



## La-Z-Boy Reports Fiscal 2008 Fourth-Quarter and Full-Year Results

06/16/08

MONROE, Mich., June 16 /PRNewswire-FirstCall/ -- La-Z-Boy Incorporated (NYSE: LZB) today reported its operating results for the fiscal fourth quarter and full year ended April 26, 2008.

Net sales for the quarter were \$368 million, down 9.8% compared with the prior year's fourth quarter. The company reported a loss from continuing operations of \$4.5 million, or a loss of \$0.09 per share, compared with income from continuing operations of \$8.4 million, or \$0.16 per share, for the same period last year. The 2008 fourth quarter results include a \$0.04 per share restructuring charge, primarily related to the pending closure of the company's Tremonton, Utah upholstery facility, and a \$0.07 per share charge associated with the make-whole provision on the company's private placements, which were refinanced in February. Last year's fourth quarter included a restructuring charge of \$0.08 related to the closure of several of the company's upholstery facilities and retail outlets and a \$0.14 gain on the sale of properties.

For the full fiscal 2008 year, La-Z-Boy reported sales of \$1.5 billion, down 10.5% compared with the prior year. The company reported a loss from continuing operations of \$7.5 million, or a loss of \$0.15 per share, compared with income from continuing operations of \$19.8 million, or \$0.38 per share, for fiscal 2007. The 2008 full-year results include income per share of \$0.09 related to anti-dumping duties received on bedroom furniture imported from China, a restructuring charge of \$0.10 relating to the closure of the company's Lincoln facility, retail outlet closures and the pending closure of the company's Tremonton, Utah upholstery facility, a \$0.10 per share charge for a write-down of goodwill and a \$0.07 per share charge associated with the make-whole provision on the company's private placements, which were refinanced in February.

For the full fiscal 2007 year, the company's results included a \$0.13 per share restructuring charge related to plant and retail outlet closures, income of \$0.04 per share related to anti-dumping duties, and a \$0.17 per share gain on the sale of properties. (See the attached schedule for more information on selected items included in our Consolidated Statement of Operations.)

Kurt L. Darrow, La-Z-Boy's President and Chief Executive Officer, said: "In an operating environment that continues to be marked by challenges, fiscal 2008 was a transitional year for La-Z-Boy. We continued our momentum in making significant changes to our business model, including rationalizing our portfolio of operating companies, transitioning our La-Z-Boy branded manufacturing facilities to cellular production, closing several upholstery facilities, launching a new comprehensive marketing campaign, consolidating our retail warehouses and IT systems and strengthening our balance sheet by reducing our debt by 31%. We made tough decisions during tough times, and are confident our business model has the strength and stability for us to remain an industry leader going forward."

### Upholstery

For the fiscal 2008 fourth quarter, sales in the company's upholstery segment decreased 8.9% to \$277.5 million compared with \$304.7 million in the prior year's fourth quarter; however, the segment's operating margin increased to 8.3% from 6.0% in last year's comparable quarter. Darrow stated, "The success of the conversion of our La-Z-Boy branded facilities to the cellular production process is clearly evident in our results. On lower volume, we improved our operating margin year over year and, with the implementation of cellular now substantially completed, we anticipate our performance going forward will improve. During the quarter, we announced plans to consolidate all cutting and sewing operations at our branded facilities, over a period of 18 to 24 months, and will move those operations to a new facility in Mexico. We also announced we would close our Tremonton, Utah facility this summer. The combined annual savings from these two initiatives are expected to be in excess of \$25 million, with the full benefit beginning in fiscal 2011."

For the fiscal 2008 fourth quarter, the La-Z-Boy Furniture Galleries(R) store system, which includes both company-owned and independent-licensed stores, opened two new stores, relocated and/or remodeled two and closed three, bringing the total store count to 335, of which 216 are in the New Generation format. For fiscal 2009, the network plans to open 10 New Generation format La-Z-Boy Furniture Galleries(R) stores (seven new and three will be store remodels or relocations) and will close six. In the first quarter of fiscal 2009, the network plans to open one store, relocate or remodel two and close two.

System-wide, for the first four months of calendar 2008, including company-owned and independent-licensed stores, same-store written sales, which the company tracks as an indicator of retail activity, were down 5.7%. Total written sales, which include new stores, were down 5.2%.

