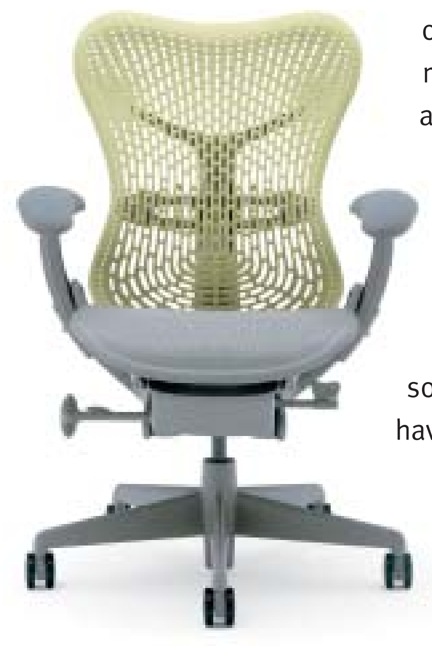
DEAR SHAREHOLDER

Our business reality has been—in a word—unreal. Over the past year, the economy—especially the business-to-business sector in which we operate—was suspended in a state of wait-and-see. Wars and rumors of terrorist threats kept many people and businesses awash in anxiety. When the present is characterized by chaos and confusion, and the future prospects are just too uncertain to predict, buying office furniture generally drops near the bottom of the priority list.

But it is counterproductive to dwell on the things you can't control—so we spent our time working on the things within our control. Our central aim was to better position the company for growth and profitability in the future. None of the work was easy. A great deal of it was joyless—telling good people that we no longer had enough work for them . . . eliminating programs . . . consolidating operations and facilities. We're not thrilled about the kind of work we've had to do, but we are proud of how we've handled the situation.

Although our sales fell $132 million last year, cash flow from operations was $145 million, an increase of more than $90 million from the prior year. On a percent-of-sales basis, our gross margin improved 1.7 percentage points, a testimony to our continuous improvement efforts and the Herman Miller Production System. Total operating expenses, which include restructuring charges, declined by more than $144 million from the prior year. Through all of this, we were able to maintain our level of spending on research and development. Finally, we reported net earnings of $23 million for the year—far less than our ambition, but a step in the right direction.



In some ways—as we've grown in experience and wisdom through this period of recession—Herman Miller has been forever changed. We are leaner, more nimble, and we are becoming a fiercer competitor. In some other ways—thank goodness—we are still the same company we have been for the past 80 years.

For as long as we've competed in the office furniture business, Herman Miller has distinguished itself as a leader and an innovator. We introduced Action Office in 1968, which gave birth to open-plan office furniture. We defined and promoted facilities management as a profession. We reinvented systems furniture in the 1980s with Ethospace, the first frame-and-tile system, and again at the dawn of the 21st century with Resolve, the point-based system that joined 36 other Herman Miller designs in the permanent collection of the New York Museum of Modern Art. We introduced in 1976 the Ergon chair, the first ergonomic task chair, which then begat the Equa chair in 1984, and then the Aeron chair in 1994, and now in 2003 the Mirra chair.

The Mirra chair (pictured on the front cover, and presented in detail at the end of this report) is fresh evidence of George Nelson's declaration some 50 years ago that Herman Miller's products lead rather than follow.

In addition to innovative products, our clients and customers increasingly are looking for knowledge and insights from us. Herman Miller always has been a research-driven company. Within our industry, we are known for our knowledge about the working environment. More than ever before, an organization's success will hinge on its ability to create a great work experience, and its ability to attract and retain the very best people. It is our plan to make this knowledge more available to our business partners and the people we serve.

In fact, we believe that our knowledge and innovative spirit will pay real dividends in the future. In a rapidly changing world where new technologies are being invented that will change the character and nature of the work environment, the innovators will be redefining the industry and altering the competitive landscape.

During the downturn, we made a conscious decision to maintain our investment in research and development and the work of the Herman Miller Creative Office—which is taking our legacy of problem-solving design into new territories and seeking to enlarge our market opportunity in the years ahead. We decided to safeguard these investments during the downturn, because it's the best way we know to create lasting value for our customers, shareholders and our employee-owners. Beyond that business advantage, being a pioneering company is also a breathtaking adventure that takes you on a path whose destination is usually unknown, with almost certain high risk and potentially great reward.

I am deeply thankful to the people of our corporate community—leaders and followers alike—who have used their gifts and talents creatively despite the grim conditions. Not all the work has been energizing, but through it all we have lived our values. Our leaders within people services have dealt with this industry-wide contraction with skill, compassion, discipline, and as much grace as can be summoned under the circumstances. Especially now, we are fortunate to have these extraordinary leaders and followers.

I wish there was the space here to give due credit to each of the hundreds of people who contributed something above and beyond the expected at Herman Miller. You will see many names elsewhere in this report, highlighting the people who were responsible for a great piece of work—bringing the Mirra from conception and gestation to the marketplace.

I do want to acknowledge several leaders with whom I worked closely last year—Brian Walker, who was recently appointed President and Chief Operating Officer; Beth Nickels, our Chief Financial Officer; and John Portlock, President of International.

Those leaders, and their respective teams, managed through the turbulent waters of this industry downturn with steady resolve and acumen. Gary Miller, our Chief Development Officer, and Gary Van Spronsen, Senior Vice President of New Business Development, kept the work of the Herman Miller Creative Office alive and moving forward. I'm honored to work alongside these remarkable colleagues. This is a gifted leadership team, tested by the firestorms of the past couple of years and well equipped to lead our corporate community to a bright and promising future.

We are eager to move forward, after operating in contracting market opportunity for the past 24 months. The promise of the future is in our people and our products, our imagination and resourcefulness, our operational excellence and fiscal discipline, our dealer network and designers, and, of course, our powerful brand.

We will fulfill our mission of helping people create great places to work, to learn, to heal, to live.

As we have learned over the past few years, it is perilous to predict what the future holds. But this much I promise you—we will work hard to make certain that you get an extraordinary return on your investment in the years to come.

Michael A. Volkema

Michael A. Volkema
Chairman and Chief Executive Officer

Ruth Alkema Reister retired from the Herman Miller Board of Directors during 2003, after 18 years of dedicated service. We're grateful for her contributions to the board and to the spirit of our company.

SHARE PRICE, EARNINGS, AND DIVIDENDS SUMMARY

Herman Miller, Inc., common stock is quoted in the NASDAQ-National Market System (NASDAQ-NMS Symbol: MLHR). As of August 11, 2003, there were approximately 18,500 shareholders of record of the company's common stock.

Per Share and Unaudited	Market Price High	Market Price Low	Market Price Close	Earnings Per Share–Diluted(1)	Dividends Per Share
Year Ended May 31, 2003					
First quarter	$23.77	$15.49	$15.49	$ .13	$ .03625
Second quarter	19.94	14.58	19.94	.16	.03625
Third quarter	19.95	15.37	15.63	.04	.03625
Fourth quarter	19.34	15.46	19.34	(.02)	.03625
Year	$23.77	$14.58	$19.34	$ .31	$ .14500
Year Ended June 1, 2002					
First quarter	$26.91	$22.82	$22.82	$ (.04)	$ .03625
Second quarter	23.00	18.25	21.86	(.30)	.03625
Third quarter	25.65	21.76	24.85	(.15)	.03625
Fourth quarter	25.41	21.53	23.46	(.25)	.03625
Year	$26.91	$18.25	$23.46	$ (.74)	$ .14500

(1) For fiscal quarters ending with a reported loss, shares resulting from stock option plans would be anti-dilutive to earnings per share and have not been included in diluted earnings per share.

REVIEW OF OPERATIONS

(In Millions, Except Per Share Data)	2003	2002	2001	2000
OPERATING RESULTS				
Net Sales(3)	$1,336.5	$1,468.7	$2,236.2	$2,010.2
Gross Margin(3)	423.6	440.3	755.7	680.4
Selling, General, and Administrative(3)	319.8	399.7	475.4	404.4
Design and Research Expense	39.1	38.9	44.3	41.3
Operating Earnings	48.3	(79.9)	236.0	234.7
Earnings Before Income Taxes	35.8	(91.0)	225.1	221.8
Net Earnings	23.3	(56.0)	140.6	139.7
Cash Flow from Operating Activities	144.7	54.6	211.8	202.1
Depreciation and Amortization	69.4	112.9	92.6	77.1
Capital Expenditures	29.0	52.4	105.0	135.7
Common Stock Repurchased plus Cash Dividends Paid	$ 72.7	$ 30.3	$ 105.3	$ 101.6
KEY RATIOS				
Sales Growth (Decline)(3)	(9.0)	(34.3)	11.2	9.9
Gross Margin(1, 3)	31.7	30.0	33.8	33.8
Selling, General, and Administrative(1, 3)	23.9	27.3	21.3	20.1
Design and Research Expense(1, 3)	2.9	2.6	2.0	2.1
Operating Earnings(1, 3)	3.6	(5.4)	10.6	11.7
Net Earnings Growth (Decline)	141.6	(139.8)	0.6	(1.5)
After-Tax Return on Net Sales(3, 5)	1.7	(3.8)	6.3	6.9
After-Tax Return on Average Assets(6)	3.0	(6.3)	14.5	16.5
After-Tax Return on Average Equity(7)	10.3	(18.2)	43.5	55.5
SHARE AND PER SHARE DATA(2)				
Earnings per Share-Diluted	$ .31	$ (.74)	$ 1.81	$ 1.74
Cash Dividends Declared per Share	.15	.15	.15	.15
Book Value per Share at Year End	2.62	3.45	4.63	3.76
Market Price per Share at Year End	$ 19.34	$ 23.46	$ 26.90	$ 29.75
Weighted Average Shares Outstanding-Diluted	74.5	75.9	77.6	80.5
FINANCIAL CONDITION				
Total Assets	$ 767.5	$ 788.0	$ 996.5	$ 941.2
Working Capital(4)	189.9	188.7	191.6	99.1
Current Ratio	1.7	1.8	1.5	.9
Interest-Bearing Debt	223.0	235.1	259.3	225.6
Shareholders' Equity	191.0	263.0	351.5	294.5
Total Capital	414.0	498.1	610.8	520.1

(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 for 1993-2000 were restated in 2001 to reflect reclassification of certain expenses. (4) Calculated using current assets less non-interest bearing current liabilities. (5) Calculated as net earnings divided by net sales. (6) Calculated as net earnings divided by average assets. (7) Calculated as net earnings divided by average equity.

1999	1998	1997	1996	1995	1994	1993
$1,828.4	$1,773.0	$1,543.8	$1,325.0	$1,117.8	$983.7	$883.1
641.6	613.0	509.5	418.4	362.0	322.9	285.7
379.3	370.9	335.2	299.5	287.4	230.9	217.4
38.0	33.8	29.1	27.5	33.7	30.2	24.5
224.3	208.3	130.7	74.9	9.1	61.8	43.8
229.9	209.5	125.9	70.1	4.0	63.5	42.4
141.8	128.3	74.4	45.9	4.3	40.4	22.1
205.6	268.7	218.2	124.5	29.9	69.8	82.6
62.1	50.7	48.0	45.0	39.7	33.2	31.6
103.4	73.6	54.5	54.4	63.4	40.3	43.4
$ 179.7	$ 215.5	$ 110.4	$ 38.1	$ 13.6	$ 38.5	$ 21.2
3.1	14.8	16.5	18.5	13.6	11.4	6.3
35.1	34.6	33.0	31.6	32.4	32.8	32.4
20.7	20.9	21.7	22.6	25.7	23.5	24.6
2.1	1.9	1.9	2.1	3.0	3.1	2.8
12.3	11.7	8.5	5.7	0.8	6.3	5.0
10.5	72.4	62.1	967.4	(89.4)	82.8	256.7
7.8	7.2	4.8	3.5	0.4	4.1	2.5
18.5	16.7	10.3	6.8	0.7	7.9	4.6
64.4	49.5	25.0	15.4	1.5	13.9	7.8
$ 1.67	$ 1.39	$ .77	$ .46	$ .04	$ .40	$ .22
.15	.15	.13	.13	.13	.13	.13
2.63	2.66	3.12	3.12	2.89	3.01	2.84
$ 20.19	$ 27.69	$ 17.88	$ 7.72	$ 5.42	$ 6.22	$ 6.41
84.8	92.0	96.1	100.5	99.2	101.0	100.0
$ 751.5	$ 784.3	$ 755.6	$ 694.9	$ 659.0	$533.7	$484.3
55.5	77.2	135.7	151.8	133.7	106.6	87.8
1.0	1.1	1.4	1.6	1.2	1.3	1.5
147.6	130.7	127.4	131.7	144.2	70.0	39.9
209.1	231.0	287.1	308.1	286.9	296.3	283.9
356.7	361.7	414.5	439.8	431.1	366.3	323.8

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.

OVERVIEW

In our 2002 annual report, we noted the contract furniture industry had experienced the worst business environment in decades. At that time, it was difficult to predict the timing and extent of an industry recovery. Facing this uncertainty, we focused on the tough business decisions that, in our view, made us a leaner and stronger organization. We believed that we were positioned to produce stronger returns in the future.

As we look back on our fiscal 2003 financial results, two things become immediately clear. First, the industry failed to show signs of recovery throughout most of the year. To the contrary, industry sales further contracted and the competitive landscape intensified. Second, we were able to deliver improved profitability and cash flow in the midst of an even more challenging business environment.

The leading economic indicators for our industry showed mixed results during the fiscal year. New office construction rates declined substantially from the prior year(1) while office worker unemployment edged upward over the same period.(2) Corporate profitability, however, moved in a more encouraging direction and showed marginal improvement throughout the year.(3)

The business climate in fiscal 2003 was also unsettled by geopolitical instability. The war in Iraq, conflicts in Afghanistan and other parts of the Middle East, and increasing tensions over North Korea were all factors adding to global economic uncertainty.

In response to these factors, companies continued to defer plans to buy furniture. Competitive pricing pressure increased as industry participants battled for fewer new projects. Our order pacing for the year averaged $25.3 million per week as compared to $27.8 million in the prior year. Given the year-over-year reduction in demand, we relied more heavily on order activity from our installed-product base to generate positive profitability and cash flow.

The health of our owned and independent dealer network remains a key area of focus at the highest levels within our organization. Current business conditions have continued to place financial pressure on several of our dealers. The primary risks to our business resulting from the financial difficulties experienced by a dealer are the potential disruption of our distribution channels, the resulting adverse impact on our customers, and the credit risk related to the limited instances in which we have entered into dealer financing arrangements.

While these risks cannot be avoided with certainty, we believe our action plans have largely mitigated them. Our dealer financing arrangements have enhanced the financial stability of certain dealers. We believe our recorded reserves related to dealer notes receivable are adequate to cover the associated credit risk of these arrangements. In fact, these reserves, as a percent of gross notes receivable, totaled 49.0 percent at the end of fiscal 2003 compared to 22.3 percent last year. Additionally, we believe our marketing and merchandising strategies have positioned our dealers to compete effectively in each of our key markets.

Throughout the year we continued to implement the restructuring initiatives announced during fiscal 2002. These initiatives, which involved significant workforce and square footage reductions, sourcing changes for select products and services, and brand consolidation, are now largely completed. As planned, the financial benefits from these actions translated into improved profitability.

Despite this work and the significant benefits achieved, we decided once again to undertake restructuring actions to further enhance operational efficiency and profitability. During the fourth quarter of this year, we announced workforce reductions involving approximately 150 employees in our worldwide operations.

(1) U.S. Dept. of Commerce, U.S. Census Bureau; June 2, 2003 press release on seasonally adjusted construction statistics as of April 2003; Table 1. (2) U.S. Dept. of Labor, Bureau of Labor Statistics; May 2003 employment statistics; Table A-10. (3) U.S. Dept. of Commerce, Bureau of Economic Analysis; National Income and Product Accounts (NIPA) Tables; June 26, 2003; Table 1.14.

In addition to this, due largely to improvements made through our lean manufacturing program, the Herman Miller Production System (HMPS), we were able to announce plans for two more facility consolidations. First, during the fourth quarter we announced the planned consolidation of our Holland, Michigan Formcoat operation into existing space located in Zeeland, Michigan. The second move was announced subsequent to year-end and involves the relocation of our Canton, Georgia operation into our Spring Lake, Michigan campus.

During the year we made significant changes and additions to key management positions. Brian Walker, previously President of our North American operations, was elected to our board of directors and promoted to President and Chief Operating Officer. In his new role, Brian will oversee all aspects of our worldwide operations. We also bolstered management strength in the area of product marketing and realigned the corporate finance team. All of these changes were implemented to make sure we have the right people focused in the right areas.

New product innovation remains a key requirement of our mission to create great places to work. This year we built upon our history of industry-leading innovation through the introduction of several new products. These include, among others, PostureFit, a breakthrough technology in ergonomic seating, and Mirra, a high-performance work chair aimed at the mid-market price category. While we have demonstrated our focus on cost containment, we have done so without compromising our investment in future innovation. In fact, our fiscal 2003 spending in the area of design and research, including royalty payments, totaled $39.1 million, an increase in both dollars and percent-of-sales from the prior year.

Our fiscal 2003 results provide the best evidence that we have weathered the economic storm and remain in a strong financial condition. We delivered four consecutive quarters of significantly improved year-over-year net earnings. This was accomplished even as sales for the full year declined $132.2 million or 9 percent from the prior year. We generated $144.7 million in cash flow from operations and ended the year with a combined cash, cash equivalents, and short-term investment balance of $197 million. At the same time, we reduced total interest-bearing debt by $12.1 million. Our employee-owners remain focused on continuous improvement and our management team continues to demonstrate a willingness to respond proactively to industry conditions.

