

Notice of 2008
Annual Meeting of Shareholders
Proxy Statement



Herman Miller, Inc., and Subsidiaries

August 21, 2008

Dear Shareholder,

We've had an interesting year at Herman Miller in 2008. The economy has thrown us some curves, and our growth was modest. Yet the real story is very good performance, progress on the important things, many new products and product improvements, and we are well positioned for the current environment and our long-term future.

A real highlight for me

Now I'd like to spend this letter talking a little about our past year and, more important, about our year ahead, which is likely to be a tough one.

Awards are indications of what someone else thinks, but getting back on *Fortune's* 100 Best Companies to Work For means a great deal to me. It is an important indication that many people have done many things to improve life and work at Herman Miller, from going to a mid-year bonus or shutting down over the holidays, to wellness programs and more flexible benefits. Many of us have always known that Herman Miller is a great place to work—but the official stamp from *Fortune* does carry weight.

For the 20th time in 22 years we were ranked, again by *Fortune*, as the "Most Admired" company in our industry. If you put these two honors together with a third we received this year—being named one of *Fast Company's* "Fast 50" (for innovation)—you see Herman Miller in pretty good company. Only six organizations made all three lists—Nike, Google, Cisco Systems, Whole Foods, Microsoft, and Herman Miller.

You aren't grouped with companies like that for things you do overnight. That's the reason I'm proud of these awards.

Financial highlights and 2010 goals

At Herman Miller, we've always chosen our own goals. How high you set your goals says a lot about what kind of place you want to become. Four years ago we set out what we call Powers of Ten goals—some were high; some turned out to be way too low. In either case, these goals are measurements, unlike the lists from other people, of how well we're doing on our terms.

Our financial results show another successful year at Herman Miller. Some of the key financial highlights from fiscal year 2008:

- A 4.9% increase in consolidated net sales driven in large part by a 17.6% increase in International net sales
- A 200 basis point improvement in operating income – half due to gross margins improvements and half due to operating expense reductions
- An 8.4% decrease in weighted average diluted common shares outstanding as a result of our share repurchase program
- All resulting in a 29.3% increase in earnings per share

Business goals

We are ahead of our 2010 goal for increasing operating margins and have raised our target. Of particular note is the work of the North American Office and Education team. With very modest top-line growth they were able to drive a significant increase in operating margins, while capturing some significant new customers. With the launch of Teneo™ storage furniture, Lifework™ portfolio of residential furniture, and Sense™ tables, we have met our goal for launching 10 new innovative product platforms.

We are on target to meet our goal for growth in new markets. The outstanding work of the International and Healthcare teams has made this possible. We are falling short of our sales growth target and our sales from acquisitions and alliances. Of course the economy has an effect on our ability to meet our growth goal. We will see slow growth through 2009; the prospects for 2010 are only slightly better.

The acquisition of Brandrud, a manufacturer of healthcare furnishings, this past year gave us an important building block toward our healthcare strategy. This type of "bolt-on" acquisition will be one way we build our future capabilities, complement our internal research and development, and build momentum during this period of soft demand.

Better world goals

We have made steady progress toward our environmental goals—that's a sentence I hope to write every year. We are moving ahead—not quickly, but solidly—toward our goals for sales of Design for the Environment (DfE) products. We have invested \$1 million to remove the pvc from the arms of Aeron® chairs; and our green energy use accounts for 63.5% of our total.

Most exciting is the work to reduce our composite footprint on the environment.—we're 71% of the way to our goal to reduce it by 80 percent. In our work to reduce our carbon footprint to zero, we're roughly halfway there.

There is one goal we've already met—I still laugh when I think how far off we were on setting that target—volunteering time. Our cumulative goal for 2010 was 50,000 hours of time donated by Herman Miller employees toward nonprofit organizations. After this year, the total stands at 78,694—and we've got two more years to go. I'm still amazed at the generosity all around me.

We continue to expand internationally

Sales grew in Europe, South America, and Asia. Our new facility in Ningbo, China is up and running. The camaraderie and goodwill there is impressive. John Portlock, the leader of International, and his team have been working hard to diversify their distribution channel. The team has greatly strengthened distribution in Eastern Europe and Asia, adding dealers in Moscow, Budapest, Warsaw, Bratislava, and Azerbaijan. We opened a fantastic new showroom in London.

My feeling is that we are on our way to becoming a truly international company.

Broad product offering across many markets

Maybe the biggest story this year has to do with our new products, and we have several more to look forward to in fiscal 2009. Each one carries with it the same Herman Miller design intelligence people expect from us. What really makes me happy is the breadth. I feel like we are beginning to back up our strategy in products designed for different markets and geographies. This is a testament to the strength of our research and development teams and our creative network.

As part of a general re-thinking of our storage products, we launched a new line of storage furniture at NeoCon, Teneo, designed by Ayse Birsel and Bibi Seck. Teneo gives a real flair and functionality to our line of storage. The Accessories team continues its progress with good work on margins; its products are aimed at improving the micro environments and ergonomics of the people who use our products.

Our subsidiary Geiger® is in the middle of a real renaissance. Their new connections to our creative network of designers have produced—and are producing interesting and innovative new products. This year Geiger introduced the Caucus™ conferencing suite, First Sight™ lounge seating and occasional tables, Goes Around™ lounge seating, the Lissome™ table, and Overt™ lounge seating.

International is introducing the Sense multipurpose tables, designed around maximum simplicity in specifying and reconfiguring. International will soon introduce a series of personal organizing components that interface with mobile technology.

A few years ago I promised Healthcare would get some new products soon. Well, we are on our way. The acquisition of Brandrud brings us several new products, and we introduced the Nala™ and Centé™ patient chairs at NeoCon this June. These chairs combine Herman Miller's knowledge of ergonomics and comfort with Brandrud's expertise in this area of the hospital. Beyond the products, I really think we are building a great Healthcare team.

Herman Miller for the Home won the Editors Award for "Body of Work" at the International Contemporary Furniture Fair in May. We introduced the first elements in the Lifework portfolio of residential furniture. This team is a small but vital part of our community and our business strategy.

During the coming year, we are planning to introduce two new chairs, one designed by Jeff Weber and Bill Stumpf, and one designed by Studio 7.5 (who also designed the Mirra chair). These additions to an already strong line of seating makes me very proud of our research, design, and development process. Many people have worked long and hard on these projects.

The what, how, and why of Herman Miller

We have proven over the years that what we do best is design innovative products that improve the performance of human habitats. We do this through performance innovation—inventing new and original ways for our customers' and our own systems to perform better. We do this because our ultimate ambition is to create a better world around our customers and around ourselves.

This what / how / why will not change and is a great strength. The products I've already mentioned are results of this position. We are currently redrawing the boundaries for our explorations into human habitats. Here's how we see the future.

New habitats: We are making great progress moving beyond offices into healthcare, learning, home, and other kinds of environments. We are applying our knack for research and design to unmet needs in many markets.

New geographies: Likewise, we are carrying out strengths into new markets around the world. China and India are the two most obvious, but we also continue to expand in Eastern Europe and South America.

New and disruptive solutions: Several times in our history, Herman Miller has introduced a disruptive innovation—modern design was the first; systems furniture was another, and ergonomic seating was a third. I believe we are beginning another disruption with Convia™ and the leading edge of programmable environments.

Programmability and the future of Herman Miller

Our future is highly dependent, I believe, on our explorations into programmable environments. This June, we published *Always Building*, a book describing our ideas around and the potential of programmable environments, habitats that adapt instantly and frequently to the people and activities going on there. This new kind of environment monitors and minimizes energy use.

Convia, our new product and new business, leads us into the field of modular electrical building systems. This building infrastructure enables building owners and individuals to adapt their habitat in new and profound ways. It is the beginning of a new perspective at Herman Miller, one that expands our potential and gives us room to exercise our considerable talents in design and operations in entirely new ways.

Next year and beyond

As we keep expanding our views at Herman Miller and move into new products, problem areas, and geographies, I keep thinking about what makes Herman Miller vital and forward looking. It's simple—but difficult to replicate or duplicate. It's about improving human habitats through performance innovation, for the purpose of creating a better world. That's what makes our future exciting. That's why I come to work every day.

We are not perfect. We do not reach every goal we set for ourselves. Because we are human, we make mistakes. Nevertheless, we have a clear picture of growth into new problem areas and new geographies, and we have the creative muscle to complete our vision.

To be blunt about it, I'm excited about next year and what follows. I hope you are too. I will also be blunt about the difficulties we will most likely face in the coming year—slower growth and rising commodity prices among them. Having made the changes we have made in this year, we are well-positioned to go through a slow period. Economic cycles do happen. We will keep investing in a very promising future.

I'm grateful for the talent and creativity and engagement I see around me every day. I'm confident in our strategy; my team and I believe we are headed in the right direction with the right preparation. I'm certain we will continue to grow as a community of people working for a better world.

The 2008 Herman Miller Annual Meeting of Shareholders

Finally, I would like to invite you to attend the Annual Meeting of Shareholders of Herman Miller, Inc., which will be held on September 30, 2008, commencing at 9 a.m. (EDT). Once again our meeting will be held through the Internet only.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe in detail the actions we expect to take at this meeting, as well as the means by which you may vote your shares and attend the meeting through the Internet.

Whether or not you plan to attend the Internet meeting, please vote electronically via the Internet, and if you request paper materials you can also vote by telephone or by mail. For more details on how to vote your shares please see the Proxy Statement under the caption "Solicitation of Proxies and Voting".

Sincerely,

A handwritten signature in black ink, reading "Brian C. Walker". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Brian C. Walker
President and Chief Executive Officer

Notice of Annual Meeting of Shareholders

The annual meeting of the shareholders of Herman Miller, Inc. (the "company"), will be held on September 30, 2008 by means of remote communication on the Internet at the Company's web site, www.hermanmiller.com at 9:00 a.m. (EDT) for the following purposes:

1. To elect five directors, one for a term of two years and four for a term of three years
2. To consider and vote upon a proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm
3. To transact such other business as may properly come before the meeting or any adjournment thereof

Shareholders of record at the close of business on August 1, 2008, will be entitled to vote at the meeting.

Please note that this year's Annual Meeting will be held via the Internet only. The accompanying proxy materials include instructions on how to participate in the meeting and the means by which you may vote your shares of Company stock.

We encourage you to vote your Proxy, at your earliest convenience, by one of the following means:

By visiting www.proxyvote.com on the Internet;

And if you request paper materials

By calling (within the U.S. or Canada) toll free at 1-800-690-6903; or

By signing and returning your Proxy card

You may also vote at the meeting by faxing your Proxy to (616) 654-7221 before the polls are closed during the meeting. Regardless of whether you expect to attend the meeting through the Internet, please vote your shares in the one of the ways listed above.

By order of the Board of Directors

Daniel C. Molhoek, Secretary to the Board August 21, 2008

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Herman Miller, Inc.

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PO Box 302
Zeeland, Michigan 49464-0302

Proxy Statement Dated August 21, 2008

This Proxy Statement and the accompanying Proxy, which are being made available to shareholders on or about August 21, 2008, are furnished to the shareholders of Herman Miller, Inc., in connection with the solicitation by the Board of Directors of proxies to be used at the Annual Meeting of Shareholders. This meeting will be held on September 30, 2008 at 9:00 a.m. (EDT). Please note that this year's Annual Meeting will be held via the Internet rather than in person.

How to Participate in the Electronic Meeting

In order to participate in this year's Annual Meeting, please log on to www.hermanmiller.com and click on the "Investors" section and the "Annual Meeting Webcast" link at least 15 minutes prior to the start of the 9:00 a.m. meeting to provide time to register and download the required audio software if needed. All shareholders will need to register by entering your name and, if you would like to ask a question during the meeting, you will also need to enter the 12-digit control number received with your Notice or Proxy. Questions that would be appropriate to raise in person and that relate to the purpose of the meeting will be accepted during the meeting. To submit questions, please access the Annual Meeting Webcast and select "Ask a Question."

Solicitation of Proxies and Voting

Each shareholder, as an owner of the company, is entitled to vote on matters scheduled to come before the annual meeting. The use of proxies allows a shareholder to be represented at the annual meeting if he or she is unable to attend the meeting via the Internet.

You can vote by any of the following methods

- **Vote by Internet Before the Annual Meeting** Use your computer to access the website listed on the Proxy (or the written Notice mailed to you) and, with the Proxy or Notice in hand, record your vote. The deadline for internet voting is 11:59 p.m., EDT, on September 29, 2008.

If you request paper materials you may also

- **Vote by Telephone** Call the toll free telephone number provided with your Proxy and, with the Proxy in hand, follow the instructions. The deadline for telephone voting is 11:59 p.m. EDT on September 29, 2008.
- **Vote by Mail** Complete, date, and sign your Proxy. Mail it in the prepaid envelope provided so that it reaches us before September 30, 2008.
- **Vote by Facsimile During the Annual Meeting** You may vote by facsimile during the Annual Meeting prior to the announcement that the polls are closed. You may do so by faxing a marked and signed copy of your Proxy to 1-616-654-7221.

If your Proxy is properly executed, the shares represented by the Proxy will be voted at the Annual Meeting of Shareholders and at any adjournment of that meeting. Where shareholders specify a choice, the Proxy will be voted as specified. If no choice is specified, the shares represented by the Proxy will be voted for the election of all nominees named in the Proxy and for the proposal described in this Proxy Statement.

A Proxy may be revoked prior to its exercise by (i) delivering a written notice of revocation to the Secretary of the company, (ii) executing and delivering a Proxy at a later date, or (iii) attending the meeting via the Internet and voting via fax. However, attendance at the meeting does not automatically serve to revoke a Proxy.

Election of Directors

The Board of Directors has nominated C. William Pollard, Mary Vermeer Andringa, Lord Brian Griffiths of Fforestfach, J. Barry Griswell, and Brian C. Walker for election as directors. Mr. Pollard has been nominated to serve a two-year term until the 2010 annual meeting of shareholders; the other four nominees would serve until the 2011 annual meeting. Our Bylaws were amended in fiscal 2008 to change the retirement age of directors from age 70 to age 72. As a result, a person may not be elected as a director for a term that expires later than the annual meeting after attaining age 72. As such, Mr. Pollard, who is currently 70, is being nominated for a two-year term only. Each of the nominees previously has been elected as a director by our shareholders.

The latter portion of this Proxy Statement contains more information about the nominees. Unless otherwise directed by a shareholder's proxy, each person named as proxy voters in the accompanying proxy will vote for the nominees named above. If any of the nominees become unavailable, which is not anticipated, the Board of Directors, at its discretion, may designate substitute nominees, in which event the enclosed proxy will be voted for such substituted nominees. Proxies cannot be voted for a greater number of people than the number of nominees named.

A plurality of the votes cast at the meeting is required to elect the nominees as our directors. Accordingly, the five people who receive the largest number of votes cast at the meeting will be elected as directors. Shares not voted at the meeting, whether by abstention, broker non-vote, or otherwise, will not be treated as votes cast at the meeting.

The Board of Directors recommends a vote FOR the election of each person nominated by the Board.

Ratification of Appointment of Independent Registered Public Accounting Firm

Our Audit Committee has appointed Ernst & Young LLP (Ernst & Young) as our independent registered public accounting firm for the fiscal year ending May 30, 2009. Representatives of Ernst & Young will be present at the annual meeting of shareholders and available to respond to appropriate questions submitted in advance. The Ernst & Young representatives will have the opportunity to make a statement if they so desire.

Although the submission of this matter for approval by shareholders is not legally required, our Board of Directors believes that such submission follows sound corporate business practice and is in the best interests of our shareholders. If our shareholders do not approve the selection of Ernst & Young, the selection of this firm as our independent registered public accounting firm will be reconsidered by the Audit Committee.

The Board of Directors recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm.

Disclosure of Fees Paid to Independent Auditors

Aggregate fees billed to us for the fiscal years ended June 2, 2007, and May 31, 2008 by our independent registered public accounting firm, Ernst & Young, were as follows:

Fiscal Year Ended	June 2, 2007	May 31, 2008
Audit Fees ⁽¹⁾	1,227,000	1,252,000
Audit Related Fees ⁽²⁾	24,000	26,000
Tax Fees ⁽³⁾	15,000	91,000
All Other Fees	0	0
Total	\$1,266,000	\$1,369,000

(1) Includes fees billed for the audit of and accounting consultations related to our consolidated financial statements included in Form 10-K, including the associated audit of our internal controls, the review of our financial statements included in our quarterly reports in Form 10-Qs, and services in connection with statutory and regulatory filings.

(2) Includes fees billed for audits of employees benefits plans and accounting consultations that are unrelated to the audit or review of financial statements.

(3) Includes fees billed for tax compliance, tax advice and, tax planning.

Our Audit Committee has adopted a policy for pre-approving all permissible services performed by Ernst & Young and other firms. This policy requires the Committee's pre-approval of all services that may be provided by our independent registered public accounting firm and audit services provided by other firms. The policy authorizes the committee to delegate to one or more of its members pre-approval authority with respect to permitted services. All of the services provided by Ernst & Young under the captions "Audit Fees," "Audit Related Fees," and "Tax Fees" were approved by the Audit Committee under this policy.

Voting Securities and Principal Shareholders

On August 1, 2008, we had 55,722,747 shares of common stock issued and outstanding, par value \$.20 per share. Shareholders are entitled to one vote for each share of common stock registered in their names at the close of business on August 1, 2008, the record date fixed by our Board of Directors. Votes cast at the meeting and submitted by proxy will be tabulated by our transfer agent. As of August 1, 2008, no person was known by management to be the beneficial owner of more than five percent of our common stock, except as follows.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Columbia Wanger Asset Management, L.P. 227 West Monroe Street, Suite 3000 Chicago, IL 60606	5,897,800 ⁽¹⁾	10.58
Ariel Capital Management, Inc. 200 East Randolph Dr., Ste. 2900 Chicago, Illinois 60601	5,395,842 ⁽²⁾	9.68
Barclays Global Investors NA 45 Fremont Street San Francisco, CA 94105	4,357,566 ⁽³⁾	7.82
Morgan Stanley 1585 Broadway New York, NY 10026	4,022,557 ⁽⁴⁾	7.22

(1) This information is based solely upon information as of January 31, 2008 contained in the 13G/A filed on February 8, 2008 by Columbia Wanger Asset Management, LLP with the SEC, including notice that it has sole voting power as to 5,457,800 shares, shared voting power as to 440,000 shares, and sole dispositive power as to 5,897,800 shares.

(2) This information is based solely upon information as of March 31, 2008 contained in the 13F filed on May 14, 2008 by Ariel Capital Management with the Securities and Exchange Commission, "SEC", including notice that it has sole voting power as to 3,812,902 shares and shared voting power as to 1,582,940 shares.

(3) This information is based solely upon information as of December 31, 2007 contained in the 13G filed on February 5, 2008 by Barclays Global Investors NA with the SEC, including notice that it has sole voting power as to 3,798,236 shares and sole dispositive power as to 4,357,566 shares.

(4) This information is based solely upon information as of March 31, 2008 contained in the 13F filed on May 15, 2008 by Morgan Stanley with the SEC, including notice that it has sole voting power as to 4,021,831 shares and shared voting power as to 726 shares.

Director and Executive Officer Information

Security Ownership of Management

The following table shows, as of August 1, 2008, the number of shares beneficially owned by each of the Named Executive Officers (NEOs) identified in the executive compensation tables of this Proxy Statement and by all directors and executive officers as a group. Except as described in the notes following the table, the following persons have sole voting and dispositive power as to all of their respective shares.

Name	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percent of Class ⁽²⁾
Brian C. Walker	394,606	.71
Curtis S. Pullen	18,882	.03
Elizabeth A. Nickels	255,264	.46
Kenneth L. Goodson	93,004	.17
Andrew J. Lock	59,060	.11
Gary S. Miller	259,253	.47
All executive officers and directors as a group (22 persons)	2,171,621 ⁽³⁾	3.90

(1) Includes the following number of shares with respect to which the NEOs have the right to acquire beneficial ownership under stock options exercisable within 60 days: Mr. Walker—100,302; Mr. Pullen—8,809; Ms. Nickels—196,133; Mr. Goodson—55,664; Mr. Lock—24,704; and Mr. Miller—168,283.

(2) Calculated based on the number of shares outstanding plus the option shares referred to in footnote (3) below.

(3) Included in this number are 1,091,762 shares with respect to which executive officers and directors have the right to acquire beneficial ownership under options exercisable within 60 days.

Director and Executive Officer Information *(continued)*

The Board of Directors

The information in the following table relating to each nominee's and director's age, principal occupation or employment for the past five years, and beneficial ownership of shares of common stock as of August 1, 2008, has been furnished to us by the respective nominees and directors. Except as described in the notes following the table, the following nominees and directors have sole voting and dispositive power as to all of the shares set forth in the following table.

