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(Bassett, Va.) - September 28, 2004 - Bassett Furniture Industries Inc. (NASDAQ: BSET) announced today its earnings for its third fiscal quarter ended August 28, 2004.

Sales for the third quarter of 2004 were \$78.6 million, down 1% from third quarter 2003 levels. The growth in the Company's ongoing distribution channels, fueled by increased shipments to Bassett Furniture Direct stores (BFDs) and greater demand for juvenile products, were again offset by attrition with JCPenney and independent furniture stores. Year-to-date shipments into the BFD channel were up \$14.6 million or 13% over 2003, offsetting attrition in other channels (including an \$8.7 million decrease with JCPenney and a \$4.1 million decrease with smaller independent furniture stores).

The Bassett Furniture Direct retail store program continues to grow with 109 stores currently in operation. The Company expects licensees to open 11 additional stores in the fourth quarter and end fiscal year 2004 with 120 BFD stores. Sales to BFD stores were 58% of total wholesale shipments in the first nine months of 2004 compared to 52% in the first nine months of 2003.

The Company reported net income for the quarter of \$1.1 million or \$.10 per share as compared to \$1.6 million or \$.13 per share for the third quarter of 2003. Excluding the previously announced \$1.2 million restructuring charge for closing the Macon, Ga., wood manufacturing facility, net income would have been \$2.0 million or \$.17 per share. On a year-to-date basis, the Company has recorded net income of \$5.3 million or \$.45 per diluted share, after both realizing a \$3.9 million gain on the sale of its former California upholstery facility and recognizing \$4.1 million in restructuring and impaired asset charges in 2004. This compares to a \$3.7 million net loss in the first nine months of 2003. Excluding restructuring and impaired asset charges and, in 2003, the cumulative effect of an accounting change, net income for the first nine months of 2004 was \$5.5 million or \$.46 per diluted share compared to \$3.5 million or \$.30 per share in the first nine months of 2003.* A reconciliation to the net income and earnings per share for such periods has been set forth below.

The 2004 year-to-date earnings improvement resulted from a combination of sales growth, an increased mix of imported product and improved performance from LRG and the Company-owned BFD stores. This improvement was primarily due to a reduction in selling, general, and administrative expenses, resulting from the actions taken in 2003 that lowered the expense structure of these BFD stores.

"We continue to be pleased with the growth of our BFD store program, the success of new product introductions such as Continental Sketchbook and the improvement in our pre-charge operating earnings," said Robert H. Spilman Jr., president and chief executive officer. "We expect to see better sales and earnings in the fourth quarter through a combination of the new BFD stores that will open, the seasonally strong September/October retail buying period, and the efficiencies gained by the consolidation of the Macon production into other facilities. We are also very excited about our new John Elway home entertainment collection making its debut at the upcoming October Furniture Market in High Point."

The Company increased inventories \$8.6 million during the quarter to support the introduction of new collections and provide better service levels for key imported items. For the year, the Company has utilized nearly \$9 million in cash, reflecting in part the increased inventories and the Company's continued payment of its quarterly dividend. Additionally, the proceeds of selling property has been reinvested primarily in retail real estate and the Company has increased its investment portfolio by \$6.3 million.

Bassett also announced that its Board of Directors has declared a regular quarterly dividend of \$.20 per share payable on December 1, 2004, to shareholders of record on November 15, 2004.

Bassett Furniture Industries, Inc. is a leading manufacturer and marketer of high quality, mid-priced home furnishings. With over 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 includes 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.

*The Company has included the "as adjusted" information because it uses, and believes that others may use, such information in comparing the Company's operating results from period to period. However, the items excluded in determining the "as adjusted" information are significant components in understanding and assessing the Company's overall financial performance for the periods covered.

Certain of the statements contained in this release, 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 third quarter of fiscal year 2004, 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: economic, competitive, governmental and other factors identified in Bassett's filings with the Securities and Exchange Commission, and the effects of national and global economic or other conditions and future events on the retail demand for home furnishings.