



NEWS RELEASE

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**Stanley Furniture Company, Inc.
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STANLEY FURNITURE ANNOUNCES SECOND QUARTER 2010 OPERATING RESULTS

Company Announces Hiring of New Chief Operating Officer

STANLEYTOWN, VA, August 11, 2010/Businesswire/ -- Stanley Furniture Company, Inc. (Nasdaq-NGS: **STLY**) today reported sales and operating results for the second quarter of 2010.

Net sales of \$37.9 million declined 10.5% from the second quarter of 2009 and increased 3.8% from the first quarter of 2010. Net loss for the quarter was \$11.5 million, or \$1.11 per share, compared to a net loss of \$3.0 million, or \$.29 per share, in the second quarter of 2009. The 2010 second quarter loss includes accelerated depreciation of \$2.1 million and \$1.2 million of charges related to the Company's restructuring plan announced in May 2010.

Operating loss amounted to \$11.4 million, compared to operating loss of \$4.1 million in the second quarter of 2009. The higher operating loss is primarily due to accelerated depreciation and charges related to the restructuring plan, manufacturing inefficiencies and the increased cost of transitioning approximately one-third of the Young America product line revenues from overseas into domestic operations, and lower overall sales across the Company's various product lines. These factors were partially mitigated by lower expenses from previous restructuring and on-going cost reduction efforts.

Cash on hand amounted to \$18.9 million and total debt was \$15.0 million at July 3, 2010. As previously announced, during the second quarter the Company repaid \$12.9 million of debt, received tax refunds of \$6.6 million, and received net proceeds of \$1.0 million from sale of assets. Working capital, excluding cash and current maturities of long-term debt, decreased \$14.1 million (27.5%) from the second quarter of 2009 primarily due to lower inventories and accounts receivable in response to lower sales.

"As expected, our second quarter operating results excluding special items were similar to the first quarter," said Glenn Prillaman, President and Chief Executive Officer. "Business conditions in the second quarter remained sluggish with a downturn in sales for June showing that today's consumer continues to take a cautious approach toward the purchase of wood furniture in our price segment."

"We are making good progress on the restructuring plan announced in May 2010 setting our path towards profitability. We continue to transition our two major product lines in opposite operational directions to better align operations with the factors which drive demand for each product line", said Prillaman.

"The majority of the transition of our Young America product line is now complete. The increase in prices on this product line is now in effect and sales have stabilized after an anticipated initial drop. We expect to narrow our operating losses in the second half of this year due to this pricing action and improved operating efficiencies at our Robbinsville, NC plant. On the other hand, most of the transition related to the movement of our Stanley Furniture adult product line from a domestic to a global sourcing model lies ahead of us and we expect to complete this transition over the remainder of 2010. The overseas factories to which we are

moving product are already making a significant portion of this product line, and while there is heavy lifting yet to be done, we anticipate a smooth transition as we become increasingly important to these existing overseas suppliers," he added.

The Company also announced today the hiring of Micah Goldstein as Chief Operating Officer. He plans to join the Company on August 23, 2010. Mr. Goldstein brings extensive operational experience to this position, currently serving as President and Chief Executive Officer of Bri-Mar Manufacturing, a manufacturer of hydraulic equipment trailers.

The Company also announced today that Douglas I. Payne will retire as Executive Vice President- Finance and Administration in January 2011. Following an appropriate transition period between now and then, the Company plans for Mr. Goldstein to become Chief Financial Officer in addition to his duties as Chief Operating Officer. "I am confident in the Company's strategy with the restructuring plan announced in May 2010 and look forward to effecting a smooth transition to Micah," said Douglas Payne.

Other Information

All earnings per share amounts are on a diluted basis.

Established in 1924, Stanley Furniture Company, Inc. is a leading manufacturer of wood furniture targeted at the upper-medium price range of the residential market. Its common stock is traded on the Nasdaq stock market under the symbol **STLY**.

