LA-Z-BOY® INCORPORATED

## *NEWS RELEASE*

**Contact:** Mark Stegeman (734) 241-4418 mark.stegeman@la-z-boy.com

# LA-Z-BOY REPORTS SECOND QUARTER RESULTS

MONROE MI, November 11, 2002 – La-Z-Boy Incorporated **(NYSE, PCX: LZB)** today reported results for its second fiscal quarter ended October 26, 2002. Net sales for the quarter were $564 million, a 1.1% increase over the prior year. Net sales for the six months rose 4.6% compared to the same period of fiscal 2002. On a comparable basis, excluding the impact of the divestiture of Pilliod last November, the cessation of operations by HickoryMark announced in August, and the acquisition of five retail stores in Boston and Kansas City, net sales for the second quarter and first half would have risen from year earlier levels by 3.6% and 8.0%, respectively.

Diluted earnings per share for this year's second quarter totaled $0.50 – at the top of management's guidance range. This compares to $0.33 earned per diluted share in the same quarter of fiscal 2002, prior to a $0.13 per share restructuring charge taken that quarter. First half earnings for fiscal 2003 totaled $0.81 per diluted share before the cumulative effect of a change in accounting principle for goodwill and intangible assets resulting from the company's recent adoption of Statement of Financial Accounting Standards No. 142 ("SFAS 142"). In the first six months of fiscal 2002, the company earned $0.38 per diluted share before the previously-mentioned $0.13 restructuring charge. The elimination of goodwill and trade name amortization under SFAS 142 added $0.03 and $0.06, respectively, to diluted earnings per share for this year's second quarter and first half, and would have added the same amounts to earnings per share for the prior year periods, had SFAS 142 been in effect at that time. Including the cumulative effect of the change in accounting principle, the net loss for the six months ended October 26, 2002 was $0.20 per diluted share.

Operating margin for the October quarter rose to 8.4%, from 6.6% in the previous quarter and 6.7% in the year-earlier quarter, adjusted for amortization and restructuring expenses. This represented the company's fourth consecutive quarter of year-over-year improvement in operating margin, as "normalized" to exclude amortization expense and the various restructuring and divestiture expenses recorded during fiscal year 2002.

President and CEO Jerry Kiser said, "The relatively slower revenue growth in the most recent quarter reflected weak and tenuous U.S. consumer confidence which strongly correlates with furniture sales. Also impacting the industry were the volatile equity markets and spotty demand trends, especially for higher price point products. Fortunately, our mix of business is dominated by the middle price point upholstered product which is currently being less impacted by these factors."

La-Z-Boy's upholstery group continues to outpace the industry at large. Same store sales in the predominately independently owned La-Z-Boy Furniture Galleries® store system continue to show

year over year improvement. Additionally, newly opened stores in the "new generation" format are adding significantly to the volume increases. Other upholstery brands within the portfolio also experienced increases. This sales performance offset weaker casegoods sales and the minor impact from the West Coast dock strike on our casegoods business.

Kiser continued "Particularly encouraging this quarter was the continued improvement in gross profit and operating profit margins as our casegoods sourcing initiatives, capacity rationalizations and other management initiatives have proven successful. We continue to see opportunities for continuous improvements and are striving to further expand our margins."

**Business segments**

Second quarter upholstery sales rose 8.5% from a year earlier, or 9.7% excluding the phase-out of the HickoryMark brand and the company's acquisition of the five retail stores mentioned earlier and operating margin for the quarter was 10.1%, compared to a normalized 9.4% a year earlier. For the first six months of fiscal 2003, upholstery sales were up 13.1%, with an operating margin of 9.3%, compared to a normalized margin of 7.1% in the first half of fiscal 2002. Overall, the upholstery segment has continued to benefit from the fact that the product lines are predominantly at the middle price point ranges where consumer demand has held up relatively well.

Kiser noted, "La-Z-Boy also remains strongly committed to its dedicated store program, with 12 more "new generation" La-Z-Boy Furniture Galleries® stores opening for business during the October fiscal quarter. In addition, the first remodel of an older format La-Z-Boy Furniture Galleries® store was completed in Greensboro, NC. Many of our dealers toured this store during the recent High Point Furniture Market and expressed enthusiasm for the new format and committed to reformatting their existing stores. Current plans call for us to add another 10 "new generation" La-Z-Boy Furniture Galleries® stores over the next two quarters."

