

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **July 16, 2008**

**HNI Corporation**

(Exact Name of Registrant as Specified in Charter)

**Iowa**  
(State or Other Jurisdiction  
of Incorporation)

**1-14225**  
(Commission File Number)

**42-0617510**  
(IRS Employer  
Identification No.)

**408 East Second Street, P.O. Box 1109, Muscatine, Iowa 52761-0071**  
(Address of Principal Executive Offices, Including Zip Code)

Registrant's telephone number, including area code: **(563) 272-7400**

**N/A**  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (*see* General Instruction A.2.):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## **Section 2 — Financial Information**

### **Item 2.02 Results of Operations and Financial Condition.**

On July 16, 2008, HNI Corporation issued a press release announcing its financial results for the second quarter of fiscal 2008. A copy of the press release is attached hereto as Exhibit 99.

The information in this Current Report on Form 8-K and the attached Exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

## **Section 9 — Financial Statements and Exhibits**

### **Item 9.01 Financial Statements and Exhibits.**

The following exhibit relating to Item 2.02 is filed as a part of this Current Report on Form 8-K.

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
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99	Text of press release dated July 16, 2008.
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## **SIGNATURES**

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 hereunto duly authorized.

### **HNI CORPORATION**

Date: July 16, 2008

By /s/ Steven M. Bradford  
Steven M. Bradford  
Vice President, General Counsel and Secretary

**Exhibit Index**

**Exhibit No.**      **Description**

99                      Text of press release dated July 16, 2008.



# News Release

**For Information Contact:**

Marshall H. Bridges, Vice President and Treasurer (563) 272-4844

## **HNI CORPORATION ANNOUNCES RESULTS FOR SECOND QUARTER FISCAL 2008**

MUSCATINE, Iowa (July 16, 2008) – **HNI Corporation** (NYSE: HNI) today announced second quarter sales of \$613.1 million and net income of \$13.5 million for the quarter ending June 28, 2008. Net income per diluted share for the quarter was \$0.30. When excluding restructuring charges and transition costs, non-GAAP net income per diluted share was \$0.36.

**Second Quarter Summary Comments**

“We managed well during the quarter, confronting the challenging economic conditions and adapting our businesses to them. Demand continued to be weak in our hearth business and in the supplies-driven channel of our office furniture business. The lower demand levels along with dramatically higher freight costs pressured our profitability. We responded to these pressures with broad-based cost management and, as a result, were able to exceed our expectations for the quarter.

“Simultaneous to our cost management efforts, we continued to increase our investment in new products and selling initiatives. We are improving our competitive position and laying the foundation for long-term value creation,” said Stan Askren, HNI Corporation Chairman, President and Chief Executive Officer.

## Second Quarter

Dollars in Millions Except per share data	<u>Three Months Ended</u>		Percent <u>Change</u>
	<u>6/28/2008</u>	<u>6/30/2007</u>	
Net Sales	\$613.1	\$618.2	-0.8%
Gross Margin	\$209.4	\$215.6	-2.9%
Gross Margin %	34.2%	34.9%	
SG&A	\$184.7	\$170.3	8.5%
SG&A %	30.1%	27.5%	
Operating Income	\$24.7	\$45.4	-45.4%
Operating Income %	4.0%	7.3%	
Income from Continuing Operations	\$13.5	\$26.4	-49.0%
Earnings per share from Continuing Operations – Diluted	\$0.30	\$0.56	-46.4%