### Casegoods

For the 2008 fourth quarter, casegoods sales were \$48.8 million, down 24.3% from the prior year's fourth quarter and, as a result, the segment's quarterly operating margin decreased to 3.6%. Darrow commented, "With higher price points typically associated with casegoods collections, as compared to upholstery, our casegoods business continues to be impacted by the housing downturn, with consumers postponing purchases of larger sets of furniture for the dining room and bedroom. In the meantime, our team remains focused on new product development, with unique attributes, to appeal to a wider range of customers. Importantly, we continue to align our cost structure with the current level of business."

### Retail

For the quarter, retail sales were \$48.9 million, down 10.2% compared with the prior-year period. The retail group posted an operating loss for the quarter, and its operating margin was (25.7%). Approximately 6.5% of the 10.2% sales decline was the result of exiting the Pittsburgh, Pennsylvania market, which was operating during last year's fourth quarter. Darrow stated, "During the quarter, we completed the consolidations of both our warehouse and IT systems, eliminating the redundant costs associated with the multiple markets we acquired over the last several years. Following the consolidation of the warehouses, we were aggressive in reducing our inventory and lowered it by 15% on a 10% sales decline during the course of the quarter. We also closed three stores during the period, selling additional inventory at discounted levels, which negatively impacted our gross

margin for the quarter. However, as a result of these moves, beginning in fiscal 2009, we are in-stock on our core assortment, which is improving our service position."

Darrow continued, "Although we are realizing a significant reduction in costs as a result of the consolidation process, the benefit is negated by the decline in volume across our stores coupled with increased occupancy costs associated with additional New Generation format stores. While we cannot control the impact the economy is having on the home furnishings market, we are working to improve our close ratio and average ticket with every customer. Additionally, we continue to examine every cost component of our business while experimenting with various merchandising techniques in several stores as a means to drive top-line growth."

During the fourth quarter, the company's retail segment opened two new company-owned stores, remodeled or relocated two and closed one. At the end of the fourth quarter, the company owned 70 stores, including 56 in the New Generation format, or 80% versus 70 company-owned stores last year at this time, of which 47, or 67%, were in the new format.

#### New Credit Facility

La-Z-Boy Incorporated entered into a new secured credit agreement in early February, giving it greater flexibility to operate its business. As part of the refinancing, the company's private placement notes were paid off and the company took a charge of \$6.0 million, or \$0.07 per share, in the fourth quarter as a result of a make-whole provision with the company's note holders.

#### Balance Sheet

During the year, La-Z-Boy reduced its debt by \$47 million, of which \$46 million was reduced in the fourth quarter. At the end of fiscal 2008, La-Z-Boy's debt to capitalization ratio was 18.8% compared with 23.8% at the end of fiscal 2007. Net cash provided by operating activities was \$49.2 million, primarily the result of a reduction in inventory and accounts receivable.

#### Business Outlook

Commenting on the company's business outlook, Darrow said: "Overall macroeconomic factors continue to impact the home furnishings industry and we believe it will be some time before the environment improves. As we experienced in fiscal 2008, due to seasonality issues and the way in which our fiscal year rolls out (May through April), we anticipate the second half of our fiscal year to be stronger than the first half. We will continue to make changes to our business to positively impact both the top and bottom lines; however, we remain cautious in our outlook for the full fiscal 2009 year and anticipate a 3% to 7% decrease in sales compared with fiscal 2008 and earnings per share to be in the range of \$0.15 to \$0.25. Our guidance does not include restructuring charges, potential income from anti-dumping monies, or any further effect from discontinued operations or the write-down of intangible assets."

#### 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) further changes in the housing market; (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) changes in currency exchange rates; (i) competitive factors; (j) operating factors, such as supply, labor or distribution disruptions including changes in operating conditions or costs; (k) effects of restructuring actions; (l) changes in the domestic or international regulatory environment; (m) ability to implement global sourcing organization strategies; (n) fair value changes to our intangible assets due to actual results differing from projected; (o) the impact of adopting new accounting principles; (p) the impact from natural events such as hurricanes, earthquakes and tornadoes; (q) the ability to procure fabric rolls or cut and sewn fabric sets domestically or abroad; (r) those matters discussed under "Risk Factors" in our most recent Annual Report of Form 10-K and subsequent Quarterly Reports on Form 10-Q and 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, England and La-Z-Boy. The La-Z-Boy Casegoods Group companies are American Drew/Lea, Hammary and Kincaid.

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, 57 La-Z-Boy In-Store Galleries and 333 Comfort Studios, in addition to in-store gallery programs at the company's Kincaid, 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/> .

