

HNI CORP
Form 10-Q
July 31, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012.

OR

/ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-14225

HNI Corporation
(Exact name of registrant as specified in its charter)

Iowa (State or other jurisdiction of incorporation or organization)	42-0617510 (I.R.S. Employer Identification Number)
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P. O. Box 1109, 408 East Second Street Muscatine, Iowa 52761-0071 (Address of principal executive offices)	52761-0071 (Zip Code)
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Registrant's telephone number, including area code: 563/272-7400

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Class	Outstanding at June 30, 2012
Common Shares, \$1 Par Value	45,329,791

HNI Corporation and SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HNI Corporation and SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	June 30, 2012	December 31, 2011
	(In thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$55,058	\$72,812
Short-term investments	7,250	9,157
Receivables	219,822	204,036
Inventories (Note C)	113,651	101,873
Deferred income taxes	18,226	18,797
Prepaid expenses and other current assets	34,218	27,365
Total Current Assets	448,225	434,040
PROPERTY, PLANT, AND EQUIPMENT, at cost		
Land and land improvements	23,270	23,197
Buildings	265,799	264,081
Machinery and equipment	460,476	468,926
Construction in progress	17,607	11,911
	767,152	768,115
Less accumulated depreciation	539,511	538,388
Net Property, Plant, and Equipment	227,641	229,727
GOODWILL	272,481	270,761
OTHER ASSETS	127,291	119,730
Total Assets	\$1,075,638	\$1,054,258

See accompanying Notes to Condensed Consolidated Financial Statements.

HNI Corporation and SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	June 30, 2012	December 31, 2011
(In thousands, except share and per share value data)		
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$354,648	\$358,290
Note payable and current maturities of long-term debt and capital lease obligations	60,345	30,345
Current maturities of other long-term obligations	341	275
Total Current Liabilities	415,334	388,910
LONG-TERM DEBT	150,173	150,200
CAPITAL LEASE OBLIGATIONS	286	340
OTHER LONG-TERM LIABILITIES	57,260	52,716
DEFERRED INCOME TAXES	43,771	42,770
EQUITY		
HNI Corporation shareholders' equity:		
Capital Stock:		
Preferred, \$1 par value, authorized 2,000,000 shares, no shares outstanding	—	—
Common, \$1 par value, authorized 200,000,000 shares, outstanding - June 30, 2012 – 45,329,791 shares; December 31, 2011 – 44,855,207 shares	45,330	44,855
Additional paid-in capital	27,884	24,277
Retained earnings	333,713	348,210
Accumulated other comprehensive income	1,761	1,715
Total HNI Corporation shareholders' equity	408,688	419,057
Noncontrolling interest	126	265
Total Equity	408,814	419,322
Total Liabilities and Equity	\$1,075,638	\$1,054,258

See accompanying Notes to Condensed Consolidated Financial Statements.

HNI Corporation and SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	Three Months Ended	
	June 30, 2012	July 2, 2011
	(In thousands, except share and per share data)	
Net sales	\$480,400	\$432,810
Cost of sales	315,287	285,880
Gross profit	165,113	146,930
Selling and administrative expenses	151,455	136,197
Restructuring and impairment	292	463
Operating income	13,366	10,270
Interest income	276	110
Interest expense	2,909	3,033
Income before income taxes	10,733	7,347
Income taxes	3,835	2,744
Net income	6,898	4,603
Less: Net (loss) attributable to the noncontrolling interest	(127	) (54
Net income attributable to HNI Corporation	\$7,025	\$4,657
Net income attributable to HNI Corporation per common share – basic	\$0.15	\$0.10
Average number of common shares outstanding – basic	45,419,564	44,745,474
Net income attributable to HNI Corporation per common share – diluted	\$0.15	\$0.10
Average number of common shares outstanding – diluted	45,944,815	45,667,453
Cash dividends per common share	\$0.24	\$0.23
Other comprehensive income (loss), net of tax of 2012 \$(447); 2011 \$(112)	(831	) 145
Comprehensive income	6,067	4,748
Less: Comprehensive income (loss) attributable to noncontrolling interest	(127	) (54
Comprehensive income attributable to HNI Corporation	\$6,194	\$4,802

See accompanying Notes to Condensed Consolidated Financial Statements.

HNI Corporation and SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	Six Months Ended	
	June 30, 2012	July 2, 2011
	(In thousands, except share and per share data)	
Net sales	\$925,612	\$828,961
Cost of sales	613,672	547,307
Gross profit	311,940	281,654
Selling and administrative expenses	295,189	268,610
Restructuring and impairment	1,189	1,853
Operating income	15,562	11,191
Interest income	455	243
Interest expense	5,523	6,622
Income before income taxes	10,494	4,812
Income taxes	3,749	2,006
Net income	6,745	2,806
Less: Net (loss) attributable to the noncontrolling interest	(139	) (96
Net income attributable to HNI Corporation	\$6,884	\$2,902
Net income attributable to HNI Corporation per common share – basic	\$0.15	\$0.06
Average number of common shares outstanding – basic	45,285,545	44,799,013
Net income attributable to HNI Corporation per common share – diluted	\$0.15	\$0.06
Average number of common shares outstanding – diluted	45,814,296	45,732,598
Cash dividends per common share	\$0.47	\$0.46
Other comprehensive income (loss), net of tax of 2012 \$(101); 2011 \$410	46	1,228
Comprehensive income	6,791	4,034
Less: Comprehensive income (loss) attributable to noncontrolling interest	(139	) (96
Comprehensive income attributable to HNI Corporation	\$6,930	\$4,130

See accompanying Notes to Condensed Consolidated Financial Statements.

