



## La-Z-Boy Reports Second-Quarter Operating Results

11/14/06

MONROE, Mich., Nov. 14 /PRNewswire-FirstCall/ -- La-Z-Boy Incorporated (NYSE: LZB; PCX) today reported its operating results for the 2007 second fiscal quarter ended October 28, 2006. Net sales for the quarter were \$440.5 million, up 2%, compared with the prior-year period. Net income for the quarter was \$2.0 million, or \$0.04 per share, versus a loss of \$6.4 million, or a \$0.12 loss per share, in last year's second quarter. Results for the fiscal 2007 second quarter included a \$0.01 per share charge for stock option expense and \$0.02 per share in restructuring charges. Last year's second quarter included an after-tax restructuring charge of \$0.10 per share related to the closure of the company's Waterloo, Ontario upholstery facility and \$0.01 per share in income from discontinued operations.

Kurt L. Darrow, President and CEO, said, "We were challenged with sales volume this quarter which was reflective of recent trends in furniture demand throughout the broader industry. We continue, however, to be encouraged by our ability to improve wholesale margins on essentially flat volume during what continues to be a difficult period. Our focus remains on our efforts to improve the performance of our company-owned proprietary store system and, this quarter, we took a number of the necessary steps to move in that direction. Additionally, we are working to leverage the unparalleled strength of the La-Z-Boy brand and strategically position ourselves for the future.

### Upholstery

For the fiscal 2007 second quarter, upholstery sales increased 0.8% compared with the prior-year period while the operating margin improved year over year from 3.9% to 6.3%. Darrow stated, "We continue to improve our cost structure through increased global sourcing, cost containment and the conversion of our facilities to the cellular production process. A substantial part of our operating margin improvement this quarter demonstrates the success of these initiatives. Paramount to our service and value proposition is the ability to deliver custom furniture quickly and, today, approximately 45% of our orders flow through our system within a three-week timeframe and our objective is to deliver 100% of custom orders in four weeks or less. Going forward, in addition to a focus on customization and speed, we will work to broaden our distribution and further strengthen the La-Z-Boy Furniture Galleries(R) store system."

For the quarter, the La-Z-Boy Furniture Galleries(R) store system, which includes both company-owned and independent-licensed stores, opened four new stores, relocated and/or remodeled eight and closed three, bringing the total store count to 335, of which 171 are in the New Generation format. Darrow noted, "We are on track to open, relocate or remodel approximately 50 New Generation stores in the overall network in fiscal 2007 and plan to add eight new stores to the system in the third quarter, relocate or convert nine and close two."

System-wide, for the third calendar quarter, including company-owned and independent-licensed stores, same-store written sales, which the company tracks as an indicator of retail activity, were down 3.2% and total sales, which includes new stores, decreased 0.8%.

### Casegoods

In the second quarter, casegoods sales were \$92.1 million, down 1.0% from last year's second quarter. The segment's operating margin was 4.8%, up from last year's margin of 1.8%. Darrow stated, "We saw a rebound in sales from this year's first quarter. Compared with last year's second quarter, on slightly lower volume, we improved our operating profit by \$2.7 million as a result of the successful conversion to primarily an import model where we have a much greater variable cost structure. Looking ahead, we will maintain our focus on the continued improvement of our cost structure and service levels to customers."

### Retail

For the quarter, retail sales were \$52.5 million compared with \$49.2 million in last year's second quarter. On an operating basis, the segment incurred a loss, primarily the result of the sluggish retail environment, inefficiencies related to transitional issues and the current fixed cost structure relative to volume.

Darrow commented, "We made numerous changes to our retail operation this quarter. We opened three new stores, relocated two and exited the Rochester, New York market, by closing two stores. We also consolidated six warehouses into two large regional distribution centers. Additionally, in the Northeast region, we rolled out an enhanced operating system which will enable us to better manage our business while reducing redundancies and costs. Although there were various one-time expenses associated with these moves, we are confident they will drive meaningful improvement in our operating efficiency."

Darrow added, "Our emphasis will continue to be on improving our cost structure, particularly in the markets we acquired over the past 18 months. We also have the ability to strengthen our gross margin performance now that we are through a number of closing and clearance sales at the older stores. And, we are focused on increasing the system's volume through greater penetration of the markets in which we operate -- both through additional stores and the relocation and conversion to stores in the New Generation format. In fiscal 2007, we plan to open, remodel and/or relocate 20 company-owned stores, bringing the total number of stores in the new format to 49, representing 70% of the 70 stores we plan to have in our system at year end.

La-Z-Boy Incorporated owns 68 stores, including 37 in the New Generation format. For the third quarter, the company plans to add seven New Generation stores to its retail segment: four brand new stores and three relocations/conversions.