RESTRUCTURING ACTIVITIES

As previously mentioned, during the year we made significant progress toward the completion of the restructuring actions announced in fiscal 2002. In addition, during the current year we announced further actions. In all of these efforts our goal has remained the same—to lower the cost of doing business without compromising customer service or our ability to respond to renewed demand in the future.

Last year, we reported to you the plan to aggressively reduce our overall manufacturing, warehousing and office square footage. This plan involved both leased and owned facilities. The following is an update on the status of the major facilities exited in connection with our fiscal 2002, as well as the recently announced, consolidation actions.

- Rocklin, California (owned)—The sale of our 338,000 square foot Rocklin facility was successfully completed in the fourth quarter of this year. Proceeds from the sale totaled $17.2 million.
- Holland, Michigan Chair Plant (owned)—As of the end of the fiscal year, the Holland chair plant remains for sale. Throughout the year, we saw a significant amount of interest in this 200,000 square foot facility. In fact, in the fourth quarter we received a letter of intent from an interested party and, subsequent to year-end, we entered into a formal sales agreement. We expect this sale to be completed during the first half of fiscal 2004 provided all contingencies are cleared.
- Spring Lake, Michigan PCT (owned)—We successfully completed the sale of our 103,000 square foot Powder Coat Technology painting facility during the first quarter of fiscal 2003. Proceeds from the sale totaled $3.0 million.
- Canton, Georgia (owned)—Our 328,000 square foot Canton manufacturing facility has been appraised and is currently listed for sale. While the timing of the building sale remains unknown, we expect to have the Canton manufacturing operations moved by February 2004.

- Holland, Michigan Formcoat (leased)—The remaining lease-term on this 118,000 square foot manufacturing facility is approximately 18 months. Due to this relatively short timeframe, our ability to enter into a sub-lease arrangement is unknown. We expect to complete the transfer of the Formcoat operation by November 2003.
- Zeeland, Michigan (leased)—A large portion (approximately 80 percent) of these buildings, representing a combined 218,000 square feet, referred to as the DeJonge facilities, is now under sub-lease.

Pretax restructuring charges totaling $16.4 and $81.6 million were recognized in fiscal 2003 and fiscal 2002, respectively. The following is a breakdown by category of these charges.

(In Millions)	Fiscal 2003	Fiscal 2002
Severance and outplacement	$ 4.0	$ 30.5
Asset impairments	$ 11.4	$ 28.0
Pension related	$ (0.4)	$ 8.1
Lease and supplier contract terminations	$ 0.3	$ 6.1
Facility exit costs and other	$ 1.1	$ 8.9
Total	$ 16.4	$ 81.6

Of the total fiscal 2003 charges, $15.9 million was recognized in the fourth quarter. Fixed asset impairments related to the Canton, Georgia and Formcoat consolidation projects totaled $13.5 million. The workforce reduction action announced during the fourth quarter resulted in additional charges of $3.6 million. Accrual adjustments totaling $1.2 million reduced fourth quarter restructuring expenses and were primarily related to the final sale of our Rocklin, California facility.

The remaining fiscal 2003 charges totaled approximately $0.5 million and related principally to changes in assumptions around carrying costs and sub-lease timing for previously exited facilities. Also included in this remaining charge are credits recognized in the first quarter of fiscal 2003 related to the re-deployment of fixed assets in our ongoing manufacturing operation. These assets were previously impaired in connection with the restructuring plan.

We expect to incur additional restructuring expenses of approximately $14.7 million related to the most recent workforce reduction and facility consolidations. The majority of these charges will likely be recognized in the first half of fiscal 2004. In total, these new actions are expected to result in future cash outflows of between $14 million and $16 million, and annualized pre-tax cost savings of between $18 million and $20 million.

FINANCIAL RESULTS

Consolidated Net Sales, Orders, and Backlog Fiscal 2003 net sales totaled $1,336.5 million compared to $1,468.7 million in fiscal 2002 and $2,236.2 million in fiscal 2001. On a percentage basis, net sales for the current year declined 9.0 percent from fiscal 2002. Weekly sales averaged $27.1 million during the first half of fiscal 2003, and dropped to an average of $24.3 million in the second half. By comparison, the same averages in fiscal 2002 totaled $31.0 million and $25.5 million, respectively. The relative change from the first half of the fiscal year to the second is partially attributable to the normal seasonality of our business.

We entered the year with a backlog of approximately $200.6 million. Net trade orders for fiscal 2003 of $1,317.9 million were slightly lower than net sales. This resulted in a reduction in our ending backlog, which totaled $182.0 million at the end of the year. On a weekly average basis, orders for fiscal 2003 averaged $25.3 million. Net trade orders in fiscal 2002 totaled $1,446.1 million or an average of $27.8 million per week.

Domestic Operations Our domestic sales this year totaled $1,134.0 million and were down approximately 9.2 percent from the prior year total of $1,249.2 million. Two years ago, in fiscal 2001, domestic net sales totaled $1,889.1 million.

Increased price discounting has continued to place significant pressure on our top line. While we have strived to avoid deep discounting by focusing on product and service differentiation, as well as other forms of incentives, this pressure has remained a competitive reality. Higher domestic discounting in fiscal 2003 reduced net sales by approximately $18 million compared to fiscal 2002. Year-over-year net sales in fiscal years 2002 and 2001 declined $21.1 million and $7.9 million, respectively, as a result of increased discounting.

Domestic new orders totaled $1,117.0 million in fiscal 2003 compared to $1,221.6 million in fiscal 2002 and $1,831.9 million in fiscal 2001. This represents year-over-year declines of 8.6 percent and 33.3 percent for 2003 and 2002, respectively.

The Business and Institutional Furniture Manufacturers Association (BIFMA) reported that U.S. sales declined approximately 11.4 percent in the 12 months ended May 2003 and 25.3 percent for the same period ended May 2002. For the 12-month period ended May 2001, BIFMA reported a slight year-over-year increase in sales of 1.9 percent.

As previously discussed, we believe that corporate profitability, office-worker employment levels, and new office construction are among the leading macro-economic indicators of demand for office furniture in the U.S. While these indicators were mixed over the past year, the latest BIFMA forecast estimates that year-over-year industry shipments will decline 8.5 percent in calendar year 2003 and increase 14.0 percent during calendar year 2004. Considering the BIFMA forecast data that most closely corresponds to our fiscal quarters, year-over-year industry shipments are expected to remain relatively flat during our fiscal 2004.

International Operations and Exports from the United States Sales in our international operations declined on a year-over-year basis in most of our international markets. The exception to this was Mexico, which experienced significant growth due mainly to a few large project wins. In total, net sales for our international business totaled $202.5 million for fiscal 2003. This is a reduction of approximately 7.7 percent from $219.5 million reported in the prior year. In fiscal 2001, international net sales totaled $347.0 million. International sales accounted for 15.2 percent of consolidated sales in fiscal 2003, which is similar to the past several years.

We reported last year a number of the changes in our international operations as a result of the restructuring plan. To recap, we first improved the utilization of our domestic infrastructure and customer service capabilities to support the export business, allowing us to decrease overhead previously dedicated to the international business. Second, we eliminated certain positions and now rely on fewer people, reducing overall compensation costs. Third, we strengthened the distribution channels and increased the use of dealer relationships, lowering our fixed direct selling costs.

We are pleased to report that these efforts allowed us to return to positive international net earnings of $3.0 million in fiscal 2003. This compares to negative net earnings of $7.5 million in the prior year and positive $12.5 million in fiscal 2001.

Gross Margin We are pleased to report a significant improvement in gross margin performance as compared to a year ago. Fiscal 2003 gross margin, as a percent of net sales, was 31.7 percent compared to 30.0 percent in 2002 and 33.8 percent in 2001. The year-over-year improvement of 1.7 percentage points was accomplished despite a reduction in net sales of $132.2 million. This improvement was made possible through both the cost reductions resulting from the restructuring as well as the hard work of our operations leadership in implementing the lean manufacturing principles of HMPS.

We made improvements in most areas of cost of sales, including manufacturing overhead, direct labor, freight, and product distribution. The only exception was in direct materials, which increased slightly over the fiscal 2002 level. Higher steel costs resulting from the government-imposed tariff as well as increases in plastic components and fuel costs contributed significantly to our direct material cost performance. Another major factor in the percent of sales increase for direct materials was the higher level of price discounting, which lowered overall net sales and, consequently, gross profit by more than $18 million.

Our procurement and supply-chain management teams have continued to do an excellent job managing the effects of increasing material costs. Through supplier negotiation and sourcing consolidation, they have been able to significantly reduce our initial estimates of the impact of the steel, plastics, and fuel costs.

The rationalization of our supplier-base continues to be an important component of our overall procurement strategy. This effort, in connection with HMPS, has resulted in improved efficiency, costs, and reliability. Despite the benefits received, this strategy does increase the risks associated with supplier transitions and, potentially, dependence upon fewer suppliers. We continue to seek financially strong suppliers interested in long-term business relationships to minimize the risk of interruption to our business.

The single largest area of margin improvement came in the area of manufacturing overhead. On a sales-adjusted basis, current year overhead spending declined almost $12 million or approximately 0.9 percent of sales from fiscal 2002.

We have long employed a variable compensation program tied to internal measures of profitability and capital utilization. We are pleased that, as a result of our improved year-over-year financial performance in the current year, our employee-owners earned a small bonus. In total, pretax variable compensation costs included in our fiscal 2003 gross margin totaled $1.0 million. In 2002, we recorded pretax credits in cost of sales totaling $0.9 million as a result of reductions to variable compensation accruals.

Operating Expenses For the year, operating expenses totaled $375.3 million. This compares to $520.2 million in fiscal 2002 and $519.7 million in fiscal 2001. Included in these amounts are pretax restructuring expenses of $16.4 million and $81.6 million for fiscal 2003 and 2002, respectively. Excluding these restructuring charges, operating expenses in fiscal 2003 declined $79.7 million or approximately 18.2 percent from fiscal 2002. It is important to point out that our fiscal 2002 operating expenses included $15.6 million in charges related to the accelerated depreciation of certain technology-related assets. Even with this taken into consideration, we view the overall reduction in expenses from the prior year as a noteworthy accomplishment.

In the first quarter of this year, we adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). This new accounting rule required us to evaluate our existing goodwill and other intangible assets for impairment. Adoption of SFAS 142 in the first quarter did not result in the impairment of our goodwill or other intangible assets. The rule also requires us to test our recorded goodwill assets for impairment annually. During the fourth quarter of this year, this testing was completed and the results indicated the recorded carrying value of our goodwill assets was reasonable. Accordingly, no impairment charge was required. SFAS 142 also eliminated the amortization of goodwill. Pretax goodwill amortization expense in fiscal 2002 totaled $3.1 million or $(0.04) per share net of taxes. In fiscal 2001, these amounts totaled $3.6 million and $(0.04), respectively.

Our current year operating expenses include $3.7 million in pretax incentive compensation expenses. By comparison, fiscal 2002 operating expenses included credits totaling $3.1 million, before tax, related to the reduction in incentive bonus accruals that were established in a prior period.

Also included in fiscal 2002 operating expenses was a pretax charge totaling $4.3 million related to a legal judgment from a 1999 lawsuit filed against one of our wholly owned dealers. As of May 31, 2003, the total accrued liability recorded on our consolidated balance sheet related to this original legal judgment totaled approximately $5.2 million, including interest. Subsequent to the end of fiscal 2003, we received a favorable court of appeals judgment regarding this lawsuit. Based on this, we anticipate fully reversing this accrued liability in the first quarter of fiscal 2004. Further information on this subsequent event can be found in the Notes to the Consolidated Financial Statements.

Other significant drivers of the decline in operating expenses from fiscal 2002 levels were lower overall compensation, employee benefits, and depreciation expenses.

We remain committed to managing cash flow and maintaining spending patterns at levels appropriate for the current business environment. This discipline has resulted in a significant reduction in operating expenses. That said, we are also committed to further investment in the future. Herman Miller has a long legacy of leadership in product innovation and we intend to build upon this tradition. Research and design expenses, excluding royalty payments, were $33.3 million in fiscal 2003. This compares to $33.9 million in 2002 and $37.2 million in 2001. 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.

Operating Earnings Operating earnings in fiscal 2003 totaled $48.3 million or 3.6 percent of net sales. Comparatively, we posted an operating loss of $79.9 million or negative 5.4 percent in the prior fiscal year. Fiscal 2001 operating earnings totaled $236.0 million or 10.6 percent of sales. Again, our fiscal 2003 and 2002 results included pretax restructuring charges of $16.4 million and $81.6 million, respectively.

In recent months pension plan accounting has attracted much attention. During the current year, we revised our annual asset rate of return assumption on our primary domestic employee pension plan from 9.5 percent down to 8.5 percent. This assumption is a key factor used in the actuarial determination of pension expense and the change effectively increased our fiscal 2003 pension expense by approximately $2.2 million. This expense is split approximately evenly between cost of sales and operating expenses. We believe this revised rate is a reasonable expectation of long-term asset returns given the investment portfolio of our employee pension fund.

Other Expenses and Income Net other expenses for fiscal 2003 totaled $12.5 million. This compares to $11.1 million and $10.9 million in fiscal 2002 and 2001, respectively. The increase over the prior year is primarily attributable to an equity investment impairment charge and higher equity losses recognized on our investment in OP Spectrum, a Philadelphia-based joint venture (JV). In addition, our 2002 expenses were partially offset by gains related to the sale of certain dealerships.

During the current year, we recognized a $2.2 million pretax charge related to the impairment of our investment in OP Spectrum. This charge, combined with the JV's ongoing losses, reduced our equity investment in the JV to zero. Because of the continued losses and our relationship as the JV's only source of financing, we began recognizing 100 percent of the JV's book losses during the fourth quarter. Equity losses recognized in connection with the JV totaled $1.5 million before taxes for fiscal 2003. This compares to income of $0.1 million recognized in fiscal 2002.

Interest expense, net of interest income, totaled $9.1 million in fiscal 2003 compared to $12.0 million last year. Lower overall debt levels, combined with $0.9 million in savings resulting from our interest rate swap arrangement, drove the year-over-year decrease.

Income Taxes Our effective tax rate was 34.9 percent in fiscal 2003 compared to 38.5 percent in 2002 and 36.0 percent in 2001. The change in the tax rate from the prior years was driven primarily by changes in tax reserves resulting from the completion of prior-year IRS audits, the change in amortization of goodwill related to the adoption of SFAS 142, and the effect of increased international tax benefits. We expect our long-term effective tax rate to be between 36 and 38 percent.

During fiscal 2002, we entered into a settlement agreement with the Internal Revenue Service (IRS) primarily related to the disallowance of deductions for corporate-owned life insurance (COLI) policy loan interest and administrative fees for all years of the insurance programs since their inception in fiscal 1994. Tax expenses were not affected as a result of this settlement, since we had previously reserved for this contingency. The settlement with the IRS provided for the surrender of our COLI policies, thereby eliminating any future material tax exposure.

Net Earnings Net earnings for the year totaled $23.3 million or $0.31 per share. In comparison, net earnings in fiscal 2002 totaled a loss of $56.0 million or ($0.74) per share. Restructuring charges recognized during fiscal years 2003 and 2002 amounted to approximately $0.14 per share and $0.68 per share net of taxes, respectively. Our fiscal 2001 net earnings totaled $140.6 million or $1.81 per share.

Significant Fourth Quarter Item Gross margin reported for the fourth quarter of fiscal 2003 reflected favorable pretax adjustments totaling $4.8 million for LIFO inventory valuations as well as incentive bonus and benefit accrual reductions. The incentive bonus accruals were established during the first three quarters of fiscal 2003 and were adjusted once it was determined that the related bonus payout would not be as significant as initially estimated.

Liquidity and Capital Resources The table below presents certain key cash flow and capital highlights.

(In Millions)	2003	2002	2001
Cash and cash equivalents	$ 185.5	$124.0	$ 138.3
Short term investments	$ 11.5	$ 11.1	$ 13.5
Cash generated from operating activities	$ 144.7	$ 54.6	$ 211.8
Cash used for investing activities	$ (7.3)	$ (25.8)	$(100.1)
Cash used for financing activities	$ (82.2)	$ (42.2)	$ (53.4)
Capital expenditures	$ (29.0)	$ (52.4)	$(105.0)
Interest-bearing debt	$ 223.0	$235.1	$ 259.3
Available unsecured credit facility(4)	$ 189.0	$200.0	$ 200.0
Stock repurchased and retired	$ (61.9)	$ (19.3)	$ (94.2)
Pension plan contributions	$ (32.1)	$ (37.4)	$ (2.3)
Restructuring-related cash outflows	$ (14.4)	$ (31.3)	—

(4) In fiscal 2003, the company's outstanding letters of credit were applied against the unsecured credit facility. Accordingly, the amount shown for 2003 is net of these letters of credit.

Interest-bearing debt totaled $223.0 million at the end of fiscal 2003. This compares to $235.1 million and $259.3 million at the end of fiscal 2002 and 2001, respectively. Outstanding standby letters of credit at May 31, 2003 totaled $11.0 million. These letters of credit represented the only usage against our unsecured revolving credit facility as of that date. Subsequent to the end of the fourth quarter, the standby letter of credit balances increased $2.6 million. We were in compliance with all provisions of our debt covenants throughout fiscal years 2003, 2002, and 2001.

Days sales outstanding (DSO) in accounts receivable and inventory totaled 47.8 as of the end of fiscal 2003. This compares to 57.3 in fiscal 2002 and 57.6 in fiscal 2001. Our ending net accounts receivable balance of $125.6 million decreased significantly from $142.1 million at the end of last year. This was a significant contributor to our current year cash flow performance. Collections on accounts receivable remain relatively strong. The recorded allowance for non-collectible accounts, as a percent of gross accounts receivable, totaled 9.3 percent, 10.3 percent, and 8.3 percent as of the end of fiscal 2003, 2002, and 2001, respectively. We believe the allowance as of the end of the year is adequate to cover the risk of potential bad debts.

