FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

HAVERTY FURNITURE COMPANIES INC

CIK:**216085**| IRS No.: **580281900** | State of Incorp.:**MD** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-14445** | Film No.: **99574609**
SIC: **5712** Furniture stores

Mailing Address
866 W PEACHTREE ST NW
ATLANTA GA 30308

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866 W PEACHTREE ST NW
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE) [X]	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

OR

[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 0-8498

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.)
866 WEST PEACHTREE STREET, N.W., ATLANTA, GEORGIA	30308
(Address of principal executive officers)	(Zip Code)

Registrant's telephone number, including area code: (404) 881-1911

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK ($1.00 PAR VALUE) CLASS A COMMON STOCK ($1.00 PAR VALUE)	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: None

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. Yes X No _

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Paragraph 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. _

The aggregate market value of the voting stock of the registrant held by non-affiliates of the registrant as of February 28, 1999, was $165,927,983. The aggregate market value was computed by reference to the last transaction prices of the registrant's two classes of common stock on such date. For the purpose of this response only, executive officers, directors and holders of 5% or more of common stock are affiliates of the registrant.

As of March 17, 1999, the number of shares outstanding of the registrant's two classes of $1.00 par value common stock were: Common Stock--8,635,228; Class A Common Stock--2,441,622.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement dated March 23, 1999, for the 1999 annual meeting of stockholders are incorporated by reference herein in response to Item 5 -- 8 of Part II and to Part III of this report, except information on executive officers, which is included in Part I of this report.

PART I

ITEM 1. BUSINESS

FORWARD-LOOKING INFORMATION

Certain information included in this Annual Report on Form 10-K contains, and other reports or materials filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company or its management), contain or will contain, "forward-looking statements" within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended, Section 27A of the Securities Act of 1933, as amended, and pursuant to the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may relate to financial results and plans for future business activities, and are thus prospective. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, general economic conditions, the consumer spending environment for large ticket items, competition in the retail furniture industry and other uncertainties detailed in this report and detailed from time to time in other filings by the Company with the Securities and Exchange Commission. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

GENERAL

Haverty Furniture Companies, Inc. (the "Company" or "Havertys") is a full-service home furnishings retailer. The Company operates 100 showrooms in 14 contiguous southern and central states. Havertys provides its customers with a wide selection of furniture and accessories primarily in the middle to upper-middle price ranges. As an added convenience to its customers, the Company offers financing through a revolving charge credit plan. The Company originated as a family business in 1885 in Atlanta, Georgia. Havertys has been a publicly held company since 1929, incorporated under the laws of the State of Maryland. The Company's corporate headquarters are located at 866 West Peachtree Street, N. W., Atlanta, Georgia, 30308.

BUSINESS STRATEGY

The Company serves a target customer in the middle to upper-middle income ranges. Havertys has attracted this discriminating and demanding consumer by focusing on what it believes are the key elements of furniture retailing: stores, merchandise value and selection, advertising, and customer service. The Company has made investments in technology to improve operating efficiencies and in new retail stores. Havertys plans to continue to expand into new markets and strengthen its position in its current market areas utilizing existing distribution infrastructure.

STORES

As of December 31, 1998, the Company operated 100 stores serving 65 cities in 14 states. Havertys has executed a program of remodeling and expanding showrooms and replacing older smaller stores in growth markets with new larger stores. Accordingly, the number of retail locations has increased by only ten since the year ended 1994, but total square footage has increased 40%. Havertys entered five new cities during 1998: Birmingham, Alabama; Bowling Green, Kentucky; Fredericksburg and Roanoke, Virginia; and Springfield, Missouri (a new state for Havertys). This additional retail space was gained primarily by leasing and remodeling facilities from retailers exiting their businesses.

During 1999, the Company will open five stores leased or purchased from former retailers and remodeled to Havertys' specifications. The Company will also add three newly constructed stores, including a unique mall location in Atlanta,

Georgia, and expand three current locations. Store closings for 1999 include one large clearance center and two small retail showrooms.

MERCHANDISING

The Company is able to tailor its merchandise presentation to the needs and tastes of the local market. Havertys offers many well-known brand names of furniture, such as Broyhill, Thomasville, Lane/ Action, La-Z-Boy, and Clayton Marcus. The Company prefers to carry multiple lines of furniture in order to offer the consumer broad product choices at good values. These include many key items and groups from well known, quality suppliers who have established somewhat less consumer brand awareness. All five regional managers are included in Havertys' buying team, and their input allows each store to present a product mix that is roughly 20 to 25 percent regionalized. Each local market manager can select from region specific items that are attractive to consumers in their particular metropolitan area. These managers are also responsible for pricing in their respective markets, with the exception of specific items that are advertised chain-wide. Havertys can therefore be competitively priced in each market while maintaining attractive gross margins.

The merchandising team develops a broad selection of merchandise for its customers at values targeted to their income levels. Management has avoided utilizing lower, promotional price-driven merchandise favored by many national chains, which management believes gives Havertys a unique position for a large retailer. The Company purchases approximately 59% of its merchandise from ten vendors and believes that adequate merchandise sources are available to the Company. Combined with the movement to regional merchandising and warehousing and the implementation of a centralized information system, this provides significant purchasing power with the Company's vendors.

Although it has only an estimated 1% national market share of the highly-fragmented furniture retailing market, Havertys is becoming an important customer to the largest furniture manufacturers due to its consistent track record of profitable, controlled growth and reputable customer service.

In February 1998, the Company and Furniture Brands International ("Furniture Brands") announced a strategic alliance whereby the Company will allocate up to 50% of its retail square footage to the display of products supplied by Furniture Brands. Furniture Brands' lines, which include widely recognized brands such as Broyhill, Lane, and Thomasville, currently account for approximately 30% of the retail square footage in Havertys' stores. Because of the alliance, the Company has received increased service support to each of its five regional or metropolitan area distribution centers and is allowed certain priorities in selecting new products. The program, which began implementation in the second quarter of 1998, is expected to reach the targeted increase in display square footage in the second half of 1999.

REVENUES

The following table sets forth the approximate percentage contributions by product or service to the Company's gross revenues for the past three years:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
<S>	<C> 1998	<C> 1997	<C> 1996
Merchandise:			
Living Room Furniture	48.5%	51.0%	52.2%
Bedroom Furniture	23.4	23.1	22.6
Dining Room Furniture	11.9	12.3	12.6
Bedding	7.6	7.4	6.6
Accessories and Other	5.6	3.4	3.5
Credit Service Charges	3.0	2.8	2.5
	100.0%	100.0%	100.0%

</TABLE>

DISTRIBUTION

The Company uses a regional warehouse distribution network to provide central receiving points from vendors and distribution of product to local market warehouses. Havertys has three regional warehouses operating in Charlotte, North Carolina; Jackson, Mississippi; and Ocala, Florida. The regional warehouses serve all of the Company's local markets except for Dallas, Texas, and Atlanta, Georgia, which each have a metropolitan area warehouse. The combination of enhanced information systems, just-in-time delivery practices and close coordination with vendors has substantially reduced the need to carry inventory in local market warehouses. The ratio of warehouse space to selling space has decreased over the last five years. This reduction has allowed local management to convert space previously used for warehousing into additional selling space, prepping centers and cross-dock locations for local deliveries.

The distribution system currently in place will facilitate the implementation of additional distribution improvements. Havertys is implementing EDI and just-in-time delivery systems with its major vendors, and the Company has purchased and is starting to roll out a new software system which will allow management to forecast inventory requirements and reorder merchandise in a more efficient manner.

CREDIT OPERATIONS

As a service to its customers, Havertys offers a revolving charge credit plan with credit limits determined through its on-line credit approval system. Havertys Credit Services, Inc. ("Havertys Credit"), a wholly-owned subsidiary of Haverty Furniture Companies, Inc., was formed in 1996 to consolidate this function. Management believes that Havertys gains certain advantages over its primary competitors by controlling credit approval and the quality of customer relations rather than outsourcing these functions. Havertys Credit currently maintains a receivables portfolio of approximately $195 million, before deducting reserves.

Prior to 1996, Havertys' internal credit program was handled in 45 individual markets, with each having its own credit department, manager, support personnel and overhead. However, beginning in April 1996, Havertys' credit operations were centralized into a single credit processing and collections office in Chattanooga, Tennessee. By July 1996, 31 mid- to large markets accounting for approximately 90% of receivables had been transitioned to this office. The remaining smaller cities were phased in through June 1997 concurrent with the roll-out of the company's automated store computer system. During the transition period, Havertys did experience an increase in delinquencies. However, this coincided with increases in delinquencies throughout the credit industry. Management believes that over

the long-term, this move will allow the Company to realize significant cost savings and improvements in collection efforts while maintaining its high level of service.

Havertys Credit typically requires a 15% down payment and offers financing over 12 to 48 months, with an average term of 18 months. The standard (non-promotional) credit service charge rate currently ranges from 18% to 21% per annum (except for 10% in Arkansas), but will vary in the future depending on market conditions and state laws. Havertys Credit offers a lower credit service charge rate for individual purchases of over $3,000, and the Company also routinely offers various interest-free periods (typically five to 12 months) as part of promotional campaigns. About 44% of financed 1998 sales allow for deferred payment periods with most financed sales allowing for 3 months to 12 months of free interest. In January 1998, the deferred payment period was shortened from six months to five months from the month of purchase. The Company has not offered payment deferrals beyond six months although many competitor programs include deferrals and free interest for up to 18 months. Management believes that its credit offers are a reasonable response to similar or more aggressive promotions advertised by competitors, which therefore reduces the need to emphasize off-price promotions to stimulate sales. Unlike many of its competitors, Havertys Credit does not charge retroactive interest to customers who do not completely pay off the balance during a free-interest or deferred payment period in part because such periods are not as long as competitive offers. The amount financed under the Company's credit programs as a percent of net sales continued to decline in 1998 to 49% from 55% in 1997 as customers increased their usage of third party credit cards and cash. These combined factors resulted in an average interest yield of approximately 8.7% for 1998.

COMPETITION

The retail sale of home furnishings is a highly fragmented and competitive business. The Company believes that the primary elements of competition in its industry are customer service, merchandise (quality, style, selection, price, and display) advertising and store location and design. The degree and source of competition varies by geographic area. The Company competes with numerous individual retail furniture stores as well as chains and the better department stores. Department stores benefit competitively from more established name recognition in specific markets, a larger customer base due to their non-furnishings product lines and proprietary credit cards.

The Company believes it has uniquely positioned itself in the marketplace with merchandise that appeals to customers who are somewhat more affluent than those of most other competitive furniture store chains. Management believes that this customer segment responds more cautiously to typical discount promotions and focuses on the real value and customer service offered by a retailer. The Company regards its experienced sales personnel and personalized customer service as important factors in its competitive success. Lastly, management believes its ability to make prompt delivery of orders through maintenance of inventory and to tailor the inventory to a store's local market conditions provides additional competitive advantages. The Company currently ranks among the top five in sales for full-service retail home furnishings store chains in the United States, based on available industry data for 1997.

EMPLOYEES

As of December 31, 1998, the Company employed approximately 3,286 employees: 2,976 in individual retail store operations, 136 in its corporate offices, 84 in its credit operations and 90 in its regional warehouses. No employee of the Company is a party to any union contract and the Company considers its employee relations to be good.

EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the executive officers of the Company:

<TABLE>
<CAPTION>

NAME	AGE	POSITION WITH THE COMPANY AND OTHER INFORMATION
Rawson Haverty	78	Chairman of the Board since 1984. President from 1955 to 1984. Chief Executive Officer from 1955 to 1990. Director since 1947.
John E. Slater, Jr.	64	President and Chief Executive Officer since 1994. Executive Vice President from 1993 to 1994. Chief Operating Officer from 1992 to 1994. Senior Vice President from 1987 to 1993. General Manager, Stores, from 1990 to 1992. Director since 1983.
Dan C. Bryant	56	Vice President since 1998 and Controller since 1985.
Dennis L. Fink	47	Executive Vice President since 1996 and Chief Financial Officer since 1993. Senior Vice President from 1993 to 1996. Senior Vice President, Treasurer and Chief Financial Officer and a director of Horizon Industries, Inc., a publicly held carpet manufacturer, from 1985 to 1992.
Rawson Haverty, Jr.	42	Senior Vice President, Real Estate and Development since 1998. Vice President, Real Estate and Insurance Division from 1992 to 1998.
Jenny Hill Parker	40	Treasurer since 1998 and Corporate Secretary since 1997. Vice President, Finance from 1996 to 1998 and financial officer since 1994. Senior Manager at KPMG Peat Marwick LLP from 1988 to 1994 and other positions within that firm since 1981.
Clarence H. Smith	48	Senior Vice President and General Manager, Stores, since 1996. Vice President, Operations and Development, from 1994 to 1996. Vice President from

		1984 to 1994. Regional Manager and General Manager of Atlanta, Georgia, retail operations from 1986 to 1994. Director since 1989.
M. Tony Wilkerson	53	Senior Vice President, Marketing since 1994. Vice President, Merchandising, from 1990 to 1994.

</TABLE>

Rawson Haverty is the father of Rawson Haverty, Jr., and uncle of Clarence H. Smith and Clarence H. Ridley. Rawson Haverty, Jr. is the son of Rawson Haverty and the first cousin of Clarence H. Ridley and Clarence H. Smith. Clarence H. Smith is the nephew of Rawson Haverty and the first cousin of Clarence

H. Ridley and Rawson Haverty, Jr. (directors of the Company). Clarence H. Ridley is the nephew of Rawson Haverty and first cousin of Clarence H. Smith and Rawson Haverty, Jr.

ITEM 2. PROPERTIES

The Company's executive and administrative offices are located at 866 West Peachtree Street, N.W., Atlanta, Georgia and occupy a two-story brick building purchased in 1971 and an adjacent, one-story brick building purchased in 1986. These facilities contain approximately 29,000 and 15,000 square feet of working area, respectively. Havertys Credit Services, Inc., a subsidiary, leases 15,000 square feet of office space in Chattanooga, Tennessee.

The following table sets forth information concerning the operating facilities of the Company as of December 31, 1998.

<TABLE>
<CAPTION>

	RETAIL LOCATIONS(C)	MARKET AREA WAREHOUSES	REGIONAL WAREHOUSES
Owned (a)	48	9	3
Leased (b)	52	16	0
Total	100	25	3

</TABLE>

(a) Includes capital leases on 10 facilities and three retail stores built on sites under land leases.

(b) The leases have various termination dates through 2010 plus renewal options.

(c) 26 of the retail locations have attached warehouse space.

In addition, as of December 31, 1998, the Company has entered into an agreement for the lease of one retail facility.

<TABLE>
<CAPTION>

	1998	1997	1996
Retail square footage at December 31 (in thousands)	3,295	3,167	2,960
% Change in retail square footage	4.0%	7.0%	7.1%
Annual Net Sales per Square Foot	$ 168	$ 158	$ 159

</TABLE>

For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this report under Item 7 of Part II.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than routine litigation incidental to the business of the Company, to which the Company is a party or of which any of its properties is the subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of fiscal 1998.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information under the heading "Market Prices and Dividend Information" on page 12 of the Company's annual report to stockholders for the year ended December 31, 1998, is incorporated herein by reference in response to this item.

ITEM 6. SELECTED FINANCIAL DATA

Selected 5-Year Financial Data on page 13 of the Company's annual report to stockholders for the year ended December 31, 1998, is incorporated herein by reference in response to this item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 14 through 19 of the Company's annual report to stockholders for the year ended December 31, 1998, is incorporated herein by reference in response to this item.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 14 through 19, and contained in Note 7--Long-term Debt and Capital Lease Obligations on pages 28 and 29 of the Company's annual report to stockholders for the year ended December 31, 1998, is incorporated herein by reference in response to this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of the independent auditors and the financial statements on pages 20 through 38 of the Company's annual report to stockholders for the year ended December 31, 1998, are incorporated herein by reference.

Selected Quarterly Financial Data on page 37 of the Company's annual report to stockholders for the year ended December 31, 1998, is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information relating to directors of the Company contained on pages 6 through 8 of the Company's proxy statement for the 1999 annual meeting of stockholders, dated March 23, 1999, is incorporated herein by reference. Information relating to executive officers of the Company is included in this report under Item 1 of Part I.

ITEM 11. EXECUTIVE COMPENSATION

The information relating to executive compensation contained on pages 10 through 19 of the Company's proxy statement for the 1999 annual meeting of stockholders, dated March 23, 1999, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information relating to security ownership of certain beneficial owners contained on pages 2 and 3 of the Company's proxy statement for the 1999 annual meeting of stockholders, dated March 23, 1999, is incorporated herein by reference.

The following information is provided with respect to the number of shares of the Company's Common Stock and/or Class A Common Stock beneficially owned as of February 28, 1999, by (i) an executive officer who is not a director or nominee and is named in the Summary Compensation Table and (ii) all executive officers and directors as a group. Unless otherwise indicated, the person or entity shown possesses sole voting and investment powers with respect to the amounts shown.

Name or Number of Persons in Group	Common Stock Beneficially Owned and Percent of Class	Class A Common Stock Beneficially Owned and Percent of Class
Dennis L. Fink	78,545(a) *	--
15 Executive Officers and Directors as a Group	953,084(b) 10.54%	1,129,429(c) 46.26%

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* Less than 1% of outstanding shares of class.

(a) This amount includes unexercised options to purchase 58,808 shares which may be acquired upon the exercise of options which are presently exercisable or which will become exercisable on or before April 30, 1999.

(b) Of this amount, the persons included in this group have shared voting and investment power with respect to 140,855 shares (which includes 34,119 shares held in the Company's Retirement Plan and Trust) and shared voting power with respect to 145,064 shares which represent the shares held in the Company's 401(k) Plan. This amount also includes 311,769 shares which may be acquired upon the exercise of options which are presently exercisable or which will become exercisable on or before April 30, 1999.

(c) Of this amount, the persons included in this group have shared voting and investment power with respect to 367,006 shares (which includes 143,375 shares held in the Company's Retirement Plan and Trust) and sole voting power with respect to 24,630 shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information relating to certain relationships and related transactions contained on page 17 of the Company's proxy statement for the 1999 annual meeting of stockholders, dated March 23, 1999, is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

The following exhibits, financial statements and financial statement schedule are filed as a part of this report:

(a)(1) and (2). LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

The following consolidated financial statements of Haverty Furniture Companies, Inc., included in the annual report of the registrant to its stockholders for the year ended December 31, 1998, are incorporated by reference in Item 8:

Consolidated Balance Sheets--December 31, 1998 and 1997

Consolidated Statements of Income--Fiscal Years ended December 31, 1998, 1997 and 1996

Consolidated Statements of Stockholders' Equity--Fiscal Years ended December 31, 1998, 1997 and 1996

Consolidated Statements of Cash Flows--Fiscal Years ended December 31, 1998, 1997 and 1996

Notes to Consolidated Financial Statements

The following financial statement schedule of Haverty Furniture Companies, Inc. is included in Item 14(d):

Schedule II -- Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

(3) Exhibits

The exhibits listed below are filed with or incorporated by reference into this Report (denoted by an asterisk). Unless otherwise indicated, the exhibit number of documents incorporated by reference corresponds to the exhibit number in the referenced document. Exhibits 10.1 through 10.15 represent compensatory plans.

<TABLE>
<CAPTION>

EXHIBIT NUMBER		DESCRIPTION OF EXHIBIT
<C>	<C>	<S>
*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. (10-Q for the quarter ended June 30, 1985)
*3.1.1	--	Articles of Incorporation of Haverty Furniture Companies, Inc. as amended on April 25,1986. (10-Q for the quarter ended March 31, 1986)
*3.1.2	--	Amendment to Articles of Incorporation of Haverty Furniture Companies, Inc. as amended on April 28, 1989. (10-Q for the quarter ended June 30, 1989)
*3.1.3	--	Amendment to Articles of Incorporation of Haverty Furniture Companies, Inc. as amended on April 28, 1995. (10-K for the year ended December 31, 1996)
*3.2.1	--	Amended and Restated By-Laws of Haverty Furniture Companies, Inc. as amended on August 5, 1987. (10-K for the year ended December 31, 1987)
*3.2.2	--	Amendment to By-Laws of Haverty Furniture Companies, Inc. as amended on November 4, 1988. (10-Q for the quarter ended March 31, 1989)

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER		DESCRIPTION OF EXHIBIT
<C>	<C>	<S>
*3.2.3	--	Amendment to By-laws of Haverty Furniture Companies, Inc. as amended on October 30, 1998.
*4.1	--	Note Agreement between Haverty Furniture Companies, Inc. and The Prudential Purchasers (The Prudential Insurance Company of America) c/o Prudential Capital Group, dated December 29, 1993. (10-K for the year ended December 31, 1993)
*4.1.1	--	First Amendment to Note Agreement effective March 31, 1994, between Haverty Furniture Companies, Inc. and The Prudential Insurance Company of America. (10-K for the year ended December 31, 1994)
*4.1.2	--	Second Amendment to Note Agreement dated July 19, 1996, between Haverty Furniture Companies, Inc. and The Prudential Insurance Company of America, as previously amended. (10-K for the year ended December 31, 1996)
*4.2	--	Credit Agreements dated March 31, 1998, among Haverty Furniture Companies, Inc., Havertys Credit Services, Inc. and the Lenders Listed Therein, Agented by SunTrust Bank, Atlanta. (10-Q for the quarter ended March 31, 1998)

No other instrument authorizes long-term debt securities in an amount in excess of ten percent (10%) of the total assets of the Company. The Company agrees to furnish copies of instruments and agreement authorizing long-term debts of less than ten percent (10%) of its total assets to the Commission upon request.