Conference Call Details

The Company will host a conference call Thursday morning, August 12, 2010 at 9:00 a.m. Eastern Time. The dial-in-number is (877) 407-8029. The call will also be web cast and archived on the Company's web site at www.stanleyfurniture.com. The dial-in-number for the replay (available through September 9, 2010) is (877) 660-6853, the account reference number is 275 and the conference number is 353091.

Forward-Looking Statements

Certain statements made in this report are not based on historical facts, but are forward-looking statements. These statements can be identified by the use of forward-looking terminology such as "believes," "estimates," "expects," "may," "will," "should," or "anticipates," or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. These statements reflect our reasonable judgment with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include our success in transitioning certain Young America products to our domestic manufacturing facilities, our success in transitioning our adult product line to offshore vendors, costs relating to the transitioning of the Stanleytown facility to a warehouse and distribution center, the cyclical nature of the furniture industry, business failures or loss of large customers, competition in the furniture industry including competition from lower-cost foreign manufacturers, disruptions in offshore sourcing including those arising from supply or distribution disruptions or those arising from changes in political, economic and social conditions, as well as laws and regulations, in countries from which we source products, international trade policies of the United States and countries from which we source products, manufacturing realignment, the inability to obtain sufficient quantities of quality raw materials in a timely manner, the inability to raise prices in response to inflation and increasing costs, failure to anticipate or respond to changes in consumer tastes and fashions in a timely manner, environmental, health, and safety compliance costs, and extended business interruption at manufacturing facilities. Any forward-looking statement speaks only as of the date of this press release, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new developments or otherwise.

STANLEY FURNITURE COMPANY, INC.**Consolidated Operating Results**

(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
Net sales	\$ 37,902	\$ 42,326	\$ 74,426	\$ 82,090
Cost of sales	43,014	38,751	81,909	73,773
Gross profit (loss)	(5,112)	3,575	(7,483)	8,317
Selling, general and administrative expenses	6,278	7,653	12,416	15,470
Goodwill impairment charge			9,072	
Operating loss	(11,390)	(4,078)	(28,971)	(7,153)
Other income, net	22	43	37	88
Interest income	1	6	3	41
Interest expense	915	907	1,973	1,856
Loss before income taxes	(12,282)	(4,936)	(30,904)	(8,880)
Income tax benefit	(823)	(1,913)	(372)	(3,481)
Net loss	<u>\$(11,459)</u>	<u>\$ (3,023)</u>	<u>\$(30,532)</u>	<u>\$ (5,399)</u>
Diluted loss per share	<u>\$ (1.11)</u>	<u>\$ (0.29)</u>	<u>\$ (2.95)</u>	<u>\$ (0.52)</u>
Weighted average number of shares	<u>10,345</u>	<u>10,332</u>	<u>10,339</u>	<u>10,332</u>

STANLEY FURNITURE COMPANY, INC.
Supplemental Information
Reconciliation of GAAP to Non-GAAP Operating Results

	Three Months Ended		Six Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
Reconciliation of operating loss as reported to operating loss adjusted:				
Operating loss as reported	\$(11,390)	\$(4,078)	\$ (28,971)	\$ (7,153)
Goodwill impairment charge			9,072	
Accelerated depreciation	2,087		2,087	
Restructuring charge	1,159		1,183	165
Operating loss as adjusted	<u>\$ (8,144)</u>	<u>\$(4,078)</u>	<u>\$ (16,629)</u>	<u>\$ (6,988)</u>
 Percentage of net sales:				
Operating loss as reported	(30.1%)	(9.6%)	(38.9%)	(8.7%)
Goodwill impairment charge			12.2%	
Accelerated depreciation	5.5%		2.8%	
Restructuring charge	3.1%		1.6%	.2%
Operating loss as adjusted	<u>(21.5%)</u>	<u>(9.6%)</u>	<u>(22.3%)</u>	<u>(8.5%)</u>
 Reconciliation of net loss as reported to net loss adjusted:				
Net loss as reported	\$(11,459)	\$(3,023)	\$ (30,532)	\$(5,399)
Goodwill impairment charge			9,072	
Accelerated depreciation	2,062		2,062	
Restructuring charge	1,145		1,169	100
Net loss as adjusted	<u>\$ (8,252)</u>	<u>\$(3,023)</u>	<u>\$ (18,229)</u>	<u>\$ (5,299)</u>
 Reconciliation of loss per share (EPS) as reported to loss per share adjusted:				
EPS as reported	\$ (1.11)	\$ (0.29)	\$ (2.95)	\$ (0.52)
Goodwill impairment charge			0.88	
Accelerated depreciation	0.20		0.20	
Restructuring charge	0.11		0.11	0.01
EPS as adjusted	<u>\$ (0.80)</u>	<u>\$ (0.29)</u>	<u>\$ (1.76)</u>	<u>\$ (0.51)</u>