- Consolidated net sales for the second quarter decreased 0.8 percent to \$613.1 million. Acquisitions contributed \$36.5 million or 5.9 percentage points of sales.
- Gross margins were 0.7 percentage points lower than prior year primarily due to decreased volume, increased material costs and accelerated depreciation and transition costs related to the shutdown of office furniture facilities partially offset by increased price realization.
- Total selling and administrative expenses, including restructuring charges, as a percent of sales, increased due to costs associated with new acquisitions, higher non-volume related freight costs, increased investments in selling initiatives and product development, and increased restructuring costs associated with plant consolidation. These were partially offset by lower volume-related and incentive-based compensation costs and cost containment initiatives.
- The Corporation incurred \$3.6 million of restructuring charges and transition costs during the second quarter in connection with a facility shutdown, a facility ramp-up, closure of two distribution centers and start up of a new distribution center. These included \$0.1 million of accelerated depreciation and \$1.5 million of other transition costs recorded in cost of sales, and \$2.0 million of costs recorded as restructuring costs.
- The effective tax rate for the second quarter 2008 was 34.5 percent compared to 35.3 percent in second quarter 2007 primarily due to a reduction in state taxes. The Corporation anticipates its annualized tax rate for 2008 to be approximately 35.7 percent.
- Net income per share was favorably impacted \$0.01 per share as a result of the Corporation's share repurchase program.

Second Quarter – Non-GAAP Financial Measures  
(Reconciled with Most Comparable GAAP Financial Measure)

Dollars in millions

except per share data

	<u>Three Months Ended</u>			<u>Three Months Ended</u>		
	<u>6/28/2008</u>			<u>6/30/2007</u>		
	<u>Gross Profit</u>	<u>Operating Income</u>	<u>EPS</u>	<u>Gross Profit</u>	<u>Operating Income</u>	<u>EPS</u>
As Reported (GAAP)	\$209.4	\$ 24.7	\$0.30	\$215.6	\$ 45.4	\$0.57
% of Net Sales	34.2%	4.0%		34.9%	7.3%	
Restructuring and impairment	\$ 0.1	\$ 2.1	\$0.03	\$ -	\$ 0.7	\$0.01
Transition costs	\$ 1.5	\$ 1.5	\$0.02	\$ -	\$ -	
Results excluding restructuring and transition costs	\$211.0	\$ 28.3	\$0.36	\$215.6	\$ 46.1	\$0.58
% of Net Sales	34.4%	4.6%		34.9%	7.5%	

**Year-to-Date Results – Continuing Operations**

Consolidated net sales for the first six months of 2008 decreased \$50.9 million, or 4.1 percent, to \$1.18 billion compared to \$1.23 billion in 2007. Acquisitions added \$56.7 million or 4.6 percentage points of sales. Gross margins decreased to 33.4 percent compared to 34.4 percent last year. Income from continuing operations was \$17.4 million compared to \$47.0 million in 2007, a decrease of 62.9 percent. Earnings per share from continuing operations decreased 60.6 percent to \$0.39 per diluted share compared to \$0.99 per diluted share last year. Earnings per share was positively impacted \$0.02 as a result of the Corporation's share repurchase program.

Cash flow from operations for the first six months was \$60.2 million compared to \$95.7 million last year. The decrease was due to lower earnings and an increase in working capital requirements in the current year. Capital expenditures increased to \$35.9 million in 2008 from \$29.1 million in 2007 primarily due to new product introductions and the previously mentioned facility consolidation. The Corporation completed the acquisition of HBF, an office furniture provider, for a total purchase price of \$75.3 million. The Corporation repurchased 1,004,700 shares of its common stock at a cost of approximately \$28.6 million during the first six months of 2008, compared to \$85.0 million in the same period last year. Approximately \$163.6 million remains under the current repurchase authorization.

### Discontinued Operations

The Corporation completed the sale of a small, non-core component of the office furniture segment during the second quarter of 2007. Revenues and expenses associated with the business operations are presented as discontinued operations for all periods presented in the financial statements.

