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LA-Z-BOY INC
Form 8-K
May 28, 2003

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549-1004

FORM 8-K

Current Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

MAY 28, 2003

(Date of Report (Date of Earliest Event Reported))

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.

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Item 7. Financial Statements and Exhibits

(c) The following exhibits are furnished as part of this report:

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Item 9. Regulation FD Disclosure

The following information is furnished pursuant to "Item 12. Results of Operations and Financial Condition."

On May 28, 2003, La-Z-Boy Incorporated issued a press release to report the company's financial results for the quarter and fiscal year ended April 26, 2003. A copy of the press release is attached to this current report on Form 8-K as Exhibit 99.1. Exhibit 99.2 contains unaudited quarterly financial data for the last eight quarters.

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La-Z-Boy has disclosed non-GAAP financial measures in the press release, including normalized net sales, normalized operating margin, and normalized diluted earnings per share for the fiscal quarters and fiscal years ended April 26, 2003 and April 27, 2002.

La-Z-Boy believes that the presentation of normalized sales, which excludes the sales of Pilliod which was divested in November 2001, HickoryMark which ceased operations in October 2002 and the fiscal 2003 retail acquisitions, provides useful information to investors because it enables investors to make additional meaningful comparisons of our sales between one reporting period and another.

La-Z-Boy believes that the presentation of normalized operating margin, which excludes restructuring and divestiture charges as well as amortization expense, provides useful information to investors because it enables investors to make additional meaningful comparisons of our performance from one reporting period to another. Because restructuring charges occur on an irregular basis, are often material and are not predictable, and because the discontinuation of amortization is a result of new accounting guidance, we believe that the non-GAAP presentation may be useful in assessing the operating performance of our company. The normalized operating margin is calculated by taking the normalized operating income divided by sales as reported.

La-Z-Boy believes that the presentation of normalized diluted earnings per share, which excludes the cumulative effect of accounting change relating to our adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Intangible Assets," as well as the adjustments discussed above, provides useful information to investors in evaluating the overall net effect of the foregoing adjustments and to make meaningful comparisons against the GAAP results that are presented.

In accordance with the procedural guidance in SEC Release No. 33-8216, the information in this Form 8-K and the Exhibit attached to this Form 8-K are being furnished under "Item 9. Regulation FD Disclosure" rather than under "Item 12. Disclosure of Results of Operations and Financial Condition." The information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

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99.1 Press Release Dated May 28, 2003

LA-Z-BOY REPORTS FOURTH QUARTER AND FULL YEAR OPERATING RESULTS

MONROE, MI. May 28, 2003 - La-Z-Boy Incorporated (NYSE, PCX: LZB) today reported its operating results for the fourth fiscal quarter and full fiscal year ending on April 26, 2003. Net sales for the quarter declined 9.4% from a year earlier, to \$540 million. The quarter's operating margin was 8.0%, compared to 7.1% as reported in fiscal 2002's fourth quarter, and 9% as "normalized" to adjust for the elimination of amortization expense and restructuring charges (a reconciliation table of GAAP to non-GAAP normalized results follows). Diluted earnings per share were \$0.45 - within management's previously announced guidance range. This compares against \$0.41 per diluted share reported for

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fiscal 2002's fourth quarter, or \$0.53 per share - as normalized.

La-Z-Boy Incorporated president and CEO Jerry Kiser said, "This was a difficult quarter for the industry and for our company. Several bouts of severe winter weather had a dampening impact on retail store traffic and sales. In addition, consumer confidence was weakened by the ongoing conflict in Iraq and an increase in consumers' general apprehension levels. Additionally, we are comparing against a strong year-earlier quarter, when our upholstery sales rose 11%. At the same time, the continued softness in our casegoods business is a continuing concern to our management team."

