HAVERTY FURNITURE COMPANIES INC
Form 10-Q/A
August 15, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

OR

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

For the transition period from to

Commission file number: 1-14445

HAVERTY FURNITURE COMPANIES, INC.
(Exact name of registrant as specified in its charter)

MARYLAND	58-0281900
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer) Identification No.)

780 Johnson Ferry Road, Suite 800, Atlanta, Georgia 30342
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (404) 443-2900

(Former name, former address and former fiscal year, if changed since last report)

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 such filing requirements for the past 90 days. [x] Yes [ ] No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). [x] Yes [ ] No

The numbers of shares outstanding of the registrant's two classes of $1 par value common stock as of July 31, 2005 were: Common Stock - 18,391,637; Class A Common Stock - 4,306,021.

EXPLANATORY NOTE

Haverty Furniture Companies, Inc. is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 solely to correct the following Edgar conversion errors: Page 1 under the June 30, 2005 column for "Notes payable to banks", page 2 under the column for the Six Months Ended June 30, 2004 for "Net Sales", and on page 18 under Part II, Item 4, Submission of Matters to a Vote of Security Holders. With the exception of the foregoing, no other information in the Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 has been supplemented, updated or amended.

HAVERTY FURNITURE COMPANIES, INC.
INDEX

		Page No.
PART I.	FINANCIAL INFORMATION:	
	Item 1. Financial Statements	
	Condensed Consolidated Balance Sheets - June 30, 2005 and December 31, 2004	1
	Condensed Consolidated Statements of Income - Six Months ended June 30, 2005 and 2004	2
	Condensed Consolidated Statements of Cash Flows - Six Months ended June 30, 2005 and 2004	3
	Notes to Condensed Consolidated Financial Statements	4
	Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11
	Item 3. Quantitative and Qualitative Disclosures about Market Risk	17
	Item 4. Controls and Procedures	17
PART II.	OTHER INFORMATION	
	Item 4. Submission of Matters to a Vote of Security Holders	18

Item 6. Exhibits 18

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HAVERTY FURNITURE COMPANIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	June 30 2005	December 31 2004
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 861	$ 10,122
Auction rate securities	--	5,000
Accounts receivable	86,754	81,132
Inventories	110,359	110,812
Prepaid expenses	10,337	6,654
Deferred income taxes	2,113	2,249
Other current assets	4,213	14,453
Total current assets	214,637	230,422
Accounts receivable, long-term	9,220	9,396
Property and equipment	210,322	205,037
Other assets	11,700	12,711
	$ 445,879	$ 457,566
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable to banks	$ 11,350	$ -
Accounts payable	25,352	31,202
Customer deposits	26,111	24,040
Accrued liabilities	37,095	45,460
Current portion of long-term debt and capital lease obligations	12,816	20,270
Total current liabilities	112,724	120,972
Long-term debt and capital lease obligations, less current portion	37,982	44,228
Other liabilities	19,662	20,108
Total liabilities	170,368	185,308
Stockholders' Equity		
Capital stock, par value $1 per share:		
Preferred Stock, Authorized: 1,000 shares; Issued: None		
Common Stock, Authorized: 50,000 shares; Issued: 2005 - 24,370; 2004 - 24,293 shares	24,370	24,293

Convertible Class A Common Stock, Authorized: 15,000 shares; Issued: 2005 - 4,830; 2004 - 4,840 shares	4,830	4,840
Additional paid-in capital	55,661	55,108
Long-term incentive plan deferred compensation	(2,360)	(2,971)
Retained earnings	252,196	250,511
Accumulated other comprehensive loss	(1,005)	(1,295)
Less treasury stock at cost - Common Stock (2005 - 5,932; 2004 - 5,937 shares) and Convertible Class A Common Stock (2005 and 2004 - 522 shares)	(58,181)	(58,228)
Total stockholders' equity	275,511	272,258
	$ 445,879	$ 457,566

See notes to condensed consolidated financial statements.

HAVERTY FURNITURE COMPANIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data - Unaudited)

	Quarter Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
		Restated - See Note B)		Restated - See Note B)
Net sales	$ 192,394	$ 179,614	$ 400,027	$ 369,915
Cost of goods sold	95,310	88,960	198,334	181,299
Gross profit	97,084	90,654	201,693	188,616
Credit service charge	875	1,163	1,865	2,467
Gross profit and other revenue	97,959	91,817	203,558	191,083
Expenses:				
Selling, general and administrative	95,249	85,149	195,138	174,151
Interest	397	964	1,298	2,089
Provision for doubtful accounts	311	198	517	329
Other expense (income), net	20	(264)	(439)	(853)
	95,977	86,047	196,514	175,716
Income before income taxes	1,982	5,770	7,044	15,367