HNI Corporation and SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	Six Months Ended	
	June 30, 2012	July 2, 2011
	(In thousands)	
Net Cash Flows From (To) Operating Activities:		
Net income	\$6,745	\$2,806
Noncash items included in net income:		
Depreciation and amortization	21,358	23,762
Other postretirement and post employment benefits	839	830
Stock-based compensation	3,607	3,398
Excess tax benefits from stock compensation	(4,156)	(30)
Deferred income taxes	1,672	4,089
Loss on sale, retirement and impairment of long-lived assets and intangibles	435	328
Stock issued to retirement plan	4,864	4,906
Other – net	1,608	364
Net increase (decrease) in operating assets and liabilities	(35,208)	(52,200)
Increase (decrease) in other liabilities	3,920	3,388
Net cash flows from (to) operating activities	5,684	(8,359)
Net Cash Flows From (To) Investing Activities:		
Capital expenditures	(15,632)	(11,740)
Proceeds from sale of property, plant and equipment	506	595
Capitalized software	(9,434)	(2,832)
Purchase of long-term investments	(3,191)	(6,355)
Sales or maturities of long-term investments	2,257	3,802
Other – net	(223)	425
Net cash flows from (to) investing activities	(25,717)	(16,105)
Net Cash Flows From (To) Financing Activities:		
Proceeds from sales of HNI Corporation common stock	2,641	2,034
Withholdings related to net share settlements of equity based awards	(5,995)	—
Purchase of HNI Corporation common stock	(6,161)	(10,000)
Proceeds from long-term debt	80,000	5,000
Payments of note and long-term debt and other financing	(50,981)	(4,295)
Excess tax benefits from stock compensation	4,156	30
Dividends paid	(21,381)	(20,638)
Net cash flows from (to) financing activities	2,279	(27,869)
Net increase (decrease) in cash and cash equivalents	(17,754)	(52,333)
Cash and cash equivalents at beginning of period	72,812	99,096
Cash and cash equivalents at end of period	\$55,058	\$46,763

See accompanying Notes to Condensed Consolidated Financial Statements.

HNI Corporation and SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2012

Note A. Basis of Presentation

The accompanying unaudited, condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The December 31, 2011 consolidated balance sheet included in this Form 10-Q was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending December 29, 2012. For further information, refer to the consolidated financial statements and accompanying notes included in HNI Corporation's (the "Corporation") Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Note B. Stock-Based Compensation

The Corporation measures stock-based compensation expense at grant date, based on the fair value of the award and recognizes expense over the employee requisite service period. For the three and six months ended June 30, 2012, and July 2, 2011, the Corporation recognized \$1.4 million and \$3.6 million, and \$1.8 million and \$3.4 million, respectively, of stock-based compensation expense for the cost of stock options and time-based restricted stock units issued under the HNI Corporation 2007 Stock-Based Compensation Plan and shares issued under the HNI Corporation 2002 Members' Stock Purchase Plan.

At June 30, 2012, there was \$10.7 million of unrecognized compensation cost related to nonvested stock-based compensation awards, which the Corporation expects to recognize over a weighted-average remaining service period of 1.4 years.

Note C. Inventories

The Corporation values its inventory at the lower of cost or market with approximately 71% valued by the last-in, first-out ("LIFO") costing method.

(In thousands)	June 30, 2012	December 31, 2011
Finished products	\$75,040	\$65,136
Materials and work in process	64,512	62,638
LIFO allowance	(25,901	) (25,901
	\$113,651	) \$101,873

Note D. Accumulated Other Comprehensive Income and Shareholders' Equity

The following table summarizes the components of accumulated other comprehensive income and the changes in accumulated other comprehensive income, net of tax, as applicable for the six months ended June 30, 2012:

(In thousands)	Foreign Currency Translation Adjustment	Unrealized Gains on Marketable Securities	Pension Postretirement Liability	Derivative Financial Instruments	Accumulated Other Comprehensive Income
Balance at December 31, 2011	\$5,211	\$143	\$(3,583)	\$(56)	\$1,715
Year-to date change	218	52	161	(385)	46
Balance at June 30, 2012	\$5,429	\$195	\$(3,422)	\$(441)	\$1,761

During the six months ended June 30, 2012, the Corporation repurchased 264,000 shares of its common stock at a cost of approximately \$6.2 million. As of June 30, 2012, \$129.6 million of the Corporation's Board of Directors' current repurchase authorization remained unspent.

During the six months ended June 30, 2012, the Corporation paid dividends to shareholders of \$0.47 per share.

