



## **NEWS RELEASE**

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### **LA-Z-BOY SECOND QUARTER OPERATING RESULTS**

MONROE, MI. November 10, 2003 – La-Z-Boy Incorporated (**NYSE, PCX: LZB**) today reported operating results for its second fiscal quarter ended October 25, 2003. Net sales for the quarter declined 9.3% from a year earlier, to \$511.0 million from \$563.6 million in the same period of fiscal 2003. Diluted earnings per share for the quarter totaled \$0.28, including a \$0.02 charge relating to the company's previously announced closure of three manufacturing facilities. These earnings are within management's recently announced guidance range, and compare to \$0.50 per fully diluted share earned in the October 2002 quarter.

For the six months ended October 25, 2003, net sales declined 9.3% from a year earlier, to \$962.5 million this year from \$1.061 billion in fiscal 2003's first half. Diluted earnings per share for the first half totaled \$0.38, including restructuring charges of \$0.10 per share on an after-tax basis. This compares to \$0.81 per share in the first half of fiscal 2003 before the cumulative effect of an accounting change related to goodwill and trade names. Net income after the cumulative effect of the accounting change in last year's first half represented a loss of \$0.20 per diluted share.

As a result of the industry's difficult sales environment, increased promotional activity and plant downtime, the company's 2003 October quarter operating margin declined to 5.3% from 8.4% in the year-earlier quarter, while the first half operating margin was 4.0% this year, down from 7.6% in the same period of fiscal 2003. La-Z-Boy Incorporated president and CEO Kurt L. Darrow said, "While we were disappointed in the quarter's results and the trends we have been experiencing in our business, we have made major progress toward rationalizing our capacity and refining our import strategy. We are continuing to critically evaluate our progress in shortening lead times, improving our products, and increasing global integration."

Darrow continued, "Clearly we are working hard throughout the organization – particularly in marketing, merchandising and product design – to reverse the sales trends we have been experiencing. This will be accomplished by concentrating on our core competencies of proprietary distribution, selective brand extensions and brand investment, and a continued high level of design innovation to drive demand for our products."

#### **Upholstery segment**

Upholstery segment sales declined 7.0% for the October quarter compared to the prior year period, and were down 7.7% through the first six months of the fiscal year. Darrow said, "The decline in sales volume for the quarter appeared to be more dramatic than real business conditions warranted as incoming orders for the quarter were only down 0.8%. The primary difference was in last year's shipments which were substantially enhanced through the reduction of backlog. Upholstery segment sales were up 8.5% in the second quarter last year and increased 13.1% for the first six months of last year."

The October 2003 quarter operating margin for the upholstery segment was 8.3%, down from 10.1% in the year-earlier quarter, while first half operating margin declined to 7.6% from 9.3% a year earlier. These reduced margins were primarily the result of the lower sales volumes for the second quarter and first half, higher than normal plant downtime in the first quarter and increased promotional pricing throughout the first half.

Darrow noted that, during the October quarter, two new free-standing La-Z-Boy Furniture Galleries® stores were opened, three were relocated to higher profile locations, two were remodeled to the more productive 'New Generation' format and one was closed. At quarter-end, the total Furniture Galleries store count stood at 318, including 59 stores featuring the New Generation format. Darrow said, "One of our primary goals moving forward is to aggressively expand our mostly independently owned Furniture Galleries store system and accelerate the pace at which our old format stores are converted to the New Generation format."

"Under this initiative," he added, "we plan to open as many as 25 new stores per year and relocate or remodel another 20-25 stores annually for the next several years. At the same time, our older, less productive locations will continue to be selectively relocated. We expect the end result of these efforts to be a much larger and more productive Furniture Galleries store system than exists today." He noted La-Z-Boy currently has firm commitments to add 11 new Furniture Galleries stores over the second half of fiscal 2004 and remodel another eight locations to the New Generation format.

