SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549-1004

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR QUARTER ENDED October 27, 2001 COMMISSION FILE NUMBER 1-9656

LA-Z-BOY INCORPORATED

(Exact name of registrant as specified in its charter)

MICHIGAN	38-0751137
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1284 North Telegraph Road, Monroe, Michigan	48162-3390
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (734) 241-4414

None

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each issuer's classes of common stock, as of the last practicable date:

Class	Outstanding at October 27, 2001
Common Shares, $1.00 par value	60,762,719

LA-Z-BOY INCORPORATED
FORM 10-Q SECOND QUARTER OF FISCAL 2002

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PART I FINANCIAL
INFORMATION ITEM
1. FINANCIAL
STATEMENTS LA-Z-
BOY INCORPORATED
CONSOLIDATED
BALANCE SHEET
(Amounts in
thousands)
Unaudited --------

Increase/(Decrease)

-- Audited
10/27/01 10/28/00
Dollars Percent
4/28/01 ----------
--- ----------- -
---------- -------
- ------------
~~Current assets~~
~~Cash and~~
~~equivalents~~
~~$24,797 $16,741~~
~~$8,056 48% $23,565~~
~~Receivables - net~~
~~377,744 402,603~~
~~(24,859) -6%~~
~~380,867~~
~~Inventories Raw~~
~~materials 82,045~~
~~100,948 (18,903)~~
~~-19% 90,381 Work~~
~~in progress 60,250~~
~~67,934 (7,684)~~
~~-11% 62,465~~
~~Finished goods~~
~~113,010 114,199~~
~~(1,189) -1%~~
~~115,425~~
~~----------- FIFO~~
~~inventories~~
~~255,305 283,081~~
~~(27,776) -10%~~
~~268,271 Excess of~~
~~FIFO over LIFO~~
~~(10,850) (7,703)~~
~~(3,147) -41%~~
~~(10,384)~~
~~------------ Total~~
~~inventories~~
~~244,455 275,378~~
~~(30,923) -11%~~
~~257,887 Deferred~~
~~income taxes~~
~~19,771 18,769~~
~~1,002 5% 26,168~~
~~Income taxes -~~
~~current 2,944~~
~~5,655 (2,711) -48%~~
~~2,944 Other~~
~~current assets~~
~~16,133 14,059~~
~~2,074 15% 17,345~~
~~-- Total current~~
~~assets 685,844~~
~~733,205 (47,361)~~
~~-6% 708,776~~
~~Property, plant~~

~~and equipment~~
~~219,656 226,922~~
~~(7,266) -3%~~
~~230,341 Goodwill~~
~~110,497 116,224~~
~~(5,727) -5%~~
~~112,755 Trade~~
~~names 118,876~~
~~124,101 (5,225)~~
~~-4% 120,981 Other~~
~~long-term assets~~
~~55,503 58,130~~
~~(2,627) -5% 52,944~~
~~------------------~~
~~------------------~~
~~------------------~~
~~----- Total assets~~
~~$1,190,376~~
~~$1,258,582~~
~~($68,206) -5%~~
~~$1,225,797~~
~~============~~
~~============~~
~~============~~
~~======~~
~~============~~
~~Current~~
~~liabilities Lines~~
~~of credit $0 $0 $0~~
~~N/M $10,380~~
~~Current portion of~~
~~long-term debt~~
~~6,559 1,622 4,937~~
~~304% 5,304 Current~~
~~portion of capital~~
~~leases 488 457 31~~
~~7% 541 Accounts~~
~~payable 88,604~~
~~108,305 (19,701)~~
~~-18% 92,830~~
~~Payroll and other~~
~~compensation~~
~~69,694 67,139~~
~~2,555 4% 78,550~~
~~Income taxes~~
~~10,423 9,808 615~~
~~6% 11,490 Other~~
~~current~~
~~liabilities 56,816~~
~~51,282 5,534 11%~~
~~50,820 ------------~~
~~------------------~~
~~------------------~~
~~---------- Total~~
~~current~~
~~liabilities~~
~~232,584 238,613~~
~~(6,029) -3%~~
~~249,915 Long-term~~
~~debt 171,477~~
~~255,818 (84,341)~~
~~-33% 196,923~~
~~Capital leases~~
~~2,278 2,868 (590)~~
~~-21% 2,496~~
~~Deferred income~~
~~taxes 46,236~~
~~52,493 (6,257)~~
~~-12% 45,709 Other~~
~~long-term~~
~~liabilities 39,380~~
~~32,385 6,995 22%~~
~~35,608~~
~~Contingencies and~~
~~commitments~~
~~Shareholders'~~
~~equity Common~~
~~shares, $1 par~~
~~value 60,763~~
~~60,227 536 1%~~
~~60,501 Capital in~~