Note E. Earnings Per Share

The following table reconciles the numerators and denominators used in the calculation of basic and diluted earnings per share ("EPS"):

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Numerators:				
Numerator for both basic and diluted EPS attributable to HNI Corporation net income	\$7,025	\$4,657	\$6,884	\$2,902
Denominators:				
Denominator for basic EPS weighted-average common shares outstanding	45,420	44,745	45,286	44,799
Potentially dilutive shares from stock-based compensation plans	525	922	529	934
Denominator for diluted EPS	45,945	45,667	45,814	45,733
Earnings per share – basic	\$0.15	\$0.10	\$0.15	\$0.06
Earnings per share – diluted	\$0.15	\$0.10	\$0.15	\$0.06

The weighted average common stock equivalents presented above do not include the effect of 1,936,382 and 1,871,937, and 1,783,651 and 1,159,965 of common stock equivalents for the three and six months ended June 30, 2012 and July 2, 2011, respectively, because their inclusion would be anti-dilutive.

Note F. Restructuring Reserve and Plant Closures

As a result of the Corporation's ongoing business simplification and cost reduction strategies, the Corporation has closed, consolidated and realigned a number of its office furniture facilities during the past few years. In connection with these closures, consolidations and realignments, the Corporation recorded \$0.4 million and \$1.6 million of charges during the three and six months ended June 30, 2012 which included \$0.3 million and \$1.2 million of current period restructuring costs and \$0.1 million and \$0.4 million of accelerated depreciation recorded in cost of sales, respectively.

The following is a summary of changes in restructuring accruals during the six months ended June 30, 2012.

(In thousands)	Severance	Facility Exit Costs & Other	Total
Balance as of December 31, 2011	\$1,068	\$31	\$1,099
Restructuring charges	(68	) 1,257	1,189
Cash payments	(363	) (1,283	) (1,646
Balance as of June 30, 2012	\$637	\$5	\$642

Note G. Goodwill and Other Intangible Assets

The table below summarizes amortizable definite-lived intangible assets as of June 30, 2012 and December 31, 2011, which are reflected in the "Other Assets" line item in the Corporation's Condensed Consolidated Balance Sheets:

(In thousands)	June 30, 2012	December 31, 2011
Patents	\$18,905	\$18,905
Customer relationships and other	102,825	102,825
Less: accumulated amortization	64,592	61,214
	\$57,138	\$60,516

Aggregate amortization expense for the six months ended June 30, 2012 and July 2, 2011 was \$3.4 million and \$2.9 million, respectively. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the following five fiscal years is as follows:

(In millions)	2012	2013	2014	2015	2016
Amortization Expense	\$6.7	\$6.3	\$5.7	\$5.4	\$5.2

As events such as potential acquisitions, dispositions or impairments occur in the future, these amounts may change.

The Corporation also owns trademarks and trade names with a net carrying amount of \$41.0 million. The trademarks are deemed to have indefinite useful lives because they are expected to generate cash flows indefinitely.

The changes in the carrying amount of goodwill since December 31, 2011 are as follows by reporting segment:

(In thousands)	Office Furniture	Hearth Products	Total
Balance as of December 31, 2011			
Goodwill	\$ 134,075	\$ 166,188	\$ 300,263
Accumulated impairment losses	(29,359	) (143	) (29,502
	104,716	166,045	270,761
Goodwill acquired	1,720	—	1,720
Balance as of June 30, 2012			
Goodwill	135,795	166,188	301,983
Accumulated impairment losses	(29,359	) (143	) (29,502
	\$ 106,436	\$ 166,045	\$ 272,481

The Corporation evaluates its goodwill for impairment on an annual basis during the fourth quarter, or whenever indicators of impairment exist. No indicators existed during the six months ended June 30, 2012. The Corporation estimates the fair value of its reporting units using various valuation techniques, with the primary technique being a discounted cash flow method. This method employs assumptions that are market participant based. The increase in the office furniture segment relates to final purchase price allocations for an acquisition completed during the fourth quarter of 2011.

Note H. Product Warranties

The Corporation issues certain warranty policies on its office furniture and hearth products that provide for repair or replacement of any covered product or component that fails during normal use because of a defect in design or workmanship. Reserves have been established for the various costs associated with the Corporation's warranty programs and are included in "Accounts payable and accrued expenses" in the Condensed Consolidated Balance Sheets.

A warranty reserve is determined by recording a specific reserve for known warranty issues and an additional reserve for unknown claims that are expected to be incurred based on historical claims experience. Actual claims incurred could differ from the original estimates, requiring adjustments to the reserve. Activity associated with warranty obligations was as follows during the periods noted:

(In thousands)	Six Months Ended	
	June 30, 2012	July 2, 2011
Balance at beginning of period	\$ 12,910	\$ 12,930
Accruals for warranties issued during period	6,496	7,649
Adjustments related to pre-existing warranties	459	(378
Settlements made during the period	(6,982	) (7,998
Balance at end of period	\$ 12,883	\$ 12,203

Note I. Postretirement Health Care

The following table sets forth the components of net periodic benefit cost included in the Corporation's Condensed Consolidated Statements of Comprehensive Income for:

(In thousands)	Six Months Ended	
	June 30, 2012	July 2, 2011
Service cost	\$225	\$182
Interest cost	360	402
Amortization of transition obligation	254	254
Amortization of (gain)/loss	—	(8
Net periodic benefit cost	\$839	\$830

Note J. Income Taxes

The provision for income taxes for continuing operations for the three months ended June 30, 2012 and July 2, 2011 reflect an effective tax rate of 35.7 percent and 37.3 percent, respectively. The 2012 estimated annual effective tax rate is expected to be 37 percent.