### Office Furniture

Dollars in Millions	<u>Three Months Ended</u>		Percent
	<u>6/28/2008</u>	<u>6/30/2007</u>	<u>Change</u>
Sales	\$514.5	\$503.6	2.2%
Operating Profit	\$30.1	\$44.6	-32.4%
Operating Profit %	5.9%	8.9%	

### Office Furniture Non-GAAP Financial Measures (Reconciled with Most Comparable GAAP Financial Measures)

Dollars in millions	<u>Three Months Ended</u>		Percent
	<u>6/28/2008</u>	<u>6/30/2007</u>	<u>Change</u>
Operating profit, as Reported (GAAP)	\$30.1	\$44.6	-32.4%
% of Net Sales	5.9%	8.9%	
Restructuring and impairment	\$ 2.1	\$ 0.7	
Transition costs	\$ 1.5	\$ -	
Operating profit, excluding restructuring and transition costs	\$33.7	\$45.3	-25.6%
% of Net Sales	6.6%	9.0%	

- Second quarter net sales for the office furniture segment increased \$10.9 million to \$514.5 million due to acquisitions contributing \$21.5 million or 4.3 percentage points of sales. Organic sales decreased due to lower sales in the supplies-driven channel.
- Operating profit for the quarter decreased \$14.5 million as a result of lower organic volume, increased freight costs, restructuring and transition costs related to a plant shutdown, a facility ramp-up, closure of two distribution centers and start-up of a new distribution center, and increased investments in selling initiatives and product development.



## Hearth Products

Dollars in Millions	<u>Three Months Ended</u>		Percent
	<u>6/28/2008</u>	<u>6/30/2007</u>	<u>Change</u>
Sales	\$98.6	\$114.6	-13.9%
Operating Profit	\$1.6	\$9.7	-83.7%
Operating Profit %	1.6%	8.5%	

- Second quarter net sales for the hearth products segment decreased \$16.0 million. Acquisitions completed during 2007 contributed approximately \$15.0 million or 13.1 percentage points. Excluding acquisitions, sales declined 27.0 percent driven by the continuing severe decline in new construction channel revenue.
- Operating profit for the quarter decreased \$8.1 million due to the lower volume and a larger mix of lower margin remodel/retrofit business.

## Outlook

“We expect another challenging period in the third quarter. Inflationary cost pressures, primarily from steel and freight costs, will negatively impact profitability. In response, we are implementing price increases, eliminating waste and attacking structural cost. We will begin to see the benefit of these actions in the third and fourth quarter and anticipate they will fully offset the current inflationary pressures by the beginning of next year.

“Demand will remain mixed. We expect further declines in the new construction channel of our hearth business due to the continuing drop off in new home construction, but growth in the sales of our alternative fuels appliances, driven by high energy costs, will partially offset this. We also expect office furniture sales to show some growth due to relative strength in our contract-oriented businesses and HBF acquisition.

“Consistent with our actions in the second quarter, we will continue to tightly manage our costs and maintain our increased investment in new products and selling initiatives. We remain excited about our strong business platforms and our position once the business cycle turns,” said Mr. Askren.

The Corporation remains focused on creating long-term shareholder value by growing its business through investment in building brands, product solutions and selling models, enhancing its strong member-owner culture, and remaining focused on its long-standing rapid continuous improvement programs to build best total cost and a lean enterprise.

### **Conference Call**

HNI Corporation will host a conference call on Thursday, July 17, 2008 at 10:00 a.m. (Central) to discuss second quarter 2008 results. To participate, call the conference call line at 1-800-230-1766. A replay of the conference call will be available until Thursday, July 24, 2008, 11:59 p.m. (Central). To access this replay, dial 1-800-475-6701 – Access Code: 930492. A link to the simultaneous web cast can be found on the Corporation's web site at [www.hnicorp.com](http://www.hnicorp.com).

### **Non-GAAP Financial Measures**

This earnings release contains certain non-GAAP financial measures. A "non-GAAP financial measure" is defined as a numerical measure of a company's financial performance that excludes or includes amounts so as to be 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. Pursuant to the requirements of Regulation G, the Corporation has 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 transition costs. These measures are presented because management uses this information to monitor and evaluate financial results and trends. Therefore, management believes this information is also useful for investors.

