



## La-Z-Boy Reports Fourth-Quarter and Full-Year Profit

06/14/10

MONROE, Mich., June 14, 2010 /PRNewswire via COMTEX/ --La-Z-Boy Incorporated (NYSE: LZB) today reported its operating results for the fiscal fourth quarter and full year ended April 24, 2010.

### **Fiscal 2010 fourth-quarter highlights:**

- Net income attributable to La-Z-Boy Incorporated was \$0.26 per share, including a \$0.01 per share restructuring charge and income of \$0.04 related to a reversal of valuation reserves on deferred taxes;
- Consolidated sales increased 9.2%, led by a double-digit increase in the company's upholstery group;
- The upholstery segment posted an 11.9% operating margin;
- The retail segment's performance continued to improve, with the operating loss reduced by 36%, or \$2.6 million; and
- The company generated \$31 million in cash from operating activities.

### **Fiscal 2010 full-year highlights:**

- Net income attributable to La-Z-Boy Incorporated was \$0.62 per share, including a \$0.04 per share restructuring charge, income of \$0.04 related to a reversal of valuation reserves on deferred taxes, and income of \$0.05 per share in anti-dumping duties received on wood bedroom furniture imported from China;
- Consolidated sales decreased by 3.9% compared with fiscal 2009;
- The upholstery segment posted a 10.7% operating margin;
- The retail segment's performance improved, with the operating loss reduced by 43%, or \$15 million from last year's level;
- The company generated \$89.7 million in cash from operating activities; and
- The company increased its cash position to \$108.4 million and reduced its total debt by \$12.9 million to \$48.0 million at year end.

Net sales for the fourth quarter were \$310.7 million, up 9.2% compared with the prior year's fourth quarter. The company reported income attributable to La-Z-Boy Incorporated of \$13.7 million, or \$0.26 per share, compared with \$5.2 million, or \$0.10 per share, in the fourth quarter of fiscal 2009. The fiscal 2010 fourth-quarter results include a \$0.01 per share restructuring charge, primarily related to costs associated with the consolidation of the company's casegoods facilities, and income of \$0.04 related to a reversal of valuation reserves on deferred taxes. The company's 2009 fourth-quarter results include a \$0.01 per share impairment of long-lived assets related to the company's retail operation, a \$0.01 restructuring charge, primarily related to store closures within the company's retail segment and a \$0.05 tax benefit.

For the full fiscal 2010 year, La-Z-Boy Incorporated reported sales of \$1.2 billion, down 3.9% from the prior-year period. The company reported income attributable to La-Z-Boy Incorporated of \$32.5 million, or \$0.62 per share, versus a loss of \$122.7 million, or a loss of \$2.39 per share. The 2010 full-year results include a \$0.04 per-share restructuring charge related to the consolidation of the company's casegoods facility as well as costs associated with the previously announced store closures in the company's retail segment, income of \$0.04 per share related to a reversal of valuation reserves on deferred taxes and income of \$0.05 per share in anti-dumping duties received on wood bedroom furniture imported from China.

The 2009 full-year results were impacted negatively by charges totaling \$1.08 per share for asset impairments and restructuring net of \$0.16 per share in income related to anti-dumping monies received on bedroom furniture imported from China. The company's fiscal 2009 full-year results also include a non-cash \$0.74 per-share charge recognized in the second quarter for a valuation allowance against the company's deferred tax assets.

Kurt L. Darrow, President and Chief Executive Officer of La-Z-Boy, said, "Our results for the quarter and full year reflect the success of the many strategic initiatives implemented over the course of the last several years combined with a focus to ensure our cost structure is in line with order flow. Our manufacturing operations are governed by lean principles, we are focused on building the La-Z-Boy brand, the core growth engine of the company, and are working to strengthen the performance of our retail segment. Additionally, we have managed our balance sheet aggressively, by reducing our total debt to \$48 million while increasing our cash position to \$108.4 million, to ensure we have the greatest financial flexibility. While challenges still remain, we believe that today La-Z-Boy Incorporated is well positioned to not only compete in this environment, but to grow profitably."

### **Wholesale Segments**

For the fiscal 2010 fourth quarter, sales in the company's upholstery segment increased 12.2% to \$241.1 million compared with \$215.0 million in the prior year's fourth quarter. The segment's operating margin increased to 11.9% for the quarter and, for the year, on relatively flat volume, the operating margin was 10.7%. Sales in the casegoods segment for the fourth quarter decreased 4.5% to \$37.5 million and the segment's operating margin was (0.6%). For the year, the casegoods operation posted a small operating loss, with a margin of (0.2%), on a 17.6% sales decline.

