2001 REPORT TO SHAREHOLDERS
HERMAN MILLER, INC., AND SUBSIDIARIES

AT HERMAN MILLER, INNOVATION IS A PROCESS OF DISCOVERY.

HermanMiller

IT BEGINS WITH THE MOST UNLIKELY THINGS.

CLIMBING AXES AND LUNAR LANDERS
CUSTOMERS WITH NO BUDGET
IMPATIENCE
THE COMPANY MILLWRIGHT
AN AFTER DINNER SPEECH
ONE 30-YEAR-OLD TURKISH DESIGNER
PATIENCE
STRONG RELIGIOUS CONVICTION
SCAFFOLDING IN NEW YORK
20% OF A $1 BILLION ANNUAL MARKET
TEACUPS
STOPPING A $6 MILLION RESEARCH PROJECT
CARL FROST
SENSE OF EQUITY
THE N-GENERATION
TWO MIDDLE-AGED AMERICAN DESIGNERS
MISTAKES
U.S. ARMY ANTHROPOMETRIC STUDIES
HOSPITAL BED
THE U.S. NAVY
NEW MATERIALS
OUTSPOKEN ARCHITECT
A FREEWHEELING SUBSIDIARY

SO MUCH FOR THE SOURCES OF INSPIRATION,
NOW FOR THE RESULTS.

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NOW FOR THE RESULTS.

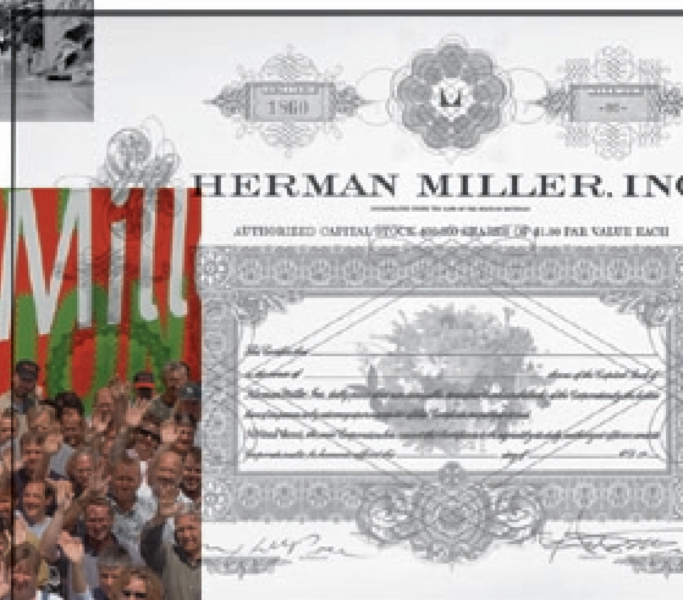
cs@hermanmillerred, 4:04 PM -0400, Thanks fo
Thanks for ordering from Herman
Product: RED Snapper #2
Options...
none
Quantity: 2
Unit Price: $297.00
Total Price: $594.00
Product: RED Rocket Desk
Options...
Top/Pod Color Combo: Cloud/Citrus Orange
Quantity: 2
Unit Price: $283.50
Total Price: $567.00
Product: RED Rocket Desk
Options...
Top/Pod Color Combo: Glacier White/Blue Ja
Quantity: 2
Unit Price: $283.50
Product: RED Rocket Phone Stand
Product: RED Spider Desk
Quantity: 2
Unit Price: $252.00
Total Price: $504.00
Product subtotal: $6,116.40
Delivery Services: $0.00
Total tax: $504.61
Total: $6,621.01
Herman Miller RED - Work Desks
WORKDESKS
HermanMiller
RED
Work Desks | Conference Tables | Other Tables |
Click on image for details
new business models

INNOVATIVE BUSINESS MODELS HAVE BEEN THE NORM WITH HERMAN MILLER FROM OUR MOVE INTO “MODERN” FURNITURE IN THE 1930S, TO OUR TRANSFORMATION OF THE OFFICE FURNITURE INDUSTRY IN THE 1970S, TO THE “SIMPLE, QUICK, AND AFFORDABLE” SUCCESSES OF THE 1990S. HERMAN MILLER RED IS NOW INTRODUCING US TO A FRESH SET OF CUSTOMERS WITH NEW CHANNELS TO MARKET, HIP NEW PRODUCTS, AND AN ATTITUDE TO MATCH.

Cash Returned
areholders
ns of dollars

216

180



11

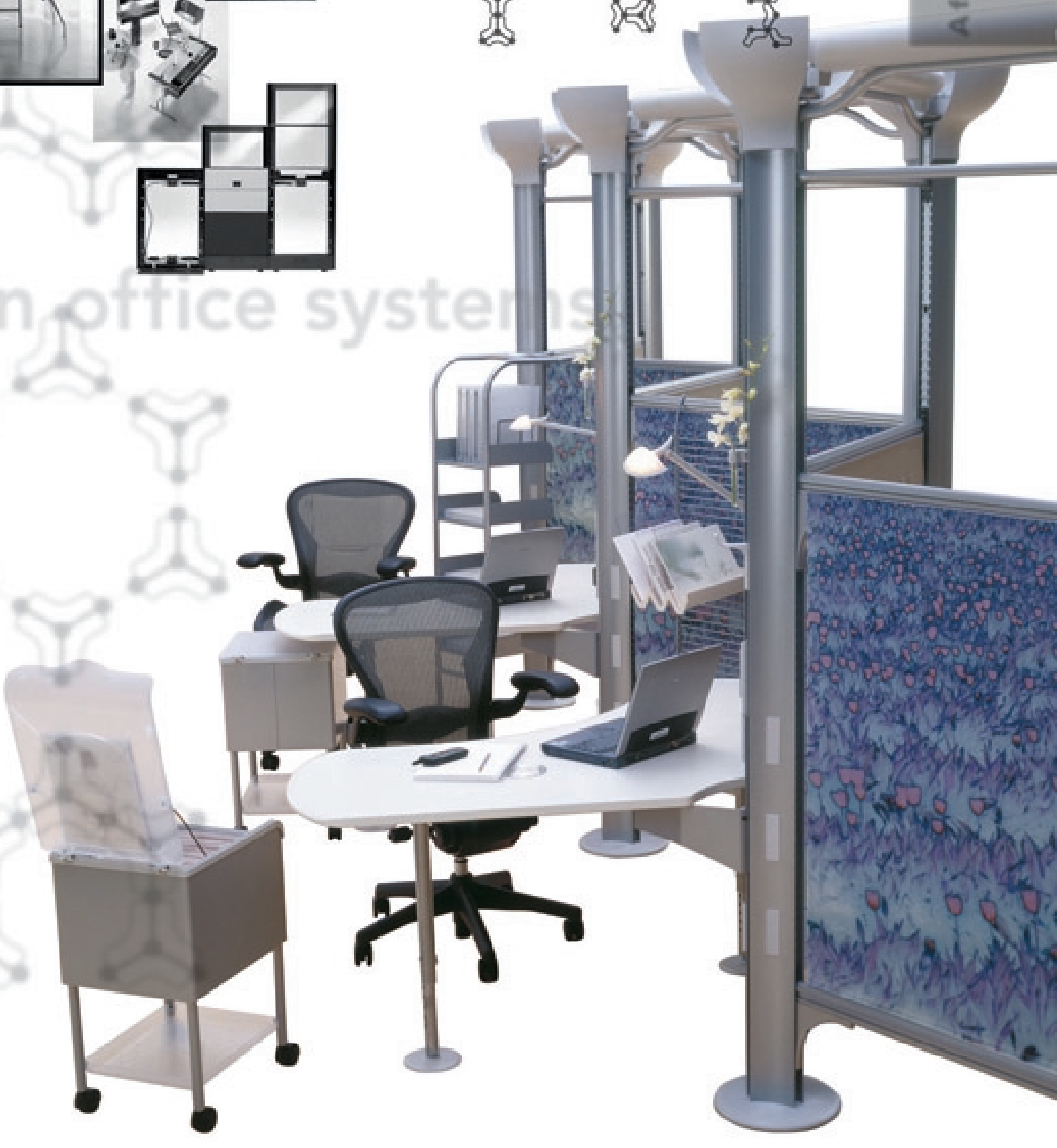
employee ownership

97 98 99 00 01

OUR HEALTHY TRADITION OF EMPLOYEE-OWNERSHIP STEMS FROM A BELIEF IN THE INNATE WORTH OF INDIVIDUALS, WHICH COMPANY FOUNDER D.J. DE PREE MADE A PART OF HERMAN MILLER'S CORPORATE VALUES IN 1927. SINCE THEN, WE HAVE DISCOVERED NEW EXPRESSIONS OF RESPECT FOR PEOPLE: EMPLOYEE STOCK OWNERSHIP; DIVERSE BENEFITS CHOSEN BY EMPLOYEES; AND A COMPANY-WIDE YARDSTICK FOR FINANCIAL PERFORMANCE—EVA (ECONOMIC VALUE ADDED). EVERY EMPLOYEE OWNS A PIECE OF THE ACTION—NO SMALL MOTIVATION.

