



NEWS RELEASE

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LA-Z-BOY REPORTS THIRD QUARTER OPERATING RESULTS

MONROE, MI. February 8, 2005 – La-Z-Boy Incorporated (**NYSE, PCX: LZB**) today reported operating results for the third fiscal quarter ended January 22, 2005. Net sales for the quarter were \$518 million, up \$26 million or 5.3% compared to a year earlier, with earnings of \$0.21 per fully diluted share - which was above management's previously announced guidance range. The quarter includes after tax restructuring charges of \$0.03 per share and \$15 million of additional sales and earnings of \$0.01 per share related to the consolidation of certain Variable Interest Entities (VIEs). These VIEs were not reflected in our results in the year earlier reporting period. This quarter's per share earnings compare against \$0.29 per fully diluted share earned in the fiscal 2004 third quarter, including \$0.01 per share of restructuring charges.

For the nine months ended January 22, 2005 net sales were \$1.518 billion, an increase of \$64 million or 4.4% from the year earlier sales of \$1.455 billion. Fully diluted earnings per share for the nine months totaled \$0.31, including restructuring charges of \$0.16 per share on an after-tax basis, an extraordinary gain of \$0.01 per share, and \$38 million of additional sales and an after-tax loss of \$0.08 per share related to the consolidation of certain VIEs. This compares to \$0.67 per share in the first nine months of fiscal 2004, including restructuring charges of \$0.11 per share on an after-tax basis.

Operating margin for the most recent quarter was 3.9%, down from 5.3% a year earlier and a sequential improvement from last quarter's 3.0%. This year's fiscal third quarter included restructuring charges amounting to 0.4% of net sales versus 0.3% last year. The nine months fiscal 2005 operating margin was 2.1% including 0.9% of net sales for restructuring charges, down from 4.4% in the same period of fiscal 2004. Last year's fiscal nine months included restructuring charges amounting to 0.7% of net sales.

La-Z-Boy Incorporated President and CEO Kurt L. Darrow said, "We were pleased with our sales results for the quarter which exceeded our guidance and were favorable given continuing softness at retail. Operating margins continue to be weaker than last year primarily as a result of continued pressure on margins from increased raw material pricing. During the quarter we began to see improvements in our margin trend as the impact of our price increases to our customers began to take effect. These increases will be fully implemented by the end of our fourth quarter."

Upholstery Segment

The third quarter fiscal 2005 upholstery segment sales increased 2.0% from a year earlier and were up 3.5% through the first nine months of the fiscal year. Darrow noted, "Sales from our La-Z-Boy branded business continue to be stronger than our upholstery segment in total. During the quarter, we further expanded the La-Z-Boy Furniture Galleries® store system and gained additional general dealer retail floor space which has allowed us to increase our market share. In our branded upholstery business we continue to see better order trends than in our non-branded upholstery, which is experiencing declining order trends in the low single digits as a result of somewhat inconsistent consumer demand similar to industry reports." The upholstery segment operating margin for the quarter was 6.1% compared to a reported 8.4% for last year's third quarter, while the nine months operating margin declined to 5.7% from 7.9% a year earlier. The decline in margins for the year is primarily attributable to unprecedented raw material price increases, particularly in steel, poly and plywood.

Darrow continued, "During this quarter we continued to strengthen our proprietary distribution network of mostly independently operated La-Z-Boy Furniture Galleries® stores by opening four new stores and converting four existing stores to the 'New Generation' format, bringing the total to 98 in this new format. These new format stores are generating increased traffic levels, higher average sales per square foot and greater total sales volumes than the previous format stores. In the last nine months we have opened 30 of these new format stores and plan on opening eight and remodeling six stores to the new format by the end of our fiscal year. Currently, there are 328 stand-alone stores, of which 38 are company-owned. Plans are to open approximately 50 of these updated format stores during our 2006 fiscal year, with over 20 of those being new stores and the remainder being store remodels or relocations."

System-wide, the La-Z-Boy Furniture Galleries® stores' same store sales dollars were up 3.6% for the 2004 calendar fourth quarter and up 2.9% for calendar 2004. Total sales for the stores were up 6.5% for both the calendar fourth quarter and for the entire calendar 2004.