*10.1	--	Second Amendment and Restatement of Directors' Deferred Compensation Plan. (10-Q for the quarter ended June 30, 1996, Exhibit 10.1.2)
*10.2	--	Supplemental Executive Retirement Plan, effective January 1, 1983. (10-K for the year ended December 31, 1984, Exhibit 10.3)
*10.3	--	Thrift Plan and Trust, as amended and restated, effective January 1, 1987. (Exhibit 4.1 to Registration Statement on Form S-8, File No. 33-44285)
*10.3.1	--	Amendment No. One to Thrift Plan and Trust, as previously amended and restated, effective July 1, 1994. (10-K for the year ended December 31, 1996)
*10.3.2	--	Amendment No. Two to Thrift Plan and Trust, as previously amended and restated, effective January 1, 1989. (10-K for the year ended December 31, 1996)
*10.3.3	--	Amendment No. Three to Thrift Plan and Trust, as previously amended and restated, effective January 1, 1997. (10-K for the year ended December 31, 1996)
*10.4	--	1986 Non-Qualified Stock Option Plan. (10-K for the year ended December 31, 1987, Exhibit 10.7)
*10.5	--	1988 Incentive Stock Option Plan, as amended. (Exhibit 4.1 to Registration Statement on Form S-8, File No. 33-53609)
*10.6	--	1988 Non-Qualified Stock Option Plan. (10-Q for the quarter ended June 30, 1989, Exhibit 10.2)
*10.6.1	--	Amendment Number One to 1988 Non-Qualified Stock Option Plan. (Registration Statement on Form S-2, File No. 33-59400, Exhibit 10.9.1)
*10.7	--	Haverty Furniture Companies, Inc. Employee Stock Purchase Plan, as amended and restated as of February 7, 1995. (10-K for the year ended December 31, 1994)

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER		DESCRIPTION OF EXHIBIT
<C>	<C>	<S>
*10.8	--	Deferred Compensation Agreement between Haverty Furniture Companies, Inc. and Rawson Haverty, Sr., dated December 21, 1992. (10-K for the year ended December 31, 1993, Exhibit 10.9)
*10.9	--	1993 Non-Qualified Stock Option Plan. (Registration Statement on Form S-8, File No. 33-53607, Exhibit 5.1)
*10.10	--	Supplemental Executive Retirement Plan, effective January 1, 1996. (10-K for the year ended December 31, 1995)
*10.11	--	Directors' Compensation Plan as of April 26, 1996. (10-Q for quarter ended June 30, 1996, Exhibit 10.11)
*10.12	--	Form of Agreement dated January 1, 1997, Regarding change in Control with the following Names Executive Officers: John E. Slater, Jr., Dennis L. Fink, Clarence H. Smith and M. Tony Wilkerson. (10-K for the year ended December 31, 1996)
*10.13	--	Form of Agreement dated January 1, 1997, Regarding Change in Control with the following employee directors: Rawson Haverty, Jr. (a Named Executive Officer) and Fred J. Bates. (10-K for the year ended December 31, 1996)
*10.14	--	Haverty Furniture Companies, Inc. 1998 Stock Option Plan, effective as of December 18, 1997. (Registration Statement on Form S-8, File No. 333-53215, Exhibit 10.1)
10.15	--	Haverty Furniture Companies, Inc. Top Hat Mutual Fund Option Plan, effective as of January 15, 1999.
13.1	--	Annual Report to Stockholders for the year ended December 31, 1998.
21.1	--	Subsidiaries of the Registrant.
23.1	--	Consent of Ernst & Young LLP.
27	--	Financial Data Schedule. (Filed electronically with SEC only)

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* Incorporated by reference.

(b) No reports on Form 8-K were filed during the quarter ended December 31, 1998.

(c) Exhibits--The response to this portion of Item 14 is as submitted in Item 14(a)(3).

(d) Financial Statement Schedules--The response to this portion of Item 14 is submitted as a separate section of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 25, 1999 By: /s/ JOHN E. SLATER, JR.

John E. Slater, Jr.
PRESIDENT AND CHIEF EXECUTIVE OFFICER
(PRINCIPAL EXECUTIVE OFFICER)

Dated: March 25, 1999 By: /s/ DENNIS L. FINK

Dennis L. Fink
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL OFFICER)

Dated: March 25, 1999 By: /s/ DAN C. BRYANT

Dan C. Bryant
VICE PRESIDENT, CONTROLLER
(PRINCIPAL ACCOUNTING OFFICER)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ RAWSON HAVERTY Rawson Haverty	Chairman of the Board	March 25, 1999
/s/ JOHN E. SLATER, JR. John E. Slater, Jr.	President and Chief Executive Officer, Director	March 25, 1999
/s/ FRED J. BATES Fred J. Bates	Regional Manager and Director	March 25, 1999
/s/ JOHN T. GLOVER John T. Glover	Director	March 25, 1999
/s/ RAWSON HAVERTY, JR. Rawson Haverty, Jr.	Senior Vice President and Director	March 25, 1999
/s/ L. PHILLIP HUMANN L. Phillip Humann	Director	March 25, 1999

SIGNATURE	TITLE	DATE
/s/ LYNN H. JOHNSTON Lynn H. Johnston	Director	March 25, 1999
/s/ FRANK S. MCGAUGHEY, III Frank S. McGaughey, III	Director	March 25, 1999
/s/ CLARENCE H. RIDLEY Clarence H. Ridley	Vice Chairman and Director	March 25, 1999
/s/ CLARENCE H. SMITH Clarence H. Smith	Senior Vice President and Director	March 25, 1999
/s/ ROBERT R. WOODSON Robert R. Woodson	Director	March 25, 1999

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

HAVERTY FURNITURE COMPANIES, INC. AND SUBSIDIARIES

(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C-1	COLUMN C-2	COLUMN D	COLUMN E
	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	OTHER (1)	DEDUCTIONS--DESCRIBE (2)	BALANCE AT END OF PERIOD
Year ended December 31, 1998:					
Allowance for doubtful accounts............	$ 8,500	$ 6,456	--	$ 6,656	$ 8,300
Year ended December 31, 1997:					
Allowance for doubtful accounts............	$ 7,105	$ 7,648	$ 795	$ 7,048	$ 8,500
Year ended December 31, 1996:					
Allowance for doubtful accounts............	$ 7,105	$ 4,416	--	$ 4,416	$ 7,105

----

(1) Represents a reclassification of amounts related to past due accounts receivable previously included in accrued liabilities.

(2) Uncollectible accounts written off, net of recoveries and the disposal value of repossessions.

EXHIBIT 3.2.3

ARTICLES OF AMENDMENT
OF BY-LAWS OF
HAVERTY FURNITURE COMPANIES, INC.

Haverty Furniture Companies, Inc., a Maryland corporation (the "Corporation"), hereby amends its By-Laws as follows:

The existing Seventh Article of the By-Laws is amended in the following respects:

Article VII. Section 2.

The Corporation shall indemnify any Director made a party to any proceeding by reason of service in that capacity unless it is established that:

(1) The act or omission of the Director was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty; or

IN WITNESS WHEREOF, these Articles of Amendment have been executed by the Corporation through its duly authorized officers this 30th day of October, 1998.

HAVERTY FURNITURE COMPANIES, INC.

By: /s/ John E. Slater, Jr.

John E. Slater, Jr. President & CEO

Attest:

/s/ Jenny Hill Parker

Jenny Hill Parker
Vice President, Secretary and Treasurer

ex

Exhibit 10.15

HAVERTY FURNITURE COMPANIES , INC. AND SUBSIDIARIES

HAVERTYS TOP HAT MUTUAL FUND OPTION PLAN

1. PURPOSE OF THE PLAN. This plan shall be known as Havertys Top Hat Mutual Fund Option Plan. The purpose of the Plan is to attract and retain the highest quality employees for positions of substantial responsibility and to provide additional incentives to a select group of management or highly compensated employees of Haverty Furniture Companies, Inc. and its subsidiaries so as to promote the success of the Company.

2. DEFINITIONS. As used herein, the following definitions shall apply:

(a) "Administrator" shall mean the Board, or the person or persons appointed by Board to serve under paragraph 16, below.

(b) "Award Date" shall mean the effective date of the Participant's Option Agreement.

(c) "Board" shall mean the either the Board of Directors of Haverty Furniture Companies, Inc. and/or the Board of Directors of Havertys Credit Services, Inc., where applicable, and/or the Executive Committee(s) thereof.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(e) "Employee" shall mean any employee of the Company.

(f) "Option" shall mean an option granted pursuant to this Plan to purchase one or more Shares; "Options" shall mean the plural thereof.

(g) "Option Agreement" means a written agreement evidencing the award of an Option under the Plan.

(f) "Company" shall mean Haverty Furniture Companies, Inc. or any of its subsidiaries.

(g) "Participant" shall mean any Employee who receives an Option under the Plan, as evidenced by an Option Agreement entered into between such Employee and the Company.

(h) "Plan" shall mean the Havertys Top Hat Mutual Fund Option Plan, as amended from time to time.

(i) "Shares" shall mean the shares of mutual funds, shares of common or preferred stock of a corporation listed or reported on a national securities exchange or quotation system, or shares of a regulated investment company, as designated and amended by the Board and referenced in Appendix A. In no way, however, may Shares include units of any money market funds or other cash equivalents. Shares subject to purchase pursuant to any Option shall also include any earnings on such shares subsequent to the Award Date.

(j) "Termination of Employment" shall mean the date on which the employee ceases to perform services as an employee of the Company.

3. TERM OF PLAN. The Plan shall become effective on the date it is adopted by the Board and shall continue in effect until terminated pursuant to paragraph 18.

4. SHARES SUBJECT TO THE PLAN. The aggregate number and type of Shares subject to Options will be fully described in each Option Agreement.

5. ELIGIBILITY. All Employees who are both in the group of Employees determined to be part of the select group of management or highly compensated Employees and designated as eligible by the Board are eligible to receive Options under the Plan.

6. GRANT OF OPTIONS. The Board shall determine the number of Shares to be offered from time to time and grant Options under the Plan. The grant of Options shall be evidenced by written Option Agreements containing such terms and provisions as are approved by the Board. The Administrator shall execute the Option Agreements on behalf of the Company upon instructions from the Board.

7. TIME OF GRANT OF OPTIONS. The date of grant of an Option under the Plan shall, for all purposes, be the date on which the Board awards the Option, as evidenced by the execution of an Option Agreement.

8. OPTION PRICE. The Option Price for each Share shall be expressed

in each Option Agreement, provided, however, the Option Price shall be no lower than 25 percent of the fair market value of a Share on the date of grant of the Option. Fair market value on any day of reference shall be the closing price of the Share on such date, unless the Board, in its sole discretion

shall determine otherwise in a fair and uniform manner. For this purpose, the closing price of the Share on any business day shall be (i) if the Share is listed or admitted for trading on any United States national securities exchange, the last reported sale price of the Share on such exchange, as reported in any newspaper of general circulation, (ii) if the Share is not listed or admitted for trading on any United States national securities exchange, the average of the high and low sale prices of the Share for such day reported on The Nasdaq SmallCap Market or a comparable consolidated transaction reporting system, or if no sales are reported for such day, such average for the most recent business day within five business days before such day which sales are reported, or (iii) if neither clause (i) or (ii) is applicable, the average between the lowest bid and highest asked quotations for the Share on such day as reported by The Nasdaq SmallCap Market or the National Quotation Bureau, Incorporated, if at least two securities dealers have inserted both bid and asked quotations for the Share on at least 5 of the 10 preceding business days.

9. EXERCISE. Except as otherwise provided in an Option Agreement, all Options granted under the Plan will be vested at grant and therefore may be exercisable immediately.

The Option may be exercised in full or in part as determined by the Option Agreement.

Reinvested dividends shall be attributed proportionally to the property subject to the Option awards and Options in such reinvested dividends will be deemed exercised when the underlying Option award is exercised. For example, if an original grant of an Option to purchase 500 shares generated 100 shares from reinvested dividends, an exercise of one-fourth of the originally granted Options will result in the exercise of Options in 150 shares in order to proportionally include the resulting reinvested dividends.

In addition, all Options granted under the Plan may only be exercised subject to any other terms specified in the Option

Agreement and if such terms conflict with the terms of this Plan, the terms of the Option Agreement control.

10. LIMITATIONS ON OPTION DISPOSITION. Any Option granted under the Plan and the rights and privileges conferred therewith shall not be sold, transferred, encumbered, hypothecated or otherwise anticipated by the Participant other than by will or the laws of descent and distribution. Options shall not be subject to, in whole or in part, the debts, contracts, liabilities, or torts of

the Participant, nor shall they be subject to garnishment, attachment, execution, levy or other legal or equitable process.