Name and Principal Occupation	Age	Year First Became a Director	Shares Owned ⁽¹⁾	Percent of Class ⁽²⁾
Nominee for Election as Director for Term to Expire in 2010				
C. William Pollard Since April 2002— Chairman Emeritus, The Service Master Company January 2005 to December 2006 Chairman of the Board, Unum Provident Corporation March 2003 to January 2005 Co-Chairman of the Board, Unum Provident Corporation	70	1985	65,298 ⁽³⁾	12
Nominees for Election as Director for Term to Expire in 2011				
Mary Vermeer Andringa Since February 2003— President and Chief Executive Officer, Vermeer Corporation	58	1999	47,369	.09
Lord Brian Griffiths of Fforestfach Since 1991— International Advisor, Goldman Sachs International Limited and House of Lords, United Kingdom	66	1991	82,880	.15
J. Barry Griswell Since May 2008— Chairman of the Board, Principal Financial Group, Inc. and Principal Life From June 2006 to May 2008— Chairman and Chief Executive Officer, Principal Financial Group, Inc. and Principal Life From January 2002 to June 2006— Chairman, Chief Executive Officer and President, Principal Financial Group, Inc. and Principal Life	59	2004	10,000	.02
Brian C. Walker Since July 2004— President and Chief Executive Officer, Herman Miller, Inc. March 2003 to July 2004 President and Chief Operating Officer, Herman Miller, Inc.	46	2003	394,606	.71
Directors Whose Terms Expire in 2010				
Dorothy A. Terrell Since April 2003— Venture Partner, First Light Capital April 2005 to June 2007 President and Chief Executive Officer, Initiative for a Competitive Inner City	63	1997	39,469	.07
David O. Ulrich Since 1982— Professor, University of Michigan Business School	54	2001	77,276	.14

Director and Executive Officer Information

The Board of Directors *(continued)*

Directors Whose Terms Expire in 2009

Paget Alves Since February 2008— President, Sales & Distribution, Sprint Nextel September 2006 to February 2008 President, South Region Sales & Distribution, Sprint Nextel June 2005 to September 2006 Senior Vice President, Enterprise Markets, Sprint Nextel November 2003 to June 2005 President, Strategic Markets, Sprint	53	2007	4,160	.01
Douglas D. French Since June 2007— Managing Director, Santé Health Ventures May 2004 to May 2007— Principal, JD Resources, LLC January 2000 to May 2004— President and Chief Executive Officer, Ascension Health	54	2002	38,775	.07
John R. Hoke III Since March 2008— Vice President, Footwear Design, Converse, Inc. From July 2003 – March 2008 Vice President, Global Footwear Design, NIKE, Inc.	43	2005	5,299	.01
James R. Kackley Since May 2002— Director of various companies	66	2003	30,540	.05
Michael A. Volkema Since 2000— Chairman of the Board, Herman Miller, Inc. July 1995 to July 2004 Chief Executive Officer, Herman Miller, Inc.	52	1995	218,950	.39

(1) Shares shown for each director include the following number of shares which that director has the right to acquire beneficial ownership under stock options exercisable within 60 days: 36,573 shares for Mr. Pollard; 16,948 shares for Ms. Andringa; 28,605 shares for Lord Griffiths; 100,302 shares for Mr. Walker; 29,775 shares for Ms. Terrell; 77,276 shares for Ms. Ulrich; 31,037 shares for Mr. French; and 24,096 shares for Mr. Kackley.

(2) Percentages are calculated based upon shares outstanding plus shares that may be acquired under stock options exercisable within 60 days.

(3) Includes 1,612 shares owned of record and beneficially by Mr. Pollard's wife. Mr. Pollard disclaims beneficial ownership of these shares. Additionally, 19,500 shares are owned by a family partnership.

Mr. French also is a director of Emageon. Mr. Kackley also is a director of PepsiAmericas, Inc. and Orion Energy Systems, Inc. Mr. Volkema also is a director of Champion Enterprises, Inc. and Wolverine Worldwide, Inc. Mr. Griswell also is a director of Principal Financial Group, Inc. and Principal Life. Mr. Walker also is a director of Briggs & Stratton Corporation. Ms. Terrell also is a director of General Mills, Inc. There are no family relationships between or among our directors, nominees, or any of our executive officers.

Corporate Governance and Board Matters

Board Governance Guidelines

For many years, our Board of Directors has been committed to sound and effective corporate governance practices. These practices reflect the Board's long-standing philosophy that a proper structure, appropriate policies and procedures, and reflective cultural factors provide the cornerstone to good governance. The Board documented those practices by adopting our Board Governance Guidelines. These Guidelines address director responsibilities, the composition of the Board, required Board meetings and materials, Board committee composition and responsibilities, and other corporate governance matters. Under our Guidelines, a majority of the members of our Board must qualify as independent under the listing standards of the National Association of Securities Dealers (NASD). Our Guidelines also require the Board to have, among other committees, an Audit Committee, Executive Compensation Committee, and a Nominating and Governance Committee, and that each member of those committees qualify as an independent director under the NASD listing standards. Our Board Governance Guidelines, as well as the charters of each of the foregoing committees, are available for review on our website at www.hermanmiller.com/governance.

Code of Conduct

Our Board has adopted a Code of Conduct that applies to all of our employees, officers, and directors. This code also serves as the code of ethics for our CEO and senior financial officers. This code is posted on our website at www.hermanmiller.com/code. Any changes to or waivers of the code must be approved by the Board of Directors and will be disclosed. There were no changes or waivers in fiscal year 2008.

Determination of Independence of Board Members

As required by our Board Governance Guidelines, our Board has determined that each of our directors, other than Messrs. Volkema and Walker, qualifies as an "Independent Director," as such term is defined in the NASD listing standards, and that none of those directors has a material relationship with Herman Miller. The Board's determination was made as a result of its review of completed individual questionnaires addressing the nature and extent of each member's relationship with the company and taking into consideration the definition of "Independent Director" under the NASD rules. Our Board also determined that each member of the Audit Committee, Executive Compensation Committee, and Nominating and Corporate Governance Committee meets the independence requirements applicable to those committees as prescribed by the NASD listing standards, and, as to the Audit Committee, the applicable rules of the Securities and Exchange Commission.

Meeting Attendance

Each of our directors is expected to attend all meetings of the Board and applicable committee meetings. The annual meeting of shareholders is held via the internet and the directors are encouraged to join the webcast. Eight of our directors did so for our 2007 Annual Shareholders' Meeting. During fiscal 2008, the Board held five meetings; each director attended at least 75 percent of the aggregate number of meetings of our Board and Board committees on which they served. Consistent with the requirements of our Guidelines, our Board met in executive sessions, without the presence of management, following the conclusion of each regularly scheduled Board meeting. These meetings were chaired by the Chairman, Mr. Volkema. In addition, following all of the regularly scheduled Board Meetings, the independent directors met separately. These meetings were chaired by the board's lead director. Mr. Pollard currently serves as lead director.

Communications with the Board

Shareholders and other parties interested in communicating directly with one or more of our directors may do so by writing to us, c/o Corporate Secretary, 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302. The Corporate Secretary will forward all relevant correspondence to the director or directors to whom the communication is directed.

Director Nominations

Our Bylaws contain certain procedural requirements applicable to shareholder nominations of directors. Shareholders may nominate a person to serve as a director if they provide written notice to us not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting of shareholders and, with respect to any special meeting of shareholders, not later than the close of business on the 10th day following the date on which the meeting is first publicly announced or, if there is no announcement, the 10th day following the date on which the notice of that meeting was first sent to our shareholders. The notice must include (1) the name and address of the shareholder providing notice and of the person or persons nominated, including information on the securities of the Company held by those individuals, including any derivative securities, the details of which are set forth in our Bylaws, (2) a representation that the shareholder is a current record holder and will continue to hold those shares through the date of the meeting and intends to attend the meeting in person or by proxy, (3) for each proposed nominee, (a) all information relating to that person that would be required to be disclosed in a proxy statement required to be

Corporate Governance and Board Matters *(continued)*

made in connection with solicitations or proxies for election of directors in a contested election pursuant to Section 14 of the Securities and Exchange Act of 1934 (including that person's written consent to be named in the proxy statement as a nominee and to serve as a director if elected), and (b) a description of all direct and indirect compensation and other material monetary arrangements existing during the past three years, as well as any other material relationships between or among the shareholders (and beneficial owner, if any) and their respective affiliates and associates and the proposed nominee and his or her respective affiliates and associates, including all information required to be disclosed pursuant to Rule 404 under Regulation S-K, and (4) the completed and signed questionnaire from each nominee with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made.

Our Nominating and Governance Committee is responsible for reviewing the qualifications and independence of the members of the Board. However, it has not established specific, minimum qualifications for director nominees. This committee does assess the experience and background of prospective candidates, including his or her independence. The committee's charter authorizes the committee to consider all factors it considers appropriate, including the candidate's experience and knowledge of our history and culture, as well as his or her experience and background in manufacturing, design, marketing, technology, finance, management structure and philosophy, including his or her experience as a senior executive officer of a public company. In light of these general requirements, our governance committee reviews the suitability of each person nominated to our Board. In the past, through the board evaluation process, the committee has determined whether there were any skills or experience that needed to be added to the Board and used that information to help establish criteria for Board member searches and candidate evaluation. Other than the procedural requirements described above, the Board has not adopted a policy with regard to the consideration of director candidates nominated by shareholders. All candidates, by whomever nominated, are evaluated in the same manner and under the same standards.

The Nominating and Governance Committee has not received any recommended nominations from any of our shareholders in connection with our 2008 annual meeting. The nominees who are standing for election as directors at the 2008 annual meeting are incumbent directors recommended by the committee and nominated by the Board.

Board Committees

Our Board has four standing committees. Committee responsibilities are detailed in written charters. These charters are available on our Internet website at www.hermanmiller.com/charters. The committees are as follows:

Executive Compensation Committee

We have an Executive Compensation Committee comprised of J. Barry Griswell (chair), Douglas D. French, and John R. Hoke III. The Executive Compensation Committee recommends to the Board the annual executive incentive plan and the annual remuneration of our Chief Executive Officer and President, approves the annual remuneration and executive incentive plan for the other executive officers, grants employee stock options and other equity awards, and acts as the administrative committee for our employee stock option and long-term incentive plans. The committee met five times during the last fiscal year. A description of the Committee's processes and procedures for the consideration and determination of executive and director compensation is set forth under the caption "Compensation Disclosure and Analysis -The Executive Compensation Committee" below in this Proxy Statement.

Executive Compensation Committee Interlocks and Insider Participation

No member of the Executive Compensation Committee is or has been an officer or employee of the company or had any relationship that is required to be disclosed as a transaction with a related party except as noted under Certain Relationships and Related Party Transactions. In addition, no current executive officer of the Company has ever served as a member of the Board of Directors or Compensation Committee of any other entity that has or has had one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

Nominating and Governance Committee

We have a Nominating and Governance Committee comprised of Dorothy A. Terrell (chair), Lord Brian Griffiths of Fforestfach, and David O. Ulrich. The Nominating and Governance Committee develops and recommends to the Board governance standards and policies and board compensation including that of the chairman of the board. In addition, the committee identifies and recommends to the Board candidates for election to fill vacancies on the Board. The committee met five times during the last fiscal year.

Executive Committee

We have an Executive Committee comprised of Michael A. Volkema (chair), J. Barry Griswell, James R. Kackley, C. William Pollard, and Dorothy A. Terrell. The Executive Committee acts from time to time on behalf of the Board in managing our business and affairs (except as limited by law or our Bylaws) and is delegated certain assignments and functions by the Board of Directors. The committee met five times during the last fiscal year.

Audit Committee

We have an Audit Committee comprised of James R. Kackley (chair), Mary V. Andringa, and C. William Pollard. Mr. Kackley is qualified as and serves as the "Audit Committee financial expert" within the meaning of the applicable SEC regulations. This Committee, composed entirely of independent directors under the applicable listing standards of the National Association of Securities Dealers (NASD), as well as the requirements of the Sarbanes-Oxley Act of 2002, is responsible for overseeing management's reporting practices and internal controls on behalf of the Board of Directors. The Committee is also responsible for appointing, approving the compensation of, and overseeing our independent registered public accounting firm. The Audit Committee met eight times during the past fiscal year. The March 2008 meeting included an annual review of the Committee's written charter.

Report of the Audit Committee

The Audit Committee's purpose is to oversee the accounting and financial reporting processes of the company, the audits of the company's financial statements and management's assessment of the company's internal controls, the qualifications of the public accounting firm engaged as the company's independent registered public accounting firm, and the performance of the company's internal auditors and independent registered public accounting firm. The Committee's function is more fully described in its charter, which the Board has adopted and is included as Appendix I to this Proxy Statement. The Committee reviews the charter on an annual basis. The Board annually reviews the NASDAQ listing standards definition of independence for audit committee members and has determined that each member of the Committee meets that standard.

Management is responsible for the preparation, presentation, and integrity of the company's financial statements, accounting and financial reporting principles, internal controls, and procedures designed to ensure compliance with accounting standards, applicable laws, and regulations. The company's independent registered public accounting firm, Ernst & Young LLP, is responsible for performing an independent audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with U.S. generally accepted accounting principles. Ernst & Young LLP is also responsible for providing an opinion on the effectiveness of the company's internal control over financial reporting.

We have reviewed—and discussed with management and Ernst & Young LLP—the company's audited financial statements for the year ended May 31, 2008, and Ernst & Young LLP's evaluation of the company's internal controls over financial reporting.

We have discussed with Ernst & Young LLP the matters required to be discussed by Statement on Accounting Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants.

We have received and reviewed the written disclosures and the letter from Ernst & Young LLP required by Independence Standard No. 1, Independence Discussions with Audit Committees, as amended, by the Independence Standards Board, and have discussed with Ernst & Young LLP their independence including a consideration of the compatibility of non-audit services with their independence.

Based on the reviews and discussions referred to above, we recommended to the Board of Directors that the financial statements referred to above be included in the company's Form 10-K Report for the year ended May 31, 2008, and we selected Ernst & Young LLP as the independent auditor for fiscal year 2009. The Board is recommending that shareholders ratify that selection at the annual meeting.

James R. Kackley (chair) Mary VerMeer Andringa C. William Pollard

Compensation Discussion and Analysis

Overview of Compensation Program

The Executive Compensation Committee of the Board (the "Committee") is responsible for establishing the executive compensation programs at Herman Miller, Inc. (the "Company," "us" or similar pronouns). The Committee insures that the compensation paid to the Company's corporate officers is fair, reasonable, competitive and consistent with our compensation philosophy.

The Company is required to provide information regarding our compensation policies and decisions for our CEO, CFO and the three other most highly compensated executive officers. We refer to our CEO, CFO and the other three most highly compensated executive officers collectively as our "Named Executive Officers" or "NEOs." In fiscal year 2008 two individuals, Beth Nickels and Curt Pullen, held the position of CFO and therefore this CD&A will include information relating to 6 NEOs for 2008. This Compensation Discussion and Analysis is intended to provide information regarding, among other things, the overall objectives of our compensation program and each element of compensation provided to the NEOs.

The Executive Compensation Committee

The Committee is comprised of three directors, each qualifying as an independent director under NASDAQ's listing requirements. The Board has determined that each member of the Committee also meets the definition of independence under Herman Miller's corporate governance guidelines and further each member qualifies as a non-employee Director for purposes of Rule 16b-3 under the Securities Exchange Act of 1934.

The Committee's primary functions are to oversee the compensation philosophy and strategy, to determine or recommend the compensation of company officers, including the NEOs, and to act as the Administrative Committee for the Company's key executive compensation plans.

The Committee is responsible for recommendations to the full Board with respect to all aspects of the annual compensation of the Company's President and Chief Executive Officer. The Committee, based upon recommendations from our CEO, approves the annual compensation for all other corporate officers covered by Section 16 of the Securities Exchange Act of 1934 including the NEOs (Corporate Officers). Our President and Chief Executive Officer establishes the base salary of all other company executives. The Committee establishes the performance objectives for the Economic Value Added (EVA®) Incentive Cash Bonus Plan and the equity-based compensation plans, which cover the President and Chief Executive Officer, Corporate Officers, and executive employees of the company.

The Committee does not set compensation for the Board of Directors. The Nominating and Governance Committee is responsible for reviewing, and recommending to the Board of Directors, the amount and form of payment of director compensation.

Compensation Philosophy and Objectives

Our compensation philosophy, as formulated by management and endorsed by the Committee and by our Board of Directors, is to allow for an appropriate level of risk and a corresponding compensation reward within a range that bears a relationship to the competitive market, to the responsibilities of the employee and to the performance of the employee and Company. Consistent with this philosophy, the key objectives of our executive compensation program are to:

- Link a material portion of executives' total annual compensation directly to the Company's performance
- Reinforce our values, build corporate community, and focus employees on common goals
- Align the interests of executives with the long-term interests of shareholders
- Attract, motivate, and retain executives of outstanding ability.

The compensation program is intended to provide executives who are judged to perform their duties at a proficient level with compensation that approximates the market median compensation for such position based upon the data provided by Towers Perrin (as described later in the Benchmarking of Compensation section). The compensation program is also intended to have the portion of a Corporate Officer's compensation determined by the Company's performance increase as the responsibility and authority of the Corporate Officer increases. The Committee believes that the compensation program through the use of base salary, annual incentive cash bonus and long-term incentives operates in a manner consistent with these objectives and rewards performance that generates both consistent and long-term enhancement of shareholder value. The compensation program and its various elements are described in more detail in the section titled Elements of the Compensation Program.

Compensation Discussion and Analysis *(continued)*

External Consultants

During fiscal year 2008, the Committee retained Towers Perrin to provide consulting services to it concerning certain aspects of executive compensation. The services included reviewing the elements of compensation of the President and Chief Executive Officer, and the Corporate Officers and comparing those elements to the Company's compensation philosophy and objectives and to the market practices for such compensation. Towers Perrin concluded that the compensation program established for those officers is consistent with the Company's compensation philosophy and objectives including with respect to market practices.

The Company from time to time retains separate independent external consultants for other specialized work as may be required, such as recommending Board of Directors' compensation, conducting a review of retirement or other benefit programs, and establishing change in control provisions. The Company in 2008 used Pearl Meyers and Partners to provide information concerning trends in board compensation practices. With the approval of the Committee, Towers Perrin in 2008 did provide consulting services to the Company other than those provided to the Committee. For 2008 Towers Perrin charged the Company approximately \$54,000 for services provided to the Committee and approximately \$30,000 for other compensation related consulting services provided to the Company. The Committee has determined that for fiscal year 2009 it will retain Pearl Meyers and Partners as independent compensation consultants to the Committee and Pearl Meyers will not provide other consulting services to the Company.

Benchmarking of Compensation

To ensure that executive compensation is competitive in the marketplace, the Committee benchmarks our compensation programs relative to general industry pay practices. The Committee chooses to benchmark compensation levels against industrial companies in general as it minimizes the potential volatility of market pay data due to changes in database/survey participation or mergers/acquisitions; lessens the impact that a single entity can have on the overall data; provides a more consistent result; and better reflects the market in which the Company competes for executive talent. The Committee believes the competitive market for executive talent in which the Company operates is the general corporate talent market, not just the office furniture or West Michigan talent markets.

Towers Perrin annually presents the Committee with benchmarking data, market practices and trends to provide appropriate context for the Committee's deliberations. Our CEO makes recommendations to the Committee regarding the compensation package for each of the Corporate Officers (other than himself). The CEO's recommendations are based on the Towers Perrin information, his evaluation of the individual's performance and other factors. The Committee's approval of the CEO's recommendations as to the compensation of Corporate Officers (other than the CEO) is based upon the Committee's review of the information from Towers Perrin relative to market pay and their own judgment, including their judgment on the relative performance of both the Company and its executives. Based upon these same factors relative to the CEO's performance, the Committee makes a recommendation to the full board for the CEO's compensation. The Board of Directors determines the compensation of the CEO.

Towers Perrin in 2008 used the following survey sources when analyzing the market competitiveness pay levels of Corporate Officers; Towers Perrin Executive Compensation Database, Watson Wyatt Top Management Compensation Report, and the Mercer Executive Database (collectively these are referred to as "Published Survey Data"). The Published Survey Data is used to determine competitiveness of base pay, while the Towers Perrin Executive Compensation Database is used to assess the competitiveness of bonus and long term incentive awards. Towers Perrin uses a regression analysis and aging to make allowances for time differences in the data and to align the data so that it is representative of companies having revenues equivalent to the operations managed by our individual NEOs. The entities within the comparator groups were not disclosed to the Company.

Towers Perrin compares the base salary, target total cash and target total direct compensation of each NEO to the 25th, 50th (market median) and 75th percentile of the Published Survey Data or Towers Perrin Executive Compensation Database for a comparable benchmark position. Each of the compensation elements is explained in more detail below. Positions are benchmarked based upon comparability of responsibilities and the annual revenues of the operations managed.

The Committee annually reviews executive pay tally sheets prepared by Towers Perrin. The tally sheets reflect the total compensation to the NEOs from all sources of compensation, including payments under severance or change in control obligations. The Committee uses the tally sheets to help it determine that the Company's compensation program is consistent with market norms and with our compensation philosophy and the objectives referenced above.

The Committee based upon its experience, the tally sheets and the benchmarking data has determined that total compensation for each NEO in fiscal 2008 was appropriate, reasonable and consistent with the Company's compensation philosophy and objectives as described above.

Compensation Discussion and Analysis *(continued)*

Elements of the Compensation Program

Our Corporate Officer compensation package includes five distinct elements:

1. Base Salary
2. Annual Executive Incentive Cash Bonus
3. Long-Term Equity Incentives
4. Retirement and Health Benefits
5. Perquisites and other executive compensation plans

These five elements together form an executive's total compensation package. The first two elements form an executive's total cash compensation and the first three elements form an executive's total direct compensation package. It is the Company's goal to align the compensation packages with prevailing market rates. The alignment is accomplished primarily through adjustments to each Corporate Officer's total direct compensation.

Each element of total direct compensation is benchmarked to the prevailing market, however, in certain circumstances local practices related to long-term incentives and bonuses may be significantly different than those applicable to the Company as a whole. In those circumstances, the Company emphasizes consistency in the application of its long-term incentive programs and adjusts base and bonus so as to maintain total direct compensation in an amount that is consistent with the Company's compensation philosophy. The compensation program is intended to provide executives who are judged to perform their duties at a proficient level with a total direct compensation package that approximates the market median compensation for such position based upon the data provided by Towers Perrin. However, because of the performance based nature of the Annual Executive Incentive Cash Bonus and the Long-Term Equity Incentives, actual compensation of the NEOs may vary from market rates.

The Committee determined that the total direct compensation (base salary, target incentive cash bonus and target long-term incentive grant) for each NEO for 2008 and 2009 is within the benchmarked range, given the NEO's performance and position.

Base Salary

The CEO evaluates each of the Corporate Officers annually and makes recommendations to the Committee for base salary. The base salary of the CEO is set by the Board of Directors. In general, but subject to individual circumstances, base salaries reflect market rates for comparative positions and the NEO's level of proficiency and performance. The base salary of NEOs assessed by the CEO and the Committee to be proficient is generally targeted at the market median of the Published Survey Data. The base compensation of NEOs with less experience in general would be below the market median and those judged to be performing at a level higher than proficient generally would be above the market median. The Committee in each circumstance uses its judgment and experience in setting the specific level of base salary relative to the general market median data.