The office
A facility based on change

open office systems



IN 1968 WE INVENTED SYSTEMS FURNITURE WITH ACTION OFFICE. IN 2000 WE APPLIED THE MANY ADVANTAGES OF SYSTEMS THINKING IN AN ENTIRELY NEW WAY WITH THE RESOLVE SYSTEM. NOW WE ARE EXPLORING NEW MEANINGS IN, AND NEW WAYS OF ACHIEVING, “GREAT PLACES TO WORK.”


ergonomic seating

THE SUPERLATIVE AERON CHAIR IS ONLY THE LATEST IN A STRING OF INNOVATIVE, ERGONOMICALLY SUPERIOR WORK CHAIRS. IN FACT, WE INTRODUCED ERGONOMICS TO OUR INDUSTRY WITH BILL STUMPF'S ERGON CHAIR IN 1976. WE CURRENTLY STAND AS LEADER IN SEATING FOR OUR INDUSTRY, AND WE INTEND TO STAY THERE.

environmental stewardship

On spaceship earth there are no passengers...
only crew. – *Buckminster Fuller*

FROM A SENSE OF RESPECT FOR ALL CREATION, TO OUR OWN ENERGY GENERATION CENTER IN 1982, TO SUSTAINED BUSINESS PRACTICES AND THE AWARD-WINNING GREENHOUSE BUILDING IN 1995. ENVIRONMENTAL STEWARDSHIP—IT'S THE RIGHT THING TO DO—DIDN'T BEGIN WITH HERMAN MILLER, BUT WE HAVE PUSHED IT TO BECOME SUSTAINABLE CAPITALISM.

Dear Shareholder

Our passion to pioneer and innovate for customers is deeply engrained in Herman Miller's culture and people. As this annual report illustrates, no one innovates on demand. Rather, we create a corporate climate in which the spark of innovation ignites the imagination and then is fanned into a blaze of thoughtful answers for customers—and tangible value for shareholders.

Herman Miller is dedicated to helping our customers create great places to work. As a research-driven company, we work hard to first understand the specific needs and priorities of our customers. We then build powerful capabilities that will respond in new and different ways. If the answer is worthy of the question, it will radically improve the customer's experience.

We continue to believe that our future growth depends on enlarging our market opportunity, reinventing our industry's fragmented value chain, and sharing our capabilities and resources in an increasingly networked, global marketplace.

HIGHLIGHTS OF FISCAL 2001

During this past fiscal year, we managed the business through a period of plenty and a period of contraction—in virtually equal six-month segments. As always, we sought to balance our desire to invest in our future along with the need to appropriately respond to our current market realities. Despite the very challenging economic environment during the second half of the fiscal year, we nonetheless set a few records and accomplished some very important work.

- We had record sales of $2.2 billion, increasing 11.2 percent.
- We had record earnings per share of $1.81.
- Our International operations achieved record sales, record income, and a second straight year of positive Economic Value Added (EVA).
- We generated $211.8 million in cash flow from operations, allowing us to return $105.3 million to our investors through share repurchases and dividends.
- In the face of difficult economic conditions, we provided a very solid return on equity of 43.5 percent and a return on EVA capital of 18.3 percent.
- We were honored that Resolve, our revolutionary new system product designed by Ayse Birsel, has been included in the permanent collection of the Museum of Modern Art in New York City.
- We increased the number of SQA dealers to 170.
- We successfully launched Herman Miller RED.
- We increased the number of eZconnect customers to nearly 60.

By the way, the last three initiatives all are aimed at serving new customers—or reaching existing customers in new ways—and they represented nearly 20 percent of the increase in our revenues during the year. You will find a great more detail on our fiscal 2001 performance in the Management's Discussion and Analysis that follows this letter.

GOING FORWARD

Through the years, our innovative spirit has served us well as we emerge from difficult economic times. Our commitment to problem-solving design is grounded in Herman Miller's willingness to understand important, unmet needs of customers and our desire to address those needs in ways that are preferred.

The world is undergoing rapid change. New technologies are being introduced every day that allow organizations to reinvent and restructure the way work is organized. We are seeing deep and fundamental shifts in the way people work, in the way organizations are structured, and in the way work environments drive performance and morale.

It's clear to us that this change represents an opportunity for us at Herman Miller. In such an atmosphere, innovators are going to win—and win big. Products, services, and business models that are acclaimed as innovative will command a premium and allow us to capture market share from competitors. My pledge is that we always will aspire to be the innovation leader in our industry—when times are good and when times are challenging.

Thanks to the energy, talent, and creativity of our nearly 10,000 employee-owners—and the vision of the remarkable men and women who work with Herman Miller on our ideas—we will continue to lead our industry going forward. Thanks, as well, to all of you who invest in our innovation. We appreciate your support—and we look forward to many exciting new developments ahead.

Michael A. Volkema

Michael A. Volkema
Chairman, President, and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

You should read the issues discussed in Management's Discussion and Analysis in conjunction with the company's consolidated financial statements and the notes to the consolidated financial statements included in the company's Form 10-K.

In the following financial statements and management discussion, all amounts are restated to reflect the following changes related to accounting classification and methods.

First, to comply with a recent Emerging Issues Task Force ruling, we were required to change the classification for certain shipping and handling costs. This change had the effect of increasing net sales, increasing cost of sales, and decreasing operating expenses. This change is purely a reclassification of expense and does not change net income. Financial statements and referenced amounts throughout this discussion have been restated to reflect this change.

Second, the company changed the method of accounting for its pension plan. This change resulted in an after-tax charge to income of $3.5 million or $.05 per share, which retroactively affected the first quarter of fiscal 2001. The new method of accounting uses a calculated value method over five years to determine the market-related value of the plan assets. This new method provides for better matching of the value of plan assets and liabilities under our cash balance retirement plan. Additionally, this method is consistent with that being used by many other manufacturing companies.

OVERVIEW

We had another record-setting year at Herman Miller in a number of categories, including sales, orders, and earnings per share. The overall economic downturn split the year into two distinct six-month periods. The first six months saw significant growth, exceeding a 23 percent increase in revenues. This pace was more than double the industry growth level and provided another indication of our ability to gain market share through new strategic initiatives. Some of the gain in revenue was attributable to high levels of orders placed toward the end of fiscal 2000. As the general economy weakened, the office furniture industry began to rapidly experience an overall delay in capital goods purchasing, leading to an abrupt slowdown in orders. Our ability to respond to the resulting business climate through cost structure changes, variable incentive programs, and focused spending, enabled us to meet the difficult challenge of balancing short- and long-term objectives.

When order levels fell sharply during the third quarter, we moved to manage production labor, accelerate efficiency gains in production facilities, and improve material usage. Despite the continuing slowdown in the economy, we continue to believe in our long-term strategic initiatives and are proceeding with a prioritized approach to investments. Industry sales levels in fiscal 2002 are difficult to project. Our plan is to continue adjusting costs and investments while positioning the company for even greater market share gains once the economy recovers.

