

CULP INC  
Form 10-Q  
September 08, 2017

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 30, 2017  
Commission File No. 1-12597

CULP, INC.  
(Exact name of registrant as specified in its charter)

NORTH CAROLINA (State or other jurisdiction of incorporation or other organization)	56-1001967 (I.R.S. Employer Identification No.)
1823 Eastchester Drive High Point, North Carolina (Address of principal executive offices)	<b>27265-1402</b> (zip code)

(336) 889-5161  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to the filing requirements for at least the past 90 days.  
YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period after the registrant was required to submit and post such files).  
YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer, large accelerated filer, smaller reporting company, or an emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one);

**Large accelerated filer** **Accelerated filer** **Non-accelerated filer**  
**Smaller Reporting Company** **Emerging Growth Company**

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES    NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common shares outstanding at July 30, 2017: 12,441,161

Par Value: \$0.05 per share

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Item 1: Financial Statements

CULP, INC.  
CONSOLIDATED STATEMENTS OF NET INCOME  
FOR THE THREE MONTHS ENDED JULY 30, 2017 AND JULY 31,  
2016  
UNAUDITED  
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED	
	July 30, 2017	July 31, 2016
Net sales	\$79,533	\$80,682
Cost of sales	63,068	62,263
Gross profit	16,465	18,419
Selling, general and administrative expenses	9,501	9,746
Income from operations	6,964	8,673
Interest income	(131 )	(25 )
Other expense	353	152
Income before income taxes	6,742	8,546
Income taxes	1,640	3,233
Loss from investment in unconsolidated joint venture	118	-
Net income	\$4,984	\$5,313
Net income per share, basic	\$0.40	\$0.43
Net income per share, diluted	\$0.40	\$0.43
Average shares outstanding, basic	12,399	12,286
Average shares outstanding, diluted	12,590	12,463

See accompanying notes to the consolidated financial statements.

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CULP, INC.  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE THREE MONTHS ENDED JULY 30, 2017 AND JULY 31, 2016

	THREE MONTHS ENDED	
	July 30, 2017	July 31, 2016
Net income	\$4,984	5,313
Other comprehensive income		
Unrealized holding gains on investments	44	84
Reclassification adjustment for realized loss included in net income	-	12
Total other comprehensive income	44	96
Comprehensive income	5,028	5,409

See accompanying notes to the consolidated financial statements.

CULP, INC.  
CONSOLIDATED BALANCE SHEETS  
JULY 30, 2017, JULY 31, 2016 AND APRIL 30, 2017  
UNAUDITED  
(Amounts in Thousands)

	July 30, 2017	July 31, 2016	* April 30, 2017	
Current assets:				
Cash and cash equivalents	\$ 18,322	45,549	20,795	
Short-term investments	2,469	2,434	2,443	
Accounts receivable, net	22,140	22,690	24,577	
Inventories	55,227	48,131	51,482	
Other current assets	3,441	2,294	2,894	
Total current assets	101,599	121,098	102,191	
Property, plant and equipment, net				
Goodwill	52,912	41,745	51,651	
Deferred income taxes	11,462	11,462	11,462	
Long-term investments (Held-To-Maturity)	436	1,942	419	
Long-term investments (Rabbi Trust)	30,907	-	30,945	
Investment in unconsolidated joint venture	6,714	4,611	5,466	
Other assets	1,477	-	1,106	
	2,397	2,502	2,394	
Total assets	\$ 207,904	183,360	205,634	
Current liabilities:				
Accounts payable-trade	\$ 29,112	26,708	29,101	
Accounts payable - capital expenditures	5,647	627	4,767	
Accrued expenses	6,075	6,890	11,947	
Income taxes payable - current	884	358	287	
Total current liabilities	41,718	34,583	46,102	
	33	141	55	
Income before minority interest and equity earnings	379	212	760	529
Minority interests	(1)	(6)	(2)	(8)
Equity in earnings of affiliated companies, net of impairments (Note 2)	239	232	675	688
Net income	\$ 617	\$ 438	\$ 1,433	\$ 1,209
Basic earnings per common share (Note 3)	\$ 0.39	\$ 0.28	\$ 0.91	\$ 0.78
Diluted earnings per common share (Note 3)	\$ 0.38	\$ 0.27	\$ 0.89	\$ 0.76
Dividends declared per common share	\$ 0.05		\$ 0.05	

See accompanying notes to these financial statements.

## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

	September 30, 2007	December 31, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,878	\$ 1,157
Short-term investments, at fair value	1,451	2,010
Total cash, cash equivalents and short-term investments	3,329	3,167
Trade accounts receivable, net	874	719
Inventories	665	639
Deferred income taxes	37	47
Other current assets	221	226
Total current assets	5,126	4,798
Investments	2,932	2,522
Property, net of accumulated depreciation	5,602	5,193
Goodwill and other intangible assets, net	311	316
Deferred income taxes	92	114
Other assets	210	122
<b>Total Assets</b>	<b>\$ 14,273</b>	<b>\$ 13,065</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 21	\$ 20
Accounts payable	495	631
Other accrued liabilities	1,739	1,668
Total current liabilities	2,255	2,319
Long-term debt	1,460	1,696
Postretirement benefits other than pensions	714	739
Other liabilities	1,002	1,020
Total liabilities	5,431	5,774
Commitments and contingencies		
Minority interests	44	45
Shareholders' equity:		
Common stock - Par value \$0.50 per share; Shares authorized: 3.8 billion; Shares issued: 1,595 million and 1,582 million	797	791
Additional paid-in capital	12,218	12,008
Accumulated deficit	(3,641)	(4,992)
Treasury stock, at cost; Shares held: 24 million and 17 million	(363)	(201)
Accumulated other comprehensive loss	(213)	(360)
Total shareholders' equity	8,798	7,246
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 14,273</b>	<b>\$ 13,065</b>

See accompanying notes to these financial statements.

Certain amounts for 2006 were reclassified to conform with the 2007 presentation.

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## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Three months ended		Nine months ended	
	Sept. 30,	June 30,	September 30,	2006
	2007	2007	2007	2006
<b>Cash Flows from Operating Activities:</b>				
Net income	\$ 617	\$ 489	\$ 1,433	\$ 1,209
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	147	149	446	430
Amortization of purchased intangibles	2	2	7	8
Asbestos settlement (credit) charge	(16)	76	170	137
Restructuring, impairment and other (credits) charges		(2)	(2)	13
Loss on repurchases and retirement of debt			15	11
Stock compensation charges	29	35	100	95
Gain on sale of business		(19)	(19)	
Undistributed earnings of affiliated companies	(159)	(101)	(327)	(384)
Deferred tax provision (benefit)	18		18	(64)
Restructuring payments	(10)	(9)	(30)	(9)
Customer deposits, net of (credits) issued	2	(33)	(64)	86
Employee benefit payments less than (in excess of) expense	10		(82)	26
Changes in certain working capital items:				
Trade accounts receivable	(50)	(79)	(157)	(119)
Inventories	31	(26)	(37)	(104)
Other current assets	63	(27)	(21)	(10)
Accounts payable and other current liabilities, net of restructuring payments	11	10	(100)	(181)
Other, net	(18)	10	(5)	31
<b>Net cash provided by operating activities</b>	<b>677</b>	<b>475</b>	<b>1,345</b>	<b>1,175</b>
<b>Cash Flows from Investing Activities:</b>				
Capital expenditures	(405)	(204)	(871)	(892)
Acquisitions of businesses, net of cash received		(4)	(4)	(16)
Net (payments) proceeds from sale or disposal of assets		(10)	(10)	11
Net increase in long-term investments and other long-term assets				(77)
Short-term investments acquisitions	(633)	(396)	(1,582)	(2,343)
Short-term investments liquidations	511	832	2,141	1,603
<b>Net cash (used in) provided by investing activities</b>	<b>(527)</b>	<b>218</b>	<b>(326)</b>	<b>(1,714)</b>
<b>Cash Flows from Financing Activities:</b>				
Net repayments of short-term borrowings and current portion of long-term debt	(8)	(2)	(18)	(14)
Proceeds from issuance of long-term debt, net				246
Retirements of long-term debt			(238)	(343)
Proceeds from issuance of common stock, net	4	9	17	20
Proceeds from the exercise of stock options	20	47	89	280
Repurchases of common stock	(125)		(125)	
Dividends paid	(79)		(79)	
Other, net	(2)		(2)	(12)
<b>Net cash (used in) provided by financing activities</b>	<b>(190)</b>	<b>54</b>	<b>(356)</b>	<b>177</b>
Effect of exchange rates on cash	44	4	58	(1)
Net increase (decrease) in cash and cash equivalents	4	751	721	(363)
Cash and cash equivalents at beginning of period	1,874	1,123	1,157	1,342
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,878</b>	<b>\$ 1,874</b>	<b>\$ 1,878</b>	<b>\$ 979</b>



## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## SEGMENT RESULTS

(Unaudited; in millions)

Our reportable operating segments include Display Technologies, Telecommunications, Environmental Technologies and Life Sciences.