Income taxes	673	2,124	2,561	5,675
Net income	$ 1,309	$ 3,646	$ 4,483	$ 9,692
Basic earnings per share:				
Common Stock	$0.06	$0.16	$0.20	$0.44
Class A Common Stock	$0.05	$0.15	$0.19	$0.41
Diluted earnings per share:				
Common Stock	$0.06	$0.16	$0.20	$0.42
Class A Common Stock	$0.05	$0.15	$0.19	$0.40
Weighted average shares - basic:				
Common Stock	18,431	18,221	18,403	18,154
Class A Common Stock	4,311	4,343	4,314	4,354
Weighted average shares - assuming dilution:				
Common Stock	22,913	23,048	22,956	23,116
Class A Common Stock	4,311	4,343	4,314	4,354
Cash dividends per share:				
Common Stock	$0.0625	$0.0625	$0.125	$0.125
Class A Common Stock	$0.0575	$0.0575	$0.115	$0.115

See notes to condensed consolidated financial statements.

HAVERTY FURNITURE COMPANIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands - Unaudited)

	Six Months Ended June 30	
	2005	2004
		(Restated - See Note B)
Cash Flows from Operating Activities:		
Net income	$ 4,483	$ 9,692
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,524	9,452
Provision for doubtful accounts	517	329
Gain on sale of property and equipment	32	94
Other	830	126

Changes in operating assets and liabilities:		
Accounts receivable	(5,963)	7,328
Inventories	453	(12,094)
Customer deposits	2,071	3,979
Other assets and liabilities	6,212	2,923
Accounts payable and accrued liabilities	(14,216)	(16,231)
Net cash provided by operating activities	4,943	5,598
Cash Flows from Investing Activities:		
Capital expenditures	(15,937)	(10,835)
Purchases of auction rate securities	--	(15,000)
Proceeds from sale of property and equipment	96	911
Sales of auction rate securities	5,000	--
Other investing activities	1,209	2,196
Net cash used in investing activities	(9,632)	(22,728)
Cash Flows from Financing Activities		
Proceeds from borrowings under revolving credit facilities	334,350	--
Payments of borrowings under revolving credit facilities	(323,000)	--
Net increase in borrowings under revolving credit facilities	11,350	--
Payments on long-term debt and capital lease obligations	(13,700)	(6,650)
Proceeds from exercise of stock options	576	1,792
Dividends paid	(2,798)	(2,768)
Net cash used in financing activities	(4,572)	(7,626)
Decrease in cash and cash equivalents	(9,261)	(24,756)
Cash and cash equivalents at beginning of the year	10,122	31,591
Cash and cash equivalents at end of period	$ 861	$ 6,835

See notes to condensed consolidated financial statements.

HAVERTY FURNITURE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - Basis of Presentation

Haverty Furniture Companies, Inc. ("Havertys" or the "Company") is a full-service home furnishings retailer. The Company operates all of its stores using the Havertys brand and does not franchise its concept. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. The financial statements include the accounts of the Company and its wholly-owned subsidiaries and one variable interest entity under FIN 46. All significant intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, all adjustments of a normal recurring nature considered necessary for a fair presentation have been included.

The preparation of condensed consolidated financial statements in conformity with accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

For further information, refer to the consolidated financial statements and footnotes thereto included in Havertys Annual Report on Form 10-K for the fiscal year ended December 31, 2004. As a result of the lease adjustments discussed in Note B below, certain information included in that Form 10-K was restated in Form 10-K/A, which was filed with the Securities and Exchange Commission ("SEC") on June 27, 2005. Certain prior-year amounts have been reclassified to conform to the 2004 financial statement presentation.

NOTE B - Restatement of Previously Issued Condensed Consolidated Financial Statements

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The Company recently reviewed its lease accounting and determined that it was appropriate to restate its consolidated financial statements for the fiscal years ended December 31, 2002 through 2004. These adjustments related to lease accounting matters, including those discussed by the SEC in its February 7, 2005 letter ("SEC Letter") to the American Institute of Certified Public Accountants ("AICPA"). In the SEC Letter, the SEC expressed its views on the amortization of leasehold improvements, rent holidays and landlord/tenant incentives.

In its earnings release for the year and quarter ended December 31, 2004, the Company first reported recording adjustments totaling $0.4 million to adjust straight-line rent expense and to correct its accounting for leases. As then discussed, it had been our policy to depreciate our property and equipment, including assets on leased properties, over the estimated useful lives of those assets. In some cases, these assets on leased properties were depreciated over a period of time that included both the initial term of the lease and one or more option periods. However, in certain instances, when calculating straight-line rent expense, the Company excluded option periods which had been included for depreciation purposes. In December 2004, the Company revised its computation of straight-line rent to include certain option periods where failure to exercise such options would result in an economic penalty. As a

result, the Company concluded that rent expense was cumulatively understated by $0.4 million as of December 31, 2004, and as the amount was immaterial, recorded the adjustment in the quarter then ended.