~~excess of par value 211,138 211,035 103 0% 210,924 Retained earnings 434,348 408,221 26,127 6% 427,616 Accum. other comprehensive loss (7,828) (3,078) (4,750) 154% (3,895) ----------- ----------- ----------- ------ ----------- Total shareholders' equity 698,421 676,405 22,016 3% 695,146 Total liabilities and ----------- ----------- ----------- ------ ----------- shareholders' equity $1,190,376 $1,258,582 ($68,206) -5% $1,225,797 =========== =========== =========== ====== =========== The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.~~

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF INCOME
(Amounts in thousands, except per share data)
(UNAUDITED)
SECOND QUARTER ENDED

	10/27/01 (13 Weeks)	10/28/00 (13 Weeks)	% Over (Under)	Percent of Sales 10/27/01	10/28/00
Sales	$559,189	$592,700	-6%	100.0%	100.0%
Cost of sales	435,510	450,569	-3%	77.9%	76.0%
Gross profit	123,679	142,131	-13%	22.1%	24.0%
S, G & A	102,073	97,295	5%	18.2%	16.4%
Operating profit	21,606	44,836	-52%	3.9%	7.6%
Interest expense	2,044	4,497	-55%	0.4%	0.8%
Interest income	387	329	18%	0.1%	0.1%
Other income, net	363	5,860	-94%	0.0%	1.0%
Pretax income	20,312	46,528	-56%	3.6%	7.9%
Income tax expense	7,921	17,612	-55%	39.0% *	37.9% *
Net income	$12,391	$28,916	-57%	2.2%	4.9%
Basic EPS	$0.20	$0.48	-58%		
Diluted avg. shares	61,052	60,684	1%		
Diluted EPS	$0.20	$0.48	-58%		
Dividends paid per share	$0.09	$0.09	0%		

(UNAUDITED)
SIX MONTHS ENDED

	10/27/01 (26 Weeks)	10/28/00 (26 Weeks)	% Over (Under)	Percent of Sales 10/27/01	10/28/00
Sales	$1,018,170	$ 1,109,407	-8%	100.0%	100.0%
Cost of sales	796,627	850,935	-6%	78.2%	76.7%
Gross profit	221,543	258,472	-14%	21.8%	23.3%
S, G & A	192,960	189,056	2%	19.0%	17.0%
Operating profit	28,583	69,416	-59%	2.8%	6.3%
Interest expense	5,000	8,849	-43%	0.5%	0.8%
Interest income	745	782	-5%	0.1%	0.1%
Other income, net	626	6,476	-90%	0.1%	0.5%
Pretax income	24,954	67,825	-63%	2.5%	6.1%
Income tax expense	9,732	25,906	-62%	39.0% *	38.2% *
Net income	$15,222	$41,919	-64%	1.5%	3.8%
Basic EPS	$0.25	$0.69	-64%		
Diluted avg. shares	60,994	60,957	0%		
Diluted EPS	$0.25	$0.69	-64%		
Dividends paid per share	$0.18	$0.17	6%		

* As a percent of pretax income, not sales.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LA-Z-BOY INCORPORATED CONSOLIDATED STATEMENT OF CASH FLOWS (Amounts in thousands) (Unaudited) (Unaudited) Second Quarter Ended Six Months Ended ------------------------- ---------------------- 10/27/01 10/28/00 10/27/01 10/28/00 ------------ ------------ ------------ ------------

~~Cash flows from operating activities Net income $12,391 $28,916 $15,222 $41,919 Adjustments to reconcile net income to cash provided by operating activities Depreciation and amortization 10,700 11,473 21,621 22,038 Change in notes and accounts receivables (72,396) (52,267) 3,602 (6,651) Change in inventories 15,723 (9,407) 13,432 (29,575) Change in payables 11,759 25,098 (4,226) 17,913 Change in other assets and liabilities 33,257 4,350 77 (22,638) Proceeds from insurance recovery 5,116 5,116 Change in deferred taxes 3,465 2,412 6,924 5,818~~