### **Casegoods Segment**

Casegoods segment sales for the October quarter declined 16.2% from a year earlier and were down 13.8% through the first six months. Margins for both periods fell sharply from a year earlier, reflecting the lower sales, increased plant downtime, higher promotional activity and, as had been previously anticipated, some disruptions resulting from the most recent plant closures. For the October quarter, the casegoods segment's operating margin was 0.0% including the restructuring charges, down from 7.9% a year earlier – while the first half casegoods operating margin fell to (2.2)% including restructuring, from 6.9% in the same period of fiscal 2003. All of fiscal year 2004's restructuring is related to casegoods.

Darrow said, "Our overriding challenge in our casegoods business is to reverse the market share erosion we've experienced. One of my first actions as La-Z-Boy's new CEO was to appoint Steve Kincaid, a highly-respected industry veteran, to lead our casegoods executive team and assure that we are satisfying the expectations of both our dealers and our consumers. We have made great strides in bringing fresh, distinctive products to the marketplace recently, and we are committed to delivering these products on a cost-competitive and timely basis as we continue to work to reduce our delivery times. Over the past few years, we have made radical changes in our casegoods operation to accomplish this, and now we are in a position to focus on executing our growth plans in this segment of our business."

Commenting on the recent plant closures, Darrow said, "We expect additional pressure on our casegoods margins during the current fiscal quarter, due to ongoing manufacturing transition issues. However, beginning with our April fourth quarter, we anticipate annual savings in the range of \$5 million as a direct result of this plant rationalization."

### **Casegoods Group restructuring charge**

The closure of three Casegoods Group manufacturing facilities, over the course of its implementation, will result in a total pre-tax charge of approximately \$10 million, or \$0.11 per diluted share on an after-tax basis. The first largely non-cash charge of \$6.3 million was incurred during the July 2003 first quarter, and was taken to cover the write-down of certain fixed assets and inventories. And in the October 2003 quarter, pre-tax expense of \$2.0 million, or \$0.02 per diluted share on an after-tax basis, was recorded – primarily for severance and relocation costs related to the plant closures.

### **Balance sheet**

Inventories were further reduced by \$4.4 million in total during the most recent quarter and, for the first six months of fiscal 2004, total inventories were cut by \$14.9 million, with \$8.6 million of the reduction attributable to finished goods.

Total debt as of October 25, 2003 stood at \$207.1 million, down \$17.0 million for the quarter with a debt-to-capital ratio of 26.1%, compared to 27.1% at the beginning of the quarter and 26.9% at the end of fiscal 2003. During the most recent quarter, 1.3 million La-Z-Boy common shares were repurchased for a total of \$28.8 million, and for the first six months of the fiscal year 2.0 million shares were repurchased for a total of \$42.2 million. As of October 25, 2003, there were 2.2 million shares remaining under the company's existing stock repurchase authorization.

### **Business outlook**

Commenting on the current business outlook, Darrow said, "We are disappointed that the usual fall seasonal pickup in consumer furniture demand did not materialize to date. Business remained erratic in our upholstery segment, and continued under pressure on the casegoods side. We do believe that the outlook for our industry has improved moderately of late, given growing signs of a strengthening U.S. economy and a rebound in consumer confidence, as well as the recent Federal Reserve Board decision to keep short-term interest rates at current low levels for a 'considerable' period. Encouragingly, we saw a meaningful improvement in order rates at several of our upholstery businesses in late October, and are hopeful this may indicate the beginning of a sustainable upward trend in our business."

He concluded, "Although we are encouraged by this recent improvement in incoming order rates, we feel it is prudent to remain cautious regarding the near-term outlook until a definite strengthening trend has become more evident. In this context, we expect sales for our January 2004 third fiscal quarter to be down mid-single digits compared to last year, and we anticipate reported earnings for the quarter to be in the range of \$0.26 - \$0.30 per diluted share, compared to the \$0.41 we earned per diluted share in the same quarter of fiscal 2003."

### **Forward-looking Information**

Any forward-looking statements contained in this news release 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 demographics, changes in housing sales, the impact of terrorism or war, energy price changes, the impact of logistics on imports, the impact of interest rate changes, the potential impact of anti-dumping actions, the availability and cost of capital, the impact of imports, changes in currency rates, competitive factors, operating factors, such as supply, labor, or distribution disruptions including changes in operating conditions or costs, effects of restructuring actions, changes in the regulatory environment, the impact of new manufacturing technologies, factors relating to acquisitions 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.

