



## **Bassett Announces Second Quarter 2005 Earnings**

### **Sales continue to grow at 121 stores....**

( Bassett , Va. ) - June 28, 2005 - Bassett Furniture Industries Inc. (Nasdaq: BSET) announced today its earnings for its fiscal quarter ended May 28, 2005 .

Sales for the second quarter of 2005 were \$83.1 million, up 3.4% from second quarter 2004 levels, led by a \$9 million or 22% increase in shipments to Bassett Furniture Direct (BFD) stores, which outpaced approximately \$6 million of expected attrition with traditional furniture stores.

The Bassett Furniture Direct retail store program continues to grow with 121 stores currently in operation. Licensees opened two stores and closed two during the second quarter. The Company expects licensees to open another 10 to 12 stores in the second half for a total of 20 to 22 new BFD stores in fiscal 2005.

Margins were up slightly due to an increased sales mix of imported products. SG&A expenses were up slightly due primarily to increases in marketing spending.

The Company reported net income for the quarter of \$1.0 million or \$.09 per share including a \$2.5 million pretax impairment charge for the previously announced acquisition and consolidation of eight BFD stores in Dallas, Texas. Excluding this charge, net income was \$2.6 million or \$.22 per share compared to net income of \$1.9 million or \$.16 per share in the second quarter of 2004.

The Company acquired a controlling interest in its Dallas licensee and has accounted for this transaction using the purchase method of accounting. The \$2.5 million charge reflects the excess of cash paid, notes receivable converted and liabilities assumed over the fair market value of net assets acquired (primarily inventories, fixed assets and recorded goodwill).

Year-to-date, net income for 2005 is \$3.4 million or \$.29 per share including the impairment charge. This compares to \$4.2 million or \$.36 per share for the first half of fiscal 2004. Excluding the charge, year-to-date net income is \$4.9 million or \$.42 per share which compares to \$3.4 million or \$.30 per share in 2004 (excluding an unusual gain and restructuring and impaired asset charges in 2004). A reconciliation to the net income and earnings per share calculations has been set forth below.

"We are pleased with the growth of our Bassett Furniture Direct program and the continued strong performance from imported products within our wood division," said Robert H. Spilman Jr., president and chief executive officer. "Business conditions continue to be fairly tough at the retail level, especially in certain key markets. We are focused on continuing to improve every aspect of the BFD store program, enhancing our marketing strategies, and improving the performance of our domestic wood operations."

The Company generated positive cash flow during the quarter through a combination of earnings and reductions in domestic wood inventories. The Company paid its regular quarterly dividend to shareholders during the quarter.

Bassett also announced that its Board of Directors has declared a regular quarterly dividend of \$.20 per share payable on September 1, 2005, to shareholders of record on August 17, 2005.

Bassett Furniture Industries, Inc. is a leading manufacturer and marketer of high quality, mid-priced home furnishings. With over 120 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. 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](http://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 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 end of the second quarter of 2005, 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.