

TABLE I
HOOKE FURNITURE CORPORATION
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
 (In thousands, except per share data)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2003	2002	2003	2002
Net sales	\$80,115	\$62,253	\$154,590	\$123,182
Cost of sales	<u>59,473</u>	<u>46,231</u>	<u>113,426</u>	<u>91,760</u>
Gross profit	20,642	16,022	41,164	31,422
Selling and administrative expenses	14,401	10,690	26,422	20,538
Restructuring and related asset impairment charge (1)	<u>1,470</u>	—	<u>1,470</u>	—
Operating income	4,771	5,332	13,272	10,884
Other income, net	86	140	276	308
Interest expense	<u>921</u>	<u>502</u>	<u>1,564</u>	<u>1,014</u>
Income before taxes	3,936	4,970	11,984	10,178
Income taxes	<u>1,496</u>	<u>1,887</u>	<u>4,553</u>	<u>3,866</u>
Net income	<u>\$ 2,440</u>	<u>\$ 3,083</u>	<u>\$ 7,431</u>	<u>\$ 6,312</u>
Earnings per share:				
Basic and diluted	<u>\$.42</u>	<u>\$.55</u>	<u>\$ 1.30</u>	<u>\$ 1.12</u>
Weighted average shares outstanding	<u>5,750</u>	<u>5,636</u>	<u>5,724</u>	<u>5,628</u>

- (1) In May 2003, the Company recorded one-time pretax charge of \$1.5 million (\$911,000 after tax, or \$0.16 per share) for severance and related asset impairment in anticipation of the August 2003 closing of its Kernersville, NC facility, affecting approximately 270 employees.

TABLE II
HOOKE FURNITURE CORPORATION
 UNAUDITED CONSOLIDATED BALANCE SHEETS
 (In thousands)

	May 31, 2003 (2)	May 31, 2002	November 30, 2002
Assets			
Current assets			
Cash and cash equivalents	\$ 3,211	\$ 19,076	\$ 2,316
Trade receivables less allowances of \$792, \$674, and \$800	36,966	27,928	33,771
Inventories	60,382	29,948	54,959
Prepaid expenses and other	<u>2,661</u>	<u>3,738</u>	<u>2,225</u>
Total current assets	103,220	80,690	93,271
Property, plant, and equipment, net	57,178	49,256	49,577
Assets held for sale (3)	740		
Other assets	<u>15,393</u>	<u>5,941</u>	<u>7,033</u>
Total assets	<u>\$176,531</u>	<u>\$135,887</u>	<u>\$149,881</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Trade accounts payable	\$ 4,050	\$ 3,326	\$ 5,427
Accrued salaries, wages, and benefits	6,730	5,404	6,022
Accrued income taxes			3,169
Other accrued expenses	3,089	4,505	4,372
Current maturities of long-term debt	<u>6,800</u>	<u>2,794</u>	<u>2,905</u>
Total current liabilities	20,669	16,029	21,895
Long-term debt, less current maturities	43,419	22,797	21,798
Other long-term liabilities	<u>4,882</u>	<u>4,056</u>	<u>5,144</u>
Total liabilities	68,970	42,882	48,837
Common stock held by ESOP (4)		9,961	
Shareholders' equity	<u>107,561</u>	<u>83,044</u>	<u>101,044</u>
Total liabilities and shareholders' equity	<u>\$176,531</u>	<u>\$135,887</u>	<u>\$149,881</u>

- (2) In January 2003, the Company completed its acquisition of substantially all of the assets of Cherryville, N.C.-based leather seating specialist Bradington-Young, LLC. The Company acquired those assets for an aggregate consideration of \$26.7 million less approximately \$4.1 million in assumed debt. The consolidated balance sheet as of May 31, 2003 includes those assets and liabilities.
- (3) In connection with the closing of its Kernersville, NC plant, the Company has reclassified the facility's real property to "assets held for sale". The carrying value of these assets approximates fair value less estimated selling expenses.
- (4) In June 2002, Hooker Furniture common stock began trading on the Nasdaq SmallCap Market under the symbol HOFT. As a result, the Company is no longer obligated to repurchase shares distributed to 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" have been reclassified to "shareholders' equity".

TABLE III
HOOKER FURNITURE CORPORATION
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)

	Six Months Ended	
	May 31, 2003	May 31, 2002
Cash flows from operating activities		
Cash received from customers	\$157,231	\$124,878
Cash paid to suppliers and employees.....	(139,641)	(104,508)
Income taxes paid, net.....	(7,965)	(2,656)
Interest paid, net.....	<u>(1,385)</u>	<u>(843)</u>
Net cash provided by operating activities.....	<u>8,240</u>	<u>16,871</u>
Cash flows from investing activities		
Purchase of property, plant, and equipment, net of disposals.....	(2,451)	(3,121)
Acquisition of Bradington-Young, net of cash acquired.....	(22,140)	
Sale of property		17
Net cash used in investing activities	<u>(24,591)</u>	<u>(3,104)</u>
Cash flows from financing activities		
Proceeds from long-term debt.....	76,319	
Payments on long-term debt (including \$4,072 assumed in the acquisition).....	(54,876)	(1,320)
Payment to terminate interest rate swap agreement	(3,001)	
Cash dividends paid	(1,196)	(752)
Purchase and retirement of common stock.....		<u>(545)</u>
Net cash provided by (used in) financing activities	<u>17,246</u>	<u>(2,617)</u>
Net increase in cash	895	11,150
Cash and cash equivalents at beginning of year	<u>2,316</u>	<u>7,926</u>
Cash and cash equivalents at end of period	\$ <u>3,211</u>	\$ <u>19,076</u>
Reconciliation of net income to net cash provided by operating activities		
Net income	\$ 7,431	\$ 6,312
Depreciation and amortization.....	4,221	3,805
Non-cash ESOP cost.....	1,182	696
Restructuring and related asset impairment charge	1,470	
Loss (gain) on disposal of property	5	(5)
Changes in assets and liabilities, net of effects of acquisition:		
Trade receivables.....	2,367	1,502
Inventories	701	3,574
Income tax recoverable.....	(243)	1,262
Prepaid expenses and other assets	(1,013)	(1,076)
Trade accounts payable	(3,343)	(762)
Accrued salaries, wages, and benefits	(1,290)	615
Accrued income taxes.....	(3,169)	
Other accrued expenses	(2,768)	1,384
Other long-term liabilities.....	<u>2,689</u>	<u>(436)</u>
Net cash provided by operating activities.....	<u>\$ 8,240</u>	<u>\$ 16,871</u>