### **Conference Call Information**

The dial-in phone number for tomorrow's conference call at 8 a.m. E.S.T. will be (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 [http://www.la-z-boy.com/about/ir\\_confcalls.asp](http://www.la-z-boy.com/about/ir_confcalls.asp). A telephone replay will remain available for a week to callers from the U.S. and Canada at (800) 642-1687 and to international callers at (706) 645-9291.

### **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, which is available at [http://www.la-z-boy.com/about/ir\\_sec.asp](http://www.la-z-boy.com/about/ir_sec.asp). Investors and others wishing to be notified of future La-Z-Boy news releases, SEC filings and quarterly investor conference calls may sign up at: [http://my.lazboy.com/mygallery/investor\\_relations.cfm](http://my.lazboy.com/mygallery/investor_relations.cfm).

### **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 and Sam Moore. 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 318 stand-alone La-Z-Boy Furniture Galleries® stores and 318 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 fourth largest U.S. furniture retailer and the second largest single source furniture retailer. Additional information is available at <http://www.la-z-boy.com/>

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**LA-Z-BOY INCORPORATED**  
**CONSOLIDATED STATEMENT OF INCOME**  
*(Unaudited, amounts in thousands, except per share data)*

	<b>Second Quarter Ended</b>				
			% Over	Percent of Sales	
	<u>10/25/03</u>	10/26/02	(Under)	<u>10/25/03</u>	10/26/02
Sales .....	<b>\$511,018</b>	\$563,587	-9.3%	<b>100.0%</b>	100.0%
Cost of sales .....	<b>396,233</b>	429,161	-7.7%	<b>77.5%</b>	76.1%
Gross profit .....	<b>114,785</b>	134,426	-14.6%	<b>22.5%</b>	23.9%
Selling, general and administrative .....	<b>87,727</b>	87,190	0.6%	<b>17.2%</b>	15.5%
Operating profit .....	<b>27,058</b>	47,236	-42.7%	<b>5.3%</b>	8.4%
Interest expense .....	<b>3,026</b>	2,153	40.5%	<b>0.6%</b>	0.4%
Other income, net.....	<b>448</b>	1,394	-67.9%	<b>0.1%</b>	0.2%
Pre-tax income .....	<b>24,480</b>	46,477	-47.3%	<b>4.8%</b>	8.2%
Income tax expense.....	<b>9,303</b>	17,777	-47.7%	<b>38.0%*</b>	38.2%*
Net income (loss) .....	<b>\$15,177</b>	\$28,700	-47.1%	<b>3.0%</b>	5.1%
Basic average shares .....	<b>54,159</b>	57,388			
Basic net income per share .....	<b>\$0.28</b>	\$0.50			
Diluted average shares .....	<b>54,339</b>	57,760			
Diluted net income per share .....	<b>\$0.28</b>	\$0.50			
Dividends paid per share .....	<b>\$0.10</b>	\$0.10			

\* As a percent of pre-tax income, not sales.

