

## Subsequent Acquisition

On January 5, 2004, the Company finalized the acquisition of Paoli Inc., a subsidiary of Klaussner Furniture Industries, Inc. Paoli is a leading provider of wood case goods and seating, with well-known brands, broad product offering, and strong independent representative sales and dealer networks. Further details of the transaction will be included in the Company's SEC Quarterly Report on Form 10-Q for the first quarter ended April 3, 2004.

## Summary of Quarterly Results of Operations (Unaudited)

The following table presents certain unaudited quarterly financial information for each of the past 12 quarters. In the opinion of the Company's management, this information has been prepared on the same basis as the consolidated financial statements appearing elsewhere in this report and includes all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial results set forth herein. Results of operations for any previous quarter are not necessarily indicative of results for any future period.

<i>(In thousands, except per share data)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>YEAR-END 2003:</b>				
Net sales	\$ 391,971	\$ 406,793	\$ 500,091	\$ 456,873
Cost of products sold	252,841	260,367	316,412	286,893
Gross profit	139,130	146,426	183,679	169,980
Selling and administrative expenses	114,426	112,979	127,472	125,867
Restructuring-related charges (income)	—	2,265	3,881	2,364
Operating income	24,704	31,182	52,326	41,749
Interest income (expense) – net	(265)	(149)	617	767
Income before income taxes	24,439	31,033	52,943	42,516
Income taxes	8,554	10,861	18,530	14,881
Net income	\$ 15,885	\$ 20,172	\$ 34,413	\$ 27,635
Net income per common share – basic	\$ .27	\$ .35	\$ .59	\$ .47
Weighted-average common shares outstanding – basic	58,317	58,143	58,043	58,222
Net income per common share – diluted	\$ .27	\$ .35	\$ .59	\$ .47
Weighted-average common shares outstanding – diluted	58,582	58,468	58,448	58,731
<i>As a Percentage of Net Sales</i>				
Net sales	100.0%	100.0%	100.0%	100.0%
Gross profit	35.5	36.0	36.7	37.2
Selling and administrative expenses	29.2	27.8	25.5	27.5
Restructuring-related charges	—	0.6	0.8	0.5
Operating income	6.3	7.7	10.5	9.1
Income taxes	2.2	2.7	3.7	3.3
Net income	4.1	5.0	6.9	6.0
<b>YEAR-END 2002:</b>				
Net sales	\$ 399,139	\$ 399,299	\$ 446,274	\$ 447,910
Cost of products sold	259,398	256,696	285,996	290,653
Gross profit	139,741	142,603	160,278	157,257
Selling and administrative expenses	110,425	111,320	117,274	115,170
Restructuring-related charges (income)	3,900	(900)	—	—
Operating income	25,416	32,183	43,004	42,087
Interest income (expense) – net	(580)	(710)	(577)	(269)
Income before income taxes	24,836	31,473	42,427	41,818
Income taxes	8,941	11,330	15,274	13,649
Net income	\$ 15,895	\$ 20,143	\$ 27,153	\$ 28,169
Net income per common share – basic and diluted	\$ .27	\$ .34	\$ .46	\$ .48
Weighted-average common shares outstanding – basic	58,777	58,918	59,140	58,546
<i>As a Percentage of Net Sales</i>				
Net sales	100%	100%	100%	100%
Gross profit	35.0	35.7	35.9	35.1
Selling and administrative expenses	27.7	27.9	26.3	25.7
Restructuring-related charges	1.0	(.2)	—	—
Operating income	6.4	8.1	9.6	9.4
Income taxes	2.2	2.8	3.4	3.0
Net income	4.0	5.0	6.1	6.3