

NEWS RELEASE

FOR IMMEDIATE RELEASE:
October 13, 2008

Stanley Furniture Company, Inc.
Investor Contact: Douglas I. Payne
(276) 627-2157
Media Contact: Karen McNeill
(336) 884-8700

STANLEY FURNITURE ANNOUNCES THIRD QUARTER 2008 OPERATING RESULTS

STANLEYTOWN, VA, October 13, 2008/Businesswire/ -- Stanley Furniture Company, Inc. (Nasdaq-NGS: **STLY**) today reported sales and earnings for the third quarter of 2008. Sales and earnings were within management's guidance range provided in mid-July 2008.

Net sales of \$54.5 million decreased 25.6% from the third quarter of 2007. Loss per share of \$.34 compares to earnings of \$.16 per share in the prior year quarter. The current year quarter includes a charge of \$.27 per share for costs related to the consolidation of two manufacturing facilities into one and other restructuring actions announced in the third quarter of 2008.

For the first nine months of 2008, net sales of \$176.2 million decreased 18.4% from the comparable prior year period. Loss per share for the first nine months of 2008 was \$.24 compared to earnings of \$.09 per share for the same period of 2007. The 2008 period includes restructuring charges of \$.29 per share and the 2007 period includes a pension termination charge of \$.42 per share.

Year-to-date operating income was \$3.0 million, or 1.7% of net sales, excluding pre-tax restructuring charges of \$5.5 million. This compares to operating income for the first nine months of 2007 of \$9.8 million, or 4.5% of net sales, excluding the pre-tax pension termination charge of \$6.6 million. The decrease in operating income and margin resulted primarily from lower sales and production levels, higher raw material cost, and other inflationary cost increases. These factors were partially offset by higher average selling prices and cost reduction initiatives.

"Excluding restructuring charges, operating income was near a break-even level due to the significant decline in sales," explained Albert L. Prillaman, Chairman and CEO. "The manufacturing consolidation and other difficult moves we are making throughout our business are progressing on plan. This restructuring will lower our costs going forward and position the business for success when demand eventually

improves. Meanwhile, we continued to generate positive cash flow and improve our already strong financial position in the third quarter.”

Year-to-date cash flow from operations was used to pay cash dividends of \$3.1 million, make scheduled debt payments of \$1.4 million, fund capital expenditures of \$1.5 million and increase cash on hand by \$5.1 million. Working capital, excluding cash and current maturities of long-term debt, decreased to \$53.8 million at the end of the third quarter of 2008 compared to \$73.0 million at the end of the third quarter of 2007, primarily due to a decrease in inventories and accounts receivable reflecting lower sales.

Business Outlook

“Order rates over the last ten days have deteriorated significantly; however, we believe our mid-July guidance range for total year 2008 earnings before restructuring charges remains reasonable assuming there is some near term resolution of the credit crisis,” concluded Prillaman. However, management now expects total charges for the restructuring and related activities announced in the third quarter for 2008 to range from \$7 million to \$9 million. This represents an increase of \$1 million from last quarter’s estimate to account for a severance payment due to the resignation of our former president. Approximately \$5.2 million of these charges were recorded in the third quarter of 2008. A portion of the remaining estimated charges may be recorded into 2009 depending upon the timing of the final disposition of assets associated with a plant closure.

Management anticipates offering guidance for 2009 in conjunction with reporting 2008 total year results in late January 2009.

Other Information

All earnings per share amounts are on a fully 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. Manufacturing facilities are located in Stanleytown, Va. and Robbinsville, N.C. Its common stock is traded on the Nasdaq stock market under the symbol **STLY**.

Conference Call Details

The Company will host a conference call Tuesday morning, October 14, 2008 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 October 23, 2008) is (877) 660-6853, the account reference number is 275 and the conference number is 296735.