~~Total adjustments 2,508 (13,225) 41,430 (7,979)~~

~~Cash provided by operating activities 14,899 15,691 56,652 33,940~~

~~Cash flows from investing activities Proceeds from disposals of assets 304 253 843 439 Capital expenditures (5,871) (9,678) (11,956) (17,073) Change in other long-term assets (3,973) (818) (737) 2,330~~

~~Cash used for investing activities (9,540) (10,243) (11,850) (14,304) Cash flows from financing activities Proceeds from debt 6,206 15,000 41,576 77,000 Payment of debt (21,050) (7,857) (76,147) (66,617) Capital leases (134) (134) (271) 712 Stock issued for stock options & 401(k) plans, net 4,580 3,495 9,528 5,915 Repurchase of common stock (6,586) (11,241) (6,586) (23,249) Dividends paid (5,492) (5,432) (10,956) (10,338)~~

~~Cash used for financing activities (22,476) (6,169) (42,856) (16,577) Effect of exchange rate changes on cash (533) (563) (714) (671)~~

~~Change in cash and equivalents (17,650) (1,284) 1,232 2,388 Cash and equivalents at beginning of period 42,447~~

~~18,025 23,565 14,353~~

~~Cash and equivalents at end of period $24,797 $16,741 $24,797 $16,741~~

~~Cash paid during period - Income taxes $5,437 $18,278 $8,500 $24,726 - Interest $2,954 $3,992 $5,216 $6,249~~

~~The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.~~

~~NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Note 1: Basis of Presentation~~

~~The unaudited interim financial information is prepared in conformity with generally accepted accounting principles and, except as indicated in Notes 6 and 7, such principles are applied on a basis consistent with those reflected in our 2001 Annual Report on Form 10-K, filed with the Securities and Exchange Commission. Management has prepared the financial information included in these financial statements. The consolidated balance sheet as of April 28, 2001 has been audited by our independent certified public accountants. The unaudited interim financial~~

~~information as of and for the interim periods ended October 27, 2001 and October 28, 2000 has been prepared on a basis consistent with, but does not include all the disclosures contained in, the audited consolidated financial statements for the year ended April 28, 2001. The unaudited interim financial information includes all adjustments and accruals, consisting only of normal recurring adjustments, which are, in our opinion, necessary for a fair presentation of results for the respective interim period. Certain prior year information has been reclassified to be comparable to the current year presentation.~~

~~Note 2: Interim Results The foregoing interim results are not necessarily indicative of the results of operations for the full fiscal year ending April 27, 2002.~~

~~Note 3: Restructuring In the second quarter ended October 27, 2001, an expense of $13.2 million was recognized relating to a restructuring plan announced on October 25, 2001. $3.7 million of the expense related to our Upholstery Group and $9.5 million related to our~~

~~Casegoods Group. The plan involves closing down three of our manufacturing facilities and converting two others to warehousing, sub-assembly and import service operations. The impact will be a reduction of manufacturing space of 1.25 million square feet and 933 production and management positions with an estimated net reduction across the company of 570 employees. The $13.2 million charge, which is included in cost of sales, was made up of fixed asset writedowns of $6.2 million, severance and benefit related costs of $4.0 million, inventory writedowns of $1.5 million and other restructuring related costs of $1.5 million. At October 27, 2001, the associated liability was $5.5 million. This amount consists of severance and benefit related costs of $4.0 million and other restructuring related costs of $1.5 million. This plan is expected to be completed by the end of the fiscal year. At April 28, 2001, a liability of $3.9 million existed relating to a restructuring plan announced on April 19, 2001. This amount consisted of $1.2 million~~

~~for severance and benefit related expenses and $2.7 million for other restructuring related costs. At October 27, 2001, the liability was $2.3 million. This amount consists of severance and benefit related costs of $0.6 million and other restructuring related costs of $1.7 million. No restructuring charges or credits were recognized in the income statement in the second quarter ended October 27, 2001 related to this restructuring announcement. We believe the existing restructuring liability will be adequate to cover future severance, benefits, fixed assets or other restructuring costs relating to the announcements on April 19, 2001 and October 25, 2001. Note 4: Other Income: Insurance Recovery Other income in last year's six months and second quarter included $4.9 million resulting from a business interruption insurance recovery. Note 5: Earnings per Share Basic earnings per share is computed using the weighted-average number of shares outstanding during the period. Diluted earnings per share uses the weighted-~~