Base Salary in 2008

In fiscal 2008 the Board determined that Brian Walker had taken actions that had significantly increased operating income and enhanced shareholder value and increased his base salary to \$670,000. Beth Nickels served as CFO during the first quarter of 2008 and then assumed the role of President, Herman Miller for Healthcare. Curt Pullen then assumed the role as CFO. The Committee set Mr. Pullen's base salary at \$275,000. This base salary reflects the fact that this was the first year in which Mr. Pullen served as chief financial officer. The Committee set Ms. Nickels' base salary at \$270,000. The base salary reflects Ms. Nickel's considerable experience in industry that she brought to her new position. Mr. Ken Goodson is Executive Vice President, Operations. The Committee set Mr. Goodson's base salary at \$260,000. This reflects the Committee's determination that Mr. Goodson's depth of experience and technical expertise would be difficult to replace in recruiting from the external market. Gary Miller is Executive Vice President, Herman Miller Creative Office. The base salary of Mr. Miller was set at \$285,000 and reflects the Committee's determination that Mr. Miller is satisfactorily discharging all of his responsibilities. Mr. Andy Lock is Executive Vice President and Chief Administrative Officer. The Committee set Mr. Lock's base salary at \$315,000 and this reflects the Committee's determination that Mr. Lock is satisfactorily discharging all of his responsibilities. The changes in base salaries for the NEOs were effective July 23, 2007.

Base Salary in 2009

The Board and the Committee in July 2008 made the following adjustments in base salary for fiscal 2009. The base salary of Brian Walker was set by the Board at \$720,000. The new base salary was approved by the Board of Directors based upon Mr. Walker's excellent performance in driving the operating results of the Company in the previous fiscal year. The base salary of Curt Pullen was set by the Committee at \$350,000. This base salary reflects the fact that this will be the first full year in which Mr. Pullen serves as chief financial officer. The base salary for Beth Nickels was set by the Committee at \$277,000 and reflects the Committee's determination that Ms. Nickels continues to perform well in her position.

Compensation Discussion and Analysis *(continued)*

The base salary of Ken Goodson was set at \$270,000 and reflects the Committee's determination that Mr. Goodson continues to excel in his role as head of operations. The base salary of Mr. Miller was set at \$293,000 and reflects the Committee's determination that Mr. Miller is satisfactorily discharging all of his responsibilities. The base salary of Andy Lock was set at \$330,000 and reflects the Committee's determination that Mr. Lock continues to meet all the requirements of his role. Each of the base salaries set for the NEOs by the Committee were within the range established for their performance in position.

Annual Executive Incentive Cash Bonus

The annual executive incentive cash bonus for the Corporate Officers is paid pursuant to the Executive Incentive Cash Bonus Plan. This plan is intended to link annual incentive compensation to the creation of shareholder value. The Executive Incentive Cash Bonus Plan provides for the annual payment of a cash bonus (Incentive Cash Bonus) to selected executives based upon the performance of the Company during the fiscal year. The annual Incentive Cash Bonus is reported in the Summary Compensation Table under the column titled "Non-equity Incentive Plan Compensation." Payments are made following the end of the fiscal year.

The measure of performance for the Incentive Cash Bonus is EVA. EVA in general terms is equal to the Company's net operating income after subtraction of taxes and a charge for capital. The Committee believes that the utilization of the EVA measurement system, with its focus on maximizing the Company's return on capital investments relative to its cost of capital, is an effective means of evaluating and rewarding executive performance. The cash bonus for NEOs in fiscal 2008 was based upon consolidated EVA for the entire Company.

Under the Executive Incentive Cash Bonus Plan a participant is assigned an Incentive Cash Bonus target expressed as a percentage of his or her base pay, and the actual bonus payment is determined by comparing the actual improvement in EVA achieved by the Company against expected improvement. The expected improvement is the dollar amount of EVA improvement necessary to earn the targeted EVA bonus. The interval is the dollar amount of EVA change, either above or below the expected improvement, necessary to either double the EVA bonus amount or reduce it to zero.

The actual Incentive Cash Bonus amount paid with respect to any year may range from 0 to 2 times of the target based upon the relative achievement of our EVA targets described below. The Committee sets the EVA targets for 3 year periods. The current 3 year period expires at the end of fiscal 2010. The Incentive Cash Bonus earned by participants is expected over time to equal 100% of his or her individual target. The target Incentive Cash Bonus payment for the NEOs generally is set at 100% of the market median bonus amount for comparable positions as shown in the Towers Perrin Executive Compensation Database, although as explained earlier base pay and bonus may be adjusted in order to maintain total compensation in an amount that is consistent with our compensation philosophy. The Committee believes that this use of Incentive Cash Bonus is consistent with the objective of making compensation for senior corporate officers more variable with the Company's performance.

The Committee is responsible for administering all elements of the Executive Incentive Cash Bonus Plan, except that those elements of the plan relating to the CEO (including target percentage payment) are approved by the Board. The Committee approves participants in the plan, the target payment percentage, the EVA improvement goals and the cost of capital. The Audit Committee at the end of each fiscal year approves the calculation of EVA results for the year and the EVA change from the previous year and the resulting bonus factor. The Committee certifies the use of the bonus factor for use in the Incentive Cash Bonus calculation. The EVA targets for 2008 were an expected improvement of \$9 million and an interval of \$32 million and the same targets will be used for fiscal 2009. The cost of capital in both 2008 and 2009 is 9%.

The Committee approved a change to the Executive Incentive Cash Bonus Plan for Incentive Cash Bonus payments with respect to fiscal year 2008 results. The change was made by the Committee in order to eliminate any effect on the incentive as a result of the corporate restructuring that took place during fiscal 2008. As a part of the restructuring the Company revised its charitable contribution policy and reduced the amount of charitable contributions. The Committee determined that any improvement in the Company's EVA caused by the Company's reduction in contributions would not be considered for purposes of determining the Incentive Cash Bonus for fiscal year 2008.

Incentive Cash Bonus for 2008

The Incentive Cash Bonus payment target percentages for NEOs in fiscal 2008 ranged from 100% of base salary for the CEO to 60% of base salary for other NEOs. For fiscal 2008 participants in the Executive Incentive Cash Bonus Plan received Incentive Cash Bonus payments in July 2008 equal to 1.3699 times their individual targets.

Incentive Cash Bonus for 2009

For fiscal 2009, the payment target percentage for our CEO and NEOs remained unchanged from 2008. The Committee believes that the Incentive Cash Bonus target percentages reflect the appropriate market information provided by the Published Survey Data and are within the range for each NEO.

Compensation Discussion and Analysis *(continued)*

Long-Term Incentives

Our shareholders in 2004 approved our Long-Term Incentive Plan (LTI Plan). The plan authorizes the Company to issue stock, restricted stock, options, restricted stock units, and other forms of equity-based compensation (Long-Term Incentive Grants). The key objectives of making Long-Term Incentive Grants under the LTI Plan are:

- To provide an appropriate level of equity reward to Corporate Officers that ties a meaningful part of their compensation to the long-term returns generated for shareholders.
- To provide an appropriate equity award to the next level of executives where market data would support their inclusion in an annual equity award plan.
- To assist the achievement of our share ownership requirements.
- To attract, retain and reward key employees.

We believe that a significant portion of executive pay should be aligned with long-term shareholder returns and that encouraging long-term strategic thinking and decision-making requires that executives have a significant stake in the long-term success of Herman Miller. The Committee is responsible for administering all elements of the LTI Plan and for making all Long-Term Incentive Grants under the LTI Plan, except that the Board approves the grants to the CEO.

The LTI Plan provides for the issuance of options with a reload feature. A reload feature permits an option holder who exercises an option to receive an additional (reload) option in connection with the exercise of an existing option. The reload option has an exercise price equal to the price at which the existing option was exercised and represents a number of shares equal to the number of shares traded in to exercise the option and to pay the taxes on the exercise of the option. The reload feature exists in option grants made before fiscal year 2007. The Committee, beginning in fiscal year 2007, discontinued the practice of issuing new options with reload features.

LTI Grants in 2008

In July 2007 (fiscal 2008) the Committee met and established target values for LTI grants in 2008 at an on target EVA performance. For NEOs the target value was expressed as a percentage of his or her base. The target grants we awarded in July 2007 to NEOs (other than Ken Goodson) consisted of both performance shares and stock options and were divided; one-third performance shares, one-third market priced stock options, and one-third to be selected by the participant between the two forms of equity awards. The actual grants of performance shares under the plan are based upon the Company's EVA performance over the 3 fiscal years following the grant. The key features of the performance shares and options are as follows:

Performance Shares: The performance shares represent shares of the Company's common stock that are to be issued to participants at the end of a future 3-year measurement period beginning in the year that performance shares are granted. The value of the performance shares is initially based upon a target grant to each participant. The actual payout of shares can vary between 0% and 200% of target shares depending upon the cumulative average EVA performance over the three-year measurement period. There is no payment of dividends during the performance period and the shares are not actually issued until the end of the three-year measurement period.

Stock Options: The options will vest equally over three years, have a ten year life and are priced at fair market value on the date of grant.

The Committee believes the use of options and this performance share grant structure retains the key elements of EVA measurement and employee ownership, aligns the interests of shareholders and executives while matching the expense in any given year to the performance of the business in that year and establishes a longer-term time horizon over which the Company's performance determines the value of the awards. The Committee also believes that allowing the NEOs to have some flexibility in modifying the mix between options and shares gives the NEOs a greater sense of deriving value from the awards.

The Long-Term Incentive grants given in fiscal 2008 had a target value ranging from 220% of base salary for our CEO to 100% of base salary for Andrew Lock and Gary Miller, 60% for Beth Nickels and \$100,000 for Curt Pullen. Ken Goodson's target Long-Term Incentive Grant was set at \$206,000 in restricted stock units in connection with his receipt of a retention grant. (This retention grant is described further in the Termination and Retention Payments section.) The increase in the target value of the Long-Term Incentive Grants to the CEO and most of the other NEOs in both absolute amount and relative to the increase in base compensation reflects the decision of the Committee to bring the value of these LTI grants closer to the market median values of such grants reflected by the Published Survey Data. The decrease in target value for Ms Nickels reflects her new role, for fiscal year 2008, as President, Herman Miller for Healthcare. The value of the grant to Curt Pullen reflects the fact that this is his first year as chief financial officer. In the case of the CEO it also reflects the fact that the Company is no longer amortizing the cost of the 100,000 share grant made to him on July 27, 2004.

Compensation Discussion and Analysis *(continued)*

The following table discloses the actual elections made by the NEOs with respect to 2008.

Name	Number of Options	Option Exercise Price	Performance Shares (at target performance)
Brian Walker	67,750	\$31.84	21,586
Curt Pullen	4,929	\$31.84	1,570
Gary Miller	9,036	\$31.84	5,758
Ken Goodson	0	NA	6,470
Beth Nickels	22,944	\$31.84	3,655
Andy Lock	9,937	\$31.84	6,332

LTI Grants in 2009

The Committee did not change the LTI program for 2009. The target value of these awards was matched against the Towers Perrin Executive Compensation Database of market median value for such grants. The target values as a percent of base salary established in July 2008 (fiscal 2009) for the Long-Term Incentive Grants (including options and performance shares) awarded in fiscal 2009 was 225% for Brian Walker, 100% for Curt Pullen, 100% for Gary Miller, 100% for Andy Lock, and 60% for Beth Nickels. The value of the grant to Ken Goodson was fixed at \$206,000 and allocated entirely to performance shares as a part of his retention arrangement. The target value of each of these grants was within the range for the NEO given their performance and position.

Practices Concerning Grant Dates

Grants under the LTI Plan are typically made in connection with the Board of Directors meeting in July of each year. The number of performance shares is determined using the closing price for the Company's common stock on the date of grant and the number of options is based on the Black-Scholes valuation method described in the footnote to the Long-Term Incentive Grants table. The Company does not attempt to influence the amount of executive compensation by timing equity grants in connection with the disclosure of material information to the public. The Company's year end financial information is normally disclosed through a press release in the third week of June. The backdating of equity award dates is specifically prohibited under policies adopted by the Board of Directors.

Retirement and Health Plans

Health Plans

The Company maintains a broad base of health insurance plans available to all full-time and most part-time employees. The NEOs participate in such health insurance plans on the same terms as all other employees within their respective geographic region.

Retirement Plans

The Company maintains broad based retirement plans available for all non-union employees in the United States. Our employees in England and who are union members are covered by separate defined benefit retirement plans. Our retirement plans are designed to provide an appropriate level of replacement income upon retirement. The benefits available to NEOs are the same as available to other non-executive employees in their respective geographic region subject to limitations provided by law or regulation. The NEOs participate in the full range of benefits and are covered by the same plans (with exceptions noted) on the same terms as provided to all U.S. employees.

The retirement plans include:

- The Herman Miller, Inc. Retirement Income Plan
- The Herman Miller, Inc. Profit Sharing and 401(k) Plan
- The Herman Miller Limited Retirement Benefits Plan

Retirement Income Plan: The Herman Miller, Inc. Retirement Income Plan (Cash Balance Plan) is what is known as a hybrid plan. Under the Plan the Company accrues a benefit for the participant which is expressed as a fixed dollar amount (cash balance). The Company credits each employee's account with an amount equal to 4% of his or her salary, up to the maximum salary level permitted by the Internal Revenue Service (currently \$225,000). Each account is also credited with hypothetical interest earning pegged to a predetermined benchmark (for fiscal 2008 interest was credited at 4.87%).

Profit Sharing Plan: The Herman Miller, Inc. Profit Sharing and 401(k) Plan consists of two parts. The Company annually makes a contribution to the profit sharing portion based upon the Company's EVA results for the year that may range from 0% to 6% of base salaries, with a target contribution of 3% of base salary. Based upon our EVA results, the actual percentage contributed for fiscal year 2008 was 4.11%. The amount of salary included in the base for the calculation is limited to the maximum salary level permitted by the IRS. The 401(k) portion of the plan is a salary deferral plan. Each employee may elect to defer up to the maximum amount permitted.

Compensation Discussion and Analysis *(continued)*

The Company matches up to half of the amount deferred by the employee up to the first 6% of the employee's compensation contributed.

Herman Miller Limited Retirement Plan: Herman Miller Limited, the Company's wholly owned UK subsidiary maintains an average final pay pension plan for all of its retirees. Under the plan each employee is entitled to a normal basic pension equal to an equivalent of 1/70th of final pensionable salary for each complete year of service. The pension is subject to a maximum of 40/70ths of final pensionable salary.

Perquisites and Other Executive Compensation Plans

Perquisites

The Company is conservative in its approach to executive perquisite benefits. We provide a limited number of perquisites to Corporate Officers. The Company normally provides each NEO with a specified dollar amount which can be used for a range of perquisites. These perquisites include financial planning, life insurance, spousal travel and other benefits. In 2008 the dollar amount of these benefits used was approximately \$17,500 for the CEO and between \$6,000 and \$16,000 for each of the other NEOs.

The Company does not normally provide non-business-related use of chartered aircraft for Corporate Officers. During 2008 there was one occasion on which the Company did provide chartered aircraft to NEOs for non-business use. The total cost to the Company for this usage was less than \$10,000.

The Company in 2008 did provide the NEOs and all other Corporate Officers with the opportunity to purchase certain additional disability insurance and to obtain comprehensive physicals paid for by the Company.

Deferred Compensation Plans

In 2008 the Committee discontinued use of the existing Non-qualified Deferred Compensation Plan and approved the Herman Miller, Inc. Executive Equalization Retirement Plan.

The Non-qualified Deferred Compensation Plan allowed selected employees to defer part or all of their Executive Incentive Cash Bonus payment each year. The Company matched any such deferral, up to 50% of the incentive cash bonus payment. The matching payment vests over 3 years and vesting is dependent upon the executive remaining employed with the Company. Amounts deferred are converted into units having the same value as the Company's stock and are credited with amounts at the same rate as the Company's dividend on its common stock. Units are converted into shares of the Company's common stock at the time of distribution. While the Non-qualified Deferred Compensation Plan was not used in 2008, Company match contributions with respect to amounts deferred during 2007 and credited in 2008 appear on the 2008 Summary Compensation Table. Only two executives, Brian Walker and Beth Nickels, elected to participate in the Non-Qualified Deferred Compensation Plan in fiscal 2007. The vesting on the Company matching contribution is shown on the Perquisites and Other Compensation table.

The Herman Miller, Inc. Executive Equalization Retirement Plan was approved by the Committee and the Board in 2008. The plan is a supplemental deferred compensation plan and is available for salary deferrals beginning in January 2008. The plan is available to highly compensated employees who are selected for participation by the Committee. All of the NEOs are currently able to participate. The plan allows participants to defer up to 50% of their base salary and 100% of their Incentive Cash Bonus. Company contributions to the plan "mirror" the amounts the Company would have contributed had the employee's compensation not been above the statutory ceiling (currently \$225,000). For fiscal year 2008 the contribution will be equal to 50% of the participants retirement savings contributions until the matching contribution brings the Company's contribution credited to the plan, the Herman Miller Retirement Income Plan and the Herman Miller Profit Sharing and 401(K) Plan up to 9.9% of compensation. Investment options under this plan are the same as those available under the 401(k) Plan. Company matching contributions for amounts deferred in 2008 will be made after year end and will appear on the 2009 Summary Compensation Table under Perquisites and Other Compensation.

Key Executive Stock Purchase Assistance Plan

In 1994 the Company established the Key Executive Stock Purchase Assistance Plan. The plan provided that the Company would make loans to certain key executives to allow them to purchase shares of Company stock. The executives are obligated to repay the loans together with interest over an 8 year period. The executive could earn repayment of up to 80% of the total loan principal and 100% of the annual interest through Company performance as measured by the Company meeting its annual EVA expected improvement target. The Committee closed the plan to further participants in 2004 and there is only one remaining loan outstanding, that being to Beth Nickels. In 2007 and 2008 she earned repayment of the full amount of the interest and principal due on the loan for those years. The earned repayment for fiscal year 2008 is shown on the Perquisites and Other Income table. Fiscal year 2008 was the last year in which she was eligible to participate in the plan and all remaining amounts due have been paid to the Company.

Executive Long Term Disability Plan

The plan covers 60% of the rolling two year average of executive incentive compensation. Executives are eligible to participate when they have earned over \$6,000 in annual executive incentive compensation. This benefit continues as long as the executive is disabled until age 65. The monthly benefit is capped at \$10,000. The executive can maintain the plan by paying Unum, the provider, directly when they leave the Company.

Compensation Discussion and Analysis *(continued)*

Deductibility of Compensation

The income tax laws of the United States limit the amount the Company may deduct for compensation paid to the company's CEO, CFO and the other three most highly paid executives. Under IRS certain guidelines compensation that qualifies as "performance based" is not subject to this limit. All compensation paid by the Company during fiscal 2008 met the requirements for deductibility.

Stock Ownership Guidelines

The Committee believes that significant stock ownership by top management is of critical importance to the ongoing success of the Company, as it helps link the interests of senior management and company shareholders. Stock ownership requirements apply to the nine members of the Executive Leadership Team for the Company. Under these requirements, the President and Chief Executive Officer must own shares of company stock with an aggregate market value of at least six (6) times base salary, Corporate Officers having a Long-Term Incentive Plan target equal to 100% of base salary must own shares of Company stock with an aggregate market value of four (4) times their respective base salaries and all other direct reports to the CEO must own shares with an aggregate market value of three (3) times their respective base salaries.

All participants must achieve their ownership requirement over a five-year period from the date of their appointment to the position. The Committee reviews the NEOs' progress toward these goals annually during the Company's fourth quarter. Ownership for the purpose of the guidelines is defined to include shares owned by the executives, as well as shares held in the Company's profit sharing and 401k plan, restricted stock and restricted stock units (both vested and unvested), and deferred accounts for his or her benefit. Stock options and unissued performance shares are not included in the calculation of an executive's total ownership. If a participant fails to meet the ownership guidelines within the specified period half of his or her Incentive Cash Bonus will be paid in the form of Company stock until the guideline is met.

At its annual review the Committee determined that all of the NEOs were in compliance with the ownership guidelines.

Impact of Prior Compensation in Setting Elements of Compensation

Prior compensation of the NEOs does not normally impact how the Committee sets the current elements of compensation. The Committee believes the current competitive environment is more relevant in determining an NEO's current total level of compensation. As described earlier the Committee uses tally sheets to track all of the elements of current compensation to enable the Committee to determine whether the compensation which the NEO is currently receiving is consistent with market practices. The Committee, however, has the ability to consider the impact of any special equity grants upon the value of future grants made to Corporate Officers under the LTI plan.

Impact of Restatements Retroactively Impacting Financial Goals

The Company has not had any material restatement of prior financial results. If such restatements were to occur, the Committee would review the matter and determine what, if any, adjustment to current compensation might be appropriate. The LTI plan and the Executive Incentive Bonus Plan have been amended to give the Committee the right to "claw back" Incentive Cash Bonus payments and LTI grants in the event of certain restatements.

Post-Employment Compensation

Change in control and discharge for other than cause can result in additional compensation being paid to or for certain NEOs. In addition, as described above, certain of the Long-Term Incentive Bonus payments continue if the NEO leaves employment as the result of death, disability or retirement.

Termination and Retention Payments

All of the NEOs are "at will" employees. This means that they can be discharged at any time and for no reason. The Company has agreed to pay Corporate Officers and other executives severance if they are terminated for reasons other than malfeasance or voluntary separation. In July 2007 the Committee approved an increase in the severance payments and for 2008 the severance payments for each NEO would have been equal to 18 months of base salary (in 2007 it would have been equal to 12 months of base salary). The Committee's determination as to the amount of severance payments is the result of benchmarking our practices to the Published Survey Data. In addition, the Company maintains the health insurance on such employee during the salary continuation period. In exchange for such payments the employee provides the Company with a mutual release of all claims and agrees not to work for a competitor or solicit the Company's employees during the salary continuation period.