### Restructuring

During the quarter, a pre-tax restructuring charge of \$2.3 million, or \$0.03 per share, was recorded stemming from the consolidation of retail warehouses, store closings and related contract termination costs for leases on these facilities, severance and benefits and the write-down of certain

leasehold improvements in addition to other relocation costs.

#### Balance Sheet

Darrow noted, "For the quarter, our debt-to-capitalization ratio stood at 27.2%, a slight increase from fiscal 2006 year end's ratio of 26.5%. We repurchased approximately 250,000 shares during the quarter at an average price of \$12.98, leaving us with approximately 5.4 million shares remaining in our program."

#### Business Outlook

Commenting on the company's business outlook, Darrow noted: "Although we have made strides in our wholesale divisions from a margin perspective, the volatility of the retail climate continues to concern us. For the fiscal 2007 third quarter, we expect sales to be down in the mid-single-digit range compared with last year's third quarter sales of \$477 million and we expect earnings per share to be in the range of \$0.06 to \$0.10, including up to a \$0.01 per share charge for stock option expense. In last year's third- quarter, we reported earnings per share of \$0.20, which included \$0.01 per share in restructuring charges and \$0.01 per share of discontinued operations."

#### 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: (a) changes in consumer confidence; (b) changes in demographics; (c) changes in housing sales; (d) the impact of terrorism or war; (e) continued energy price changes; (f) the impact of logistics on imports; (g) the impact of interest rate changes; (h) the potential disruptions from Chinese imports; (i) inventory supply price fluctuations; (j) the impact of imports as it relates to continued domestic production; (k) changes in currency exchange rates; (l) competitive factors; (m) operating factors, such as supply, labor, or distribution disruptions including changes in operating conditions or costs; (n) effects of restructuring actions; (o) changes in the domestic or international regulatory environment; (p) not fully realizing cost reductions through restructurings; (q) ability to implement global sourcing organization strategies; (r) the impact of new manufacturing technologies; (s) the future financial performance and condition of independently operated dealers that we are required to consolidate into our financial statements or changes requiring us to consolidate additional independently operated dealers; (t) fair value changes to our intangible assets due to actual results differing from projected; (u) the impact of adopting new accounting principles; (v) the impact from natural events such as hurricanes, earthquakes and tornadoes; (w) the ability to turn around under- performing retail stores; (x) the impact of retail store relocation costs, the success of new stores or the timing of converting stores to the New Generation format; (y) the ability to procure fabric rolls or cut-and-sewn sets domestically or abroad; and (z) factors relating to acquisitions and other factors identified from time to time in our reports filed with the Securities and Exchange Commission. We undertake 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](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](http://www.la-z-boy.com/about/investorRelations/IR_email_alerts.aspx) .

#### Background Information

La-Z-Boy Incorporated is one of the world's leading residential furniture producers, marketing furniture for every room of the home. The La-Z-Boy Upholstery Group companies are Bauhaus, Centurion, England, La-Z-Boy, and Sam Moore. The La-Z-Boy Casegoods Group companies are American Drew, Hammary, Kincaid, Lea, Clayton Marcus, and Pennsylvania House.

The corporation's proprietary distribution network is dedicated exclusively to selling La-Z-Boy Incorporated products and brands, and includes 335 stand-alone La-Z-Boy Furniture Galleries(R) stores and 307 La-Z-Boy In- Store Galleries, 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 In Furniture, the La-Z-Boy Furniture Galleries retail network is North America's largest single-brand furniture retailer. Additional information is available at <http://www.la-z-boy.com/> .

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

	Second Quarter Ended				
	10/28/06	10/29/05	% Over (Under)	Percent of Sales	
				10/28/06	10/29/05
Sales	\$440,538	\$433,367	1.7%	100.0%	100.0%
Cost of sales					
Cost of goods sold	329,242	336,263	-2.1%	74.7%	77.6%
Restructuring	(400)	7,817	-105.1%	-0.1%	1.8%
Total cost of sales	328,842	344,080	-4.4%	74.6%	79.4%