	For the Quarter Ended		For the Year Ended	
(Amounts in thousands, except per share data)	4/26/2008 (13 weeks)	4/28/2007 (13 weeks)	4/26/2008 (52 weeks)	4/28/2007 (52 weeks)
Sales	\$368,030	\$408,078	\$1,450,941	\$1,621,460
Cost of sales				
Cost of goods sold	260,777	296,053	1,051,656	1,189,734
Restructuring	2,610	3,771	5,057	3,371
Total cost of sales	263,387	299,824	1,056,713	1,193,105
Gross profit	104,643	108,254	394,228	428,355
Selling, general and administrative	102,192	92,955	399,470	388,738
Restructuring	632	2,542	3,078	7,662
Write-down of intangibles	2,617	-	8,426	-
Operating income (loss)	(798)	12,757	(16,746)	31,955
Interest expense	7,534	2,316	13,899	10,206
Income from Continued Dumping and Subsidy Act, net	-	-	7,147	3,430
Interest income	575	1,255	3,614	3,952
Other income (expense), net	691	173	5,393	727
Income (loss) from continuing operations before income taxes	(7,066)	11,869	(14,491)	29,858
Income tax (benefit) expense	(2,595)	3,434	(6,954)	10,090
Income (loss) from continuing operations	(4,471)	8,435	(7,537)	19,768
Income (loss) from discontinued operations (net of tax)	50	(724)	(6,000)	(15,629)
Net income (loss)	\$(4,421)	\$7,711	\$(13,537)	\$4,139
Basic average shares	51,425	51,373	51,408	51,475
Basic income (loss) from continuing operations per share	\$(0.09)	\$0.16	\$(0.15)	\$0.38
Discontinued operations (net of tax)	-	(0.01)	(0.11)	(0.30)
Basic net income (loss) per share	\$(0.09)	\$0.15	\$(0.26)	\$0.08
Diluted average shares	51,425	51,522	51,408	51,606
Diluted income (loss) from continuing operations per share	\$(0.09)	\$0.16	\$(0.15)	\$0.38
Discontinued operations (net of tax)	-	(0.01)	(0.11)	(0.30)
Diluted net income (loss) per share	\$(0.09)	\$0.15	\$(0.26)	\$0.08
Dividends paid per share	\$0.04	\$0.12	\$0.40	\$0.48

LA-Z-BOY INCORPORATED  
CONDENSED CONSOLIDATED BALANCE SHEET

Unaudited

As of

(Amounts in thousands, except par value)

4/26/2008 4/28/2007

Current assets

Cash and equivalents	\$14,982	\$51,721
Receivables, net of allowance of \$17,942 in 2008 and \$13,635 in 2007	200,422	230,399
Inventories, net	178,361	197,790
Deferred income taxes -- current	12,398	17,283
Assets of discontinued operations	-	24,278
Other current assets	21,325	19,327
Total current assets	427,488	540,798
Property, plant and equipment, net	171,001	183,218
Deferred income taxes -- long term	26,922	15,380
Goodwill	47,233	55,659
Trade names	9,006	9,472
Other long-term assets, net of allowance of \$2,801 in 2008 and \$1,942 in 2007	87,220	74,164
Total assets	\$768,870	\$878,691
Current liabilities		
Current portion of long-term debt	\$4,792	\$38,076
Accounts payable	56,421	66,242
Liabilities of discontinued operations	-	3,843
Accrued expenses and other current liabilities	102,700	118,591
Total current liabilities	163,913	226,752
Long-term debt	99,578	113,172
Other long-term liabilities	54,783	53,419
Contingencies and commitments	-	-
Shareholders' equity		
Preferred shares -- 5,000 authorized; none issued	-	-
Common shares, \$1 par value - 150,000 authorized; 51,428 outstanding in 2008 and 51,377 outstanding in 2007	51,428	51,377
Capital in excess of par value	209,388	208,283
Retained earnings	190,215	223,896
Accumulated other comprehensive income (loss)	(435)	1,792
Total shareholders' equity	450,596	485,348
Total liabilities and shareholders' equity	\$768,870	\$878,691