In fiscal 2008 Ken Goodson entered into a retention agreement with the Company. Under the agreement if he remains employed by the Company through 2010, he is to receive a cash bonus, in addition to his Incentive Cash Bonus, of \$15,000 per year. He also received in July 2007 (fiscal 2008) a Long-Term Incentive retention grant of \$300,000 all in the form of restricted shares and the

Compensation Discussion and Analysis *(continued)*

Committee fixed his LTI annual grant at \$206,000, all of which is to be in the form of performance shares. In July 2007 the \$300,000 retention grant converted into a grant of 9,422 restricted shares. The shares cliff vest 36 months after the grant date and are forfeited if he voluntarily terminates his employment with the Company or is terminated for cause before vesting. If Mr. Goodson dies, becomes disabled or is terminated for reasons other than cause during the 36 month period the retention grant will vest pro rata. The value of the Long-Term Incentive awards given to Ken Goodson was set at \$206,000 in connection with the retention grant.

Change in Control Agreements

Each NEO is party to a change in control agreement with the Company. In 2006 the Committee retained Frederic W. Cook to review the existing change in control agreements and to advise it on whether the continued use of such agreements was appropriate and if so whether the agreements were consistent with competitive practices. Frederic W. Cook advised the Committee that the continued use of change in control agreements is appropriate and that the amounts payable under the agreements were consistent with market practice. In 2006 the Company entered into new change in control agreements with the NEOs and certain other Corporate Officers and executives. The new form of change in control agreement is found under Exhibit 10 in the Company's consolidated financial statements for the fiscal year ended June 2, 2007, included in our Annual Report on Form 10-K.

The Committee believes that the use of change in control agreements is appropriate as they help insure a continuity of management during a threatened take-over and help insure that management remains focused on completing a transaction that is likely to maximize shareholder value. Potential payments under the change in control agreements are included in the tally sheets provided annually to the Committee.

The narrative and footnotes to the tables entitled Potential Payments upon Termination in Connection with a Change in Control describe the change in control payments in greater detail.

Executive Compensation Committee Report

The Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with Management and, based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Proxy Statement.

J. Barry Griswell (chair) Douglas D. French John R. Hoke III

Summary Compensation Table

The summary compensation table below shows the compensation for the Named Executive Officers "NEO" for the fiscal year ended May 31, 2008 ("Fiscal 2008") and June 2, 2007 ("Fiscal 2007"). The details of the Company's executive compensation programs are found in the CD&A.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation (\$) ⁽²⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
Brian C. Walker	2008	664,615		776,875	480,440	908,349	12,964	111,355	2,954,598
President and Chief Executive Officer	2007	625,961		651,052	358,045	829,981	11,957	105,433	2,582,429
Curtis S. Pullen ⁽⁵⁾	2008	262,500		29,172	36,484	200,427	12,988	23,393	564,964
Chief Financial Officer	2007	191,975		23,216	20,691	180,012	11,189	25,230	452,313
Elizabeth A. Nickels ⁽⁵⁾	2008	285,385		94,471	157,589	237,098	10,280	152,965	937,788
President, Herman Miller for Healthcare	2007	349,327		128,038	170,390	327,377	8,869	169,917	1,153,918
Kenneth L. Goodson ⁽⁶⁾	2008	259,327	15,000	291,405	114,942	212,993	23,539	40,965	958,171
EVP Operations	2007	254,999	15,000	126,211	66,951	239,107	21,354	50,533	774,155
Andrew J. Lock	2008	313,654		158,900	95,121	257,489	135,837	38,247	999,248
Chief Administration Officer	2007	302,981		119,610	61,771	283,558	8,970	40,818	817,708
Gary S. Miller	2008	283,654		183,335	92,519	232,830	38,776	30,062	861,176
Chief Development Officer	2007	275,000		171,596	61,771	257,862	33,944	27,004	827,177

(1) Amounts set forth in the stock award and option award columns represent the amounts recognized as compensation expense in the reported year for financial reporting purposes with respect to stock awards and options in accordance with FAS 123R except that the amounts do not reflect a reduction for estimated forfeitures. The assumptions used in calculating these amounts are set forth in Note 14, in the Company's consolidated financial statements for the fiscal year ended May 31, 2008, included in our Annual Report on Form 10-K.

(2) Reflects bonus payments under our Annual Executive Incentive Cash Bonus Plan earned by the NEOs during the reported year and paid in the following fiscal year. Includes any amounts that the NEO deferred under the Company's Nonqualified Deferred Compensation Plan.

(3) Amounts represent the aggregate change in the actuarial present value of the accumulated benefits under the Company's Retirement Plans.

(4) The amounts in this column for all other compensation are described in the table below.

(5) On August 13, 2007, Mr. Pullen succeeded Ms. Nickels as our CFO, at which time Ms. Nickels assumed the role of President, Herman Miller for Healthcare.

(6) A \$15,000 3 year annual bonus was approved by the Compensation Committee as part of Mr. Goodson's retention arrangement.

	Bundled Benefits ^(a)	Key Executive Loan Assistance ^(b)	Dividends on restricted stock	Company Sponsored Physicals and Healthcare	Retirement Plan Contribution (c)	Long-term Disability Insurance	Vesting of Registrants contributions to Deferred Compensation Plan	Total Other Compensation
Brian C. Walker	17,542		35,200	2,137	15,998	2,809	37,669	111,355
Curtis S. Pullen	5,774				15,998	1,621		23,393
Elizabeth A. Nickels	15,142	79,847		3,031	15,998	2,462	36,485	152,965
Kenneth L. Goodson	13,893		2,488		15,998	3,738	4,848	40,965
Andrew J. Lock	16,077			2,623	15,998	3,549		38,247
Gary S. Miller	9,450				15,998	4,614		30,062

(a) Bundled Benefits includes accounting fees, cell phone fees, club dues, family travel, financial planning, home office expenses, vehicle expenses, life insurance, and tax gross-ups.

(b) Represents amount earned under our Key Executive Stock Purchase Assistance Plan and applied to the repayment of loans made thereunder. No new loans may be extended under this plan.

(c) Each executive received contributions of \$15,998 pursuant to our defined contribution retirement plans.

Grants of Plan-Based Awards

The Grant of Plan-Based Awards table below sets forth information on equity awards granted by the Company to the NEOs during fiscal 2008 under the Long Term Incentive Plan (LTI Plan) and the possible payouts to the NEOs under the Executive Incentive Cash Bonus Plan (Annual Cash Bonus Plan) for fiscal 2008. The CD&A provides further details of grants under the LTI Plan, as well as the performance criteria under the Annual Cash Bonus Plan.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock of Units (#)	All Other Option Awards: Number of Securities Underlying Options ⁽³⁾ (#)	Exercise or Base Price of Option Awards (\$/Sh) ⁽⁴⁾	Grant Date Fair Value of Stock and Option Awards ⁽⁵⁾ (#)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Brian C. Walker	7/24/07				0	21,586	43,172				687,298
	7/24/07								67,750	31.84	687,283
		0	663,077	1,326,154							
Curtis S. Pullen	7/24/07				0	1,570	3,140				49,989
	7/24/07								4,929	31.84	50,002
		0	146,308	292,615							
Elizabeth A. Nickels	7/24/07				0	3,655	7,310				116,375
	7/24/07								22,944	31.84	232,753
		0	173,077	346,154							
Kenneth L. Goodson	7/24/07				0	6,470	12,940				206,005
	7/24/07							9,422			299,996
	10/2/08 ⁽⁶⁾								24,556	28.57	111,050
		0	155,481	310,962							
Andrew J. Lock	7/24/07				0	6,332	12,664				201,611
	7/24/07								9,937	31.84	100,805
		0	187,962	375,923							
Gary S. Miller	7/24/07					5,758	11,516				183,335
	7/24/07								9,036	31.84	91,665
		0	169,961	339,923							

(1) Under the Annual Cash Bonus Plan executives can earn incentive compensation based on the achievement of certain company performance goals.

The actual Cash Bonus amount paid with respect to any year may range from 0 to 2 times of the target based upon the relative achievement of our EVA targets.

(2) The performance share units represent shares of the Company's common stock and are to be issued to participants at the end of a future 3-year measurement period beginning in the year that performance shares are granted. The value of the performance shares is initially based upon a target grant to each participant.

The actual payout of shares can vary between 0% and 200% of target shares depending upon the cumulative average EVA performance over the three-year measurement period.

(3) Except as noted in footnote 6, each option has a term of ten years and vests pro rata over three years.

(4) Stock options are awarded at an option price not less than the market value of the Company's common stock at the grant date in accordance with the LTI Plan.

(5) Aggregate grant date values are computed in accordance with FAS 123R.

(6) Reflects options granted pursuant to stock option reload rights contained in certain option agreements. The rights permit employees to receive new options if an employee exercises options by trading in shares. Reload options allow for the purchase of shares of company stock equal to the number of shares that were exchanged upon exercise of the underlying option. The reload options retain the expiration date of the original option, but the exercise price equals the fair market value of the company's stock on the date of grant of the reload option.

Outstanding Equity Awards at Fiscal Year-End

The Outstanding Equity Awards at Fiscal Year-End table below shows the option awards and stock awards that were outstanding as of May 31, 2008. The table shows both exercisable and unexercisable options. The table also shows share units and equity plan awards that have not vested.

Name	Grant Date	Option Awards		Option Exercise Price (\$)	Option Expiration Date	Stock Awards		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽³⁾⁽⁴⁾
		Number of Securities Underlying Unexercised Options (#) ⁽¹⁾ Exercisable	Number of Securities Underlying Unexercised Options (#) ⁽¹⁾ Unexercisable			Number of Shares or Units of Stock That Have Not Vested (#) ⁽²⁾	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽³⁾		
Brian C. Walker	07/27/04					100,000	2,480,000		
	06/27/05	12,472	6,237	33.517	06/27/15	6,281	155,769		
	07/24/06	6,688	13,378	30.536	07/24/16	8,263	204,922		
	10/30/06	8,589		34.510	07/05/10				
	10/30/06	3,616		34.510	06/29/11				
	10/30/06	33,430		34.510	04/23/12				
	07/24/07		67,750	31.840	07/24/17			21,586	535,333
Curtis S. Pullen	06/27/05	2,786	1,392	33.517	06/27/15	1,402	34,770		
	07/24/06	1,494	2,987	30.536	07/24/16	1,845	45,756		
	07/24/07		4,929	31.840	07/24/17			1,570	38,936
Elizabeth A. Nickels	07/05/00	9,800		27.359	07/05/10				
	04/25/01	3,115		25.230	02/07/10				
	04/23/02	25,313		25.000	04/23/12				
	06/30/03	25,000		20.060	06/30/13				
	05/19/04	50,000		23.870	05/19/09				
	07/20/04	17,931		26.950	02/07/10				
	06/27/05	11,433	5,717	33.517	06/27/15	5,757	142,774		
	10/18/05	22,640		27.990	02/07/10				
	10/18/05	2,788		27.990	06/29/11				
	10/18/05	2,486		27.990	04/23/12				
	07/24/06	6,131	12,263	30.536	07/24/16	7,575	187,860		
	07/24/07		22,944	31.840	07/24/17			3,655	90,644
Kenneth L. Goodson	07/06/98	15,000		29.750	07/06/08				
	07/05/00	4,900		27.359	07/05/10				
	10/25/00	10,280		24.250	07/02/09				
	04/23/02	17,000		25.000	04/23/12				
	04/16/04	4,577		27.160	07/02/09				
	04/16/04	3,272		27.160	06/29/11				
	05/19/04	2,265		23.870	05/19/09				
	06/27/05	5,197	2,599	33.517	06/27/15	2,617	64,902		
	07/24/06	2,787	5,574	30.536	07/24/16	3,443	85,386		
	07/24/07							6,470	160,456
	10/02/07		24,556	28.570	05/19/09				
Andrew J. Lock	06/27/05	8,315	4,158	33.517	06/27/15	4,187	103,838		
	07/24/06	4,459	8,919	30.536	07/24/16	5,509	136,623		
	07/24/07		9,937	31.840	07/24/17			6,332	157,034

Outstanding Equity Awards at Fiscal Year-End *(continued)*

Gary S. Miller	07/06/98	40,000	29.750	07/06/08				
	07/02/99	28,000	23.313	07/02/09				
	07/05/00	9,800	27.359	07/05/10				
	06/29/01	3,080	24.200	06/29/11				
	04/23/02	28,000	25.000	04/23/12				
	06/30/03	25,000	20.060	06/30/13				
	05/19/04	50,000	23.870	05/19/09				
	06/27/05	8,315	4,158	33.517	06/27/15	4,187	103,838	
	07/24/06	4,459	8,919	30.536	07/24/16	5,509	136,623	
	07/24/07		9,036	31.840	07/24/17			5,758 142,798

(1) Options granted on 06/27/05 and 07/24/06 vest in three equal annual installments beginning on the first anniversary of the grant date. Options granted prior to 06/27/05 or in connection with a reload vest 100 percent on the one year anniversary date of the award. Options granted on 10/2/07, 10/30/06, 10/18/05, 7/20/04, 4/25/01 reflects options granted pursuant to stock option reload rights contained in certain option agreements. The rights permit employees to receive new options if an employee exercises options by trading in shares. Reload options allow for the purchase of shares of Company stock equal to the number of shares that were exchanged upon exercise of the underlying option. The reload options retain the expiration date of the original option, but the exercise price equals the fair market value of the company's stock on the date of grant of the reload option.

(2) All awards vest 100 percent on the five year anniversary date of the award.

(3) Assumes a stock price of \$24.80 per share, which was the closing price of a share of Common Stock on the last trading day of the fiscal year, May 31, 2008.

(4) The performance share units represent shares of the Company's common stock and are to be issued to participants at the end of a future 3-year measurement period beginning in the year that performance shares are granted. The value of the performance shares is initially based upon a target grant to each participant.

The actual payout of shares can vary between 0% and 200% of target shares depending upon the cumulative average EVA performance over the three-year measurement period.

Option Exercises and Stock Vested

This table provides information on the number and value of (1) options exercised in Fiscal 2008, and (2) the vesting of restricted stock (on an aggregate basis).

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Brian C. Walker				
Curtis S. Pullen				
Elizabeth A. Nickels				
Kenneth L. Goodson	27,735	130,354		
Andrew J. Lock				
Gary S. Miller	5,030	61,995		

(1) Represents the difference between the exercise price and the fair market value of our common stock on the date of exercise.

Pension Benefits

The Pension Benefit table which is below provides certain information on the retirement benefits available under each retirement plan to each NEO at the end of fiscal 2008. The retirement plans are described in the CD&A.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Brian C. Walker	Herman Miller, Inc. Retirement Income Plan	19	116,634	
Curtis S. Pullen	Herman Miller, Inc. Retirement Income Plan	17	99,867	
Elizabeth A. Nickels	Herman Miller, Inc. Retirement Income Plan	8	60,645	
Kenneth L. Goodson	Herman Miller, Inc. Retirement Income Plan	21	280,484	
Andrew J. Lock ⁽¹⁾	Herman Miller, Inc. Retirement Income Plan	6	48,733	
	Herman Miller, UK Pension Plan	12	655,896	
Gary S. Miller	Herman Miller, Inc. Retirement Income Plan	32	515,114	

(1) Mr. Lock was covered from 1990-2002 under the UK Pension Plan and from 2002-2008 under the Retirement Income Plan.

Nonqualified Deferred Compensation

The Nonqualified Deferred Compensation table below provides certain information relating to our two defined contribution plans that provides for the deferral of compensation on a basis that is not tax-qualified.

Name	Executive Contributions in Last Fiscal Year (\$) ⁽¹⁾	Registrant Contributions in Last Fiscal Year (\$) ⁽²⁾	Aggregate Earnings in Last Fiscal Year (\$) ⁽³⁾	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$)
Brian C. Walker	271,672	74,698	(534,598)	—	1,340,095
Curtis S. Pullen	5,817	—	(23,176)	—	58,458
Elizabeth A. Nickels	163,688	49,106	(211,842)	—	556,888
Kenneth L. Goodson	6,600	—	(40,102)	31,231	71,720
Andrew J. Lock	7,996	—	342	—	8,338
Gary S. Miller	—	—	—	—	—

(1) Amounts in this column represent the deferral of amounts earned under the Executive Incentive Cash Bonus Plan in fiscal 2007 but paid in fiscal 2008, as well as the deferral of base salary earned in fiscal 2008. The amounts identified in this column are also reported in the Summary Compensation Table under Salary for Fiscal 2008 and Non-equity Incentive Plan Compensation for Fiscal 2007.

(2) Amounts in this column represent the Company's match of 30 percent of the employee's contribution.

(3) Amounts reflect increases (decreases) in value of the Company's common stock during the year, based upon deemed investment of deferred amounts.

The Company's Non-qualified Deferred Compensation Plan, which was terminated on fiscal 2007, allows certain employees to defer part or all of his or her Executive Incentive Cash Bonus payment each year. The Company matched any such deferral, up to 50 percent of the incentive cash bonus payment. The matching payment vests over 3 years and vesting is dependent upon the executive remaining employed with the Company. Only two executives, Brian Walker and Beth Nickels, made deferral elections in fiscal 2007 for their respective compensation earned in fiscal 2008. Amounts deferred are converted into units having the same value as the Company's stock and are credited with amounts at the same rate as the Company's dividend on its common stock. Units are converted into shares of the Company's common stock at the time of distribution.

The Committee has approved a supplemental deferred compensation plan for salary deferrals that began in January 2008. The plan will allow all United States employees who have compensation above the statutory ceiling to defer income in the same proportion as if the statutory ceiling did not exist. The Company will make contributions to the plan such that the amounts in the plan "mirror" the amounts the Company would have contributed had the employee's compensation not be above the statutory ceiling, subject to a limit of 9.9 percent of compensation. Distributions from the plan are paid out in cash based on the deferral election specified by the participant.

Potential Payments upon Termination, Death, Disability, Retirement or Change in Control

The following tables quantify both the estimated payments that would be made to each NEO in the event of his/her termination by the Company without cause, and in the event of his/her termination under circumstances that would trigger payments under the change in control agreements. The tables also provide information regarding the incremental amounts that would have vested and become payable on May 31, 2008 if a change in control occurred on that date or if the NEO's employment had terminated on that date because of death, disability or retirement. The amounts potentially payable to each NEO in the event of separation without cause, death, disability, retirement or in connection with a change in control in which a termination occurs is illustrated below. The narrative that follows the tables gives more details concerning the plans and the circumstances under which either accelerated payment or vesting would occur.

Assumes termination occurs at end of Fiscal Year 2008 (May 31, 2008)

	Benefit	Death	Disability	Retirement	Without Cause	Change in Control
Brian C. Walker	Cash Severance	—	—	—	1,005,000	4,197,037
	Prorated Annual Incentive	908,349	908,349	—	—	908,349
	Equity					
	Restricted Stock	1,488,000	1,488,000	—	1,488,000	2,480,000
	Restricted Stock Units	167,146	167,146	—	167,146	360,693
	Performance Shares (at target)	178,444	178,444	—	178,444	535,333
	Unexercisable Options	—	—	—	—	—
	Total	1,833,590	1,833,590	—	1,833,590	3,376,026
	Retirement Benefits ⁽¹⁾	—	—	—	—	—
	Unvested Deferred Stock Units	40,451	40,451	—	—	40,451
	Other Benefits					
	Health and Welfare	—	—	—	20,406	40,812
	Outplacement	—	—	—	20,000	20,000
	Tax Gross-Ups	—	—	—	—	—
	Total	—	—	—	40,406	60,812
	Total	2,782,390	2,782,390	—	2,878,996	8,582,675
Curtis S. Pullen	Cash Severance	—	—	—	412,500	880,000
	Prorated Annual Incentive	200,427	200,427	—	—	200,427
	Equity					
	Restricted Stock	—	—	—	—	—
	Restricted Stock Units	37,321	37,321	—	37,321	80,541
	Performance Shares (at target)	12,979	12,979	—	12,979	38,936
	Unexercisable Options	—	—	—	—	—
	Total	50,300	50,300	—	50,300	119,477
	Retirement Benefits ⁽¹⁾	—	—	—	—	—
	Unvested Deferred Stock Units	—	—	—	—	—
	Other Benefits					
	Health and Welfare	—	—	—	18,373	24,497
	Outplacement	—	—	—	20,000	20,000
	Tax Gross-Ups	—	—	—	—	—
	Total	—	—	—	38,373	44,497
	Total	250,727	250,727	—	501,173	1,244,401

Potential Payments upon Termination, Death, Disability, Retirement or Change in Control *(continued)*

	Benefit	Death	Disability	Retirement	Without Cause	Change in Control
Elizabeth A. Nickels	Cash Severance	—	—	—	405,000	1,285,456
	Prorated Annual Incentive	237,098	237,098	—	—	237,098
	Equity					
	Restricted Stock	—	—	—	—	—
	Restricted Stock Units	153,221	153,221	—	153,221	330,646
	Performance Shares (at target)	30,215	30,215	—	30,215	90,644
	Unexercisable Options	—	—	—	—	—
	Total	183,436	183,436	—	183,436	421,290
	Retirement Benefits ⁽¹⁾	—	—	—	—	—
	Unvested Deferred Stock Units	42,906	42,906	—	—	42,906
	Other Benefits					
	Health and Welfare	—	—	—	19,808	26,410
	Outplacement	—	—	—	20,000	20,000
	Tax Gross-Ups	—	—	—	—	—
	Total	—	—	—	39,808	46,410
	Total	463,440	463,440	—	628,244	2,033,160
Kenneth L. Goodson	Cash Severance	—	—	—	390,000	946,806
	Prorated Annual Incentive	212,993	212,993	—	—	212,993
	Equity					
	Restricted Stock	66,422	66,422	—	66,422	233,666
	Restricted Stock Units	69,643	69,643	—	69,643	150,287
	Performance Shares (at target)	53,485	53,485	—	53,485	160,456
	Unexercisable Options	—	—	—	—	—
	Total	189,550	189,550	—	189,550	544,409
	Retirement Benefits ⁽¹⁾	—	—	—	—	—
	Unvested Deferred Stock Units	—	—	—	—	—
	Other Benefits					
	Health and Welfare	—	—	—	22,615	30,153
	Outplacement	—	—	—	20,000	20,000
	Tax Gross-Ups	—	—	—	—	—
	Total	—	—	—	42,615	50,153
	Total	402,543	402,543	—	622,165	1,754,361
Andrew J. Lock	Cash Severance	—	—	—	472,500	1,115,061
	Prorated Annual Incentive	257,489	257,489	—	—	257,489
	Equity					
	Restricted Stock	—	—	—	—	—
	Restricted Stock Units	111,427	111,427	—	111,427	240,454
	Performance Shares (at target)	52,345	52,345	—	52,345	157,034
	Unexercisable Options	—	—	—	—	—
	Total	163,772	163,772	—	163,772	397,488
	Retirement Benefits ⁽¹⁾	—	—	—	—	—
	Unvested Deferred Stock Units	—	—	—	—	—
	Other Benefits					
	Health and Welfare	—	—	—	21,414	28,552
	Outplacement	—	—	—	20,000	20,000
	Tax Gross-Ups	—	—	—	—	—
	Total	—	—	—	41,414	48,552
	Total	421,261	421,261	—	677,686	1,818,590

Potential Payments upon Termination, Death, Disability, Retirement or Change in Control *(continued)*

	Benefit	Death	Disability	Retirement	Without Cause	Change in Control
Gary S. Miller	Cash Severance	—	—	—	427,500	1,034,969
	Prorated Annual Incentive	232,830	232,830	232,830	—	232,830
	Equity					
	Restricted Stock	—	—	—	—	—
	Restricted Stock Units	111,427	111,427	—	111,427	240,454
	Performance Shares (at target)	47,600	47,600	142,798	47,600	142,798
	Unexercisable Options	—	—	—	—	—
	Total	159,027	159,027	142,798	159,027	383,252
	Retirement Benefits ⁽¹⁾	—	—	—	—	—
	Unvested Deferred Stock Units	—	—	—	—	—
	Other Benefits					
	Health and Welfare	—	—	—	17,946	23,927
	Outplacement	—	—	—	20,000	20,000
	Tax Gross-Ups	—	—	—	—	—
	Total	—	—	—	37,946	43,927
	Total	391,857	391,857	375,628	624,473	1,694,978

(1) The retirement benefits available to the Named Executive Officers are the same as those available to all salaried employees.