HAVERTY FURNITURE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Subsequent to the issuance of the SEC letter and the additional clarification from the SEC concerning the acceptable accounting methods, we undertook an additional review of our accounting policies relative to rent holidays. The adjustment described below changes our accounting practices to expense straight-line rent from the point at which the Company takes control and possession of a leased site (generally at the beginning of construction). Previously, the Company began straight-lining of rent at the earlier of the dates actual rent payments commenced or the opening of the store. The cumulative pre-tax adjustment of $2.8 million reflects the correct treatment for rent holidays and the adjustment for option periods noted above.

The Company corrected these errors through restatement of its consolidated financial statements reported on Form 10-K for the fiscal year ended December 31, 2004. The Company filed a Form 10-K/A for the fiscal year ended December 31, 2004 on June 27, 2005. The condensed consolidated balance sheet as of December 31, 2004 contained herein reflects all adjustments included in that Form 10-K/A.

The impacts of these restatement adjustments on the condensed consolidated statements of income are summarized below (in thousands, except per share data):

	For the Three Months Ended June 30, 2004		
Income Statement Data	Previously Reported	Adjustments	As Restated
Selling, general and administrative expenses	$ 84,946	$ 203	$ 85,149
Income before income taxes	5,973	(203)	5,770
Income taxes	2,228	(104)	2,124
Net income	$ 3,745	$ (99)	$ 3,646
Earnings per share of Common Stock:			
Basic	$0.17		$0.16
Diluted	$0.16		$0.16

HAVERTY FURNITURE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

	For the Six Months Ended June 30, 2004		
Income Statement Data	Previously Reported	Adjustments	As Restated
Selling, general and administrative expenses	$ 173,737	$ 414	$ 174,151
Income before income taxes	15,781	(414)	15,367
Income taxes	5,886	(211)	5,675
Net income	$ 9,895	$(203)	$ 9,692
Earnings per share of Common stock:			
Basic	$0.44		$0.44
Diluted	$0.43		$0.42

The restatement adjustments did not affect total cash flows provided by or used in operating, investing or financing activities for the three or six months ended June 30, 2004.

NOTE C - Earnings Per Share

Effective for the quarter ended June 30, 2004, the Company began reporting its earnings per share using the two-class method as required by the Emerging Issues Task Force (EITF). The EITF reached final consensus on Issue No. 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings Per Share (SFAS 128)," at their March 17, 2004 meeting. EITF 03-6 requires the income per share for each class of common stock to be calculated assuming 100% of the Company's earnings are distributed as dividends to each class of common stock based on their contractual rights.

The Common Stock of the Company has a preferential dividend rate of at least 105% of the dividend paid on the Class A Common Stock. The

Class A Common Stock, which has ten votes per share as opposed to one vote per share for the Common Stock (on all matters other than the election of directors), may be converted at any time on a one-for-one basis into Common Stock at the option of the holder of the Class A Common Stock.

The effective result of EITF 03-6 is that the basic earnings per share for the Common Stock is 105% of the basic earnings per share of the Class A Common Stock. Additionally, given the Company's current capital structure, diluted earnings per share for Common Stock under EITF 03-6 will be the same as was previously reported using the if-converted method.

The amount of earnings used in calculating diluted earnings per share of Common Stock is equal to net income since the Class A shares are assumed to be converted. Diluted earnings per share of Class A Common Stock includes the effect of dilutive common stock options which reduces the amount of undistributed earnings allocated to the Class A Common Stock.

The following is a reconciliation of the number of shares used in calculating the diluted earnings per share for Common Stock under SFAS 128 and EITF 03-6 (shares in thousands):

	Quarter Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Common:				
Weighted average share outstanding	18,431	18,221	18,403	18,154
Assumed conversion of Class A Common shares	4,311	4,343	4,314	4,354
Diluted options	171	484	239	608
Total weighed-average diluted common shares	22,913	23,048	22,956	23,116

NOTE D - Stock-Based Compensation

At June 30, 2005, the Company had three stock-based employee compensation plans under which awards have been made: a non-compensatory employee stock purchase plan, a stock option plan and a long-term incentive plan. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No stock-based employee compensation cost for any options is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Restricted stock compensation is charged to expense over the vesting periods of the grants. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation

(in thousands, except per share amounts):