Gross profit	111,696	89,287	25.1%	25.4%	20.6%
Selling, general and administrative	105,315	97,264	8.3%	23.9%	22.4%
Restructuring	2,265	--	N/M	0.5%	--
Operating income (loss)	4,116	(7,977)	151.6%	0.9%	-1.8%
Interest expense	2,614	3,090	-15.4%	0.6%	0.7%
Other income, net	1,649	294	460.9%	0.4%	0.1%
Income (loss) from continuing operations before income taxes	3,151	(10,773)	129.2%	0.7%	-2.5%
Income tax expense (benefit)	1,197	(3,862)	131.0%	38.0%*	35.8%*
Income (loss) from continuing operations	1,954	(6,911)	128.3%	0.4%	-1.6%
Income from discontinued operations (net of tax)	--	464	-100.0%	--	0.1%
Net income (loss)	\$1,954	\$(6,447)	130.3%	0.4%	-1.5%
Basic average shares	51,373	51,655			
Basic income (loss) from continuing operations per share	\$0.04	\$(0.13)			
Discontinued operations (net of tax)	\$--	\$0.01			
Basic net income (loss) per share	\$0.04	\$(0.12)			
Diluted average shares	51,639	51,655			
Diluted income (loss) from continuing operations per share	\$0.04	\$(0.13)			
Discontinued operations (net of tax)	\$--	\$0.01			
Diluted net income (loss) per share	\$0.04	\$(0.12)			
Dividends paid per share	\$0.12	\$0.11			

\* As a percent of pretax income, not sales.

N/M = not meaningful

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

Six Months Ended

	10/28/06	10/29/05	% Over (Under)	Percent of Sales	
				10/28/06	10/29/05
Sales	\$859,403	\$862,242	-0.3%	100.0%	100.0%
Cost of sales					
Cost of goods sold	646,152	662,613	-2.5%	75.2%	76.8%
Restructuring	(400)	7,817	-105.1%	--	0.9%

Total cost of sales	645,752	670,430	-3.7%	75.1%	77.8%
Gross profit	213,651	191,812	11.4%	24.9%	22.2%
Selling, general and administrative	204,440	193,080	5.9%	23.8%	22.4%
Restructuring	2,265	--	N/M	0.3%	--
Operating income (loss)	6,946	(1,268)	647.8%	0.8%	-0.1%
Interest expense	5,140	5,831	-11.9%	0.6%	0.7%
Other income, net	2,267	303	648.2%	0.3%	--
Income (loss) from continuing operations before income taxes	4,073	(6,796)	159.9%	0.5%	-0.8%
Income tax expense (benefit)	1,077	(2,362)	145.6%	26.4%*	34.8%*
Income (loss) from continuing operations	2,996	(4,434)	167.6%	0.3%	-0.5%
Income from discontinued operations (net of tax)	1,253	1,195	4.9%	0.1%	0.1%
Net income (loss)	\$4,249	\$(3,239)	231.2%	0.5%	-0.4%
Basic average shares	51,580	51,892			
Basic income(loss) from continuing operations per share	\$0.06	\$(0.08)			
Discontinued operations (net of tax)	\$0.02	\$0.02			
Basic net income (loss) per share	\$0.08	\$(0.06)			
Diluted average shares	51,806	51,892			
Diluted income (loss) from continuing operations per share	\$0.06	\$(0.08)			
Discontinued operations (net of tax)	\$0.02	\$0.02			
Diluted net income (loss) per share	\$0.08	\$(0.06)			
Dividends paid per share	\$0.24	\$0.22			

\* As a percent of pretax income, not sales.  
N/M = not meaningful

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

			Increase/(Decrease)		
	10/28/06	10/29/05	Dollars	Percent	4/29/06
Current assets					
Cash and equivalents	\$20,529	\$15,037	\$5,492	36.5%	\$24,089
Receivables, net	253,519	258,518	(4,999)	-1.9%	270,578

Inventories, net	237,885	267,320	(29,435)	-11.0%	238,826
Deferred income taxes	32,339	27,247	5,092	18.7%	27,276
Other current assets	29,076	30,676	(1,600)	-5.2%	23,790
Total current assets	573,348	598,798	(25,450)	-4.3%	584,559
Property, plant and equipment, net	204,904	214,552	(9,648)	-4.5%	209,986
Goodwill	62,736	79,770	(17,034)	-21.4%	56,926
Trade names	18,794	18,794	--	--	18,794
Other long-term assets	80,166	84,214	(4,048)	-4.8%	100,909
Total assets	\$939,948	\$996,128	\$(56,180)	-5.6%	\$971,174
Current liabilities					
Short-term borrowings	\$35,000	\$30,835	\$4,165	13.5%	\$8,000
Current portion of long-term debt	3,295	1,965	1,330	67.7%	2,844
Accounts payable	72,308	73,397	(1,089)	-1.5%	85,561
Accrued expenses and other current liabilities	114,762	130,154	(15,392)	-11.8%	128,112
Total current liabilities	225,365	236,351	(10,986)	-4.6%	224,517
Long-term debt	147,799	194,533	(46,734)	-24.0%	173,368
Deferred income taxes	12,845	4,599	8,246	179.3%	14,548
Other long-term liabilities	54,920	56,361	(1,441)	-2.6%	48,396
Contingencies and commitments	--	--	--	--	--
Shareholders' equity					
Common shares, \$1 par value	51,364	51,637	(273)	-0.5%	51,782
Capital in excess of par value	206,145	211,838	(5,693)	-2.7%	210,826
Retained earnings	236,635	254,855	(18,220)	-7.1%	246,387
Unearned compensation	--	(3,534)	3,534	100.0%	(3,083)
Accumulated other comprehensive income (loss)	4,875	(10,512)	15,387	146.4%	4,433
Total shareholders' equity	499,019	504,284	(5,265)	-1.0%	510,345
Total liabilities and shareholders' equity	\$939,948	\$996,128	\$(56,180)	-5.6%	\$971,174

