers taking the cash discount for shorter payment terms. Days sales outstanding totaled 36 days at October 27, 2002 compared with 47 a year ago and 36 at last fiscal year end. Inventories at the close of the second quarter decreased 10.3% from a year ago. Inventory turns for the second quarter were 4.9 versus 5.4 for the year-earlier period. Operating working capital (comprised of accounts receivable, inventory and accounts payable) was $68.5

million at October 27, 2002, down from $84.3 million a year ago.

PROPERTY, PLANT AND EQUIPMENT - Capital spending for the first half of fiscal 2003 was $5.3 million. The company's original budget for capital spending for all of fiscal 2003 was $8.5 million, compared with $4.7 million in fiscal 2002. As part of the fiscal 2003 restructuring plan in CDF, the company increased the budget by $4.5 million to $13.0 million. Depreciation for the second quarter of fiscal 2003 totaled $3.5 million, and is estimated at $14.0 million for the full fiscal year.

INTANGIBLE ASSETS - As of October 27, 2002 goodwill in the amount of $9.2 million is the company's only intangible asset. The company adopted SFAS No. 142 on April 29, 2002. During the first quarter of fiscal 2003 the company recognized an impairment charge of $37.6 ($24.2 million net of taxes of $13.4 million) in accordance with SFAS No. 142.

LONG-TERM DEBT - As of the end of the second quarter, the company had reduced funded debt by $12.0 million from last fiscal year end. Funded debt equals long-term debt plus current maturities. Funded debt was $96.6 million at October 27, 2002, compared with $108.5 million at fiscal 2002 year end. The company's funded debt-to-capital ratio was 51.7% at October 27, 2002.

The company also reports it leverage statistics in terms of funded debt, net of cash and cash investments, under the assumption it could use the cash to repay debt at any time. Therefore, funded debt, net of cash and cash investments, is $61.5 million at October 27, 2002 compared with $76.5 million at fiscal 2002 year end. In addition, the company's funded debt (net of cash and cash investments) to capital employed ratio was 40.5% and funded debt (net of cash and cash investments) to EBITDA was 1.70. Since the end of fiscal 2000 (two and one half years), the company has substantially reduced its funded debt (net of cash and cash investments) to $61.5 million from $136.5 million, a total of $75 million or 55%.

The company entered into a new loan agreement during August 2002 with its principal bank lender that provides, among other things, for: (1) a two year $34.7 million credit facility, which includes a $15.0 million revolving credit line and $19.7 million for letters of credit for the company's industrial revenue bonds (IRB's), (2) lower interest rates based upon a pricing matrix, and (3) improved financial covenants. The company was in compliance with all convenants contained in its loan agreements as of October 27, 2002.

FREE CASH FLOW COMMENTS

Free cash flow, defined as cash from operations, less capital expenditures, plus or minus the change in accounts payable capital expenditure, was $14.0 million for the first six months of fiscal 2003 compared with $8.5 million for the same period of the prior year. The key reasons for this improvement were continued improvement in accounts receivable collections, lower inventory levels, higher profits and the benefit from deferred payment terms for capital expenditures.

BUSINESS OUTLOOK

For the third quarter of fiscal 2003, the company believes consolidated sales will decline somewhat less than the second quarter decrease of 13.3% while gross profit margins are expected to improve significantly over last year's third quarter gross margin of 14.9%, due primarily to the substantial progress being made in the Culp Decorative Fabrics division. Additionally, total SG&A, interest and other expenses are expected to decline over $1.2 million, absent any large unusual items, in the third quarter from a total of $13.3 million in the last year's third quarter. Therefore, with gross profit margin improvement and lower costs, the company is comfortable with the range of published analysts earnings estimates of $0.11 to $0.15 per share for the third quarter of fiscal 2003, excluding any restructuring and related charges. The net earnings for the third quarter of last year were $400,000, or $0.04 per share, excluding goodwill amortization.

The company's financial results over the last few quarters and its business outlook clearly demonstrate the company's strategic focus on: (1) improving the profitability of its sales mix; (2) increasing margins and return on capital employed; and (3) generating free cash flow.