	Quarter Ended June 30		Six Months Ended June 30	
	2005	2004 (Restated See Note B)	2005	2004 (Restated See Note B)
Net income, as reported	$ 1,309	$ 3,646	$ 4,483	$ 9,692
Reported stock-based compensation expense, net of taxes	238	--	446	--
Pro forma stock-based employee compensation expense net of tax	(900)	(696)	(1,779)	(1,365)
Pro forma net income	$ 647	$ 2,950	$ 3,150	$ 8,327
Earnings per share:				
As reported				
Basic:				
Common	$0.06	$0.16	$0.20	$0.44
Class A	$0.05	$0.15	$0.19	$0.41
Diluted:				
Common	$0.06	$0.16	$0.20	$0.42
Class A	$0.05	$0.15	$0.19	$0.40
Pro Forma:				
Basic:				
Common	$0.03	$0.13	$0.14	$0.37
Class A	$0.03	$0.12	$0.13	$0.35
Diluted:				
Common	$0.03	$0.13	$0.14	$0.37
Class A	$0.03	$0.12	$0.13	$0.35

NOTE E- Interim LIFO Calculations

An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Since these are affected by factors beyond management's control, interim results are subject to the final year-end LIFO inventory valuation.

HAVERTY FURNITURE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE F - Other (income) expense, net

The Company includes in this line item any gains or losses on sales of land, property and equipment, impairment losses and changes in previously estimated losses and other miscellaneous income or expense items which are non-recurring in nature. The following are the significant gains or losses that have been included in "other (income) expense, net." During the first quarter of 2005, the Company received additional insurance proceeds of approximately $0.2 million from certain coverages for facilities damaged by hurricanes. During the first quarter of 2004, the Company had a reduction in its impairment reserve of approximately $0.5 million.

NOTE G - Comprehensive Income

Total comprehensive income was comprised of the following (in thousands):

	Quarter Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Net income	$ 1,309	$ 3,646	$ 4,483	$ 9,692
Changes in derivatives, net of applicable income tax	145	145	290	290
Total comprehensive income	$ 1,454	$ 3,791	$ 4,773	$ 9,982

NOTE H - Pension Plans

In December 2003, the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," to improve financial statement disclosures for defined benefit plans. This standard requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant information. In addition to expanded annual disclosures, the Company is required to report the various elements of its pension costs on a quarterly basis. SFAS No. 132 (revised 2003) is effective for fiscal years ending after December 15, 2003, and for quarters beginning after December 15, 2003.

HAVERTY FURNITURE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Net pension cost included the following components (in thousands):

	Quarter Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Service cost-benefits earned during the period	$ 705	$ 639	$ 1,410	$ 1,278
Interest cost on projected benefit obligations	814	782	1,628	1,564
Expected return on plan assets	(1,015)	(980)	(2,030)	(1,960)
Amortization of prior service costs	33	33	66	66
Net pension cost	$ 537	$ 474	$ 1,074	$ 948

The Company disclosed in its financial statements for the year ended December 31, 2004, a planned $3.5 million contribution to the pension plan in 2005. No contributions were made to the plan in the first six months of 2005, but $3.5 million is expected to be contributed prior to December 31, 2005.

NOTE I - Accounting and Disclosure Changes

Accounts receivable balances resulting from certain credit promotions have scheduled payment amounts which extend beyond one year. Prior to June 30, 2004, the Company classified its accounts receivable portfolio as a current asset in accordance with trade practice. In the aggregate, and based on historical experience, the receivables are collected in seven to eight months. Effective June 30, 2004, for those credit promotions which extend beyond one year, the Company classifies a portion of the receivables as long-term based on the specific programs' historical collection rate, which is generally faster than the scheduled rate. The portions of receivables contractually due beyond one year classified as current and long-term are estimates. The timing of actual collections that are contractually due beyond one year may be different from the amounts estimated to be collected within one year. However, based on experience, management does not believe the collection rate will differ significantly. At June 30, 2005 and 2004, the accounts receivable contractually due beyond one year from the respective balance sheet dates totaled approximately $28.5 million and $27.9 million, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

Certain statements we make in this report, and other written or oral statements made by or on behalf of the Company, may constitute "forward-looking statements" within the meaning of the federal securities laws. Examples of such statements in this report include descriptions of our plans with respect to new store openings and relocations, our plans to enter new markets and expectations

relating to our continuing growth and the roll-out of our distribution system. The forward-looking statements regarding future events and our future results are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and the beliefs and assumptions of our management. Words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", variations of such words and similar expressions are intended to identify such forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statement. We believe that these forward-looking statements are reasonable; however, you should not place undue reliance on such statements. Such statements speak only as of the date they are made and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise. The following are some of the factors that could cause Havertys' actual results to differ materially from the expected results described in our forward-looking statements: the ability to maintain favorable arrangements and relationships with key suppliers (including domestic and international sourcing); any disruptions in the flow of imported merchandise, whether caused by war, strikes, tariff, politics or otherwise; conditions affecting the availability and affordability of retail and distribution real estate sites; the ability to attract, train and retain highly qualified associates to staff existing and new stores, distribution facilities and corporate positions; general economic and financial market conditions, which affect consumer confidence and the spending environment for big ticket items; competition in the retail furniture industry; and changes in laws and regulations, including changes in accounting standards, tax statutes or regulations.