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 the cyclical nature of the furniture industry, business failures or loss of large customers, 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 China or other countries from which we source products, international trade policies of the United States and countries from which we source products, manufacturing realignment, competition in the furniture industry including competition from lower-cost foreign manufacturers, 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 compliance costs, extended business interruption at manufacturing facilities, and operational inefficiencies resulting from the consolidation, relocation and disposal costs relating to facilities and equipment at the Lexington, N.C. production facility and severance costs relating to reduction of associates. 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.

TABLES FOLLOW

STANLEY FURNITURE COMPANY, INC.
Consolidated Operating Results
(in thousands, except per share data)

| | Three Months Ended | | Nine Months Ended | |
|----------------------------------------------|---------------------------|------------------|--------------------------|------------------|
| | Sept 27, 2008 | Sept 29, 2007 | Sept 27, 2008 | Sept 29, 2007 |
| Net sales | \$54,483 | \$73,181 | \$176,165 | \$216,011 |
| Cost of sales | 49,493 | 60,432 | 150,394 | 176,128 |
| Gross profit | 4,990 | 12,749 | 25,771 | 39,883 |
| Selling, general and administrative expenses | 10,606 | 9,608 | 28,358 | 30,116 |
| Pension termination charge | | - | | 6,605 |
| Operating income | (5,616) | 3,141 | (2,587) | 3,162 |
| Other income, net | (22) | 79 | 215 | 187 |
| Interest income | 158 | 139 | 516 | 325 |
| Interest expense | 957 | 955 | 2,807 | 2,299 |
| Income before income taxes | (6,437) | 2,404 | (4,663) | 1,375 |
| Income taxes | (2,948) | 769 | (2,154) | 440 |
| Net income | <u>\$ (3,489)</u> | <u>\$ 1,635</u> | <u>\$ (2,509)</u> | <u>\$ 935</u> |
| Diluted earnings per share | <u>\$ (0.34)</u> | <u>\$ 0.16</u> | <u>\$ (0.24)</u> | <u>\$ 0.09</u> |
| Weighted average number of shares | <u>10,332</u> | <u>10,503</u> | <u>10,332</u> | <u>10,744</u> |

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

| | Three Months Ended | | Nine Months Ended | |
|----------------------------------------------------------------------------------------------|--------------------|------------------|-------------------|------------------|
| | Sept 27, 2008 | Sept 29, 2007 | Sept 27, 2008 | Sept 29, 2007 |
| Reconciliation of operating income as reported to operating income adjusted: | | | | |
| Operating income as reported | \$ (5,616) | \$ 3,141 | \$ (2,587) | \$ 3,162 |
| Pension termination charge | | - | | 6,605 |
| Restructuring charge | <u>5,202</u> | | <u>5,539</u> | |
| Operating income as adjusted | <u>\$ (414)</u> | <u>\$ 3,141</u> | <u>\$ 2,952</u> | <u>\$ 9,767</u> |
| Percentage of net sales: | | | | |
| Operating income as reported | (10.3)% | 4.3% | (1.5)% | 1.5% |
| Pension termination charge | | - | | 3.0% |
| Restructuring charge | <u>9.5%</u> | | <u>3.2%</u> | |
| Operating income as adjusted | <u>(0.8)%</u> | <u>4.3%</u> | <u>1.7%</u> | <u>4.5%</u> |
| Reconciliation of net income as reported to net income adjusted: | | | | |
| Net income as reported | \$ (3,489) | \$ 1,635 | \$ (2,509) | \$ 935 |
| Pension termination charge | | - | | 4,491 |
| Restructuring charge | <u>2,794</u> | | <u>2,980</u> | |
| Net income as adjusted | <u>\$ (695)</u> | <u>\$ 1,635</u> | <u>\$ 471</u> | <u>\$ 5,426</u> |
| Reconciliation of Earnings per share (EPS) as reported to Earning per share adjusted: | | | | |
| EPS as reported | \$ (0.34) | \$ 0.16 | \$ (0.24) | \$ 0.09 |
| Pension termination charge | | - | | 0.42 |
| Restructuring charge | <u>0.27</u> | | <u>0.29</u> | |
| EPS as adjusted | <u>\$ (0.07)</u> | <u>\$ 0.16</u> | <u>\$ 0.05</u> | <u>\$ 0.51</u> |