Casegoods Segment

Casegoods sales increased 3.7% from a year earlier for the January quarter and were down 3.6% through the nine months. The casegoods segment's operating margin for the January 2005 quarter was 1.9% compared to a negative 0.3% for last year and the nine months operating margin was flat with last year at 0.8%. Darrow commented, "This is the first positive sales comparison quarter for our casegoods segment in over three years and was lead by the portion of this segment serving primarily the hospitality industry. The residential portion of the segment continues to improve as we transition our business model to be primarily a marketer, distributor and importer of casegoods. In our casegoods segment, recent order trends have been down mid single digits with the exception of hospitality products."

He added, "Margins improved this quarter, but were adversely affected by greater than anticipated transition costs over and above the restructuring costs associated with our change to the Pennsylvania House business model. Also, due to the long lead times inherent in bidding our custom order hospitality business, we have not yet realized the margin benefits of recent pricing."

Restructuring charge

As previously announced, we began the closure of several production facilities during our second fiscal quarter and production was phased out at the last facility during the third fiscal quarter. During the third quarter charges of \$0.03 per diluted share on an after-tax basis were incurred and were higher than anticipated resulting from additional union severance combined with higher inventory write-downs.

Variable Interest Entities

FIN 46 requires us to consolidate certain Variable Interest Entities (VIEs) beginning April 2004 which are included in our corporate and other segment. Certain of our independent dealers meet this criteria and the attached schedule outlines the impact and offers further explanation. This quarter one of our VIEs contributed \$2 million of capital to their business which was recorded as income to reflect a recovery of previously recorded losses. Additionally, for the nine months the extraordinary gain is a result of the application of purchase accounting relating to the acquisition of a previously consolidated VIE. Darrow commented, "This quarter we successfully transitioned the ownership of two of our four under performing VIEs to new independent dealers and are in the process of taking specific actions to address the remaining two operations in our fourth quarter."

Balance sheet

During the quarter we generated positive cash flow from working capital management which was primarily utilized to reduce debt. Total debt at quarter end was \$243 million, down \$25 million from last quarter and the company's third quarter debt-to-capitalization ratio was 31.6%. Darrow stated, "This quarter we made progress moving the debt-to-capitalization ratio toward our targeted range of the mid-twenties and did not repurchase any stock during the quarter. Management remains opportunistic in execution of its stock repurchase program, but our prime focus is to bring our debt-to-capitalization ratio within our targeted range." At quarter-end, 6.7 million shares remained available under the company's existing stock repurchase authorization.

Business Outlook

Commenting on the business outlook, Darrow said, "Despite high energy prices, rising interest rates, constant geopolitical jitters, and a weakened dollar, consumer confidence has been slightly improving in the last several months. Our guidance takes into consideration the current direction of the economy, an extra week in our fiscal year calendar this year versus last year and anticipates little to no further increases in our major raw material costs. With this as a backdrop, we expect our fourth fiscal quarter sales to be flat to slightly up compared to the prior year's quarter. We anticipate reported earnings for the fourth quarter to be in the range of \$0.26 - \$0.30 per diluted share, which includes restructuring charges of \$0.01 and up to a \$0.02 per share potential loss from the consolidation of VIEs. This compares to the loss of \$0.64 we incurred per diluted share before the cumulative effect of change in accounting principle in fiscal 2004's fourth quarter, which included a non-cash charge of \$1.07 per diluted share to reflect the impairment of certain intangible assets and \$0.01 of restructuring charges. Last year's quarter also included a non-cash cumulative effect charge of \$0.16 per diluted share from the adoption of a new accounting standard.

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 effects of the ruling on tariffs by the U.S. Department of Commerce and potential disruptions of Chinese imports, the availability and cost of capital, the impact of imports as it relates to continued domestic production, raw material price changes, 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 domestic or international regulatory environment, not fully realizing cost reductions through restructurings, ability to implement global sourcing organization strategies, the future financial performance and condition of independently owned dealers that we are required to consolidate into our financial statements or changes requiring us to consolidate additional independently owned dealers, the impact of new manufacturing technologies, the impact of adopting new accounting principles, fair value changes to our intangible assets due to actual results differing from projected, 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.

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/investorRelations/sec_filings.aspx. 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://www.la-z-boy.com/about/investorRelations/IR_email_alerts.aspx.

Background Information

With annual sales 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 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 328 stand-alone La-Z-Boy Furniture Galleries® stores and 334 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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