**LA-Z-BOY INCORPORATED**

**CONSOLIDATED STATEMENT OF INCOME**

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

	<b>Six Months Ended</b>				
	<b>10/25/03</b>	10/26/02	% Over	Percent of Sales	
			(Under)	<b>10/25/03</b>	10/26/02
Sales .....	<b>\$962,490</b>	\$1,060,962	-9.3%	<b>100.0%</b>	100.0%
Cost of sales .....	<b>754,987</b>	811,713	-7.0%	<b>78.4%</b>	76.5%
Gross profit .....	<b>207,503</b>	249,249	-16.7%	<b>21.6%</b>	23.5%
Selling, general and administrative .....	<b>169,146</b>	169,126	0.0%	<b>17.6%</b>	15.9%
Operating profit .....	<b>38,357</b>	80,123	-52.1%	<b>4.0%</b>	7.6%
Interest expense .....	<b>6,239</b>	4,180	49.3%	<b>0.6%</b>	0.4%
Other income, net.....	<b>1,720</b>	1,510	13.9%	<b>0.1%</b>	0.1%
Pre-tax income .....	<b>33,838</b>	77,453	-56.3%	<b>3.5%</b>	7.3%
Income tax expense.....	<b>12,858</b>	29,625	-56.6%	<b>38.0%*</b>	38.2%*
Income before cumulative effect of accounting change .....	<b>20,980</b>	47,828	-56.1%	<b>2.2%</b>	4.5%
Cumulative effect of accounting change (net of tax of \$17,920).....	—	(59,782)	-100.0%	—	-5.6%
Net income (loss) .....	<b>\$20,980</b>	\$(11,954)	275.5%	<b>2.2%</b>	-1.1%
Basic average shares .....	<b>54,444</b>	58,257			
Basic net income per share before cumulative effect of accounting change ....	<b>\$0.39</b>	\$0.82			
Cumulative effect of accounting change per share .....	—	(1.03)			
Basic net income (loss) per share .....	<b>\$0.39</b>	\$(0.21)			
Diluted average shares .....	<b>54,627</b>	58,726			
Diluted net income per share before cumulative effect of accounting change ....	<b>\$0.38</b>	\$0.81			
Cumulative effect of accounting change per share .....	—	(1.01)			
Diluted net income (loss) per share .....	<b>\$0.38</b>	\$(0.20)			
Dividends paid per share .....	<b>\$0.20</b>	\$0.20			

\* As a percent of pre-tax income, not sales.

**LA-Z-BOY INCORPORATED**  
**CONSOLIDATED BALANCE SHEET**

*(Unaudited, amounts in thousands)*

	10/25/03	10/26/02	Increase/(Decrease)		4/26/03
			Dollars	Percent	
<b>Current assets</b>					
Cash and equivalents .....	<b>\$24,587</b>	\$23,723	\$ 864	3.6%	\$28,817
Receivables, net .....	<b>320,527</b>	358,939	(38,412)	-10.7%	340,467
Inventories, net .....	<b>237,655</b>	246,352	(8,697)	-3.5%	252,537
Deferred income taxes .....	<b>37,057</b>	32,159	4,898	15.2%	37,734
Other current assets .....	<b>19,411</b>	17,953	1,458	8.1%	19,939
<b>Total current assets .....</b>	<b>639,237</b>	679,126	(39,889)	-5.9%	679,494
Property, plant and equipment, net ..	<b>202,148</b>	212,305	(10,157)	-4.8%	209,411
Goodwill .....	<b>78,807</b>	78,807	—	0.0%	78,807
Trade names .....	<b>71,144</b>	71,144	—	0.0%	71,144
Other long-term assets .....	<b>86,929</b>	68,490	18,439	26.9%	84,210
<b>Total assets .....</b>	<b>\$1,078,265</b>	\$1,109,872	\$(31,607)	-2.8%	\$1,123,066
<b>Current liabilities</b>					
Lines of credit .....	<b>\$6,000</b>	\$22,100	\$(16,100)	-72.9%	\$ —
Current portion of long-term debt and capital leases .....	<b>4,902</b>	2,277	2,625	115.3%	1,619
Accounts payable .....	<b>81,259</b>	85,904	(4,645)	-5.4%	78,931
Accrued expenses and other current liabilities .....	<b>126,244</b>	137,941	(11,697)	-8.5%	134,037
<b>Total current liabilities .....</b>	<b>218,405</b>	248,222	(29,817)	-12.0%	214,587
Long-term debt .....	<b>195,218</b>	187,784	7,434	4.0%	221,099
Capital leases .....	<b>956</b>	1,658	(702)	-42.3%	1,272
Deferred income taxes .....	<b>37,494</b>	28,513	8,981	31.5%	36,928
Other long-term liabilities .....	<b>38,446</b>	37,745	701	1.9%	39,241
Contingencies and commitments					
<b>Shareholders' equity</b>					
Common shares, \$1 par value .....	<b>53,408</b>	56,717	(3,309)	-5.8%	55,027
Capital in excess of par value .....	<b>215,807</b>	215,561	246	0.1%	216,081
Retained earnings .....	<b>318,306</b>	339,532	(21,226)	-6.3%	342,628
Accumulated other compre- hensive income (loss) .....	<b>225</b>	(5,860)	6,085	103.8%	(3,797)
<b>Total shareholders' equity .....</b>	<b>587,746</b>	605,950	(18,204)	-3.0%	609,939
<b>Total liabilities and     shareholders' equity .....</b>	<b>\$1,078,265</b>	\$1,109,872	\$(31,607)	-2.8%	\$1,123,066