Darrow stated, "The performance in our upholstery segment was largely fueled by the cellular production process that we implemented throughout our La-Z-Boy branded facilities. Although a capital-intensive and lengthy undertaking over a three-year period, it has enhanced the efficiencies of our operations, even in the lower volume environment in which we are operating. In addition to the lower cost structure associated with the cellular production process, our throughput and quality are better, enabling us to deliver custom furniture to the consumer more quickly, a key differentiator for our company in the marketplace. Further, we have substantially completed the transition of our cutting-and-sewing operations to our Mexico

Cut-and-Sew facility and we will realize significant cost savings from this initiative throughout fiscal 2011, particularly in the second half of the year as the rate of savings accelerates. We have also implemented lean practices throughout our other two upholstery companies and both contributed positively to our results."

Darrow continued, "Although our casegoods segment continues to be challenged in this macroeconomic environment, with consumers postponing larger ticket purchases of dining room and bedroom groups, the structural changes implemented throughout the segment enabled us to operate at a near breakeven point for both the quarter and year on lower volume. During the year, we consolidated our two remaining casegoods manufacturing operations into one and, during the fourth quarter, we vacated a leased warehouse facility, moving the operation to a company-owned building. The result of these consolidations is an anticipated annual cost savings of approximately \$5 million, a portion of which we realized in fiscal 2010. Also, during the fourth quarter, we consolidated our American Drew/Lea operation with Hammary and believe the newly combined organization will not only allow us to offer our customers a one-stop solution for bedroom, dining room, youth, home office and occasional, but will strengthen our sales, marketing and merchandising groups under one umbrella. Our team is continuing to find ways to strengthen our product offering while ensuring we provide excellent service to our customers."

System-wide, for the fiscal 2010 fourth quarter (February 2010 through April 2010), including company-owned and independent-licensed stores, same-store written sales, which the company tracks as an indicator of retail activity, were up 2.5% compared with the fiscal 2009 fourth quarter. Total written sales, which include new and closed stores, were down 1.5%.

### **Retail Segment**

For the fourth quarter, retail sales were \$39.2 million, up 2.1% compared with the prior-year period. The retail group posted an operating loss for the quarter, and its operating margin was (12.0%), an improvement from last year's fourth quarter margin of (19.1%). For the year, sales in the retail segment declined 4.5%. Darrow stated, "Our retail team continues to make progress in improving the performance of the segment. For the quarter, we stemmed the loss from the comparable prior-year period by \$2.6 million, or 36%. For the full year, we decreased our loss by \$15 million, or 43%. Our marketing platform continues to drive traffic to our store base. We have lowered our cost structure, increased our margins, increased the average ticket and improved our profitability. These metrics bode well for ongoing improvement and the segment's potential to contribute to the overall results of the La-Z-Boy Incorporated, particularly when evaluating the blended margin between the wholesale and retail components."

### **Balance Sheet**

During the fiscal 2010 fourth quarter, La-Z-Boy generated \$31 million in cash from operating activities and, for the year, generated \$90 million. La-Z-Boy's debt-to-capitalization ratio was 12.2%, down from 16.6% a year ago. During the quarter, the company continued to strengthen its balance sheet and closed the year with \$108.4 million in cash, up from \$17.4 million at the end of fiscal 2009. Darrow stated, "Financial flexibility remains of paramount importance to our company and we worked diligently during the year to ensure the strength of our balance sheet, through a low debt structure and strong cash position. We also have \$90.6 million of availability under our revolving line of credit."

### **Business Outlook**

Darrow stated, "While our results and other public data points indicate the beginning of improved industry conditions, we remain cautious going into fiscal 2011. Sales growth and cost-savings initiatives will need to be balanced against various macroeconomic factors, including relatively low consumer confidence levels, ongoing high unemployment and volatility within the housing market, as well as headwinds relating to raw material price increases versus last year. Against this backdrop, we will continue to manage our business aggressively. We believe our company is well positioned to compete in this environment and we are focused on improving our operations across all business segments."

Darrow continued, "As it relates to the first quarter, we are experiencing a significant delta in raw material costs when compared with the year-ago period, and we expect cost savings initiatives, including efficiencies from the Mexico Cut and Sew Center, to accelerate as we move through the year as volumes increase and projects are completed. Additionally, as a result of normal seasonality factors, our first quarter, which ends in July, is typically the weakest in terms of sales and profits as the furniture industry, in general, experiences weaker demand throughout the summer. Accordingly, our plants shut down for one week for vacation, yielding 12 weeks of shipping versus the normal 13 weeks."