Cash Flow—Operating Activities Cash flow from operating activities totaled $144.7 million in fiscal 2003 as compared to $54.6 million and $211.8 million in fiscal 2002 and 2001, respectively. The increase from the prior year is due primarily to improved net earnings and favorable working capital changes. The following discussion describes other significant items affecting these results.

During fiscal 2003, we made cash contributions to our employee pension funds totaling $32.1 million. Similar payments totaling $37.4 million and $2.3 million were made in fiscal 2002 and 2001, respectively. These contributions reduced operating cash flows.

Federal tax refunds received during fiscal 2003 increased cash flow by $42.8 million. These refunds related primarily to net operating losses generated in fiscal 2002.

Tax and interest payments totaling $20.4 million were made during the current year relating to our fiscal 2002 COLI program settlement with the IRS. These payments reduced fiscal 2003 operating cash flows. We expect to make similar tax and interest payments of approximately $1.8 million during the first quarter of fiscal 2005.

As in the prior year, our restructuring actions had cash flow implications. Cash payments reduced fiscal 2003 operating cash flows by $14.4 million. By comparison, payments totaling $31.3 million were made in fiscal 2002. For both years, the outflows were primarily associated with workforce reduction and facility exit activities. Future payments, including those related to the restructuring actions announced during and subsequent to the fourth quarter of this year, are expected to total between $18 million to $20 million. We anticipate the majority of these payments to be completed by the end of fiscal 2004.

Cash Flow—Investing Activities Cash outflows for investing activities totaled $7.3 million, $25.8 million, and $100.1 million for fiscal 2003, 2002, and 2001, respectively. For the third consecutive year, capital expenditures were significantly reduced as we pursued initiatives to better match the structure of our operations to market conditions. Capital spending totaled $29.0 million in the current year. This represents a reduction of $23.4 million or 44.7 percent from our 2002 spending level. Capital expenditures in 2001 totaled $105.0 million.

Our 2003 cash flow was favorably impacted by proceeds received from the sale of two facilities exited in connection with prior year restructuring actions. The transactions involved our Rocklin, California and West-Michigan Powder Coat Technology (PCT) facilities and resulted in net proceeds of $20.2 million. As of the date of this report, our Holland, Michigan chair plant and Canton, Georgia manufacturing facility are the only remaining properties yet to be sold as a result of the restructuring initiatives. The Canton facility has been appraised and placed on the market. Subsequent to year-end, we entered into a formal sales agreement for the chair plant facility and expect to complete this transaction during the first half of fiscal 2004 provided all contingencies are cleared.

Outflows from investing activities in the prior year were partly offset by a cash receipt of $14.0 million for the net surrender value of our COLI policies.

As of the end of fiscal 2003, we had outstanding commitments for future capital purchases of approximately $5 million. We expect fiscal 2004 capital expenditures to total between $35 million and $40 million.

Cash Flow—Financing Activities

(In Millions, Except Share and Per Share Data)	2003	2002	2001
Shares acquired	3,642,013	800,721	3,322,174
Cost of shares acquired	$ 61.9	$ 19.3	$ 94.2
Weighted average cost per share acquired	$16.99	$24.10	$28.35
Shares issued	313,155	939,628	1,283,358
Weighted average price per share issued	$13.83	$19.05	$17.92
Cash dividends	$ 10.8	$ 11.0	$ 11.1
Dividends per share	$ .15	$ .15	$ .15

Cash outflows for financing activities totaled $82.2 million, $42.2 million, and $53.4 million for fiscal 2003, 2002, and 2001, respectively. 3,642,013 shares were repurchased for $61.9 million or an average price of $16.99 per share during fiscal 2003. Share repurchases for fiscal 2002 and 2001 totaled $19.3 million and $94.2 million, respectively. We, along with our Board of Directors, continue to believe share repurchases are an effective means of returning value to our shareholders. As of May 31, 2003, we had remaining authorization of $51.7 million on our share repurchase plan.

Repayments of long-term and short-term debt totaled $13.4 million in fiscal 2003. Included in this amount is the repayment of bank debt associated with our former Australian business unit and a $10 million scheduled principal payment on our private placement notes. Debt repayments in the prior year, which totaled $25.6 million, primarily related to activity on our private placement as well as the payoff of a note related to the purchase of technology assets. The current portion of our long-term debt at May 31, 2003 totaled $13.6 million. We are scheduled to make this payment in the fourth quarter of fiscal 2004.

We use various stock option plans as an incentive to align executive performance with shareholder interests. Further information on these plans can be found in the Notes to the Consolidated Financial Statements.

During the fourth quarter of fiscal 2003, Standard & Poors' Ratings Services announced that it had lowered our corporate credit rating from BBB+ to BBB. The announcement indicated that the change reflected significant declines in revenues as well as increased business uncertainty for the office furniture industry as a whole. While we were disappointed in the revision, we are encouraged that our credit rating continues to be classified as investment grade. We do not believe this revision will have a significantly adverse impact on our ability to borrow in the future.

We believe cash on hand, cash generated from operations, and our credit facilities will provide adequate liquidity to fund near term and future business operations and capital needs.

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. Under the terms of these 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 process. Management does not expect resolution of the audits to have a material adverse effect on the company's consolidated financial statements.

In March 2003, a settlement was reached in mediation concerning an audit of the company's compliance with its international GSA contract for the years 1991, 1992, and 1993. The terms of the settlement required the company to pay $0.6 million to the United States Government. This payment was made during the fourth quarter of fiscal 2003. The financial impact of this settlement was previously reserved for and, consequently, had no impact on fiscal 2003 net earnings.

The company is also involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such proceedings and litigation currently pending will not materially effect the company's consolidated financial statements.

CONCLUSION

Our fiscal 2003 financial results validated the statement in our 2002 Annual Report that we were positioned to produce stronger returns in the future. We made significant improvements in our overall profitability and operating cash flows despite a $132.2 million decline in net sales.

The U.S. economy continued to struggle as evidenced by broad economic indicators such as unemployment and construction spending. Increased global geopolitical uncertainty complicated matters. These factors, among others, combined to further depress demand for office furniture. The result was lower industry sales and intensified price competition.

During the year we completed a number of previously announced restructuring initiatives and announced a few new ones. Through all of these efforts over the last two years, our production efficiency has increased, our cost structure is more variable, and our overall manufacturing capacity is intact. We believe an industry recovery is on the horizon and feel well prepared to leverage our new cost structure for improved profitability. If, however, a recovery is further off than expected, the changes we have made to our business structure should allow us to remain profitable and generate positive cash flows.

We are also focusing vigorously on new product development. Our goal in this area is simple—to build upon our legacy of industry-leading innovation. While bragging rights are nice, the real purpose of this is to create the products and services that truly make great places to work and to profitably grow our business as a result.

Fiscal 2003 once again put our board of directors, management team, and employee-owners to the test. Our financial results have shown that we have weathered the storm and remain in strong condition to compete in the future. We look forward to the future with the confidence that our leadership team and business model will lead us further down the path of improved shareholder returns.

Finally, we believe it is important to stress to our investors that in our view, integrity and ethical business behavior are an absolute requirement in everything we do. These attributes have long been a part of the Herman Miller corporate culture and always will be.

BASIS OF PRESENTATION

Fiscal years 2003, 2002, and 2001 each contained 52 weeks. This should be considered when comparing year-over-year changes. It is also the basis upon which all of the above weekly average data is presented.

CRITICAL ACCOUNTING POLICIES

We strive to report our financial results in a clear and understandable manner. We follow accounting principles generally accepted in the U.S. in preparing our consolidated financial statements, which require us to make certain estimates and apply judgments that affect our financial position and results of operations. We continually review our accounting policies and financial information disclosures. Following is a summary of our more significant accounting policies that require the use of estimates and judgments in preparing the financial statements.

Receivable Allowances We base our allowances related to receivables on known customer exposures, historical credit experience, and the specific identification of other potential problems, including the economic climate. These methods are applied to all major receivables, including trade, lease, and notes receivables. In addition to known or judgmental components of our allowances, we follow a policy that consistently applies reserve rates based on the age of outstanding accounts receivables. Actual collections can differ, requiring adjustments to the reserves.

Warranty Reserve We stand behind our products and keep our promises to customers. In some situations, issues arise resulting in the need to incur costs to correct or replace problems with products or services. We have established warranty reserves for the various costs associated with these guarantees. General warranty reserves are based on historical claims experience and periodically adjusted for business levels. Specific reserves are established once an issue is identified. The valuations of such reserves are based on the estimated costs to correct the problem. Actual costs may vary and result in an adjustment to our reserves.

Inventory Reserves Inventories are valued at the lower of cost or market. The inventories of certain subsidiaries are valued using the last-in, first-out (LIFO) method. We establish reserves for excess and obsolete inventory, based on material movement and a component of judgment for consideration of current events, such as economic conditions, that may affect inventory. The amount of reserve required may be adjusted as conditions change.

Income Taxes Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse.

We have net operating loss (NOL) carryforwards available in certain jurisdictions to reduce future taxable income. Future tax benefits for NOL carryforwards are recognized to the extent that realization of these benefits is considered more likely than not. We base this determination on the expectation that related operations will be sufficiently profitable or various tax planning strategies available to us will enable us to utilize the NOL carryforwards. To the extent that available evidence about the future raises doubt about the realization of a deferred income tax asset, a valuation allowance is established.

Self-Insurance Reserves With the assistance of independent actuaries, we provide reserves for health, worker's compensation, long-term disability, and general liability exposures. The reserves are established based on actuarially determined expected future claims. The methods and assumptions used to determine the liabilities are applied consistently, although actual claim experience can vary. We maintain certain insurance coverage for risk exposures through traditional premium-based insurance policies.

Pension and other Post-Retirement Benefits The determination of the obligation and expense for pension and other post-retirement benefits depends on certain actuarial assumptions used in calculating such amounts. Some of the assumptions include the discount rate, expected long-term rate of return on plan assets, and expected rate of increases in compensation and healthcare costs. These assumptions are reviewed annually based on internal and external factors. Adjustments to the assumptions could result in changes to the future expense and liabilities. See the Notes to the Consolidated Financial Statements for more information regarding costs and assumptions used for employee benefit plans.

Long-Lived Assets We evaluate long-lived assets and acquired businesses for indicators of impairment when events or circumstances indicate that this risk may be present. Our judgments regarding the existence of impairment are based on market conditions, operational performance, and estimated future cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded to adjust the asset to its fair value.

NEW ACCOUNTING STANDARDS

In May 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (SFAS 150). SFAS 150 modifies the traditional definition of "liabilities" to encompass certain obligations that must be settled through the issuance of equity shares. These obligations are considered liabilities as opposed to equity or mezzanine financing under the provisions of SFAS 150. In addition, SFAS 150 increases the required disclosures of alternate settlement methods related to these obligations. This new standard is effective immediately for financial instruments entered into or modified after May 31, 2003, and for all other financial instruments beginning in the second quarter of fiscal 2003. We do not expect it to have a material impact on our consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). This new rule requires that companies consolidate a variable interest entity if the company is subject to a majority of the risk of loss from the variable interest entity's activities, or is entitled to receive a majority of the entity's residual returns or both. The provisions of FIN 46 apply currently to variable interest entities created after January 31, 2003, and for the first fiscal year or interim period beginning after June 15, 2003 for variable interest entities in which an enterprise holds a variable interest that is acquired on or before January 31, 2003. We are required to adopt the provisions of FIN 46 in the second quarter of fiscal 2004, and are currently evaluating the expected impact on our consolidated financial statements, primarily as it relates to our independent dealer lending activities.

In December 2002, the FASB finalized Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—An Amendment of FASB Statement No. 123" (SFAS 148). SFAS 148 amends SFAS 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We adopted the disclosure provisions of SFAS 148 in our fourth quarter ended May 31, 2003.

We account for stock-based employee compensation under the provisions of Accounting Principles Board Opinion No. 25, "Accounting For Stock Issued to Employees". Under this method, which continues to be acceptable under SFAS 148, no compensation expense is recognized when stock options are granted to employees and directors at fair market value as of the grant date. Refer to the Stock-Based Compensation footnote for further discussion.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 requires certain guarantees, including financial guarantees or indemnifications, performance guarantees and indirect guarantees of debt, to be recorded at fair value. It also requires the guarantor to disclose, among other things, the key terms and conditions of the guarantee. For product warranties, the guarantor must disclose the accounting policy and methodology used to determine the liability recorded, and a reconciliation of the changes in the liability for the reporting period presented. The accounting provisions of FIN 45 were effective for any guarantees issued or modified after December 31, 2002, while the disclosure requirements are effective for interim and annual periods ending after December 15, 2002. We adopted FIN 45 in the third quarter of fiscal 2003.

During fiscal 2003, we entered into three separate financial guarantee arrangements with independent office furniture dealers. In each of these arrangements, we provided a financial guarantee to a third-party lender against the risk of payment default by the dealer. In accordance with FIN 45, the fair values of these arrangements were estimated and recorded as liabilities. As a result, our fiscal 2003 operating expenses include pretax charges totaling $0.9 million related to these guarantees. Refer to the Guarantees, Indemnifications, and Contingencies footnote for further discussion.

In June 2002, the FASB finalized Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 requires that a liability for a cost that is associated with an exit or disposal activity be recognized when the liability is incurred and at its fair value. It also addresses the timing of recognition and related measurement of the costs of one-time termination benefits. The accounting provisions of SFAS 146 were effective for restructuring activities occurring after December 31, 2002.

In August 2001, the FASB finalized Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121) and the accounting and reporting provisions of the Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions." SFAS 144 also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements." SFAS 144 retains the provisions of SFAS 121 for recognition and measurement of impairment of long-lived assets to be held and used, and measurement of long-lived assets to be disposed of by sale. Discontinued operations are no longer measured on a net realizable value basis, and future operating losses are no longer recognized before they occur. We adopted SFAS 144 in the first quarter of fiscal 2003. Adoption of this statement did not have a material impact on our financial statements.

In June 2001, the FASB finalized Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). This statement was effective for our fiscal year beginning June 2, 2002. Upon adoption of this standard, pre-existing goodwill is no longer subject to amortization; however, companies are required to perform an annual fair-value-based analysis to determine whether the value of goodwill has been impaired. Refer to the Goodwill and Other Intangible Assets footnote for further discussion.

FORWARD-LOOKING STATEMENTS

This discussion and other sections of our 2003 Report of Shareholders 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The company manufactures, markets and sells its products throughout the world and, as a result, is subject to changing economic conditions, which could reduce the demand for its products.

Favorable foreign currency fluctuations during fiscal 2003 resulted in increased earnings from continuing operations before income taxes of $0.9 million. Additionally, the accumulated other comprehensive loss component of total shareholders' equity was reduced during fiscal 2003 by $7.7 million as a result of these changes. By comparison, currency fluctuations in fiscal 2002 resulted in reduced pretax earnings and increased accumulated other comprehensive loss of $0.5 million and $1.6 million, respectively. Because the company conducts business internationally, it will continue to be subject to related currency exchange rate fluctuations.

The company maintains fixed-rate debt. For fixed-rate debt, changes in interest rates generally affect the fair market value but not earnings or cash flows. The company does not have an obligation to prepay fixed rate debt prior to maturity, and as a result, interest rate risk and changes in fair market value should not have a significant impact on such debt until the company would be required to refinance it. The company entered into an interest rate swap agreement on May 21, 2002, to convert $40 million of fixed-rate debt to a variable rate basis. This debt is subject to changes in interest rates, which could have a material impact on the company's financial results. The interest rate swap derivative instrument is held and used by the company as a tool for managing interest rate risk. It is not used for trading or speculative purposes. The counterparty to this swap instrument is a large major financial institution which the company believes is of high-quality creditworthiness. While the company may be exposed to potential losses due to the credit risk of non-performance by this counterparty, such losses are not anticipated. The fair value of the swap instrument as of May 31, 2003, was approximately $1.2 million. For further information, refer to the Fair Value of Financial Instruments and Financial Instruments with Off-Balance-Sheet Risk disclosures in the Notes to the Consolidated Financial Statements filed as part of this report.

Expected cash flows (notional amounts) over the next five years related to debt instruments are as follows.

(In Millions)	2004	2005	2006	2007	2008	Thereafter	Total(1)
Long-term debt:							
Fixed rate	$ 13.6	$ 13.6	$ 13.6	$ 3.0	$ 3.0	$175.0	$221.8
Weighted average interest rate = 6.98%							
Derivative financial instrument							
Related to debt—interest rate swap:							
Pay variable/receive fixed	$ 10.0	$ 10.0	$ 10.0	$ —	$ —	$ —	$ 30.0
Pay interest rate = 3.71% (at May 31, 2003)							
Received interest rate = 6.37%							

(1) Amount does not include the recorded fair value of the swap instrument, which totaled $1.2 million at the end of fiscal 2003.

QUARTERLY FINANCIAL DATA

Summary of the quarterly operating results on a consolidated basis.