We are still confident that our strategy will enable us to attain our long-term growth goals. The foundation of this growth will come from

- our core markets and expansion of our market share
- reaching customers we have not formerly served
- expanding our international presence
- seeking new business opportunities tangential to, but outside of, the office furniture industry

Throughout this discussion we will highlight what we believe are keys to the success of this growth strategy

- innovative products and services
- reliability driven by process excellence
- thought leadership
- a strong distribution network, new market channels, and alliances

As in the past, we continue to strengthen the commitment to our customers, our suppliers, our business partners, and our employee owners. Financial investments to fulfill our vision require time, persistence, and the dedicated focus of all our stakeholders. We have realized many rewards from our investments, including continued market share improvements, increased ability to rapidly adjust for short-term declines, and significant gains in serving strategically targeted customers. Although our initial plans did not anticipate the challenges of the second half of fiscal 2001 and the upcoming year, our objectives for long-term growth continue on track. We believe the difficult short-term outlook will provide the opportunity to focus and balance those investments that support our value propositions. We define value propositions as comprising large groups of customers, which have common buying needs and attitudes.

KEY MEASUREMENT

At Herman Miller, we use Economic Value Added (EVA) to determine whether we are creating value for our employee-owners and shareholders. We evaluate all our business decisions in this manner to ensure we are investing resources in opportunities that create the highest return for the long term. We also use EVA as the basis for calculating our incentive compensation. Making EVA such an important part of our overall compensation structure has driven a higher level of business literacy and decision-making capabilities throughout our work force.

EVA generation outpaced last year for the first three quarters of fiscal 2001. Even though we implemented cost-containment programs during the second half, the slowdown in orders proved too heavy a burden, resulting in lower EVA for the full fiscal year. Our compensation programs are tied to achieving EVA growth targets, and because the second half decline in business was so abrupt, we made no variable quarterly compensation payments in the fourth quarter. We continue to believe that EVA is the best method of rewarding our employees in a manner consistent with the rewards we provide to our shareholders, and market research validates this perspective. Our belief in the future potential of our strategic initiatives continues to drive us toward investments that create long-term value, even if EVA results suffer in the short run.

While EVA has not predicted short-term swings in our stock price, since its implementation our stock price has increased 386.3 percent while EVA grew 637.9 percent since 1996. Therefore, again this year, we have presented a summarized calculation of our EVA for fiscal 2001, 2000, and 1999.

Calculation of Economic Value Added

(In Millions)	2001	2000	1999
Operating income	$ 236.0	$ 234.7	$ 224.3
Interest expense on noncapitalized leases(1)	7.6	5.3	4.1
Goodwill amortization	3.6	2.9	3.0
Other	9.2	3.3	4.6
Increase (decrease) in reserves	(6.7)	1.1	(4.3)
Capitalized design and research	3.1	4.4	3.7
Adjusted operating profit	252.8	251.7	235.4
Cash taxes(2)	(91.7)	(91.7)	(83.6)
Net operating profit after taxes (NOPAT)	161.1	160.0	151.8
Weighted-average capital employed(3)	818.4	693.3	551.8
Weighted-average cost of capital(4)	10.4%	10.4%	11.0%
Cost of capital	85.1	72.1	60.7
Economic Value Added	$ 76.0	$ 87.9	$ 91.1

(1) Imputed interest as if the total noncancelable lease payments were capitalized. (2) The reported current tax provision is adjusted for the statutory tax impact of interest expense. (3) Total assets less noninterest-bearing liabilities plus the LIFO, doubtful accounts and notes receivable reserves, warranty reserve, amortized goodwill, deferred taxes, and capitalized design and research expense. Design and research expense is capitalized and amortized over five years. (4) Management's estimate of the weighted average of the minimum equity and debt returns required by the providers of capital. Reevaluated every year and adjusted when necessary to reflect the current rate environment and capital structure.

We generated $76.0 million of EVA this year, compared to $87.9 million last year, an $11.9 million or 13.5 percent decrease. The primary driver of this decline was a higher capital charge. Net operating profit after taxes ended $1.1 million higher with flat cash operating taxes. The major components of the increase in capital charges came from investment in technology infrastructure, production facility enhancements, new products, and working capital requirements during the high-growth period.

KEY DRIVERS

Consolidated Net Sales In fiscal 2001, our sales reached a new record totaling $2.2 billion, an increase of 11.2 percent over fiscal 2000. Fiscal 2000 included 53 weeks, so excluding the effect of the extra week our sales grew 13.1 percent. New products and growth from developing value propositions, coupled with new methods to serve our customers, drove the increase of the past year. The current state of the economy, which is fueling delays in many customers' capital expansion and hiring plans, will undoubtedly place more pressure on achieving revenue growth experienced in recent years.

As we mentioned above, the year was split into two distinct periods. The first half started with a significant backlog carried over from fiscal 2000, in addition to record numbers of new orders. During the fourth quarter we faced perhaps the most abrupt slowdown in industry history. Working off the backlog built up earlier in the year, we posted respectable sales levels. While the following may not be reflected in current order rates, we are glad to note that customer activity and interest in our products and processes has stayed strong domestically and abroad. The position we are establishing in the marketplace, with continued focused spending on innovative development, will enable us to deliver our growth objectives when the economy recovers.

Domestic Operations Our domestic sales grew 9.6 percent this year, after growing 10.1 percent in 2000, and 4.2 percent in 1999. In fiscal 2000, we acquired Geiger, a wood casegoods manufacturer, to complement our product offerings. Geiger sales accounted for 10.6 percent of the total domestic increase and produced positive EVA growth. Our core domestic growth has been primarily driven by unit volume increases. Growth across our new value propositions produced an 80.9 percent revenue increase over the prior year. Stated another way, the new value propositions represented nearly 20 percent of the company's total dollar revenue growth. As shown in the graph on page 24, our revenue increases continue to significantly outpace the industry. Exceeding industry growth is yet another indication that our strategic direction is building momentum.

During 2001, incremental discounts given to customers reduced our net sales by approximately $7.9 million. Changes in discounts reduced net sales in 2000 by $16.5 million and $11.0 million in 1999. Pressures on revenue and margin from discounting are expected to continue. We believe our product and service offering, together with our variable cost structure, will provide a competitive advantage that enables us to maximize and protect our place in the industry.

The Business and Institutional Furniture Manufacturers Association (BIFMA) reported that U.S. sales grew approximately 1.9 percent in the 12 months ended May 2001, after increasing 4.4 percent in 2000 and 3.1 percent in 1999.

We believe demand for office furniture in the U.S. is driven by three primary factors in the macro economy: corporate profits, service-sector employment, and nonresidential fixed investments. During the last three fiscal years, each of these factors improved year over year. The economic surge, an increased deployment of technology into work environments, and changing work styles have positively influenced demand in recent years. BIFMA is currently estimating that industry shipments will decline over 4 percent in calendar 2001, but the anticipated turnaround will produce 1.8 percent growth in calendar 2002. Given the current state of the economy, this forecast may be overly optimistic.

International Operations and Exports from the United States We continue to be pleased with the results of our International operations. Strategic global initiatives have continued to increase our revenue and profitability during the past four years. Positive EVA was produced for the past two years. Significant gains in Europe have provided the funds to strengthen other targeted customer opportunities in Asia and Latin America. Our Asian operations posted large gains and established a great demand for some new product offerings. We continue to streamline our locally based operations while leveraging our domestically based support team.

For the entire year, International sales levels increased 21.1 percent, surpassing $347 million. International revenue now comprises 15.5 percent of consolidated sales. During the second half of fiscal 2001, our International operations remained strong and continued the record setting pace by again increasing shipments over 21 percent compared to the same period of fiscal 2000. Once again, stable economic environments in the geographic areas where we have a significant presence, especially the United Kingdom and Japan, have helped our International business. However, orders across all regions began to decrease during the latter part of the year. We expect economic factors influencing the U.S. economy to spread globally during the upcoming months.

International net income for 2001 was $12.5 million, versus $11.8 million last year and $8.1 million in 1999. These positive results are primarily attributable to increased sales growth and cost-containment efforts.

Gross Margin Gross margin, as a percent of net sales, remained even with fiscal 2000 at 33.8 percent. As we mentioned earlier, certain expenses related to shipping and handling costs were reclassified from net revenue and operating expenses. We have restated all years in order for expense classification to be comparative.

