Hooker Furniture Reports Robust Earnings Improvement in Third Quarter

September 30, 2002

Martinsville, Va.: Hooker Furniture (Nasdaq-SCM: HOFT) today reported net income of $3.2 million or $0.56 per share on net sales of $54.7 million for its third quarter ended August 31, 2002. For the first nine months of 2002, net income increased 138.4% to $9.5 million or $1.68 per share from $4.0 million or $0.68 per share in the 2001 nine-month period.

Compared to the third quarter of 2001, net income increased significantly from $167,000 or $0.03 per share. Increased shipments of imported products and improved operating efficiencies at the Company's domestic manufacturing facilities account for most of the improvement in profitability during the 2002 quarterly and nine-month periods.

Sales from the just ended third quarter increased 8.1% to $54.7 million, from $50.6 million in the comparable period last year. Net sales of $177.9 million are up 9.7% year-to-date from $162.1 million in the 2001 nine-month period. Increased unit volume in imported product and home office furniture accounts for the higher sales in the 2002 periods.

"We're very pleased with our third quarter results and believe they compare favorably to overall industry performance," said Paul B. Toms Jr., chairman and chief executive officer. "Of particular note," Toms said, "is the healthy increase in our import business and improved efficiencies in our domestic manufacturing facilities.

The ability of our domestic plants to lower costs and increase efficiencies in spite of operating at less than full work schedules is particularly commendable." He added, "With the progress the manufacturing team made during the third quarter, we are well positioned to further leverage overhead costs if incoming orders continue to increase and we can return to full work schedules at all of our plants."

Last year earnings and sales in the three and nine-month periods were negatively impacted by the industry-wide economic downturn experienced during most of 2001. Also earnings in the 2001 periods were reduced by non-recurring charges of $745,000 after tax ($1.2 million pre-tax), or $0.13 per share related to a workforce reduction that occurred in August 2001 at the Company's Martinsville, Virginia facility.

Excluding the non-recurring charges in the 2001 periods, operating income as a percentage of net sales improved to 10.1% in the 2002 third quarter, compared to 3.7% for the 2001 quarterly period and improved to 9.2% in the 2002 nine months, compared to 5.2% for the 2001 nine-month period.

A decrease in selling and administrative expenses as a percentage of net sales also contributed to the improvement in operating margins. Selling and administrative expenses as a percentage of net sales decreased to 17.5% in the 2002-third quarter from 18.3% in the same 2001 period. As a percentage of net sales, selling and administrative expenses decreased to 16.9% for the first nine months of 2002 from 17.9% in the same nine-month period one year ago.

In addition to improving profitability during the third quarter of 2002, the Company also positioned itself to better meet customer demand and fill order backlogs in the fourth quarter. During the 2002-third quarter the Company significantly increased its investment in imported products inventory. As a result cash has decreased $8.1 million to $11.0 million since the end of the second quarter.

In September 2002, Hooker reactivated its 189,000 square foot warehouse facility located in Martinsville, Virginia for warehousing certain domestically produced goods, making room for more imported products at Hooker's central distribution center. "In July and August, we had the best delivery performance in domestic goods ever measured in our Company, shipping over 70% of orders in 15 days or less," Toms said. "The reactivation of this warehouse should enable us to improve our delivery performance on imported product as well."

In the 2002 third quarter, the Company also recognized an accounting change related to its employee stock ownership plan (the "ESOP"). In June 2002, Hooker Furniture common stock began trading on the Nasdaq SmallCap Market. As a result, the Company is no longer obligated to repurchase shares from participants in the Company's

ESOP. Consequently, amounts representing shares that were previously subject to the repurchase obligation and reflected in the Company's balance sheets as "common stock held by ESOP" were reclassified to "shareholders' equity" in the third quarter of 2002.

Looking toward the fourth quarter and 2002 year-end, Toms observed that the economic climate is still uncertain and that he expects any improvements at retail to be gradual. "We don't look for significant or quick improvements," he said. Toms continued, "After sluggish retail activity in August throughout the industry, September started off for Hooker with strong order rates following a very strong Labor Day weekend at retail. Sales were also impacted positively from our initial national home entertainment furniture sale." After several strong weeks, incoming orders declined to pre-Labor Day levels, however.

"The Company plans to return to full 40-hour work schedules in two of its plants and increase work schedules from 32 hours to 35 hours per week in the other three plants at the end of September," Toms said. "This is a strategic move to enable the Company to ship some of its October market introductions before year-end. We have a strong line-up of new products and will ship several of these products prior to year-end, allowing retailers to freshen up their floors with new products prior to the January-March peak selling season," he said.

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