(In Millions, Except Per Share Data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FISCAL 2003				
Net sales	$ 346.9	$ 357.3	$ 310.4	$ 321.9
Gross margin	109.2	113.7	93.5	107.2
Net earnings	9.8	11.8	3.0	(1.3)
Earnings per share-diluted	$ .13	$ .16	$ .04	$ (.02)
FISCAL 2002				
Net sales	$ 410.3	$ 395.0	$ 340.7	$ 322.6
Gross margin	125.8	118.9	98.5	97.0
Net earnings	(2.9)	(22.7)	(11.6)	(18.8)
Earnings per share-diluted	$ (.04)	$ (.30)	$ (.15)	$ (.25)
FISCAL 2001				
Net sales(1)	$ 547.9	$ 616.3	$ 561.0	$ 511.0
Gross margin(1)	182.0	210.0	184.8	178.9
Net earnings(2)	32.5	42.3	33.0	32.8
Earnings per share-diluted(2)	$ .41	$ .54	$ .43	$ .43

(1) Amounts have been restated as a result of adopting Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs" (EITF 00-10). Adoption of EITF 00-10 took place in the fourth quarter of fiscal 2001 and involved the reclassification to cost of sales of certain shipping and handling-related costs which were previously reported as components of net sales and operating expenses. (2) The first quarter of 2001 includes a pre-tax charge of $5.4 million ($3.5 million after tax, or $.05 per diluted share) for the cumulative effect of a change in accounting principle for pensions. Previously reported net earnings and diluted earnings per share for the first quarter were $36.0 million and $.46, respectively.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Millions, Except Per Share Data)	May 31, 2003	June 1, 2002	June 2, 2001
Net Sales	$ 1,336.5	$ 1,468.7	$ 2,236.2
Cost of Sales	912.9	1,028.4	1,480.5
Gross Margin	423.6	440.3	755.7
Operating Expenses:			
Selling, general, and administrative	319.8	399.7	475.4
Design and research	39.1	38.9	44.3
Restructuring expenses	16.4	81.6	—
Total Operating Expenses	375.3	520.2	519.7
Operating Earnings	48.3	(79.9)	236.0
Other Expenses (Income):			
Interest expense	15.7	18.2	16.8
Interest income	(6.6)	(6.2)	(7.0)
Other, net	3.4	(.9)	1.1
Net Other Expenses	12.5	11.1	10.9
Earnings from Continuing Operations Before Income Taxes	35.8	(91.0)	225.1
Income Taxes on Earnings from Continuing Operations	12.5	(35.0)	81.0
Earnings Before Cumulative Effect of a Change In Accounting Principle	23.3	(56.0)	144.1
Cumulative Effect of a Change in Accounting Principle for Pensions, net of tax of $1.9	—	—	3.5
Net Earnings	**$ 23.3**	**$ (56.0)**	**$ 140.6**
Earnings Per Share—Basic:			
Earnings Before Cumulative Effect of a Change In Accounting Principle	$ .31	$ (.74)	$ 1.88
Cumulative Effect of a Change in Accounting Principle, net of tax	—	—	(.05)
Earnings Per Share—Basic	$ .31	$ (.74)	$ 1.83
Earnings Per Share—Diluted:			
Earnings Before Cumulative Effect of a Change In Accounting Principle	$ .31	$ (.74)	$ 1.86
Cumulative Effect of a Change in Accounting Principle, net of tax	—	—	(.05)
Earnings Per Share—Diluted	$ .31	$ (.74)	$ 1.81
Pro Forma Amounts Assuming Retroactive Application of a Change in Accounting Principle for Pensions:			
Net Earnings	N/A	N/A	$ 144.1
Earnings Per Share—Basic	N/A	N/A	$ 1.88
Earnings Per Share—Diluted	N/A	N/A	$ 1.86

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

(In Millions, Except Share and Per Share Data)	May 31, 2003	June 1, 2002
Assets		
Current Assets:		
Cash and cash equivalents	$185.5	$124.0
Short-term investments	11.5	11.1
Accounts receivable, less allowances of $12.9 in 2003, and $16.3 in 2002	125.6	142.1
Inventories	31.4	39.6
Assets held for sale	—	2.6
Prepaid expenses and other	59.5	67.0
Total Current Assets	**413.5**	**386.4**
Property and Equipment:		
Land and improvements	19.0	18.9
Buildings and improvements	125.7	133.7
Machinery and equipment	541.4	554.0
Construction in progress	10.9	12.8
	697.0	719.4
Less: accumulated depreciation	451.3	404.0
Net Property and Equipment	**245.7**	**315.4**
Notes receivable, less allowances of $4.4 in 2003, and $2.0 in 2002	4.6	6.9
Goodwill	39.1	39.1
Intangible assets, net	6.3	8.5
Deferred taxes	25.9	7.3
Other assets	32.4	24.4
Total Assets	**$767.5**	**$788.0**
Liabilities and Shareholders' Equity		
Current Liabilities:		
Unfunded checks	$ 12.1	$ 5.9
Current portion of long-term debt	13.6	10.6
Notes payable	—	2.7
Accounts payable	73.9	70.6
Accrued liabilities	137.6	121.2
Total Current Liabilities	**237.2**	**211.0**
Long-Term Debt, less current portion above	209.4	221.8
Other Liabilities	129.9	92.2
Total Liabilities	**576.5**	**525.0**
Shareholders' Equity:		
Preferred stock, no par value (10,000,000 shares authorized, none issued)	—	—
Common stock, $.20 par value (240,000,000 shares authorized, 72,829,881 and 76,158,482 shares issued and outstanding in 2003 and 2002)	14.6	15.2
Additional paid-in capital	—	—
Retained earnings	250.5	295.8
Accumulated other comprehensive loss	(62.6)	(34.3)
Key executive stock programs	(11.5)	(13.7)
Total Shareholders' Equity	**191.0**	**263.0**
Total Liabilities and Shareholders' Equity	**$767.5**	**$788.0**

The accompanying notes are an integral part of these statements.

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 June 3, 2000	**$ 15.6**	**$ —**	**$301.5**	**$(13.5)**	**$ (9.1)**	**$294.5**
Net earnings	—	—	140.6	—	—	140.6
Current year translation adjustment	—	—	—	(3.9)	—	(3.9)
Total comprehensive income						136.7
Cash dividends ($.145 per share)	—	—	(11.1)	—	—	(11.1)
Exercise of stock options	0.3	16.1	—	—	—	16.4
Employee stock purchase plan	—	4.5	—	—	—	4.5
Tax benefit relating to stock options	—	3.6	—	—	—	3.6
Repurchase and retirement of 3,322,174 shares of common stock	(0.7)	(28.1)	(65.4)	—	—	(94.2)
Directors' fees	—	0.2	—	—	—	0.2
Stock grants earned					1.1	1.1
Stock grants issued	—	1.5	—	—	(1.7)	(0.2)
Deferred compensation plan	—	2.2	—	—	(2.2)	—
Balance June 2, 2001	**$ 15.2**	**$ —**	**$365.6**	**$(17.4)**	**$(11.9)**	**$351.5**
Net earnings	—	—	(56.0)	—	—	(56.0)
Current year translation adjustment	—	—	—	(1.6)	—	(1.6)
Minimum pension liability (net of tax of $8.8 million)	—	—	—	(16.2)	—	(16.2)
Unrealized holding gain on investments available-for-sale	—	—	—	0.9	—	0.9
Total comprehensive loss						(72.9)
Cash dividends ($.145 per share)	—	—	(11.0)	—	—	(11.0)
Exercise of stock options	0.1	7.9	—	—	—	8.0
Employee stock purchase plan	0.1	3.8	—	—	—	3.9
Tax benefit relating to stock options	—	1.4	—	—	—	1.4
Repurchase and retirement of 800,721 shares of common stock	(0.2)	(16.3)	(2.8)	—	—	(19.3)
Stock grants earned	—	—	—	—	1.4	1.4
Stock grants issued	—	4.6	—	—	(4.7)	(0.1)
Deferred compensation plan	—	(1.4)	—	—	1.4	—
Stock purchase assistance plan	—	—	—	—	0.1	0.1
Balance June 1, 2002	**$ 15.2**	**$ —**	**$295.8**	**$(34.3)**	**$(13.7)**	**$263.0**
Net earnings	—	—	23.3	—	—	23.3
Current year translation adjustment	—	—	—	7.7	—	7.7
Minimum pension liability (net of tax of $22.1 million)	—	—	—	(36.1)	—	(36.1)
Unrealized holding gain on investments available-for-sale	—	—	—	0.1	—	0.1
Total comprehensive loss						(5.0)
Cash dividends ($.145 per share)	—	—	(10.8)	—	—	(10.8)
Exercise of stock options	—	0.7	—	—	—	0.7
Employee stock purchase plan	0.1	3.1	—	—	—	3.2
Tax benefit relating to stock options	—	0.2	—	—	—	0.2
Repurchase and retirement of 3,642,013 shares of common stock	(0.7)	(3.4)	(57.8)	—	—	(61.9)
Directors' Fees	—	0.1	—	—	—	0.1
Stock grants earned	—	—	—	—	1.5	1.5
Stock grants issued	—	0.3	—	—	(0.3)	—
Deferred compensation plan	—	(1.0)	—	—	1.0	—
Balance May 31, 2003	**$ 14.6**	**$ —**	**$250.5**	**$(62.6)**	**$(11.5)**	**$191.0**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)	May 31, 2003	June 1, 2002	June 2, 2001
Cash Flows from Operating Activities:			
Net earnings	$ 23.3	$ (56.0)	$ 140.6
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Cumulative effect of a change in accounting principle for pensions, net of tax	—	—	3.5
Other	121.4	110.6	67.7
Net Cash Provided by Operating Activities	**144.7**	**54.6**	**211.8**
Cash Flows from Investing Activities:			
Notes receivable repayments	189.2	341.3	639.4
Notes receivable issued	(190.0)	(334.4)	(628.4)
Short-term investment purchases	(4.5)	(38.9)	(113.7)
Short-term investment sales	4.2	42.3	113.0
Property and equipment additions	(29.0)	(52.4)	(105.0)
Proceeds from sales of property and equipment	20.7	0.7	0.1
Surrender of COLI policies	—	14.0	—
Other, net	2.1	1.6	(5.5)
Net Cash Used for Investing Activities	**(7.3)**	**(25.8)**	**(100.1)**
Cash Flows from Financing Activities:			
Short-term debt borrowings	—	1.8	499.9
Short-term debt repayments	(2.8)	(2.4)	(618.9)
Long-term debt borrowings	—	—	175.0
Long-term debt repayments	(10.6)	(23.2)	(25.0)
Dividends paid	(10.8)	(11.0)	(11.1)
Common stock issued	3.9	11.9	20.9
Common stock repurchased and retired	(61.9)	(19.3)	(94.2)
Net Cash Used for Financing Activities	**(82.2)**	**(42.2)**	**(53.4)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	6.3	(0.9)	(3.0)
Net Increase (Decrease) in Cash and Cash Equivalents	**61.5**	**(14.3)**	**55.3**
Cash and Cash Equivalents, Beginning of Year	124.0	138.3	83.0
Cash and Cash Equivalents, End of Year	**$185.5**	**$124.0**	**$138.3**

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The following is a summary of significant accounting and reporting policies not reflected elsewhere in the accompanying financial statements.

Principles of Consolidation The consolidated financial statements include the accounts of Herman Miller, Inc., and its wholly owned domestic and foreign subsidiaries (the company). All significant intercompany accounts and transactions have been eliminated.

Description of Business The company researches, designs, manufactures and distributes interior furnishings and provides related services that support companies all over the world. The company's products are sold primarily to or through independent contract office furniture dealers. Accordingly, accounts and notes receivable in the accompanying balance sheets are principally amounts due from the dealers.

Fiscal Year The company's fiscal year ends on the Saturday closest to May 31. The years ended May 31, 2003, June 1, 2002, and June 2, 2001, each contained 52 weeks.

Foreign Currency Translation The functional currency for foreign subsidiaries is the local currency. The cumulative effects of translating the balance sheet accounts from the functional currency into the United States dollar at current exchange rates and revenue and expense accounts using average exchange rates for the period are included as a separate component of shareholders' equity. Gains or losses arising from remeasuring all foreign currency transactions into the appropriate currency are included in determining net earnings.

Cash Equivalents The company primarily utilizes money market and time deposit investments as part of its cash management function. Due to the relative short-term maturities and high liquidity of these securities, they are included in the accompanying consolidated balance sheets as cash equivalents at market value and totaled $141.5 million and $97.9 million as of May 31, 2003, and June 1, 2002, respectively. The company's cash equivalents are considered "available-for-sale." As of May 31, 2003 and June 1, 2002, the market value approximated the securities' cost. All cash and cash equivalents are high-credit quality financial instruments, and the amount of credit exposure to any one financial institution or instrument is limited.

Short-Term Investments The company maintains a portfolio of short-term investments comprised of investment grade fixed-income and equity securities. These investments are held at the company's wholly owned insurance captive and are considered "available-for-sale" as defined in Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, they have been recorded at fair market value based on quoted market prices, with the resulting net unrealized holding gains reflected as a component of comprehensive income/(loss) in the Consolidated Statements of Shareholders' Equity. Net investment income recognized in the Consolidated Statements of Operations resulting from these investments totaled $0.9 million for each of the years ended May 31, 2003, and June 1, 2002.

The following is a summary of the carrying and market values of the company's short-term investments as of May 31, 2003 and June 1, 2002.

	2003		2002	
(In Millions)	Cost	Market Value	Cost	Market Value
Government and government agency issued debt securities(1)	$ 8.1	$ 9.0	$ 8.3	$ 9.0
Corporate bonds	2.4	2.5	1.9	2.1
	10.5	11.5	10.2	11.1
Unrealized gains	1.0	—	0.9	—
Total	$ 11.5	$ 11.5	$ 11.1	$ 11.1

(1) Include securities issued by both U.S. and foreign governments and government agencies. Some of these securities are development bonds issued by groups of member countries. All are U.S. dollar-denominated and are rated AA or above by Moody's.

Maturities of short-term investments as of May 31, 2003 are as follows.

(In Millions)	Cost	Market Value
Due within one year	$ 2.3	$ 2.3
Due after one year through five years	6.6	7.6
Due after five years	1.6	1.6
Total	$ 10.5	$ 11.5

Accounts Receivable Allowances Reserves for uncollectible accounts receivable balances are based on known customer exposures, historical credit experiences, and the specific identification of other potential problems expected in the collection of the receivables.

Property, Equipment, and Depreciation Property and equipment are stated at cost. The cost is depreciated over the estimated useful lives of the assets, using the straight-line method. Estimated useful lives range from 3 to 10 years for machinery and equipment and do not exceed 40 years for buildings. Leasehold improvements are depreciated over the lesser of the lease term or 10 years.

The company capitalizes certain external and internal costs incurred in connection with the development, testing, and installation of software for internal use. Software for internal use is included in property and equipment and is depreciated over an estimated useful life of 5 years or less.

Long-Lived Assets The company assesses the recoverability of its long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. This assessment is performed whenever events or circumstances such as current and projected future operating losses or changes in the business climate indicate that the carrying amount may not be recoverable. Assets are grouped and evaluated at the lowest level for which there are independent and identifiable cash flows. The company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the estimated future cash flows (undiscounted and without interest charges) expected to result from the use of the asset. If the carrying amount of the asset exceeds the expected future cash flows, the company measures and records an impairment loss for the excess of the carrying value of the asset over its fair value. The estimation of fair value is made by discounting the expected future cash flows at the rate the company uses to evaluate similar potential investments based on the best information available at that time.

Refer to the Restructuring Charges footnote for discussion of impairments recognized in fiscal 2003 and 2002 in connection with the company’s restructuring activities. No significant impairments were provided for in 2001.

Goodwill and Other Intangible Assets As discussed in the New Accounting Standards footnote, the company adopted SFAS 142 in the first quarter of fiscal year 2003. As a result, the company did not record amortization expense on its remaining goodwill assets for the year ended May 31, 2003. Upon adoption of SFAS 142, annually thereafter or more frequently if a triggering event occurs, the company is required to test the carrying value of goodwill for impairment at the “reporting unit” level. This testing was performed during fiscal 2003, and the results indicated the fair value exceeded the recorded carrying value of the company’s goodwill assets, and accordingly, no impairment charge was required. There was no change in the carrying amount of goodwill during fiscal 2003.

The pro forma impact on fiscal 2002 and 2001 net earnings and earnings per share of no longer amortizing goodwill is presented below.

(In Millions, Except Per Share Data, Year Ended)	May 31, 2003	June 1, 2002	June 2, 2001
Reported net earnings	$ 23.3	$ (56.0)	$ 140.6
Add back goodwill amortization, net of tax	—	2.8	3.2
Adjusted net earnings	$ 23.3	$ (53.2)	$ 143.8
Reported earnings per share—basic	$ .31	$ (.74)	$ 1.83
Add back goodwill amortization, net of tax	—	.04	.04
Adjusted earnings per share—basic	$ .31	$ (.70)	$ 1.87
Reported earnings per share—diluted	$ .31	$ (.74)	$ 1.81
Add back goodwill amortization, net of tax	—	.04	.04
Adjusted earnings per share—diluted	$ .31	$ (.70)	$ 1.85

SFAS 142 also required the company to evaluate its other intangible assets to determine whether any have "indefinite useful lives." Under this new accounting standard, intangible assets with indefinite useful lives, if any, are no longer subject to amortization. The company did not classify any of its other intangible assets as having indefinite useful lives and, accordingly, will continue to amortize them over their remaining useful lives. The company amortizes its other intangible assets over periods ranging from 5 to 17 years.

Intangible assets are comprised of patents and trademarks and had a combined gross carrying value and accumulated amortization of $10.6 million and $4.3 million, respectively, as of May 31, 2003. As of June 1, 2002, these amounts totaled $12.2 million and $3.7 million, respectively.

Estimated amortization expense for intangible assets as of May 31, 2003, for each of the succeeding five fiscal years is as follows.

(In Millions)	
2004	$ 1.2
2005	$ 0.9
2006	$ 0.8
2007	$ 0.8
2008	$ 0.8

Notes Receivable The notes receivable are primarily from certain independent contract office furniture dealers. These notes are the result of dealers in transition either through a change in ownership or general financial difficulty. The notes are collateralized by the assets of the dealers and bear interest based on the prevailing prime rate. Recorded reserves are based on historical credit experience, collateralization levels and the specific identification of other potential collection problems. Interest income relating to these notes was $0.7 million, $0.8 million, and $2.2 million in 2003, 2002, and 2001, respectively.