Operating Results and Financial Condition

The following discussion of Havertys' financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes thereto included herein.

Net Sales

Our sales are generated by customer purchases of home furnishings in our retail stores and revenue is recognized upon delivery to the customer. The following outlines our sales and comp-store sales increases for the periods indicated:

	2005			2004			2003		
	Net Sales		Comp-Store Sales	Net Sales		Comp-Store Sales	Net Sales		Co
Period Ended	Dollars (000)s	% Increase (decrease) over period period	% Increase (decrease) over period period	Dollars (000)s	% Increase (decrease) over prior period	% Increase (decrease) over prior period	Dollars (000)s	% Increase (decrease) over prior period	% (d ov

Q1	207.6	9.1	4.7	190.3	8.5	4.0	175.4	0.2
Q2	192.4	7.1	2.3	179.6	6.5	2.6	168.6	2.3
Q3	-	-	-	197.4	1.1	(1.0)	195.4	11.2
Q4	-	-	-	216.8	5.6	3.0	205.3	8.9
Year	400.0	8.1	3.5	784.2	5.3	2.1	744.6	5.8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Total sales increased $12.8 million or 7.1% and $30.1 million or 8.1% in the second quarter and the first six months of 2005, respectively. Comparable store sales rose 2.3% or $4.1 million in the second quarter and 3.5% or $13.0 million during the first six months of 2005. The remaining $8.7 million and $17.1 million of the increases in the second quarter and first six months of 2005, respectively, were from new and otherwise non-comparable stores. Stores are non-comparable if open for less than one year or if the selling square footage has been changed significantly during the past 12 full months. Large clearance sales events from warehouses or temporary locations are excluded from comparable store sales, as are periods when stores are closed for remodeling.

Retail sales of big-ticket home goods were weak from mid 2002 to mid 2003, which was widely reported to be due to consumer anxiety about employment uncertainty, threats of war, war and geopolitical unrest. There was also a lingering negative effect from lower stock market values. Beginning in June 2003 we had positive comp-store monthly sales results that continued throughout the remainder of 2003 and through April 2004 (excluding November 2003 which was 0.4% negative). Sales in our Florida and Southeast markets during August and September of 2004 were negatively impacted by record-breaking severe weather from four hurricanes within a six-week period. These lost sales were particularly significant because our Florida stores normally produce approximately 23% of our total sales. We do expect that the storm damage will continue to generate some incremental sales through August of 2005 as damaged furniture is replaced and related redecorating activity continues.

We believe that continued strong housing sales and low interest rates are a positive factor for the industry, but consumer confidence and further indications of a strengthening economy are key to increased spending for big- ticket furniture items. Many retailers have been advertising aggressive sales promotions to stimulate business and increase their sales volume. We believe that this approach would negatively impact our "everyday low pricing" integrity with our customers over the longer term. Instead, we have used some promotional pricing during traditional sales events. Supplementing the pricing promotions, we also offer free-interest and deferred payment financing promotions. During

the remainder of the year we expect to continue with this approach of providing a selection of specially priced merchandise and competitive financing promotions to increase traffic in our stores. We will also be using additional advertising methods to reach our target customers.

Our sales during the first six months of 2005 increased across all of our major categories of furnishings, with casual dining, recliners and sleeper sofas and bedding performing better than the average. Our average price per item was up slightly and our average sales transaction was modestly higher in the second quarter over the prior year period. Net sales for each period by category were as follows (in millions):

	Three Months Ended June 30				Six Months Ended June 30			
	2005	% of Net Sales	2004	% of Net Sales	2005	% of Net Sales	2004	% of Net Sales
Upholstery	$ 48.4	25.2%	$ 44.2	24.6%	$ 99.3	24.8%	$ 92.1	24.9%
Bedroom	41.4	21.5	40.9	22.8	86.8	21.7	82.8	22.4
Formal Dining	13.7	7.1	14.0	7.8	28.7	7.2	28.5	7.7
Casual Dining	11.9	6.2	8.8	4.9	23.1	5.8	18.2	4.9
Recliners and Sleeper Sofas	13.9	7.2	12.8	7.1	30.1	7.5	27.1	7.3
Occasional	31.6	16.4	29.7	16.5	67.6	16.9	62.9	17.0
Total Furniture Sales	160.9	83.6	150.4	83.7	335.6	83.9	311.6	84.2
Bedding	18.0	9.4	17.7	9.9	36.9	9.2	34.1	9.2
Accessories and Other	13.5	7.0	11.5	6.4	27.5	6.9	24.2	6.6
Net Sales	$192.4	100.0%	$179.6	100.0%	$400.0	100.0%	$369.9	100.0%

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Gross Profit

Cost of goods sold consists primarily of the purchase price of the merchandise together with inbound freight costs. Our gross profit is largely dependent upon merchandising capabilities, vendor pricing and the mix of products sold. We have developed strong relationships with our suppliers and believe that we receive excellent pricing and superior service from our key vendors in exchange for distribution of their products. The continued improvements related to the products imported from Asia and pricing pressure on domestic suppliers have also generated good values for

us. Many retailers have used the decreased costs to support their heavy promotional pricing. Our approach has been to offer products with greater value at our established middle to upper-middle price points.