### **Conference Call**

La-Z-Boy will hold a conference call with the investment community on Tuesday, June 15, 2010, at 8:30 a.m. eastern time. The toll-free dial-in number is 877.407.0778; international callers may use 201.689.8565.

### **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 and demographics; (b) continued economic recession; (c) changes in the real estate and credit markets and the potential impacts on our customers and suppliers; (d) the impact of political unrest internationally, terrorism or war; (e) continued energy and other commodity price changes; (f) the impact of logistics on imports; (g) the impact of interest rate and currency exchange rate changes; (h) operating factors, such as supply, labor or distribution disruptions including changes in operating conditions, product recalls or costs; (i) effects of restructuring actions; (j) changes in the domestic or international regulatory environment; (k) the impact of adopting new accounting principles; (l) the impact from severe weather or other natural events such as hurricanes, earthquakes and tornadoes; (m) the ability to procure fabric rolls and leather hides or cut and sewn fabric and leather sets domestically or abroad; (n) fluctuations in our stock price; (o) impact of IT system failures; and (p) those matters discussed in Item 1A of our fiscal 2010 Annual Report on Form 10-K 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/Investor-Relations/Sec-Filings/>. 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/Investor->

**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 operating units in the Casegoods Group consist of two groups, one including American Drew, Lea and Hammary, and the second being Kincaid.

The corporation's proprietary distribution network is dedicated exclusively to selling La-Z-Boy Incorporated products and brands, and includes 306 stand-alone La-Z-Boy Furniture Galleries(R) stores and 510 independent Comfort Studios(R), in addition to in-store gallery programs for the company's Kincaid, England and Lea operating units. Additional information is available at <http://www.la-z-boy.com/>.

LA-Z-BOY INCORPORATED  
CONSOLIDATED STATEMENT OF OPERATIONS

	Unaudited ----- For the Quarter Ended -----		Unaudited ----- For the Year Ended -----	
(Amounts in thousands, except per share data)	4/24/2010 (13 weeks)	4/25/2009 (13 weeks)	4/24/2010 (52 weeks)	4/25/2009 (52 weeks)
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Sales	\$310,740	\$284,498	\$1,179,212	\$1,226,674
Cost of sales				
Cost of goods sold	208,938	193,394	802,344	\$879,889
Restructuring	350	123	2,141	9,818
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Total cost of sales	209,288	193,517	804,485	889,707
Gross profit	101,452	90,981	374,727	336,967
Selling, general and administrative	85,480	86,901	331,491	373,502
Restructuring	271	433	1,293	2,642
Write-down of long-lived assets	-	467	-	7,503
Write-down of trade names	-	-	-	5,541
Write-down of goodwill	-	-	-	42,136
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Operating income (loss)	15,701	3,180	41,943	(94,357)
Interest expense	584	1,049	2,972	5,581
Interest income	109	619	724	2,504
Income from Continued Dumping and Subsidy Offset Act, net	-	-	4,436	8,124
Other income (expense), net	236	(23)	590	(7,998)
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Earnings (loss) before income taxes	15,462	2,727	44,721	(97,308)
Income tax expense				

(benefit)	1,922	(2,275)	12,670	25,112
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Net income				
(loss)	13,540	5,002	32,051	(122,420)
Net (income)				
loss				
attributable				
to				
noncontrolling				
interests	132	155	487	(252)
				-----
Net income				
(loss)				
attributable				
to La-Z-Boy				
Incorporated	\$13,672	\$5,157	\$32,538	\$(122,672)
	=====	=====	=====	=====
Diluted				
weighted				
average shares	52,101	51,478	51,732	51,460
Diluted net				
income (loss)				
attributable				
to La-Z-Boy				
Incorporated				
per share	\$0.26	\$0.10	\$0.62	\$(2.39)
Dividends paid				
per share	\$-	\$-	\$-	\$0.10

LA-Z-BOY INCORPORATED  
CONSOLIDATED BALANCE SHEET

	Unaudited As of	
(Amounts in thousands, except par value)	4/24/2010	4/25/2009
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Current assets		
Cash and equivalents	\$108,421	\$17,364
Restricted cash	-	18,713
Receivables, net of allowance of \$20,258 in 2010 and \$28,385 in 2009	165,038	147,858
Inventories, net	134,187	140,178
Deferred income taxes - current	2,305	795
Other current assets	18,159	22,872
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Total current assets	428,110	347,780
Property, plant and equipment, net	138,857	146,896
Trade names	3,100	3,100
Deferred income taxes - long term	458	-
Other long-term assets, net of allowance of \$942 in 2010 and \$4,309 in 2009	38,293	51,431
	-----	-----
Total assets	\$608,818	\$549,207
	=====	=====
Current liabilities		
Current portion of long-term debt	\$1,066	\$8,724
Accounts payable	54,718	41,571
Accrued expenses and other current liabilities	91,496	75,733