Unfunded Checks As a result of maintaining a consolidated cash management system, the company utilizes controlled disbursement bank accounts. These accounts are funded as checks are presented for payment, not when checks are issued. The resulting book overdraft position is included in current liabilities as unfunded checks.

Self-Insurance The company is partially self-insured for general liability, workers' compensation, and certain employee health benefits. The general and workers' compensation liabilities are managed through a wholly owned insurance captive; the related liabilities are included in the accompanying consolidated financial statements. The company's policy is to accrue amounts equal to the actuarially determined liabilities. The actuarial valuations are based on historical information along with certain assumptions about future events. Changes in assumptions for such matters as legal actions, medical costs, and changes in actual experience could cause these estimates to change in the near term.

Research, Development, Advertising, and Other Related Costs Research, development, advertising materials, pre-production and start-up costs are expensed as incurred. Research and development (R&D) costs consist of expenditures incurred during the course of planned search and investigation aimed at discovery of new knowledge useful in developing new products or processes. R&D costs also include the significant enhancement of existing products or production processes, and the implementation of such through design, testing of product alternatives, or construction of prototypes. Royalty payments made to designers of the company's products as the products are sold are not included in research and development costs, as they are a variable cost based on product sales. Research and development costs, included in design and research expense in the accompanying consolidated statements of operations, were $33.3 million, $33.9 million, and $37.2 million in 2003, 2002, and 2001, respectively.

Income Taxes Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse.

Stock-Based Compensation At May 31, 2003, the company had several stock-based compensation plans, which are described more fully in the Stock Plans and Key Executive and Director Stock Programs footnotes. The company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. The following table illustrates the effect on net earnings and earnings per share if the company had applied the fair value recognition provisions of the Financial Accounting Standards Board (FASB) Statement No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

(In Millions, Except Per Share Data, Year Ended)	May 31, 2003	June 1, 2002	June 2, 2001
Net earnings, as reported	$ 23.3	$ (56.0)	$ 140.6
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(11.1)	(7.2)	(10.4)
Pro forma net earnings	$ 12.2	$ (63.2)	$ 130.2
Total stock-based employee compensation expense included in net earnings, as reported, net of related tax effects	$ 1.0	$ 0.9	$ 0.7
Earnings per share:			
Basic, as reported	$ 0.31	$ (0.74)	$ 1.83
Basic, pro forma	$ 0.16	$ (0.83)	$ 1.70
Diluted, as reported	$ 0.31	$ (0.74)	$ 1.81
Diluted, pro forma	$ 0.16	$ (0.83)	$ 1.68

Earnings per Share Basic earnings per share (EPS) excludes the dilutive effect of common shares that could potentially be issued, due to the exercise of stock options, and is computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted EPS for fiscal 2003 and 2001 was computed by dividing net earnings by the sum of the weighted-average number of shares outstanding, plus all dilutive shares that could potentially be issued. As the company reported a net loss for the year ended June 1, 2002, shares resulting from stock option plans would be anti-dilutive to EPS and, consequently, have not been included in determining diluted EPS.

Revenue Recognition Revenues are recorded when product is shipped, invoiced, and title passes to the customer, and when performance of services is complete. Unearned revenue arises as a normal part of business from advance payments from customers for future delivery of product and service.

Shipping and Handling Expenses The company records shipping and handling related expenses under the caption "Cost of Sales" in the Consolidated Statements of Operations. This accounting treatment is in accordance with the provisions of Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs" (EITF 00-10). The company adopted EITF 00-10 effective in the fourth quarter 2001 and has restated prior periods to reflect the reclassification to cost of sales of certain shipping and handling related costs which were previously reported as components of net sales and operating expenses.

Comprehensive Income/(Loss) The company's comprehensive income/(loss) consists of net earnings, foreign currency translation adjustments, minimum pension liability, and unrealized holding gains or losses on available-for-sale investments. The components of "Accumulated Other Comprehensive Loss" in each of the last three fiscal years are as follows.

(In Millions)	Foreign Currency Translation Adjustments	Minimum Pension Liability	Unrealized Holding Period Gains	Total Accumulated Other Comprehensive Loss
Balance, June 3, 2000	$ (13.5)	–	–	$ (13.5)
Other comprehensive gain/(loss) in fiscal 2001	(3.9)	–	–	(3.9)
Balance, June 2, 2001	(17.4)	–	–	(17.4)
Other comprehensive gain/(loss) in fiscal 2002	(1.6)	$ (16.2)	$ 0.9	(16.9)
Balance, June 1, 2002	(19.0)	(16.2)	0.9	(34.3)
Other comprehensive gain/(loss) in fiscal 2003	7.7	(36.1)	0.1	(28.3)
Balance, May 31, 2003	$ (11.3)	$ (52.3)	$ 1.0	$ (62.6)

Use of Estimates in the Preparation of Financial Statements The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (SFAS 150). SFAS 150 modifies the traditional definition of "liabilities" to encompass certain obligations that must be settled through the issuance of equity shares. These obligations are considered liabilities as opposed to equity or mezzanine financing under the provisions of SFAS 150. In addition, SFAS 150 increases the required disclosures of alternate settlement methods related to these obligations. This new standard is effective immediately for financial instruments entered into or modified after May 31, 2003, and for all other financial instruments beginning in the second quarter of fiscal 2004. The company does not expect it to have a material impact on its consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). This new rule requires that companies consolidate a variable interest entity if the company is subject to a majority of the risk of loss from the variable interest entity's activities, or is entitled to receive a majority of the entity's residual returns or both. The provisions of FIN 46 apply currently to variable interest entities created after January 31, 2003, and for the first fiscal year or interim period beginning after June 15, 2003 for variable interest entities in which an enterprise holds a variable interest that is acquired on or before January 31, 2003. The company is required to adopt the provisions of FIN 46 in the second quarter of fiscal 2004, and is currently evaluating the expected impact on its consolidated financial statements, primarily as it relates to independent dealer lending activities.

In December 2002, the FASB finalized Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—An Amendment of FASB Statement No. 123" (SFAS 148). SFAS 148 amends SFAS 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The company adopted the disclosure provisions of SFAS 148 in its fourth quarter ended May 31, 2003.

The company accounts for its stock-based employee compensation under the provisions of Accounting Principles Board Opinion No. 25, “Accounting For Stock Issued to Employees”. Under this method, which continues to be acceptable under SFAS 148, no compensation expense is recognized when stock options are granted to employees and directors at fair market value as of the grant date. Refer to the Stock-Based Compensation footnote for further discussion.

In November 2002, the FASB issued Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others” (FIN 45). FIN 45 requires certain guarantees, including financial guarantees or indemnifications, performance guarantees and indirect guarantees of debt, to be recorded at fair value. It also requires the guarantor to disclose, among other things, the key terms and conditions of the guarantee. For product warranties, the guarantor must disclose the accounting policy and methodology used to determine the liability recorded, and a reconciliation of the changes in the liability for the reporting period presented. The accounting provisions of FIN 45 were effective for any guarantees issued or modified after December 31, 2002, while the disclosure requirements are effective for interim and annual periods ending after December 15, 2002. The company adopted FIN 45 in the third quarter of fiscal 2003. Refer to the Guarantees, Indemnifications, and Contingencies footnote for further discussion.

In June 2002, the FASB finalized Statement of Financial Accounting Standards No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (SFAS 146). SFAS 146 requires that a liability for a cost that is associated with an exit or disposal activity be recognized when the liability is incurred and at its fair value. It also addresses the timing of recognition and related measurement of the costs of one-time termination benefits. The accounting provisions of SFAS 146 were effective for restructuring activities occurring after December 31, 2002.

In August 2001, the FASB finalized Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (SFAS 144). SFAS 144 supersedes Statement of Financial Accounting Standards No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of” (SFAS 121) and the accounting and reporting provisions of the Accounting Principles Board Opinion No. 30, “Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions.” SFAS 144 also amends Accounting Research Bulletin No. 51, “Consolidated Financial Statements.” SFAS 144 retains the provisions of SFAS 121 for recognition and measurement of impairment of long-lived assets to be held and used, and measurement of long-lived assets to be disposed of by sale. Discontinued operations are no longer measured on a net realizable value basis, and future operating losses are no longer recognized before they occur. The company adopted SFAS 144 in the first quarter of fiscal 2003. Adoption of this statement did not have a material impact on the company’s financial statements.

In June 2001, the FASB finalized Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (SFAS 142). This statement was effective for the company’s fiscal year that began June 2, 2002. Upon adoption of this standard, pre-existing goodwill is no longer subject to amortization; however, companies are required to perform an annual fair-value-based analysis to determine whether the value of goodwill has been impaired. Refer to the Goodwill and Other Intangible Assets footnote for further discussion.

Reclassifications Certain prior year information has been reclassified to conform to the current year presentation.

ACQUISITIONS AND DIVESTITURES

During the past three years, the company purchased and divested various privately owned domestic and international dealers. The results of the transactions were not material, either individually or in the aggregate, to the company’s consolidated financial statements.

RESTRUCTURING CHARGES

The following discussion provides a summary of the restructuring actions taken by the company during fiscal 2002 and 2003. These actions are referred to collectively as the "Plan."

Fiscal 2002 During the first quarter of fiscal 2002, the company recorded a $9.6 million pretax charge to operations, primarily related to certain actions aimed at work force reductions. This charge represented costs associated with an early-retirement offer and other non-voluntary termination benefits for targeted work force reductions in West Michigan, Europe, Mexico, and South America. Approximately 274 positions were eliminated as a result of these combined actions, which affected a wide range of job classifications across the company.

In September 2001, the company's Board of Directors approved a comprehensive operational and cost structure realignment and restructuring plan intended to improve operating performance, ensure financial strength, and position the company as a more focused competitor. This plan involved the key action items described below.

- Additional non-voluntary termination benefits for targeted work force reductions in both the U.S. and international operations.
- Consolidation of the Rocklin, California SCR operation into the West Michigan Greenhouse facility and sale of the Rocklin facility.
- Consolidation of three leased facilities in West Michigan into other existing West Michigan facilities.
- Outsourcing of certain dedicated production processes in connection with the company's paint operations.
- Outsourcing of the over-the-road transportation fleet.

In connection with the Plan, the company recorded additional pretax restructuring charges of $38.8 million and $9.8 million for the quarters ended December 1, 2001 and March 2, 2002, respectively.

In March 2002, the company's Board of Directors amended the Plan by approving the following additional restructuring actions.

- Consolidation of the Holland, Michigan Chair Plant into the West Michigan Greenhouse facility. This action included preparing the Chair Plant for sale.
- Closure and elimination of the Herman Miller RED initiative.
- Phase-out of the SQA brand and separate distribution channel.
- Consolidation of two manufacturing facilities into one within the Geiger operation in Georgia.

In connection with these actions, the company recorded pretax restructuring charges of $23.4 million during the fourth quarter of fiscal 2002.

Fiscal 2003 During the fourth quarter, the company amended the Plan to include additional work force reductions of approximately 150 employees as well as the consolidation of the Holland, Michigan Formcoat operation into existing space located in Zeeland, Michigan.

The Plan was further amended subsequent to the end of fiscal 2003, with the company's announcement of a planned facility consolidation involving its Canton, Georgia operation. This action will result in the relocation of the Canton operation to the company's existing Spring Lake, Michigan campus.

Of the $16.4 million total fiscal 2003 pretax restructuring charges, $15.9 million was recognized in the fourth quarter. Fixed asset impairments related to the Canton, Georgia and Formcoat consolidation projects totaled $13.5 million. The company recorded charges totaling $3.6 million related to the work force reduction announced in the fourth quarter. Accrual adjustments totaling $1.2 million reduced fourth quarter restructuring expenses and were primarily related to the final sale of the Rocklin, California facility.

The remaining fiscal 2003 charges totaled approximately $0.5 million and related principally to changes in assumptions around carrying costs and sub-lease timing for previously exited facilities. Also included in this remaining charge were credits recognized in the first quarter of fiscal 2003 related to the re-deployment of certain fixed assets in the company's ongoing manufacturing operation. These assets were previously impaired in fiscal 2002 in connection with the Plan.

The following table presents the pretax restructuring charges, by category, recorded pursuant to the Plan.

(In Millions, Year Ended)	May 31, 2003	June 1, 2002
Severance and Outplacement	$ 4.0	$ 30.5
Asset Impairments	11.4	28.0
Early Retirement Enhancement	(0.4)	8.1
Lease and Supplier Contract Terminations	0.3	6.1
Facility Exist Costs and Other	1.1	8.9
Total	$ 16.4	$ 81.6

Including actions taken since the beginning of fiscal 2002, approximately 1,600 employees, across a wide range of job classifications, have been terminated as a result of the Plan. This includes approximately 300 employees from the company's international operations.

During fiscal 2003, the company completed the sale of its Rocklin, California and Spring Lake, Michigan Powder Coat Technology (PCT) facilities. These facilities, which were exited during fiscal 2002, generated total proceeds of $20.2 million.

Asset impairment charges recorded in connection with the Plan during fiscal years 2003 and 2002 were accounted for in accordance with SFAS No. 144 and SFAS No. 121, respectively. These impairments consisted of long-lived assets, including real estate, fixed assets and manufacturing equipment from the facilities the company intends to dispose of or discontinue. The assets were written-down to the lower of their carrying amounts or estimated fair values, less the cost to dispose. Fair value estimates were determined by the company's management, with the assistance of independent appraisers, and were based on estimated proceeds from sale and other relevant factors. These asset impairments resulted as a consequence of the Plan.

Certain assets for which impairment charges were recognized as a result of the Plan have been written-down to their estimated fair values in anticipation of future sales. These assets, and their associated adjusted carrying values at May 31, 2003, include the Holland, Michigan Chair Plant ($5.2 million) and the Canton, Georgia facility ($8.2 million). These assets remain classified as long-term under the caption "Net Property and Equipment" as of the end of the year. The carrying value of the PCT facility was previously recorded under the caption "Assets held for sale" on the June 1, 2002 balance sheet.

Restructuring charges also include certain estimated qualifying exit costs. Those costs related to the restructuring actions announced during and subsequent to fiscal 2003 were recorded in accordance with SFAS 146. Expenses resulting from actions announced during fiscal 2002 were recorded in accordance with Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." For both years, these costs include lease and supplier contract terminations and certain facility exit costs.

The following is a summary of the restructuring accrual activity during fiscal 2002 and 2003.

(In Millions)	Severance and Outplacement Costs	Lease and Supplier Contract Terminations	Facility Exit Costs and Other	Total
Accrual Balance, June 2, 2001	$ —	$ —	$ —	$ —
Restructuring Charges	30.5	6.1	8.9	45.5
Cash Payments	(24.5)	(2.6)	(4.2)	(31.3)
Accrual Balance, June 1, 2002	$ 6.0	$ 3.5	$ 4.7	$ 14.2
Restructuring Charges	4.0	0.3	1.1	5.4
Cash Payments	(8.1)	(2.5)	(3.8)	(14.4)
Accrual Balance, May 31, 2003	$ 1.9	$ 1.3	$ 2.0	$ 5.2

Costs associated with the movement of inventory and equipment, as well as employee relocation and training related to the consolidation of production processes, are recognized as incurred and are not included in the ending restructuring accrual at May 31, 2003.

CHANGE IN ACCOUNTING ESTIMATE

Fiscal 2002 operating expenses included $15.6 million of accelerated depreciation related to certain sales technology assets. This charge reduced earnings per share by $.13 in 2002. At the time the company decided to replace these assets, they had an estimated remaining useful life of approximately eighteen months. These assets were completely depreciated by June 1, 2002, at which time the replacement assets were placed in service. This change in service life constituted a change in accounting estimate under Accounting Principles Board Opinion No. 20, "Accounting Changes."

INVENTORIES

(In Millions)	May 31, 2003	June 1, 2002
Finished products	$ 13.5	$ 16.6
Work in process	6.7	9.1
Raw materials	11.2	13.9
	$ 31.4	$ 39.6

Inventories are valued at the lower of cost or market and include material, labor, and overhead. The inventories of certain subsidiaries are valued using the last-in, first-out (LIFO) method. The inventories of all other subsidiaries are valued using the first-in, first-out method. Inventories valued using the LIFO method amounted to $11.5 million and $12.3 million at May 31, 2003, and June 1, 2002, respectively.

If all inventories had been valued using the first-in, first-out method, inventories would have been $9.3 million and $9.8 million higher than reported at May 31, 2003, and June 1, 2002, respectively.

PREPAID EXPENSES AND OTHER

(In Millions)	May 31, 2003	June 1, 2002
Current deferred income taxes	$ 27.3	$ 29.0
Other	32.2	38.0
	$ 59.5	$ 67.0

ACCRUED LIABILITIES

(In Millions)	May 31, 2003	June 1, 2002
Compensation and employee benefits	$ 41.8	$ 37.5
Restructuring	5.2	14.2
Income taxes	17.9	1.9
Other taxes	12.0	7.7
Unearned revenue	13.2	13.1
Warranty reserves	17.8	22.5
Other	29.7	24.3
	$137.6	$121.2

OTHER LIABILITIES

(In Millions)	May 31, 2003	June 1, 2002
Pension benefits	$ 84.5	$ 47.4
Postretirement benefits	8.7	8.8
Other	36.7	36.0
	$129.9	$ 92.2

NOTES PAYABLE

(In Millions)	May 31, 2003	June 1, 2002
U.S. dollar currencies	$ —	$ —
Non-U.S. dollar currencies	—	2.7
	$ —	$ 2.7

The following information relates to notes payable.