For the full fiscal year, net sales totaled \$2.11 billion, down 2% from fiscal 2002's \$2.15 billion. Adjusted to exclude the divestiture of Pilliod in November 2001, the phase-out of the operations of HickoryMark, announced in August 2002 and completed in October 2002, and the acquisition of five retail stores in Boston and Kansas City, fiscal 2003's sales were virtually flat with the prior year. Net income for fiscal 2003 was \$0.63 per diluted share, after the cumulative effect of a \$1.04 charge resulting from the company's adoption of Statement of Financial Accounting Standards No. 142 ("SFAS 142"), versus \$1.01 in fiscal 2002. Prior to the adoption of SFAS 142 diluted earnings per share for the year totaled \$1.67. In fiscal 2002, by comparison, the company earned \$1.35 per diluted share, on a normalized basis. The elimination of goodwill and trade name amortization under SFAS 142 would have added \$0.03 and \$0.12, respectively, to fiscal 2002's fourth quarter and full year diluted earnings per share had SFAS 142 been in effect then. Operating margin for fiscal 2003 was 7.7%, up from a reported 4.5% and a normalized 6.5% in fiscal 2002.

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Kiser commented, "Our industry has been operating in a difficult business climate for the past three years with the exception of a six month period at the beginning of 2002. During that time, the relatively stagnant U.S. economy, coupled with a wide variety of geopolitical uncertainties, has driven consumer confidence down to a recent nine-year low point and significantly curtailed retail furniture purchases. But we were encouraged by the overall progress La-Z-Boy achieved in fiscal 2003 - particularly the yearly margin improvement in both segments of our business. Due to the strength of our brands, products and distribution network, we believe La-Z-Boy is well-positioned to participate in a new growth cycle when the U.S. economy and consumer sentiment rebound."

Upholstery segment

Fiscal 2003's fourth quarter upholstery segment sales declined 8% from a year earlier as reported, and were down 7% excluding the phase-out of the HickoryMark brand and the retail store acquisitions mentioned earlier. Kiser noted, "A leading barometer for our upholstery group is the performance of our mostly independently-owned La-Z-Boy Furniture Galleries(R) stores which were up against a very strong year-earlier quarter. For the March 2003 calendar quarter, same store retail sales of the Furniture Galleries stores were off 6.3% from a year earlier. This compared to an 11.8% same store sales gain in the first quarter of calendar 2002. Total store sales for the quarter were up 1% reflecting the continued expansion and success of the overall system."

The upholstery segment operating margin for the most recent quarter was 10.3%, compared to a reported 10.9% and a normalized 11.1% in the final quarter of fiscal 2002. For fiscal 2003 as a whole, upholstery segment sales rose 3% as reported, and 4% on a normalized basis, and the annual operating margin increased to 9.7%, compared to a reported 8.5% and nearly a full point higher

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than fiscal 2002's normalized 8.9%. Kiser said, "Our upholstery group continues to improve margins as a result of their focus on continuous improvement, the fine tuning of product offerings and distribution expansion."

Kiser continued, "During the past year, we continued to build and strengthen our proprietary upholstery distribution network, not just at our flagship La-Z-Boy division, but also at England and Clayton Marcus. At the end of fiscal 2003, we had over 1,100 proprietary dealer locations with more than 7 million square feet of retail floor space dedicated to our upholstery lines. Of particular note are the new generation La-Z-Boy Furniture Galleries(R) stores, which have experienced higher traffic levels, higher average sales per consumer and higher total sales volumes than the old format stores. At the end of fiscal 2003, 46 new generation format stores were operating. Plans are to open another 40-45 of these stores during the current fiscal year, with 20-25 of these being new stores and the remainder being store remodels or relocations. Currently, there are 314 stand-alone stores."

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Casegoods Segment

On the casegoods side, sales declined 14% from a year earlier for both the April quarter and the full year. Excluding Pilliod, full year fiscal 2003 casegoods sales were down 10% compared with the prior year. The casegoods segment's operating margin for the April 2003 quarter was 4.8%, compared to a reported -0.9% and a normalized 6.3% for last year. Despite the lower sales for the full year, the segment's operating margin was 6.1%, compared to the reported -1.7% and a normalized 4.2% margin recorded in fiscal 2002.