Several factors influenced our ability to hold the line on margins during the second half of the year. Factors negatively influencing margin included a higher level of discounting, lower volume to leverage overhead costs, continued growth in newer products with less production, and incremental compensation payments. Offsetting the negative, we gained on material costs, managed production labor, reduced variable overhead, and re-paced some capital expenditures. Some of the factors are discussed in more detail below. We do want to point out that cost reductions can be stepped in relation to production volumes.

Our employee-owners' ability to execute our business model and maintain pressure on continued process improvements prepared Manufacturing operations for the sudden sales decline during the fourth quarter. Although the production associated with newer product lines is typically less efficient during the initial launch period, we realized significant improvements during the second half of the year. Investments in improved production capabilities over the past two years have shown positive effects on our margin. Ongoing implementation of the Herman Miller Production System, which promotes effective manufacturing techniques, added directly to these improvements.

We initiated programs to extend our efficient manufacturing techniques to our suppliers, providing the basis for strengthened relationships and cost reductions for all parties involved. We continued to utilize the capabilities of our supply base to their fullest extent, providing greater flexibility in selecting new materials and processes in the research, design, and development of new products. Our Purchasing and Manufacturing teams partnered with key suppliers to produce roughly $26 million of incremental price and usage savings. Our Supplier Qualification Program, which ranks suppliers, is providing a sound basis for purchasing more materials from the top performers, leading to improved quality and reliability. We increased the focus and use of Internet-based technology designed to provide continuous and accurate material requirements, so that the most reliable and efficient flow occurs through the entire supply chain. As our customers' expectations for speed and reliability increase, we feel our investments in this platform are returning great rewards in costs, service, and helping to differentiate our brand.

Labor costs were managed during the second half, mainly through reductions in temporary labor. We have purposely designed part of our production work force as temporary to assist us in varying the labor force as volume requirements fluctuate. Variable overhead costs were scrutinized and avoided if possible. We continue to analyze our capacity requirements. During the high-volume levels of the first half, our capacity was employed at highly profitable levels. As volume dropped abruptly, we were, and will continue to be, challenged to find new methods of reducing overhead while maintaining a balance for the expected economic recovery.

As we said, during the first half of our fiscal year, industry demand was very strong. Competition remained at a high level, but discounting appeared consistent with the prior year. As the economy slowed and pressures on revenue targets and capacity utilization heated up, discounting activity rose and placed more pressure on margin during our fourth quarter. As noted above, the increased discounting reduced sales and gross margin $7.9 million, which resulted in a .2 percent decrease in gross margin. We expect this discount pressure to continue into the next year, placing greater emphasis on cost-containment measures. We believe our accomplishments toward increased productivity during the past year and our variable business model and service differentiation will provide a solid defense while we further advance longer-term strategies.

Going forward, our continued productivity improvements and material cost reductions will be offset, to some degree, by additional discounting and pressure from overhead leveraging in the short run.

Operating Expenses During the past two years, we continued our investments in two primary areas: technology and new products. We believe that leadership in the office furniture industry will go to those organizations that provide high-speed, seamless, on-demand communications throughout the value chain. Further, these tools must be customized to fit the individual customer's needs, not "one size fits all." We have developed four distinct value propositions, which are tailored to groups of customers based on how they perceive value. In each of these value propositions, customization opportunities are available to further enhance the customer experience.

We place a great deal of importance on understanding a customer's needs, and we strive to provide easy access to tools that help design the best workplace solution. Our value propositions target specific customer needs by offering the appropriate products and capabilities. However, if needed, all of our capabilities are available. Essentially, customers can identify the means by which they communicate best with us across a spectrum of interaction levels and contact points. These range from placing orders through our on-line store at www.hermanmiller.com, to utilizing custom-designed Web sites, to engaging our design team to fully implement a workplace environment.

Creating real value for customers also relies heavily on the product offering. Over the years, Herman Miller has continually led the office furniture industry in product and business design innovation. We continued to make targeted investments to further strengthen our products and services. New innovations and market opportunities are in development. Our goal is to continue strengthening our brand position and market share. The short-term challenges of today's economy will not alter our belief in proven successful strategic initiatives. We will continue to protect and maximize the investments of our stakeholders in the short run; however, full realization of an investment should be viewed over a period of time. We believe the path we are taking will lead us to significant gains as the economy improves.

Herman Miller built its place in the market through innovation. Our history holds numerous examples of improvements to the workplace through extensive research, while providing revolutionary design changes. Research and design costs, excluding royalty payments, were $37.2 million in 2001, compared to $35.1 million in 2000, and $33.4 million in 1999. Royalty payments made to designers of the company's products as the products are sold are not included in research and development costs, since they are considered to be a variable cost of the product. As a percentage of net sales, research and development costs were 1.7 percent in 2001, 1.7 percent in 2000, and 1.8 percent in 1999. As discussed earlier, new product design and development has been, and continues to be, a key business strategy. The increased expenditures are directly related to the increased number of new products introduced and currently in development.

The market responded very well to our new products over the past year. In particular, our award-winning Resolve system has made a significant impact on customers' perceptions of their work environment's image, establishing new paradigms in alternative workplaces. We introduced Resolve at the industry's annual trade show, NeoCon, in June 1999, where it won a Best-of-Show Gold Award. In June 2000, the Resolve system became available for unrestricted order entry. To date we are very pleased with the levels of orders and customer interest in the opportunities Resolve provides for changing the workplace environment. Many international markets have also displayed a high acceptance and demand for Resolve. Several installations were completed during the second half of the year in both Europe and the Pacific Rim. We believe Resolve establishes yet another option across a large market base searching for improved style, space utilization, flexibility, approach to privacy, and cost.

Overall, operating expenses increased 16.5 percent or $74.0 million. Once again, we restated all years for reclassification of certain expenses to cost of sales. Higher volume in the first half produced EVA sufficient to pay an incremental $9.5 million in compensation incentives. The second half results produced much lower EVA incentive payments. Certain direct-sales costs followed the strong upward revenue growth during the first half. Additional incremental expenses occurred from acquisitions completed during fiscal 2000, startup costs for our RED business unit, increased warranty reserves, bad debts, and depreciation related to prior-period capital purchases. With the exception of the expenses from acquired subsidiaries and depreciation, we do not anticipate the other incremental costs to occur in the near future.

Our commitment to long-term initiatives, coupled with slowing sales volume, will place greater pressure on the operating expense percentage. Although expense reductions have and will continue to be a priority, the plan to improve this ratio is primarily driven by increasing sales at a higher rate than costs. As sales outpaced our targets during the first half, we saw the opportunity to accelerate many of our strategic initiatives. As the downturn in the economy became deeper with an extended forecast for recovery, we began implementing cost reduction and containment steps. We acted to lower or hold expenses until the volume outlook became clearer. We froze hiring and wages, eliminated our temporary production work force, repaced capital spending, and prioritized the timing of initiative program spending. As the outlook for the upcoming year continues to be soft with expected declines in revenue, we are currently putting contingency plans in place to address further steps to maximize near-term performance with long-term growth and return objectives.

Our operating expense improvement trend has slowed over the past two years. As we have discussed throughout this report, the deployment of technology and product innovation has been and will continue to be a key focus for us. Historically, capital investments were amortized over an extended period of time. In the new technology-driven business model, however, capital investments impact the income statement much more quickly, driving higher expense levels and greater needs for renewed assets.

Operating Income Operating income totaled $236.0 million, a slight increase over the prior year. The decline in percentage points to revenue resulted from higher operating expenses and reinvestment into growth initiatives. Dollar increases in operating income expected during the second half of fiscal 2001 were limited by the abrupt downturn in the marketplace. As a percent of sales, operating income declined to 10.6 percent in 2001 from 11.7 percent in 2000 and 12.3 percent in 1999.

Other Expenses and Income Other expense was $10.9 million in fiscal 2001, while in 2000 we incurred other expense of $12.9 million. The change is primarily attributable to losses on the disposal of nonproductive assets in fiscal 2000, offset in part by higher interest expense in fiscal 2001. To fund future investments, attain capital structure objectives, and provide for financial flexibility, interest-bearing debt has increased through the issuance of our long-term public debt offering executed during the fourth quarter. An expanded explanation of our improved debt structure appears in the Liquidity and Capital Resources section of this report. Interest expense increased to $16.8 million, as compared to $13.4 million last year. At the end of fiscal 2001, interest-bearing debt was $259.3 million, an increase of $33.7 million from fiscal 2000.

