



2nd Quarter Financial Results
July 18, 2012

Forward Looking Statements

This release contains "forward-looking" statements that refer to future events and expectations. These statements address future plans, outlook, objectives and financial performance including expectations for future sales growth and earnings per diluted share (GAAP and non-GAAP) for the third quarter of fiscal 2012 and for fiscal 2012. In addition, forward looking statements may be identified by words such as "anticipate," "believe," "could," "confident," "estimate," "expect," "forecast," "hope," "intend," "likely," "may," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and variations of such words and similar expressions. Forward-looking statements involve known and unknown risks, which may cause the Corporation's actual future results to differ materially from expected results. These risks include, without limitation: the Corporation's ability to realize financial benefits from its (a) price increases, (b) cost containment and business simplification initiatives, (c) investments in strategic acquisitions, new products and brand building, (d) investments in distribution and rapid continuous improvement, (e) ability to maintain its effective tax rate, (f) repurchases of common stock and (g) consolidation and logistical realignment initiatives; uncertainty related to the availability of cash and credit, and the terms and interest rates on which credit would be available, to fund operations and future growth; lower than expected demand for the Corporation's products due to uncertain political and economic conditions; slow or negative growth rates in global and domestic economies and the protracted decline in the domestic housing market; lower industry growth than expected; major disruptions at key facilities or in the supply of any key raw materials, components or finished goods; competitive pricing pressure from foreign and domestic competitors; higher than expected costs and lower than expected supplies of materials; higher costs for energy and fuel; changes in the mix of products sold and of customers purchasing; relationships with distribution channel partners, including the financial viability of distributors and dealers; restrictions imposed by the terms of the Corporation's revolving credit facility and note purchase agreement; currency fluctuations and other factors described in the Corporation's annual and quarterly reports filed with the Securities and Exchange Commission on Forms 10-K and 10-Q. The Corporation undertakes no obligation to update, amend or clarify forward-looking statements.



- 2nd Quarter Assessment
- Review of 2nd Quarter Financials
- Outlook
- Q&A

Income Statement	2Q12	2Q11	\$ Change	% Change % Pt Change	Comments
Net Sales	480.4	432.8	47.6	11.0%	
Non-GAAP Gross Profit (excluding restructuring & impairment and transition costs)	165.4	146.9	18.5	12.6%	Increase in margin mainly due to higher volume, better price realization and lower material costs offset partially by unfavorable mix and impact of the acquisition of Sagus.
% of Net Sales	34.4%	33.9%		0.5% pts	
Restructuring and Impairment	0.2	-	0.2		2Q12 includes accelerated depreciation related to consolidation of office furniture facilities.
Transition Costs	0.1	-	0.1		2Q12 includes transition costs not classified as restructuring costs related to transitioning production to other office furniture facilities.
GAAP Gross Profit	165.1	146.9	18.2	12.4%	
% of Net Sales	34.4%	33.9%		0.5% pts	
Freight & Distribution	46.9	41.4	5.5	13.3%	Increased volume, higher fuel costs and mix of customers.
% of Net Sales	9.8%	9.6%		0.2% pts	
Non-GAAP Other SG&A (excluding F&D and restructuring & transition costs)	104.1	94.8	9.3	9.8%	Dollar increase due to investments in growth initiatives, increased incentive-based compensation and impact of the acquisition of Sagus.
% of Net Sales	21.7%	21.9%		-0.2% pts	
Restructuring and Impairment	0.3	0.5	(0.2)	-37.2%	2Q12 includes restructuring costs related to closure and consolidation of previously announced office furniture facilities; 2Q11 includes restructuring costs related to closure of previously announced office furniture facilities (\$0.4M) and restructuring costs related to consolidation of Hearth production (\$0.1M).
Transition Costs	0.5	-	0.5	N/A	2Q12 includes transition costs not classified as restructuring costs related to consolidation of office furniture facilities.
GAAP SG&A	151.7	136.7	15.1	11.0%	
% of Net Sales	31.6%	31.6%		0.0% pts	
Operating Income	13.4	10.3	3.1	30.1%	Excluding restructuring and transition costs non-GAAP OI from Cont Ops is \$14.4M compared to \$10.7M in prior year.
% of Net Sales	2.8%	2.4%		0.4% pts	
Interest Expense (Net)	2.6	2.9	(0.3)	-9.9%	
Income tax rate	35.3%	37.1%		-1.8% pts	
Net Income attributable to HNI Corporation	7.0	4.7	2.4	50.8%	
% of Net Sales	1.5%	1.1%		0.4% pts	
EPS (diluted) - GAAP	\$ 0.15	\$ 0.10	\$ 0.05	50.0%	
EPS Cont Ops (diluted) - Non-GAAP	\$ 0.17	\$ 0.11	\$ 0.06	54.5%	
Shares (diluted)	45.9	45.7	0.3	0.6%	