~~average number of shares outstanding during the period plus the additional common shares that would be outstanding if the dilutive potential common shares issuable under employee stock options were issued. (Unaudited) (Unaudited) Second Quarter Ended Six Months Ended -- (Amounts in thousands) 10/27/01 10/28/00 10/27/01 10/28/00 -- Weighted average common shares outstanding (basic) 60,914 60,527 60,842 60,802 Effect of options 138 157 152 155 -- Weighted average common shares outstanding (diluted) 61,052 60,684 60,994 60,957 ======== ======== ======== ======== Note 6: Accounting Change Beginning with the first quarter ended July 28, 2001, we implemented Financial Accounting Standards Board Statement (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended. Interest rate swap arrangements have been formally designated as hedges and the~~

~~effect of marking these contracts to market as of April 29, 2001 was recorded in "Accum. other comprehensive loss" on the balance sheet in the amount of $1.2 million, net of taxes. Note 7: Segment Information Our reportable operating segments are the Upholstery Group and the Casegoods Group. These segments are different from the segments used in our fiscal 2001 annual report. The new segments reflect the organizational change announced July 23, 2001 that realigned our top management team. The operating divisions that comprise the Upholstery Group are Bauhaus, Centurion, Clayton Marcus, England, HickoryMark, La-Z-Boy, La-Z-Boy Contract Furniture and Sam Moore. The primary products produced and sold in the Upholstery Group are recliners, sofas, occasional chairs and reclining sofas. These products are mostly or fully covered with fabric, leather or vinyl, although exposed wood and other materials are used as well.~~

~~The operating divisions that comprise the Casegoods Group are Alexvale,~~

~~American Drew, American of Martinsville, Hammary, Kincaid, Lea, Pennsylvania House and Pilliod. The primary products produced or sold in the Casegoods Group are casegoods, business furniture and upholstered furniture. Casegoods include dining room tables and chairs, chinas, beds, dressers, chests, youth furniture and other case pieces for both the dining room and bedroom, as well as coffee tables, end tables, and entertainment centers for the living room and great room area. Restated comparable segment information for all quarters in fiscal 2000 and fiscal 2001 can be found in our first quarter Form 10-Q filed September 7, 2001. The financial results of our operating segments were as follows:~~

	~~(Unaudited) Second Quarter Ended~~		~~(Unaudited) Six months Ended~~	
~~(Amounts in thousands)~~	~~10/27/01~~	~~10/28/00~~	~~10/27/01~~	~~10/28/00~~
~~Sales~~				
~~Upholstery Group~~	~~$390,344~~	~~$389,115~~	~~$699,958~~	~~$712,558~~
~~Casegoods Group~~	~~169,118~~	~~203,631~~	~~318,631~~	~~397,073~~
~~Eliminations~~				

~~(273) (46) (419) (224)~~

~~Consolidated $559,189 $592,700 $1,018,170 $1,109,407~~

~~========== ========= =========== ===========~~

~~Operating Profit~~

~~Upholstery Group $32,215 $39,148 $44,181 $60,610~~

~~Casegoods Group (5,019) 11,014 (5,046) 19,235~~

~~Corp. exps. & other (5,590) (5,326) (10,552) (10,429)~~

~~Consolidated $21,606 $44,836 $28,583 $69,416~~

~~========== ========= =========== ===========~~

~~ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION~~

~~Cautionary Statement Concerning Forward-Looking Statements~~

~~We are making forward-looking statements in this item. Generally, forward-looking statements include information concerning possible or assumed future actions, events or results of operations. More specifically, forward-looking statements include the information in this document regarding:~~

~~future income and margins~~

~~future economic performance~~

~~future growth~~

~~industry trends~~

~~adequacy and cost of financial resources management plans Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes," "plans," " intends" and "expects" or similar expressions. With respect to all forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Many important factors, including future economic, political and industry conditions (for example, changes in interest rates, changes in consumer demand, changes in currency exchange rates, changes in demographics and consumer preferences, e-commerce developments, oil price changes, terrorism impacts and changes in the availability and cost of capital); competitive factors (such as the competitiveness of foreign made products, new manufacturing technologies, or other actions taken by current or new competitors); operating~~