Gross profit for the second quarter was flat compared to the prior year period and up approximately 10 basis points on a sequential basis over the first quarter of this year. During the first half of 2005 we closed five local warehouses and our Florida regional warehouse facility. This generated higher than normal markdowns which, combined with pricing pressure on certain products, has impacted gross profit margins by approximately 55 basis points as compared to the six months ended June 30, 2004.

We expect to have improvement in the third and fourth quarter of 25 to 50 basis points over the 2004 gross profit margin level in those periods due to several factors related to merchandise selection, the consolidation of our distribution network and improved supply chain management. We now have fewer pools of inventory, which reduces product handling and damage resulting in fewer markdowns, and a tighter supply chain, which reduces the level of closeouts for discontinued merchandise.

Substantially all of our purchasing, receiving, warehousing and distribution costs are included in selling, general and administrative expenses. Accordingly our gross profit may not be comparable to those entities that include these costs in cost of goods sold.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses are comprised of five categories: selling; occupancy; warehouse and delivery; administrative; and advertising. Selling expenses are primarily comprised of compensation of sales associates and sales support staff and bank card charges. Occupancy costs include rents, depreciation charges, insurance and property taxes, repairs and maintenance expenses and utility costs. Warehouse and delivery costs include personnel, fuel costs, and depreciation and rental charges for equipment and rolling stock. Administrative expenses are comprised of compensation costs for store management, information systems, executive, finance, merchandising, real estate and human resource departments, as well as retirement costs for all Havertys employees. Advertising expenses are primarily media production and space, direct mail costs and market research expenses.

Our SG&A costs in the second quarter were up 210 basis points as a percent of sales on a comparable basis. Higher fixed costs were not leveraged as sales in May and June did not meet planned levels. Our distribution system is designed to support the expansion of our business efficiently. However, the system is more transportation oriented and rising fuel costs have an immediate impact on profitability. Our operations team is carefully evaluating cost saving opportunities to adjust deliveries to our markets without negatively impacting our customer service. Demurrage costs for the second quarter were $0.4 million, lower than the $0.6 million expense in the first quarter. These costs are incurred when imported containers are not unloaded and returned to the port within the required time period. We are working to reduce these charges but we do not expect to eliminate them entirely, particularly as

carriers reduce their "free" turnaround time.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Our SG&A costs for the first half of 2005 were up 170 basis points as a percent of sales on a comparable basis. Our operations were affected by the last major phase of our distribution transition. The overall impact from closing and consolidating six warehouses into our new Florida Distribution Center was costly. The expenses associated with operating duplicative facilities, moving, training and severance costs were approximately $1.9 million. While this transition has been difficult and demonstrably expensive in period costs and human capital, we believe it is necessary. We are better positioned to handle our growing share of the dynamic Florida markets more efficiently and have improved our ability to add new markets and stores in this state.

We also experienced increased costs during the first half related to ongoing operations for insurance, utilities and professional service fees. Insurance costs were up $1.0 million in the second quarter and $1.9 million for the six months ended June 30, 2005 compared to the respective periods of 2004. The increases are primarily in the areas of medical and workers' compensation. Utilities have increased approximately 21% over the prior year for the quarter and the six months ended June 30, 2005. The new regulatory requirements and the cost of compliance with the Sarbanes-Oxley Act contributed to a $0.2 million increase in the second quarter and a $0.8 million increase for the first half of 2005 in professional service fees as compared to the 2004 periods.

Credit Service Charge Revenue and Allowance for Doubtful Accounts

Our credit service charge revenue has continued to decline as customers choose credit promotions with no interest features. The in-house financing program most frequently chosen by our customers during the second quarter was a no interest offer requiring 20 to 23 equal monthly payments. This program and the similar 12-month program generates very minor credit revenue, but helps us reduce our interest expense and bad debts due to the faster payout relative to our deferred payment in-house credit programs. We offer our customers the opportunity to apply for credit with a third party credit provider. Sales financed by this provider are not Havertys' receivables and accordingly we do not have any credit risk or service responsibility for these accounts, and there is no credit or collection recourse to Havertys. The most popular program offered through the third party provider is a deferred payment for 12 to 18 months with an interest accrual that is waived if the entire balance is paid in full at the end of the deferral period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The longer-term no interest equal monthly payments offer which we

began in the first quarter of 2005 is currently the most popular of all the credit programs offered. During the second quarter of 2005, the amounts financed under all credit programs as a percent of sales was 38.7% as compared to 39.7% in the second quarter of 2004. The following highlights the impact these changes have had on our credit service charge revenue and related accounts receivable and allowance for doubtful accounts (in thousands):