Casegoods remained weaker than upholstery during the quarter, with sales declining 15.2% from a year earlier. Excluding Pilliod, second quarter casegoods sales were down 10.0%. Through the first six months, casegoods segment sales were off 13.6% in total, and down 7.5% after excluding Pilliod. The hospitality market remains particularly weak and is not expected to rebound until late calendar 2003. Despite this revenue softness, casegoods operating margins moved up to 7.9% in the most recent quarter from a "normalized" 3.5% in the year earlier period, due to previous restructuring and cost-cutting efforts and a growing mix of imported products augmenting domestic production. First half operating margin for the casegoods segment rose to 6.9% this year from a normalized 2.3% in the same period of fiscal 2002.

Kiser stated, "We were disappointed with the lower than anticipated level of sales in our casegoods group. We will continue to place emphasis on increasing dedicated distribution in that group similar to the emphasis in our upholstery group. The Pennsylvania House in-store Collectors' Gallery program, in addition to focusing on increasing its dedicated distribution, is beginning to benefit from a revamped

and very successful product line. Kincaid Furniture continues to expand its proprietary distribution and opened two more stand-alone stores during the second quarter. Lea continues to have strong demand from dealers for its in-store La-Z-Boy Youth Collection SM by Lea displays."

**Balance sheet**

Inventories increased by 5% during the October quarter as the result of a normal seasonal pickup and additional import inventories. The company also repurchased 1.9 million shares for $45 million and, through the first six months, has repurchased a total of 3.7 million shares, or about 6% of the total shares outstanding, for $92 million. The company has 6 million shares remaining under its stock repurchase authorization. Total debt rose by $62 million during the quarter, and the debt-to-capitalization ratio stood at 26.1% as of quarter-end.

Kiser said, "Our second fiscal quarter is historically our lowest cash generation period, due to the normal seasonal sales trends of our business. When combined with our stock repurchase program, we intentionally engineered an increase in our leverage. As we have noted in the past, we've been an underleveraged company; however, we do not expect our debt-to-capitalization ratio to exceed 30%. The last half of the year is anticipated to generate cash and our stock repurchase program will remain an opportunistic effort."

**Business outlook**

Commenting on the current business outlook, Kiser said, "While we have experienced an upswing in business through the first half of our current fiscal year, our comparables become much more difficult over the next six months. This same period last year was the beginning of a pickup which now appears to be leveling off. Recent consumer confidence measurements hit nine-year lows, and numerous U.S. retail sales projections are currently flat-to-down. Accordingly, we expect our third fiscal quarter and second fiscal half sales volumes to be flat to slightly up – excluding the impact of Pilliod and HickoryMark."

He concluded, "We do believe, nevertheless, that La-Z-Boy's profit improvement momentum will continue, and our guidance for the January 2003 third fiscal quarter calls for diluted per share earnings in the $0.40 - $0.45 range. For the full fiscal year ending next April, we continue to believe we can reach the $1.70 - $1.80 range per diluted share, excluding the cumulative effect of our adoption of SFAS 142. This would compare with fiscal 2002's normalized earnings of $1.35 per diluted share, excluding amortization and restructuring expenses."

## Conference Call Information

The dial-in phone number for tomorrow's live conference call at 8 a.m. ET is (800) 374-1298 for persons calling from within the U.S. or Canada, and (706) 634-5855 for international callers. The call will also be webcast live and archived on the Internet, with both accessible at www.la-z-boy.com. A telephone replay will be available from approximately noon tomorrow, November 12th, through noon on November 19th. This replay will be available to callers from the U.S. and Canada at (800) 642-1687 and to international callers at (706) 645-9291, with a passcode of 6158197.