STANLEY FURNITURE COMPANY, INC.
Consolidated Condensed Balance Sheets
(in thousands)

	<u>July 3, 2010</u>	<u>June 27, 2009</u>	<u>Dec 31, 2009</u>
Assets			
Current assets:			
Cash	\$ 18,866	\$ 40,715	\$ 41,827
Accounts receivable, net	17,135	19,850	15,297
Inventories	34,768	41,191	37,225
Prepaid expenses and other current assets	6,006	5,773	11,780
Deferred income taxes	826	3,895	3,433
	<u>77,601</u>	<u>111,424</u>	<u>109,562</u>
Property, plant and equipment, net	27,703	34,284	31,375
Goodwill		9,072	9,072
Other assets	1,581	1,468	453
	<u>1,581</u>	<u>1,468</u>	<u>453</u>
Total assets	<u>\$106,885</u>	<u>\$156,248</u>	<u>\$150,462</u>
Liabilities and Stockholders' Equity			
Current liabilities:			
Current maturities of long-term debt	\$ 3,828	\$ 1,429	\$ 1,429
Accounts payable	11,789	9,586	11,633
Accrued expenses	9,770	9,869	9,223
	<u>25,387</u>	<u>20,884</u>	<u>22,285</u>
Total current liabilities	25,387	20,884	22,285
Long-term debt	11,172	26,428	26,428
Deferred income taxes	826	2,472	2,128
Other long-term liabilities	6,677	8,218	6,774
Stockholders' equity	<u>62,823</u>	<u>98,246</u>	<u>92,847</u>
Total liabilities and stockholders' equity	<u>\$106,885</u>	<u>\$156,248</u>	<u>\$150,462</u>

STANLEY FURNITURE COMPANY, INC.
Consolidated Condensed Statements of Cash Flows
(in thousands)

	<u>Six Months Ended</u>	
	<u>July 3,</u> <u>2010</u>	<u>June 27,</u> <u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 72,387	\$ 83,912
Cash paid to suppliers and employees	(88,454)	(82,979)
Interest paid	(3,031)	(2,729)
Income taxes received (paid)	6,463	(2,463)
Net cash used by operating activities	<u>(12,635)</u>	<u>(4,259)</u>
Cash flows from investing activities:		
Capital expenditures	(452)	(637)
Purchase of other assets	(28)	(23)
Proceeds from sale of assets held for sale, net	1,047	1,303
Net cash provided by investing activities	<u>567</u>	<u>643</u>
Cash flows from financing activities:		
Repayment of senior notes	(12,857)	(1,429)
Proceeds from exercise of stock options	119	
Proceeds from insurance policy loans	1,845	1,651
Other		96
Net cash provided (used) by financing activities	<u>(10,893)</u>	<u>318</u>
Net decrease in cash	(22,961)	(3,298)
Cash at beginning of period	41,827	44,013
Cash at end of period	<u><u>\$ 18,866</u></u>	<u><u>\$ 40,715</u></u>
Reconciliation of net loss to net cash used by operating activities:		
Net loss	\$(30,532)	\$ (5,399)
Goodwill impairment	9,072	
Depreciation and amortization	4,129	2,194
Deferred income taxes	1,307	(295)
Stock-based compensation	415	493
Changes in working capital	4,026	(290)
Other assets	(953)	(887)
Other long-term liabilities	(99)	(75)
Net cash used by operating activities	<u><u>\$(12,635)</u></u>	<u><u>\$ (4,259)</u></u>