Note K. Derivative Financial Instruments

The Corporation uses derivative financial instruments to reduce its exposure to adverse fluctuations in interest rates and diesel fuel. On the date a derivative is entered into, the Corporation designates the derivative as (i) a fair value hedge, (ii) a cash flow hedge, (iii) a hedge of a net investment in a foreign operation or (iv) a risk management instrument not designated for hedge accounting. The Corporation recognizes all derivatives on its Condensed Consolidated Balance Sheets at fair value.

Interest Rate Risk

In June 2008, the Corporation entered into an interest rate swap agreement, designated as a cash flow hedge, for purposes of managing its benchmark interest rate fluctuation risk. Under the interest rate swap agreement, the Corporation paid a fixed rate of interest and received a variable rate of interest equal to the one-month London Interbank Offered Rate (LIBOR) as determined on the last day of each monthly settlement period on an aggregated notional principal amount of \$50 million. The net amount paid or received upon monthly settlements was recorded as an adjustment to interest expense, while the effective change in fair value was recorded as a component of accumulated other comprehensive income in the equity section of the Corporation's Condensed Consolidated Balance Sheets. The interest rate swap agreement matured on May 27, 2011.

Diesel Fuel Risk

The Corporation uses independent freight carriers to deliver its products. These carriers charge the Corporation a basic rate per mile that is subject to a mileage surcharge for diesel fuel price increases. The Corporation enters into variable to fixed rate commodity swap agreements with two financial counterparties to manage fluctuations in fuel costs. The Corporation hedges approximately 50% of its diesel fuel surcharge exposure for the next twelve months. The Corporation uses the hedge agreements to mitigate the volatility of diesel fuel prices and related fuel surcharges, and not to speculate on the future price of diesel fuel. The hedge agreements are designed to add stability to the Corporation's costs, enabling the Corporation to make pricing decisions and lessen the economic impact of abrupt changes in diesel fuel prices over the term of the contract. The hedging instruments consist of a series of

financially settled fixed forward contracts with expiration dates ranging up to twelve months. The contracts have been designated as cash flow hedges of future diesel purchases, and as such, the net amount paid or received upon monthly settlements is recorded as an adjustment to freight expense, while the effective change in fair value is recorded as a component of accumulated other comprehensive income in the equity section of the Corporation's Condensed Consolidated Balance Sheets.

As of June 30, 2012, \$0.4 million of deferred net losses, net of tax, included in equity ("Accumulated other comprehensive income" in the Corporation's Condensed Consolidated Balance Sheets) related to the diesel hedge agreements are expected to be reclassified to current earnings ("Selling and administrative expenses" in the Corporation's Condensed Consolidated Statements of Comprehensive Income) over the next twelve months.

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The location and fair value of derivative instruments reported in the Corporation's Condensed Consolidated Balance Sheets are as follows (in thousands):

	Balance Sheet Location	Asset (Liability) Fair Value	
		June 30, 2012	December 31, 2011
Diesel fuel swap	Accounts payable and accrued expenses	\$ (731	) \$ (256
Diesel fuel swap	Prepaid expenses and other current assets	35	165
		\$ (696	) \$ (91

The effect of derivative instruments on the Corporation's Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 2012 was as follows (in thousands):

Derivatives in Cash Flow Hedge Relationship	Before-tax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Locations of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Before-Tax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Locations of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
Diesel fuel swap	\$ (1,296	) Selling and administrative expenses	\$ 105	Selling and administrative expenses	—
Total	\$ (1,296	)	\$ 105		—

The effect of derivative instruments on the Corporation's Condensed Consolidated Statements of Comprehensive Income for the six months ended June 30, 2012 was as follows (in thousands):

Derivatives in Cash Flow Hedge Relationship	Before-tax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Locations of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Before-Tax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Locations of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
Diesel fuel swap	\$ (524	) Selling and administrative expenses	\$ 81	Selling and administrative expenses	\$ —
Total	\$ (524	)	\$ 81		\$ —

The effect of derivative instruments on the Corporation's Condensed Consolidated Statements of Comprehensive Income for the three months ended July 2, 2011 was as follows (in thousands):

Derivatives in Cash Flow Hedge Relationship	Before-tax Gain (Loss) Recognized in AOCI on Derivative	Locations of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Before-Tax Gain (Loss) Reclassified from AOCI into Income	Locations of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective

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	(Effective Portion)		(Effective Portion)		Portion)
Interest rate swap	\$ 228	Interest expense	\$(338) None	\$—
Diesel fuel swap	(505) Selling and administrative expenses	619	None	(4)
Total	\$(277)	\$281		\$(4)