	Display Technologies	Telecom- munications	Environmental Technologies	Life Sciences	All Other	Total
<b>Three months ended September 30, 2007</b>						
Net sales	\$ 705	\$ 472	\$ 198	\$ 78	\$ 100	\$ 1,553
Depreciation (1)	\$ 81	\$ 29	\$ 23	\$ 4	\$ 8	\$ 145
Amortization of purchased intangibles		\$ 2				\$ 2
Research, development and engineering expenses (2)	\$ 34	\$ 20	\$ 32	\$ 14	\$ 11	\$ 111
Income tax provision	\$ (38)	\$ (22)	\$ (9)	\$ (1)		\$ (70)
Earnings (loss) before minority interest and equity earnings (loss) (3)	\$ 380	\$ 27	\$ 14	\$ 1	\$ (6)	\$ 416
Minority interests		\$ (1)				\$ (1)
Equity in earnings (loss) of affiliated companies	\$ 160	\$ 1			\$ (8)	\$ 153
Net income (loss)	\$ 540	\$ 27	\$ 14	\$ 1	\$ (14)	\$ 568
<b>Three months ended September 30, 2006</b>						
Net sales	\$ 506	\$ 456	\$ 153	\$ 68	\$ 99	\$ 1,282
Depreciation (1)	\$ 69	\$ 36	\$ 19	\$ 5	\$ 9	\$ 138
Amortization of purchased intangibles		\$ 2				\$ 2
Research, development and engineering expenses (2)	\$ 30	\$ 20	\$ 30	\$ 12	\$ 9	\$ 101
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ (3)		\$ 3	\$ 2	\$ 2
Income tax provision	\$ (22)	\$ (11)	\$ (3)		\$ (1)	\$ (37)
Earnings (loss) before minority interest and equity earnings (3)	\$ 257	\$ 24	\$ 7	\$ (8)	\$ (1)	\$ 279
Minority interests		\$ (5)			\$ (1)	\$ (6)
Equity in earnings of affiliated companies (4)	\$ 138	\$ 1			\$ 9	\$ 148
Net income (loss)	\$ 395	\$ 20	\$ 7	\$ (8)	\$ 7	\$ 421
<b>Nine months ended September 30, 2007</b>						
Net sales	\$ 1,839	\$ 1,349	\$ 568	\$ 232	\$ 290	\$ 4,278
Depreciation (1)	\$ 241	\$ 94	\$ 66	\$ 14	\$ 25	\$ 440
Amortization of purchased intangibles		\$ 7				\$ 7
Research, development and engineering expenses (2)	\$ 89	\$ 60	\$ 93	\$ 39	\$ 33	\$ 314
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ (2)				\$ (2)
Income tax provision	\$ (90)	\$ (44)	\$ (17)	\$ (1)		\$ (152)
Earnings (loss) before minority interest and equity earnings (3)	\$ 1,001	\$ 94	\$ 36	\$ 1	\$ (10)	\$ 1,122
Minority interests		\$ (1)			\$ (1)	\$ (2)
Equity in earnings (loss) of affiliated companies	\$ 405	\$ 3	\$ 1		\$ (5)	\$ 404
Net income (loss)	\$ 1,406	\$ 96	\$ 37	\$ 1	\$ (16)	\$ 1,524
<b>Nine months ended September 30, 2006</b>						
Net sales	\$ 1,514	\$ 1,325	\$ 460	\$ 215	\$ 291	\$ 3,805
Depreciation (1)	\$ 199	\$ 121	\$ 59	\$ 15	\$ 29	\$ 423
Amortization of purchased intangibles		\$ 8				\$ 8
Research, development and engineering expenses (2)	\$ 96	\$ 58	\$ 91	\$ 37	\$ 25	\$ 307
Restructuring, impairment and other charges and (credits) (before-tax and minority interest)		\$ 2		\$ 5	\$ 6	\$ 13
Income tax provision	\$ (72)	\$ (30)	\$ (6)		\$ (5)	\$ (113)
Earnings (loss) before minority interest and equity earnings (loss) (3)	\$ 741	\$ 62	\$ 16	\$ (15)	\$ 2	\$ 806
Minority interests		\$ (5)			\$ (3)	\$ (8)

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Equity in earnings (loss) of affiliated companies (4)	\$ 415	\$ 4	\$ (1)		\$ 8	\$ 426
Net income (loss)	\$ 1,156	\$ 61	\$ 15	\$ (15)	\$ 7	\$ 1,224

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## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## SEGMENT RESULTS