HNI Corporation is a NYSE traded company providing products and solutions for the home and workplace environments. HNI Corporation is the second largest office furniture manufacturer in the world and is also the nation's leading manufacturer and marketer of gas- and wood-burning fireplaces. The Corporation's strong brands, including HON<sup>®</sup>, Allsteel<sup>®</sup>, Gunlocke<sup>®</sup>, Paoli<sup>®</sup>, Maxon<sup>®</sup>, Lamex<sup>®</sup>, HBF<sup>®</sup>, Heatilator<sup>®</sup>, Heat & Glo<sup>™</sup>, Quadra-Fire<sup>®</sup>, and Harman Stove<sup>™</sup> have leading positions in their markets. HNI Corporation is committed to maintaining its long-standing corporate values of integrity, financial soundness and a culture of service and responsiveness. HNI Corporation's common stock is traded on the New York Stock Exchange under the symbol HNI. More information can be found on the Corporation's website at [www.hnicorp.com](http://www.hnicorp.com).

Statements in this release that are not strictly historical, including statements as to plans, outlook, objectives, and future financial performance, are "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of

1934, made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as “anticipate,” “believe,” “could,” “confident,” “estimate,” “expect,” “forecast,” “hope,” “intend,” “likely,” “may,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “will,” and variations of such words and similar expressions identify forward-looking statements. Forward-looking statements involve known and unknown risks, which may cause the Corporation’s actual results in the future 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 for the entire Corporation, (c) investments in strategic acquisitions, new products and brand building, (d) investments in distribution and rapid continuous improvement, (e) repurchases of common stock, (f) ability to maintain its effective tax rate, and (g) consolidation and logistical realignment initiatives; uncertainty related to the availability of cash to fund future growth; lower than expected demand for the Corporation’s hearth products due to uncertain political and economic conditions, including, with respect to the Corporation’s hearth products, the protracted decline in the housing market; lower industry growth than expected; major disruptions at our key facilities or in the supply of any key raw materials, components or finished goods; uncertainty related to disruptions of business by terrorism, military action, acts of God or other Force Majeure events; competitive pricing pressure from foreign and domestic competitors; higher than expected costs and lower than expected supplies of materials (including steel and petroleum based materials); higher than expected costs for energy and fuel; changes in the mix of products sold and of customers purchasing; restrictions imposed by the terms of the Corporation’s revolving credit facility, term loan credit agreement 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, whether as a result of new information, future events, or otherwise, except as required by applicable law.

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# HNI CORPORATION

## Unaudited Condensed Consolidated Statement of Operations

(Dollars in thousands, except per share data)	Three Months Ended		Six Months Ended	
	Jun. 28, 2008	Jun. 30, 2007	Jun. 28, 2008	Jun. 30, 2007
Net sales	\$ 613,114	\$ 618,160	\$1,176,497	\$1,227,360
Cost of products sold	403,671	402,523	783,016	805,023
Gross profit	209,443	215,637	393,481	422,337
Selling and administrative expenses	182,673	169,559	355,228	340,373
Restructuring and impairment charges	2,029	728	2,847	592
Operating income	24,741	45,350	35,406	81,372
Interest income	175	196	638	448
Interest expense	4,359	4,774	8,236	9,062
Earnings from continued operations before income taxes and minority interest	20,557	40,772	27,808	72,758
Income taxes	7,095	14,404	10,275	25,767
Earnings from continuing operations before minority interest	13,462	26,368	17,533	46,991
Minority interest in earnings of subsidiary	(7)	(25)	87	(53)
Income from continuing operations	13,469	26,393	17,446	47,044
Discontinued operations, less applicable income taxes	-	484	-	514
Net income	\$ 13,469	\$ 26,877	\$ 17,446	\$ 47,558
Net income from continuing operations – basic	\$0.30	\$0.56	\$0.39	\$0.99
Net income from discontinued operations – basic	-	\$0.01	-	\$0.01
Net income per common share – basic	\$0.30	\$0.57	\$0.39	\$1.00
Average number of common shares outstanding – basic	44,233,402	46,936,567	44,385,400	47,466,147
Net income from continuing operations – diluted	\$0.30	\$0.56	\$0.39	\$0.99
Net income from discontinued operations – diluted	-	\$0.01	-	\$0.01
Net income per common share – diluted	\$0.30	\$0.57	\$0.39	\$1.00
Average number of common shares outstanding - diluted	44,370,451	47,199,397	44,541,467	47,733,977