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The effect of derivative instruments on the Corporation's Condensed Consolidated Statements of Comprehensive Income for the six months ended July 2, 2011 was as follows (in thousands):

	Before-tax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Locations of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Before-Tax Gain (Loss) Reclassified from AOCI Into Income (Effective Portion)	Locations of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
Derivatives in Cash Flow Hedge Relationship					
Interest rate swap	\$ 10	Interest expense	\$ (898)	None	\$—
Diesel fuel swap	722	Selling and administrative expenses	876	None	1
Total	\$ 732		\$ (22)		\$ 1

Note L. Fair Value Measurements

For recognition purposes, on a recurring basis the Corporation is required to measure at fair value its marketable securities. The marketable securities were comprised of government securities, corporate bonds and money market funds. When available the Corporation uses quoted market prices to determine fair value and classifies such measurements within Level 1. In some cases where market prices are not available, the Corporation makes use of observable market-based inputs (prices or quotes from published exchanges/indexes) to calculate fair value using the market approach, in which case the measurements are classified within Level 2.

Assets measured at fair value as of June 30, 2012 were as follows:

(In thousands)	Fair value as of measurement date	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Government securities	\$ 16,469	\$—	\$ 16,469	\$—
Corporate bonds	\$ 4,052	\$—	\$ 4,052	\$—
Derivative financial instruments	\$ (696)	\$—	\$ (696)	\$—

Assets measured at fair value as of December 31, 2011 were as follows:

(In thousands)	Fair value as of measurement date	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Government securities	\$ 15,863	\$—	\$ 15,863	\$—
Corporate bonds	\$ 3,751	\$—	\$ 3,751	\$—
Derivative financial instruments	\$ (91)	\$—	\$ (91)	\$—

In addition to the methods and assumptions the Corporation uses to record the fair value of financial instruments as discussed in the section above, it uses the following methods and assumptions to estimate the fair value of its financial instruments.

Cash and cash equivalents - Level 1

The carrying amount approximated fair value.

Long-term debt (including current portion) - Level 2

The carrying value of the Corporation's outstanding variable-rate, long-term debt obligations at June 30, 2012 and December 31, 2011, the end of the Corporation's 2011 fiscal year, approximated the fair value. The fair value of the Corporation's outstanding fixed-rate, long-term debt obligations is estimated based on discounted cash flow method to be \$160 million at June 30, 2012 and \$160 million at December 31, 2011, compared to the carrying value of \$150 million.

Note M. Commitments and Contingencies

The Corporation utilizes letters of credit in the amount of \$15 million to back certain insurance policies and payment obligations. The letters of credit reflect fair value as a condition of their underlying purpose and are subject to competitively determined fees.

The Corporation has contingent liabilities which have arisen in the ordinary course of its business, including pending litigation, environmental remediation, taxes, and other claims. It is the Corporation's opinion that liabilities, if any, resulting from these matters are not expected to have a material adverse effect on the Corporation's financial condition, cash flows or on the Corporation's quarterly or annual operating results when resolved in a future period.

Note N. New Accounting Standards

There were no new accounting standards issued during the quarter that the Corporation expects to have a material impact on the financial statements.

Note O. Business Segment Information

Management views the Corporation as operating in two business segments: office furniture and hearth products with the former being the principal business segment.

The office furniture segment manufactures and markets a broad line of metal and wood office furniture which includes storage products, desks, credenzas, chairs, tables, bookcases, freestanding office partitions and panel systems and other related products. The hearth products segment manufactures and markets a broad line of manufactured gas, electric, wood and biomass burning fireplaces, inserts, stoves, facings and accessories, principally for the home.

For purposes of segment reporting, intercompany sales transfers between segments are not material and operating profit is income before income taxes exclusive of certain unallocated corporate expenses. These unallocated corporate expenses include the net cost of the Corporation's corporate operations, interest income and interest expense. Management views interest income and expense as corporate financing costs rather than a business segment cost. In addition, management applies one effective tax rate to its consolidated income before income taxes so income taxes are not reported or viewed internally on a segment basis.

The Corporation's primary market and capital investments are concentrated in the United States.

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Reportable segment data reconciled to the Corporation's condensed consolidated financial statements for the three and six month periods ended June 30, 2012, and July 2, 2011, is as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Net Sales:				
Office Furniture	\$418,562	\$372,643	\$797,166	\$703,770
Hearth Products	61,838	60,167	128,446	125,191
	480,400	432,810	925,612	828,961
Operating Profit (Loss):				
Office furniture				
Operations before restructuring charges	\$22,350	\$18,270	\$31,102	\$27,385
Restructuring and impairment charges	(292)	) (412)	) (1,189)	) (1,434)
Office furniture – net	22,058	17,858	29,913	25,951
Hearth products				
Operations before restructuring charges	857	(899)	) 1,989	(1,126)
Restructuring and impairment charges	—	(51)	) —	(419)
Hearth products – net	857	(950)	) 1,989	(1,545)
Total operating profit	22,915	16,908	31,902	24,406
Unallocated corporate expense	(12,182)	) (9,561)	) (21,408)	) (19,594)
Income before income taxes	\$10,733	\$7,347	\$10,494	\$4,812
Depreciation & Amortization Expense:				
Office furniture	\$8,320	\$9,023	\$16,882	\$18,453
Hearth products	1,500	1,954	3,065	4,107
General corporate	716	637	1,411	1,202
	\$10,536	\$11,614	\$21,358	\$23,762
Capital Expenditures (including capitalized software):				
Office furniture	\$5,809	\$7,599	\$15,000	\$11,234
Hearth products	577	541	953	1,005
General corporate	5,862	1,834	9,113	2,333
	\$12,248	\$9,974	\$25,066	\$14,572
			As of	As of
			June 30,	July 2,
			2012	2011
Identifiable Assets:				
Office furniture			\$692,732	\$629,014
Hearth products			263,380	270,126
General corporate			119,526	104,733
			\$1,075,638	\$1,003,873