11. LIMITATIONS ON OPTION EXERCISE AND DISTRIBUTION. In the event that the listing, registration or qualification of an Option or Shares on any securities exchange or under any state or federal law, or the consent of approval of any governmental regulatory body, or the availability of any exemption therefrom, is necessary as a condition of, or in connection with, the exercise of an Option, then the Option shall not be exercised in whole or in part until such listing, registration, qualification, consent or approval has been effected or obtained. Notwithstanding any provision of the Plan to the contrary, the Company shall have no obligation or liability to deliver any Shares under the Plan unless such delivery would comply with all applicable laws and all applicable requirements of any securities exchange or similar entity.

12. OPTION FINANCING. Upon the exercise of any Option granted under the Plan, the Participant may instruct the Company to sell or deem to sell a number of Shares otherwise deliverable to the Participant and attributable to the exercise of the Option in order to pay the exercise price of the Option. The Board or Administrator may, in its sole discretion, make financing available to the Participant to facilitate the exercise of the Option, subject to such terms as the Board may specify.

13. WITHHOLDING OF TAXES. The Board may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of any taxes which the Company is required by any law or regulation of any governmental authority, whether federal, state or local, domestic or foreign, to withhold in connection with any Option including, but not limited to, the withholding of the issuance of all or any portion of such Shares until the Participant reimburses the Company for the amount the Company is required to withhold with respect to such taxes, canceling any portion of such issuance in an amount sufficient to reimburse

itself for the amount it is required to so withhold, or taking any other action reasonably required to satisfy the Company's withholding obligation.

14. MODIFICATION OF OPTION OR PLAN. At any time and from time to time, the Board may execute an instrument providing for the modification, extension, or renewal of any outstanding Option and/or the Plan.

15. SUBSTITUTION OF OPTION. If a Participant has been granted an Option to purchase Shares under an Option Agreement, then except as limited by the terms of the Option Agreement, the Participant may direct that the Option be converted into an Option to purchase other Shares as permitted by the

Option Agreement. Such substitution shall only be allowed to the extent that, immediately following the substitution, the difference between the fair market value of the Shares subject to the substituted Option and the exercise price of the substituted Option is no greater than the difference which existed immediately prior to the substitution between the fair market value of the Shares subject to the original Option and the exercise price of the original Option. In no event shall a Participant be permitted to make substitutions more often than as prescribed under the Option Agreement.

16. ADMINISTRATION OF THE PLAN. The Board, in its sole discretion, is authorized to select the Employees who will receive Options and to determine the number of Options and the number of Shares underlying each Option. The Board, or the person or persons appointed by the Board to serve as Administrator, shall be the Administrator of the Plan. The Administrator, in its sole discretion, is authorized to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan and to the Options granted under the Plan, to determine the form and content of Options to be issued under the Plan, and to make such other determinations and exercise such other power and authority as may be necessary or advisable for the administration of the Plan. No fee or compensation shall be paid to any person for services as the Administrator. The Administrator in its sole discretion may delegate and pay compensation for services rendered relating to the ministerial duties of plan administration including, but not limited to, selection of investments available under the Plan. Any determination made by the Administrator pursuant to the powers set forth herein are final, binding and conclusive upon each Participant and upon any other person

affected by such decision, subject to the claims procedure hereinafter set forth. The Administrator shall decide any question which may arise regarding the rights of employees, Participants and beneficiaries, and the amounts of their respective interests, adopt such rules and exercise such powers as the Administrator may deem necessary for the administration of the Plan, and exercise any other rights, powers or privileges granted to the Administrator by the terms of the Plan. The Administrator shall maintain full and complete records of its decisions. Its records shall contain all relevant data pertaining to the Participant and his or her rights and duties under the Plan. The Administrator shall have the duty to maintain account records for all Participants. The Administrator shall cause the principal provisions of the Plan to be communicated to the Participants, and a copy of the Plan and other documents shall be available at the principal office of Haverty Furniture Companies, Inc. for inspection by the Participants at reasonable times determined by the Administrator.

17. CONTINUED EMPLOYMENT NOT PRESUMED. Nothing in the Plan or any document describing it, nor the grant of an Option via an Option Agreement, shall give any Participant the right to continue in employment with the Company or affect the right of the Company to terminate the employment of any such person with or without cause.

18. AMENDMENT AND TERMINATION OF THE PLAN OR OPTION AGREEMENT The Board, in its sole discretion, may amend, suspend or discontinue the Plan or Option Agreement. No amendment, suspension, or discontinuance shall impair the rights of any Participant except to the extent necessary to comply with any provision of federal or applicable state laws or except to the extent necessary to prevent detriment to the Company as so determined by the Board.

19. GOVERNING LAW. The Plan shall be governed by and construed in accordance with the laws of the State of Georgia.

20. SEVERABILITY OF PROVISIONS. Should any provision of the Plan be determined to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if such provision had never been inserted herein.

21. HEDGE OF LIABILITY CREATED BY THE OPTION PLAN. At the sole discretion of the Board, the liability created by the exercise

of the Options issued pursuant to the Option Plan may be offset by the Company entering into a hedging transaction. The hedging transaction may consist of the Company purchasing all or part of the Shares subject to the Options issued pursuant to the Plan, at date of grant of the Options or at any time during the Option exercise period.

22. CLAIMS PROCEDURE. In general, any claim for benefits under the Plan shall be filed with the Administrator by the Participant or beneficiary ("claimant") on the form prescribed for such purpose. If a claim for benefits under the Plan is wholly or partially denied, notice of the decision shall be furnished to the claimant by the Administrator within a reasonable period of time after receipt of the claim by the Administrator. The claims procedure shall be as follows:

(a) Any claimant who is denied a claim for benefits shall be furnished written notice setting forth:

(i) the specific reason or reasons for the denial;

(ii) specific reference to the pertinent provision of the Plan upon which the denial is based;

(iii) a description of any additional material or information necessary for the claimant to perfect the claim; and

(iv) an explanation of the claim review procedure under the Plan.

(b) In order that a claimant may appeal a denial of a claim, the claimant or the claimant's duly authorized representative may:

(i) request a review by written application to the Administrator, or its designate, no later than sixty (60) days after receipt by the claimant of written notification of denial of a claim;

(ii) review pertinent documents; and

(iii) submit issues and comments in writing.

(c) A decision on review of a denied claim shall be made not later than sixty (60) days after receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered within a reasonable period of time, but not later than one hundred and twenty (120) days after receipt of a request for review. The decision on a review shall be in writing and shall include the specific reason(s) for the decision and the specific reference(s) to the pertinent provisions of the Plan on which the decision is based.

23. DESIGNATION OF BENEFICIARY. A Participant, by filing the prescribed form (See Exhibit B) with the Administrator, may designate one or more beneficiaries and successor beneficiaries who shall be given the right to exercise Options in accordance with the terms of the Plan in the event of the Participant's death. In the event the Participant does not file a form designating one or more beneficiaries, or no designated beneficiary survives the Participant, the Option shall be exercisable by the individual to whom such right passes by will or the laws or descent and distribution.

24. INTENT. The Plan is intended to be unfunded and maintained by the Company solely to provide options to a select group of management or highly compensated employees as such group is described under Sections 201(2), 301(a)(3), and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA") as interpreted by the U.S. Department of Labor. The Plan is not intended to be a plan described in Sections 401(a)

or 457 of the Code. The obligation of the Company to deliver Shares subject to the Options granted under this Plan constitutes nothing more than an unsecured promise of the Company to fulfill such obligations and any property of the Company that may be set aside to permit it to fulfill such obligations under the Plan shall, in the event of the Company's bankruptcy or insolvency, remain subject to the claims of the Company's general creditors until such Options are exercised.

****

As evidence of its adoption of the Plan, Haverty Furniture Companies, Inc. and its subsidiaries have caused this instrument to be signed by officers of representative duly authorized on this 15th day of January, 1999.

Haverty Furniture Companies, Inc.	Havertys Credit Services, Inc.
By: /s/ John E. Slater, Jr.	By: /s/ Ben F. Koonce
Its: President	Its: President

APPENDIX A

SHARES AVAILABLE TO THE COMPANY FOR GRANT OR SUBSTITUTION

DESCRIPTION

STI CLASSIC FUNDS:

BALANCED FUND (SBATX)
CAPITAL GROWTH FUND (STCAX)
INVESTMENT GRADE BOND FUND (STIGX)

APPENDIX B

BENEFICIARY DESIGNATION FOR EXECUTIVE OPTION PLAN

To: Administrator of Havertys Top Hat Mutual Fund Option Plan

From:

Pursuant to Article 23 of the Haverty Furniture Companies, Inc. and Subsidiaries Option Agreement made as of ____________, 19__, I hereby designate the following person(s) as beneficiar(ies) who on my death shall be entitled to receive amounts under the Option Plan and Agreement:

Primary Beneficiary Name:

Secondary Beneficiary Name:

In making the above designation, the participant reserves the right to revoke this beneficiary designation or change the beneficiary(ies) designated at any time or times and without the consent of any beneficiary.

This beneficiary designation cancels and supersedes any beneficiary designation previously made with respect to this Agreement.

Signed:

Participant

Date

Market Prices and Dividend Information

On August 28, 1998, the Company's two classes of common stock began trading on The New York Stock Exchange ("NYSE"). The trading symbol for the Common Stock is HVT and for Class A Common Stock is HVT.A. Prior to trading on the NYSE, the Company's stock was listed on the Nasdaq National Market ("NNM") under the symbols HAVT and HAVTA. The table below sets forth the high and low sales prices per share as reported on either the NYSE or NNM, as applicable, and the dividends paid for the last two years:

1998

Quarter Ended	Common Stock High	Common Stock Low	Common Stock Dividend Declared	Class A Common Stock High	Class A Common Stock Low	Class A Common Stock Dividend Declared
March 31	$20	$13-1/4	$0.080	$20	$12-3/4	$0.075
June 30	24	18-1/4	0.080	25-7/16	19-3/4	0.075
Sept. 30	22-3/8	18-7/16	0.085	20	19-1/2	0.080
Dec. 31	22-7/16	17-3/8	0.085	21	19-1/8	0.080

1997

Quarter Ended	Common Stock High	Common Stock Low	Common Stock Dividend Declared	Class A Common Stock High	Class A Common Stock Low	Class A Common Stock Dividend Declared
March 31	$13-1/2	$11	$0.080	$13-1/8	$11-1/4	$0.075
June 30	13	10-7/8	0.080	12-3/4	10-5/8	0.075
Sept. 30	14-3/4	12	0.080	14-1/2	12-1/4	0.075
Dec. 31	14-3/4	11-3/4	0.080	14-3/8	11-7/8	0.075

BASED ON THE NUMBER OF INDIVIDUAL PARTICIPANTS REPRESENTED BY SECURITY POSITION LISTINGS, THERE ARE APPROXIMATELY 3,400 HOLDERS OF THE COMMON STOCK AND 200 HOLDERS OF THE CLASS A COMMON STOCK.