## Forward-looking Information

Any forward-looking statements contained in this report are based on current information and assumptions and represent management's best judgment at the present time. Actual results could differ materially from those anticipated or projected due to a number of factors. These factors include, but are not limited to: changes in consumer sentiment or demand, changes in housing sales, the impact of terrorism or war, the impact of logistics on imports, the impact of interest rate changes, the impact of imports, changes in currency rates, competitive factors, operating factors, and other factors identified from time to time in the company's reports filed with the Securities and Exchange Commission. The company undertakes no obligation to update or revise any forward-looking statements, either to reflect new developments, or for any other reason.

## Additional Information

This news release is just one part of La-Z-Boy's financial disclosures and should be read in conjunction with other information filed with the Securities and Exchange Commission. Tomorrow we plan on filing a Form 10-Q report which includes a condensed balance sheet, income and cash flow statements, for the fiscal quarter and six-months ended October 26, 2002, and will be available at http://www.la-z-boy.com. Investors and others wishing to be notified of future news releases, SEC filings and conference calls may sign up at: http://my.lazboy.com/mygallery/investor_relations.htm.

## Background Information

With annual sales in excess of $2 billion, La-Z-Boy Incorporated is one of the world's leading residential furniture producers, marketing furniture for every room of the home and office, as well as for the hospitality, health care and assisted-living industries. The La-Z-Boy Upholstery Group companies are Bauhaus, Centurion, Clayton Marcus, England, La-Z-Boy, La-Z-Boy Contract Furniture Group and Sam Moore, and the La-Z-Boy Casegoods Group companies are Alexvale, American Drew, American of Martinsville, Hammary, Kincaid, Lea and Pennsylvania House.

The corporation's vast proprietary distribution network is dedicated exclusively to selling La-Z-Boy Incorporated products and brands, and includes 308 stand-alone La-Z-Boy Furniture Galleries® and 319 La-Z-Boy In-Store Gallerys, in addition to in-store gallery programs at the company's Kincaid, Pennsylvania House, Clayton Marcus, England and Lea operating units. According to industry trade publication *Furniture/Today*, the La-Z-Boy Furniture Galleries retail network by itself represents the industry's fifth largest U.S. furniture retailer. Additional information is available at www.la-z-boy.com.

**LA-Z-BOY INCORPORATED**
**CONSOLIDATED STATEMENT OF INCOME**

*(Unaudited, amounts in thousands, except per share data)*

| | Second Quarter Ended | | | | |
|---|---|---|---|---|---|
| | | | % Over | Percent of Sales | |
| | **10/26/02** | 10/27/01 | (Under) | **10/26/02** | 10/27/01 |
| Sales | **$563,587** | $557,408 | 1.1% | **100.0%** | 100.0% |
| Cost of sales | **429,161** | 446,105 | -3.8% | **76.1%** | 80.0% |
| Gross profit | **134,426** | 111,303 | 20.8% | **23.9%** | 20.0% |
| Selling, General and Administrative | **87,190** | 89,697 | -2.8% | **15.5%** | 16.1% |
| Operating income | **47,236** | 21,606 | 118.6% | **8.4%** | 3.9% |
| Interest expense | **2,153** | 2,044 | 5.3% | **0.4%** | 0.4% |
| Other income (expense), net | **1,394** | 750 | 85.9% | **0.2%** | 0.1% |
| Pretax income | **46,477** | 20,312 | 128.8% | **8.2%** | 3.6% |
| Tax expense | **17,777** | 7,921 | 124.4% | **38.2%** * | 39.0% * |
| Net income | **$28,700** | $12,391 | 131.6% | **5.1%** | 2.2% |
| Basic average shares | **57,388** | 60,914 | | | |
| Basic net income per share | **$0.50** | $0.20 | | | |
| Diluted average shares | **57,760** | 61,052 | | | |
| Diluted net income per share | **$0.50** | $0.20 | | | |
| Dividends paid per share | **$0.10** | $0.09 | | | |

* As a percent of pretax income, not sales.