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Corporation has two reportable segments: office furniture and hearth products. The Corporation is the second largest office furniture manufacturer in the world and the nation's leading manufacturer and marketer of gas- and wood-burning fireplaces. The Corporation utilizes its split and focus, decentralized business model to deliver value to its customers with its various brands and selling models. The Corporation is focused on growing its existing businesses while seeking out and developing new opportunities for growth.

Net sales for the second quarter of fiscal 2012 increased 11.0 percent to \$480.4 million when compared to the second quarter of fiscal 2011. The increase was driven by the supplies-driven channel of the office furniture segment and the new construction channel of the hearth products segment. Gross margins for the quarter increased from prior year levels due to higher volume, better price realization and lower material costs offset partially by unfavorable mix, the impact of the Sagus acquisition and higher restructuring and transition costs. Total selling and administrative expenses increased due to volume related expenses, investments in growth initiatives, higher incentive-based compensation and the impact of the Sagus acquisition.

Results of Operations

The following table presents certain key highlights from the results of operations for the periods indicated:

(In thousands)	Three Months Ended			Six Months Ended			
	June 30, 2012	July 2, 2011	Percent Change	June 30, 2012	July 2, 2011	Percent Change	
Net sales	\$480,400	\$432,810	11.0	% \$925,612	\$828,961	11.7	%
Cost of sales	315,287	285,880	10.3	% 613,672	547,307	12.1	%
Gross profit	165,113	146,930	12.4	% 311,940	281,654	10.8	%
Selling and administrative expenses	151,455	136,197	11.2	% 295,189	268,610	9.9	%
Restructuring and impairment charges	292	463	(36.9)	)% 1,189	1,853	(35.8))%
Operating income	13,366	10,270	30.1	% 15,562	11,191	39.1	%
Interest expense, net	2,633	2,923	(9.9)	)% 5,068	6,379	(20.6))%
Income (loss) before income taxes	10,733	7,347	46.1	% 10,494	4,812	118.1	%
Income taxes	3,835	2,744	39.8	% 3,749	2,006	86.9	%
Net income (loss)	\$6,898	\$4,603	49.9	% \$6,745	\$2,806	140.4	%

Consolidated net sales for the second quarter of 2012 increased 11.0 percent or \$47.6 million compared to the same quarter last year. The increase was driven by the supplies-driven channel of the office furniture segment and the new construction channel of the hearth products segment. The acquisition of Sagus contributed \$25.1 million of sales, or 5.8 percent of sales growth to the second quarter of 2012.

Gross margin for the second quarter of 2012 increased to 34.4 percent compared to 33.9 percent for the same quarter last year. The increase in gross margin was driven by higher volume, better price realization and lower material costs

offset partially by unfavorable mix, the impact of the Sagus acquisition and higher restructuring and transition costs. Second quarter 2012 included \$0.3 million of accelerated depreciation and transition costs related to the closure and consolidation of office furniture manufacturing facilities.

Total selling and administrative expenses, including restructuring charges, as a percentage of sales was 31.6 percent for the second quarter of 2012, consistent with the same quarter last year. Benefits from leverage were partially offset by investments in growth initiatives, higher incentive-based compensation and the impact of the Sagus acquisition. Second quarter 2012 included \$0.8 million of restructuring and transition charges associated with plant consolidations compared to \$0.5 million in the same period in the prior year.

The provision for income taxes for continuing operations for the three months ended June 30, 2012 and July 2, 2011 reflect an effective tax rate of 35.7 percent and 37.3 percent, respectively. The 2012 estimated annual effective tax rate is expected to be 37 percent.

Net income attributable to HNI Corporation was \$7.0 million or \$0.15 per diluted share in the second quarter of 2012 compared to \$4.7 million or \$0.10 per diluted share in the second quarter of 2011.

For the first six months of 2012, consolidated net sales increased \$96.7 million, or 11.7 percent, to \$925.6 million compared to \$829.0 million for the first six months of 2011. Gross margins decreased to 33.7 percent compared to 34.0 percent for the same period last year. Net income attributable to HNI Corporation was \$6.9 million for the first six months of 2012 compared to \$2.9 million for the first six months of 2011. Earnings per share increased to \$0.15 per diluted share compared to \$0.06 per diluted share for the same period last year.