LA-Z-BOY INCORPORATED  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in thousands)	Unaudited Quarter		Unaudited Year	
	Ended	Ended	Ended	Ended
	4/26/2008	4/28/2007	4/26/2008	4/28/2007
Cash flows from operating activities				
Net income (loss)	\$(4,421)	\$7,711	\$(13,537)	\$4,139
Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities				
Write-down of intangibles	2,617	-	8,426	-
Write-down of assets from businesses held for sale (net of tax)	-	1,262	2,159	14,936
(Gain) loss on sale of discontinued operations (net of tax)	(198)	345	3,696	(935)
Restructuring	3,242	6,313	8,135	11,033
Provision for doubtful accounts	2,177	899	8,550	3,790
Depreciation and amortization	6,190	7,082	24,696	27,204
Stock option, restricted and performance based stock				

expense	1,362	748	4,527	3,959
Change in receivables	11,715	(14,624)	20,956	5,064
Change in inventories	5,574	18,795	23,471	4,486
Change in payables	(5,287)	7,621	(10,394)	(11,607)
Change in other assets and liabilities	(6,768)	3,018	(25,419)	(12,446)
Change in deferred taxes	(3,557)	(7,354)	(6,027)	(16,390)
Total adjustments	17,067	24,105	62,776	29,094
Net cash provided by operating activities	12,646	31,816	49,239	33,233
Cash flows from investing activities				
Proceeds from disposals of assets	1,023	21,698	8,761	46,974
Proceeds from sale of discontinued operations	-	9,493	4,169	42,659
Capital expenditures	(6,548)	(4,817)	(27,386)	(25,811)
Purchases of investments	(5,485)	(4,704)	(34,562)	(18,165)
Proceeds from sales of investments	5,338	5,508	35,580	17,342
Change in other long-term assets	(2,791)	(1,298)	(705)	(955)
Net cash provided by (used for) investing activities	(8,463)	25,880	(14,143)	62,044
Cash flows from financing activities				
Net changes in debt	(50,108)	(16,728)	(50,929)	(36,696)
Stock issued/(canceled) for stock and employee benefit plans	(140)	7	(269)	1,340
Repurchases of common stock	-	-	-	(6,947)
Dividends paid	(2,076)	(6,212)	(20,746)	(24,886)
Net cash used for financing activities	(52,324)	(22,933)	(71,944)	(67,189)
Effect of exchange rate changes on cash and equivalents	(52)	(526)	109	(456)
Change in cash and equivalents	(48,193)	34,237	(36,739)	27,632
Cash and equivalents at beginning of period	63,175	17,484	51,721	24,089
Cash and equivalents at end of period	\$14,982	\$51,721	\$14,982	\$51,721

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Segment Information

(Amounts in thousands)	Unaudited		Unaudited	
	For the Quarter Ended 4/26/2008 (13 weeks)	4/28/2007 (13 weeks)	For the Year Ended 4/26/2008 (52 weeks)	4/28/2007 (52 weeks)
Sales				
Upholstery Group	\$277,458	\$304,674	\$1,084,418	\$1,198,378
Casegoods Group	48,770	64,403	213,896	262,721
Retail Group	48,902	54,481	190,180	220,319
VIes/Eliminations	(7,100)	(15,480)	(37,553)	(59,958)
Consolidated	368,030	408,078	1,450,941	1,621,460
Operating income (loss)				
Upholstery Group	22,961	18,286	70,332	78,724

Casegoods Group	1,752	5,127	10,151	20,289
Retail Group	(12,565)	(7,939)	(40,265)	(31,161)
Corporate and Other*	(7,087)	3,596	(40,403)	(24,864)
Restructuring	(3,242)	(6,313)	(8,135)	(11,033)
Intangible write-down	(2,617)	-	(8,426)	-
Consolidated	\$(798)	\$12,757	\$(16,746)	\$31,955

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

LA-Z-BOY INCORPORATED  
Unaudited Quarterly Financial Data

(Dollar amounts in thousands, except per share data)	7/28/2007	10/27/2007	1/26/2008	4/26/2008
Fiscal Quarter Ended	(13 weeks)	(13 weeks)	(13 weeks)	(13 weeks)
Sales	\$344,396	\$365,434	\$373,081	\$368,030
Cost of sales				
Cost of goods sold	259,143	266,658	265,078	260,777
Restructuring	2,561	518	(632)	2,610
Total cost of sales	261,704	267,176	264,446	263,387
Gross profit	82,692	98,258	108,635	104,643
Selling, general and administrative	94,508	98,098	104,672	102,192
Restructuring	1,120	449	877	632
Write-down of intangibles	-	5,809	-	2,617
Operating income (loss)	(12,936)	(6,098)	3,086	(798)
Interest expense	2,097	2,120	2,148	7,534
Income from Continued Dumping and Subsidy Offset Act, net	-	-	7,147	-
Interest income	882	1,023	1,134	575
Other income, net	566	351	3,785	691
Income (loss) from continuing operations before income taxes	(13,585)	(6,844)	13,004	(7,066)
Income tax expense (benefit)	(5,043)	(3,192)	3,876	(2,595)
Income (loss) from continuing operations	(8,542)	(3,652)	9,128	(4,471)
Income (loss) from discontinued operations (net of tax)	(152)	(6,282)	384	50
Net income (loss)	\$(8,694)	\$(9,934)	\$9,512	\$(4,421)
Diluted weighted average shares outstanding	51,380	51,410	51,590	51,425
Diluted income (loss) from continuing operations per share	\$(0.17)	\$(0.07)	\$0.18	\$(0.09)
Diluted net income (loss) per share	\$(0.17)	\$(0.19)	\$0.18	\$(0.09)