Kiser commented, "The full year margin improvement in casegoods reflected benefits from our past restructuring efforts, as well as a growing volume of higher margin imports. One factor contributing to the sales decline is that casegoods product purchases are more easily postponed by consumers because they tend to be in a less visible area in the home and are not as impacted by style, color and the wear issues which exist in upholstered products. Accordingly, casegoods sales tend to be more heavily influenced by this factor in addition to factors such as overall consumer confidence."

He added, "While fourth quarter casegoods sales were clearly disappointing, we strongly believe the refocusing of our casegoods business is proceeding well at this point. We were especially pleased with the dealer enthusiasm and retail floor placements we received at this past April's International Home Furnishings Market. In particular, American Drew's Bob Mackie Two(TM), Pennsylvania House's New Standards(TM), and Kincaid's Cotswold(TM) (an addition to their Laura Ashley Home(TM) line) collections were extremely successful at the show. Although these new groups will not ship until fall, we are convinced their fresh looks which created a real sense of excitement among our retailers - along with carefully focused merchandising efforts - will help reverse the recent downward sales trend we have experienced in casegoods."

Kiser stated, "As we have previously stated, we continue to evaluate our domestic casegoods manufacturing and, in light of projected industry trends, our sales declines of the past several quarters and our ongoing migration to cost-competitive globally sourced products, we anticipate making a determination on a further consolidation of our domestic casegoods facilities within the next couple of weeks. The financial impact of this, including any potential additional restructuring charges, has not yet been fully evaluated and when complete will be communicated."

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Balance sheet

Inventories remained flat during the April quarter and for the year rose \$44 million, with virtually all of the increase concentrated in finished goods. This was a reflection of the rapid growth in imports as a percent of total sales and the longer lead times required for imports vis-a-vis domestically-produced products.

During fiscal 2003's final quarter, the company repurchased an additional 974,000 shares of its outstanding common stock for \$17.7 million. This brought the total number of shares repurchased for all of fiscal 2003 to 5.5 million shares, or approximately 9% of the shares outstanding at the beginning of the year, at a total cost of \$130 million. At year-end, 4.2 million shares remained available under the company's existing stock repurchase authorization.

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Kiser noted that total debt declined slightly during the fourth quarter, to \$224 million, and said the company's year-end debt-to-capitalization ratio of 26.9% was, "down slightly from 27.1% at the start of the quarter and well within our targeted range."

Business outlook

Commenting on the business outlook, Kiser said, "The recent conclusion of the conflict in Iraq produced an immediate rebound in U.S. consumer confidence, which potentially has positive implications for our industry. But the fact remains that we still face a large number of uncertainties which we believe make forecasting a virtually impossible task at present.

The U.S. economy remains highly unsettled, having lost a substantial number of jobs over the past six-to-nine months. The current elevated unemployment rates, coupled with virtually no jobs growth, have contributed to an extreme degree of consumer caution. Energy costs, while down from their recent peak levels, remain relatively high. Furthermore, U.S. retail sales figures have remained soft, despite the success of the Iraqi war.

Superimposed on these macroeconomic uncertainties are the unusually strong upholstery sales comparisons we recorded in last year's July quarter as we went into that quarter with very strong backlogs. All of these elements cause us to strongly suspect the current quarter's sales and earnings will be down significantly. Given the likely declining level of sales, we would also possibly take extended summer vacation plant shut downs in addition to the traditional time taken in July. While we could hazard a specific guess regarding sales and earnings performance for the current quarter, it would be only that, and we don't feel it would be a particularly reliable yardstick for our shareholders and other investors. So, until the visibility of our business improves, we have decided to suspend specific financial guidance at this time."

Conference Call Information

The dial-in phone number for tomorrow's conference call at 11 a.m. E.T. will be (800) 374-1298 for persons calling from within the U.S. or Canada, and (706) 634-5855 for international callers. The call will also be webcast live and archived on the Internet, with both accessible at http://www.la-z-boy.com/about/ir_confcalls.asp. A telephone replay will be available for a week following the live call to callers from the U.S. and Canada

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at (800) 642-1687 and to international callers at (706) 645-9291. The replay passcode is 191820.