Office Furniture

Second quarter 2012 sales for the office furniture segment increased 12.3 percent or \$45.9 million to \$418.6 million from \$372.6 million for the same quarter last year. The increase was driven by the supplies-driven channel as well as sales attributable to the acquisition of Sagus. The acquisition of Sagus contributed \$25.1 million of sales, or 6.7 percent of sales growth to the second quarter of 2012. Second quarter 2012 operating profit prior to unallocated corporate expenses increased 23.5 percent or \$4.2 million to \$22.1 million as a result of better price realization and lower input costs. These were partially offset by unfavorable mix, investments in growth initiatives, higher incentive-based compensation and increased restructuring and transition costs. Second quarter 2012 included \$1.1 million of restructuring and transition costs, including accelerated depreciation, compared to \$0.5 million of restructuring costs in second quarter 2011.

Net sales for the first six months of 2012 increased 13.3 percent or \$93.4 million to \$797.2 million compared to \$703.8 million for the same period in 2011. The acquisition of Sagus contributed \$40.4 million of sales, or 4.9 percent of sales growth. Operating profit for the first six months of 2012 increased 15.3 percent or \$4.0 million to \$29.9 million compared to \$26.0 million for the same period in 2011.

Hearth Products

Second quarter 2012 net sales for the hearth products segment increased 2.8 percent or \$1.7 million to \$61.8 million from \$60.2 million for the same quarter last year. The increase was driven by an increase in the new construction channel partially offset by a decrease in the remodel-retrofit channel. Operating profit prior to unallocated corporate expenses increased \$1.8 million to \$0.9 million from a \$1.0 million loss in the prior year quarter due to increased volume, higher price realization, cost control initiatives and lower restructuring charges offset partially by increased material costs.

Net sales for the first six months of 2012 increased 2.6 percent or \$3.3 million to \$128.4 million compared to \$125.2 million for the same period in 2011. Operating profit for the first six months of 2012 increased \$3.5 million to \$2.0 million from a \$1.5 million loss for the same period in 2011.

Liquidity and Capital Resources

Cash Flow – Operating Activities

Operating activities generated \$5.7 million of cash in the first six months of 2012 compared to using \$8.4 million in the first six months of 2011. Working capital performance resulted in a \$35.2 million use of cash in the first six months of the current fiscal year compared to a \$52.2 million use of cash in the same period of the prior year. Cash flow from operating activities is expected to be positive for the year.

Cash Flow – Investing Activities

Capital expenditures, including capitalized software, for the first six months of fiscal 2012 were \$25.1 million compared to \$14.6 million in the same period of fiscal 2011 and were primarily for tooling and equipment for new products and the implementation of new integrated software systems to support business process transformation. For the full year 2012, capital expenditures are expected to be approximately \$50 to \$55 million, primarily focused on new product development and related tooling and the business systems transformation project referred to above.

Cash Flow – Financing Activities

During the first six months of fiscal 2012, net borrowings under the revolving credit facility peaked at \$80 million. The net borrowings at the end of second quarter were \$60 million and are classified as short-term as the Corporation expects to repay the borrowings within a year.

The Credit Agreement governing the Corporation's revolving credit facility contains a number of covenants, including covenants requiring maintenance of the following financial ratios as of the end of any fiscal quarter:

a consolidated interest coverage ratio of not less than 4.0 to 1.0, based upon the ratio of (a) consolidated EBITDA (as defined in the Credit Agreement) for the last four fiscal quarters to (b) the sum of consolidated interest charges; a consolidated leverage ratio of not greater than 3.0 to 1.0, based upon the ratio of (a) the quarter-end consolidated funded indebtedness (as defined in the Credit Agreement) to (b) consolidated EBITDA for the last four fiscal quarters; or a consolidated leverage ratio of not greater than 3.5 to 1.0, based upon the ratio of (a) the quarter-end consolidated funded indebtedness to (b) consolidated EBITDA for the last four fiscal quarters following any qualifying debt financed acquisition.

The note purchase agreement pertaining to the Corporation's Senior Notes also contains a number of covenants, including a covenant requiring maintenance of consolidated debt to consolidated EBITDA (as defined in the note purchase agreement) of not greater than 3.5 to 1.0, based upon the ratio of (a) the quarter-end consolidated funded indebtedness (as defined in the note purchase agreement) to (b) consolidated EBITDA for the last four fiscal quarters.

The revolving credit facility is the primary source of committed funding from which the Corporation finances its planned capital expenditures and strategic initiatives, such as acquisitions, repurchases of common stock and certain working capital needs. Non-compliance with the various financial covenant ratios in the revolving credit facility or the Senior Notes could prevent the Corporation from being able to access further borrowings under the revolving credit facility, require immediate repayment of all amounts outstanding with respect to the revolving credit facility and Senior Notes and/or increase the cost of borrowing.