Potential Payments upon Termination without Change in Control

The Company under its salary continuation plan has agreed to pay Corporate Officers and other executives severance if they are terminated for reasons other than cause. The payments are equal to 18 months base salary continuation for the NEOs. In addition the Company maintains the health insurance on such employee during the salary continuation period. In exchange for such payments the employee provides the Company with a mutual release of all claims and agrees not to work for a competitor during the salary continuation period. In the event of a termination covered by the change in control agreements described below, the payments under those agreements is reduced by any amounts received under the salary continuation plan.

The Executive Long Term Disability Plan provides a monthly benefit to an executive of 60% of their 2 year average executive incentive up to a monthly maximum of 10,000. Each of the NEOs would be entitled to a \$10,000 monthly benefit if they became disabled as of May 31, 2008 as long as they are disabled or until age 65.

Potential Payments upon Termination in Connection with Change in Control

In Fiscal 2008 each NEO was party to a change in control agreement with the Company. The change in control agreements are all "two trigger" agreements. This means there both must be a change in control and the employee must lose his or her job for a reason covered by the change in control agreement in order to be entitled to a payment.

The agreements define change in control as having occurred (1) when a third party becomes the owner of more than 35 percent of the Company's stock, (2) when a majority of the Board of directors is composed of persons who are not recommended by the existing Board, (3) when a third party acquires a majority of the assets of the Company in a transaction not approved by the continuing directors, (4) when the Company is a party to a merger or reorganization in which the existing shareholders do not control 60 percent of the shares of the surviving company or (5) when there is a liquidation of the Company.

An employee is entitled to a payment under the change in control agreement if within 2 years after a change in control he or she (1) loses his or her employment with the Company for reasons other than cause, (2) the responsibilities of his or her job are significantly reduced, (3) the base salary or bonus he or she receives is reduced, (4) the benefits he or she receives are reduced by more than 5 percent, (5) the location of his or her job is relocated more than 50 miles from its current location, or (6) the obligations of the change in control agreement is not assumed by any successor company.

If both triggering events occur, then the NEO is entitled to a change in control payment. The change in control payment consists of three elements (1) amounts owed for current year base salary, on target bonus prorated to the date of termination and all amounts of deferred income, (2) medical and other insurance benefits, and (3) a separation payment. In addition, all existing unvested options and other equity units become immediately vested and exercisable. The separation payment in the case of the CEO is to be equal to 3 times the amount described below and in the case of all other NEOs the payment is equal to 2 times the amount described below. The

Potential Payments upon Termination without Change in Control *(continued)*

separation payment is a lump sum equal to either two or three times the sum of (a) the executive's base salary plus (b) the greater of the executive's actual bonus for the preceding year or his or her on-target bonus for the current year. This amount is reduced by any severance payment that executive receives under the severance program described above.

The Company has the obligation to make a "gross up" payment to the executive if the amount of the payments under the change in control agreements is subject to an excise tax under Section 4999 of the Internal Revenue Code of 1986. However, if a reduction of 5 percent in the separation payments to the executive would prevent them from being subject to the excise tax, the Company may reduce the payments up to 5 percent but only to the extent necessary to avoid the imposition of the excise tax.

In order to receive the payments the NEO would be required to sign a non-competition agreement, committing to refrain from competing with the Company for a period equal to the number of years of compensation received by the NEO under the agreement.

Accelerated Vesting upon Death, Disability, Retirement or Change in Control

Various compensation plans contain provisions that permit accelerated vesting upon death, disability or change in control. In the event of a change in control, the Key Executive Deferred Compensation Plan, the Long-Term Incentive Plan, and the Executive Incentive Cash Bonus Plan provide for the acceleration of vesting and/or payment even if the NEO has not been terminated. These are so called single trigger payment provisions. The Long-Term Incentive Plan, Executive Incentive Cash Bonus Plan and Key Executive Deferred Compensation Plan each has provisions dealing with vesting upon death, disability or retirement. The definition of change in control for these plans is the definition contained in Treasury Regulations for Section 409A of the American Jobs Creation Act of 2004.

Key Executive Deferred Compensation Plan

The Key Executive Deferred Compensation Plan, which terminated in fiscal 2007, permits a participant to elect to have his or her account distributed immediately upon his death, disability, or termination of employment in addition to change in control. The plan also permits the Committee to distribute to the employee amounts deferred before December 31, 2005 in the event of his death, disability or termination of employment.

Long-Term Incentive Plan

The Long-Term Incentive Plan provides that all unvested options, restricted stock units and performance shares vest and become immediately exercisable in the event of a change in control. The measurement period for performance shares ends as of the date of a change in control and the number of performance shares actually vesting is determined by the Company's average EVA performance during the shortened measurement period.

Options granted under the LTI Plan to the extent vested at the date of death, disability or retirement, remain exercisable for the lesser of 60 months or the balance of their original term. In all other cases the options terminate 90 days after the termination of employment.

Restricted stock units vest ratably up to the date of termination if an employee dies, becomes disabled, or is terminated for reasons other than cause. Vesting is determined by comparing the number of months the employee has been with the Company between the date of grant and the date of termination to the original 5 year vesting period. If an employee retires the grant of restrict stock units will continue to vest over the original vesting period, provided the employee is available to provide 10 hours per quarter of consulting services and does not work for a competitor.

Performance shares, as explained earlier, are granted at a target value and the actual number of units converted into shares is determined at the end of a 3 year measurement period. The percentage of the performance share target grant that is eligible to vest if an employee dies, becomes disabled, or is terminated for reasons other than cause is determined by comparing the number of months between the date of grant and the date of termination to the original 3 year vesting period. If an employee retires in the first year the percentage of the performance share target grant subject to vesting will be equal to the number of months the employee remains employed during the year divided by 12. If the employee retires after the first year 100 percent of the target performance share grant is subject to vesting

The Executive Incentive Cash Bonus Plan

The Executive Incentive Cash Bonus Plan requires that an employee be employed by the Company on the last day of a fiscal year in order to be eligible to receive the Incentive Cash Bonus, with certain exceptions noted below. The plan provides that in the events of death, disability or retirement an employee does not need to be employed on the last day of the fiscal year in order to receive a bonus. The employee's bonus will be reduced to reflect the portion of the year that he or she was employed by the Company. In the event of a change in control, the Incentive Cash Bonus is immediately vested (based upon EVA results achieved through the date of the change in control) and payable and is not reduced by virtue of the fact that it is calculated upon a partial year. The same provisions governing payment in the event of death, disability, retirement or change in control are also found in the bonus plan applicable to all other employees.

Director Compensation

The following Director Compensation table provides information on the compensation of each director for fiscal year 2008. The standard compensation of each director is \$120,000. The audit committee chair receives an additional \$17,500, the executive compensation committee chair receives an additional \$10,000 and the nominating and governance committee chair receives an additional \$7,500. The chairman of the Board of Directors receives additional annual compensation of \$305,000 and is eligible to participate in the Company's health insurance plan. Brian Walker, the Company's CEO, does not receive any additional compensation for serving on the Board of Directors.

The annual retainer and chairperson fee (if appropriate) is payable by one or more of the following means, as selected by each director: (1) in cash; (2) in shares of our stock valued as of January 15 of each year; (3) credit under the Director Deferred Compensation Plan described below, with company common stock units valued as of January 15 of each year; (4) stock options valued as of January 15 of each year under the Black-Scholes Valuation Model; or (5) as a contribution to our company employee scholarship fund. Any director who does not meet the stock ownership guideline must take at least 50 percent of his or her fee in one of the permissible forms of equity.

Stock Compensation Plan

We have in effect a Stock Compensation Plan, approved and adopted by our shareholders, under which nonemployee officers and directors may be granted options to purchase shares of our stock if they elect to receive their compensation in stock options. Subject to certain exceptions, the options are not exercisable until 12 months after the date of grant and expire 10 years after the date of the grant. The option price is payable upon exercise in cash or, subject to certain limitations, in shares of our stock already owned by the optionee, or a combination of shares and cash.

Deferred Compensation Plan

We also maintain a Nonemployee Officer and Director Deferred Compensation Stock Purchase Plan. The Plan permits participants to defer receipt of all or a portion of the total annual retainer and Chairman of the Board and committee chair fees to his or her account under the plan expressed in stock units equivalent to shares of our stock.

Stock Ownership Guidelines

Director stock ownership guidelines have been in effect since 1997. These guidelines, like those of the management team, are intended to reinforce the importance of linking shareholder and director interests. Under these guidelines, beginning in 2000, each director is encouraged to reach a minimum level of share ownership having a value of at least three times the annual director retainer over a five-year period after first becoming a director.

Other

Directors are reimbursed for travel and other necessary business expenses incurred in the performance of their services for the Company, and they are covered under the Company's business travel insurance policies and under the Director and Officer liability insurance policy.

Perquisites

Some Directors' spouses accompany them to Board meetings. The Company pays for their expenses and for some amenities for the Directors and their spouses, including some meals and social events. The total of these perquisites is less than \$10,000 per Director.

Director Compensation (continued)

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Options Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)	Total (\$)
Paget Alves		120,000					120,000
Mary Vermeer Andringa	10,000	110,000	30,602 ⁽³⁾				150,602
Douglas D. French	5,000	115,000					120,000
Lord Brian Griffiths of Fforestfach	120,000						120,000
J. Barry Griswell	130,000						130,000
John R. Hoke III	60,000	60,000					120,000
James R. Kackley	68,750		25,734				94,484
C. William Pollard	120,000						120,000
Dorothy A. Terrell	127,500						127,500
David O. Ulrich	10,000		107,712				117,712
Michael A. Volkema	425,000						425,000

(1) The amounts shown in the "Fees Earned or Paid in Cash" column include amounts which may be deferred under the Non-Employee Director Deferred Compensation Plan. Amounts deferred are retained as units equal to shares of stock under the plan. The plan permits non-employee directors to elect to defer amounts which they would otherwise receive as director fees. Amounts deferred are credited with earnings at the same rate as the dividend on the Company's stock. Directors at the time of deferral elect the deferral period. The units together with the earnings on the units are converted to shares of the Company's common stock at the end of the deferral period and are distributed to the director at the end of the deferral period. These amounts may also reflect contributions to the Michael Volkema Scholarship fund which awards college scholarships to children of employees. During fiscal year 2008 ten directors contributed a portion of their fees to the fund.

(2) These amounts reflect the expense recognized as compensation expense in fiscal 2008 for financial reporting purposes with respect to stock awards and options, granted in fiscal 2008 and/or prior years, in accordance with FAS 123R except that the amounts do not reflect a reduction for estimated forfeitures. The assumptions used in calculating these amounts are set forth in Note 14 in the Company's consolidated financial statements for the fiscal year ended May 31, 2008, included in our Annual Report on Form 10-K.

(3) Ms. Andringa received reload options in the prior year as a result of her exercise of options granted under the Non-employee Officer and Director Stock Option Plan. This amounts reflects the current year expense of those reload options.

As of May 31, 2008, each Director had the following aggregate number of outstanding options :

Name	Aggregate Number of Outstanding Options
Paget Alves	0
Mary Vermeer Andringa	16,948
Douglas D. French	31,037
Lord Brian Griffiths of Fforestfach	31,605
J. Barry Griswell	0
John R. Hoke III	0
James R. Kackley ⁽¹⁾	32,460
C. William Pollard	39,573
Dorothy A. Terrell	32,775
David O. Ulrich ⁽²⁾	90,658
Michael A. Volkema	0

(1) Included in the aggregate number of outstanding options from Mr. Kackley are 8,364 options granted during the fiscal year with a grant date fair value of \$68,749.

(2) Included in the aggregate number of outstanding options from Mr. Ulrich are 13,382 options granted during the fiscal year with a grant date fair value of \$109,995.

Equity Compensation Plan Information

As noted in the Compensation Discussion and Analysis, we maintain certain equity compensation plans under which common stock is authorized for issuance to employees and directors in exchange for services. In addition, we maintain the Nonemployee Officer and Director Stock Option Plan, Long Term Incentive Plan, 2000 Employee Stock Option Plan, Employees' Stock Purchase Plan, and various employee ownership and profit sharing plans under which common stock is authorized for issuance to employees and directors in exchange for services.

The 2000 Employee Stock Option Plan is our only equity compensation plan under which common stock is authorized for issuance that has not been approved by our shareholders. Under the 2000 Employee Stock Option Plan, each full- or part-time employee of the company, or any U.S. or Canadian subsidiary, and certain foreign subsidiaries who was not eligible to participate in the Long-Term Incentive Plan, received a one-time, nontransferable grant of a nonqualified stock option to purchase 100 shares of our common stock, at fair market value of the shares on the grant date. The options were not exercisable until after one year of continuous employment from the grant date and remain exercisable until the earlier of 10 years after the grant date or three months after termination of employment (other than termination due to of retirement, disability, or death, which events allow for a longer exercise period). The Board is sensitive to dilution of shareholder interests resulting from the granting of stock options and therefore has allocated the options granted under this plan against the authorized shares available under the Long-term Incentive Plan.

The following table sets forth certain information regarding the above referenced equity compensation plans as of May 31, 2008.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,805,432	27.71	5,939,655 ⁽²⁾
Equity compensation plans not approved by security holders	189,170	27.24	
Total	2,994,602	26.68	5,939,655

(1) We have not granted warrants or rights applicable to this chart.

(2) The number of shares remaining available for future issuance under our plans for awards other than options is limited to 12 percent of the shares authorized by shareholders. There are 523,236 shares remaining available for future issuance for awards other than options.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and officers, as well as any person holding more than 10 percent of our common stock, are required to report initial statements of ownership of our securities and changes in such ownership to the Securities and Exchange Commission. Based upon written representations by each director and officer, all the reports were timely filed by such persons during the last fiscal year.

Certain Relationships and Related Party Transactions

The Board of Directors has adopted a Policy on Related Party Transactions. Under that Policy, with certain limited exceptions, all proposed transactions between the Company and one of its directors or officers or their respective affiliates are required to be reported to the Nominating and Governance Committee prior to entering into such a transaction. Management is obligated to provide that Committee with information relating to the terms and conditions of the proposed transaction, how it complies with the Policy, and if the proposed transaction is with a director, advise the Committee if the transaction would impact that director's status as an independent director. The Nominating and Governance Committee has the authority to determine whether the proposed transaction is exempt from approval or, if not, approve the transaction as compliant with the Policy or refer the matter to the Board of Directors. All approved or exempted transactions must be reported by the Committee to the full Board of Directors.

In order to approve a transaction under the Policy, the Nominating and Governance Committee must determine that either (1) the dollar amount of the transaction and other transactions with the director during that year is less than \$100,000, and, for any director that is a member of the Audit Committee, does not constitute a proscribed consulting, advisory, or other compensated fee, or (2) if the proposed transaction is for the acquisition of products or services and is either less than \$100,000 or is subject to a bid process involving three or more competing parties, and the transaction is in the best interest of the Company and its shareholders, provided that (a) management determined that the proposed transaction will provide the best value for the Company, (b) the compensation is consistent with the proposals submitted by the other bidders, and (c) the director did not directly participate in the proposal process.

J. Barry Griswell is the Chairman of the Board of Directors and Chief Executive Officer of Principal Financial Group, Inc. During fiscal 2007, management submitted a request to the Nominating and Governance Committee to approve a proposed transaction under which the Principal Financial Group would provide Family Medical Leave Act (FMLA) and short-term and long-term disability management work on behalf of the Company. Mr. Griswell did not participate in the bid process or discuss the proposal with management of the Company. Based upon management's recommendation, the Committee determined that the proposed transaction was in the best interest of the Company and its shareholders and approved the proposed transaction. Under the terms of the transaction, Principal Financial Group will provide FMLA administration, short-term disability and long-term disability for a period of three years at an annual rate of approximately \$1.5 million for each of the three years of the contract.

In December 2007 the Company sought bids in connection with \$200 million in Private Placement Notes. Nineteen different bids were received totaling approximately \$400 million in subscriptions. One of the bids received was from the Principal Financial Group. Mr. Griswell did not participate in the bid process or discuss it with management of the Company. Based upon the pricing of their bid and management's recommendation, the Committee determined that the transaction did not constitute a conflict of interest and was in the best interest of the Company and its shareholders. The Committee approved the inclusion of the Principal Financial Group, Inc. for \$8 million within the current Debt Private Placement.

Submission of Shareholder Proposals for the 2009 Annual Meeting

Shareholders wishing to submit proposals on matters appropriate for shareholder action to be presented at our 2009 annual meeting of shareholders may do so in accordance with Rule 14a-8 promulgated under the Exchange Act. For such proposals to be included in our proxy materials relating to our 2009 annual meeting of shareholders, (1) all applicable requirements of Rule 14a-8 must be satisfied, (2) the notice must include various stock ownership and related information detailed in our Bylaws, and (3) such proposals must be received by us at our principal executive offices at 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302, no later than April 23, 2009.

For any proposal that is not submitted for inclusion in next year's Proxy Statement, but is instead sought to be presented directly at the 2009 Annual Meeting, SEC rules permit management to vote proxies at its discretion if we: (1) receive notice of the proposal not before the close of business on July 7, 2009, and advise shareholders in the 2009 Proxy Statement about the nature of the matter and how management intends to vote on such matter, or (2) do not receive notice of the proposal prior to the close of business on July 7, 2009. Notices of intention to present proposals at the 2009 annual meeting should be addressed to our Corporate Secretary, at our principal executive offices at 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302.

As of August 21, 2008, no proposals to be presented at the 2008 annual meeting had been received by us. Under our Bylaws, no business may be brought before an annual shareholder meeting unless it is specified in the notice of the meeting and included in the accompanying proxy materials, or as otherwise brought before the meeting by or at the direction of the Board or by a shareholder entitled to vote who has delivered written notice to us (containing certain information specified in the Bylaws about the shareholder and the proposed action) not less than ninety (90) nor more than one hundred twenty (120) days prior to the date of the originally scheduled meeting. For special meetings, the notice must be received by us no later than the close of business on the tenth day following the date on which the meeting was first announced, or if there was no public announcement, not later than ten (10) days after the date the notice of the scheduled meeting was first mailed to our shareholders.

Miscellaneous

The cost of the solicitation of proxies will be borne by us. In addition to the use of the mails, proxies may be solicited personally or by telephone or electronic means by a few of our regular employees. We may reimburse brokers and other people holding stock in their names or in the names of nominees for their expenses in sending proxy materials to the principals and obtaining their proxies.

Our mailing for the fiscal year ended May 31, 2008, includes the Notice Regarding the Availability of Proxy Materials. A copy of the Notice of 2008 Annual Meeting of Shareholders and the 2008 Annual Financial Statements as well as the Proxy Statement and our Report on Form 10-K both filed with the Securities and Exchange Commission are available, without charge, upon written request from the Secretary of the company, 855 East Main Avenue, PO Box 302, Zeeland, Michigan 49464-0302.


Shareholders are urged to vote promptly. Questions related to your holdings can be directed as follows:

Computershare Investor Services, LLC, 250 Royall Street, Canton, Massachusetts 02021 Phone: 1 800 446 2617 inside the United States Phone: 1 781 575 2723 outside the United States <http://www.computershare.com>

By Order of the Board of Directors

Daniel C. Molhoek, Secretary to the Board August 21, 2008

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2008 Annual Financial Statements



Herman Miller, Inc., and Subsidiaries

Available Information

The company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are made available free of charge through the "Investors" section of the company's internet website at www.hermanmiller.com, as soon as practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). The company's filings with the SEC are also available for the public to read and copy in person at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549, by phone at 1-800-SEC-0330, or via their internet website at www.sec.gov.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

As defined in Item 304 of Regulation S-K, there have been no changes in, or disagreements with, accountants during the 24-month period ended May 31, 2008.

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Share Price, Earnings, and Dividends Summary

Herman Miller, Inc., common stock is traded on the NASDAQ-Global Select Market System (Symbol: MLHR). As of July 24, 2008, there were approximately 27,600 record holders, including individual participants in security position listings, of the company's common stock.