Fiscal 1999 results included gains on the sale of our Grandville, Michigan, and Roswell, Georgia, sites, as well as excess land in Chippenham, U.K. In total, these disposals contributed a net $6.9 million pretax gain.

Income Taxes Our effective tax rate was 36.0 percent in 2001, compared to 37.0 percent and 38.3 percent in 2000 and 1999, respectively. The lower tax rate is due to lower state taxes, international tax benefits, and other initiatives. We expect the effective tax rate for fiscal 2002 to be approximately equal to the past year.

Liquidity and Capital Resources The table below shows certain key cash flow and capital highlights:

(In Millions)	2001	2000	1999
Cash and cash equivalents	$ 151.8	$ 95.8	$ 80.0
Cash from operating activities	$ 211.8	$ 202.1	$ 205.6
Capital expenditures	$ 105.0	$ 135.7	$ 103.4
Debt-to-EBITDA ratio	.8	.7	.5
EBITDA-to-interest expense ratio	19.9	23.3	41.0
EVA capital	$ 879.8	$ 751.8	$ 577.1
NOPAT to EVA capital	18.3%	21.3%	26.3%

Our cash flow from operations increased 4.8 percent in 2001, to $211.8 million, from last year's $202.1 million. Higher volume and depreciation, offset by increased working capital investment of $26.1 million, drove the change. The change in working capital was caused by a favorable decline in receivables that was more than offset by the combination of lower trade payables and accrued taxes.

Fiscal 2001 capital expenditures were primarily for investments in our customer-centered selling technology platform, equipment for operational enhancements, and new product commercialization. The $30.7 million dollar decrease in cash outlay resulted from the completion of many projects related to initial sales tool technology, reprioritization or delayed spending, and our ERP implementation. At the end of the fiscal year, $60.1 million of capital was committed for future expenditures to continue strengthening our strategic position.

We expect capital expenditures to be between $110 million and $130 million in 2002. The largest planned expenditures will be for expanded customer-development tools, manufacturing improvements, and new product manufacturing support.

During the fourth quarter of fiscal 2001, we completed an initial public debt offering, raising $175 million through 10-year notes with a 7.125 percent coupon rate. There remains $125 million available on the shelf registration filed in May 2000. The proceeds from the debt offering were used primarily to repay borrowings on the $300 million revolving credit facility. Our available credit, combined with our existing cash and expected cash flow, is adequate to fund our day-to-day operations, strategic investments, and share repurchases. Going forward, we will manage our capital structure according to one overriding tenet: We will ensure the financial strength and flexibility necessary to maintain an investment-grade rating on our debt, including the maintenance of a minimum EBITDA-to-interest expense ratio and a maximum debt-to-EBITDA ratio. (EBITDA stands for Earnings Before Interest Expense, Taxes, Depreciation, and Amortization.)

During the past year, we increased our owned dealer network through one acquisition and established two alliances that will capitalize on our SQA dealers and contribute to earnings. In 2000, we acquired Geiger, a manufacturer of wood casegood products; this acquisition included a sales office in the United Kingdom. We also acquired a privately owned North American dealer as part of our service strategy. We will continue to investigate acquisitions and alliances to fill strategically identified gaps in our product offering.

Common Stock Transactions

(In Millions, Except Share and Per Share Data)	2001	2000	1999
Shares acquired	3,322,174	3,734,623	8,379,444
Cost of shares acquired	$ 94.2	$ 90.1	$ 167.5
Weighted average cost per share acquired	$ 28.35	$ 24.12	$ 19.99
Shares issued	1,283,358	2,227,154	958,347
Weighted average cost per share issued	$ 17.92	$ 21.75	$ 16.18
Cash dividends	$ 11.1	$ 11.5	$ 12.0
Dividends per share	$ .15	$ .15	$ .15

The Board of Directors first authorized the company to repurchase its common stock in 1984 and has periodically renewed its authorization. In fiscal 2001, repurchases of common stock totaled 3.3 million shares for $94.2 million, compared to 3.7 million shares for $90.1 million during fiscal 2000. Management and the Board of Directors believe the share repurchase program is an excellent means of returning value to our shareholders and preventing dilution from employee-ownership programs and shares issued in acquisitions. In September 1999, our Board of Directors approved an additional $50 million, and in July 2000, they approved an additional $100 million for share repurchases. At the end of fiscal 2001, $32.9 million remained on our authorization. In July 2001, our Board authorized a new $100 million share repurchase plan, bringing the total outstanding to $132.9 million.

CONTINGENCIES

The company, for a number of years, has sold various products to the United States Government under General Services Administration (GSA) multiple-award schedule contracts. The GSA is permitted to audit the company's compliance with the GSA contracts. At any point in time, a number of GSA audits are either scheduled or in progress. Management does not expect resolution of the audits to have a material adverse effect on the company's consolidated financial statements.

We are not aware of any other litigation or threatened litigation that would have a material impact on the company's consolidated financial statements.

CONCLUSION

We are in a period of rapid, fundamental change in the office furniture industry, and we are determined to lead the way. As we have described our strategic intent to you throughout this document, we hope that you have a better understanding of how we are creating new value for our shareholders and employee-owners. Leading the way is always a higher-risk approach than following the pack, but we believe our methodology safeguards the company's existing value while it also allows us to pursue a higher-return business model. While we did not achieve all of our objectives last year, significant progress was made toward fully realizing our goals. We believe fiscal 2001 allowed us to build a winning platform for successes yet to come. We are more optimistic than ever about our long-term future. While fiscal 2002 will hold many challenges, Herman Miller will continue to lead in design-focused innovation, expanding and establishing new reference points for the industry.

BASIS OF PRESENTATION

The condensed consolidated financial statements included in this report do not conform to financial statement standards under accounting principles generally accepted in the United States largely because they are summaries and omit footnotes to the statements. Audited financial statements, prepared in conformity with accounting principles generally accepted in the United States, appear in the company's Form 10-K.

When considering year-over-year growth statistics, keep in mind that Herman Miller's fiscal year 2001 contained 52 weeks, compared to 53 weeks in fiscal 2000 and 52 weeks in fiscal 1999.

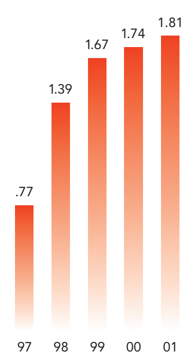
FORWARD-LOOKING STATEMENTS

This discussion and other sections of our Summary Annual Report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended, that are based on management's beliefs, assumptions, current expectations, estimates, and projections about the office furniture industry, the economy, and the company itself. Words like "anticipates," "believes," "confident," "estimates," "expects," "forecasts," "likely," "plans," "projects," "should," variations of such words, and similar expressions identify such forward-looking statements. These statements do not guarantee future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, likelihood, and degree of occurrence. Therefore, actual results and outcomes may materially differ from what we express or forecast. Furthermore, Herman Miller, Inc., undertakes no obligation to update, amend, or clarify forward-looking statements.