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Forward-looking Information

Any forward-looking statements contained in this news release are based on current information and assumptions and represent management's best judgment at the present time. Actual results could differ materially from those anticipated or projected due to a number of factors. These factors include, but are not limited to: changes in consumer sentiment or demand, changes in demographics, changes in housing sales, the impact of terrorism or war, energy price changes, the impact of SARS on imports, the impact of logistics on imports, the impact of interest rate changes, the availability and cost of capital, the impact of imports, changes in currency rates, competitive factors, operating factors, such as supply, labor, or distribution disruptions including changes in operating conditions or costs, effects of restructuring actions, changes in the regulatory environment, the impact of new manufacturing technologies, factors relating to acquisitions and other factors identified from time to time in the company's reports filed with the Securities and Exchange Commission. The company undertakes no obligation to update or revise any forward-looking statements, either to reflect new developments, or for any other reason.

Additional Information

This news release is just one part of La-Z-Boy's financial disclosures and should be read in conjunction with other information filed with the Securities and Exchange Commission, which is available at <http://www.la-z-boy.com>. Investors and others wishing to be notified of future news releases, SEC filings and conference calls may sign up at: http://my.lazboy.com/mygallery/investor_relations.cfm.

Background Information

With annual sales in excess of \$2 billion, La-Z-Boy Incorporated is one of the world's leading residential furniture producers, marketing furniture for every room of the home and office, as well as for the hospitality, health care and assisted-living industries. The La-Z-Boy Upholstery Group companies are Bauhaus, Centurion, Clayton Marcus, England, La-Z-Boy, La-Z-Boy Contract Furniture Group and Sam Moore, and the La-Z-Boy Casegoods Group companies are Alexvale, American Drew, American of Martinsville, Hammary, Kincaid, Lea and Pennsylvania House.

The corporation's vast proprietary distribution network is dedicated exclusively to selling La-Z-Boy Incorporated products and brands, and includes 314 stand-alone La-Z-Boy Furniture Galleries(R) stores and 317 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 Furniture/Today, the La-Z-Boy Furniture Galleries retail network by itself represents the industry's fifth largest U.S. furniture retailer. Additional information is available at www.la-z-boy.com.

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LA-Z-BOY INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Amounts in thousands, except per share data)

UNAUDITED

FOURTH QUARTER ENDED

	4/26/03	4/27/02
Sales	\$540,329	\$596,062
Cost of sales	413,301	459,528
Gross profit	127,028	136,534
Selling, general and administrative	83,838	94,086
Loss on divestiture	-	-
Operating income	43,190	42,448
Interest expense	3,382	2,059
Other income (expense)	688	(18)
Pretax income	40,496	40,371
Income tax expense	15,387	15,505
Income before cumulative effect of accounting change	25,109	24,866
Cumulative effect of accounting change (net of tax of \$17,920)	-	-
Net income	\$ 25,109	\$ 24,866
Basic average shares	55,523	60,445
Basic net income per share before cumulative effect of accounting change	\$0.45	\$0.41
Cumulative effect of accounting change per share	-	-
Basic net income per share	\$0.45	\$0.41
Diluted average shares	55,601	61,063
Diluted net income per share before cumulative effect of accounting change	\$0.45	\$0.41
Cumulative effect of accounting change per share	-	-
Diluted net income per share	\$0.45	\$0.41
Dividends paid per share	\$0.10	\$0.09

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CONDENSED CONSOLIDATED BALANCE SHEET UNAUDITED

(Amounts in thousands)	4/26/03	4/27/02
Current assets		
Cash and equivalents	\$28,817	\$26,771
Receivables, net	340,467	382,843
Inventories, net	252,537	208,657
Deferred income taxes	37,734	36,086
Other current assets	19,939	18,386
Total current assets	679,494	672,743
Property, plant and equipment, net	209,411	205,463
Intangibles	149,951	225,016
Other long-term assets	84,210	58,605
Total assets	\$1,123,066	\$1,161,827
Current liabilities		
Current portion of long-term debt and capital leases	\$1,619	\$2,276
Accounts payable	78,931	68,497
Other current liabilities	134,037	156,120
Total current liabilities	214,587	226,893
Long-term debt and capital leases	222,371	139,386
Deferred income taxes	36,928	47,196
Other long-term liabilities	39,241	34,830
Shareholders' equity	609,939	713,522
Total liabilities and shareholders' equity	\$1,123,066	\$1,161,827