2nd Quarter Results – Segments

Segment Breakdown	2Q12	2Q11	\$ Change	% Change % Pt Change	Comments
Sales					
Office Furniture	418.6	372.6	45.9	12.3%	The acquisition of Sagus accounted for \$25.1M of increase; 6.7%. Organic growth of \$20.8M; 5.6%. Supplies driven channel up 12.4%; all other down -0.3%.
Hearth Products	61.8	60.2	1.7	2.8%	
T Total	480.4	432.8	47.6	11.0%	New Construction Channel up 19.5%; Remodel/Retrofit down 11.0%
Operating Profit					
Office Furniture	22.1	17.9	4.2	23.5%	Excluding restructuring and transition costs non-GAAP operating profit is \$23.1M vs \$18.3M prior year
Office Furn Oper Margin	5.3%	4.8%		0.5% pts	Margin positively impacted by better price realization and lower input costs offset partially by unfavorable mix, impact of the acquisition of Sagus, investments in strategic growth initiatives and increased incentive based compensation.
Hearth Products	0.9	(1.0)	1.8	190.3%	Excluding restructuring and transition costs non-GAAP operating loss (\$0.9M) in prior year.
Hearth Oper Margin	1.4%	-1.6%		3.0% pts	Margin positively impacted by increased volume, better price realization and lower input costs offset partially by investments in selling and growth initiatives.
Unalloc Corp Exp	(12.2)	(9.6)	2.6		Increase due to investments in growth initiatives and incentive based compensation.
Income Before Taxes	10.7	7.3	3.4	46.1%	

3rd Quarter

Net Sales – Consolidated	Up 11-14%
Office Furniture Sales	Up 13-16% (up 3-6% organically)
Hearth Sales	Up 3-7%
Interest Expense	\$2.6 million
Effective Tax Rate	36%
Non-GAAP Earnings Per Diluted Share ¹	\$0.65 to \$0.70

Fiscal Year 2012

Non-GAAP Earnings per Diluted Share ¹	\$1.35 - \$1.45
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¹ Excludes restructuring and transition costs

Non-GAAP Financial Measures

This earnings release contains certain non-GAAP financial measures. A "non-GAAP financial measure" is a numerical measure of a company's financial performance that excludes or includes amounts different than the most directly comparable measure calculated and presented in accordance with GAAP in the statements of income, balance sheets or statements of cash flow of the company. We have provided a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measure.

The non-GAAP financial measures used within this earnings release are: gross profit, operating income, operating profit and net income per diluted share (i.e., EPS), excluding restructuring and impairment charges and transition costs. Non-GAAP EPS is calculated using the Corporation's overall effective tax rate for the period. We present these measures because management uses this information to monitor and evaluate financial results and trends. Management believes this information is also useful for investors. This earnings release also contains a forward-looking estimate of non-GAAP earnings per diluted share for the full fiscal year. We provide such non-GAAP measures to investors on a prospective basis for the same reasons we provide them to investors on a historical basis. We are unable to provide a reconciliation of our forward-looking estimate of non-GAAP earnings per diluted share to a forward-looking estimate of GAAP earnings per diluted share because certain information needed to make a reasonable forward-looking estimate of GAAP earnings per diluted share for the full fiscal year is difficult to predict and estimate and is often dependent on future events which may be uncertain or outside of our control. These may include unanticipated charges related to asset impairments (fixed assets, intangibles or goodwill), unanticipated acquisition related costs and other unanticipated non-recurring items not reflective of ongoing operations.



Second Quarter – Non-GAAP Financial Measures – Continuing Operations

(Reconciled with most comparable GAAP financial measures)

	Three Months Ended 6/30/12			Three Months Ended 7/02/2011		
	Gross <u>Profit</u>	Operating <u>Income</u>	<u>EPS</u>	Gross <u>Profit</u>	Operating <u>Income</u>	<u>EPS</u>
Dollars in millions except per share data						
As reported (GAAP)	\$165.1	\$13.4	\$0.15	\$146.9	\$10.3	\$0.10
% of Net Sales	34.4%	2.8%		33.9%	2.4%	
Restructuring and impairment	\$0.2	\$0.4	\$0.01	-	\$0.5	\$0.01
Transition costs	\$0.1	\$0.6	\$0.01	-	-	-
Results (non-GAAP)	\$165.4	\$14.4	\$0.17	\$146.9	\$10.7	\$0.11
% of Net Sales	34.4%	3.0%		33.9%	2.5%	



Additional Non-GAAP Reconciliations

Second Quarter – Non-GAAP Financial Measures

(Reconciled with most comparable GAAP financial measures)

Dollars in millions	Office Furniture			Hearth Products		
	Three Months Ended		Percent	Three Months Ended		Percent
	<u>6/30/2012</u>	<u>7/2/2011</u>	<u>Change</u>	<u>6/30/2012</u>	<u>7/2/2011</u>	<u>Change</u>
Operating profit as reported (GAAP)	\$22.1	\$17.9	23.5%	\$0.9	\$(1.0)	190.3%
% of Net Sales	5.3%	4.8%		1.4%	-1.6%	
Restructuring and impairment	\$0.4	\$0.4		-	\$0.1	
Transition costs	\$0.6	-				
Operating profit (non-GAAP)	\$23.1	\$18.3	26.5%	\$0.9	\$(0.9)	195.2%
% of Net Sales	5.5%	4.9%		1.4%	-1.5%	