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(Bassett, Va.) - January 9, 2004 - Bassett Furniture Industries Inc. (Nasdaq:BSET) announced today the results for its fourth quarter and fiscal year ended November 29, 2003.

The Company reported net income for the quarter of \$3.2 million or \$.28 per diluted share compared to \$1.7 million or \$.14 per diluted share in the fourth quarter of 2002. The improvement in earnings compared to the first three quarters of 2003 resulted from a combination of increased sales (due to opening more Bassett Furniture Direct (BFD) stores), productivity gains in both wood and upholstery operations, and the success of inventory reduction programs late in the year. Manufactured inventory levels were reduced by \$4 million in the fourth quarter and \$10 million for the year, which in turn lowered related reserves resulting in approximately \$1 million of additional gross profit in the fourth quarter.

Fourth quarter gross profit and selling, general and administrative expenses were impacted by the consolidation of LRG Furniture, LLC (LRG), which is discussed in detail below. Gross margin for the quarter improved by nearly 6 percentage points compared with the fourth quarter of 2002. Approximately 60 percent of this improvement was due to the consolidation of LRG retail margins and nearly 40 percent, or 2.2 percentage points, resulted from the manufacturing productivity improvements and successful inventory reduction efforts noted above. The \$4.1 million increase in selling, general, and administrative expenses during the quarter was due entirely to the consolidation of LRG's selling expenses into the Bassett results. Other income was higher for both the fourth quarter and the year due primarily to better results from the Company's investment portfolio in 2003.

Sales for the fourth quarter of 2003 were \$82.9 million, up 4 percent from the fourth quarter of 2002. This increase reflects the consolidation of LRG's retail sales. Sales for fiscal year 2003 were \$316.9 million compared with \$323.5 million for 2002. This decline was primarily attributable to a \$17 million sales decrease with JCPenney, partially offset by the consolidation of LRG's retail sales. Overall economic conditions and an extra week (53 weeks vs. 52 weeks) in fiscal 2002 also contributed to the 2003 sales decrease.

The Company reported a net loss of \$.5 million or (\$.04) per diluted share for the fiscal year 2003 after recognizing the cumulative effect of an accounting change discussed in detail below. The net loss in fiscal 2003 also included a previously announced \$3.2 million charge related to closing its Dublin, Ga., facility in the first quarter. Fiscal 2003 net income (before the \$4.9 million cumulative effect of an accounting change) was \$4.4 million or \$.38 per diluted share compared to \$6.7 million of net income in fiscal 2002 or \$.57 per diluted share.

"Although we are not pleased with our overall earnings results for 2003, we are encouraged with the progress we demonstrated in the fourth quarter, the cash flow that we generated during the year, and the backlog of prospects we developed in 2003 who will open new Bassett Furniture Direct stores in 2004," said Robert H. Spilman Jr., president and chief executive officer. "We expect 2004 to be a record year for opening BFD's and remain committed to our goal of 150 BFD stores by the end of 2005."

As previously announced by the Company, Bassett has adopted FASB Interpretation No. 46 "Consolidation of Variable Interest Entities," (FIN 46) for LRG. FIN 46 addresses the consolidation of entities known as variable interest entities by a primary beneficiary of the entity. FIN 46 consolidation criteria are based on an analysis of both contributed capital and projected risks and rewards, not control, and represents a significant and complex modification of previous accounting principles. LRG had previously been accounted for using the equity method. As a result of the most recent revisions to FIN 46, issued in late December by the Financial Accounting Standards Board, the Company consolidated LRG as of the beginning of fiscal year 2003 and not at the beginning of the fourth quarter as was earlier announced. Adopting FIN 46 for LRG as of the beginning of year provides better and more complete financial reporting for 2003, and improved comparability for future periods. The adoption of FIN 46 resulted in a non-cash cumulative effect charge of \$4.9 million (net of tax) or (\$.42) per diluted share in the first quarter of 2003. Attached are schedules which present the first three quarters of fiscal 2003 adjusted for the consolidation of LRG pursuant to the adoption of FIN 46 as of the beginning of fiscal 2003 with reported fourth quarter and 2003 results, and compare the previously filed results with the adjusted results for each of the first three quarters.