SELECTED 5-YEAR FINANCIAL DATA
(In thousands, except per share data)

	1998	1997	1996	1995	1994
Net sales	$540,298	$490,007	$456,860	$395,470	$370,132
Cost of goods sold	285,749	259,203	239,976	209,000	194,688
Income before income taxes	26,295	20,787	19,132	19,444	20,279
Income taxes	9,460	7,400	6,885	7,261	7,741
Net income	16,835	13,387	12,247	12,183	12,538
Earnings per Common Share	$ 1.47	$ 1.15	$ 1.05	$ 1.05	$ 1.10
Diluted earnings per Common Share	$ 1.44	$ 1.14	$ 1.04	$ 1.05	$ 1.10
Cash dividends:					
Amount	$ 3,745	$ 3,675	$ 3,508	$ 3,406	$ 3,082
Per share: Common Stock	0.330	0.320	0.305	0.300	0.275
Class A Common Stock	0.310	0.300	0.285	0.280	0.255

Accounts receivable, net	$186,172	$202,763	$200,909	$172,877	$160,405
Credit service charges	16,960	16,111	13,390	12,376	11,664
Provision for doubtful accounts	6,456	7,648	4,416	2,854	2,773
Inventories	$ 82,084	$ 80,713	$ 77,385	$ 73,597	$ 64,582
Capital expenditures	$ 11,144	$ 14,528	$ 16,463	$ 44,896	$ 24,387
Depreciation/amortization expense	14,272	13,792	12,644	10,634	8,602
Property and equipment, net	111,333	114,618	114,350	112,405	80,918
Total assets	$392,901	$406,514	$399,875	$371,778	$315,103
Long-term debt	$171,489	$120,434	$128,340	$137,206	$ 95,122
Total debt	177,889	202,934	208,840	190,606	144,322
Interest expense	13,183	14,330	14,463	11,158	8,470
Stockholders' equity	$158,058	$159,554	$150,916	$140,955	$131,055
Book value per share	14.16	13.64	12.84	12.13	11.40

</TABLE>

MANAGEMENT'S DISCUSSION AND
ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

This commentary should be read in conjunction with the Consolidated Financial Statements and Notes, presented elsewhere in this annual report, for a full understanding of Havertys' financial position and results of operations.

Certain information included in the following discussion contains "forward-looking statements" which may relate to financial results and plans for future business activities, and are thus prospective. Such forward- looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from future results expressed or implied. Potential risks and uncertainties include, but are not limited to, general economic conditions, the consumer spending environment for large ticket items, competition in the retail furniture industry and other uncertainties detailed in this Annual Report and detailed from time to time in other filings by the Company with the Securities and Exchange Commission. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

FINANCIAL HIGHLIGHTS
The following table sets forth for the periods indicated certain items from the Company's consolidated statements of income as a percentage of net sales.

<TABLE>
<CAPTION>

<S>	1998	1997	1996
Net sales	100.0%	100.0%	100.0%
Gross profit	47.1	47.1	47.5
Credit service charges	3.1	3.3	2.9
Selling, general and administrative	41.6	41.7	42.1
Interest expense	2.4	2.9	3.2
Provision for doubtful accounts	1.2	1.6	1.0
Other expense (income), net	0.1	0.0	(0.1)
Income before income taxes	4.9	4.2	4.2
Net income	3.1	2.7	2.7
Effective tax rate	36.0%	35.6%	36.0%

</TABLE>

1998 COMPARED TO 1997

Record earnings were achieved in 1998 as net income increased 25.8% over the previous record year of 1997 and 37.5% over 1996. This increase represents continued progress in the Company's efforts to improve earnings by increasing sales, better management of inventories and receivables, and share repurchases to improve earnings per share.

Net sales for 1998 increased 10.3% to $540.3 million from $490.0 million. This increase was primarily attributable to comparable-store sales which increased 7.1%. A store's results are included in the comparable-store sales computation on the anniversary of its opening. The Company entered five new markets in 1998 leasing five existing retail sites and opened ten stores in 1997, seven of which replaced eight smaller stores.

The Company closed two stores in 1998, including a clearance center in its largest market. Net selling space increased 4% in 1998 to 3,295,000 square feet.

Management believes that sales increases during the year were attributable to the favorable economic environment, the Company's more centralized advertising with a focus on brand name product and accessory items, effective merchandising in its stores, and the disarray of financially pressured competitors. The strong housing sales and lower interest rates experienced during 1998 were positive for the industry and were particularly evident in the Company's regions of operations. The Company's focused advertising approach provides a consistent and effective message at a more favorable cost. Management believes that the advertising and merchandising of brand name product and accessory items selected to appeal its customer base have improved sales for all of the Company's merchandise.

Gross profit as a percent of net sales was 47.1% for 1998 which is unchanged from the 1997 level. The Company was able to maintain its margins despite increased pricing pressure from the promotional activity of its competitors and the inventory close-out sales in connection with the closure of its largest clearance centers. The LIFO charge was 0.05% of net sales in 1998 and 0.1% in 1997.

Credit service charges as a percent of sales decreased to 3.1% for 1998, down from 3.3% in 1997. The amount financed under the Company's credit programs as a percent of net sales continued to decline in 1998 to 49% from 55% in 1997 as customers increased their usage of third party credit cards and cash.

The provision for doubtful accounts as a percent of net sales was 1.2% in 1998, down from 1.6% in 1997 and trending back to the 1.0% level recorded in 1996. Management believes this decline is attributable to the Company's tightening of its credit approval criteria slightly in the third quarter of 1997, the moderation in the rate of bankruptcy filings by its customers, and managerial and systems improvements in the Company's credit operations. The provision for doubtful accounts includes a $200,000 reduction in the allowance in 1998, bringing the balance to $8,300,000 compared to $8,500,000 in 1997. Such reduction principally relates to lower levels of problem and delinquent accounts. Based on the current environment and credit programs offered, management expects the provision in 1999 to return to the 1.0% of net sales recorded during 1996.

Selling, general and administrative expenses as a percent of net sales were 41.6% for 1998, which is essentially unchanged from the 1997 level and down from 42.1% in 1996. Additional resources were used during 1998 to more effectively manage the Company's inventories and credit operations. Working inventory levels are being reduced as demonstrated by the approximately $3.2 million dollars in new floor samples inventory required for the retail selling square footage added in 1998 and the $50 million increase in annual sales. Inventories of $82.1 million at the end of 1998 were up slightly over the 1997 level of $80.7 million. Management believes that it can continue to increase its retail square footage and comparable-store sales without increasing its working inventory requirements.

Interest expense for 1998 declined to 2.4% of net sales from 2.9% in 1997, with an 8.0% decrease in the total dollar amount of interest expense. Average borrowings decreased 11.3% and the effective interest rate increased 20 basis points to 7.2%.

The Company manages its exposure to changes in short-term interest rates, particularly to reduce the impact on its floating-rate term notes, by entering into interest rate swap agreements. The counterparties to these contracts are high credit quality commercial banks. Consequently, credit risk, which is inherent in all swaps, has been minimized to a large extent. Interest expense is adjusted for the differential to be paid or received as interest rates change. The effect of such adjustments on interest expense have not been significant. The level of floating-rate debt not fixed by swap agreements was not significant during the year and management does not expect a significant increase in these amounts in 1999. Accordingly, the Company does not presently believe it has material exposure to potential, near-term losses in future earnings and/or cash flows from reasonably possible near-term changes in market rates.

Other expense (income), net included expenses totaling $1,184,000, to recognize the future net lease expense for locations in which the Company has ceased operations, of which $940,000 was recorded in the fourth quarter. Management has determined that the future rent expense of these properties will not be fully offset by future sublease income given the short duration of the remaining lease periods and/or the location of the properties.

For information concerning the provision for income taxes, as well as information regarding differences between effective tax rates and statutory rates, see Note 8 of the Notes to the Consolidated Financial Statements.

1997 COMPARED TO 1996

Net sales for 1997 increased 7.3% from $456.9 million to $490.0 million. This increase was attributable to sales from new and relocated stores and a modest 0.7% comparable-store sales increase. Selling space increased 7.0% in 1997 to 3,167,000 square feet. There were ten stores added in 1997, seven of which replaced eight smaller stores and six new stores, were opened in 1996.

Gross profit as a percent of net sales was 47.1% in 1997 as compared to 47.5% in 1996. This decline was the result of inventory close-out sales as part of several store relocations and the transition to the Company's new Dallas warehouse facility. The LIFO charge was 0.1% of net sales in both 1997 and 1996.

Credit service charges as a percent of net sales increased to 3.3% in 1997, up from 2.9% in 1996. The percentage of customer purchases using credit programs in 1997 was slightly lower than in 1996, with similar levels of free-interest promotions. However, free-interest periods from promotions run in 1996 expired and the remaining balances generated higher service charge income in 1997.

The provision for doubtful accounts as a percent of sales continued to increase, up from 1.0% in 1996 to 1.6% in 1997. In response to increased delinquencies and bankruptcies affecting the entire consumer credit industry, the Company tightened its credit approval criteria slightly in the third quarter of 1997.

Selling, general and administrative expenses as a percent of sales declined to 41.7% in 1997 from 42.1% in 1996. Efficiencies gained from further centralization of production and purchasing of advertising contributed to the improvement, as did lower overhead due to consolidation of the credit function. During the second quarter of 1997, the Company completed the roll-out of its on-line inventory and automated store system to all of its locations, which led to improvements in warehouse and delivery processes and reductions in their related costs.

Interest expense in 1997 declined to 2.9% of net sales from 3.2% in 1996, with a slight decrease in the total dollar amount of interest expense. Average borrowings increased only slightly and the effective interest

rate dropped approximately 10 basis points to 7.0%. The effect of adjustments to interest expense for the differential arising from the Company's interest rate swap agreements was not significant during 1997.

LIQUIDITY AND SOURCES OF CAPITAL

The Company has historically used internally generated funds, bank borrowings and private placements with institutions to finance its operations and growth. Net cash provided by operating activities was $55.4 million in 1998. The Company carries its own customer accounts receivable which provided positive cash flows during 1998 as receivables decreased $10.1 million. Such decrease was due to less customer usage of credit promotions offered and by more customers using third party national credit cards. Also, customer payoffs on accounts were accelerated by the shortening of free-interest periods under one program.

Investing activities used $10.8 million of cash in 1998. During 1998, capital expenditures of $11.1 million included the improvements to five additional leased store locations which opened in 1998. Expenditures were also made for projects which will be completed in 1999.

Financing activities used $43.1 million of cash during 1998. The Company made $25.0 million in debt repayments and used $20.0 million for stock repurchases of 995,000 shares. There are approximately 325,000 shares remaining under the Board of Directors' most recent authorization.

In March 1998, the Company arranged two five-year revolving credit facilities totaling $105 million which were syndicated with five commercial banks. These facilities provide a multi-year commitment for the Company's capital requirements and replaced existing one-year bank line-of-credit agreements. The Company also has uncommitted line-of-credit agreements with two banks to borrow up to $25 million, which were unused at December 31, 1998. Borrowings under the revolving credit facilities were $66.4 million ($38.6 million unused), of which $60 million was classified as long-term debt because the Company expects that at least such amount will remain outstanding under these facilities for an uninterrupted period through 1999. Borrowings under all of these agreements are unsecured and accrue interest at competitive money-market rates.

In addition to cash flows from operations, the Company uses bank lines of credit on an interim basis to finance capital expenditures, share repurchases and repay long-term debt. Longer-term transactions such as private placements of senior notes and sale/leasebacks are used periodically to reduce short-term borrowings and manage interest-rate risk. The Company pursues a diversified approach to its financing requirements and balances its overall capital structure with fixed-rate and capped-rate debt as determined by the interest rate environment (90% of total debt was interest-rate protected at December 31, 1998). The Company's average effective interest rate on all borrowings (excluding capital leases) was 7.2% at December 31, 1998.

Capital expenditures in 1999 are presently expected to include the purchase and remodeling of three new Company store locations in existing retail space, the improvements of two new leased locations in existing retail space, construction of a new replacement store, leasehold improvements for two newly built stores including a new unique mall location, and the expansion and remodeling of three existing Company store locations. The preliminary estimate of capital expenditures for real estate in 1999 is approximately $30.0 million. Funds available from operations, bank lines of credit and other possible financing transactions are expected to be adequate to finance the Company's planned expenditures.