(Unaudited; in millions)

- (1) Depreciation expense for Corning's reportable segments is recorded based on the assets of each segment and also includes an allocation of depreciation of corporate property not specifically identifiable to a segment.
- (2) Research, development, and engineering expenses includes direct project spending which is identifiable to a segment.
- (3) Many of Corning's administrative and staff functions are performed on a centralized basis. Where practicable, Corning charges these expenses to segments based upon the extent to which each business uses a centralized function. Other staff functions, such as corporate finance, human resources and legal are allocated to segments, primarily as a percentage of sales.
- (4) In the three and nine months ended September 30, 2007, equity in earnings (loss) of affiliated companies includes charges of \$18 million and \$33 million, respectively, in All Other related to impairments for Samsung Corning. In the three and nine months ended September 30, 2006, equity in earnings (loss) of affiliated companies includes charges of \$2 million and \$26 million, respectively, in All Other related to impairments for Samsung Corning.

A reconciliation of reportable segment net income to consolidated net income (loss) follows (in millions):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net income of reportable segments	\$ 568	\$ 421	\$ 1,524	\$ 1,224
Unallocated amounts:				
Net financing costs (1)	10	5	28	(5)
Stock-based compensation expense	(29)	(33)	(100)	(95)
Exploratory research (2)	(31)	(22)	(88)	(62)
Corporate contributions	(6)	(7)	(26)	(24)
Equity in earnings of affiliated companies, net of impairments				
(3)	86	84	271	262
Asbestos settlement (4)	16	(13)	(170)	(137)
Other corporate items (5)	3	3	(6)	46
Net income	\$ 617	\$ 438	\$ 1,433	\$ 1,209

- (1) Net financing costs include interest expense, interest income, and interest costs and investment gains associated with benefit plans.
- (2) Exploratory research includes \$12 million and \$34 million of spending in the three and nine months ended September 30, 2007, respectively, on development programs such as silicon on glass, green lasers and micro-reactors.
- (3) In the nine months ended September 30, 2006, equity in earnings of affiliated companies, net of impairments, includes a \$33 million gain representing our share of a tax settlement relating to an IRS examination at Dow Corning.
- (4) The asbestos settlement arrangement to be incorporated into the Pittsburgh Corning Corporation (PCC) reorganization plan, if the reorganization plan becomes effective, will require Corning to relinquish its equity interest in PCC, contribute its equity interest in Pittsburgh Corning Europe (PCE), and 25 million shares of Corning common stock to a trust. Corning also agreed to make cash payments over the six years from the effective date of the settlement and to assign certain insurance policy proceeds from its primary insurance and a portion of its excess insurance at the time of the settlement. The asbestos liability requires adjustment to settlement value based upon movements in Corning's common stock price prior to contribution of the shares to the trust as well as change in the estimated settlement value of the other components of the settlement offer. In the third quarter of 2007 and 2006, Corning recorded a credit of \$23 million and a charge of \$6 million, respectively, to reflect the movement in Corning's common stock price in each year and charges of \$7 million, to reflect changes in the estimated settlement value of the other components of the settlement offer. In the nine months ended September 30, 2007 and 2006, Corning recorded charges of \$149 million and \$119 million, respectively, to reflect the movement in Corning's common stock price in each year and charges of \$21 million and \$18 million, respectively, to reflect changes in the estimated settlement value of other components of the settlement offer.
- (5) Other corporate items include the tax impact of the unallocated amounts. In addition, the following items are also included:
  - In the nine months ended September 30, 2007, loss of \$15 million from the repurchase of \$223 million principal amount of our 6.25% Euro notes due 2010.
  - In the nine months ended September 30, 2006, tax benefits of \$48 million from the release of valuation allowances for certain foreign locations.



**CORNING INCORPORATED AND SUBSIDIARY COMPANIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**1. Asbestos Settlement**

On March 28, 2003, Corning announced that it had reached agreement with the representatives of asbestos claimants for the settlement of all current and future asbestos claims against Corning and Pittsburgh Corning Corporation (PCC), which might arise from PCC products or operations. The proposed settlement, if approved, will require Corning to relinquish its equity interest in PCC, contribute its equity interest in Pittsburgh Corning Europe N.V. (PCE), a Belgian corporation, and contribute 25 million shares of Corning common stock. Corning also agreed to make cash payments with a value of \$131 million, in March 2003, over six years from the effective date of the settlement and to assign insurance policy proceeds from its primary insurance and a portion of its excess insurance at the time of the settlement.