Per Share and Unaudited	Market Price High (at close)	Market Price Low (at close)	Market Price Close	Earnings Per Share- Diluted ⁽¹⁾	Dividends Declared Per Share
Year Ended May 31, 2008					
First quarter	\$36.78	\$26.32	\$29.02	\$0.54	\$0.08800
Second quarter	29.75	23.54	27.45	0.67	0.08800
Third quarter	33.71	27.66	29.83	0.65	0.08800
Fourth quarter	30.77	22.41	24.80	0.71	0.08800
Year	\$36.78	\$22.41	\$24.80	\$2.56	\$0.35200
Year Ended June 2, 2007					
First quarter	\$29.87	\$25.77	\$28.45	\$0.43	\$0.08000
Second quarter	36.83	27.67	35.40	0.56	0.08000
Third quarter	40.61	34.14	37.19	0.50	0.08000
Fourth quarter	37.84	33.27	36.53	0.50	0.08800
Year	\$40.61	\$25.77	\$36.53	\$1.98	\$0.32800

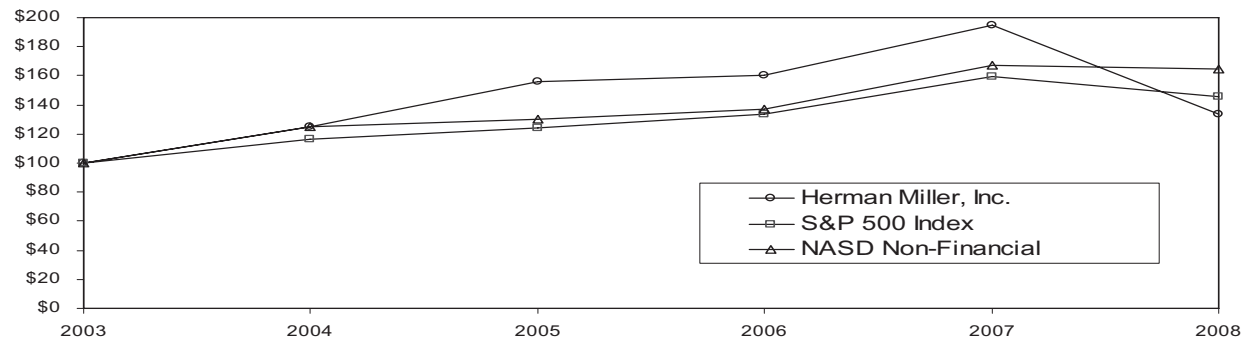
(1) The sum of the quarters may not equal the annual balance due to rounding associated with the calculation of earnings per share on an individual quarter basis

Dividends were declared and paid quarterly during fiscal 2008 and 2007 as approved by the Board of Directors. While it is anticipated that the company will continue to pay quarterly cash dividends, the amount and timing of such dividends is subject to the discretion of the Board depending on the company's future results of operations, financial condition, capital requirements, and other relevant factors.

Share Price, Earnings, and Dividends Summary *(continued)*

Shareholder Return Performance Graph

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on the Company's common stock with that of the cumulative total return of the Standard & Poor's 500 Stock Index and the NASD Non-Financial Index for the five-year period ended May 31, 2008. The graph assumes an investment of \$100 on June 1, 2003 in the company's common stock, the Standard & Poor's 500 Stock Index and the NASD Non-Financial Index, with dividends reinvested.



	2003	2004	2005	2006	2007	2008
Herman Miller, Inc.	\$100	\$125	\$156	\$160	\$195	\$134
S&P 500 Index	\$100	\$116	\$124	\$134	\$159	\$145
NASD Non-Financial	\$100	\$125	\$130	\$137	\$167	\$165

Information required by this item is also contained in Item 12 of this report.

Review of Operations

(In millions, except key ratios and per share data)

	2008	2007	2006	2005	2004
Operating Results					
Net sales ⁽³⁾	\$2,012.1	\$1,918.9	\$1,737.2	\$1,515.6	\$1,338.3
Gross margin ⁽³⁾	698.7	645.9	574.8	489.8	415.6
Selling, general, and administrative ^{(3) (10)}	400.9	395.8	371.7	327.7	304.1
Design and research ⁽¹¹⁾	51.2	52.0	45.4	40.2	40.0
Operating earnings	246.6	198.1	157.7	121.9	61.2
Earnings before income taxes	230.4	187.0	147.6	112.8	51.6
Net earnings	152.3	129.1	99.2	68.0	42.3
Cash flow from operating activities	213.6	137.7	150.4	109.3	82.7
Depreciation and amortization	43.2	41.2	41.6	46.9	59.3
Capital expenditures	40.5	41.3	50.8	34.9	26.7
Common stock repurchased plus cash dividends paid	287.9	185.6	175.4	152.0	72.6
Key Ratios					
Sales growth (decline) ⁽³⁾	4.9%	10.5%	14.6%	13.2%	0.1%
Gross margin ^{(1) (3)}	34.7	33.7	33.1	32.3	31.1
Selling, general, and administrative ^{(1) (3) (10)}	19.9	20.6	21.4	21.6	22.7
Design and research expense ^{(1) (3) (11)}	2.5	2.7	2.6	2.7	3.0
Operating earnings ^{(1) (3)}	12.3	10.3	9.1	8.0	4.6
Net earnings growth (decline)	18.0	30.1	45.9	60.8	81.5
After-tax return on net sales ^{(3) (5)}	7.6	6.7	5.7	4.5	3.2
After-tax return on average assets ⁽⁶⁾	21.0	19.4	14.4	9.6	5.7
After-tax return on average equity ⁽⁷⁾	170.5	87.9	64.2	37.3	21.9
Share and Per Share Data ⁽²⁾					
Earnings per share-diluted	\$2.56	\$1.98	\$1.45	\$0.96	\$0.58
Cash dividends declared per share	0.35	0.33	0.31	0.29	0.18
Book value per share at year end	0.42	2.47	2.10	2.45	2.71
Market price per share at year end	24.80	36.53	30.34	29.80	24.08
Weighted average shares outstanding-diluted	59.6	65.1	68.5	70.8	73.1
Financial Condition					
Total assets ⁽⁹⁾	\$783.2	\$666.2	\$668.0	\$707.8	\$714.7
Working capital ⁽⁴⁾	182.7	103.2	93.8	162.3	207.8
Current ratio	1.6	1.4	1.3	1.5	1.8
Interest-bearing debt and related swap agreements	375.5	176.2	178.8	194.0	207.2
Shareholders' equity	23.4	155.3	138.4	170.5	194.6
Total capital ⁽⁸⁾	398.9	331.5	317.2	364.5	401.8

(1) Shown as a percent of net sales.

(2) Retroactively adjusted to reflect a two-for-one stock split occurring in 1998.

(3) Amounts for 1998-2000 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.

(8) Calculated as interest-bearing debt plus shareholders' equity.

(9) Amount for 2005 was restated in 2006 to reflect reclassifications between current assets and current liabilities.

(10) Amounts for 2005 and 2006 were restated to reflect 2007 classification.

(11) Amount for 2006 was restated to reflect 2007 classification.

2003	2002	2001	2000	1999	1998
\$1,336.5	\$1,468.7	\$2,236.2	\$2,010.2	\$1,828.4	\$1,773.0
423.6	440.3	755.7	680.4	641.6	613.0
319.8	399.7	475.4	404.4	379.3	370.9
39.1	38.9	44.3	41.3	38.0	33.8
48.3	(79.9)	236.0	234.7	224.3	208.3
35.8	(91.0)	225.1	221.8	229.9	209.5
23.3	(56.0)	140.6	139.7	141.8	128.3
144.7	54.6	211.8	202.1	205.6	268.7
69.4	112.9	92.6	77.1	62.1	50.7
29.0	52.4	105.0	135.7	103.4	73.6
72.7	30.3	105.3	101.6	179.7	215.5
(9.0)%	(34.3)%	11.2%	9.9%	3.1%	14.8%
31.7	30.0	33.8	33.8	35.1	34.6
23.9	27.3	21.3	20.1	20.7	20.9
2.9	2.6	2.0	2.1	2.1	1.9
3.6	(5.4)	10.6	11.7	12.3	11.7
141.6	(139.8)	0.6	(1.5)	10.5	72.4
1.7	(3.8)	6.3	6.9	7.8	7.2
3.0	(6.3)	14.5	16.5	18.5	16.7
10.3	(18.2)	43.5	55.5	64.4	49.5
\$0.31	\$(0.74)	\$1.81	\$1.74	\$1.67	\$1.39
0.15	0.15	0.15	0.15	0.15	0.15
2.62	3.45	4.63	3.76	2.63	2.66
19.34	23.46	26.90	29.75	20.19	27.69
74.5	75.9	77.6	80.5	84.8	92.0
\$757.3	\$788.0	\$996.5	\$941.2	\$751.5	\$784.3
189.9	188.7	191.6	99.1	55.5	77.2
1.7	1.8	1.5	0.9	1.0	1.1
223.0	235.1	259.3	225.6	147.6	130.7
191.0	263.0	351.5	294.5	209.1	231.0
414.0	498.1	610.8	520.1	356.7	361.7

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 this Form 10-K.

Executive Overview

We use problem-solving design and innovation to enhance the performance of human habitats worldwide, making our customers' lives more productive, rewarding, delightful, and meaningful. We do this by providing high quality products and related knowledge services. At present, most of our customers come to us for work environments in both corporate office and healthcare settings. We also have a growing presence in educational and residential markets, including home office. Our primary products include furniture systems, seating, storage and material handling solutions, freestanding furniture, and casegoods. Our services extend from workplace to furniture asset management. In Fiscal 2008, we introduced Teneo™ storage furniture, a system of free-standing storage, hosting, and display pieces designed for individual and group work settings. We extended our reach into the work accessories market in fiscal 2008 with The Be Collection™, a suite of new products designed to enhance personal comfort, organization, and technology support. Convia™, our new product and new business launched in fiscal 2007, leads us into the field of modular electrical building systems. This building infrastructure offering enables building owners and individuals to adapt and control their habitat in new and profound ways.

We are globally positioned in terms of manufacturing operations. In the United States, our manufacturing operations are located in Michigan, Georgia, and Washington. In Europe, we have a significant manufacturing presence in the United Kingdom, our largest marketplace outside of the United States. In Asia, we have manufacturing operations in Ningbo, China.

Our products are sold internationally through wholly-owned subsidiaries or branches in various countries including Canada, France, Germany, Italy, Japan, Mexico, Australia, Singapore, China, India, and the Netherlands. Our products are offered elsewhere in the world primarily through independent dealerships. We have customers in over 100 countries around the globe.

We manufacture our products using a system of lean manufacturing techniques collectively referred to as the Herman Miller Production System (HMPS). We strive to maintain efficiencies and cost savings by minimizing the amount of inventory on hand. Accordingly, production is order-driven with direct materials and components purchased as needed to meet demand. The standard lead time for the majority of our products is 10 to 20 days. As a result, the rate of our inventory turns is high. These combined factors could cause our inventory levels to appear relatively low in relation to sales volume.

A key element of our manufacturing strategy is to limit fixed production costs by sourcing component parts from strategic suppliers. This strategy has allowed us to increase the variable nature of our cost structure while retaining proprietary control over those production processes that we believe provide us a competitive advantage. As a result of this strategy, our manufacturing operations are largely assembly-based.

Our business consists of various operating segments as defined by generally accepted accounting principles. These operating segments are determined on the basis of how we internally report and evaluate financial information used to make operating decisions and are organized by the various markets we serve. For external reporting purposes, we aggregate these operating segments as follows.

- *North American Furniture Solutions*—Includes the business associated with the design, manufacture, and sale of furniture products for office and healthcare environments throughout the United States, Canada, and Mexico.
- *Non-North American Furniture Solutions*—Includes the business associated with the design, manufacture, and sale of furniture products primarily for work-related settings outside North America.
- *Other*—Includes our North American residential furniture business as well as other business activities such as Convia, and unallocated corporate expenses.

Core Strengths

We rely on the following core strengths in delivering workplace solutions to our customers.

- *Problem-Solving Design and Innovation*—We are committed to developing research-based functionality and aesthetically innovative new products and have a history of doing so. We believe our skills and experience in matching problem-solving design with the workplace needs of our customers provide us with a competitive advantage in the marketplace. An important component of our business strategy is to actively pursue a program of new product research, design, and development. We accomplish this through the use of an internal research and design staff as well as third party design resources generally compensated on a royalty basis.
- *Operational Excellence*—We were among the first in our industry to embrace the concepts of lean manufacturing. HMPS provides the foundation for all of our manufacturing operations. We are committed to continuously improving both product quality and production and operational efficiency. We have begun to extend this lean process work externally to our manufacturing supply chain and to our distribution channel. We believe this work holds great promise for further gains in reliability, quality and efficiency.
- *Building and Leading Networks*—We value relationships in all areas of our business. We consider our networks of innovative designers, owned and independent dealers, and suppliers to be among our most important competitive factors and vital to the long-term success of our business.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview (*continued*)

Channels of Distribution

Our products and services are offered to most of our customers under standard trade credit terms between 30 and 45 days and are sold through the following distribution channels.

- *Independent Contract Furniture Dealers and Licensees*—Most of our product sales are made to a network of independently owned and operated contract furniture dealerships doing business in many countries around the world. These dealers purchase our products and distribute them to end customers. We recognize revenue on product sales through this channel once our products are shipped and title passes to the dealer. Many of these dealers also offer furniture-related services, including product installation.
- *Owned Contract Furniture Dealers*—At May 31, 2008, we owned 9 contract furniture dealerships, some of which have operations in multiple locations. The financial results of these owned dealers are included in our Consolidated Financial Statements. Product sales to these dealerships are eliminated as inter-company transactions from our consolidated financial results. We recognize revenue on these sales once products are shipped to the end customer and installation is substantially complete. We believe independent ownership of contract furniture dealers is generally, the best model for a financially strong distribution network. With this in mind, our strategy is to continue to pursue opportunities to transition our owned dealerships to independent owners. Where possible, our goal is to involve local managers in these ownership transitions. Subsequent to the end of our fiscal year, we transitioned one owned dealership in Texas to independent ownership status. The effect of this transaction on the company's consolidated financial statements is not material.
- *Direct Customer Sales*—We sometimes sell products and services directly to end customers without an intermediary (e.g. sales to the U.S. federal government). In most of these instances, we contract separately with a dealership or third-party installation company to provide sales-related services. We recognize revenue on these sales once products are shipped and installation is substantially complete.
- *Independent Retailers*—Certain products are sold to end customers through independent retail operations. Revenue is recognized on these sales once products are shipped and title passes to the independent retailer.

Challenges Ahead

Like all businesses, we are faced with a host of challenges and risks. We believe our core strengths and values, which provide the foundation for our strategic direction, have us well prepared to respond to the inevitable challenges we will face in the future. While we are confident in our direction, we acknowledge the risks specific to our business and industry. Refer to Item 1A of our Annual Report on Form 10-K for discussion of certain of these risk factors.

Future Avenues of Growth

We believe we are well positioned to successfully pursue our mission despite the risks and challenges we face. That is, we believe we can continue to improve the performance of human habitats worldwide. In pursuing our mission, we have identified the following as key avenues for our future growth.

- *Primary Markets*—Capturing additional market share within our existing primary markets by offering superior solutions to customers who value space as a strategic tool
- *Adjacent Markets*—Further applying our core skills in environments such as healthcare, higher education, and residential
- *Developing Economies*—Expanding our geographic reach in areas of the world with significant growth potential
- *New Markets*—Developing new products and technologies that serve new markets

Industry Analysis

The Business and Institutional Furniture Manufacturer's Association (BIFMA) is the trade association for the U.S. domestic office furniture industry. We monitor the trade statistics reported by BIFMA and consider them an indicator of industry-wide sales and order performance. BIFMA publishes statistical data for the contract segment and the office supply segment within the U.S. furniture market. The U.S. contract segment is primarily with large to mid-size corporations installed via a network of dealers. The office supply segment is primarily to smaller customers via wholesalers and retailers. We primarily participate, and believe we are a leader in the contract segment. It is important to note that our diversification strategy lessens our dependence on the U.S. office furniture market.

We also analyze BIFMA statistical information as a benchmark comparison against the performance of our domestic U.S. business and also to that of our competitors. The timing of large project-based business may affect comparisons to this data. Finally, BIFMA regularly provides its members with industry forecast information, which we use internally as one of many considerations in our short and long-range planning process.

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Discussion of Business Conditions

Our fiscal years ended May 31, 2008 and June 2, 2007 each included 52 weeks of operations. By comparison, the year ended June 3, 2006 included 53 weeks of operations. The extra week was required to bring our fiscal reporting dates in line with the actual calendar months. We report an additional week of operations in our fiscal calendar approximately every six years for this reason.

Although fiscal 2008 was a year marked with several challenges and uncertainties, we once again realized many achievements. We translated modest top-line growth into solid improvement in operating income and record earnings per share. Our relentless pursuit of innovative solutions coupled with our strategy to diversify into new and emerging markets both at home and abroad, enabled us to grow despite generally slowing economic activity in certain key markets. Also, our cost control efforts and the timing of cost increases for certain inputs proved to limit our exposure to increasing costs for raw materials and fuel. Our expanded international distribution channel and increased manufacturing presence in China contributed to another double-digit increase in sales for our non-North American Furniture Solutions segment. Net sales outside of North America continued to increase as a percentage of our consolidated net sales in fiscal 2008.

In addition to growing the business overseas, our North American Furniture Solutions segment posted modest growth for the year. The acquisition of Brandrud Furniture, Inc. (Brandrud) during fiscal 2008 contributed to our double-digit sales growth to the healthcare industry. With this acquisition, we expanded our reach into patient rooms, patient treatment areas, and public spaces.

We introduced several new products designed to reach customers in nearly all areas of our business. These new products made a strong showing at NeoCon, the contract furniture industry's largest tradeshow. Our newly introduced filing and storage solution, Teneo, won "Best of Show" at NeoCon and we were named "Manufacturer of the Year" by the Office Furniture Dealers Association.

In fiscal 2008, we significantly changed our capital structure to better leverage our balance sheet. We issued \$200 million of senior unsecured private placement notes and commenced a \$200 million accelerated share repurchase program (ASR). Prior to the ASR, we repurchased approximately 2.1 million shares. As a result of the ASR, we retired an additional 5.4 million shares, bringing the full-year repurchase count to 7.5 million shares. The ASR will be completed in September 2008 and we expect to retire approximately 2 million additional shares at that time. We also increased our borrowing capacity with a new \$250 million syndicated revolving line of credit.

During the year, we announced several initiatives to improve our operating profitability and enable greater and faster investment in our strategic growth initiatives. We put in place a restructuring action that eliminated approximately 150 full-time positions and we implemented cost reduction activities that boosted operating earnings toward our long-term goal of 13 percent of sales. We are pleased with our performance for the year, and we continue to actively manage our business in a volatile macro-economic environment.

Looking forward, the general economic outlook for our industry in the U.S. is expected to be negative through calendar year 2009, and we remain appropriately cautious as a result. BIFMA issued its most recent report in May 2008 and expects that the growth rate of office furniture orders and shipments in the U.S. for the balance of calendar 2008 to be negative 6.5 percent and negative 9.7 percent, respectively. For calendar 2009, BIFMA expects negative 6.3 percent for both orders and shipments compared to calendar 2008. This downturn is primarily the result of tighter credit, pale growth in GDP, concerns over inflation and business confidence which may create a drag on office furniture consumption. BIFMA expects that corporate profits will rebound in early 2009 and modestly boost office furniture consumption.

Financial Results

The following is a comparison of our annual results of operations and year-over-year percentage changes for the periods indicated.

(Dollars In millions)	Fiscal 2008	% Chg from 2007	Fiscal 2007	% Chg from 2006	Fiscal 2006
Net sales	\$2,012.1	4.9%	\$1,918.9	10.5%	\$1,737.2
Cost of sales	1,313.4	3.2%	1,273.0	9.5%	1,162.4
Gross margin	698.7	8.2%	645.9	12.4%	574.8
Operating expenses	452.1	1.0%	447.8	7.4%	417.1
Operating earnings	246.6	24.5%	198.1	25.6%	157.7
Net Other expenses	16.2	45.9%	11.1	9.9%	10.1
Earnings before income taxes	230.4	23.2%	187.0	26.7%	147.6
Income tax expense	78.2	35.1%	57.9	21.4%	47.7
Minority interest, net of tax	(0.1)	NA	—	NA	0.7
Net earnings	\$152.3	18.0%	\$129.1	30.1%	\$99.2

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Results *(continued)*

The following table presents, for the periods indicated, the components of the company's Consolidated Statements of Operations as a percentage of net sales.

Fiscal Year Ended	May 31, 2008	June 2, 2007	June 3, 2006
Net sales	100.0%	100.0%	100.0%
Cost of sales	65.3	66.3	66.9
Gross margin	34.7	33.7	33.1
Selling, general, and administrative expenses	19.9	20.6	21.4
Design and research expenses	2.5	2.7	2.6
Total operating expenses	22.5	23.3	24.0
Operating earnings	12.3	10.3	9.1
Net other expenses	0.8	0.6	0.6
Earnings before income taxes	11.5	9.7	8.5
Income tax expense	3.9	3.0	2.7
Net earnings	7.6	6.7	5.7

Net Sales, Orders, and Backlog

Fiscal 2008 Compared to Fiscal 2007

For the fiscal year ended May 31, 2008, consolidated net sales rose 4.9 percent to \$2,012.1 million from \$1,918.9 million in fiscal 2007. This year-over-year growth was driven by strong top-line performance across several of our operating units, most notably in the markets that we serve outside of North America.

The weakening of the U.S. Dollar during fiscal 2008 added approximately \$27 million to our top-line growth and we realized an increase of \$7.1 million in net sales due to our recent acquisition of Brandrud. In fiscal 2007, we recognized \$20.4 million of net sales to a third party equipment manufacturer (OEM Sales). The OEM Sales contract expired at the end of fiscal 2007 and accordingly, there were no related sales recorded in fiscal 2008.

Consolidated net trade orders for fiscal 2008 totaled \$2,008.5 million. This is comparable to net trade orders of \$1,967.0 million last year, and represents an increase of 2.1 percent. There was some volatility in our order pacing in fiscal 2008 primarily due to uncertainties in the U.S. economy. We also experience normal seasonality from quarter to quarter due to the timing of orders from the federal government and the December holiday season. Our backlog of unfilled orders at the end of fiscal 2008 totaled \$286.2 million, a 0.6 percent decline from \$288.0 million at the end of fiscal 2007.