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

	Second Quarter Ended		Six Months Ended	
	10/25/03	10/26/02	10/25/03	10/26/02
<b>Cash flows from operating activities</b>				
Net income (loss).....	<b>\$15,177</b>	\$28,700	<b>\$20,980</b>	\$(11,954)
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.....	<b>7,326</b>	8,060	<b>14,637</b>	15,126
Change in receivables.....	<b>(22,926 )</b>	(34,252 )	<b>21,029</b>	23,904
Change in inventories.....	<b>4,363</b>	(11,452 )	<b>14,882</b>	(34,926)
Change in payables.....	<b>33,248</b>	7,555	<b>2,328</b>	16,900
Change in other assets and liabilities.....	<b>17,020</b>	8,193	<b>(3,327 )</b>	(14,323)
Change in deferred taxes.....	<b>1,035</b>	3,639	<b>1,243</b>	3,191
Total adjustments.....	<b>40,066</b>	(18,257 )	<b>50,792</b>	69,654
Net cash provided by operating activities.....	<b>55,243</b>	10,443	<b>71,772</b>	57,700
<b>Cash flows from investing activities</b>				
Proceeds from disposals of assets.....	<b>1,598</b>	1,084	<b>1,772</b>	1,147
Capital expenditures.....	<b>(7,773 )</b>	(9,821 )	<b>(14,626 )</b>	(18,766)
Acquisitions, net of cash acquired.....	—	(1,923 )	—	(3,089)
Change in other long-term assets.....	<b>(4,304 )</b>	(18,407 )	<b>(747 )</b>	(14,279)
Net cash used for investing activities.....	<b>(10,479 )</b>	(29,067 )	<b>(13,601 )</b>	(34,987)
<b>Cash flows from financing activities</b>				
Proceeds from debt.....	<b>6,603</b>	67,119	<b>6,922</b>	77,727
Payments on debt.....	<b>(23,375 )</b>	(7,494 )	<b>(23,495 )</b>	(7,627)
Capital leases.....	<b>(195 )</b>	(143 )	<b>(341 )</b>	(284)
Stock issued for stock option & 401(k) plans.....	<b>1,566</b>	7,138	<b>6,012</b>	7,742
Repurchases of common stock.....	<b>(28,803 )</b>	(44,115 )	<b>(42,220 )</b>	(91,480)
Dividends paid.....	<b>(5,501 )</b>	(5,712 )	<b>(10,987 )</b>	(11,685)
Net cash provided by (used for) financing activities.....	<b>(49,705 )</b>	16,793	<b>(64,109 )</b>	(25,607)
Effect of exchange rate changes on cash and equivalents.....	<b>1,106</b>	4	<b>1,708</b>	(154)
Net decrease in cash and equivalents.....	<b>(3,835 )</b>	(1,827 )	<b>(4,230 )</b>	(3,048)
Cash and equivalents at beginning of period.....	<b>28,422</b>	25,550	<b>28,817</b>	26,771
Cash and equivalents at end of period.....	<b>\$24,587</b>	\$23,723	<b>\$24,587</b>	\$23,723
Cash paid during period – income taxes	<b>\$9,135</b>	\$20,774	<b>\$10,493</b>	\$33,419
– interest	<b>\$2,648</b>	\$2,191	<b>\$6,440</b>	\$3,162