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

| | <u>Sept 27, 2008</u> | <u>Sept 29, 2007</u> | <u>Dec 31, 2007</u> |
|---------------------------------------------|--------------------------|--------------------------|-------------------------|
| Assets | | | |
| Current assets: | | | |
| Cash | \$ 36,739 | \$ 15,264 | \$ 31,648 |
| Accounts receivable, net | 25,127 | 35,270 | 25,393 |
| Inventories | 47,546 | 62,338 | 58,086 |
| Prepaid expenses and other current assets | 3,457 | 1,513 | 1,767 |
| Deferred income taxes | <u>3,656</u> | <u>3,357</u> | <u>3,381</u> |
| Total current assets | 116,525 | 117,742 | 120,275 |
| Property, plant and equipment, net | 37,525 | 47,662 | 43,898 |
| Goodwill | 9,072 | 9,072 | 9,072 |
| Other assets | <u>1,058</u> | <u>969</u> | <u>486</u> |
| Total assets | <u>\$164,180</u> | <u>\$175,445</u> | <u>\$173,731</u> |
| Liabilities and Stockholders' Equity | | | |
| Current liabilities: | | | |
| Current maturities of long-term debt | \$ 1,429 | \$ 2,857 | \$ 1,428 |
| Accounts payable | 12,103 | 17,432 | 16,106 |
| Accrued expenses | <u>13,850</u> | <u>12,044</u> | <u>10,889</u> |
| Total current liabilities | 27,382 | 32,333 | 28,423 |
| Long-term debt | 27,857 | 29,286 | 29,286 |
| Deferred income taxes | 3,078 | 6,475 | 4,824 |
| Other long-term liabilities | 8,220 | 8,430 | 8,347 |
| Stockholders' equity | <u>97,643</u> | <u>98,921</u> | <u>102,851</u> |
| Total liabilities and stockholders' equity | <u>\$164,180</u> | <u>\$175,445</u> | <u>\$173,731</u> |

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

| | Nine Months Ended | |
|-----------------------------------------------------------------------------------|--------------------------|--------------------------|
| | Sept 27, 2008 | Sept 29, 2007 |
| Cash flows from operating activities: | | |
| Cash received from customers | \$176,259 | \$212,857 |
| Cash paid to suppliers and employees | (160,516) | (204,407) |
| Interest paid, net | (2,143) | (1,488) |
| Income taxes paid, net | (4,046) | (3,537) |
| Net cash provided by operating activities | 9,554 | 3,425 |
| Cash flows from investing activities: | | |
| Capital expenditures | (1,485) | (3,206) |
| Other, net | | (28) |
| Net cash used by investing activities | (1,485) | (3,234) |
| Cash flows from financing activities: | | |
| Proceeds from senior notes | | 25,000 |
| Repayment of senior notes | (1,429) | (1,428) |
| Purchase and retirement of common stock | | (13,557) |
| Dividends paid | (3,099) | (3,161) |
| Proceeds from insurance policy loans | 1,550 | 1,386 |
| Tax benefit from exercise of stock options | | 32 |
| Proceeds from exercise of stock options | | 532 |
| Net cash provided (used) by financing activities | (2,978) | 8,804 |
| Net increase in cash | 5,091 | 8,995 |
| Cash at beginning of period | 31,648 | 6,269 |
| Cash at end of period | \$ 36,739 | \$ 15,264 |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Net income | \$ (2,509) | \$ 935 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 7,517 | 4,562 |
| Pension termination | | 5,002 |
| Deferred income taxes | (2,021) | (2,290) |
| Stock-based compensation | 329 | 492 |
| Tax benefit from exercise of stock options | | (32) |
| Other | 27 | 194 |
| Changes in working capital | 6,688 | (5,535) |
| Other assets | (334) | (308) |
| Other long-term liabilities | (143) | 405 |
| Net cash provided by operating activities | \$ 9,554 | \$ 3,425 |