**LA-Z-BOY INCORPORATED**
**CONSOLIDATED STATEMENT OF INCOME**

*(Unaudited, amounts in thousands, except per share data)*

| | Six Months Ended | | | | |
|---|---|---|---|---|---|
| | | | % Over | Percent of Sales | |
| | **10/26/02** | 10/27/01 | (Under) | **10/26/02** | 10/27/01 |
| Sales | **$1,060,962** | $1,014,343 | 4.6% | **100.0%** | 100.0% |
| Cost of sales | **811,713** | 815,834 | -0.5% | **76.5%** | 80.4% |
| Gross profit | **249,249** | 198,509 | 25.6% | **23.5%** | 19.6% |
| Selling, General and Administrative | **169,126** | 169,926 | -0.5% | **15.9%** | 16.8% |
| Operating income | **80,123** | 28,583 | 180.3% | **7.6%** | 2.8% |
| Interest expense | **4,180** | 5,000 | -16.4% | **0.4%** | 0.5% |
| Other income (expense), net | **1,510** | 1,371 | 10.1% | **0.1%** | 0.2% |
| Pretax income | **77,453** | 24,954 | 210.4% | **7.3%** | 2.5% |
| Tax expense | **29,625** | 9,732 | 204.4% | **38.2%** * | 39.0% * |
| Income before cumulative effect of accounting change | **47,828** | 15,222 | 214.2% | **4.5%** | 1.5% |
| Cumulative effect of accounting change (net of tax of $17,920) | **(59,782)** | — | N/M | **-5.6%** | — |
| Net income (loss) | **($11,954)** | $15,222 | -178.5% | **-1.1%** | 1.5% |
| Basic average shares | **58,257** | 60,842 | | | |
| Basic net income per share before cumulative effect of accounting change | **$0.82** | $0.25 | | | |
| Cumulative effect of accounting change per share | **(1.03)** | — | | | |
| Basic net income (loss) per share | **($0.21)** | $0.25 | | | |
| Diluted average shares | **58,726** | 60,994 | | | |
| Diluted net income per share before cumulative effect of accounting change | **$0.81** | $0.25 | | | |
| Cumulative effect of accounting change per share | **(1.01)** | — | | | |
| Diluted net income (loss) per share | **($0.20)** | $0.25 | | | |
| Dividends paid per share | **$0.20** | $0.18 | | | |

* As a percent of pretax income, not sales.

**LA-Z-BOY INCORPORATED**
**CONSOLIDATED BALANCE SHEET**
*(Unaudited, amounts in thousands)*

| | | | Increase/(Decrease) | | |
|---|---|---|---|---|---|
| | **10/26/02** | 10/27/01 | Dollars | Percent | 4/27/02 |
| Current assets | | | | | |
| Cash and equivalents | **$23,723** | $24,797 | ($1,074) | -4.3% | $26,771 |
| Receivables, net | **358,939** | 377,744 | (18,805) | -5.0% | 382,843 |
| Inventories, net | **246,352** | 244,455 | 1,897 | 0.8% | 208,657 |
| Deferred income taxes | **32,159** | 19,771 | 12,388 | 62.7% | 35,035 |
| Other current assets | **17,953** | 19,077 | (1,124) | -5.9% | 18,386 |
| Total current assets | **679,126** | 685,844 | (6,718) | -1.0% | 671,692 |
| Property, plant and equipment, net | **212,305** | 219,656 | (7,351) | -3.3% | 205,463 |
| Goodwill | **78,807** | 110,497 | (31,690) | -28.7% | 108,244 |
| Trade names | **71,144** | 118,876 | (47,432) | -40.2% | 116,745 |
| Other long-term assets | **68,490** | 55,503 | 12,987 | 23.4% | 58,632 |
| Total assets | **$1,109,872** | $1,190,376 | ($80,504) | -6.8% | $1,160,776 |
| Current liabilities | | | | | |
| Lines of credit | **$22,100** | $ — | $22,100 | N/M | $ — |
| Current portion of long-term debt and capital leases | **2,277** | 7,047 | (4,770) | -67.7% | 2,276 |
| Accounts payable | **85,904** | 88,604 | (2,700) | -3.0% | 68,497 |
| Accrued expenses and other current liabilities | **137,941** | 136,933 | 1,008 | 0.7% | 156,120 |
| Total current liabilities | **248,222** | 232,584 | 15,638 | 6.7% | 226,893 |
| Long-term debt | **187,784** | 171,477 | 16,307 | 9.5% | 137,444 |
| Capital leases | **1,658** | 2,278 | (620) | -27.2% | 1,942 |
| Deferred income taxes | **28,513** | 46,236 | (17,723) | -38.3% | 46,145 |
| Other long-term liabilities | **37,745** | 39,380 | (1,635) | -4.2% | 34,830 |
| Contingencies and commitments | | | | | |
| Shareholders' equity | | | | | |
| Common shares, $1 par value | **56,717** | 60,763 | (4,046) | -6.7% | 59,953 |
| Capital in excess of par value | **215,561** | 211,138 | 4,423 | 2.1% | 215,060 |
| Retained earnings | **339,532** | 434,348 | (94,816) | -21.8% | 444,173 |
| Accumulated other comprehensive loss | **(5,860)** | (7,828) | 1,968 | 25.1% | (5,664) |
| Total shareholders' equity | **605,950** | 698,421 | (92,471) | -13.2% | 713,522 |
| Total liabilities and shareholders' equity | **$1,109,872** | $1,190,376 | ($80,504) | -6.8% | $1,160,776 |