SEASONALITY

Although the Company does not consider its business to be seasonal, sales are somewhat higher in the second half of the year, particularly in the fourth quarter.

YEAR 2000

Many existing computer programs use only two digits to identify a year in the date field. Such systems, if not changed, may interpret "00" as "1900" instead of the year "2000." This "Year 2000" issue is believed to affect virtually all companies and organizations, including the Company.

The Company relies on computer-based technology and utilizes a variety of third-party hardware and proprietary and third-party software. The Company's retail functions (store systems software), such as merchandise procurement and distribution, inventory control, sales transactions and credit approval and account servicing, generally use proprietary software. The Company's administrative functions, such as accounting, also use proprietary software and to a more limited extent, third-party software for areas such as human resource management. In addition to such information technology ("IT") systems, the Company's operations rely on various non-IT equipment and systems that contain embedded computer technology, such as elevators and energy management systems. Third parties with whom the Company has relationships, including merchandise vendors and service providers used by the Company in its operations (such as banking and financial services, data processing services, telecommunications services and utilities), are also highly reliant on computer-based technology.

In 1997, the Company's Management Information Services (MIS) department developed a plan to modify the Company's proprietary systems for Year 2000 compliance. In 1998, a cross-departmental task force was formed to provide guidance to the Company's operating and support functions and to monitor the progress of Company-wide efforts to address Year 2000 issues. The Company has also consulted with various third parties, including, but not limited to, outside consultants, outside service providers, merchandise suppliers, industry groups, and other retail companies. The task force has divided the compliance project into five broad categories: store systems software, corporate office systems software, hardware, facilities, and vendors.

Beginning in January 1998, substantially all of the MIS development resources began programming modification efforts on the proprietary systems. The first phase focused on store systems. Each program and file has been reviewed, remediated if necessary and then tested. The store systems software phase was completed and testing was finished in May 1998. In the second half of 1998, the corporate office systems were reviewed and all identified programming changes have been made by MIS development personnel with testing scheduled to be complete by February 1999. The Company presently anticipates that all of its software and IT systems (including third-party and proprietary hardware, software, network components and interfaces) will be compliant with all Year 2000 issues by June 1999.

The Company has requested a report from all of its suppliers as to their Year 2000 preparedness. The Company has migrated all of its electronic data interchange (EDI) transactions with its trading partners to compliant software systems.

Despite the significant efforts to address Year 2000 concerns, the Company could potentially experience disruptions to some of its operations, including those resulting from noncompliant systems used by third-party business and governmental entities. The Company is developing contingency plans to address potential Year 2000 disruptions. These plans will address accessibility and functionality of Company facilities as well as interim steps to be taken if an event causes failure of a system critical to the Company's core business activities. The Company's contingency plans are expected to be complete by September 1999.

Through December 31, 1998, the Company has incurred approximately $0.8 million of expenses to achieve Year 2000 compliance. The Company's projected remaining cost for Year 2000 remediation is currently estimated to be $0.1 million. These expenses are not incremental costs but represent the MIS and managerial time dedicated to this issue rather than being used for new projects which have been postponed. Upgrade or replacement expenditures for IT hardware, operating systems and third-party software have not been included in these amounts as most of the items purchased met new Company requirements with respect to additional capacity, speed or functionality in addition to compliance with Year 2000 issues.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

The Accounting Standards Executive Committee (AcSEC) issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," (SOP) 98-1, during 1998, which is effective for 1999. The SOP requires that companies capitalize qualifying costs incurred during the application development stage. All other costs incurred in connection with an internal use software project are to be expensed as incurred. The Company will adopt the new SOP in the first quarter of 1999. Management does not expect the adoption of this SOP to have a material impact on the Company's financial position or results of operations.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), which is effective for 2000. FAS 133 establishes standards for the recognition and measurement of derivatives and hedging activities. FAS 133 requires all derivatives to be recorded on the balance sheet at fair value and establishes the accounting for the changes in the fair value of the derivatives. Management expects to adopt the new requirements effective January 1, 2000, and does not anticipate that the adoption of this Statement will have a significant effect on the Company's financial position or results of operations.

CONSOLIDATED
BALANCE SHEETS

<TABLE>
<CAPTION>

(In thousands, except per share data)	DECEMBER 31 1998	1997
<S>	<C>	<C>
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,874	$ 390
Accounts receivable (Note 2)	186,172	202,763
Inventories (Note 3)	82,084	80,713
Other current assets	8,047	5,763
TOTAL CURRENT ASSETS	278,177	289,629
Property and equipment (Notes 4 and 7)	111,333	114,618
Deferred income taxes (Note 8)	1,264	--
Other assets	2,127	2,267
	$392,901	$406,514
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable to banks (Note 5)	$ 6,400	$ 82,500
Accounts payable and accrued expenses (Note 6)	52,500	41,298
Deferred income taxes (Note 8)	1,856	165
Current portion of long-term debt and capital lease obligations (Notes 7 and 12)	9,711	8,945
TOTAL CURRENT LIABILITIES	70,467	132,908
Long-term debt and capital lease obligations, less current portion (Notes 7 and 12)	161,778	111,489
Deferred income taxes (Note 8)	--	199
Other liabilities	2,598	2,364
TOTAL LIABILITIES	234,843	246,960
Commitments (Note 12)		
Stockholders' equity (Notes 9 and 11)		
Preferred Stock, par value $1 per share, Authorized - 1,000 shares; Issued: None		
Common Stock, Authorized - 50,000 shares; Issued: 1998 - 10,393 shares; 1997 - 9,604 shares (including shares in treasury: 1998 and 1997 - 1,739 and 756, respectively)	10,393	9,604
Convertible Class A Common Stock, Authorized - 15,000 shares; Issued: 1998 - 2,772 shares; 1997 - 3,096 shares (including shares in treasury: 1998 and 1997 - 261 and 249, respectively)	2,772	3,096
Additional paid-in capital	40,338	35,363
Retained earnings	133,207	120,117
	186,710	168,180
Less cost of Common Stock and Convertible Class A Common Stock in treasury	28,652	8,626
TOTAL STOCKHOLDERS' EQUITY	158,058	159,554
	$392,901	$406,514

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS
OF INCOME

<TABLE>
<CAPTION>

(In thousands, except per share data)	YEAR ENDED DECEMBER 31 1998	1997	1996
<S>	<C>	<C>	<C>
Net sales	$540,298	$ 490,007	$ 456,860
Cost of goods sold	285,749	259,203	239,976

Gross profit	254,549	230,804	216,884
Credit service charges	16,960	16,111	13,390
	271,509	246,915	230,274
Expenses:			
Selling, general and administrative	224,951	204,239	192,445
Interest	13,183	14,330	14,463
Provision for doubtful accounts	6,456	7,648	4,416
Other expense (income), net	624	(89)	(182)
	245,214	226,128	211,142
Income before income taxes	26,295	20,787	19,132
Income taxes (Note 8)	9,460	7,400	6,885
Net Income	$ 16,835	$ 13,387	$ 12,247
Earnings per Common Share	$ 1.47	$ 1.15	$ 1.05
Diluted Earnings per Common Share	$ 1.44	$ 1.14	$ 1.04
Weighted average common shares	11,456	11,670	11,694

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS
OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

(In thousands, except per share data)	COMMON STOCK ($1 PAR VALUE)	CLASS A COMMON STOCK ($1 PAR VALUE)	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1995	$ 9,155	$ 3,217	$32,494	$ 101,666	$ (5,577)	$ 140,955
Net income	--	--	--	12,247	--	12,247
Cash dividends on common stock:						
Amount	--	--	--	(3,508)	--	(3,508)
Per share:						
Common - $.305						
Class A Common - $.285						
Conversion of Class A Common Stock	49	(49)	--	--	--	--
Stock option transactions, net	102	24	1,062	--	--	1,188
Treasury stock issued	--	--	--	--	34	34
BALANCE AT DECEMBER 31, 1996	9,306	3,192	33,556	110,405	(5,543)	150,916
Net income	--	--	--	13,387	--	13,387
Cash dividends on common stock:						
Amount	--	--	--	(3,675)	--	(3,675)
Per share:						
Common - $0.32						
Class A Common - $0.30						
Conversion of Class A Common Stock	96	(96)	--	--	--	--
Stock option transactions, net	202	--	1,807	--	--	2,009
Treasury stock transactions, net	--	--	--	--	(3,083)	(3,083)
BALANCE AT DECEMBER 31, 1997	9,604	3,096	35,363	120,117	(8,626)	159,554
Net income	--	--	--	16,835	--	16,835
Cash dividends on common stock:						
Amount	--	--	--	(3,745)	--	(3,745)
Per share:						
Common - $0.33						
Class A Common - $0.31						
Conversion of Class A Common Stock	291	(291)	--	--	--	--
Stock option transactions, net	498	(33)	4,975	--	--	5,440
Treasury stock transactions, net	--	--	--	--	(20,026)	(20,026)
BALANCE AT DECEMBER 31, 1998	$10,393	$ 2,772	$40,338	$ 133,207	$(28,652)	$ 158,058

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS
OF CASH FLOWS

<TABLE>
<CAPTION>

(In thousands)	YEAR ENDED DECEMBER 31 1998	1997	1996
OPERATING ACTIVITIES			
Net income	$ 16,835	$ 13,387	$ 12,247
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	14,272	13,792	12,644
Provision for doubtful accounts	6,456	7,648	4,416
Deferred income taxes	228	(768)	2,497
(Gain) loss on sale of property and equipment	(57)	294	(510)
SUBTOTAL	37,734	34,353	31,294
Changes in operating assets and liabilities:			
Accounts receivable	10,135	(9,502)	(32,448)
Inventories	(1,371)	(3,328)	(3,788)
Other current assets	(2,284)	(1,341)	1,430
Accounts payable and accrued expenses	11,202	4,570	415
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	55,416	24,752	(3,097)
INVESTING ACTIVITIES			
Purchases of property and equipment	(11,144)	(14,528)	(16,463)
Proceeds from sale of property and equipment	214	174	2,384
Other investing activities	140	128	(432)
NET CASH USED IN INVESTING ACTIVITIES	(10,790)	(14,226)	(14,511)
FINANCING ACTIVITIES			
Net (decrease) increase in short-term borrowings	(76,100)	2,000	12,100
Proceeds from issuance of long-term debt	60,000	--	15,000
Payment of long-term debt and capital lease obligations	(8,945)	(7,906)	(8,866)
Treasury stock acquired	(20,056)	(3,130)	--
Exercise of stock options	5,440	2,009	1,188
Dividends paid	(3,745)	(3,675)	(3,508)
Other financing activities	264	152	(38)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(43,142)	(10,550)	15,876
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,484	(24)	(1,732)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	390	414	2,146
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,874	$ 390	$ 414

</TABLE>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION:
The Company is a full-service home furnishings retailer with 100 showrooms in 14 states. The Company sells a broad line of furniture in the middle to upper-middle price points range selected to appeal to its predominant target market. As an added convenience to its customers, the Company offers financing

through a revolving charge credit plan.

PRINCIPLES OF CONSOLIDATION:
The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

INVENTORIES:
Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method.

PROPERTY AND EQUIPMENT:
Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term of the related asset. Investments in property under capital leases are amortized over the related lease term.

CASH EQUIVALENTS:
The Company considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates fair market value.

FAIR VALUES OF FINANCIAL INSTRUMENTS:
The Company's financial instruments consist of cash, accounts receivable, accounts payable and long-term debt. The carrying value of cash, accounts receivable and accounts payable approximates fair market value; the carrying amount of long-term debt approximates fair market value based on current borrowing rates. The fair value of interest rate swap agreements is based on the estimated amount the Company would pay to terminate the agreements at the reporting date, taking into account current interest rates and the credit worthiness of the swap counterparties.