LA-Z-BOY INCORPORATED  
Unaudited Quarterly Financial Data

(Dollar amounts in thousands, except per share data)      7/29/2006      10/28/2006      1/27/2007      4/28/2007

Fiscal Quarter Ended	(13 weeks)	(13 weeks)	(13 weeks)	(13 weeks)
Sales	\$393,923	\$414,614	\$404,845	\$408,078
Cost of sales				
Cost of goods sold	296,008	306,351	291,322	296,053
Restructuring	-	(400)	-	3,771
Total cost of sales	296,008	305,951	291,322	299,824
Gross profit	97,915	108,663	113,523	108,254
Selling, general and administrative	94,683	99,887	101,213	92,955
Restructuring	-	2,265	2,855	2,542
Operating income	3,232	6,511	9,455	12,757
Interest expense	2,526	2,614	2,750	2,316
Income from Continued Dumping and Subsidy Offset Act, net	-	-	3,430	-
Interest income	815	773	1,109	1,255
Other income (expense), net	(545)	575	524	173
Pre-tax income	976	5,245	11,768	11,869
Income tax expense (benefit)	(116)	1,949	4,823	3,434
Income from continuing operations	1,092	3,296	6,945	8,435
Income (loss) from discontinued operations (net of tax)	1,203	(1,342)	(14,766)	(724)
Net income (loss)	\$2,295	\$1,954	\$(7,821)	\$7,711
Diluted weighted average shares outstanding	51,971	51,639	51,609	51,522
Diluted income from continuing operations per share	\$0.02	\$0.06	\$0.13	\$0.16
Diluted net income (loss) per share	\$0.04	\$0.04	\$(0.15)	\$0.15

LA-Z-BOY INCORPORATED

Selected Items Included in the Consolidated Statement of Operations

(Amounts in millions)	Unaudited		Unaudited	
	For the Quarter Ended 4/26/2008 (13 weeks)	4/28/2007 (13 weeks)	For the Year Ended 4/26/2008 (52 weeks)	4/28/2007 (52 weeks)
Writedown of Intangible Assets(1)	\$2.7	\$-	\$8.4	\$-
Restructuring (2)	3.2	6.3	8.1	11.0
Make Whole on Private Placements (3)	6.0	-	6.0	-
(Gain)/Loss on Property Sales(4)	0.3	(11.5)	0.3	(14.1)
Litigation Settlement(5)	(2.6)	-	(2.6)	-
(Gain)/Loss on Sales of Investments(6)	(0.3)	(0.2)	(3.9)	(0.7)
Income from CDSOA(7)	-	-	(7.1)	(3.4)
Selected Items included in Income from Continuing Operations	\$9.3	\$(5.4)	\$9.2	\$(7.2)

(1) Write-down of a portion of the goodwill of one of our VIEs in the fourth quarter of fiscal 2008. Full year includes the write-down of goodwill for our South Florida market.

- (2) Severance, benefits, write-down of assets, contract terminations costs and other costs related to our plant and retail store closures.
- (3) Make whole premium on the repayment of our private placement notes.
- (4) Gains and losses on property sales which were not previously written-down as part of a restructuring plan. FY07 includes the sale of our plant in the U.K. in addition to several other properties during the year.
- (5) Settlement related to one of our VIEs who was in litigation with the former independent dealer of the VIE's market.
- (6) Gains and losses on various investments.
- (7) Income received under the Continued Dumping and Subsidy Offset Act.

SOURCE La-Z-Boy Incorporated

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06/16/2008

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(LZB)

CO: La-Z-Boy Incorporated  
ST: Michigan  
IN: HOU REA  
SU: ERN ERP

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