The Company's November 29, 2003 balance sheet, with no debt and a sizeable investment portfolio, remains strong and continues to bolster its retail growth strategy. The Company generated \$22.6 million of cash from operating activities, nearly double the amount generated in fiscal 2002, due primarily to inventory reduction programs which were successfully executed in 2003. The Company used this cash and net proceeds from certain of its investments to repay \$3.0 million of debt, fund \$6.2 million of capital spending, fund \$9.3 million of dividends, and increase its cash balance by nearly \$14 million.

The Bassett Furniture Direct® retail store program continues to grow with 100 BFD stores currently in operation. Licensees opened 19 stores in 2003 and the Company expects licensees to open 20 to 25 new stores in fiscal 2004, spread evenly over the year. Sales to BFD stores were 53 percent of wholesale sales in 2003 and are planned to approximate 63 percent of total Bassett wholesale sales in 2004.

The Company's primary focus continues to be expanding and improving its BFD store program. "We will intensify our efforts in these areas in 2004 while we take the necessary actions to continue to deliver value to our retail customers and further improve our operating earnings," said Mr. Spilman. Towards this effort, the Company is further consolidating upholstery production from a smaller facility in Hiddenite, N.C., to its primary upholstery facility in Newton, N.C. The Company expects to incur a restructuring charge in the range of \$.6 million to \$1 million in the first quarter of 2004 related to these and related actions. After this consolidation is complete, the Company will have reduced the number of its manufacturing facilities from 13 in early 2001 to seven in early 2004, significantly lowering its overall fixed cost structure.

"December order and shipment levels have been soft and business conditions for our Company and our industry remain challenging," added Mr. Spilman. "We are cautiously optimistic as we enter the new year, hard at work on new products which we will introduce in April and on our plans to strengthen our presence on the West Coast, including new stores in 2004, and a new distribution center and a small upholstery operation in 2005 to support this growth."

Other opportunities and issues that will confront the Company in the first half of 2004 include realizing the proceeds of the sale of its former California manufacturing facility and completing the complex analysis of FIN 46 for its other equity investees. The Company has not determined whether any other affiliated entities will need to be consolidated based on this interpretation.

Bassett also announced that its Board of Directors has declared a regular quarterly dividend of \$.20 per share payable on March 1, 2004, to shareholders of record on February 13, 2004, and fixed January 14, 2004 as the record date for determining stockholders entitled to notice of and to vote at the annual meeting of stockholders to be held on February 24, 2004.

Bassett Furniture Industries, Inc. is a leading manufacturer and marketer of high quality, mid-priced home furnishings. With 100 Bassett Furniture Direct stores, Bassett has leveraged its strong brand name in furniture into a growing network of licensed stores that focus on providing consumers with a friendly environment for buying furniture and accessories. While the Company continues to sell its products to other retailers, the most significant growth vehicle for Bassett continues to be the Company's dedicated retail store program. Bassett's retail strategy encompasses affordable custom-built furniture that is ready for delivery in the home within 30 days. The stores also feature the latest on-trend furniture styles, more than 1,000 upholstery fabrics, free in-home design visits, and coordinated decorating accessories. For more information, visit the Company's website at www.bassettfurniture.com.

Certain of the statements in the immediately preceding paragraphs, particularly those preceded by, followed by or including the words "believes," "expects," "anticipates," "intends," "should," "estimates," or similar expressions, or those relating to or anticipating financial results for periods beyond the fiscal year 2003, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended. For those statements, Bassett claims the protection of the safe harbor for forward looking statements contained in the Private Securities Litigation Reform Act of 1995. In many cases, Bassett cannot predict what factors would cause actual results to differ materially from those indicated in the forward looking statements. Expectations included in the forward-looking statements are based on preliminary information as well as certain assumptions which management believes to be reasonable at this time. The following important factors affect Bassett and could cause those results to differ materially from those expressed in the forward looking statements: the economic, competitive, governmental, technological and other factors identified in Bassett's filings with the Securities and Exchange Commission.