INTEREST RATE SWAP AGREEMENTS:
These agreements involve the exchange of fixed-rate amounts for floating-rate amounts over the life of the agreements without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and recognized as an adjustment to interest expense related to the debt. The related amount payable to or receivable from counterparties is included in other liabilities or assets. The fair values of the swap agreements are not recognized in the financial statements.

ADVERTISING EXPENSE:
The cost of advertising is expensed upon first showing. The Company incurred approximately $35,500,000, $31,800,000, and $33,100,000 in advertising costs during 1998, 1997, and 1996, respectively.

STOCK BASED COMPENSATION:
The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations in accounting for its employee stock options and adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (FAS 123). The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant and, accordingly, recognizes no compensation expense for the stock option grants.

EARNINGS PER SHARE:
Earnings per common share are computed based on the weighted average number of common shares. The dilutive effect of the Company's stock options is included in diluted earnings per common share and had the effect of increasing the weighted average shares outstanding assuming dilution by 246,000, 96,000 and 45,000 in 1998, 1997 and 1996, respectively.

Certain options outstanding during each of the following years and their related exercise prices were not included in the computation of diluted earnings per common share because their exercise price was greater than the average market price of the shares and, therefore, the effect would be antidulitive: 1998 - 258,400 shares at a price of $20.25; 1997 - 182,000 shares at prices ranging from $13.75 to $17.13; and 1996 - 452,000 shares at prices ranging from $12.00 to $17.13.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS:
The Accounting Standards Executive Committee (AcSEC) issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," (SOP) 98-1, during 1998, which is effective for 1999. The SOP requires that companies capitalize qualifying costs incurred during the application development stage. All other costs incurred in connection with an internal use software project are to be expensed as incurred. The Company will adopt the new SOP in the first quarter of 1999. The adoption of this SOP is not expected to have a material impact on the Company's financial position or results of operations.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), which is effective for 2000. FAS 133 establishes standards for the recognition and measurement of derivatives and hedging activities. FAS 133 requires all derivatives to be recorded on the balance sheet at fair value and establishes the accounting for the changes in the fair value of the derivatives. The Company expects to adopt the new requirements effective January 1, 2000, and does not anticipate that the adoption of this Statement will have a significant effect on its financial position or results of operations.

NOTE 2 - ACCOUNTS RECEIVABLE

Amounts financed under Company credit programs were, as a percent of net sales, approximately 49% in 1998, 55% in 1997 and 60% in 1996. Accounts receivable are shown net of the allowance for doubtful accounts of $8,300,000 and $8,500,000 at December 31, 1998 and 1997, respectively. Accounts receivable terms vary as to payment terms (30 days to four years) and interest rates (0% to 21%) and are generally collateralized by the merchandise sold. Accounts receivable balances due after one year at December 31, 1998 and 1997 were approximately $73,956,000 and $94,969,000, respectively, and have been included in current assets in accordance with trade practice.

The Company provides an allowance for doubtful accounts utilizing a methodology which considers the balances in problem and delinquent categories of accounts, historical write-offs and management judgment. Delinquent accounts are generally written off automatically after the passage of nine months without receiving a full scheduled monthly payment. Accounts are written off sooner in the event of a discharged bankruptcy or other circumstances that make further collections unlikely.

The Company believes that the carrying value of existing customer receivables is the best estimate of fair value because of their short average maturity and estimated bad debt losses have been reserved. Concentrations of credit risk with respect to customer receivables are limited due to the large number of customers comprising the Company's account base and their dispersion across fourteen states.

NOTE 3 - INVENTORIES

Inventories are measured using the last-in, first-out (LIFO) method of inventory valuation because it results in a better matching of costs and revenues. The excess of current cost over such carrying value of inventories was approximately $14,770,000 and $14,520,000 at December 31, 1998 and 1997, respectively. A number of the Company's competitors use the first-in, first-out (FIFO) basis of inventory valuation which approximates

current costs. The use of the LIFO valuation method as compared to the FIFO method had the effect of decreasing earnings per common share by $.01, $.03 and $.03 in 1998, 1997 and 1996, respectively, assuming the Company's effective tax rates were applied to changes in income resulting therefrom, and no other changes in income were made.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows (in thousands):

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Land	$ 20,986	$ 21,058
Buildings and improvements	103,029	98,566
Equipment	64,318	58,900
Capital leases	8,276	8,276
Construction in progress	205	313
	196,814	187,113
Less accumulated depreciation	(79,060)	(66,453)
Less accumulated capital lease amortization	(6,421)	(6,042)
Property and equipment, net	$ 111,333	$ 114,618

</TABLE>

NOTE 5 - CREDIT ARRANGEMENTS

At December 31, 1998, the Company owed $66,400,000 in short-term loans to banks, of which $60,000,000 was classified as long-term debt as described in Note 7. The Company also has uncommitted line-of-credit arrangements with banks to borrow up to $25,000,000, which were unused at December 31, 1998.

The weighted average stated interest rates for these outstanding borrowings at December 31, 1998 and 1997 were 5.9% and 6.2%, respectively.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The components of accounts payable and accrued expenses are as follows (in thousands):

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Accounts payable, trade	$25,920	$22,926
Accrued compensation	8,283	6,678
Taxes other than income taxes	6,931	4,273
Other	11,366	7,421
	$52,500	$41,298

</TABLE>

NOTE 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations are summarized as follows (in thousands):

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Revolving credit notes (a)	$ 60,000	$ --
Unsecured term note (b)	29,000	30,000
7.95% unsecured term note (c)	15,000	15,000
7.44% unsecured term note (d)	15,000	15,000
7.16% unsecured term note (e)	30,000	30,000
10.1% unsecured term note (f)	7,500	12,500
Secured debt (g)	12,494	14,830
6.3% to 10.5% capital lease obligations, due through 2016	2,495	3,104
	171,489	120,434
Less portion classified as current	9,711	8,945

$161,778	$111,489

</TABLE>

(a) The Company has two five-year revolving credit facilities totaling $105,000,000 under which $66,400,000 had been borrowed at December 31, 1998. The amount of $60,000,000 has been excluded from current liabilities because the Company expects that at least such amount will remain outstanding under these facilities for an uninterrupted period through 1999. Borrowings under these facilities have either a bid rate option or floating rate of interest of LIBOR plus a varying amount.

(b) The note is payable in quarterly installments of $250,000, increasing to $1,000,000 commencing in February 2000. The note matures in November 2006 and interest is payable quarterly. The note has a floating rate of interest of LIBOR plus 0.7%.

(c) The note is payable in semi-annual installments of $500,000 commencing in February 2000, increasing to $2,000,000 commencing in February 2007. The note matures in August 2008 and interest is payable quarterly.

(d) The note is payable in semi-annual installments of $1,250,000 commencing in January 2003 and matures in October 2008. Interest is payable quarterly.

(e) The note is payable in semi-annual principal payments of $2,143,000 commencing in October 2000 and matures in April 2007. Interest is payable quarterly.

(f) The note is payable in semi-annual installments of $2,500,000 plus interest payable quarterly and matures in April 2000.

(g) Secured debt is comprised of various first mortgage notes and first deeds of trust including some with fixed rates of interest ranging from 5.7% to 7.9% and some with floating rates of interest ranging from LIBOR plus 0.5% (note rate of 5.1% at December 31, 1998) to 70% of prime rate due through 2007. The Company may prepay the floating-rate notes at any time without penalty. Property and equipment with a net book value at December 31, 1998 of approximately $28,021,000 is pledged as collateral on secured debt.

The Company's debt agreements require, among other things, that the Company: (a) meet certain working capital requirements; (b) limit the type and amount of indebtedness incurred; (c) limit operating lease rentals; and (d) grant certain lenders identical security for any liens placed upon the Company's assets, other than those liens specifically permitted in the loan agreements. The Company is in compliance with these covenants at December 31, 1998.

The Company has entered into interest rate swap agreements to reduce the impact of changes in interest rates on its bank line-of-credit arrangements and floating-rate notes payable. At December 31, 1998, the Company had six outstanding interest rate swap agreements, having notional amounts aggregating $80,153,000. Two of the agreements effectively fix the average interest rate on the Company's $29,000,000 floating-rate term note at 8.2% through 2006. The remaining agreements are at rates ranging from 5.74% to 5.95% maturing in 2000, 2002 and 2008. Under the terms of the agreements, the Company makes payments at fixed rates and receives payments at variable rates which are based on LIBOR, adjusted quarterly. The Company had net unrealized losses relating to such instruments of $3,946,000 and $1,717,000 at December 31, 1998 and 1997, respectively.

The aggregate maturities of long-term debt and capital lease obligations during the five years subsequent to December 31, 1998 are as follows: 1999 - $9,711,000; 2000 - $12,091,000; 2001 - $11,259,000; 2002 - $11,179,000; and 2003 - $12,812,000.

Cash payments for interest were approximately $12,933,000, $14,321,000 and $14,594,000 in 1998, 1997 and 1996, respectively.

NOTE 8 - INCOME TAXES

Income tax expense (benefit) consists of the following (in thousands):

	1998	1997	1996
Current			
Federal	$ 8,936	$8,027	$4,244
State	296	141	144
	9,232	8,168	4,388
Deferred			
Federal	220	(756)	2,423
State	8	(12)	74
	228	(768)	2,497
	$ 9,460	$7,400	$6,885

Income tax expense differs from the amount computed by applying the statutory Federal income tax rate. The differences are summarized as follows (in thousands):

	1998	1997	1996
Statutory rates applied to income before income taxes	$9,203	$ 7,275	$6,696
State income taxes, net of federal tax benefit	192	92	94
Other	65	33	95
	$9,460	$7,400	$6,885

Deferred tax assets and liabilities as of December 31, 1998 and 1997 were as follows (in thousands):

	1998	1997
Deferred tax assets:		
Accrued liabilities	$ 2,146	$ 1,666
Capitalized leases	402	412
Net property and equipment	467	--
Operating leases	740	289
Alternative minimum tax credits	114	407
Net operating loss carry forward	--	1,035
TOTAL DEFERRED TAX ASSETS	3,869	3,809
Deferred tax liabilities:		
Accounts receivable related	3,434	3,037
Inventory related	571	--
Net property and equipment	--	807
Other	456	329
TOTAL DEFERRED TAX LIABILITIES	4,461	4,173

NET DEFERRED TAX LIABILITIES	$ (592)	$ (364)

</TABLE>

The Company made income tax payments of $8,033,000, $11,084,000 and $4,976,000 in 1998, 1997 and 1996, respectively.

NOTE 9 - STOCKHOLDERS' EQUITY

Common Stock has a preferential dividend rate, while Class A Common Stock has greater voting rights (including the ability to elect a majority of the Board of Directors). Class A Common Stock is convertible at the holder's option at any time into Common Stock on a 1-for-1 basis; Common Stock is not convertible into Class A Common Stock. There is no present plan for issuance of Preferred Stock.