	Three Months ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Credit Service Charge Revenue	$ 875	$1,163	$1,865	$2,467
Amount Financed as a % of Sales				
Havertys	23.3%	26.7%	23.0%	23.4%
Third-Party	15.4%	13.0%	16.3%	17.4%
	38.7%	39.7%	39.3%	40.8%
% Financed by Havertys with				
No Interest for 12 months	24.6%	37.1%	25.8%	48.9%
No Interest for > 12 months	54.2%	40.8%	52.2%	25.2%
No Interest <12 months	9.6%	11.6%	10.2%	14.1%
Other	11.6%	10.5%	11.8%	11.8%
	100.0%	100.0%	100.0%	100.0%

	June 30	
	2005	2004
Accounts receivable	$98,574	$93,697
Allowance for doubtful accounts	2,600	3,700
Allowance as a % of accounts receivable	2.6%	3.9%

Our allowance for doubtful accounts as a percentage of the receivables pool is lower in 2005 due to improvements in the delinquency and problem category percentages from 2004. We believe that the amounts we pay for the third party credit program are justified compared to the increased costs associated with a larger receivables portfolio and the collection risks of the more promotional credit offers needed to remain competitive.

Balance Sheet Changes for the Six Months Ended June 30, 2005

Cash balances declined by approximately $9.3 million from December 31, 2004 to June 30, 2005 as we utilized cash balances and cash generated from operations to make capital expenditures.

Accounts receivable increased approximately $6.0 million during the first quarter due to the popularity of our no interest credit offer requiring 20 to 23 equal monthly payments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Other current assets declined by approximately $10.2 million as we utilized cash held in escrow to acquire a property previously financed under a capital lease, collected vendor rebates receivables, and had a lower amount receivable at June 30, 2005 from our third-party customer credit provider.

Accounts payable decreased $5.9 million due lower purchases as overall inventory was reduced during the second quarter and a reduction in the level of inventory in transit.

Accrued liabilities declined by approximately $8.4 million due to payments during the period for the 2004 bonus accrual, certain property and sales taxes, and a group health insurance liability to a prior provider.

Capital lease obligations declined as we elected to purchase a property under a capital lease as previously discussed.

Liquidity and Capital Resources

The following discusses the sources of our cash flows and commitments which impact our liquidity and capital resources on both a short-term and long-term basis.

Cash flows generated from operations provide us with a significant source of liquidity. Cash provided by operations remained positive at $4.9 million in spite of increases in accounts receivables and reductions in accounts payable and accrued liabilities. Net income was $4.5 million and depreciation and amortization was $10.5 million.

Cash flows used in investing activities of $9.6 million in the first six months of 2005 were primarily for capital expenditures of $15.9 million offset in part by the sales of auction rate securities.

Cash flows used in financing activities were $4.6 million as we borrowed a net $11.4 million under our revolving credit facilities and repaid $13.7 million of debt and capital lease obligations and paid $2.8 million in dividends.

Financings

In addition to term borrowings and capital leases, we have revolving lines of credit available for general corporate purposes and as interim financing for capital expenditures. These credit facilities are syndicated with six commercial banks and are comprised of two revolving lines totaling $80.0 million that terminate in September 2005. We expect to renew these facilities by early September with existing lenders and a five year term. Borrowings under these facilities are unsecured and accrue interest

at LIBOR plus a spread that is based on a fixed-charge coverage ratio. We had $11.4 million outstanding under these facilities at June 30, 2005. We had letters of credit in the amount of $4.7 million outstanding at June 30, 2005 and these amounts are considered part of the facilities usage. We had an unused capacity of $63.9 million at June 30, 2005.

Store Expansion and Capital Expenditures

We have entered several new markets and made continued improvements and relocations of our store base. Our total selling square footage increases per year have historically averaged in the 5% to 6% range.

We are expecting to add approximately 1.9% retail square footage during 2005. We opened an additional store in the Metro DC market during the first quarter. We also plan to open a new store in the new markets of Indianapolis, Indiana and Columbus, Ohio in the fourth quarter. Three of our best stores are also being physically expanded during 2005. Two older stores in Shreveport, Louisiana will be replaced by a single, better located showroom in the fourth quarter. We will also be closing one store in Austin, Texas in the fourth quarter and have not identified its replacement site.

We plan to open approximately five stores in 2006. These include a store in Ft. Lauderdale, Florida; a location near Stonecrest Mall, east of Atlanta; a relocated store in South Dallas, Texas in the Cedar Hill area; and two additional stores in Florida. We are aggressively evaluating other possible new locations which we believe will become available in existing retail sites in the near term. Our strategy is to pursue opportunities in denser markets which we can serve using our existing distribution.