GRAPHIC REVIEW OF OPERATIONS

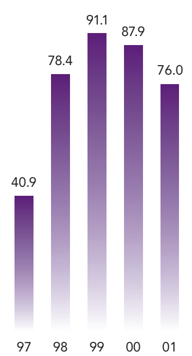
Earnings per share

in dollars



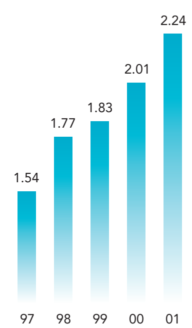
EVA

in millions of dollars



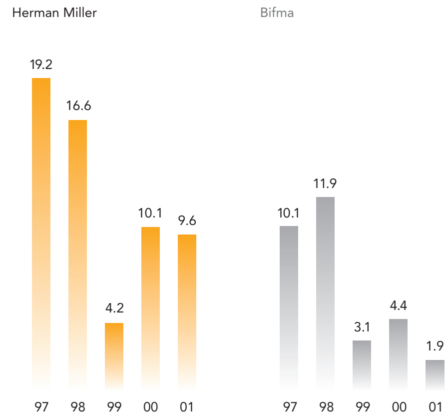
Net Sales

in billions of dollars



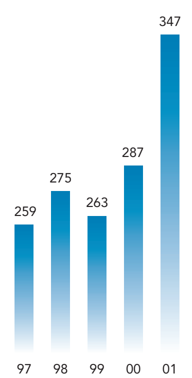
Domestic Sales Growth

as a percent



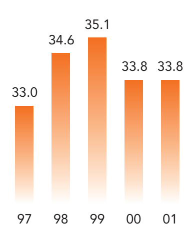
International Net Sales

in millions of dollars



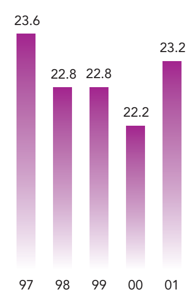
Gross Margin

as a percent of net sales



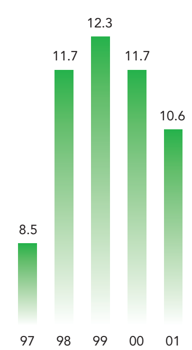
Operating Expenses

as a percent of net sales



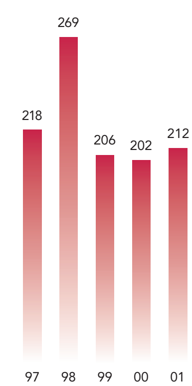
Operating Income

as a percent of net sales



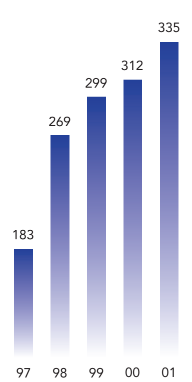
Cash Flow from Operating Activities

in millions of dollars



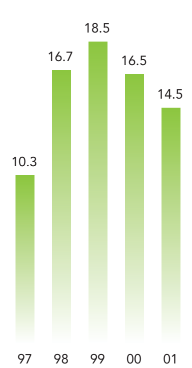
EBITDA

in millions of dollars



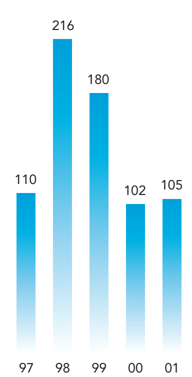
Return on Assets

as a percent



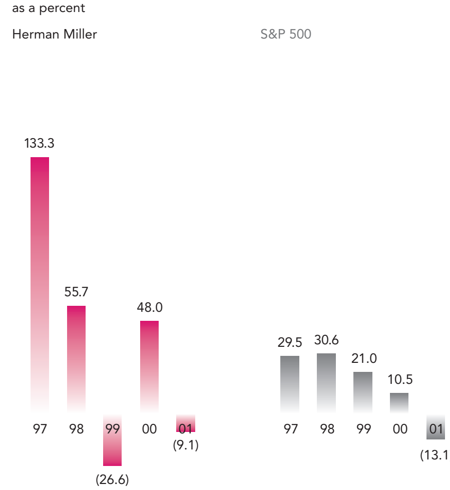
Total Cash Returned to Shareholders

in millions of dollars



Total Return to Shareholders

as a percent



REVIEW OF OPERATIONS

(In Millions, Except Per Share Data)	2001	2000	1999	1998	1997
OPERATING RESULTS					
Net Sales(3)	$ 2,236.2	$ 2,010.2	$ 1,828.4	$ 1,773.0	$ 1,543.8
Gross Margin(3)	755.7	680.4	641.6	613.0	509.5
Selling, General, and Administrative(3)	475.4	404.4	379.3	370.9	335.2
Design and Research Expense	44.3	41.3	38.0	33.8	29.1
Operating Income	236.0	234.7	224.3	208.3	130.7
Income Before Income Taxes	225.1	221.8	229.9	209.5	125.9
Net Income	140.6	139.7	141.8	128.3	74.4
Cash Flow from Operating Activities	211.8	202.1	205.6	268.7	218.2
Depreciation and Amortization	92.6	77.1	62.1	50.7	48.0
Capital Expenditures	105.0	135.7	103.4	73.6	54.5
Common Stock Repurchased plus Cash Dividends Paid	$ 105.3	$ 101.6	$ 179.7	$ 215.5	$ 110.4
KEY RATIOS					
Sales Growth(3)	11.2	9.9	3.1	14.8	16.5
Gross Margin(1)(3)	33.8	33.8	35.1	34.6	33.0
Selling, General, and Administrative(1)(3)	21.3	20.1	20.7	20.9	21.7
Design and Research Expense(1)(3)	2.0	2.1	2.1	1.9	1.9
Operating Income(1)(3)	10.6	11.7	12.3	11.7	8.5
Net Income Growth (Decline)	.6	(1.5)	10.5	72.4	62.1
After-Tax Return on Net Sales(3)	6.3	6.9	7.8	7.2	4.8
After-Tax Return on Average Assets	14.5	16.5	18.5	16.7	10.3
After-Tax Return on Average Equity	43.5	55.5	64.4	49.5	25.0
SHARE AND PER SHARE DATA(2)					
Earnings per Share-Diluted	$ 1.81	$ 1.74	$ 1.67	$ 1.39	$ .77
Cash Dividends Declared per Share	.15	.15	.15	.15	.13
Book Value per Share at Year End	4.63	3.76	2.63	2.66	3.12
Market Price per Share at Year End	$ 26.90	$ 29.75	$ 20.19	$ 27.69	$ 17.88
Weighted Average Shares Outstanding—Diluted	77.6	80.5	84.8	92.0	96.1
FINANCIAL CONDITION					
Total Assets	$ 996.5	$ 941.2	$ 751.5	$ 784.3	$ 755.6
Working Capital(4)	191.6	99.1	55.5	77.2	135.7
Current Ratio	1.5	.9	1.0	1.1	1.4
Interest-Bearing Debt	259.3	225.6	147.6	130.7	127.4
Shareholders' Equity	351.5	294.5	209.1	231.0	287.1
Total Capital	610.8	520.1	356.7	361.7	414.5
EBITDA	$ 334.5	$ 312.3	$ 299.3	$ 268.5	$ 182.7
Debt-to-EBITDA Ratio	.8	.7	.5	.5	.7
EBITDA-to-Interest Expense Ratio	19.9	23.3	41.0	32.3	20.7

(1) Shown as a percent of net sales. (2) Retroactively adjusted to reflect two-for-one stock splits occurring in 1998 and 1997. (3) Amounts restated to reflect reclassification of certain expenses to conform to 2001 presentation. (4) Calculated using current assets less non-interest bearing current liabilities.

SHARE PRICE, EARNINGS, AND DIVIDENDS SUMMARY QUARTERLY FINANCIAL DATA

SHARE PRICE, EARNINGS, AND DIVIDENDS SUMMARY

Per Share and Unaudited	Market Price High	Market Price Low	Market Price Close	Earnings Per Share–Diluted	Dividends Per Share
YEAR ENDED JUNE 2, 2001					
First quarter(2)	$ 32.813	$ 25.875	$ 32.000	$ .41	$ .03625
Second quarter	32.250	23.625	24.000	.54	.03625
Third quarter	29.375	22.625	25.938	.43	.03625
Fourth quarter	28.050	23.000	26.900	.43	.03625
Year	$ 32.813	$ 22.625	$ 26.900	$ 1.81	$ .14500
YEAR ENDED JUNE 3, 2000					
First quarter	$ 26.250	$ 20.125	$ 24.438	$ .43	$ .03625
Second quarter	25.500	20.938	23.250	.41	.03625
Third quarter	24.125	20.125	20.688	.40	.03625
Fourth quarter	29.750	19.875	29.750	.50	.03625
Year	$ 29.750	$ 19.875	$ 29.750	$ 1.74	$ .14500

QUARTERLY FINANCIAL DATA

Summary of the quarterly operating results on a consolidated basis:

(In Millions, Except Per Share Data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
JUNE 2, 2001				
Net Sales(1)	$ 547.9	$ 616.3	$ 561.0	$ 511.0
Gross margin(1)	182.0	210.0	184.8	178.9
Net income(2)	32.5	42.3	33.0	32.8
Earnings per share-diluted(2)	$ .41	$ .54	$ .43	$ .43
JUNE 3, 2000				
Net sales(1)	$ 490.0	$ 481.4	$ 497.9	$ 540.9
Gross margin(1)	169.7	165.3	162.0	183.4
Net income	35.2	33.0	31.8	39.7
Earnings per share-diluted	$ .43	$ .41	$ .40	$ .50
MAY 29, 1999				
Net sales(1)	$ 462.9	$ 479.8	$ 438.1	$ 447.6
Gross margin(1)	162.7	169.3	148.1	161.5
Net income	34.0	38.9	29.9	39.0
Earnings per share-diluted	$ .39	$ .45	$ .35	$ .48

(1) Amounts restated to reflect reclassification of certain shipping and handling costs to conform to 2001 presentation. (2) First quarter 2001 is adjusted to reflect a charge for the cumulative effect of a change in accounting principle for pensions.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In Millions, Except Per Share Data)	June 2, 2001	June 3, 2000	May 29, 1999
Net Sales	$ 2,236.2	$ 2,010.2	$ 1,828.4
Cost of Sales	1,480.5	1,329.8	1,186.8
Gross Margin	**755.7**	**680.4**	**641.6**
Operating Expenses:			
Selling, general, and administrative	475.4	404.4	379.3
Design and research	44.3	41.3	38.0
Total Operating Expenses	519.7	445.7	417.3
Operating Income	236.0	234.7	224.3
Other Expenses (Income):			
Interest expense	16.8	13.4	7.3
Interest income	(7.0)	(6.4)	(7.1)
Other, net	1.1	5.9	(5.8)
Net Other Expenses (Income)	10.9	12.9	(5.6)
Income from Continuing Operations Before Income Taxes	225.1	221.8	229.9
Income Taxes on Income from Continuing Operations	81.0	82.1	88.1
Income Before Cumulative Effect of a Change In Accounting Principle	144.1	139.7	141.8
Cumulative Effect of a Change in Accounting Principle for Pensions, net of tax of $1.9	3.5	—	—
Net Income	**$ 140.6**	**$ 139.7**	**$ 141.8**
Earnings Per Share—Basic:			
Earnings Before Cumulative Effect of a Change In Accounting Principle	$ 1.88	$ 1.76	$ 1.69
Cumulative Effect of a Change in Accounting Principle, net of tax	(.05)	—	—
Earnings Per Share—Basic	$ 1.83	$ 1.76	$ 1.69
Earnings Per Share—Diluted:			
Earnings Before Cumulative Effect of a Change In Accounting Principle	$ 1.86	$ 1.74	$ 1.67
Cumulative Effect of a Change in Accounting Principle, net of tax	(.05)	—	—
Earnings Per Share—Diluted	$ 1.81	$ 1.74	$ 1.67

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Millions)	June 2, 2001	June 3, 2000
Assets		
Current Assets:		
Cash and cash equivalents	$ 151.8	$ 95.8
Accounts receivable, net	212.6	227.2
Inventories	55.9	53.7
Prepaid expenses and other	54.5	48.6
Total Current Assets	**474.8**	**425.3**
Net Property and Equipment	409.0	398.7
Other Assets	112.7	117.2
Total Assets	**$ 996.5**	**$ 941.2**
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt	$ 23.3	$ 25.1
Notes payable	3.1	122.7
Unfunded checks, accounts payable, and accrued liabilities	283.2	326.2
Total Current Liabilities	**309.6**	**474.0**
Long-Term Debt, less current portion above	232.9	77.8
Other Liabilities	102.5	94.9
Total Liabilities	**645.0**	**646.7**
Total Shareholders' Equity	**351.5**	**294.5**
Total Liabilities and Shareholders' Equity	**$ 996.5**	**$ 941.2**

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In Millions, Except Share and Per Share Data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Key Executive Stock Programs	Total Shareholders' Equity
Balance May 30, 1998	**$ 17.4**	**$ —**	**$ 227.5**	**$ (9.4)**	**$ (4.5)**	**$ 231.0**
Net income	—	—	141.8	—	—	141.8
Cash dividends ($.145 per share)	—	—	(12.0)	—	—	(12.0)
Issuances under stock plans	.2	15.0	—	—	—	15.2
Repurchase and retirement of 8,379,444 shares of common stock	(1.7)	(18.6)	(147.2)	—	—	(167.5)
Other	—	3.6	—	(1.3)	(1.7)	.6
Balance May 29, 1999	**$ 15.9**	**$ —**	**$ 210.1**	**$ (10.7)**	**$ (6.2)**	**$ 209.1**
Net income	—	—	139.7	—	—	139.7
Cash dividends ($.145 per share)	—	—	(11.5)	—	—	(11.5)
Common stock issued for acquisition	.3	32.3	—	—	—	32.6
Issuances under stock plans	.1	16.8	—	—	—	16.9
Repurchase and retirement of 3,734,623 shares of common stock	(.7)	(52.6)	(36.8)	—	—	(90.1)
Other	—	3.5	—	(2.8)	(2.9)	(2.2)
Balance June 3, 2000	**$ 15.6**	**$ —**	**$ 301.5**	**$ (13.5)**	**$ (9.1)**	**$ 294.5**
Net income	—	—	140.6	—	—	140.6
Cash dividends ($.145 per share)	—	—	(11.1)	—	—	(11.1)
Issuances under stock plans	.3	24.2	—	—	—	24.5
Repurchase and retirement of 3,322,174 shares of common stock	(.7)	(28.1)	(65.4)	—	—	(94.2)
Other	—	3.9	—	(3.9)	(2.8)	(2.8)
Balance June 2, 2001	**$ 15.2**	**$ —**	**$ 365.6**	**$ (17.4)**	**$ (11.9)**	**$ 351.5**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)	June 2, 2001	June 3, 2000	May 29, 1999
Cash Flows from Operating Activities:			
Net Income	$ 140.6	$ 139.7	$ 141.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of a change in accounting principle for pensions, net of tax	3.5	—	—
Other	67.7	62.4	63.8
Net Cash Provided by Operating Activities	**211.8**	**202.1**	**205.6**
Cash Flows from Investing Activities:			
Notes receivable repayments (issued), net	11.0	(3.9)	4.5
Property and equipment additions	(105.0)	(135.7)	(103.4)
Proceeds from sales of property and equipment	.1	.4	28.9
Net cash paid for acquisitions	—	(5.9)	(4.7)
Other, net	(5.5)	(5.8)	(15.9)
Net Cash Used for Investing Activities	**(99.4)**	**(150.9)**	**(90.6)**
Cash Flows from Financing Activities:			
Short-term debt (repayments) borrowings, net	(119.0)	71.5	27.0
Long-term debt borrowings	175.0	—	.1
Long-term debt repayments	(25.0)	(17.9)	(10.1)
Dividends paid	(11.1)	(11.5)	(12.2)
Common stock issued	20.9	15.4	13.5
Common stock repurchased and retired	(94.2)	(90.1)	(167.5)
Net Cash Used for Financing Activities	**(53.4)**	**(32.6)**	**(149.2)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(3.0)	(2.8)	(1.1)
Net Increase (Decrease) in Cash and Cash Equivalents	56.0	15.8	(35.3)
Cash and Cash Equivalents, Beginning of Year	95.8	80.0	115.3
Cash and Cash Equivalents, End of Year	**$ 151.8**	**$ 95.8**	**$ 80.0**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheets of Herman Miller, Inc., (a Michigan corporation) and subsidiaries as of June 2, 2001, and June 3, 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended June 2, 2001, included in the Company's Form 10-K, not appearing herein. In our report dated June 25, 2001, also appearing in the Form 10-K, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the condensed consolidated financial statements on pages 27 through 30 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Arthur Andersen LLP   Grand Rapids, Michigan   June 25, 2001

MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

The condensed consolidated financial statements of Herman Miller, Inc., and subsidiaries were prepared by, and are the responsibility of, management. The statements have been prepared in conformity with accounting principles generally accepted in the United States appropriate in the circumstances and include amounts that are based on management's best estimates and judgments.