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Quarter Ended	
(Amounts in thousands)	4/26/03	4/27/02
Cash flows from operating activities		
Net income	\$25,109	\$24,866
Adjustments to reconcile net income to cash provided by operating activities		
Cumulative effect of accounting change-net of income taxes	-	-
Loss on divestiture	-	-
Depreciation and amortization	7,855	11,245
Change in working capital	9,881	5,505
Change in deferred taxes	4,515	(8,184)
Total adjustments	22,251	8,566
Cash provided by operating activities	47,360	33,432
Cash flows from investing activities		
Proceeds from disposals of assets	3,116	133
Capital expenditures	(7,044)	(9,624)
Acquisitions, net of cash acquired	-	-

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Proceeds from divestiture	-	-
Change in other long-term assets	(15,290)	8,319
	-----	-----
Cash used for investing activities	(19,218)	(1,172)
Cash flows from financing activities		
Net changes in debt	(1,410)	(3,756)
Dividends paid	(5,575)	(5,459)
Stock transactions	(16,404)	(24,259)
	-----	-----
Cash used for financing activities	(23,389)	(33,474)
Effect of exchange rate changes on cash	247	1,204
	-----	-----
Change in cash and equivalents	5,000	(10)
Cash and equivalents at beginning of period	23,817	26,781
	-----	-----
Cash and equivalents at end of period	\$28,817	\$26,771
	=====	=====

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LA-Z-BOY INCORPORATED Segment Analysis

	UNAUDITED FOURTH QUARTER ENDED		TWELV
(Amounts in thousands)	4/26/03	4/27/02	4/26/03
	-----	-----	-----
Sales			
Upholstery segment	\$414,386	\$449,566	\$1,589,7
Casegoods segment	126,633	146,870	526,1
Eliminations	(690)	(374)	(4,1
	-----	-----	-----
Consolidated	\$540,329	\$596,062	\$2,111,8
	=====	=====	=====
Operating income			
Upholstery segment	\$42,666	\$49,144	\$154,6
Restructuring	-	-	
	-----	-----	-----
Net Upholstery segment	42,666	49,144	154,6
Casegoods segment	6,031	7,722	32,1
Restructuring	-	(9,000)	
Loss on divestiture	-	-	
	-----	-----	-----
Net Casegoods segment	6,031	(1,278)	32,1
Corporate and other	(5,507)	(5,418)	(23,8
	-----	-----	-----
Consolidated	43,190	51,448	162,8
Restructuring	-	(9,000)	
Loss on divestiture	-	-	

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Net Consolidated

\$43,190

\$42,448

\$162,8

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Reconciliation of Non-GAAP Normalized Financial Information to GAAP Financial Information

(Amounts in thousands except per share data)

	Unaudited Quarter Ended		Unaudited Year
	4/26/03	4/27/02	4/26/03
Sales			
Upholstery group as reported	\$414,386	\$449,566	\$1,589,778
HickoryMark and Retail (1)	(2,067)	(5,531)	(21,308)
Normalized upholstery group	412,319	444,035	1,568,470
Casegoods group as reported	126,633	146,870	526,168
Pilliod (2)	-	-	-
Normalized casegoods group	126,633	146,870	526,168
Eliminations	(690)	(374)	(4,116)
Consolidated as reported	540,329	596,062	2,111,830
HickoryMark, Retail and Pilliod (1) (2)	(2,067)	(5,531)	(21,308)
Normalized consolidated	\$538,262	\$590,531	\$2,090,522
Operating income			
Upholstery group as reported	\$42,666	\$49,144	\$154,617
Restructuring (3)	-	-	-
Amortization (4)	-	822	-
Normalized upholstery group	42,666	49,966	154,617
Casegoods group as reported	6,031	(1,278)	32,110
Restructuring (3)	-	9,000	-
Loss on divestiture of Pilliod	-	-	-
Amortization (4)	-	1,493	-
Normalized casegoods group	6,031	9,215	32,110
Other	(5,507)	(5,418)	(23,853)
Consolidated as reported	43,190	42,448	162,874
Restructuring (3)	-	9,000	-
Loss on divestiture of Pilliod	-	-	-
Amortization (4)	-	2,315	-