Our planned expenditures for 2005 are $40.0 million for stores, distribution and information technology. Capital expenditures for stores do not necessarily coincide with the years in which the store opens. Cash balances, funds from operations, proceeds from sales of properties and bank lines of credit are expected to be adequate to finance our 2005 capital expenditures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes with respect to the Company's derivative financial instruments and other financial instruments and their related market risk since the date of the Company's most recent annual report.

Item 4. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer of the Company and the Chief Financial Officer of the Company, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of

the period covered by this report.

Based upon that evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

As disclosed in our Form 10-K/A filed on June 27, 2005, we made changes in our internal control over financial reporting with respect to lease accounting. We have assigned specific financial accounting and reporting personnel together with our real estate department to review all new leases during each quarterly period. Specifically, these individuals, subject to a second level review, are responsible for the following with respect to each of our new leases:

* A consistent lease period (generally, the initial non-cancelable lease term plus certain option periods where failure to exercise such options would result in an economic penalty) is used when calculating depreciation of leasehold improvements and in determining straight-line rent expense and classification of leases as either operating or capital; and

* Commencement of the lease term and straight-line rent expense is calculated based on the date when the Company takes possession and the right to control use of the leased premises.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The 2005 Annual Meeting of Stockholders of the Company was held on May 16, 2005. There were two proposals on the ballot.

Proposal 1: All nine incumbent directors nominated were elected by the holders of Class A Common Stock of the Company to a one year term with the following votes:

NOMINEE	FOR	WITHHELD
Clarence H. Ridley	4,018,688	0
Clarence H. Smith	4,018,688	0
Rawson Haverty, Jr.	4,018,688	0
Frank S. McGaughey, III	4,018,688	0
John T. Glover	4,018,288	400
Mylle H. Mangum	4,018,688	0
Fred L. Schuermann	4,018,688	0
Al Trujillo	4,018,688	0
Ben M Haverty	4,018,688	0

Proposal 2: All three incumbent directors nominated were elected by

the holders of Common Stock of the Company to a one year term with the following votes:

NOMINEE	FOR	WITHHELD
L. Phillip Humann	13,974,196	3,066,804
Vicki R. Palmer	16,074,644	966,355
Terrence F. McGuirk	16,194,184	846,815

Item 6. Exhibits

(a) Exhibits

The exhibits listed below are filed with or incorporated by reference into this Report (those filed with this report are denoted by an asterisk). Exhibits marked with a "+" constitute a management contract or compensatory plan or arrangement. Unless otherwise indicated, the exhibit number of documents incorporated by reference corresponds to the exhibit number in the referenced document.

Exhibit Number	Description of Exhibit (Commission File No. 1-14445)
3.1	Articles of Incorporation of Haverty Furniture Companies, Inc. as amended and restated on March 6, 1973, and amended on April 24, 1979, and as amended on April 24, 1985 (Exhibit 3.1 to our 1985 Second Quarter Form 10-Q); Amendment to the Articles of Incorporation dated April 26, 1986 (Exhibit 3.1.1 to our 1986 First Quarter Form 10-Q); Amendment to the Articles of Incorporation dated April 28, 1989 (Exhibit 3.1.2 to our 1989 Form 10-Q); Amendment to the Articles of Incorporation dated April 28, 1995 (Exhibit 3.1.3 to our 1996 Form 10-K).
3.2	Amended and Restated By-laws of Haverty Furniture Companies, Inc. as amended on February 26, 2004 (Exhibit 3.2 to our 2003 Form 10-K).
+10.5	Employee Stock Purchase Plan, as amended and restated as of October 29, 1999 (Exhibit 10.7 to our 2000 Form 10-K); Amendment No. 1 to the Employee Stock Purchase Plan (Exhibit 10.2 to our Registration Statement on Form S-8; File No. 333-66010).
+10.5.1	Amendment to the Employee Stock Purchase Plan effective as of July 1, 2005 (Exhibit 10.5.1 to our 2005 2nd Quarter Form 10-Q).
+10.7	Amended and Restated Directors Deferred Compensation Plan effective as of January 1, 2005 (Exhibit 10.7 to our 2005 2nd Quarter Form 10-Q).
*31.1	Certification of Chief Executive Officer pursuant

to sec. 302 of the Sarbanes-Oxley Act of 2002.

*31.2 Certification of Chief Financial Officer pursuant to sec. 302 of the Sarbanes-Oxley Act of 2002.

*32.1 Certification of Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. sec 1350, as adopted, pursuant to sec. 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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, thereunto duly authorized.

HAVERTY FURNITURE COMPANIES, INC.
(Registrant)

Date: August 12, 2005 By: /s/ Jenny Hill Parker

Jenny Hill Parker
Vice President and
Chief Executive Officer