	Domestic	Foreign
Weighted-average interest rate at June 1, 2002	N/A	5.4%

The company has available an unsecured revolving credit facility that provides for $200 million. The facility permits borrowings in multiple currencies and matures on April 16, 2005. Outstanding borrowings bear interest, at the option of the company, at rates based on the prime rate, certificates of deposit, LIBOR, or negotiated rates. Interest is payable periodically throughout the period a borrowing is outstanding. During 2003 and 2002, the company borrowed at the LIBOR contractual rate or other negotiated rates. As of May 31, 2003, the only usage against this facility related to outstanding standby letters of credit totaling approximately $11 million. At June 1, 2002, there were no outstanding borrowings against this credit facility.

LONG-TERM DEBT

(In Millions)	May 31, 2003	June 1, 2002
Series A senior notes, 6.37%, due March 5, 2006	$ 30.0	$ 40.0
Series C senior notes, 6.52%, due March 5, 2008	15.0	15.0
Debt securities, 7.13%, due March 15, 2011	175.0	175.0
Other	3.0	2.4
	223.0	232.4
Less current portion	13.6	10.6
	$209.4	$221.8

The company previously issued $100.0 million of senior notes in a private placement to seven insurance companies of which $45.0 million was outstanding at May 31, 2003. The Series C notes have interest-only payments until March 5, 2004.

Provisions of the senior notes and the unsecured senior revolving credit loan restrict, without prior consent, the company's borrowings, long-term leases, and sale of certain assets. In addition, the company has agreed to maintain certain financial performance ratios, which are based on earnings before taxes, interest expense, depreciation and amortization. At May 31, 2003, the company was in compliance with all of these restrictions and performance ratios.

On May 5, 2000, the company filed a shelf registration on a form S-3 registration statement with the Securities and Exchange Commission (SEC), under file number 333-36442, for the sale of up to $300 million in debt securities. The form S-3 registration statement was declared effective on June 2, 2000. On March 6, 2001, debt securities totaling $175 million, of the $300 million registered, were sold. These notes mature on March 15, 2011, and bear an annual interest rate of 7.125 percent, with interest payments due semi-annually. The net proceeds from the sale of these securities were used for the repayment of outstanding domestic borrowings under the company's revolving credit facility and for general corporate purposes. On September 13, 2002, the company cancelled the remaining $125 million associated with the shelf registration.

Annual maturities of long-term debt for the five years subsequent to May 31, 2003 (in millions), are as follows: 2004–$13.6; 2005–$13.6; 2006–$13.6; 2007–$3.0; 2008–$3.0; thereafter–$175.0. These amounts exclude the recorded fair value of the company's interest rate swap arrangement, which totaled $1.2 million as of May 31, 2003.

OPERATING LEASES

The company leases real property and equipment under agreements that expire on various dates. Certain leases contain renewal provisions and generally require the company to pay utilities, insurance, taxes, and other operating expenses.

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of May 31, 2003, are as follows (in millions): 2004–$19.4; 2005–$15.7; 2006–$10.9; 2007–$6.1; 2008–$3.3; thereafter–$6.8.

Total rental expense charged to operations was $26.9 million, $36.2 million, and $32.4 million in 2003, 2002, and 2001, respectively. Substantially all such rental expense represented the minimum rental payments under operating leases.

EMPLOYEE BENEFIT PLANS

The company maintains plans that provide retirement benefits for substantially all employees.

Pension Plans and Post-Retirement Medical and Life Insurance The principal domestic plan is a defined-benefit plan with benefits determined by a cash balance calculation. Benefits under this plan are based upon an employee's years of service and earnings. The company provides healthcare and life insurance benefits for employees who retired from service on or before a qualifying date in 1998. Benefits under this plan are based on the employee's years of service and age at the date of retirement.

In addition to the domestic plan and the retiree healthcare and life insurance plan, one of the company's wholly owned foreign subsidiaries has a defined-benefit pension plan which is based upon an average final pay benefit calculation. The plan has not been amended and is included in the following information.

In May 2003, the Emerging Issues Task Force issued its consensus on Issue No. 03-04, "Accounting for Cash Balance Pension Plans" (EITF 03-04). In this consensus, the Task Force concluded that the actuarially determined pension expense for cash balance plans be attributed using the traditional unit credit method of accounting. The requirements of EITF 03-04 are effective as of the company's fiscal 2004 pension plan measurement date. The company is currently evaluating the actuarial impact of this consensus as it applies to its cash balance plan structure.

Primarily as a result of plan asset performance, the company was required to recognize an additional pretax minimum pension liability of $58.2 million in the 2003 Consolidated Balance Sheet. In fiscal 2002, the company recognized an additional pretax minimum pension liability of $25.0 million due to plan asset performance and the effects of the early retirement offer and other workforce reductions. In both years, this additional liability was recorded, net of tax, as a component of accumulated other comprehensive loss in the Consolidated Statements of Shareholders' Equity.

During fiscal year 2002, the company offered qualifying employees an early retirement opportunity in connection with its restructuring plan. As a result of this offer, the company recognized an increase in benefit obligation of approximately $6.5 million. Also during 2002, the company recognized a reduction to the benefit obligation of $0.9 million as a result of the curtailment of future service years for employees involved in the workforce reduction actions arising from the restructuring plan. Refer to the "Restructuring Charges" footnote for further discussion of restructuring activities in the current and prior year.

During the fourth quarter of 2001, the company changed its method of determining the market-related value of its plan assets from the fair-value method to a calculated-value method, which recognizes the changes in the fair value of the plan assets on a systematic basis over a five-year period. This new method provides for better matching of the value of plan assets and liabilities under the cash balance retirement plan. Additionally, this method is consistent with that being used by many other manufacturing companies. The impact of this change is reported as a change in accounting principle for pensions, with a cumulative, pre-tax charge of $5.4 million, recorded retroactively, to the beginning of fiscal year 2001.

(In Millions)	Pension Benefits 2003	2002	Post-Retirement Benefits 2003	2002
Change in benefit obligations:				
Benefit obligations at beginning of year	$ 241.8	$ 240.2	$ 12.8	$ 11.6
Service cost	11.1	12.5	—	—
Interest cost	16.2	17.0	1.0	.9
Amendments	—	0.5	—	—
Early retirement window	—	6.5	—	—
Curtailments	—	(0.9)	—	—
Actuarial loss	20.3	5.5	3.3	1.6
Benefits paid	(14.7)	(39.5)	(1.5)	(1.3)
Benefit obligations at end of year	$ 274.7	$ 241.8	$ 15.6	$ 12.8
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 188.2	$ 219.6	—	—
Actual return on plan assets	(9.8)	(29.3)	—	—
Employer contribution	32.1	37.4	$ 1.5	$ 1.3
Benefits paid	(14.7)	(39.5)	(1.5)	(1.3)
Fair value of plan assets at end of year	$ 195.8	$ 188.2	—	—
Funded status	$ (78.9)	$ (53.6)	$ (15.6)	$ (12.8)
Unrecognized transition amount	0.1	0.1	—	—
Unrecognized net actuarial loss	112.0	60.5	6.4	3.4
Unrecognized prior service cost	(23.6)	(26.5)	0.5	0.6
Prepaid (Accrued) benefit cost	$ 9.6	$ (19.5)	$ (8.7)	$ (8.8)
Amounts recognized in the Balance Sheet at the end of the year:				
Prepaid benefit cost	$ 10.2	$ 2.9	—	—
Accrued benefit liability	(84.5)	(47.4)	$ (8.7)	$ (8.8)
Minimum pension liability	83.2	25.0	—	—
Intangible asset	0.7	—	—	—
Prepaid (Accrued) benefit cost	$ 9.6	$ (19.5)	$ (8.7)	$ (8.8)
Weighted average assumptions:				
Discount rate	6.00%	7.25%	6.00%	7.25%
Expected return on plan assets	8.50%	9.50%	N/A	N/A
Rate of compensation increase	4.50%	4.50%	N/A	N/A

For measurement purposes related to post-retirement benefit calculations, a 9.1 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2003. The rate was assumed to decrease gradually to 5.5 percent by 2010 and remain at that level thereafter.

(In Millions)	Pension Benefits 2003	2002	2001	Post-Retirement Benefits 2003	2002	2001
Components of net periodic benefit cost:						
Service cost	$ 11.1	$ 12.5	$ 12.4	—	—	—
Interest cost	16.2	17.0	16.6	$ 1.0	$ 0.9	$ 0.8
Expected return on plan assets	(21.7)	(22.5)	(22.9)	—	—	—
Net amortization	(2.4)	(3.6)	(4.4)	0.3	0.2	0.1
Net periodic benefit cost	$ 3.2	$ 3.4	$ 1.7	$ 1.3	$ 1.1	$ 0.9

A one-percentage-point increase in assumed healthcare cost trend rates would have increased the accumulated post-retirement benefit obligation at May 31, 2003 by $0.9 million. A one-percentage-point decrease would have decreased the accumulated post-retirement benefit obligation at May 31, 2003 by $0.8 million.

Plan assets consist primarily of listed common stocks, mutual funds, and corporate obligations. Plan assets at both May 31, 2003 and June 1, 2002 included 644,766 shares of Herman Miller, Inc. common stock. As of May 31, 2003, the market value of Herman Miller, Inc. shares included in Plan assets was approximately $12.5 million. Dividends paid during fiscal 2003 on these shares totaled approximately $0.1 million.

Profit Sharing and 401(k) Plan Domestically, Herman Miller, Inc., has a trusteed profit sharing plan that includes substantially all employees. These employees are eligible to begin participating at the beginning of the quarter following their date of hire. The plan provides for discretionary contributions (payable in the company's common stock) of not more than 6.0 percent of employees' wages based on the company's financial performance. The cost of the plan charged against operations in 2003 was $0.9 million. The company did not recognize any expense in 2002 related to the profit sharing plan. In 2001, the company recognized expense of $5.4 million related to the plan.

The company matches 50 percent of employee contributions to their 401(k) accounts up to 6.0 percent of their pay. The company's contributions were approximately $5.8 million, $6.6 million, and $7.6 million in fiscal 2003, 2002, and 2001, respectively.

COMMON STOCK AND PER SHARE INFORMATION

The following table reconciles the numerators and denominators used in the calculations of basic and diluted EPS for each of the last three years.

(In Millions, Except Shares)	2003	2002	2001
Numerators:			
Numerators for both basic and diluted EPS, net earnings	$ 23.3	$ (56.0)	$ 140.6
Denominators:			
Denominators for basic EPS, Weighted-average common shares outstanding	74,155,582	75,873,160	76,663,746
Potentially dilutive shares resulting from stock option plans(1)	323,481	—	983,565
Denominator for diluted EPS	74,479,063	75,873,160	77,647,311

(1) As the company reported a net loss for the year ended June 1, 2002, shares resulting from stock option plans would be anti-dilutive to EPS, and consequently, have not been included in determining diluted EPS. The number of shares excluded totaled 567,234.

Certain exercisable stock options were not included in the computations of diluted EPS in fiscal years 2003 and 2001 because the option prices were greater than average market prices for the periods. The number of stock options outstanding at the end of fiscal 2003 and 2001 which were not included in the calculation of diluted EPS and the ranges of exercise prices were: 6,986,483 at $17.86–$32.50 in 2003; and 2,406,140 at $25.81–$32.50 in 2001.

STOCK PLANS

Under the terms of the company's 1995 Employee Stock Purchase Plan, 4 million shares of authorized common stock were reserved for purchase by plan participants at 85.0 percent of the market price. At May 31, 2003, 2,530,767 shares remained available for purchase through the plan, and there were approximately 6,245 employees eligible to participate in the plan, of which 1,771, or approximately 28 percent, were participants. During 2003, 2002, and 2001, employees purchased 206,205 shares for the weighted-average fair value of $14.83; 201,478 shares for the weighted-average fair value of $19.39; and 204,223 shares for the weighted-average fair value of $22.84, respectively.

The company has stock option plans under which options are granted to employees and non-employee directors at a price not less than the market price of the company's common stock on the date of grant. All options become exercisable between one year and four years from date of grant and expire five to ten years from date of grant. At May 31, 2003, there were 3,618,584 shares available for future options.

The company's Long-Term Incentive Plan, along with the Nonemployee Officer and Director Stock Option Plan, authorizes reload options. Reload options provide for the purchase of shares equal to the number of shares delivered upon exercise of the original options plus the number of shares delivered to satisfy the minimum tax liability incurred in the exercise. The reload options retain the expiration date of the original options; however, the exercise price must equal the fair-market value on the date the reload options are granted. During fiscal 2003, no reload options were automatically granted. During fiscal 2002 and 2001, 51,340 and 357,517 reload options, respectively, were automatically granted.

A summary of shares subject to options follows.

	2003		2002		2001	
Shares 2003	Shares	Weighted-Average Exercise Prices	Shares	Weighted-Average Exercise Prices	Shares	Weighted-Average Exercise Prices
Outstanding at beginning of year	8,019,537	$23.55	6,265,020	$22.78	5,238,504	$20.89
Granted	84,847	$19.20	2,964,416	$24.14	1,910,206	$26.17
Exercised	(87,220)	$ 8.56	(544,444)	$14.34	(782,357)	$17.95
Terminated	(423,712)	$24.97	(665,455)	$26.06	(101,333)	$26.10
Outstanding at end of year	7,593,452	$23.59	8,019,537	$23.55	6,265,020	$22.78
Exercisable at end of year	6,033,014	$23.59	4,212,217	$23.07	3,685,579	$21.11
Weighted-average fair-market value of options granted		$ 6.73		$ 7.29		$ 9.96

A summary of stock options outstanding at May 31, 2003, follows.

	Outstanding Stock Options			Exercisable Stock Options	
	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Prices	Shares	Weighted-Average Exercise Prices
$5.25-$23.80	3,783,834	4.30 years	$20.46	2,599,058	$19.23
$24.20-$27.36	2,779,214	7.16 years	$25.63	2,404,352	$25.72
$27.50-$32.50	1,030,404	4.55 years	$29.59	1,029,604	$29.59
Total	7,593,452	5.38 years	$23.59	6,033,014	$23.59

The company accounts for its employee stock purchase plan and its stock option plans under APB Opinion 25; therefore, no compensation costs are recognized when employees purchase stock or when stock options are granted or exercised. If compensation costs had been computed under SFAS No. 123, "Accounting for Stock-Based Compensation," the company would recognize expense pro rata over the vesting periods of the options granted. Accordingly, the company's net earnings and earnings per share would have been reduced by approximately $11.1 million, or $.15 per share in 2003, $7.2 million, or $.09 per share in 2002, and $10.4 million, or $.13 per share in 2001.

For purposes of computing compensation costs of stock options granted, the fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions.

	2003	2002	2001
Risk-free interest rates	2.11%—3.40%	3.63%—4.84%	4.46%—6.26%
Expected term of options	4 years	3—4 years	3 years
Expected volatility	42%—44%	45%—46%	49%—50%
Dividend yield	0.5%	0.5%	0.5%

Black-Scholes is a widely accepted stock option pricing model; however, the ultimate value of stock options granted will be determined by the actual lives of options granted and future price levels of the company's common stock.

KEY EXECUTIVE AND DIRECTOR STOCK PROGRAMS

Restricted Stock Grants The company grants restricted common stock to certain key employees. Shares are awarded in the name of the employee, who has all rights of a shareholder, subject to certain restrictions on transferability and a risk of forfeiture. The forfeiture provisions on the awards expire annually, over a period not to exceed five years. During fiscal 2003, 8,451 shares were granted under the company's long-term incentive plan, no shares were forfeited, and the forfeiture provisions expired on 20,763 shares. As of May 31, 2003, 196,368 shares remained subject to forfeiture provisions and restrictions on transferability. During fiscal 2002, 195,898 shares were granted, 1,935 shares were forfeited, and the forfeiture provisions expired on 56,462 shares. During fiscal 2001, 49,841 shares were granted, no shares were forfeited, and the forfeiture provisions expired on 19,306 shares.

The remaining shares subject to forfeiture provisions have been recorded as unearned stock grant compensation and are included as a separate component of shareholders' equity under the caption Key Executive Stock Programs. The unearned compensation is being charged to selling, general, and administrative expense over the five-year vesting period and was $1.5 million, $1.4 million, and $1.1 million in 2003, 2002, and 2001, respectively.

Key Executive Deferred Compensation Plan The company established the Herman Miller, Inc., Key Executive Deferred Compensation Plan, which allows certain executives to defer receipt of all or a portion of their cash incentive bonus. The company may make a matching contribution of 30 percent of the executive's contribution up to 50 percent of the deferred cash incentive bonus. The company's matching contribution vests at the rate of 33 1/3 percent annually. In accordance with the terms of the plan, the executive deferral and company matching contribution have been placed in a "Rabbi" trust, which invests solely in the company's common stock. These Rabbi trust arrangements offer the executive a degree of assurance for ultimate payment of benefits without causing constructive receipt for income tax purposes. Distributions to the executive from the Rabbi trust can only be made in the form of the company's common stock. The assets in the Rabbi trust remain subject to the claims of creditors of the company and are not the property of the executive and are, therefore, included as a separate component of shareholders' equity under the caption Key Executive Stock Programs.

Key Executive Stock Purchase Assistance Plan The company previously adopted a key executive stock purchase assistance plan that was used to assist them in attaining their stock ownership requirements. Under the terms of this plan, loans were made to key executives for the purpose of purchasing company stock. All loans are full recourse loans. Each loan is evidenced by a promissory note from the participating executive and is secured by all or a portion of the shares purchased with the loan proceeds. The sale or transfer of shares is restricted for five years after the loan is fully paid. The plan provides for the key executives to earn repayment of a portion of the notes, including interest, based on meeting annual performance objectives as set by the Executive Compensation Committee of the Board of Directors. During the course of the loans, the plan prohibits participants from earning repayment of more than eighty percent of the original principal amount, plus accrued interest, prior to maturity of the loans.