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Normalized consolidated	----- \$43,190 =====	----- \$53,763 =====	----- \$162,874 =====
Operating margin			
Upholstery group as reported	10.3%	10.9%	9.7%
Normalized upholstery group	10.3%	11.1%	9.7%
Casegoods group as reported	4.8%	-0.9%	6.1%
Normalized casegoods group	4.8%	6.3%	6.1%
Consolidated as reported	8.0%	7.1%	7.7%
Normalized consolidated	8.0%	9.0%	7.7%
Diluted net income per share			
Consolidated as reported	\$0.45	\$0.41	\$0.63
Restructuring	-	0.09	-
Amortization	-	0.03	-
Normalized consolidated	----- \$0.45 =====	----- \$0.53 =====	----- \$0.63 =====

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La-Z-Boy Incorporated

Footnotes to Reconciliation of Non-GAAP Normalized Financial Information to GAAP Financial Information

- (1) Excludes sales of fiscal 2003 retail store acquisitions and fiscal 2002 and fiscal 2003 sales of HickoryMark through its cessation of operations in October 2002.
- (2) Excludes fiscal 2002 sales of Pilliod through its November 2001 divestiture.
- (3) Excludes the fiscal 2002 restructuring charges.
- (4) Excludes amortization prior to our adoption of SFAS No. 142.

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Exhibit 99.2 Supplemental Financial Information

La-Z-Boy Incorporated Unaudited Quarterly Financial Data

(Amounts in thousands, except per share data)

Quarter ended	7/27/02	10/26/02	1/25/03
Sales	\$497,375	\$563,587 (1)	\$510,539
Cost of sales	382,552	429,161	392,247
Gross profit	114,823	134,426	118,292
Selling, general and administrative	81,936	87,190	78,731
Operating income	32,887	47,236	39,561
Interest expense	2,027	2,153	2,948
Other income	116	1,394	435
Pretax income	30,976	46,477	37,048
Income tax expense	11,848	17,777	13,887
Income before cumulative effect of accounting change	19,128	28,700	23,161
Cumulative effect of accounting change (net of tax of \$17,920)	(59,782)	-	-
Net income (loss)	(\$40,654)	\$28,700	\$23,161
Diluted average shares outstanding	59,667	57,760	56,765
Diluted net income per share before cumulative effect of accounting change	\$0.32	\$0.50	\$0.41
Cumulative effect of accounting change per share	(1.00)	-	-
Diluted net income (loss) per share	(\$0.68)	\$0.50	\$0.41
Quarter ended	7/28/01	10/27/01	1/26/02
Sales	\$456,935	\$557,408	\$543,547 (3)
Cost of sales	369,729	446,105 (2)	416,295
Gross profit	87,206	111,303	127,252
Selling, general and administrative	80,229	89,697	89,894
Loss on divestiture	-	-	11,689
Operating income	6,977	21,606	25,669
Interest expense	2,956	2,044	3,004
Other income (expense)	621	750	946
Pretax income	4,642	20,312	23,611
Income tax expense	1,811	7,921	1,948
Net income	\$2,831	\$12,391	\$21,663

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Diluted average shares outstanding	61,021	61,052	61,062
Diluted net income per share	\$0.05	\$0.20	\$0.35

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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 May 28, 2003

/s/Louis M. Riccio, Jr.

Louis M. Riccio, Jr.
On behalf of the registrant and as
Chief Accounting Officer

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