As a result of the proposed asbestos settlement, any changes in the estimated settlement value of the components of the proposed settlement agreement will be recognized in Corning's quarterly results until the date of the contribution to the settlement trust. In the third quarter of 2007, Corning recorded a credit of \$16 million (pretax and after-tax) including a mark-to-market credit of \$23 million reflecting the decrease in Corning's common stock from June 30, 2007 to September 30, 2007 and a \$7 million charge to adjust the estimated settlement value of certain other components of the proposed asbestos settlement.

Beginning with the first quarter of 2003, Corning has recorded total net charges of \$987 million to reflect the estimated settlement value of our asbestos liability.

**2. Equity in Earnings of Associated Companies**

In the third quarter of 2007, equity in earnings of associated companies includes an \$18 million charge (net of tax) for Corning's share of restructuring and impairment charges at Samsung Corning Co., Ltd., a South Korea-based manufacturer of glass panels and funnels for cathode ray tube television and display monitors.

**3. Weighted Average Shares Outstanding**

Weighted average shares outstanding are as follows (in millions):

	<b>Three months ended September 30, 2007</b>		<b>Three months ended June 30, 2007</b>
		<b>2006</b>	
Basic	1,570	1,553	1,567
Diluted	1,605	1,593	1,605
Diluted used for non-GAAP measures	1,605	1,593	1,605





## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## QUARTERLY SALES INFORMATION

(Unaudited; in millions)

	2007			Nine Months Ended Sept. 30	
	Three Months Ended		Sept. 30		
	March 31	June 30			
<b>Display Technologies</b>	\$ 524	\$ 610	\$ 705	\$ 1,839	
<b>Telecommunications</b>					
Fiber and cable	211	219	237	667	
Hardware and equipment	228	219	235	682	
	439	438	472	1,349	
<b>Environmental Technologies</b>					
Automotive	123	128	126	377	
Diesel	56	63	72	191	
	179	191	198	568	
<b>Life Sciences</b>	76	78	78	232	
<b>Other</b>	89	101	100	290	
<b>Total</b>	\$ 1,307	\$ 1,418	\$ 1,553	\$ 4,278	
	2006				Total
	Q1	Q2	Q3	Q4	
<b>Display Technologies</b>	\$ 547	\$ 461	\$ 506	\$ 619	\$ 2,133
<b>Telecommunications</b>					
Fiber and cable	205	234	241	197	877
Hardware and equipment	192	238	215	207	852
	397	472	456	404	1,729
<b>Environmental Technologies</b>					
Automotive	121	113	112	105	451
Diesel	34	39	41	50	164
	155	152	153	155	615
<b>Life Sciences</b>	72	75	68	72	287
<b>Other</b>	91	101	99	119	410
<b>Total</b>	\$ 1,262	\$ 1,261	\$ 1,282	\$ 1,369	\$ 5,174

The above supplemental information is intended to facilitate analysis of Corning's businesses.



## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE

## Three Months Ended September 30, 2007

(Unaudited; amounts in millions, except per share amounts)

Corning's net income and earnings per share (EPS) excluding special items for the third quarter of 2007 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Per Share	Income (Loss) Before Income Taxes	Net Income (Loss)
Earnings per share (EPS) and net income, excluding special items	\$ 0.38	\$ 429	\$ 619
<i>Special items:</i>			
Asbestos settlement (a)	0.01	16	16
Equity in earnings of associated companies (b)	(0.01)		(18)
Total EPS and net income	\$ 0.38	\$ 445	\$ 617

(a) As a result of Corning's proposed asbestos settlement, any changes in the estimated settlement value of the components of the proposed settlement agreement will be recognized in Corning's quarterly results until the date of the contribution to the settlement trust. In the third quarter of 2007, Corning recorded a credit of \$16 million (before- and after-tax) including a credit of \$23 million for the change in Corning's common stock price of \$24.65 at September 30, 2007, compared to \$25.55 at June 30, 2007 and a \$7 million charge for the change in the estimated settlement value of certain other components of the proposed asbestos settlement liability.

(b) In the third quarter of 2007, equity in earnings of associated companies includes an \$18 million charge (net of tax) for restructuring and impairment charges of Samsung Corning Co., Ltd.

## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE

## Three Months Ended June 30, 2007

(Unaudited; amounts in millions, except per share amounts)

Corning's net income and earnings per share (EPS) excluding special items for the second quarter of 2007 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Per Share	Income (Loss) Before Income Taxes	Net Income (Loss)
Earnings per share (EPS) and net income, excluding special items	\$ 0.34	\$ 346	\$ 546
<i>Special items:</i>			
Asbestos settlement (a)	(0.05)	(76)	(76)
Gain on sale of business, net (b)	0.01	19	19
Total EPS and net income	\$ 0.30	\$ 289	\$ 489

(a) As a result of Corning's proposed asbestos settlement, any changes in the estimated settlement value of the components of the proposed settlement agreement will be recognized in Corning's quarterly results until the date of the contribution to the settlement trust. In the second quarter of 2007, Corning recorded a charge of \$76 million (before- and after-tax) including a charge of \$70 million for the change in Corning's common stock price of \$25.55 at June 30, 2007, compared to \$22.74 at March 31, 2007 and a \$6 million charge for the change in estimated settlement value of certain other components of the proposed asbestos settlement liability.

(b) Amount reflects a \$19 million gain on the sale of the European submarine cabling business.

## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE

## Three Months Ended September 30, 2006

(Unaudited; amounts in millions, except per share amounts)

Corning's net income and earnings per share (EPS) excluding special items for the third quarter of 2006 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	<b>Per Share</b>	<b>Income (Loss) Before Income Taxes</b>	<b>Net Income (Loss)</b>
Earnings per share (EPS) and net income, excluding special items	\$ 0.28	\$ 258	\$ 451
<i>Special items:</i>			
Asbestos settlement (a)	(0.01)	(13)	(13)
Total EPS and net income	\$ 0.27	\$ 245	\$ 438

- (a) As a result of Corning's proposed asbestos settlement, any changes in the estimated settlement value of the components of the proposed settlement agreement will be recognized in Corning's quarterly results until the date of the contribution to the settlement trust. In the third quarter of 2006, Corning recorded a charge of \$13 million (before- and after-tax) including \$6 million for the change in Corning's common stock price of \$24.41 at September 30, 2006, compared to \$24.19 at June 30, 2006 and a \$7 million charge for the change in estimated settlement value of certain other components of the proposed asbestos settlement liability.

## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE

## Three Months Ended September 30, 2007

(Unaudited; amounts in millions)

Corning's free cash flow financial measure for the three months ended September 30, 2007 is a non-GAAP financial measure within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP financial measures are helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between this non-GAAP measure and the directly related GAAP measures.

	<b>Three months ended September 30, 2007</b>	<b>Nine months ended September 30, 2007</b>
Cash flows from operating activities	\$ 677	\$ 1,345
Less: Cash flows from investing activities	(527)	(326)
Plus: Short-term investments acquisitions	633	1,582
Less: Short-term investments liquidations	(511)	(2,141)
Free cash flow	\$ 272	\$ 460

## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE

## Telecommunications Segment

(Unaudited; amounts in millions)

Corning's comment, Excluding the sales from the Company's European submarine cabling business which was sold on April 30, 2007, sales increased 10 percent, sequentially. includes non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting this non-GAAP improvement in segment sales is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Sales vs. Prior Quarter Three months ended		% Change
	Sept. 30, 2007	June 30, 2007	
Telecommunications segment sales excluding sales from the Company's European submarine cabling business	\$ 472	\$ 429	10%
Sales of the European submarine cabling business		9	
Telecommunications segment sales	\$ 472	\$ 438	8%

## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE

## Telecommunications Segment

(Unaudited; amounts in millions)

Corning's comment, Excluding the sales from the Company's European submarine cabling business which was sold on April 30, 2007, sales increased 13 percent, year-over-year. includes non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting this non-GAAP improvement in segment sales is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	<b>Third Quarter Sales</b>		
	<b>Sept. 30, 2007</b>	<b>Sept. 30, 2006</b>	<b>% Change</b>
Telecommunications segment sales excluding sales from the Company's European submarine cabling business	\$ 472	\$ 418	13%
Sales of the European submarine cabling business		38	
Telecommunications segment sales	\$ 472	\$ 456	4%

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## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE

## Telecommunications Segment

(Unaudited; amounts in millions)

Corning's comment, Excluding the sales from the Company's European submarine cabling business which was sold on April 30, 2007, sales are expected to be up about 15 percent, year-over-year. includes non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting this non-GAAP improvement in segment sales is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	<b>Fourth Quarter Sales</b>		
	<b>Dec. 31, 2007</b>	<b>Dec. 31, 2006</b>	<b>% Change</b>
Telecommunications segment sales excluding sales from the Company's European submarine cabling business	\$ 420-435	\$ 371	14-17%
Sales of the European submarine cabling business		33	
Telecommunications segment sales	\$ 420-435	\$ 404	4-8%

**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**

**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE**

**Telecommunications Segment**

(Unaudited; amounts in millions)