The company maintains systems of internal accounting controls designed to provide reasonable assurance that all transactions are properly recorded in the company's books and records, that policies and procedures are adhered to, and that assets are protected from unauthorized use. The systems of internal accounting controls are supported by written policies and guidelines and are complemented by a staff of internal auditors and by the selection, training, and development of professional financial managers.

The consolidated financial statements included in the company's Form 10-K, not appearing herein, have been audited by the independent public accounting firm Arthur Andersen LLP, whose appointment is ratified annually by shareholders at the annual shareholders' meeting. The independent public accountants conduct a review of internal accounting controls to the extent required by auditing standards generally accepted in the United States and perform such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of the financial statements.

The Audit Committee of the Board of Directors, composed solely of directors from outside the company, regularly meets with the independent public accountants, management, and the internal auditors to satisfy itself that they are properly discharging their responsibilities. The independent public accountants have unrestricted access to the Audit Committee, without management present, to discuss the results of their audit and the quality of financial reporting and internal accounting control.

Michael A. Volkema, Chairman, President, and Chief Executive Officer   June 25, 2001
Elizabeth A. Nickels, Chief Financial Officer   June 25, 2001

BOARD OF DIRECTORS

MARY VERMEER ANDRINGA (1)	President and Chief Operating Officer, Vermeer Manufacturing Company Agricultural and industrial equipment manufacturer
HAROLD CHANDLER (1,3)	Chairman, President, and Chief Executive Officer, UnumProvident Corporation Insurance company
DAVE CROCKETT (2,3)	General Partner, Aspen Ventures High-technology venture-capital firm
BRIAN GRIFFITHS	International Advisor, Goldman Sachs International Limited Lord Griffiths of Fforestfach International investment banking firm and House of Lords, United Kingdom
BILL POLLARD (3,4)	Chairman, The ServiceMaster Company Management and consumer services for healthcare, industrial, and educational facilities
TOM PRATT (2,4)	President and Chief Executive Officer, Prison Fellowship Ministries Religious organization
RUTH ALKEMA REISTER (2)	Private Investments and Civic and Charitable Activities
DOROTHY TERRELL (1)	Senior Vice President, Worldwide Sales, and President, Services Group Natural, MicroSystems Corporation Telecommunications technology company
DAVID ULRICH (4)	Professor of Business Administration, The University of Michigan Business School
MIKE VOLKEMA (3,4)	Chairman, President, and Chief Executive Officer, Herman Miller, Inc.
DANIEL MOLHOEK	Secretary to the Board, Partner, Varnum, Riddering, Schmidt & Howlett LLP Attorneys at Law

(1) Executive Compensation Committee
(2) Financial and Audit Committees
(3) Executive Committee
(4) Nominating Committee

LEADERSHIP TEAM

MIKE VOLKEMA	Chairman, President, and Chief Executive Officer
BOB FREY	President, Herman Miller International
GARY MILLER	Chief Development Officer
BETH NICKELS	Chief Financial Officer
BRIAN WALKER	President, Herman Miller North America

SHAREHOLDER REFERENCE INFORMATION

LINE OF BUSINESS

Herman Miller creates great places to work by researching, designing, manufacturing, and distributing innovative interior furnishings that support companies all over the world. The company's award-winning products are complemented by primary furniture-management services, which are provided corporately and through a dealer network of independent distribution. Herman Miller is widely recognized both for its products and business practices, including the use of industry-leading, customer-focused technology.

COMMON STOCK

Herman Miller, Inc., common stock is quoted on the NASDAQ-National Market System (NASDAQ-NMS Symbol: MLHR). As of July 19, 2001, there were approximately 24,000 shareholders of the company's common stock.

AFFIRMATIVE ACTION

Herman Miller, Inc., is an equal opportunity employer and supports affirmative action programs for minorities and women, including the recruitment, education and training, and economic development of businesses.

INVESTOR RELATIONS

Questions regarding earnings, releases, financial information, and other investor data should be addressed to:
Investor Relations, Herman Miller, Inc., 855 East Main Avenue, PO Box 302, Zeeland, MI 49464-0302, USA
Or call: 616 654 3305
Or e-mail: investor@hermanmiller.com

TRANSFER AGENT AND REGISTRAR

EquiServe Trust Company, N.A., PO Box 2500, Jersey City, NJ 07303-2500, USA
Attention: Herman Miller, Inc., Shareholder Relations
800 446 2617

INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP, Grand Rapids, Michigan

CONTACT HERMAN MILLER

Herman Miller has a physical presence through showrooms, dealers, customer centers, retailers, and manufacturing facilities around the world. No matter how you would like to do business with us, you can begin connecting with us at:
www.hermanmiller.com
Or call: 616 654 3000
Or write: Herman Miller, Inc., 855 East Main Avenue, PO Box 302, Zeeland, MI 49464-0302, USA

WE HOPE YOU'RE CURIOUS ABOUT OUR LIST OF INSPIRATIONS. HERE'S MORE ABOUT THEM.

CLIMBING AXES AND LUNAR LANDERS: Models for the new products at Herman Miller RED, our direct, electronic business link to young, fast-growing organizations; **CUSTOMERS WITH NO BUDGET:** Herman Miller RED customers—for now. We want them to remember Herman Miller when they have big budgets. **IMPATIENCE:** A quality crucial at certain points in the development of any new product or business. **THE COMPANY MILLWRIGHT**: Hermann Rummelt, the inspiration for D.J. De Pree's conclusion that "every person is extraordinary." **AN AFTER DINNER SPEECH:** In Grand Rapids, in 1949, where D.J. and Hugh De Pree heard Carl Frost, a professor from Michigan State University who finally gave D.J. the way to put his ideas about equity and the talents of each person into practice. **ONE 30-YEAR-OLD TURKISH DESIGNER:** Ayse Birsel, the effervescent designer of our latest hit, the Resolve system. **PATIENCE:** A quality crucial at certain points in the development of any new product or business. **STRONG RELIGIOUS CONVICTION:** The beginning of both our environmental stewardship and employee ownership traditions. **SCAFFOLDING IN NEW YORK:** The shapes and connections that gave the Resolve team an early model for their product. **20% OF A $1 BILLION ANNUAL MARKET:** The carrot in front of the Herman Miller RED Team; now they've got bigger motivations. **TEACUPS:** Her uncle explained the form and function of Turkish teacups to a teenaged Ayse Birsel and forever fascinated her with design. **STOPPING A $6 MILLION RESEARCH PROJECT:** When Herman Miller pulled the plug on the MetaForm research project, little did we know that a few years later the Aeron chair, now an icon, would soon result from what we had learned about long-term sitting. **CARL FROST:** Introduced Herman Miller to the Scanlon Plan, a system of employee participation and gain sharing. **SENSE OF EQUITY:** A basis for all compensation at Herman Miller, employee stock ownership, and EVA-based incentive pay. **THE N-GENERATION:** The up and coming generation that we must account for in making great places to work. **TWO MIDDLE-AGED AMERICAN DESIGNERS:** Bill Stumpf and Don Chadwick, who transformed work seating with the Equa and Aeron chairs. **MISTAKES:** At Herman Miller, the source of discovery and progress. **U.S. ARMY ANTHROPOMETRIC STUDIES:** The beginning of the Aeron's dimensions and its comfort. **HOSPITAL BED:** Bob Propst was observing the functioning of people in hospitals from his bed when the inklings of organization and modularity occurred to him that resulted in Action Office, the first systems furniture. **THE U.S. NAVY:** Its need for lightweight, durable splints led the Eameses to experiment with molding plywood and, later, to the classic molded plywood chair for Herman Miller. **NEW MATERIALS:** From molded fiberglass to Pellicle to Flex-Edge, new materials always get the creative juices going. **OUTSPOKEN ARCHITECT:** Add William McDonough to Herman Miller's traditional insistence on environmental stewardship and—voilà!—the award-winning GreenHouse building. **A FREEWHEELING SUBSIDIARY**: Put a new market in front of an energetic group of people and we got Miller SQA, an attitude about speed and service now pervading our entire organization.

WE'RE ADDING TO OUR LIST OF INSPIRATIONS ALL THE TIME. WHO KNOWS WHAT IT WILL LOOK LIKE NEXT YEAR. WE DO KNOW THAT INNOVATION WILL ALWAYS BE A PART OF HERMAN MILLER.