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## **Movie Star, Inc., Reports Fiscal 2005 Second-Quarter and First-Half Financial Results**

New York, New York (February 10, 2005)—**Movie Star, Inc. (AMEX: MSI)**, today announced financial results for the fiscal 2005 second quarter and first half ended December 31, 2004.

For the fiscal 2005 second quarter, net sales improved 62% to \$22,990,000 from last year's \$14,166,000. The gross profit margin, however, declined for the period to 21.9% from 30.2% for the same period a year ago. The Company recorded a net loss of \$75,000 for the fiscal 2005 second quarter, as compared to net income of \$417,000 for the second quarter of fiscal 2004. This was primarily the result of lower gross margins and higher selling, general and administrative expenses. This loss per share was less than a \$0.01, compared with earnings per diluted share of \$0.03 recorded for the 2004's fiscal second quarter.

Net sales for the first half of fiscal 2005 increased approximately 16% to \$35,820,000 compared with sales of \$30,992,000 for the same period last year. The gross profit margin declined to 24.7% from 30.8% in the year-ago first half. For the fiscal 2005 first half, compared with the same period last year, the Company recorded a net loss of \$305,000 versus net income of \$1,269,000. A \$0.02 per share loss was recorded for the first half compared with earnings per diluted share of \$0.08 for the same period a year ago.

Mel Knigin, President and Chief Executive Officer, stated: "We lost money this quarter and we are extremely disappointed. We anticipated the higher level of revenues because of the Sidney Bernstein & Son Lingerie acquisition and the previously reported shift in customer orders from the first to the second quarter. We also anticipated that our second quarter revenues would include a large (\$7,150,000) lower margin order. Due to unanticipated delivery problems, which were initiated by extreme weather conditions in Asia, we incurred increased costs to fill this order and, as a result, we lost money on this order. Our loss this quarter is primarily a result of this order and a reduction in our regular margin business. Looking forward, we do not anticipate that we will end the year profitably as we enter the historically weaker half of our fiscal year.

“Although we are disappointed with the outlook for fiscal 2005, we are optimistic about our future. The addition of the Sidney Bernstein & Son division has been positive and we expect that it will continue to have a positive impact throughout the remainder of the fiscal year and beyond. We are continuously working hard to improve and grow our business and we are exploring strategies and opportunities that will diversify and strengthen our Company.”

MOVIE STAR, INC. produces and sells ladies apparel, including sleepwear, robes, leisurewear and daywear. Current collections include the *Cinema Etoile* premium line of intimate apparel and the *Movie Star* line of apparel sold as private label programs.

Certain of the matters set forth in this press release are forward-looking and involve a number of risks and uncertainties. Among the factors that could cause actual results to differ materially are the following: business conditions and growth in the industry; general economic conditions; addition or loss of significant customers; the loss of key personnel; product development; competition; risks of doing business abroad; foreign government regulations; fluctuations in foreign rates; rising costs for raw materials and the unavailability of sources of supply; the timing of orders booked; and the risk factors listed from time to time in the Company’s SEC reports.

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-or-

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[Tables follow]

MOVIE STAR, INC.  
CONDENSED BALANCE SHEETS  
(In Thousands, Except Share Information)

	<u>December 31,</u> <u>2004</u>	<u>June 30,</u> <u>2004*</u>	<u>December 31,</u> <u>2003</u>
	(Unaudited)		(Unaudited)
Assets			
Current Assets			
Cash	\$ 761	\$ 2,527	\$ 1,245
Receivables, net	15,435	7,577	8,141
Inventory	9,837	5,938	8,362
Deferred income taxes	2,744	2,571	1,792
Prepaid expenses and other current assets	688	588	305
Total current assets	<u>29,465</u>	<u>19,201</u>	<u>19,845</u>
Property, plant and equipment, net	1,048	1,021	1,047
Deferred income taxes	148	148	50
Goodwill	537	-	-
Other assets	<u>457</u>	<u>409</u>	<u>407</u>
Total assets	<u>\$31,655</u>	<u>\$20,779</u>	<u>\$21,349</u>
Liabilities and Shareholders' Equity			
Current Liabilities			
Note payable	\$11,460	\$ -	\$ -
Current maturity of capital lease obligation	-	-	6
Accounts payable and accrued expenses	<u>2,343</u>	<u>2,658</u>	<u>2,330</u>
Total current liabilities	<u>13,803</u>	<u>2,658</u>	<u>2,336</u>
Long-term liabilities	<u>377</u>	<u>374</u>	<u>347</u>
Commitments and Contingencies	-	-	-
Shareholders' equity			
Common stock, \$.01 par value – authorized 30,000,000 shares; issued 17,637,000 shares at December 31, 2004, 17,617,000 shares at June 30, 2004 and 17,617,000 shares at December 31, 2003	176	176	176
Additional paid-in capital	4,729	4,706	4,484
Retained earnings	16,178	16,483	17,624
Accumulated other comprehensive income	10	-	-
Treasury stock, at cost—2,017,000 shares	<u>(3,618)</u>	<u>(3,618)</u>	<u>(3,618)</u>
Total shareholders' equity	<u>17,475</u>	<u>17,747</u>	<u>18,666</u>
Total liabilities and shareholders' equity	<u>\$31,655</u>	<u>\$20,779</u>	<u>\$21,349</u>

\* Derived from audited financial statements.

MOVIE STAR, INC.  
STATEMENTS OF OPERATIONS  
(Unaudited)  
(In Thousands, Except Per Share Amounts)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Net sales	\$22,990	\$14,166	\$35,820	\$30,992
Cost of sales	<u>17,960</u>	<u>9,889</u>	<u>26,960</u>	<u>21,433</u>
Gross profit	5,030	4,277	8,860	9,559
Selling, general and administrative expenses	<u>5,030</u>	<u>3,554</u>	<u>9,211</u>	<u>7,374</u>
(Loss) income from operations	-	723	(351)	2,185
Interest income	(1)	-	(1)	-
Interest expense	<u>125</u>	<u>28</u>	<u>158</u>	<u>70</u>
(Loss) income before income taxes	(124)	695	(508)	2,115
Income taxes	<u>(49)</u>	<u>278</u>	<u>(203)</u>	<u>846</u>
Net (loss) income	<u>\$ (75)</u>	<u>\$ 417</u>	<u>\$ (305)</u>	<u>\$ 1,269</u>
BASIC NET (LOSS) INCOME PER SHARE	<u>\$ -</u>	<u>\$ .03</u>	<u>\$ (.02)</u>	<u>\$ .08</u>
DILUTED NET (LOSS) INCOME PER SHARE	<u>\$ -</u>	<u>\$ .03</u>	<u>\$ (.02)</u>	<u>\$ .08</u>
Basic weighted average number of shares outstanding	<u>15,620</u>	<u>15,596</u>	<u>15,619</u>	<u>15,548</u>
Diluted weighted average number of shares outstanding	<u>15,620</u>	<u>16,274</u>	<u>15,619</u>	<u>16,241</u>