## Unaudited Condensed Consolidated Balance Sheet

Assets	As of		Liabilities and Shareholders' Equity	
	Jun. 28, 2008	Dec. 29, 2007	Jun. 28, 2008	Dec. 29, 2007
(Dollars in thousands)				
Cash and cash equivalents	\$ 23,028	\$ 33,881	Accounts payable and accrued expenses	\$ 339,396
Short-term investments	9,650	9,900	Note payable and current maturities of long-term debt	37,605
Receivables	277,553	288,777	Current maturities of other long-term obligations	302
Inventories	103,868	108,541	Current liabilities	377,303
Deferred income taxes	17,704	17,828	Long-term debt	342,300
Prepaid expenses and other current assets	29,793	30,145	Capital lease obligations	601
Current assets	461,596	489,072	Other long-term liabilities	55,709
Property and equipment - net	312,326	305,431	Deferred income taxes	26,822
Goodwill	279,178	256,834	Minority interest in subsidiary	135
Other assets	190,743	155,639	Shareholders' equity	440,973
			Total liabilities and shareholders' equity	\$1,243,843
Total assets	\$1,243,843	\$1,206,976		\$1,206,976

## Unaudited Condensed Consolidated Statement of Cash Flows

(Dollars in thousands)	Six Months Ended	
	Jun. 28, 2008	Jun. 30, 2007
Net cash flows from (to) operating activities	\$60,195	\$95,671
Net cash flows from (to) investing activities:		
Capital expenditures	(35,939)	(29,148)
Acquisition spending	(75,330)	(1,509)
Other	2,898	(1,615)
Net cash flows from (to) financing activities	37,323	(67,487)
Net increase (decrease) in cash and cash equivalents	(10,853)	(4,088)
Cash and cash equivalents at beginning of period	33,881	28,077
Cash and cash equivalents at end of period	\$23,028	\$23,989

## Unaudited Business Segment Data

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	Jun. 28, 2008	Jun. 30, 2007	Jun. 28, 2008	Jun. 30, 2007
Net sales:				
Office furniture	\$ 514,521	\$ 503,587	\$ 980,546	\$1,001,438
Hearth products	98,593	114,573	195,951	225,922
	\$ 613,114	\$ 618,160	\$1,176,497	\$1,227,360
Operating profit:				
Office furniture (1)				
Operations before restructuring charges	\$ 32,194	\$ 45,317	\$ 51,744	\$ 84,243
Restructuring and impairment charges	(2,072)	(728)	(2,871)	(592)
Office furniture - net	30,122	44,589	48,873	83,651
Hearth products				
Operations before restructuring charges	1,542	9,723	(1,305)	17,444
Restructuring and impairment charges	43	-	24	-
Hearth products - net	1,585	9,723	(1,281)	17,444
Total operating profit	31,707	54,312	47,592	101,095
Unallocated corporate expense	(11,140)	(13,502)	(19,918)	(28,255)
Income before income taxes	\$ 20,567	\$ 40,810	\$ 27,674	\$ 72,840
Depreciation and amortization expense:				
Office furniture	\$ 12,571	\$ 11,923	\$ 24,647	\$ 24,277
Hearth products	3,848	3,529	7,694	7,217
General corporate	1,125	1,096	2,224	2,236
	\$ 17,544	\$ 16,548	\$ 34,565	\$ 33,730
Capital expenditures – net:				
Office furniture	\$ 15,936	\$ 11,268	\$ 29,848	\$ 22,093
Hearth products	2,343	4,172	5,187	6,379
General corporate	36	383	904	676
	\$ 18,315	\$ 15,823	\$ 35,939	\$ 29,148
Identifiable assets:			As of	As of
Office furniture			Jun. 28, 2008	Jun. 30, 2007
Hearth products			\$ 801,532	\$ 734,835
General corporate			333,406	361,431
			108,905	106,357
			\$1,243,843	\$1,202,623

(1) Includes minority interest

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