No loans under this plan have been extended by the company during the past three fiscal years. Moreover, following the enactment of the Sarbanes-Oxley Act of 2002, the company's Executive Compensation Committee will not permit any new loans to be granted under the plan. Existing loans may be paid in accordance with their prevailing terms but may not be materially modified.

The notes bear interest at 7.0 percent per annum. Interest is payable annually, and principal is due on various dates through September 1, 2008. As of May 31, 2003, the notes outstanding relating to the exercise of options were $0.03 million. Notes outstanding related to open-market purchases were $1.4 million and are recorded in other assets. Compensation expense related to earned repayment was zero in 2003 and not material in 2002. In 2001, this expense totaled $0.2 million.

In fiscal 2003 and 2002 the annual performance objectives related to the earned repayment provision of these loans were not attained resulting in payment obligations for current plan participants. In fiscal 2003, no deferrals of these payment obligations were granted. Accordingly, principal payments of $0.25 million and interest payments of $0.1 million are expected to be paid in the second quarter of fiscal 2004 by participants of the plan. In fiscal 2002, the Executive Compensation Committee of the Board of Directors agreed to allow the participants to defer the fiscal 2002 payments to a future date without extending the maturities on the loans. In total, principal payments of $0.2 million and interest payments of $0.1 million were deferred for four executives in fiscal 2002.

Director Fees During fiscal 2000, the Board of Directors approved a plan that allows the Board members to elect to receive their director fees in one or more of the following forms: cash, deferred compensation in the form of shares, unrestricted company stock at the market value at the date of election, or stock options that vest in one year and expire in ten years. The exercise price of the stock options granted may not be less than the market price of the company's common stock on the date of grant. Under the plan, the Board members received 74,847 options, 5,230 shares of common stock, and 5,346 shares through the deferred compensation program during fiscal 2003. In fiscal 2002, Board members received 47,020 options and 11,266 shares through the deferred compensation program.

INCOME TAXES

The components of earnings from continuing operations before income taxes and cumulative effect of change in accounting are as follows.

(In Millions)	2003	2002	2001
Domestic	$ 31.0	$ (80.9)	$ 204.8
Foreign	4.8	(10.1)	20.3
	$ 35.8	**$(91.0)**	**$225.1**

The provision (benefit) for income taxes consists of the following.

(In Millions)		2003	2002	2001
Current:	Domestic—Federal	$ 3.4	$ (14.0)	$ 68.0
	Domestic—State	(5.4)	(8.1)	4.5
	Foreign	(3.2)	(2.6)	7.2
		(5.2)	(24.7)	79.7
Deferred:	Domestic—Federal	5.7	(10.8)	0.7
	Domestic—State	7.0	0.7	0.3
	Foreign	5.0	(0.2)	0.3
		17.7	(10.3)	1.3
Total income tax provision (benefit)		**$ 12.5**	**$(35.0)**	**$ 81.0**

The following table represents a reconciliation of income taxes at the United States statutory rate with the effective tax rate as follows.

(In Millions)	2003	2002	2001
Income taxes computed at the United States statutory rate of 35%	$ 12.5	$ (31.9)	$ 78.8
Increase (decrease) in taxes resulting from:			
Corporate-owned life insurance	—	3.3	—
State taxes, net	1.6	(4.8)	3.1
Change in tax reserves	(2.0)	—	—
Other, net	0.4	(1.6)	(0.9)
	$ 12.5	**$(35.0)**	**$ 81.0**

The tax effects and types of temporary differences that give rise to significant components of the deferred tax assets and liabilities at May 31, 2003, and June 1, 2002, are presented below.

(In Millions)	2003	2002
Deferred tax assets:		
Book over tax loss on sale of fixed assets	—	$ 2.7
Compensation-related accruals	$ 10.9	11.2
Accrued pension and postretirement benefit obligations	33.9	21.7
Reserves for inventory	3.0	3.5
Reserves for uncollectible accounts and notes receivable	5.5	4.6
Restructuring	6.7	9.1
Accrued GSA	6.0	5.9
Warranty	5.9	7.7
State Tax NOL's	4.3	—
Foreign Tax NOL's	1.1	—
Other	15.1	10.4
Valuation allowance	(1.0)	—
	$ 91.4	$ 76.8
Deferred tax liabilities:		
Book basis in property in excess of tax basis	$ (7.5)	$ (6.5)
Tax over book loss on sale of fixed assets	(2.1)	—
Capitalized software costs	(19.2)	(19.5)
Prepaid employee benefits	(4.8)	(4.2)
Other	(4.6)	(11.1)
	$ (38.2)	$ (41.3)

The future tax benefits of net operating loss (NOL) carryforwards are recognized to the extent that realization of these benefits is considered more likely than not. The company bases this determination on the expectation that related operations will be sufficiently profitable or various tax planning strategies will enable the company to utilize the NOL carryforwards. To the extent that available evidence about the future raises doubt about the realization of these tax benefits, a valuation allowance is established.

The company has state and local tax NOL carryforwards, the tax benefit of which is $4.3 million, that have various expiration periods from five to twenty years. For financial statement purposes, the net operating loss carryforwards have been recognized as a deferred tax asset, subject to a valuation allowance of approximately $1.0 million.

The company has foreign net operating loss carryforwards, the tax benefit of which is $1.1 million, that have various expiration periods, some of which are unlimited in term. For financial statement purposes, the tax benefit of the foreign net operating loss carryforwards has been recognized as a deferred tax asset.

The company has not provided for United States income taxes on undistributed earnings of foreign subsidiaries totaling $67 million. Recording of deferred income taxes on these undistributed earnings is not required, since these earnings have been permanently reinvested. These amounts would be subject to possible U.S. taxation only if remitted as dividends. The determination of the hypothetical amount of unrecognized deferred U.S. taxes on undistributed earnings of foreign entities is not practicable.

During fiscal 2002, the company entered into a settlement agreement with the Internal Revenue Service related to the disallowance of deductions for its corporate owned life insurance (COLI) policy loan interest and administrative fees. This settlement was for all years of the insurance programs since their inception in fiscal 1994.

The company's settlement provided for the surrender of its COLI program policies. As a result, the company cancelled the related life insurance policies resulting in a $1.8 million pretax charge to earnings in the quarter ended March 2, 2002. The company also received cash in the third quarter of fiscal 2002 totaling $14.0 million for the net cash surrender value of the related policies. Additionally, the settlement agreement required the company to pay taxes and interest related to the disallowance of the deductions for the tax years between 1994 and 1999. As the company had previously reserved for the disallowance of these deductions, no further impact to net earnings was required. Taxes and interest related to the settlement totaling $20.4 million were paid during fiscal 2003. Future remaining tax and interest payments totaling $1.8 million are expected to be made in early fiscal 2005.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the company's financial instruments included in current assets and current liabilities approximates fair value due to their short-term nature. The fair value of the notes receivable is estimated by discounting expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. As of May 31, 2003, and June 1, 2002, the fair value of the notes receivable approximated the carrying value. The company intends to hold these notes to maturity and has recorded allowances to reflect the terms negotiated for carrying value purposes. As of May 31, 2003, the carrying value of the company's long-term debt including both current maturities and the fair value of the company's interest rate swap arrangement was $223.0 million with a corresponding fair market value of $256.8 million. At June 1, 2002, the carrying value and fair market value was $232.4 million and $233.7 million, respectively.

FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The company has periodically utilized financial instruments to manage its foreign currency volatility at the transactional level as well as its exposure to interest rate fluctuations.

Foreign Currency Contracts The majority of the foreign currency contracts relate to major currencies such as the Japanese yen, the Australian dollar, and the British pound. The exposure to credit risk from these currency contracts is minimal, because the counterparties are major financial institutions. The market risk exposure is essentially limited to currency rate movements. The gains or losses arising from these financial instruments are applied to offset exchange gains or losses on the related hedged exposures. Realized gains or losses in 2003, 2002, and 2001 were not material to the company's results of operations. At May 31, 2003 and June 1, 2002, the company had no outstanding derivative financial instruments resulting from foreign currency hedge contracts.

Interest Rate Swap On May 21, 2002 the company entered into a fixed-to-floating interest rate swap agreement effectively converting $40 million of fixed-rate private placement debt to a floating-rate basis. As of May 31, 2003, the floating interest rate, which is based on the 90-day LIBOR, was approximately 3.71 percent. This fair-value hedge is "highly effective" and qualifies for hedge-accounting treatment as well as the "short-cut" method under the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." Under this accounting treatment, the change in the fair value of the interest rate swap is equal to the change in value of the related hedged debt and, as a result, there is no net effect on earnings. This agreement, which expires on March 6, 2006, requires the company to pay floating-rate interest payments on a quarterly basis in return for receiving semi-annual fixed-rate interest payments that coincide with the semi-annual payments to the private placement holders at the same rate. The counterparty to this swap instrument is a large major financial institution which the company believes is of high-quality creditworthiness. While the company may be exposed to potential losses due to the credit risk of non-performance by this counterparty, such losses are not anticipated. This transaction reduced net interest expense by approximately $0.9 million in fiscal 2003. In fiscal 2002, the effect on net interest expense was not material. The fair value of this swap instrument at May 31, 2003, was approximately $1.2 million. The company had no interest rate swap contracts outstanding as of June 2, 2001.

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

The following table presents the adjustments to reconcile net earnings to net cash provided by operating activities.

(In Millions)	2003	2002	2001
Depreciation	$ 67.6	$105.7	$ 87.3
Amortization	1.8	7.2	5.3
Provision for losses on accounts and notes receivable	4.4	2.9	6.6
Restructuring	2.0	49.9	—
Loss on sales of property and equipment	2.7	8.8	5.4
Deferred taxes	(17.7)	(10.3)	1.3
Other liabilities	(7.4)	(26.1)	4.9
Impairment of equity investment	2.2	—	—
Stock grants earned	1.5	1.4	1.1
Changes in current assets and liabilities:			
Decrease (increase) in assets:			
Accounts receivable	14.5	66.9	10.6
Inventories	8.2	16.3	(2.0)
Prepaid expenses and other	(0.9)	(5.1)	(5.7)
Increase (decrease) in liabilities:			
Accounts payable	3.3	(25.0)	(19.3)
Accrued liabilities	39.2	(82.0)	(27.8)
Total changes in current assets and liabilities	64.3	(28.9)	(44.2)
Total adjustments	**$121.4**	**$110.6**	**$ 67.7**

Cash payments for interest and income taxes were as follows.

(In Millions)	2003	2002	2001
Interest paid	$ 17.5	$ 21.1	$ 13.5
Income taxes (refunded) paid, net	$ (1.9)	$ 7.7	$ 80.1

GUARANTEES, INDEMNIFICATIONS, AND CONTINGENCIES

Product Warranties The company provides warranty coverage to the end-user for parts and labor on products sold. The standard length of warranty is 12 years; however, this can vary depending on the product classification. The company does not sell or otherwise issue warranties or warranty extensions as stand-alone products. Reserves have been established for the various costs associated with the company's warranty program. General warranty reserves are based on historical claims experience and other currently available information and are periodically adjusted for business levels. Specific reserves are established once an issue is identified with the amounts for such reserves based on the estimated cost to correct the problem.

Warranty matters identified, settlements made, and adjustments to the accrued warranty reserve for the year ended May 31, 2003 were as follows.

(In Millions)	
Accrual Balance—June 1, 2002	$ 22.5
Warranty matters identified during the period	10.7
Costs to correct during the period	(11.5)
Adjustments to accrual(1)	(3.9)
Accrual Balance—May 31, 2003	$ 17.8

(1) Adjustments are primarily the result of revisions to the estimated remaining population of products requiring service within a specific reserve category.

Other Guarantees During fiscal 2003, the company entered into an agreement to guarantee the debt of an independent contract furniture dealership. The maximum financial exposure assumed by the company as a result of this arrangement totaled $0.8 million as of May 31, 2003. In accordance with the provisions of FIN 45, the company has recorded the fair value of this guarantee, which is estimated to be $0.3 million, under the caption “Other Liabilities” in the May 31, 2003 consolidated balance sheet.

The company is periodically required to provide performance bonds in order to do business with certain customers. These arrangements are common and generally have terms ranging between one and three years. The bonds are required to provide assurances to customers that the products and services they have purchased will be installed and/or provided properly and without damage to their facilities. The bonds are provided by various bonding agencies and the company is ultimately liable for claims that may occur against them. As of May 31, 2003, the company had a maximum financial exposure related to performance bonds totaling approximately $12.6 million. The company has had no history of claims nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not materially affect the company’s financial statements. Accordingly, no liability has been recorded.

The company has entered into standby letter of credit arrangements for the purpose of protecting various insurance companies against default on the payment of certain premiums and claims. A majority of these arrangements are related to the company’s wholly owned captive insurance company. As of May 31, 2003, the company had a maximum financial exposure from these insurance-related standby letters of credit totaling approximately $10.2 million. The company has had no history of claims nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not materially affect the company’s financial statements. Accordingly, no liability has been recorded.

Subsequent to the end of fiscal 2003, the coverage value of these insurance-related letters of credit was increased by $2.6 million, bringing the company’s maximum financial exposure to $12.8 million.

In addition to these insurance-related items, during fiscal 2003 the company entered into two separate standby letter of credit arrangements for purposes of guaranteeing the debt of two independent contract furniture dealerships. As of the end of fiscal 2003, the maximum financial exposure from these instruments totaled $0.8 million. The company has recorded the fair value of these guarantees, which is estimated to be $0.6 million, under the caption “Other Liabilities” in the May 31, 2003 consolidated balance sheet.

The company has guaranteed a contractual lease obligation of an independent contract furniture dealership. The related lease term expires in the fourth quarter of fiscal 2004. As of the end of fiscal 2003, the remaining unpaid lease payments subject to this guarantee totaled approximately $0.2 million. In accordance with the provisions of FIN 45, no liability has been recorded as the company entered into this arrangement prior to December 31, 2002.

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. Under the terms of these 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 process. Management does not expect resolution of the audits to have a material adverse effect on the company’s consolidated financial statements.

On March 19, 2003, a settlement was reached in mediation concerning an audit of the company’s compliance with its international GSA contract for the years 1991, 1992, and 1993. The terms of the settlement required the company to pay $0.6 million to the United States Government. This payment was made during the fourth quarter of fiscal 2003. The financial impact of this settlement was previously reserved for, and consequently, it had no impact on fiscal 2003 net earnings.

The company is also involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such proceedings and litigation currently pending will not materially effect the company's consolidated financial statements.

OPERATING SEGMENTS

The company is engaged worldwide in the design, manufacture, and sale of office furniture systems, products, and related services through its wholly owned subsidiaries. Throughout the world the product offerings, the production processes, the methods of distribution, and the customers serviced are consistent. The product lines consist primarily of office furniture systems, seating, storage solutions, and casegoods. Management evaluates the company as one operating segment in the office furniture industry.

Sales to customers are attributed to the geographic areas based on the location of the customer. Long-lived assets consist of property and equipment. Geographic information is as follows.

(In Millions)	2003	2002	2001
Net sales:			
United States	$ 1,134.0	$ 1,249.2	$ 1,889.2
International	202.5	219.5	347.0
	$1,336.5	**$1,468.7**	**$2,236.2**
Long-lived assets:			
United States	$ 235.3	$ 304.4	$ 396.8
International	10.4	11.0	12.2
	$ 245.7	**$ 315.4**	**$ 409.0**

SUBSEQUENT EVENT

On July 30, 2003 the Florida Court of Appeals issued its decision to deny the request for a re-hearing of a case against one of the company's wholly owned contract furniture dealerships. This case was originally filed in July 1999 and resulted in an adverse jury verdict in favor of the plaintiff in October of that year. At that time, the company appealed the verdict and, in May 2003, the Court of Appeals ruled against the plaintiff and reversed the original verdict. Upon this decision, the plaintiff entered a request for a re-hearing which was subsequently denied on July 30, 2003. As a result of this favorable decision, the company expects to reverse its previously recorded liability of $5.2 million, which includes approximately $0.9 million of accrued interest, during the first quarter of fiscal 2004.

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of Herman Miller, Inc.

We have audited the accompanying consolidated balance sheets of Herman Miller, Inc. and subsidiaries as of May 31, 2003 and June 1, 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the two years in the period ended May 31, 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of Herman Miller, Inc. and subsidiaries for the year ended June 2, 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated June 25, 2001.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Herman Miller, Inc. and subsidiaries at May 31, 2003 and June 1, 2002, and the consolidated results of their operations and their cash flows for each of the two years in the period ended May 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed above, the consolidated financial statements of Herman Miller, Inc. and subsidiaries as of June 2, 2001 and for the year then ended were audited by other auditors who have ceased operations. As described in the Significant Accounting and Reporting Policies footnote, these consolidated financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards (Statement) No. 142, Goodwill and Other Intangible Assets, which was adopted by the company as of June 2, 2002. Our audit procedures with respect to the disclosures in the Significant Accounting and Reporting Policies footnote with respect to fiscal 2001 included (a) agreeing the previously reported net income to the previously issued financial statements and the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in fiscal 2001 related to goodwill as a result of initially applying Statement No. 142 to the company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income, and the related earnings-per-share amounts. In our opinion, the disclosures for fiscal 2001 in the Significant Accounting and Reporting Policies footnote are appropriate. However, we were not engaged to audit, review or apply any procedures to the fiscal 2001 consolidated financial statements of the company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the fiscal 2001 consolidated financial statements taken as a whole.

As discussed in the Significant Accounting and Reporting Policies footnote to the consolidated financial statements, in fiscal 2003 the company changed its method of accounting for goodwill.