The most restrictive of the financial covenants is the consolidated leverage ratio requirement of 3.0 to 1.0 included in the Credit Agreement. Under the Credit Agreement, adjusted EBITDA is defined as consolidated net income before interest expense, income taxes and depreciation and amortization of intangibles, as well as non-cash, nonrecurring charges and all non-cash items increasing net income. At June 30, 2012, the Corporation was well below the maximum allowable ratio and was in compliance with all of the covenants and other restrictions in the Credit Agreement and the note purchase agreement. The Corporation currently expects to remain in compliance over the next twelve months.

On May 8, 2012, the Corporation's Board of Directors (the "Board") approved a 4.3 percent increase in the common stock quarterly cash dividend from \$0.23 per share to \$0.24 per share. The dividend was paid on June 1, 2012, to shareholders of record at the close of business on May 18, 2012.

During the six months ended June 30, 2012, the Corporation repurchased 264,000 shares of common stock at a cost of approximately \$6.2 million, or an average price of \$23.34 per share. As of June 30, 2012, approximately \$129.6 million of the Board's current repurchase authorization remained unspent.

Cash, cash equivalents and short-term investments, coupled with cash from future operations, borrowing capacity under the existing facility and the ability to access capital markets, are expected to be adequate to fund operations and satisfy cash flow needs for at least the next twelve months.

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Corporation's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

Contractual obligations associated with ongoing business and financing activities will result in cash payments in future periods. A table summarizing the amounts and estimated timing of these future cash payments was provided in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2011. During the first six months of fiscal 2012, there were no material changes outside the ordinary course of business in the Corporation's contractual obligations or the estimated timing of the future cash payments.

Commitments and Contingencies

The Corporation is involved in various kinds of disputes and legal proceedings that have arisen in the ordinary course of business,

including pending litigation, environmental remediation, taxes and other claims. It is the Corporation's opinion, after consultation with legal counsel, that additional liabilities, if any, resulting from these matters are not expected to have a material adverse effect on the Corporation's financial condition, cash flows or on the Corporation's quarterly or annual operating results when resolved in a future period.

Critical Accounting Policies

The preparation of the financial statements requires the Corporation to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Corporation continually evaluates its accounting policies and estimates. The Corporation bases its estimates on historical experience and on a variety of other assumptions believed by management to be reasonable in order to make judgments about the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant accounting policies that require the use of estimates and judgments in preparing the financial statements is provided in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2011. During the first six months of fiscal 2012, there were no material changes in the accounting policies and assumptions previously disclosed.

New Accounting Standards

For information pertaining to the Corporation's adoption of new accounting standards and any resulting impact to the Corporation's financial statements, please refer to Note N. New Accounting Standards of the Notes to the Condensed Consolidated Financial Statements, in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Looking Ahead

Management is optimistic about the office furniture and hearth products markets and the prospects for its businesses. The Corporation continues its investments in selling, marketing and product initiatives to drive growth. Management believes the Corporation is well positioned for growth.

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

Forward-Looking Statements

Statements in this report 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 and are 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," "would" 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, (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 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; 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of June 30, 2012, there were no material changes to the financial market risks that affect the quantitative and qualitative disclosures presented in Item 7A of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2011.

Item 4. Controls and Procedures

Disclosure controls and procedures are designed to ensure information required to be disclosed by the Corporation in the reports it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures are also designed to ensure that information is accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, the chief executive officer and chief financial officer of the Corporation carried out an evaluation of the Corporation's disclosure controls and procedures pursuant to Exchange Act Rules 13a – 15(e) and 15d – 15(e). As of June 30, 2012, based on this evaluation, the chief executive officer and chief financial officer have concluded these disclosure controls and procedures are effective.

Furthermore, there have been no changes in the Corporation's internal control over financial reporting during the fiscal quarter covered by this quarterly report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no new legal proceedings or material developments to report other than ordinary routine litigation incidental to the business.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities:

The following is a summary of share repurchase activity during the quarter ended June 30, 2012.

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average price Paid per Share or Unit	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs
04/01/12 – 04/28/12	32,000	—\$24.70	32,000	\$ 135,004,988
05/29/12 – 05/26/12	160,000	\$23.29	160,000	\$ 131,279,178
05/27/12 – 06/30/12	72,000	\$22.84	72,000	\$ 129,634,542
Total	264,000	23.34	264,000	

(1) No shares were purchased outside of a publicly announced plan or program.

The Corporation repurchases shares under previously announced plans authorized by the Board as follows:

• Plan announced November 9, 2007, providing share repurchase authorization of \$200,000,000 with no specific expiration date.

• No repurchase plans expired or were terminated during the second quarter of fiscal 2012, nor do any plans exist under which the Corporation does not intend to make further purchases.

Item 6. Exhibits

See Exhibit Index.

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 thereunto duly authorized.

HNI Corporation

Date: July 31, 2012

By: /s/ Kurt A. Tjaden
Kurt A. Tjaden
Vice President and Chief Financial Officer

EXHIBIT INDEX

- (3.1) By-laws of HNI Corporation as amended
 - (31.1) Certification of the CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
 - (31.2) Certification of the CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
 - (32.1) Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101 The following materials from HNI Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2012 formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Comprehensive Income; (iii) Condensed Consolidated Statements of Cash Flows; and (iv) Notes to Condensed Consolidated Financial Statements^(a)

(a) Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files in Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.