~~factors (for example, supply, labor, or distribution disruptions, changes in operating conditions or costs, effects of restructuring actions and changes in regulatory environment); and factors relating to acquisitions, could affect our future results and could cause those results or other outcomes to differ materially from what may be expressed or implied in our forward looking statements. We undertake no obligation to update or revise any forward looking statements for new developments or otherwise.~~

~~Results of Operations~~

~~Second Quarter Ended October 27, 2001 Compared to Second Quarter Ended October 28, 2000. See page 4 for the consolidated statement of income with analysis of percentages and calculations.~~

~~Unaudited Second Quarter Ended~~

~~Sales Operating Profit~~

~~FY02 FY02 $ Over Percent of Total $ Over Percent of Sales (Under) (Under)~~

~~FY01 FY02 FY01 FY01 FY02 FY01~~

~~Upholstery Group 0% 70% 66% 18% 8.3% 10.1% Casegoods Group -17% 30% 34% -146% -3.0% 5.4% Other N/A 0% 0% -5% N/A N/A -- Consolidated -6% 100% 100% -52% 3.9% 7.6% ======= ====== ======= ======= ===== ======= Second quarter sales declined 6% from the prior year's second quarter ended October 28, 2000 primarily due to continued weak furniture industry demand and impacts of retailers going out of business or experiencing financial difficulties. The Upholstery Group sales were unchanged from the prior year. We believe that our Upholstery Group sales performance was better than the industry and most of our major competitors. Based on industry data available to us, furniture industry sales of casegoods declined by double digit percentages across the country. Our Casegoods Group sales also were adversely affected by this industry downturn. Sales in our Casegoods Group were impacted by stronger competition from imported products as well. Gross profit as a percent of sales for the second quarter ended October 27, 2001~~

~~decreased from 24.0% to 22.1%. The primary reason for the drop was due to the $13.2 million of restructuring expenses described further in Note 3 to the interim consolidated financial statements included in this report. Most of the restructuring expenses related to our Casegoods Group segment. Without the restructuring expenses our gross profit margin would have improved to 24.5% of sales from last year's 24.0%. This improvement, despite the 6% sales decline, primarily reflects the results of management's effort to adjust capacity and fixed costs in response to declining unit sales volume. In particular, the restructuring and other productivity improvements announced in April 2001 are now positively impacting gross profit margins. Healthcare expenses were also up from the prior year's quarter, which also occurred last quarter. Our healthcare cost increases are similar to national trends. Selling, General & Administrative (S, G & A) expenses increased 5% or about $4.8 million. As a percent of sales, SG&A~~

~~increased from 16.4% to 18.2% in part because of lower sales volume. One reason for the increase as a percent of sales was our decision to continue most of our advertising expenses at levels necessary to support full year marketing objectives. Continuation of advertising and other promotional support has been consistent throughout the last few quarters through this weak retail environment. Research and development expenses were also up as a percent of sales, similar to last quarter. Interest expense declined 55% and as a percent of sales declined from 0.8% last year to 0.4%. This decline was due to reduced debt levels and lower interest rates. Other income decreased 94% or $5.5 million from last year's second quarter. Last year's quarter included a one-time $4.9 million business interruption insurance recovery. Six Months Ended October 27, 2001 Compared to Six Months Ended October 28, 2000. Unaudited Six Months Ended 10/27/01~~

~~Sales Operating~~

~~Profit~~

~~FY02 FY02 $ Over Percent of Total $ Over Percent of Sales (Under) (Under) FY01 FY02 FY01 FY01 FY02 FY01~~

~~Upholstery Group -2% 69% 64% -27% 6.3% 8.5% Casegoods Group -20% 31% 36% -126% -1.6% 4.8% Other N/A 0% 0% -1% N/A N/A~~

~~Consolidated -8% 100% 100% -59% 2.8% 6.3%~~

~~======== ======= ======= ======== ====== ======~~

~~First half sales declined 8% from the prior year's first half ended October 28, 2000 primarily due to continued weak furniture industry demand and impacts of retailers going out of business or experiencing financial difficulties. Although our Upholstery Group sales decreased 2% from last year, we believe this was better than the industry and most of our major competitors. Based on industry data available to us, furniture industry sales of casegoods declined by double digit percentages across the country. Our Casegoods Group sales also were adversely affected by this industry downturn. Sales~~