BIFMA reported an estimated year-over-year increase in U.S. office furniture shipments of approximately 3.5 percent for the twelve-month period ended May 2008. By comparison, net sales growth for our domestic U.S. business totaled approximately 2.8 percent. We believe that while comparisons to BIFMA are important, we continue to pursue a strategy of revenue diversification that makes us less reliant on the drivers that impact BIFMA.

Fiscal 2007 Compared to Fiscal 2006

Consolidated net sales of \$1,918.9 million in fiscal year 2007 increased \$181.7 million from fiscal 2006. This increase of 10.5 percent was driven by growth within both of our reportable business segments. The additional week in fiscal 2006 added approximately \$31 million in net sales to that period. Excluding the impact of this additional week, the year-over-year growth in net sales between fiscal years 2006 and 2007 totaled approximately 12.5 percent. Despite intense price competition in all of our major market areas, we captured approximately \$24 million to \$26 million of net sales in fiscal 2007 as a result of pricing actions.

Consolidated net trade orders in fiscal 2007 totaled \$1,967.0 million representing a year-over-year growth of 11.4 percent from orders of \$1,765.7 million in fiscal 2006. Excluding the extra week of operations in the fiscal 2006, order growth was 13.7 percent between periods.

Average weekly order pacing was higher in the first half of fiscal 2007 than in the second half of the year. This trend reflected moderating demand in the North American contract furniture market, combined with the seasonality we typically experience in our order patterns. The backlog of unfilled orders at the end of fiscal 2007 totaled \$288.0 million, increasing 20.9 percent from the fiscal 2006 level of \$238.2 million.

During the first quarter of fiscal 2006, we completed the sale of two wholly-owned contract furniture dealerships and ceased the consolidation of an independently-owned dealership we had previously consolidated as a Variable Interest Entity (VIE) under Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46(R)). Due to this dealership's improved financial condition, the owners were successful in obtaining outside bank financing. As a result, we were no longer required to include this VIE in our Consolidated Financial Statements. These dealership transitions affected our year-over-year comparisons. Net sales and trade orders from these dealers included in our fiscal 2006 financial results totaled approximately \$10.7 million and \$14.4 million, respectively. The financial results of these dealerships were not included in our Consolidated Financial Statements during fiscal 2007.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Results (*continued*)

Restructuring

In the second quarter of fiscal 2008, we announced a restructuring program designed to reduce operating expenses and improve profitability. These actions included the elimination of approximately 150 full-time positions within the North American Furniture Solutions segment. The positions that were eliminated represented a variety of functional areas, and the individuals affected were offered one-time termination benefits, including severance and outplacement services. Pre-tax restructuring expenses for fiscal 2008 of \$5.1 million, are reflected separately in the Consolidated Statements of Operations. The related cash payments were \$4.5 million in fiscal 2008. The balance of the restructuring accrual at May 31, 2008 is \$0.6 million, and is reflected on the Consolidated Balance Sheet within "Other accrued liabilities."

Discussion of Business Segments

Fiscal 2008 Compared to Fiscal 2007

Net sales within our North American Furniture Solutions segment increased from \$1,563.6 million in fiscal 2007 to \$1,636.3 million in the current year. This represents a year-over-year increase of \$72.7 million or 4.7 percent. We experienced growth throughout our North American business operations, but particularly strong growth was experienced in the healthcare industry which posted double-digit year-over-year growth. The healthcare industry remains a key growth area within the segment and lines up with our strategy to pursue diversification. Sales at our Mexican subsidiary again reached double-digit growth over the prior year. Canadian sales turned around from a flat year in 2007 to impressive double-digit growth in fiscal 2008. Operating earnings for the segment in fiscal 2008 were \$195.9 million, or 12.0 percent of net sales. This compares to segment earnings of \$161.7 million or 10.3 percent in the prior year. With top-line growth of 4.7 percent within the segment, we saw both dollar and percent-of-sales increases to operating earnings in the North American Furniture Solutions segment. This segment's strong operating performance is largely due to improved margins on certain recently introduced products, our focus on cost management, and our execution of the restructuring plan discussed above.

Net sales from our non-North American Furniture Solutions segment continues to grow at double-digit rates. Every region within the segment posted increases in year-over-year net sales. Total net sales for the segment were \$323.5 million, up \$45.0 million or 16.2 percent. Sales generated from our non-North American Furniture Solutions segment increased to 16.1 percent of our consolidated net sales, an increase of 160 basis points from 14.5 percent in the prior year. The largest sales contribution within this segment continues to come from our operations in the United Kingdom, which posted a 17.5 percent year-over-year increase to the top line. We also saw a strong increase in net sales within continental Europe. Our results within the Asia Pacific region are particularly noteworthy, growing by 26.8 percent from the prior year. We continue to pursue our diversification strategy and the effects are clearly visible in these results. Operating earnings within our non-North American segment totaled \$47.3 million for the year or 14.6 percent of net sales. This compares to \$28.9 million or 10.4 percent of net sales in fiscal 2007, an increase of 420 basis points.

Net sales within the "Other" segment category were \$52.3 million in fiscal 2008 compared to \$76.8 million in the prior year. As previously discussed within the context of consolidated net sales, the decrease is primarily the result of OEM Sales of \$20.4 million recognized in fiscal 2007 that did not occur in fiscal 2008. Net sales within our North American Home business were down 8.3 percent primarily due to the challenges associated with the U.S. macroeconomic environment.

The U.S. Dollar continued to weaken against major currencies throughout fiscal 2008. The changes in currency exchange rates from the prior year affected the U.S. dollar value of net sales within both primary operating segments. We estimate these changes effectively increased our fiscal 2008 net sales within the North American Furniture Solutions segment by approximately \$12 million, driven largely by the U.S. dollar / Canadian dollar average exchange rate during the current year. Currency exchange rate fluctuations within our non-North American Furniture Solutions segment, increased net sales in fiscal 2008 by approximately \$15 million. This was primarily driven by favorable movements in the U.S. Dollar / British Pound Sterling and U.S. Dollar / Euro exchange rates as compared to last year. It is important to note that period-to-period changes in currency exchange rates have a directionally similar impact on our international cost structures. Operating earnings within our non-North American segment increased an estimated \$6 million in fiscal 2008 due to the aforementioned changes in currency exchange rates relative to the prior year level. The estimated impact on operating earnings of our North American business segment was an increase of approximately \$1 million.

Fiscal 2007 Compared to Fiscal 2006

During fiscal 2007, net sales within our North American Furniture Solutions segment increased to \$1,563.6 million from \$1,448.0 million in fiscal 2006. This represents an increase of \$115.6 million or 8.0 percent. On a weekly-average basis (which adjusts for the extra week of operations in fiscal 2006) net sales in this segment were 10.1 percent higher than fiscal 2006. Particularly noteworthy is our business within the healthcare industry, which realized significant year-over-year percentage increases. Sales at our Mexican subsidiary reached double-digit growth over fiscal 2006. Canadian sales, which increased over the prior year level during the first half of fiscal 2007, ended the full year approximately flat with 2006. Operating earnings in fiscal 2007 were \$161.7 million, or 10.3 percent of net sales. This compares to \$139.9 million or 9.7 percent in fiscal 2006. The increase in both dollars and percentage relative to fiscal

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2006 was largely driven by an 8.0 percent sales increase and the resulting improved operating leverage. In addition, fiscal 2006 included approximately \$5.0 million in higher compensation-related expenses associated with the extra week of operations in that year. Incentive bonus expenses recognized in fiscal 2006 were approximately \$4.0 million higher than those recorded in fiscal 2007 as determined under our plan. These factors were partially offset by higher design and research costs in fiscal 2007, which were approximately \$5.8 million higher than those recorded in the North American Furniture Solutions segment during fiscal 2006.

Our non-North American Furniture Solutions segment had year-over-year increases in net sales across all geographic regions except South America. Total net sales in fiscal 2007 of \$278.5 million were up 28.4 percent from \$216.9 million in fiscal year 2006. On a weekly-average basis, net sales in fiscal 2007 were 30.9 percent higher than the prior year. The non-North American Furniture Solutions segment generated 14.5 percent of our consolidated net sales in fiscal 2007, compared to 12.5 percent in fiscal 2006. Sales in the United Kingdom were 23.7 percent higher than fiscal 2006. Our results in the Asia Pacific region were particularly strong in fiscal 2007, with net sales increasing 61.6 percent from the prior year. In fiscal 2007, we expanded our independent dealer network in China and Japan. Operating earnings in fiscal 2007 within our non-North American segment totaled \$28.9 million, or 10.4 percent of net sales. This compares to \$14.1 million or 6.5 percent in fiscal 2006.

Net sales within the "Other" segment category were \$76.8 million in fiscal 2007 compared to \$72.3 million in fiscal 2006. The increase was driven by the growth of our North American Home business. Sales in fiscal 2006 included net sales of \$6.8 million from a VIE we had previously consolidated under the accounting provisions of FIN 46(R).

Changes in currency exchange rates from fiscal 2006 affected the U.S. dollar value of net sales within both primary operating segments. We estimate these changes effectively increased our fiscal 2007 net sales within the North American Furniture Solutions segment by approximately \$2 million. This was largely driven by the general weakening in the average exchange rate between the U.S. Dollar and Canadian Dollar during fiscal 2007. In our non-North American Furniture Solutions segment, exchange rate changes increased fiscal 2007 net sales by an estimated \$11 million. This increase was driven by favorable movements in the U.S. dollar / British Pound Sterling and U.S. dollar / Euro exchange rates as compared to fiscal 2006. Operating earnings within our non-North American segment increased an estimated \$2 million in fiscal 2007 due to changes in currency exchange rates relative to fiscal 2006 levels. The estimated impact on operating earnings of our North American business segment was not significant in fiscal 2007.

Gross Margin

Fiscal 2008 Compared to Fiscal 2007

Our fiscal 2008 gross margin as a percentage of sales was 34.7 percent, an improvement of 100 basis points from the prior year level. Favorable direct material costs contributed to this increased gross margin performance year-over-year. Lower relative direct labor costs also boosted our margins while overhead expenses were slightly unfavorable. Details relative to each component of gross margin follow.

Direct material costs as a percentage of sales in the current year decreased 100 basis points. Although a higher sales volume favorably affected the percentage, the effect of our fixed contracts for the procurement of certain of our raw materials also contributed to the improvement. The majority of our fixed-price contracts expired during the fourth quarter of this year and we began to see the impact of increased costs for our raw material inputs late in the year.

Our direct labor costs were lower by 40 basis points as a percentage of sales from prior year levels. This reduction is primarily due to higher sales volume, and our continued manufacturing process improvements.

Overhead costs increased in fiscal 2008 from prior year levels. We recognized certain costs associated with the completion of a large project, and had an overall shift into low margin service-related sales, which had the effect of increasing overhead costs by 30 basis points in fiscal 2008.

Freight expenses, as a percentage of sales, were modestly higher compared to 2007 levels. Contributing to the additional freight expenses was a significant increase in diesel prices in the United States. We have continued to benefit from the efforts of our logistics teams to consolidate shipments, increase trailer utilization, and engage lower cost carriers, which together, served to mitigate the impact of increases in fuel costs. Pricing also served to partially offset the increases in fuel costs.

Fiscal 2007 Compared to Fiscal 2006

Our fiscal 2007 gross margin improved 60 basis points from the fiscal 2006 level. The leveraging of overhead expenses against higher net sales in fiscal 2007 significantly contributed to this improvement. Direct material costs pressured gross margin performance. These cost increases were offset by the benefit captured through general price increases. This market pricing, combined with continued manufacturing process improvements, drove a reduction in direct labor expenses on a percent-of-sales basis. The improvement in direct labor was achieved despite the implementation of wage increases in the first quarter of fiscal 2007 and inefficiencies associated with new product introductions.

As a percent-of-sales, direct material expenses increased 140 basis points from the fiscal 2006 level. The direct material content associated with the launch of a new systems furniture solution drove a significant amount of this increase. While these excess costs are typical in the initial years following product launch, the impact was exacerbated by customer demand that far outpaced our business plan for fiscal 2007. Our efforts to keep pace with this demand drove additional cost into the supply chain.

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Direct material costs were higher in fiscal 2007 due to increased costs for key commodities, particularly steel, plastics, aluminum, and wood particleboard over fiscal 2006 levels. In total, we estimate commodity cost increases added between \$14 million and \$16 million to our consolidated direct material expenses in fiscal 2007 compared to fiscal 2006. We were able to offset some of this negative impact through efficiencies gained in connection with our engineering and supply management efforts under HMPS.

Despite an increase in manufacturing overhead expenses, we improved significantly on a percent-of-sales basis in fiscal 2007 versus fiscal 2006. The expense increase was driven in part by the increase in net sales. We also incurred higher expenses in fiscal 2007 for employee benefits such as retirement programs, medical and prescription drug coverage, and annual wage increases for indirect labor employees. Partially offsetting these year-over-year expense increases were lower incentive bonus expenses in fiscal 2007. Our incentive bonus program is based on a measure of improvement in economic profit from year-to-year as opposed to an absolute level of earnings in any one period. Based on our relative performance between periods, incentive bonus expenses recorded within Cost of Sales in fiscal 2007 were \$2 million lower than fiscal 2006.

Freight expenses in fiscal 2007, as a percentage of sales, were 50 basis points lower than fiscal 2006. This was due to the efforts of our distribution team to consolidate shipments, increase trailer utilization, and engage the services of lower cost carriers. Additionally, our freight percentage was reduced due to the additional net sales captured as a result of general price increases.

Operating Expenses

Fiscal 2008 Compared to Fiscal 2007

Operating expenses in fiscal 2008 were \$452.1 million, or 22.5 percent of net sales. This compares to \$447.8 million, or 23.3 percent of net sales in the prior fiscal year. Although there was a year-over-year increase of \$4.3 million, we experienced an 80 basis point reduction to operating expenses as a percentage of sales compared to fiscal 2007. A charge of \$5.1 million for restructuring expenses as discussed above is included in fiscal 2008. There were no restructuring expenses in fiscal 2007.

The year-over-year dollar increase in expenses is primarily due to increases in employee compensation and benefit costs, designer royalties, global selling expenses, program marketing costs, and the foreign exchange impact on operating expenses, partially offset by lower levels of charitable contributions, and savings from certain R&D and product management programs. Leverage on higher sales levels in the current year drove the percent-of-sales reduction in operating expenses.

Incremental employee compensation and benefit costs in fiscal 2008, which includes merit increases, stock-based compensation, and health benefits were an estimated \$6 million higher than fiscal 2007. Global selling costs and designer royalty expenses, both of which vary with net sales levels, were \$3.7 million and \$2.4 million higher, respectively, in fiscal 2008 than in the prior fiscal year. In fiscal 2008, we continued our pursuit of bringing new and innovative products to market, which drove incremental program marketing expenses of \$2.8 million compared to the prior year.

Year-over-year changes in currency exchange rates had an inflationary impact on operating expenses associated with our international operations, as measured in U.S. dollars. We estimate these changes increased our consolidated operating expenses in fiscal 2008 by approximately \$4.8 million relative to the prior year.

Partially offsetting these operating expense increases were charitable contributions that were \$6.3 million lower than fiscal 2007 and a combined savings from certain R&D and product management programs of \$6.6 million.

Design and research costs included in total operating expenses were \$51.2 million and \$52.0 million in fiscal 2008 and fiscal 2007, respectively. These expenses include royalty payments to the designers of our products. We consider such royalty payments, which totaled \$12.4 million and \$9.9 million in fiscal years 2008 and 2007, respectively, to be variable costs of the products being sold. Accordingly, we do not include them in research and development costs as discussed in Note 1.

Fiscal 2007 Compared to Fiscal 2006

Operating expenses in fiscal 2007 were \$447.8 million, or 23.3 percent of net sales, compared to \$417.1 million, or 24.0 percent of net sales in fiscal 2006. This represents a year-over-year increase of \$30.7 million or 7.4 percent. Our fiscal 2006 operating expenses included approximately \$3.5 million in additional compensation costs associated with the extra week of operations in that year. We also incurred expenses totaling approximately \$2.4 million in the first quarter of fiscal 2006 relating to the three dealerships that were transitioned to independent status in that period. Excluding these amounts, the comparable year-over-year increase in operating expenses was \$37.1 million or 9.0 percent.

A significant proportion of this increase from fiscal 2006 to fiscal 2007 is attributed to expenses such as designer royalties and selling-related costs, which vary with net sales. Our portfolio of new product launches at the start of fiscal 2007 drove an increase in program marketing expenses relative to fiscal 2006. We estimate that approximately \$18 million of the year-over-year increase in operating expenses resulted from higher spending on incremental employee compensation (including stock-based compensation

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programs), retirement, and health benefits. Increased expenses related to charitable contributions account for \$2.9 million of the year-over-year increase. We also incurred higher operating expenses during fiscal 2007 related to our new market expansion efforts. Specifically, the opening of our manufacturing operation in China and the launch of two new business ventures, Convia and The Be Collection™, contributed to the increase.

Year-over-year changes in currency exchange rates had an inflationary impact on the operating expenses associated with our international operations, as measured in U.S. dollars. We estimate these changes increased our consolidated operating expenses in fiscal 2007 by approximately \$3.1 million relative to fiscal 2006.

Fiscal 2006 operating expenses included a pre-tax charge totaling \$1.4 million related to a long-term lease arrangement in the United Kingdom. Additional information on this lease arrangement can be found in Note 19.

Pretax compensation expenses associated with our stock-based compensation programs, the majority of which is classified within operating expenses, totaled \$4.9 million in fiscal 2007. This compares to \$2.6 million in fiscal 2006. The increase over fiscal 2006 is the result of our adoption of SFAS No. 123, "Share-Based Payment" (SFAS 123(R)) in the first quarter of fiscal 2007. Additional information on this accounting standard, including our method of transition and prior accounting practice, can be found in Note 14.

Design and research costs included in total operating expenses were \$52.0 million in fiscal 2007. This represents an increase of \$6.6 million from fiscal 2006 levels. Royalty payments included in design and research costs totaled \$9.9 million and \$8.7 million in fiscal years 2007 and 2006, respectively.

Operating Earnings

Fiscal 2008 operating earnings were \$246.6 million. This represents an increase of 24.5 percent from our fiscal 2007 level of \$198.1 million. As a percentage of net sales, operating earnings in fiscal 2008 increased to 12.3 percent of net sales, a 200 basis-point increase over the 10.3 percent reported in the prior year. In fiscal year 2006, we reported operating earnings of \$157.7 million or 9.1 percent of net sales.

Other Expenses and Income

Net other expenses totaled \$16.2 million in fiscal 2008 compared to \$11.1 million in the prior year and \$10.1 million in fiscal 2006. The increase in expense in fiscal 2008 compared to fiscal 2007 was principally driven by additional interest expense of \$5.1 million in the current year associated with the additional senior subordinated notes related to our ASR program. Net foreign currency transaction gains recorded in fiscal 2008 totaled \$0.1 million.

The year-over-year increase in net other expenses between fiscal 2007 and fiscal 2006 was primarily due to lower interest income due to a reduction in our average cash and cash equivalents balance between periods. Additionally, net foreign currency transaction gains were negligible in 2007 while we recorded a gain of \$0.3 million in fiscal 2006.

Income Taxes

Our effective tax rate was 33.9 percent in fiscal 2008 versus 31.0 percent in fiscal 2007. The current year effective rate was below the statutory rate of 35 percent primarily due to the domestic US manufacturing tax incentive. The effective rate in fiscal 2007 was lower than the statutory rate primarily due to \$4.3 million in tax credits for foreign taxes, other credits for research and development activities, and tax incentives for export sales and domestic manufacturing. The fiscal 2006 effective tax rate was 32.3 percent which was lower than the statutory rate due mainly to tax benefits from research and development activities, tax incentives for export sales and domestic manufacturing, and adjustments to recognize certain foreign deferred tax assets.

We expect our effective tax rate for fiscal 2009 to be between 33.5 and 35.5 percent. For further information regarding income taxes, refer to Note 15.

Net Earnings

In fiscal 2008 we generated \$152.3 million of net earnings. This compares to net earnings in fiscal 2007 and fiscal 2006 of \$129.1 million and \$99.2 million, respectively. Fiscal 2008 diluted earnings per share at \$2.56 was an all-time record for the company. Earnings per diluted share in fiscal 2007 were \$1.98 and \$1.45 in fiscal 2006.

Earnings per share in fiscal 2008 benefited from our ASR program as well as our stock repurchases earlier in the year. We reduced the average share count for fiscal 2008 by approximately 5.5 million shares from the prior year level.

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Financial Results *(continued)*

Liquidity and Capital Resources

The table below presents certain key cash flow and capital highlights for the fiscal years indicated.

(In millions)	2008	2007	2006
Cash and cash equivalents, end of period	\$155.4	\$76.4	\$106.8
Short term investments, end of period	\$15.7	\$15.9	\$15.2
Cash generated from operating activities	\$213.6	\$137.7	\$150.4
Cash used for investing activities	\$(51.0)	\$(37.4)	\$(47.6)
Cash used for financing activities	\$(86.5)	\$(131.5)	\$(151.4)
Pension and post-retirement benefit plan contributions	\$ (5.2)	\$ (7.6)	\$ (26.3)
Capital expenditures	\$ (40.5)	\$ (41.3)	\$ (50.8)
Stock repurchased and retired	\$(266.7)	\$(164.9)	\$(155.1)
Interest-bearing debt, end of period ^{(1) (3)}	\$375.5	\$176.2	\$178.8
Available unsecured credit facility, end of period ^{(2) (3)}	\$236.9	\$136.9	\$136.8

(1) Amounts shown include the fair market value of the company's interest rate swap arrangements. The net fair value of these arrangements was \$0.5 million at May 31, 2008, \$(1.8) million at June 2, 2007, and \$(2.2) million at June 3, 2006.

(2) Amounts shown are net of outstanding letters of credit, which are applied against the company's unsecured credit facility, and excludes the \$100 million accordion feature disclosed in Note 9.

(3) During the third quarter of fiscal 2008, the company issued new senior unsecured private placement notes and replaced its unsecured revolving credit facility. Refer to Note 9 and Note 10 for additional information.