Total current liabilities	147,280	126,028
Long-term debt	46,917	52,148
Deferred income taxes	-	724
Other long-term liabilities	68,381	63,875
Contingencies and commitments	-	-
Shareholders' equity		
Common shares, \$1 par value - 150,000 authorized; 51,770 outstanding in 2010 and 51,478 outstanding in 2009	51,770	51,478
Capital in excess of par value	201,873	205,945
Retained earnings	108,707	67,431
Accumulated other comprehensive loss	(20,251)	(22,559)
Total La-Z-Boy Incorporated shareholders' equity	342,099	302,295
Noncontrolling interests	4,141	4,137
Total equity	346,240	306,432
Total liabilities and equity	\$608,818	\$549,207

LA-Z-BOY INCORPORATED  
CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in thousands)	Unaudited Quarter		Unaudited Year	
	Ended 4/24/2010	Ended 4/25/2009	Ended 4/24/2010	Ended 4/25/2009
Cash flows from operating activities				
Net income (loss)	\$13,540	\$5,002	\$32,051	\$(122,420)
Adjustments to reconcile net income (loss) to cash provided by operating activities				
Gain on sale of assets	(488)	(106)	(538)	(2,813)
Write-down of long- lived assets	-	467	-	7,503
Write-down of trade names	-	-	-	5,541
Write-down of goodwill	-	-	-	42,136
Write-down of investments	-	-	-	5,140
Restructuring	621	556	3,434	12,460
Provision for doubtful accounts	942	6,815	6,535	25,254
Depreciation and amortization	6,060	5,875	25,246	24,142
Stock-based compensation expense	1,154	952	5,236	3,819
Change in receivables	(3,114)	3,909	(17,287)	27,223
Change in inventories	10,858	29,615	5,991	36,995
Change in other assets	(2,784)	992	4,187	2,946
Change in payables	6,471	(8,120)	13,147	(14,544)
Change in other liabilities	91	(12,914)	14,349	(41,160)
Change in deferred taxes	(2,391)	624	(2,692)	39,466
Total adjustments	17,420	28,665	57,608	174,108
Net cash provided by operating activities	30,960	33,667	89,659	51,688

Cash flows from investing activities				
Proceeds from disposals of assets	1,413	1,229	3,338	9,060
Capital expenditures	(5,278)	(1,546)	(10,986)	(15,625)
Purchases of investments	(999)	(735)	(4,933)	(11,330)
Proceeds from sales of investments	3,040	12,794	8,833	34,675
Change in restricted cash	-	(10,543)	17,507	(18,207)
Change in other long-term assets	121	(235)	250	(581)
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Net cash provided by (used for) investing activities	(1,703)	964	14,009	(2,008)
Cash flows from financing activities				
Proceeds from debt	10,426	(4,664)	41,817	50,794
Payments on debt	(10,971)	(23,100)	(54,707)	(92,139)
Stock issued/(canceled) for stock and employee benefit plans	1,035	-	1,035	-
Dividends paid	-	11	-	(5,177)
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Net cash provided by (used for) financing activities	490	(27,753)	(11,855)	(46,522)
Effect of exchange rate changes on cash and equivalents				
	(837)	(30)	(756)	(901)
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Change in cash and equivalents	28,910	6,848	91,057	2,257
Cash acquired from consolidation of VIEs	-	-	-	631
Cash and equivalents at beginning of period	79,511	10,516	17,364	14,476
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Cash and equivalents at end of period	\$108,421	\$17,364	\$108,421	\$17,364
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LA-Z-BOY INCORPORATED  
Segment Information

	Unaudited		Unaudited	
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	For the Quarter Ended		For the Year Ended	
	4/24/2010	4/25/2009	4/24/2010	4/25/2009
(Amounts in thousands)	(13 weeks)	(13 weeks)	(52 weeks)	(52 weeks)
	-----	-----	-----	-----
Sales				
Upholstery Group	\$241,137	\$214,952	\$904,871	\$899,204
Casegoods Group	37,510	39,290	146,706	178,000
Retail Group	39,233	38,430	153,620	160,838
VIEs	13,557	11,555	53,173	50,856