~~in our Casegoods Group were impacted by stronger competition from imported products as well. Gross profit as a percent of sales for the first half ended October 27, 2001 decreased from 23.3% to 21.8%. The primary reason for the drop was due to the $13.2 million restructuring expenses recorded in the second quarter as described in Note 3. Most of the restructuring expenses related to our Casegoods Group segment. The decline in sales along with our decision to control inventory levels also contributed to the reduction in gross margins due to fixed manufacturing costs not being reduced in proportion to sales reductions. Healthcare expenses were also up from the prior year's first half; similar to nationwide healthcare cost trends. Without the restructuring expenses the gross profit margin would have been almost equal to last year's 23.3%. Selling, General & Administrative (S, G & A) expenses increased 2% or about $3.9 million. As a percent of sales, SG&A increased from 17.0% to 19.0% in part due to~~

~~reduced sales volume. One reason for the increase was our decision to continue most of our advertising expenses at levels necessary to support full year marketing objectives. Continuation of advertising and other promotional support has been consistent throughout the last few quarters through this weak retail environment. Research and development expenses were also up as a percent of sales. Interest expense declined 43% and as a percent of sales declined from 0.8% last year to 0.5%. This decline was due to reduced debt levels and lower interest rates. Other income decreased $5.8 million. Last year's quarter included a one-time $4.9 million business interruption insurance recovery. Liquidity and Capital Resources Cash flows from operations amounted to $57 million in the first six months of fiscal year 2002 compared to $34 million in the prior year. In the aggregate, capital expenditures, dividends and stock repurchases totaled approximately $29 million during the first six month~~

~~period, which is down from about $51 million in the first six months of fiscal 2001. Cash and cash equivalents increased by $1 million during the six month period compared to an increase of $2 million in the prior year. Inventories declined 10% or $28 million from last year on a FIFO basis. Inventories also declined 6% or $15 million compared to last quarter (our first quarter) whereas at the end of October last year they increased 3% from the first to the second quarter. These declines were primarily the result of efforts to reduce inventories as sales levels declined. The largest reductions in inventory were in our Casegoods segment that also had our largest reduction in sales. We believe we have a very strong capital structure as evidenced by a low debt to capitalization ratio of 20.6% as well as a strong current ratio and interest coverage ratio. As of October 27, 2001, we had line of credit availability of approximately $314 million under several credit agreements. Capital expenditures~~

~~were $6 million during the three months ended October 27, 2001 and $12 million for the six months compared to last year's $10 million for the quarter and $17 million for the six months. During the second quarter we repurchased 418,000 shares of our common stock, at an average price of $15.76 per share. As of October 27, 2001, 847,000 La-Z-Boy shares authorized for purchase on the open market were still available for purchase by us. Outlook We believe the longer term outlook for our industry remains very positive -- especially for a company such as La-Z-Boy, operating under the umbrella of powerful consumer brand names and a strong and growing proprietary distribution system. We expect recent and projected declines in U.S. interest rates to ultimately rejuvenate consumer spending and strengthen housing turnover and home remodeling -- both strong drivers of retail furniture demand. Nevertheless, current consumer sentiment remains highly unsettled, and we anticipate challenging conditions in our third fiscal quarter. Our sales are~~

~~expected to decline in mid single digit percentages in the third quarter compared to last year's third quarter. We expect our Upholstery Group segment sales to show a small percentage improvement over the prior year. We expect our Casegoods Group segment to have a double digit percentage decline in sales but not quite as deep as the 17% decline experienced in this year's second quarter. Casegoods Group sales trends (percent decreases vs. prior year comparable quarters) are improving and we expect them to continue to improve from the 23% decline in the first quarter. But we are not anticipating that Casegoods' dollar level of sales will reach comparable year earlier levels this fiscal year or in the first half of next fiscal year. We expect interest expense to continue to be substantially less next quarter than in the prior year quarter. It also should be less than this second quarter's amount. We are anticipating our full year income tax rate to be similar to last year's 39.0%. Because most of our recent restructuring actions in both~~