Corning's comment, Excluding the sales from the Company's European submarine cabling business which was sold on April 30, 2007, sales are expected to be up about 10 percent, year-over-year. includes non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting this non-GAAP improvement in segment sales is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	<b>Sales vs. Prior Year</b>		
	<b>Dec. 31,</b>	<b>Dec. 31,</b>	
	<b>2007</b>	<b>2006</b>	<b>% Change</b>
Telecommunications segment sales excluding sales from the Company's European submarine cabling business	\$ 1,730-1,745	\$ 1,588	9-10%
Sales of the European submarine cabling business	39	118	
Sales of ACS		23	
Telecommunications segment sales	\$ 1,769-1,784	\$ 1,729	2-3%

## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE

## Quarter Ended December 31, 2007 and 2006

(Unaudited; amounts in millions, except per share amounts)

Corning's comment, Compared to last year, we expect our fourth quarter sales to be up about 10% to 12% and our EPS, before special items, to increase 16% to 22%. Corning's earnings per share (EPS) excluding special items for the fourth quarter of 2007 and 2006 are non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP net income and EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Q4, 2007 Per Share		Q4, 2006 Per Share	% Change
Earnings per share (EPS) and net income, excluding special items	\$ 0.36-0.38		\$ 0.31	16-22%
<i>Special items:</i>				
Restructuring, impairment, and other (charges) and credits	--	(a)	(0.03)	(c)
Asbestos settlement	--	(b)	0.09	(d)
Provision for income taxes			0.02	(e)
Equity in earnings of affiliated companies			0.02	(f)
Total EPS and net income	\$		\$ 0.41	

- (a) From time to time, Corning may need to make adjustments to estimates used in the determination of prior year restructuring and impairment charges, which could result in a gain or loss during the quarter.
- (b) As part of Corning's asbestos settlement arrangement to be incorporated into the Pittsburgh Corning Corporation reorganization plan, Corning will contribute, if the reorganization plan is approved, 25 million shares of Corning common stock to a trust. The common stock will be contributed to the trust, after the plan has been approved by the asbestos claimants and bankruptcy court. The portion of the asbestos liability to be settled in common stock requires adjustment each quarter based upon movements in Corning's common stock price prior to contribution of the shares to the trust. In the fourth quarter of 2007, Corning will record a charge or credit for the change in its common stock price as of December 31, 2007 compared to \$24.65, the common stock price at September 30, 2007. In addition, Corning will record an adjustment to the asbestos liability to reflect the change in settlement value of any of the other components of the proposed asbestos settlement.
- (c) Amount represents a \$44 million (\$0.03 per share) asset impairment charge for certain long-lived assets in our Telecommunications segment.
- (d) As a result of Corning's proposed asbestos settlement, any changes in the estimated fair value of the components of the proposed settlement agreement will be recognized in Corning's quarterly results until the date of the contribution to the settlement trust. In the fourth quarter of 2006, Corning recorded a credit of \$139 million (\$0.09 per share) (before- and after-tax) including a credit of \$143 million for the change in Corning's common stock price of \$18.71 at December 31, 2006, compared to \$24.41 at September 30, 2006 and a \$4 million charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.

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- (e) Amount reflects a \$35 million (\$0.03 per share) tax benefit from the release of our valuation allowance on certain deferred tax assets in Germany.
  
- (f) Amount reflects Corning's share of the following items associated with Samsung Corning: an impairment charge for certain long-lived assets; the impact of establishing a valuation allowance against certain deferred tax assets; and a gain on the sale of land. These items increased Corning's equity earnings by \$28 million (\$0.02 per share) (net) in the fourth quarter of 2006.

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## CORNING INCORPORATED AND SUBSIDIARY COMPANIES

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE

## Year Ended December 31, 2007 and 2006

(Unaudited; amounts in millions, except per share amounts)

Corning's comment: These fourth quarter results will bring our full-year sales growth to about 12% and our full-year EPS growth, before special items, to at least 21% over 2006. This includes a non-GAAP financial measure within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Year-ended December 31,		%
	2007	2006	
	Per Share	Per Share	Change
Earnings per share (EPS) and net income, excluding special items	\$ 1.36-1.38	\$ 1.12	21-23%
<i>Special items:</i>			
Restructuring, impairment, and other (charges) and credits	--	(a) (0.03)	(c)
Asbestos settlement	--	(b) --	(d)
Loss on repurchases of debt, net		(0.01)	
Provision for income taxes		0.05	(e)
Equity in earnings of affiliated companies		0.03	(f)
Total EPS and net income	\$	\$ 1.16	