NOTE 10 - BENEFIT PLANS

The Company has a defined benefit pension plan covering substantially all employees. The benefits are based on years of service and the employee's final average compensation. The Company's funding policy is to contribute annually an amount which is within the range of the minimum required contribution and the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The following table sets forth the plan's funded status and amounts recognized in the Company's balance sheets at December 31 (in thousands):

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 33,041	$ 27,981
Service cost	1,985	1,655
Interest cost	2,361	2,157
Actuarial losses	3,109	2,761
Benefits paid	(1,673)	(1,513)
Benefit obligation at end of year	38,823	33,041
Change in plan assets:		
Fair value of plan assets at beginning of year	33,616	27,51
Actual return on plan assets	6,615	5,483
Company contributions	283	2,129
Benefits paid	(1,673)	(1,513)
Fair value of plan assets at end of year	38,841	33,616
Plan assets in excess of projected benefit obligations	18	575
Unrecognized actuarial gain	(1,414)	(707)
Unrecognized prior service cost	729	860
Unrecognized net asset	(341)	(543)
(Accrued pension expense) prepaid asset included in the balance sheet	$ (1,008)	$ 185

</TABLE>

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

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Service cost-benefits earned during the period	$ 1,985	$ 1,655	$ 1,599

Interest cost on projected benefit obligations	2,361	2,157	1,972
Expected return on plan assets	(2,799)	(2,364)	(1,890)
Amortization of prior service cost	131	131	131
Amortization of transition asset	(202)	(202)	(202)
Net pension cost	$ 1,476	$ 1,376	$ 1,610

</TABLE>

The weighted-average discount rates used in determining the actuarial present value of benefit obligations were 6.75%, 7.25% and 7.75% at December 31, 1998, 1997 and 1996, respectively. The annual rate of increase for future compensation was 6.0% for 1998, 1997 and 1996. The expected long-term rate of return on plan assets was 8.5% for 1998, 1997 and 1996.

The plan's assets consist primarily of U.S. Government securities and listed stocks and bonds. Included in the plan assets at December 31, 1998, were 34,000 shares of the Company's Common Stock and 143,000 shares of the Company's Class A Common Stock with an aggregate fair value of $3,449,000. The plan received $56,000 as dividends on Company shares in 1998.

The Company has a non-qualified, non-contributory supplemental executive retirement plan (SERP) which covers five retired executive officers. The Plan provides annual supplemental retirement benefits to the executives amounting to 55% of final average earnings less benefits payable from the Company's defined benefit pension plan and Social Security benefits. The Company also has a non-qualified, non-contributory SERP for employees whose retirement benefits are reduced due to their annual compensation levels. The total amount of annual retirement benefits that may be paid to an eligible participant in the Plan from all sources (Retirement Plan, Social Security and the SERP) may not exceed $125,000. Under the plans, which are not funded, the Company pays benefits directly to covered participants beginning at their retirement. At December 31, 1998, the projected benefit obligation for these plans totaled $2,778,000 of which $1,842,000 is included in the accompanying balance sheet. Pension expense recorded under the SERPs amounted to approximately $431,000, $320,000 and $307,000 for 1998, 1997 and 1996, respectively.

The Company has an employee savings/retirement (401k) plan to which substantially all employees may contribute. The Company matches employee contributions to the extent of 50% of the first 2% of earnings and 25% of the next 4% contributed by participants. The Company expensed approximately $927,000 in 1998, $842,000 in 1997 and $811,000 in 1996 in matching employer contributions to this plan.

The Company offers no post-retirement benefits other than pensions and no significant post-employment benefits.

NOTE 11 - STOCK OPTION PLANS

The Stock Option Committee of the Board of Directors serves as Administrator for the Company's stock option plans. Options are granted by the Committee under stock plans to officers and non-officer employees. In accordance with certain provisions, options granted to non-employee directors of the Company are automatic annual grants on a pre-determined date to purchase a specific number of shares at the fair market value of the shares on such date. As of December 31, 1998, the maximum number of options which may be granted under the stock option plans was 507,900.

The table below summarizes options activity for the past three years under the Company's stock option plans.

<TABLE>
<CAPTION>

<S>	OPTION SHARES <C>	AVERAGE PRICE <C>

Outstanding at December 31, 1995	955,750	$ 12.37
Granted	578,854	10.77
Exercised	(65,754)	6.48
Canceled or expired	(388,404)	12.33
Outstanding at December 31, 1996	1,080,446	11.85
Granted	424,000	13.76
Exercised	(101,371)	8.80
Canceled or expired	(6,250)	10.91
Outstanding at December 31, 1997	1,396,825	12.66
Granted	276,400	20.19
Exercised	(584,102)	12.57
Canceled or expired	(11,950)	15.04
Outstanding at December 31, 1998	1,077,173	$ 14.61
Exercisable at end of year	556,740	$ 12.59

</TABLE>

All of the options outstanding at December 31, 1998 were for Common Stock. Exercise prices for options outstanding as of December 31, 1998 ranged from $10.75 to $22.28. The weighted-average remaining contractual life of those options is six years. Options granted prior to 1997 generally vest on the grant date; the remaining options vest over periods from within one year of grant date increasing to four years as the number of options granted to an individual increases.

In addition, the Company had shares available for future purchases under the Employee Stock Purchase Plan at December 31, 1998. This Plan promotes broad-based employee ownership and provides employees a convenient way to acquire Company stock. The Plan is a qualified plan under Section 423 of the Internal Revenue Code and meets the requirements of APB 25 as a non-compensatory plan. The Plan enables the Company to grant options to purchase up to 750,000 shares of Common Stock, of which 489,242 shares have been exercised from inception of the Plan, at a price equal to the lesser of (a) 85% of the stock's fair market value at the date of grant, or (b) 85% of the stock's fair market value at the exercise date.

Shares purchased may not exceed 10% of the employee's annual compensation, as defined, or $25,000 of Common Stock at its fair market value (determined at the time such option is granted) for any one calendar year. Employees pay for the shares ratably over a period of six months (the purchase period) through payroll deductions or lump sum payments, and cannot exercise their option to purchase any of the shares until the conclusion of the purchase period. In the event an employee elects not to exercise such options, the full amount withheld is refundable. During 1998, options for 104,010 shares were exercised at an average price of $13.66 per share. At December 31, 1998, options for 74,096 shares were outstanding at an option price of $16.15 per share.

The Company has elected to follow APB 25 and related Interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FAS 123 requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share is required by FAS 123 and has been determined as if the Company had accounted for its employee stock options granted subsequent to December 31, 1994 under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1998, 1997 and 1996, respectively: risk-free interest rate of 7.4%, 5.8% and 6.0%; dividend yield of 2.0%, 2.5% and 2.7%; volatility factors of the expected market price of the Company's Common Stock of 34.6%, 34.9%, and 36.7%, and a weighted-average expected life of the options of 5.5 years, except for those issued under the Employee Stock Purchase Plan which is six months. The weighted-average fair value of options granted under the Company's stock option plan was $7.69, $4.45 and $2.05 for the years 1998, 1997 and 1996, respectively. The weighted-average fair value of options granted under the Employee Stock Purchase Plan was $3.71,

$2.49 and $2.90 for the years 1998, 1997 and 1996, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	1998	1997	1996
Net income			
As reported	$ 16,835	$ 13,387	$ 12,247
Pro forma	15,762	12,771	10,850
Earnings per common share			
As reported	1.47	1.15	1.05
Pro forma	1.38	1.09	.93

The pro forma disclosures above are not likely to be representative of the effects on net income and earnings per share in future years because of the variability in the number of options granted and the amortization to expense over the options' vesting period.

NOTE 12 - COMMITMENTS

The Company leases certain property and equipment. Initial lease terms range from 5 years to 30 years and certain leases contain renewal options ranging from 1 to 25 years or provide for options to purchase the related property at fair market value or at predetermined purchase prices which do not represent bargain purchase options. The leases generally require the Company to pay all maintenance, property taxes and insurance costs.

At December 31, 1998, aggregate future minimum payments under capital leases and non-cancelable operating leases, including guaranteed residual values of $25,000,000, with initial or remaining terms in excess of one year consisted of the following (in thousands):

	CAPITAL LEASES	OPERATING LEASES
1999	$ 668	$15,252
2000	491	14,462
2001	353	13,613
2002	288	12,992
2003	198	11,670
Subsequent to 2003	2,033	61,320
Less total minimum sublease rentals		(4,914)
Net minimum lease payments		$124,395
Total minimum lease amounts	4,031	
Amounts representing interest	(1,536)	
Present value of future minimum lease payments	$ 2,495	

</TABLE>

Rental expense applicable to operating leases consisted of the following (in thousands):

	1998	1997	1996
Property			
Minimum	$ 15,786	$13,315	$ 11,102
Additional rentals based on sales	995	588	550
Sublease income	(1,626)	(1,049)	(1,025)
	15,155	12,854	10,627
Equipment	3,878	3,793	3,209
	$ 19,033	$ 16,647	$ 13,836

</TABLE>

The Company leases four store properties from unaffiliated groups under an operating lease agreement with five optional one year terms remaining. Minimum commitments, including guaranteed residuals, for such leased properties aggregate approximately $15,800,000.

NOTE 13 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 1998 and 1997 (in thousands, except per share data):

	1998 QUARTER ENDED			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
Net sales	$129,368	$121,996	$139,004	$149,930
Gross profit	60,931	57,155	65,477	70,986
Credit service charges	4,298	4,301	4,300	4,061
Income before income taxes	5,241	3,180	7,297	10,577
Net income	3,354	2,035	4,706	6,740
Earnings per common share	.29	.17	.41	.60
Diluted earnings per common share	.28	.17	.41	.59

</TABLE>

	1997 QUARTER ENDED			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
Net sales	$114,749	$113,006	$128,160	$134,092
Gross profit	54,469	52,863	60,123	63,349
Credit service charges	3,804	4,032	4,098	4,177
Income before income taxes	4,156	2,151	6,133	8,347
Net income	2,660	1,377	3,925	5,425
Earnings per common share	.23	.12	.34	.46
Diluted earnings per common share	.23	.12	.33	.46

</TABLE>

The quarter ended December 31, 1998 includes a $940,000 charge to recognize the future net lease expense for locations in which the Company has ceased operations.

REPORT OF
INDEPENDENT
AUDITORS

Board of Directors
Haverty Furniture Companies, Inc.

We have audited the accompanying consolidated balance sheets of Haverty Furniture Companies, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, stock-holders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Haverty Furniture Companies, Inc. and subsidiaries at December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 1, 1999

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

NAME	STATE OF INCORPORATION
Havertys Capital, Inc.	Nevada
Havertys Credit Services, Inc.	Tennessee
Havertys Enterprises, Inc.	Nevada

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Haverty Furniture Companies, Inc. of our report dated February 1, 1999 included in the 1998 Annual Report to Stockholders of Haverty Furniture Companies, Inc.

Our audits also included the financial statement schedule of Haverty Furniture Companies, Inc. listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Company's Registration Statement (Form S-8 No. 333-53215) pertaining to the 1998 Stock Option Plan of Haverty Furniture Companies, Inc., Registration Statement (Form S-8 No. 33-53607) pertaining to the 1993 Non-Qualified Stock Option Plan of Haverty Furniture Companies, Inc., the Registration Statement (Form S-8 No. 33-28560) pertaining to the 1988 Non-Qualified Stock Option Plan of Haverty Furniture Companies, Inc., the Registration Statement (Form S-8 No. 33-13755) pertaining to the 1986 Non-Qualified Stock Option Plan of Haverty Furniture Companies, Inc., the Registration Statement (Form S-8 No. 33-53609) pertaining to the 1988 Incentive Stock Option Plan of Haverty Furniture Companies, Inc. and the Registration Statement (Form S-8 No. 33-45724) pertaining to the Employee Stock Purchase Plan of Haverty Furniture Companies, Inc. of our report dated February 1,1999 with respect to the financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Haverty Furniture Companies, Inc.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 25, 1999

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THIS FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF HAVERTY FURNITURE COMPANIES, COS.
INC. AND SUBSIDIARIES AS OF DECEMBER 31, 1998 AND FOR THE YEAR THEN ENDED AND
IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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