Ernst + Young LLP

Grand Rapids, Michigan June 23, 2003
Except for the Subsequent Event footnote, as to which the date is July 30, 2003

CHANGE IN ACCOUNTANTS

Herman Miller, Inc. (the company) determined, for itself and on behalf of its subsidiaries, to dismiss its independent auditors, Arthur Andersen LLP (Arthur Andersen) and to engage the services of Ernst & Young LLP (Ernst & Young) as its new independent auditors. The change in auditors was approved by the Board of Directors of the company; the change was effective as of May 6, 2002. As a result, Ernst & Young audited the consolidated financial statements of the company and its subsidiaries for the fiscal year ended June 1, 2002.

Arthur Andersen's report on the company's consolidated financial statements for the fiscal year ended June 2, 2001 did not contain an adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal year ended June 2, 2001 and through May 6, 2002 (the Relevant Period), (1) there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Arthur Andersen's satisfaction, would have caused Arthur Andersen to make reference to the subject matter of the disagreement(s) in connection with its reports on the company's consolidated financial statements for such years; and (2) there were no reportable events as described in Item 304(a)(1)(v) (Reportable Events) of the Commission's Regulation S-K.

During the Relevant Period, neither the company nor anyone acting on its behalf consulted with Ernst & Young regarding (i) the application of accounting principles to a specified transaction, completed or proposed, or the type of audit opinion that might be rendered on the company's consolidated financial statements, or (ii) any matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

The company has not been able to obtain, after reasonable efforts, the re-issued reports or consent of Arthur Andersen related to the 2001 consolidated financial statements and financial statement schedule. Therefore, we have included a copy of their previously issued report.

COPY REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS(1)

To the Shareholders and Board of Directors of Herman Miller, Inc.:

We have audited the accompanying 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. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Herman Miller, Inc., and subsidiaries as of June 2, 2001 and June 3, 2000, and the results of their operations and their cash flows for each of the three years in the period ended June 2, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in the Employee Benefit Plans note to the consolidated financial statements, effective June 4, 2000, Herman Miller, Inc. changed its method of accounting for pensions.

Arthur Andersen LLP Grand Rapids, Michigan June 25, 2001

(1) The company has not been able to obtain, after reasonable efforts, the re-issued report of Arthur Andersen LLP related to the 2001 consolidated financial statements. Therefore, we have included a copy of their previously issued report.

BOARD OF DIRECTORS

Mary Vermeer Andringa(1)
President and Chief Executive Officer, Vermeer Manufacturing Company
Agricultural and industrial equipment manufacturer

J. Harold Chandler(1,3)
Chairman and Chief Executive Officer,
Benefit Partners of America, LLC
Insurance company

Dr. E. David Crockett(2,3)
General Partner, Aspen Ventures
High-technology venture-capital firm

Lord Brian Griffiths of Fforestfach
International Advisor, Goldman Sachs International Limited
International investment banking firm and House of Lords, United Kingdom

Douglas D. French(2)
President and Chief Executive Officer, Ascension Health
Health care system

C. William Pollard(3,4)
Chairman Emeritus, The ServiceMaster Company
Management and consumer services for healthcare, industrial, and educational facilities

Thomas C. Pratt(2,4)
President and Chief Executive Officer, International Cooperating Ministries
Religious organization

Ruth A. Reister(2)
Private investments and civic and charitable activities

Dorothy A. Terrell(4)
Venture Partner, First Light Capital
Innovative technology venture-capital firm

David O. Ulrich(1)
Professor, University of Michigan Business School

Michael A. Volkema(3)
Chairman and Chief Executive Officer, Herman Miller, Inc.

Brian C. Walker
President and Chief Operating Officer, Herman Miller, Inc.

Daniel C. 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

Michael A. Volkema
Chairman and Chief Executive Officer

Gary S. Miller
Chief Development Officer

Elizabeth A. Nickels
Chief Financial Officer

Brian C. Walker
President and Chief Operating Officer

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 August 11, 2003, there were approximately 18,500 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 43069, Providence, RI 02940-3069, USA
Attention: Herman Miller, Inc., Shareholder Relations
800 446 2617

INDEPENDENT PUBLIC ACCOUNTANTS

Ernst & Young 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

WHY HERMAN MILLER IS THE LEADER IN WORK SEATING

Work seating is perhaps the most complex element in office furniture, and it has become an important part of our business. We have scored many successes over the years. Any major advance in work chairs comprehends the latest in ergonomic thinking, materials research, environmental design, anthropometric data, musculo-skeletal research, engineering and manufacturing expertise. The list gets pretty long. Just let us say that a truly innovative work chair doesn't happen overnight.

We've also learned that true innovation (by which we mean something new that actually meets a human need) doesn't come from thin air. It depends to a large degree on existing reality and how the minds of talented designers and engineers can blend that reality with a vision of how things might be better. With every new chair, Herman Miller's knowledge and experience and expectations go up.

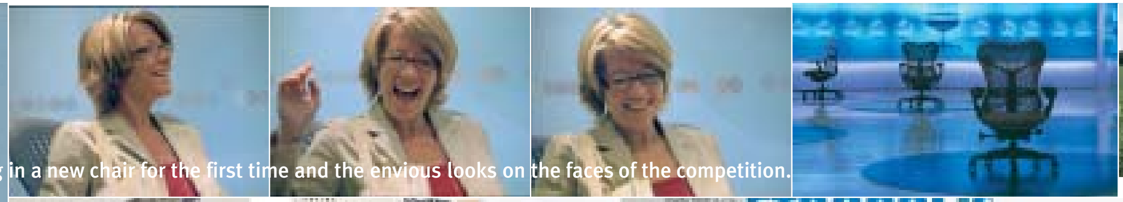
In 2003, we're happy to present to you the latest in a long line of winners—the Mirra chair, designed by Studio 7.5 in Berlin. The five designers of the Mirra chair join an illustrious list of people who have given our customers great seats. In the case of Mirra, Herman Miller and our customers are glad to have a moderately-priced, high-performance work chair. Have you tried it yet?

Herman Miller

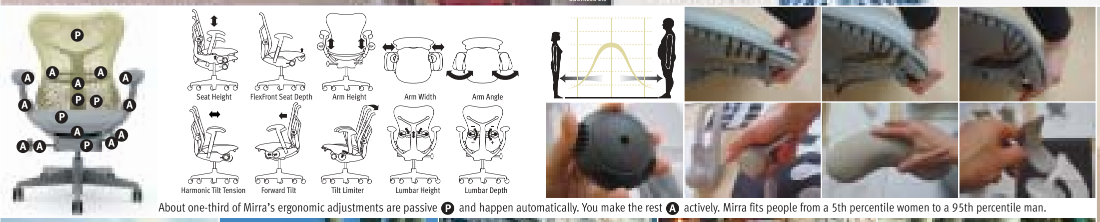
The Mirra Chair

Advancing the science and art of seating

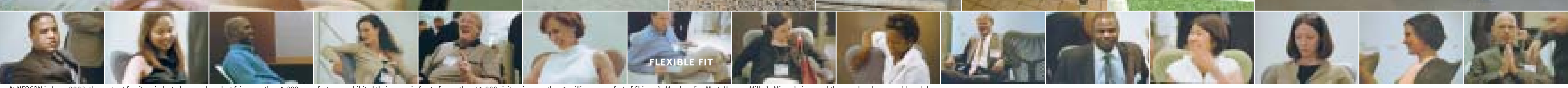
The Mirra Chair

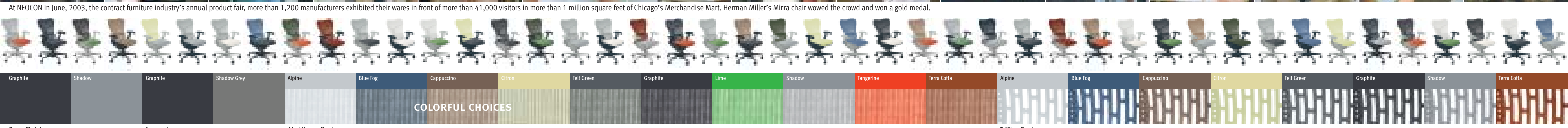
Mirra's 96% recyclable, and 42% of its weight comes from recycled content.

About one-third of Mirra's ergonomic adjustments are passive P and happen automatically. You make the rest A actively. Mirra fits people from a 5th percentile women to a 95th percentile man.

At NEOCON in June, 2003, the contract furniture industry's annual product fair, more than 1,200 manufacturers exhibited their wares in front of more than 41,000 visitors in more than 1 million square feet of Chicago's Merchandise Mart. Herman Miller's Mirra chair wowed the crowd and won a gold medal.

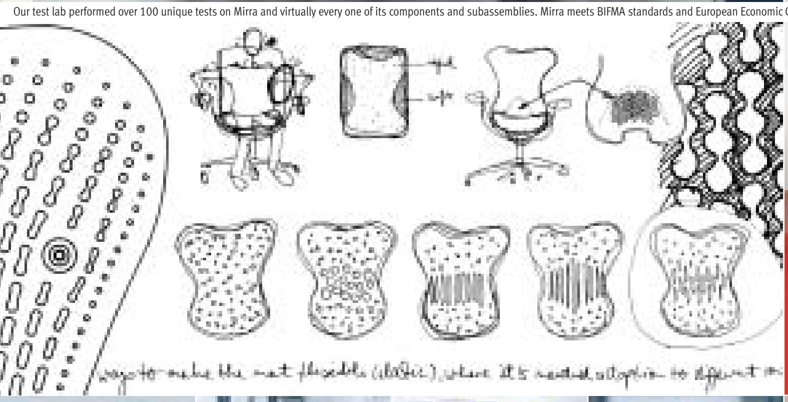


Base Finish Armpads AireWeave Seat TriFlex Back

Our test lab performed over 100 unique tests on Mirra and virtually every one of its components and subassemblies. Mirra meets BIFMA standards and European Economic Community standards, one reason it has a 12-year unconditional guarantee.

HermanMiller

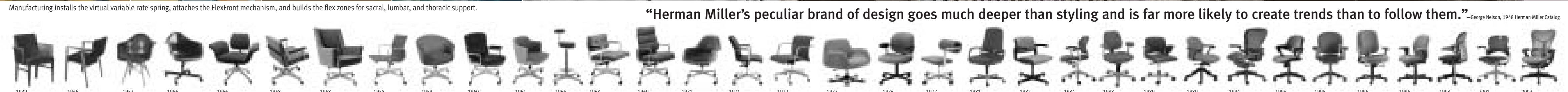
"The combination of price and performance was mission impossible for a long time, but in the end we got it."—Burkhard Schmitz, Studio 7.5




Don Goeman, vice-president of design and development, describes the complex process of developing a chair at Herman Miller. "Innovation in its purest form is like growing something; growing a chair is a difficult process. The end result of the process of innovation often bears no resemblance to what we imagined in the first place. The best chairs—and I've been through the development of many—result from an organic, open-minded pursuit of solutions to real problems. Mirra is an innovative chair."


Manufacturing installs the virtual variable rate spring, attaches the FlexFront mechanism, and builds the flex zones for sacral, lumbar, and thoracic support.

"Herman Miller's peculiar brand of design goes much deeper than styling and is far more likely to create trends than to follow them."—George Nelson, 1948 Herman Miller Catalog



The people who delivered the Mirra chair. Thanks. *Design:* Carola Zwick, Roland Zwick, Claudia Plikat, Burkhard Schmitz, Nicolai Neubert *Sales and Marketing:* Deb Abraham, Barb Anderle, Maria Andreu, Mike Arents, Patti Arizola, Scott Ashley, Jim Bannerman, Janet Barnes, Ginny Baxter, Wayne Baxter, Jamie Becker, Dan Beukema, Laura Bielby, Terrese Bistritz, Kimberly Blauwkamp, Sandra Bobbitt, Sharon Boehm, Karlene Boeve, Ted Boeve, Deborah Bowden, Nick Bray, Misty Brink, Jim Brondbjerg, Randy Brown, Sherry Mason Brown, Martin Burch, Marlene Capotosto, Pam Carpenter, Mark Catchlove, Greg Clark, Kimberly Coffman, Marcia Davis, Mark De Chant, Cindy DeGraaf, Jan DeKock, Jerry DeFouw, Tammy Dick, Tamara Dubowitz, Andrew Dull, Brian Edlefson, Kathy Elhart, Al Everett, Mary Faber, Tonia Falkowski, Barb Fritz, Steve Frykholm, Libby Ferin, Marcia Fowler, Karen Fox, Yuriko Fukuzawa, Dianne Garone, Dave Gillman, Jim Giobbia, Debbie Gonzalez, Richard Goodwin, Pete Gottmeier, Jennifer Goulooze, Heather Grassmid, Judy Grassmid, Andy Gregory, Amy Gutoske, Betty Haan, Carol Henry, Bob Hieftje, Dick Holm, Becky Hulst, Andy Humphreys, Jodi Imburgia, Evelyn Jarosch, Paula Kendra, Ray Kennedy, Gerb Kingma, Kathy Kim, Jennifer Kronemeyer, Steve Kuhlke, Katie Lane, Judy Leese, Eric Lubbers, Sharon Lucas, Diane Lundwall, Lois Maassen, Kris Manos, Robin Marckini, Mike Marsh, Melissa McKinstry, Steve McLaughlin, Keith McRobert, Marg Mojzak, Catherine Morse, Roger Moses, Barb Mosler, Patti Neigh, Nancy Nordstrom, Gerry Oppenneer, Mike O'Toole, Marnie Pennington, Stephen Perkins, Bart Pierce, Marc Phibbs, Pete Phillips, David Pimento, Vickie Poel, Marianne Rogers, Paul Salmon, Sarah Sanchez, Tami Santillan, Mimi Schmidt, David Schutte, Nicola Searle, Julie Shimizu, Jeremy Smith, Sheryl Smith, Karen Smith-Hosner, Keri Spykerman, Kathy Stanton, Jim Steckler, Barb Stephen, Gay Strobel, Mark Stuhlmueller, David Taylor, Dave Teerman, Todd Thompson, Margie Troy, Gregg VanderKooi, Kim Harris VanderLende, Glenn Vaughan, Simon Vernon, Ruth Visser, Laura Vriesman, Tom Vriesman, Kris Ward, Sheila Warfield, Peter Wise, Roxanne Wood, MaryKat Workinger, Michelle Zink *Research, Design, and Engineering:* Chad Aerts, John Aldrich, Lynne Allen, Jerry Anderson, Roy Baker, Carolyn Bocheff, Stacy Broas, Noel Carrillo, Scott Charon, Brian Curtis, Jerry DeFouw, Marc Dinneweth, Bill Dowell, Rick Duffy, Raul Fernandez, Jana Ham, Don Goeman, Curt Groelsma, Trent Groendyke, Gretchen Gscheidle, Tim Hays, Barb Herman, Chris Hill, Bob Insalaco, Jeff Jansma, Judy Kruis, Maria Larrazabal, Carolyn Maalouf, Ted Martin, Jeff Mass, George Miles, Tom Mueller, Fabienne Munch, Paul Murray, Bob Nyhuis, Kathleen O'Brien, Fred Pettinga, Kurt Porter, John Roblin, Nancy Sackett, Tom Schroek, Dave Schuelke, Marcia Skidmore, Jim Slagh, Sue Strengholt, Deborah Suzenaar, John Szmadzinski, Paul Trembly, Doug VanDeRiet, Jan Vandermeer, Dale VanderPloeg, Dyan VanFossen, Marlin Vis, Doug Wesseldyke, Jeff Wiersma, Scott Wing, Jason Wisnewski, Trish Wood *Manufacturing and Operations:* Jerry Akers, Sally Burns, Jay Bruns, Louis Dykema, Doug Ebels, Paula Edwards, Juan Escot, Kathy Feaster, Karla Gemmill, Ken Goodson, Eric Green, Matt Holverda, Tim Hoogland, Pat Hughes, Mary Jo Huizenga, Heather Kerres, Kim McClain, Mariella Mendez, Kara Mills, Tim Pluister, Chuck Priese, Dean Prince, Frank Ramirez, Karen Redder, Jamie Riemersma, Sue Sandell, Steve Schrotenboer, Cindy Slenk, Kelly Smith, Brad Spooner, Troy Springer, Mary Stevens, Terry VanDyke, Kevin Walker, Terry Warners, Hazel Wells, Bob Wood, Dennis Wright, Greg Wrona *Corporate:* Bruce Buursma, Jim Christenson, Doug Hayden, Kim Hoekstra, Robyn Hoffmeyer, Sandy Houting, Dave Knibbe, Andy Lock, Clark Malcolm, Andy McGregor, Gary Miller, Beth Nichols, Sara Robinette, Mark Schurman, Jack Schreur, George Seay, Lee Sullivan, Brian Walker, Mike Volkema, Charlie Vranian *Experts, Suppliers, and Consultants:* Aim, Jamie Barendsen, BBK Studio, Bock, Brinks Hofer, Rog Bush, C2 Media, Cascade Engineering, Corporate Color, Anne Coulter, Dahti, Kelly DeBaar, Digital Mann, Brad Dunham, Effective Images, Fairly Painless Advertising, Fastex, Fishladder, Foremost Graphics, Gill, Global/Jimdi, GR Spring and Stamping, Grey Berlin Design, Gross Stabil, Hedrich-Blessing, Bill Holm, Mickey Howell, Insightful Imagery, Intaglio, Integra, Jon Post Illustration, Kathy Keating, Joyce Mast Design, Middleville Tool, Midstate Bolt & Nut, Namestormers, Keasha Palmer, Primera, Quantum, Rasikas, Matt Reed, Francois Robert, Alan Rosas, Royal, Beatrice Santiccioli, Rod Schonfelder, Scott Corder Productions, Seavers, Peter Sensor, Lisa Steele, Steketee, Mike Stuk, Tecna International, ThoroughBred, Inc., Topcraft, Mark Tuschman, Varnum, Virtual Engineering, The W Group, Brock Walker, Joe Wardell, Jim Warych

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