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

	Second Quarter Ended		Six Months Ended	
	10/28/06	10/29/05	10/28/06	10/29/05
Cash flows from operating activities				
Net income (loss)		\$1,954	\$(6,447)	\$4,249
Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities				
Gain on sale of discontinued operations (net of tax)		--	--	(1,280)
Restructuring		1,865	7,817	1,865
Change in allowance for doubtful				7,817

accounts	592	(1,589)	867	(740)
Depreciation and amortization	6,809	7,178	13,889	14,176
Stock option and restricted stock expense	1,861	--	2,732	--
Change in receivables	(23,177)	(4,703)	(1,005)	29,290
Change in inventories	873	(2,581)	(17,117)	(3,362)
Change in payables	(2,060)	4,055	(9,379)	(9,904)
Change in other assets and liabilities	(8,623)	(2,683)	(15,570)	(9,984)
Change in deferred taxes	(3,110)	(2,020)	(6,766)	(5,258)
Total adjustments	(24,970)	5,474	(31,764)	22,035
Net cash provided by (used for) operating activities	(23,016)	(973)	(27,515)	18,796
Cash flows from investing activities				
Proceeds from disposals of assets	3,633	7,718	24,962	7,720
Proceeds from sale of discontinued operations	3,184	--	33,166	--
Capital expenditures	(5,767)	(7,570)	(15,010)	(14,283)
Purchases of investments	(2,760)	(3,622)	(8,392)	(15,560)
Proceeds from sale of investments	2,320	1,925	8,017	4,068
Change in other long-term assets	(701)	(1,236)	(196)	(3,301)
Net cash provided by (used for) investing activities	(91)	(2,785)	42,547	(21,356)
Cash flows provided by (used for) financing activities				
Proceeds from debt	56,276	26,058	78,675	72,137
Payments on debt	(31,266)	(18,214)	(78,680)	(72,119)
Stock issued for stock option and employee benefits plans	(342)	1,045	766	2,045
Repurchase of common stock	(3,261)	(3,642)	(6,947)	(10,889)
Dividends paid	(6,213)	(5,714)	(12,462)	(11,472)
Net cash provided by (used for) financing activities	15,194	(467)	(18,648)	(20,298)
Effect of exchange rate changes on cash and equivalents	49	251	56	190
Change in cash and equivalents	(7,864)	(3,974)	(3,560)	(22,668)
Cash and equivalents at beginning of period	28,393	19,011	24,089	37,705
Cash and equivalents at end of period	\$20,529	\$15,037	\$20,529	\$15,037
Cash paid (net of refunds) during period - income taxes	\$16,889	\$7,224	\$17,097	\$1,591
Cash paid during period - interest	\$1,748	\$2,088	\$4,660	\$5,310

LA-Z-BOY INCORPORATED  
Segment Information  
(Unaudited, amounts in thousands)

	Second Quarter Ended		Six Months Ended	
	10/28/06	10/29/05	10/28/06	10/29/05
Sales				
Upholstery Group	\$312,575	\$310,013	\$615,658	\$614,084
Casegoods Group	92,111	93,057	170,393	185,853

Retail Group	52,485	49,245	104,689	101,900
VIEs/Eliminations	(16,633)	(18,948)	(31,337)	(39,595)
Consolidated	\$440,538	\$433,367	\$859,403	\$862,242

Operating income (loss)

Upholstery Group	\$19,676	\$12,115	\$37,322	\$26,884
Casegoods Group	4,412	1,703	7,351	5,340
Retail Group	(8,769)	(6,074)	(16,484)	(11,482)
Corporate and other*	(9,338)	(7,904)	(19,378)	(14,193)
Restructuring	(1,865)	(7,817)	(1,865)	(7,817)
Consolidated	\$4,116	\$(7,977)	\$6,946	\$(1,268)

\* Variable Interest Entities ("VIEs") are included in corporate and other.

SOURCE La-Z-Boy Incorporated

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CO: La-Z-Boy Incorporated

ST: Michigan

IN: HOU REA

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