- (a) From time to time, Corning may need to make adjustments to estimates used in the determination of prior year restructuring and impairment charges, which could result in a gain or loss during the quarter.
- (b) As part of Corning's asbestos settlement arrangement to be incorporated into the Pittsburgh Corning Corporation reorganization plan, Corning will contribute, if the reorganization plan is approved, 25 million shares of Corning common stock to a trust. The common stock will be contributed to the trust, after the plan has been approved by the asbestos claimants and bankruptcy court. The portion of the asbestos liability to be settled in common stock requires adjustment each quarter based upon movements in Corning's common stock price prior to contribution of the shares to the trust. For the year ended December 31, 2007, Corning will record a charge or credit for the change in its common stock price as of December 31, 2007 compared to \$18.71, the common stock price at December 31, 2006. In addition, Corning will record an adjustment to the asbestos liability to reflect the change in fair value of any of the other components of the proposed asbestos settlement.
- (c) Amount represents a \$44 million (\$0.03 per share) asset impairment charge for certain long-lived assets in our Telecommunications segment.
- (d) As a result of Corning's proposed asbestos settlement, any changes in the estimated fair value of the components of the proposed settlement agreement will be recognized in Corning's quarterly results until the date of the contribution to the settlement trust. For 2006, Corning recorded a credit of \$2 million (before- and after-tax) including a credit of \$24 million for the change in Corning's common stock

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price of \$18.71 at December 31, 2006, compared to \$19.66 at December 31, 2005 and a \$22 million charge for the change in estimated fair value of certain other components of the proposed asbestos settlement liability.

- (e) Amount reflects a \$73 million (\$0.04 per share) tax benefit from the release of our valuation allowance on certain deferred tax assets in Germany and a \$10 million (\$0.01 per share) tax benefit from the release of our valuation allowance on Australian tax benefits.
  
- (f) Amount reflects the following items which increased Corning's equity earnings by \$40 million, net (\$0.03 per share) in 2006: an impairment charge for certain long-lived assets of Samsung Corning; the impact of Samsung Corning's establishment of a valuation allowance against certain deferred tax assets; a gain on the sale of land at Samsung Corning; and Corning's share of a favorable tax settlement from the completion of an IRS examination at Dow Corning.

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**CORNING INCORPORATED AND SUBSIDIARY COMPANIES**

**RECONCILIATION OF NON-GAAP FINANCIAL MEASURE TO GAAP FINANCIAL MEASURE**

**Three Months Ended December 31, 2007**

(Unaudited; amounts in millions, except per share amounts)

Corning's earnings per share (EPS) excluding special items for the fourth quarter of 2007 is a non-GAAP financial measure within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, generally accepted accounting principles (GAAP). The company believes presenting non-GAAP EPS is helpful to analyze financial performance without the impact of unusual items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between this non-GAAP measure and the directly related GAAP measure.

Guidance: EPS excluding special items	<b>Range</b>	
	\$ 0.36	\$ 0.38
<i>Special items:</i>		
Restructuring, impairment, and other (charges) and credits (a)		
Asbestos settlement (b)		
Earnings per share		

**This schedule will be updated as additional announcements occur.**

- (a) From time to time, Corning may need to make adjustments to estimates used in the determination of prior year restructuring and impairment charges, which could result in a gain or loss during the quarter.
- (b) As part of Corning's asbestos settlement arrangement to be incorporated into the Pittsburgh Corning Corporation reorganization plan, Corning will contribute, if the reorganization plan is approved, 25 million shares of Corning common stock to a trust. The common stock will be contributed to the trust, after the plan has been approved by the asbestos claimants and bankruptcy court. The portion of the asbestos liability to be settled in common stock requires adjustment each quarter based upon movements in Corning's common stock price prior to contribution of the shares to the trust. In the fourth quarter of 2007, Corning will record a charge or credit for the change in its common stock price as of December 31, 2007 compared to \$24.65, the common stock price at September 30, 2007. In addition, Corning will record an adjustment to the asbestos liability to reflect the change in settlement value of any of the other components of the proposed asbestos settlement.

*Please note that the company may pursue other financing, restructuring and divestiture activities at any time in the future, and that the potential impact of these events is not included within Corning's fourth quarter 2007 guidance.*

*This schedule contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward looking statements are based on current expectations and involve certain risks and uncertainties. Actual results may differ from those projected in the forward looking statements. Additional information concerning factors that could cause actual results to materially differ from those in*

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*the forward looking statements is contained in the Securities and Exchange Commission filings of this Company.*

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