**LA-Z-BOY INCORPORATED**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
*(Unaudited, amounts in thousands)*

| | Second Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **10/26/02** | 10/27/01 | **10/26/02** | 10/27/01 |
| Cash flows from operating activities | | | | |
| Net income (loss) | **$28,700** | $12,391 | **($11,954)** | $15,222 |
| Adjustments to reconcile net income (loss) to cash provided by operating activities | | | | |
| Cumulative effect of accounting change - net of income taxes | — | — | **59,782** | — |
| Depreciation and amortization | **8,060** | 10,700 | **15,126** | 21,621 |
| Change in receivables | **(34,252)** | (72,396) | **23,904** | 3,602 |
| Change in inventories | **(11,452)** | 15,723 | **(34,926)** | 13,432 |
| Change in payables | **7,555** | 11,759 | **16,900** | (4,226) |
| Change in other assets and liabilities | **8,193** | 33,257 | **(14,323)** | 77 |
| Change in deferred taxes | **3,639** | 3,465 | **3,191** | 6,924 |
| Total adjustments | **(18,257)** | 2,508 | **69,654** | 41,430 |
| Net cash provided by operating activities | **10,443** | 14,899 | **57,700** | 56,652 |
| Cash flows from investing activities | | | | |
| Proceeds from disposals of assets | **1,084** | 304 | **1,147** | 843 |
| Capital expenditures | **(9,821)** | (5,871) | **(18,766)** | (11,956) |
| Acquisitions, net of cash acquired | **(1,923)** | — | **(3,089)** | — |
| Change in other long-term assets | **(18,407)** | (3,973) | **(14,279)** | (737) |
| Net cash used for investing activities | **(29,067)** | (9,540) | **(34,987)** | (11,850) |
| Cash flows from financing activities | | | | |
| Proceeds from debt | **67,119** | 6,206 | **77,727** | 41,576 |
| Payments on debt | **(7,494)** | (21,050) | **(7,627)** | (76,147) |
| Capital leases | **(143)** | (134) | **(284)** | (271) |
| Stock issued for stock option & 401(k) plans | **7,873** | 4,580 | **8,566** | 9,528 |
| Repurchase of common stock | **(44,850)** | (6,586) | **(92,304)** | (6,586) |
| Dividends paid | **(5,712)** | (5,492) | **(11,685)** | (10,956) |
| Net cash provided by (used for) financing activities | **16,793** | (22,476) | **(25,607)** | (42,856) |
| Effect of exchange rate changes on cash and equivalents | **4** | (533) | **(154)** | (714) |
| Net increase (decrease) in cash and equivalents | **(1,827)** | (17,650) | **(3,048)** | 1,232 |
| Cash and equivalents at beginning of period | **25,550** | 42,447 | **26,771** | 23,565 |
| Cash and equivalents at end of period | **$23,723** | $24,797 | **$23,723** | $24,797 |
| Cash paid during period -Income taxes | **$20,774** | $5,437 | **$33,419** | $8,500 |
| -Interest | **$2,191** | $2,954 | **$3,162** | $5,216 |