Hooker Furniture Reports Increased Sales and Optimistic Outlook

March 25, 2004

Martinsville, Va.: Hooker Furniture Corporation (Nasdaq-SCM: HOFT) today reported net sales of $78.2 million for the quarter ended February 29, 2004, representing a 5.0% increase from $74.5 million in the same period last year and the ninth consecutive quarter of increased sales compared with the same prior year periods.

"We are pleased with our top line performance this quarter, considering the strong sales levels we were up against in last year's first quarter," said Paul B. Toms Jr., chairman and chief executive officer. "We have solid momentum heading into the second quarter, with strong orders for both wood and upholstered furniture," he said. "This order position should provide excellent shipping opportunities in the second quarter."

Sales increases in the 2004 first quarter are attributed primarily to increased shipments of imported wood furniture and having an additional month of Bradington-Young upholstery shipments compared to the prior year. Shipments of imported wood furniture increased 11.0% to $38.6 million in the 2004 first quarter compared with $34.8 million in the same 2003 period. Shipments from leather upholstery specialist Bradington-Young accounted for $12.3 million in net sales during the 2004 three-month period compared to $8.7 million during the two months following its acquisition by the Company at the beginning of January 2003. First quarter 2004 shipments of the Company's domestically produced wood furniture declined 11.9% to $27.3 million from $31.0 million in the year earlier quarter.

Net income for the 2004 first quarter was $4.0 million, or $0.35 per share. That compares to net income of $5.0 million, or $0.44 per share for the 2003 first quarter. Operating margins improved to 8.7% in the current quarter, from 7.8% in the fourth quarter of 2003. "While we fell short on our margins compared to the strong first quarter of 2003, we believe we are poised to improve margins beginning in the second quarter of 2004 through better capacity utilization of our domestic manufacturing facilities in both wood and upholstery," said Toms.

Gross profit margin declined to 26.1% in the 2004 first quarter compared to 27.6% in the 2003 first quarterly period. Margins were depressed during the 2004 quarter principally due to higher inbound freight costs as a percentage of net sales volume of imported wood furniture and production inefficiencies created by low capacity utilization at Hooker's domestic wood furniture facilities and weather-related downtime at Bradington-Young's upholstery factories.

Selling and administrative expenses increased to 17.4% of net sales in the 2004 first quarter from 16.1% in the same 2003 period. The increase is principally due to: 1) higher selling, warehousing and distribution costs to support higher import sales; 2) increased bad debt expense related to several isolated credit issues; 3) increased leather upholstery product swatching costs, incurred to provide leather product samples to Bradington-Young's expanding dealer base; and, 4) higher legal and professional expenses incurred to comply with the corporate governance mandates brought about by the Sarbanes-Oxley Act of 2002.

"We expect the Company's performance in the second quarter to be impacted by three factors," said Toms. "First, as reported in the fourth quarter of 2003, inventory levels of imported products have not been sufficient to capitalize on the greater-than-anticipated increase of incoming orders. While we adjusted our order rates upward late last summer in response to the increased demand, import inventory receipts did not increase enough to begin shipping our backlog until February 2004. We expect continued strong receipt of imported wood furniture through the second quarter, which should allow improved shipments and return backlogs to normal levels by the end of the second quarter," said Toms.

"Secondly, while we were able to increase our planned work schedules for domestic wood manufacturing beginning in January 2004, we will not fully realize the impact of that change until the second quarter. However, after increasing work schedules, we have experienced lower production costs as a percentage of net sales in our domestic wood manufacturing operations. Our profitability should benefit from these improvements during the upcoming quarter," Toms said.

"Finally, the outlook for increased upholstered furniture sales in the near term is bright," Toms said. "As we continue to ramp up that operation and realize the benefits of integrating the Hooker Furniture and Bradington-Young sales forces, we expect to see increased sales and profits from Bradington-Young," he said. "In the intermediate term, we believe we have the infrastructure in place to meet anticipated increased demand with additions to the Bradington-Young labor force."

"Hooker has an optimistic outlook as we enter the second quarter," Toms said. "Retail is continuing to recover. Incoming order rates are strong. We expect net sales to increase 8% to 12% in the 2004 second quarter compared to last year's second quarter as we expect to ship much of our imported product order backlog and better capitalize on the brisk incoming order rate."

Ranked among the nation's top 15 public furniture manufacturers in sales, Hooker Furniture is an 80-year old producer and importer of wall and entertainment systems, home office, occasional, dining, bedroom and upholstered leather furniture with approximately 1900 employees. The Company owns seven manufacturing facilities, a distribution center and a warehouse located in Virginia and North Carolina. Plant locations include Cherryville, Hickory, Pleasant Garden, and Maiden, N.C. and Martinsville and Roanoke, Va. The Company's stock is listed on the Nasdaq SmallCap Market under the symbol HOFT, and closed on March 25, 2004 at $21.23. Please visit us on the World Wide Web at www.hookerfurniture.com and www.bradington-young.com.

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