Corporate and Other	440	1,413	4,583	4,775
Eliminations	(21,137)	(21,142)	(83,741)	(66,999)
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Consolidated Sales	\$310,740	\$284,498	\$1,179,212	\$1,226,674
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Operating income (loss)				
Upholstery Group	\$28,641	\$19,405	\$96,392	\$35,947
Casegoods Group	(230)	(1,265)	(243)	554
Retail Group	(4,721)	(7,332)	(19,825)	(34,841)
VIEs	222	(349)	104	(5,771)
Corporate and Other	(7,590)	(6,256)	(31,051)	(22,606)
Restructuring	(621)	(556)	(3,434)	(12,460)
Write-down of long-lived assets	-	(467)	-	(7,503)
Write-down of trade names	-	-	-	(5,541)
Write-down of goodwill	-	-	-	(42,136)
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Consolidated Operating Income (Loss)	\$15,701	\$3,180	\$41,943	\$(94,357)
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LA-Z-BOY INCORPORATED  
Unaudited Quarterly Financial Data

(Dollar amounts in thousands, except per share data)

Fiscal Quarter Ended	(13 weeks) 7/25/2009	(13 weeks) 10/24/2009	(13 weeks) 1/23/2010	(13 weeks) 4/24/2010
	-----	-----	-----	-----
Sales	\$262,671	\$300,707	\$305,094	\$310,740
Cost of sales				
Cost of goods sold	181,549	204,962	206,895	208,938
Restructuring	736	663	392	350
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Total cost of sales	182,285	205,625	207,287	209,288
Gross profit	80,386	95,082	97,807	101,452
Selling, general and administrative	77,622	84,862	83,527	85,480
Restructuring	301	520	201	271
Operating income	2,463	9,700	14,079	15,701
Interest expense	980	831	577	584
Interest income	276	199	140	109
Income from				
Continued				

Dumping and Subsidy Offset Act, net	-	-	4,436	-
Other income (expense), net	711	236	(593)	236
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Earnings before income taxes	2,470	9,304	17,485	15,462
Income tax expense	439	3,762	6,547	1,922
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Net income	2,031	5,542	10,938	13,540
Net (income) loss attributable to noncontrolling interest	(48)	365	38	132
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Net income attributable to La-Z-Boy Incorporated	\$1,983	\$5,907	\$10,976	\$13,672
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Diluted weighted average shares	51,479	51,755	51,845	52,101
Diluted net income attributable to La-Z-Boy Incorporated per share	\$0.04	\$0.11	\$0.21	\$0.26

LA-Z-BOY INCORPORATED  
Unaudited Quarterly Financial Data

(Dollar amounts in thousands, except per share data)	(13 weeks) 7/26/2008	(13 weeks) 10/25/2008	(13 weeks) 1/24/2009	(13 weeks) 4/25/2009
Fiscal Quarter Ended	-----	-----	-----	-----
Sales	\$321,652	\$331,948	\$288,576	\$284,498
Cost of sales				
Cost of goods sold	235,596	243,090	207,809	193,394
Restructuring	5,795	2,236	1,664	123
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Total cost of sales	241,391	245,326	209,473	193,517
Gross profit	80,261	86,622	79,103	90,981
Selling, general and administrative	91,435	101,665	93,501	86,901
Restructuring	781	687	741	433
Write-down of long-lived assets	-	-	7,036	467
Write-down of trade names	-	-	5,541	-
Write-down of goodwill	1,292	408	40,436	-
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Operating income (loss)	(13,247)	(16,138)	(68,152)	3,180
Interest expense	1,495	1,651	1,386	1,049
Interest income	932	630	323	619
Income from Continued Dumping and Subsidy Offset Act, net	-	-	8,124	-
Other income (expense), net	143	(685)	(7,433)	(23)
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Earnings (loss) before income taxes	(13,667)	(17,844)	(68,524)	2,727



Income tax expense (benefit)	(5,107)	36,757	(4,263)	(2,275)
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Net income (loss)	(8,560)	(54,601)	(64,261)	5,002
Net (income) loss attributable to noncontrolling interest	(86)	(34)	(287)	155
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Net income (loss) attributable to La-Z-Boy Incorporated	\$(8,646)	\$(54,635)	\$(64,548)	\$5,157
	=====	=====	=====	=====
Diluted weighted average shares	51,428	51,458	51,475	51,478
Diluted net income (loss) attributable to La-Z-Boy Incorporated per share	\$(0.17)	\$(1.06)	\$(1.25)	\$0.10

SOURCE La-Z-Boy Incorporated