~~April and October applied to our Casegoods Group segment we are expecting improved operating margins for this segment in future quarters. We estimate that our diluted net income per share for the third quarter ending January 2002 will be between $0.26 -$0.30 compared to $0.27 last year. Our tentative estimate for the fiscal year ended April 2002 is presently $1.05 - $1.12 excluding restructuring charges. We expect capital expenditures of approximately $30 million for the full year of fiscal 2002, down from the $35 million we estimated on July 28, 2001. This compares to $37 million actual capital expenditures in fiscal 2001. We have a commitment to purchase about $7 million of equipment by the end of fiscal 2002. We expect to continue to be in the open market for purchasing our shares from time to time as changes in our stock price and other factors present appropriate opportunities. We expect to meet our cash needs for capital expenditures, stock repurchases and dividends during fiscal year 2002 from cash generated by operations and borrowings~~

~~under available lines of credit. Recently the Financial Accounting Standards Board issued SFAS No. 142 "Goodwill and Other Intangible Assets" which must be implemented no later than the beginning of our next fiscal year. We believe there will be at least two probable effects of implementing SFAS 142, although we have not yet determined other possible effects including potential impairment charges upon adoption. One effect would be to cause goodwill amortization to cease. Our goodwill amortization expense last year (fiscal 2001) was $4.4 million. Goodwill amortization is not deductible for our tax expense purposes. We estimate that goodwill amortization expense will be similar this year to the expense of last year. If so, and assuming dilutive shares outstanding also are similar, then the cessation of goodwill amortization expense would favorably impact fiscal 2003 earnings per share by about $0.07. We believe that another probable effect of SFAS 142 would be to eliminate the amortization~~

~~expense related to our indefinite-lived trade names for financial reporting purposes. Our trade names amortization expense last year was $4.7 million. Trade names amortization is deductible for our tax expense accounting purposes. Given similar dilutive shares assumptions and assuming a similar tax rate to this year, next year's earnings per share would be about $0.05 higher than this year's due to the cessation of trade names amortization expense. Recently the Financial Accounting Standards Board issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". We have not yet determined the impact of this SFAS, if any, on our financial statements.~~

~~ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK~~

~~We are exposed to market risk from changes in interest rates. Our exposure to interest rate risk results from our floating rate $300 million revolving credit facility under which we had $100 million borrowed at October 27, 2001. We have entered into several interest rate~~

~~swap agreements with counter-parties that are participants in the revolving credit facility to reduce the impact of changes in interest rates on a portion of this floating rate debt. We believe that potential credit loss from counter-party non-performance is minimal. The purpose of these swaps is to fix interest rates on a notional amount of $70 million for a three year period at 6.095% plus our applicable borrowing spread under the revolving credit facility, which can range from .475% to .800%. Management estimates that a 1% change in interest rates would not have a material impact on the results of operations for fiscal 2002 based upon the quarter-end levels of exposed liabilities. We are exposed to market risk from changes in the value of foreign currencies. Our exposure to changes in the value of foreign currencies is reduced through our use of foreign currency forward contracts. Substantially all of our imported purchased parts are denominated in U.S. dollars. Thus, we believe that gains or losses resulting from changes in the~~

~~value of foreign currencies will not be material to our results of operations in fiscal year 2002. ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (a) Exhibits (10.1) Form of Change in Control Agreement (Note 1). Executive officers currently covered; Patrick H. Norton, Gerald L. Kiser, David M. Risley. (10.2) La-Z-Boy Incorporated 1986 Incentive Stock Option Plan (Note 2) (11) Statement of Computation of Earnings See note 5 to the financial statements included in this report. (b) Reports on Form 8-K We filed a Form 8-K on August 15, 2001 containing a press release and financial information about our actual first quarter fiscal year 2002 financial results. We filed a Form 8-K on October 25, 2001 containing a press release about our expected second quarter financial results and a new restructuring charge. Notes to Exhibits Note 1. Incorporated by reference to an exhibit to Form 8-K dated February 6, 1995. Note 2. Incorporated by reference to an exhibit to definitive proxy statement dated June 29, 2001.~~

~~SIGNATURE~~

~~Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. LA-Z-BOY INCORPORATED~~

~~(Registrant)~~

~~Date: November 14, 2001~~

~~/s/James J. Korsnack~~

~~James J. Korsnack Chief Accounting Officer~~