Cash Flow – Operating Activities

Cash generated from operating activities in fiscal 2008 totaled \$213.6 million compared to \$137.7 million generated in the prior year. This represents an increase of \$75.9 million compared to fiscal 2007. Changes in working capital balances resulted in an \$11.8 million source of cash in the current fiscal year compared to a \$37.0 million use of cash in the prior year.

The source of cash related to working capital balances in fiscal 2008 is primarily driven from increased current liabilities of \$33.1 million over the prior year, and to a lesser extent, lower inventory of \$2.6 million from prior year levels. The increase in current liabilities is comprised of \$16.6 million in tax-related accruals, \$6.1 million of increased trade accounts payable and \$10.4 million of other accruals. These sources of cash are offset partially by increases in volume-related accounts receivable of \$21.3 million due to increased sales inside and outside North America. Sales outside North America tend to have longer cash collection cycles than those in the U.S. Increased sales through our owned dealership network resulted in higher accounts receivable balances due to the timing of these sales within the fourth quarter of fiscal 2008. A large percentage of the North American accounts receivable increase pertains to our Mexican subsidiary which has the longest cash collection cycle in North America.

The working capital investment in fiscal 2007 was related to increases in inventory and accounts receivable, primarily due to the significant level of growth in our non-North American Furniture Solutions segment. A contributing factor to the working capital investment during fiscal 2007 relates to our business with the U.S. federal government. Order activity with the federal government increased significantly during fiscal 2007, particularly during the first and second quarters. These sales generally require a longer cash collection cycle than do sales to independent contract furniture dealers. Accordingly, we experienced a related increase in accounts receivable. Inventory levels were also affected by this growth in federal government business, since we are generally required to hold product in inventory longer than with non-government business. This extended inventory holding period is necessary to be consistent with our revenue recognition policy for direct customer sales.

The source of working capital cash flow in fiscal 2006 resulted principally from an increase in accounts payable and accrued liabilities, namely employee compensation and warranty accruals. This was partially offset by volume-related increases in accounts receivable and inventory levels.

Collections of accounts receivable remained strong throughout the year, and we believe our recorded accounts receivable valuation allowances at the end of fiscal 2008 are adequate to cover the risk of potential bad debts. Allowances for non-collectible accounts receivable, as a percent of gross accounts receivable, totaled 2.6 percent, 2.5 percent, and 2.8 percent at the end of fiscal years 2008, 2007, and 2006, respectively.

Included in operating cash flows are cash contributions made to our employee pension and post-retirement benefit plans which totaled \$5.2 million, \$7.6 million, and \$26.3 million in fiscal years 2008, 2007, and 2006, respectively. For further information regarding the company's pension and post-retirement benefit plans, including information relative to the funded status of these plans, refer to Note 12.

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Cash Flow – Investing Activities

Capital expenditures totaled \$40.5 million in fiscal 2008 and \$41.3 million in fiscal 2007. Cash outflows related to investing activities in fiscal 2006 included capital expenditures of \$50.8 million. Outstanding commitments for future capital purchases at the end of fiscal 2008 were approximately \$7.4 million. We expect capital spending in fiscal 2009 to be between \$50 million and \$60 million.

Included in our fiscal 2008 investing activities, is a net cash outflow of \$11.7 million related to the acquisition of Brandrud. The purchase of Brandrud augments our product offerings to the healthcare industry. In fiscal 2007, our investing activities reflected a cash outflow of \$3.5 million related to the acquisition of a technology company. This acquisition added enhanced functionality to the existing product portfolio for our Convia subsidiary. Refer to Note 2 for further information related to these acquisitions.

Our net short-term investment transactions for fiscal 2008 yielded a \$0.3 million source of cash. This compares to a \$0.5 million use of cash in fiscal 2007.

In fiscal 2007, we completed the sale of a facility located in Canton, Georgia. The proceeds of \$7.5 million are reflected in the Consolidated Statement of Cash Flows as "Proceeds from sales of property and equipment." There were no corresponding sales of facilities in fiscal 2008.

Cash Flow – Financing Activities

(In millions, except share and per share data)	2008	2007	2006
Shares acquired	7,488,430	5,116,375	5,124,306
Cost of shares acquired ⁽¹⁾	\$266.7	\$164.9	\$155.1
Average cost per share acquired ⁽¹⁾	NA	\$32.23	\$30.27
Shares issued	276,002	2,001,348	1,572,769
Average price per share issued	\$23.73	\$25.19	\$23.50
Cash dividends paid	\$21.2	\$20.7	\$20.3

⁽¹⁾ On January 3, 2008, the company entered into two agreements to purchase shares of its common stock from Morgan Stanley & Co. Inc., for an aggregate purchase price of \$200 million, plus fees, under an Accelerated Share Repurchase ("ASR") program. The company entered into these agreements as part of a repurchase program approved by its Board of Directors. The number of shares to be repurchased under the ASR program will be based on the volume-weighted-average price of the company's common stock during the term of the agreements. The actual number of shares to be repurchased will be determined at the completion of the ASR program. On January 4, 2008 the company paid \$200.6 million in exchange for an initial delivery of 4.4 million shares, representing 70% of the shares that could have been purchased, based on the closing price of the its common stock on January 3, 2008. An additional 0.6 million shares were delivered upon the completion of the initial hedge period which was February 4, 2008. An additional 0.4 million shares were delivered at the completion of one of the agreements on April 7, 2008. Final settlement under the ASR will occur in fiscal 2009.

In fiscal 2008 we completed a debt financing transaction involving the issuance of \$200 million in senior unsecured private placement notes. Notes totaling \$50 million are due in January 2015, and bear interest at a fixed annual coupon rate of 5.94 percent. The remaining \$150 million of these notes are due in January 2018 and bear interest at a fixed annual coupon rate of 6.42 percent. We used the \$200 million proceeds from the notes for an ASR of our common stock. Refer to Note 10 for more information related to our long-term debt.

In fiscal 2008, we also completed a refinancing of our existing unsecured credit facility, increasing our borrowing capacity from \$150 million to \$250 million. The new credit facility includes a \$100 million increase option, subject to customary conditions. The facility may be used to refinance existing debt, provide working capital or for other general corporate purposes. In fiscal 2008, we also paid off \$2.1 million of debt on behalf of Brandrud, our most recent acquisition.

Share repurchases (inclusive of our ASR in fiscal 2008) were the most significant factor affecting cash outflows from financing activities during the past three fiscal years. Our Board of Directors approved a new share repurchase authorization of \$300 million in the second quarter of fiscal 2008. The amount remaining under our share repurchase authorization at the end of fiscal 2008 totaled \$171.4 million.

Our Board of Directors also increased the rate of our quarterly cash dividend in two of the last three fiscal years. The first of these increases was in the third quarter of fiscal 2006 and allowed for an approximate 10 percent increase in the quarterly rate. The second provided for a 10 percent rate increase and was granted in the fourth quarter of fiscal 2007. Our total quarterly cash dividend is \$0.088 per share.

Interest-bearing debt at the end of fiscal 2008 of \$375.5 million increased \$199.3 million from \$176.2 million at the end of fiscal 2007. The increase related primarily to the issuance of \$200 million new private placement notes discussed above and a significant increase in the fair value of our interest rate swap instrument, offset by a scheduled \$3.0 million payment we made during the fourth quarter of fiscal 2008 on our private placement notes. Debt repayments made during fiscal 2007 totaled \$3.0 million.

At the end of fiscal 2007, we had two interest rate swap agreements in place. One of these agreements expired during the fourth quarter of fiscal 2008. The fair value of our remaining interest rate swap arrangement, as further described in Note 17, was \$0.5 million at the end of fiscal 2008 compared to a combined negative \$1.8 million at the end of fiscal 2007. The fair values of the swap arrangements change based on fluctuations in market interest rates. Such changes are not included in net earnings of the related

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period. Instead, they are reflected as adjustments to our consolidated assets and/or liabilities. At the end of fiscal 2008, the portion of our total interest-bearing debt that was effectively converted to a variable-rate basis through our swap arrangements was \$50.0 million. These interest rate swaps had the effect of decreasing total interest expense by \$0.3 million in fiscal 2008 and increasing interest expense by \$0.6 million and \$0.3 million in fiscal years 2007 and 2006, respectively.

The only usage against our unsecured revolving credit facility at the end of fiscal years 2008 and 2007 represented outstanding standby letters of credit totaling \$13.1 million at each date. The provisions of our private placement notes and unsecured credit facility require that we adhere to certain covenant restrictions and maintain certain performance ratios. We were in compliance with all such restrictions and performance ratios during fiscal 2008 and expect to remain in compliance in the future.

In fiscal 2008, we received \$6.5 million related to the issuance of shares in connection with stock-based benefit plans. This compares to receiving \$50.4 million and \$37.0 million in fiscal 2007 and fiscal 2006, respectively.

During fiscal 2008, we repatriated \$23.9 million of undistributed foreign earnings.

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

Contingencies

The company previously leased a facility in the UK under an agreement that expired in March 2008. Under the terms of the lease, the company is required to perform the maintenance and repairs necessary to address the general dilapidation of the facility over the lease term. The ultimate cost of this provision to the company is dependent on a number of factors including, but not limited to, the future use of the facility by the lessor and whether the company chooses and is permitted to renew the lease term. The company has estimated the cost of these maintenance and repairs to be between \$0 and \$3 million, depending on the outcome of future plans and negotiations. Based on existing circumstances, it is estimated that these costs will most likely approximate \$1.0 million. As a result, this amount has been recorded as a liability reflected under the caption "Other Liabilities" in the Consolidated Balance Sheet as of May 31, 2008. Based on circumstances existing in fiscal 2007, the amount recorded in the Consolidated Balance Sheet as of June 2, 2007 was \$0.5 million.

The company has a lease obligation in the UK until May 2014 for a facility that it previously exited. The company believes it will be able to assign or sublet the lease for the majority of the remaining lease term to another tenant at current market rates. However, current market rates for comparable office space are lower than the rental payments owed under the lease agreement. As such, the company would remain liable to pay the difference. As a result, the company recorded a pre-tax charge of \$1.4 million in fiscal 2006 for the expected loss under the arrangement. The corresponding impact of this charge on fiscal 2006 net earnings was \$0.9 million, net of a \$0.5 million tax benefit, or approximately \$0.01 per diluted share. As of May 31, 2008 and June 2, 2007, the future cost of this arrangement was estimated to be \$2.0 million and \$1.4 million, respectively. Accordingly this amount is reflected within "Other Liabilities" on the Consolidated Balance Sheets as of these dates.

The company is involved in legal proceedings and litigation arising in the ordinary course of business. It is the company's opinion that the outcome of such proceedings and litigation currently pending will not materially affect its Consolidated Financial Statements.

Basis of Presentation

The company's fiscal year ends on the Saturday closest to May 31. The fiscal years ending May 31, 2008 and June 2, 2007 each included 52 weeks of operations. In contrast, fiscal year 2006, which ended on June 3, 2006, included 53 weeks of operations. This is the basis upon which weekly-average data is presented. The extra week in fiscal 2006 was required to realign our fiscal calendar with the actual calendar months. This realignment is required approximately every six years.

Contractual Obligations

Contractual obligations associated with our ongoing business and financing activities will result in cash payments in future periods. The following table summarizes the amounts and estimated timing of these future cash payments. Further information regarding debt obligations can be found in Note 10 to the Consolidated Financial Statements. Likewise, further information related to operating leases can be found in Note 11.

(In millions)	Total	Payments due by fiscal year			
		2009	2010-2011	2012-2013	Thereafter
Long-term debt ^{(1) (7)}	\$375.0	\$ —	\$175.0	\$ —	\$200.0
Estimated interest on debt obligations ⁽²⁾	144.7	24.3	46.1	25.2	49.1
Operating leases	58.8	15.7	21.5	11.3	10.3
Purchase obligations ⁽³⁾	33.3	31.7	1.6	—	—

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Contractual Obligations *(continued)*

Pension plan funding ⁽⁴⁾	3.0	3.0	—	—	—
Shareholder dividends ^{(5) (7)}	4.9	4.9	—	—	—
Other ^{(6) (7)}	11.0	2.9	2.4	1.9	3.8
Total	\$630.7	\$82.5	\$246.6	\$38.4	\$263.2

(1) Amounts indicated do not include the recorded fair value of interest rate swap instruments.

(2) Estimated future interest payments on our outstanding debt obligations are based on interest rates as of May 31, 2008. Actual cash outflows may differ significantly due to changes in underlying interest rates and timing of principal payments.

(3) Purchase obligations consist of non-cancelable purchase orders and commitments for goods, services, and capital assets.

(4) Pension funding commitments are defined as the estimated minimum funding requirements to be made in the following 12-month period. As of May 31, 2008, the total accumulated benefit obligation for our domestic and international employee pension benefit plans was \$345.6 million.

(5) Represents the recorded dividend payable as of May 31, 2008. Future dividend payments are not considered contractual obligations until declared.

(6) Other contractual obligations primarily represent long-term commitments related to deferred and supplemental employee compensation benefits, other post employment benefits, and minimum designer royalty payments.

(7) Total balance is reflected as a liability in the Consolidated Balance Sheet at May 31, 2008.

Off-Balance Sheet Arrangements

Guarantees

We provide certain guarantees to third parties under various arrangements in the form of product warranties, loan guarantees, standby letters of credit, lease guarantees, performance bonds, and indemnification provisions. These arrangements are accounted for and disclosed in accordance with FIN 45, "Guarantor's Accounting and Disclosure Requirement for Guarantees, Including Indirect Guarantees of Indebtedness of Others" as described in Note 19 to the Consolidated Financial Statements.

Variable Interest Entities

On occasion, we provide financial support to certain independent dealers in the form of term loans, lines of credit, and loan guarantees. At May 31, 2008 and June 2, 2007, we were not considered the primary beneficiary of any such dealer relationships as defined by FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46(R)) and therefore, no entities were included as VIEs as of these dates.

The risks and rewards associated with our interests in these dealerships are primarily limited to our outstanding loans and guarantee amounts. As of May 31, 2008 and June 2, 2007, our maximum exposure to potential losses related to outstanding loans to these dealerships totaled \$3.2 million and \$4.0 million, respectively. Information on our exposure related to outstanding loan guarantees provided to such entities is included in Note 19 to the Consolidated Financial Statements.

During fiscal 2006, a qualifying triggering event occurred with a previously consolidated VIE which resulted in reconsideration under FIN 46(R). Based on this reconsideration, it was determined we were no longer considered the primary beneficiary. As such, we ceased consolidation of the independent dealership in the first quarter of fiscal 2006. Net earnings in the first quarter of fiscal 2006 were not significantly affected by the consolidation of this VIE. This is because the net earnings of the VIE were primarily attributed to, and therefore offset by, minority interest of \$0.7 million.

Critical Accounting Policies and Estimates

Our goal is to report financial results clearly and understandably. We follow U.S. generally accepted accounting principles 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. These policies and disclosures are reviewed at least annually with the Audit Committee of the Board of Directors. Following is a summary of our more significant accounting policies that require the use of estimates and judgments in preparing the financial statements.

Revenue Recognition

As described in the "Executive Overview," the majority of our products and services are sold through one of four channels: Independent contract furniture dealers and licensees, owned contract furniture dealers, direct to end customers, and independent retailers. We recognize revenue on sales to independent dealers, licensees, and retailers once the product is shipped and title passes to the buyer. When we sell product directly to the end customer or to owned dealers, we recognize revenue once the product and services are delivered and installation is substantially complete.

Amounts recorded as net sales generally include freight charged to customers, with the related freight expenses recognized within cost of sales. Items such as discounts off list price, rebates, and other sale-related marketing program expenses are recorded as reductions to net sales. We record accruals for rebates and other marketing programs, which require us to make estimates about future customer buying patterns and market conditions. Customer sales that reach (or fail to reach) certain levels can affect the amount of such estimates, and actual results could differ from our estimates.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies and Estimates *(continued)*

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 receivable. In addition, we follow a policy that consistently applies reserve rates based on the age of outstanding accounts receivable. Actual collections can differ from our historical experience, and if economic or business conditions deteriorate significantly, adjustments to these reserves may be required.

The accounts receivable allowance totaled \$5.6 million and \$4.9 million at May 31, 2008 and June 2, 2007, respectively. As a percentage of gross accounts receivable, these allowances totaled 2.6 percent and 2.5 percent, respectively. The year-over-year increase in the allowance percentage is primarily due to the volume increase in our non-North American Furniture Solutions segment and Mexico.

Goodwill

The carrying value of our goodwill assets as of May 31, 2008 and June 2, 2007, totaled \$40.2 million and \$39.1 million, respectively. The increase in goodwill balances relates to our acquisition of Brandrud. We account for our goodwill assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 142. Under this accounting guidance, we are required to perform an annual test on our goodwill assets by reporting unit to determine whether the asset values are impaired. If impairment is determined, we are required to reduce the net carrying value of the assets to their estimated fair market value.

Our impairment-testing model is based on the present value of projected cash flows and a residual value. In completing the test under this approach, we assume that the value of a business today is derived from the cash flows it will generate in the future. We also assume that such future cash flows can be reasonably estimated. While these projected cash flows reflect our best estimate of future reporting unit performance, actual cash flows could differ significantly.

The results of this test, performed in the fourth quarter of fiscal 2008, indicated that our net goodwill asset values were not impaired. We employed a market-based approach in selecting the discount rates used in our analysis. By this, we mean the discount rates selected represent market rates of return equal to what we believe a reasonable investor would expect to achieve on investments of similar size to our reporting units. We believe the discount rates selected in our testing are conservative in that, in all cases, they exceed the estimated weighted average cost of capital for our business as a whole. The results of the impairment test are sensitive to changes in the discount rates. Our testing performed in fiscal 2008 indicated that a substantial increase in the discount rates utilized would be required before the results would indicate a potential impairment issue.

Warranty Reserve

We stand behind our products and keep our promises to customers. From time to time, quality issues arise resulting in the need to incur costs to correct 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 valuation of such reserves is based on the estimated costs to correct the problem. Actual costs may vary and may result in an adjustment to our reserves.

Inventory Reserves

Inventories are valued at the lower of cost or market. The inventories at the majority of our manufacturing operations are valued using the last-in, first-out (LIFO) method, whereas inventories of certain other subsidiaries are valued using the first-in, first-out (FIFO) method. We establish reserves for excess and obsolete inventory, based on prevailing circumstances and judgment for consideration of current events, such as economic conditions, that may affect inventory. The amount of reserve required to record inventory at lower of cost or market 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. We also have foreign tax credits available in certain jurisdictions to reduce future tax due. Future tax benefits for NOL carryforwards and foreign tax credits 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

Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies and Estimates *(continued)*

utilize the NOL carryforwards and/or foreign tax credits. When information becomes available that raises doubts about the realization of a deferred income tax asset, a valuation allowance is established.

Self-Insurance Reserves

With the assistance of independent actuaries, we establish reserves for workers' compensation and general liability exposures. The reserves are established based on expected future claims for incurred losses. We also establish reserves for health and dental benefit exposures based on historical claims information along with certain assumptions about future trends. The methods and assumptions used to determine the liabilities are applied consistently, although actual claims experience can vary. We also maintain insurance coverage for certain 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. Among the most significant of these assumptions is the discount rate, interest-crediting rate, and expected long-term rate of return on plan assets. We determine these assumptions as follows.

- **Discount Rate**— This assumption is established at the end of the fiscal year based on high-quality corporate bond yields. We utilize the services of an independent actuarial firm to analyze and recommend an appropriate rate. For our domestic pension and other post-retirement benefit plans, the actuary uses a "cash flow matching" technique, which compares the estimated future cash flows of the plan to a published discount curve showing the relationship between interest rates and duration for hypothetical zero-coupon fixed income investments. We set the discount rate for our international pension plan based on the yield level of a commonly used corporate bond index in that jurisdiction. Because the average duration of the bonds underlying this index is less than that of our international pension plan liabilities, the index yield is used as a reference point. The final discount rate, which takes into consideration the index yield and the difference in comparative durations, is based on a recommendation from our independent actuarial consultant.

The discount rates selected for our domestic pension and post-retirement benefit plans at the end of fiscal 2008 were higher than those established at the end of fiscal 2007. With all other assumptions and values held constant, this change would result in a decrease in our pension and post-retirement benefit plan expenses for our 2009 fiscal year, which began on June 1, 2008. Similarly, the discount rate selected for our international pension plan at the end of the current year was higher than the rate established at the end of fiscal 2007. This change would also result in a decrease in our international pension plan expense for fiscal 2009 if all other assumptions were held constant.

- **Interest Crediting Rate**— We use this assumption in accounting for our primary domestic pension plan, which is a cash balance-type plan. The rate, which represents the annual rate of interest applied to each plan participant's account balance, is established at an assumed level, or spread, below the discount rate. We base this methodology on the historical spread between the 30-year U.S. Treasury and high-quality corporate bond yields. This relationship is examined annually to determine whether the methodology is appropriate.
- **Expected Long-Term Rate of Return**— We base this assumption on our long-term assumed rates of return for equities and fixed income securities, weighted by the allocation of the invested assets of the pension plan. We consider risk factors specific to the various classes of investments and advice from independent actuaries in establishing this rate. Changes in the investment allocation of plan assets would impact this assumption. A shift to a higher relative percentage of fixed income securities, for example, would result in a lower assumed rate.

While this assumption represents our long-term market return expectation, actual asset returns can differ from year-to-year. Such differences give rise to actuarial gains and losses. In years where actual market returns are lower than the assumed rate, an actuarial loss is generated. Conversely, an actuarial gain results when actual market returns exceed the assumed rate in a given year. As of May 31, 2008, and June 2, 2007, the net actuarial loss associated with our employee pension and post-retirement benefit plans totaled approximately \$107.4 million and \$92.4 million, respectively. At both dates, the majority of this unrecognized loss was associated with lower than expected plan asset returns.

For purposes of determining annual net pension expense, we use a calculated method for determining the market-related value of plan assets. Under this method, we recognize the change in fair value of plan assets systematically over a five-year period. Accordingly, a portion of our net actuarial loss is deferred. The remaining portion of the net actuarial loss is subject to amortization expense each year. The amortization period used in determining this expense is the estimated remaining working life of active pension plan participants. We currently estimate this period to be approximately 12 years. As of the beginning of fiscal year 2008, the deferred net actuarial loss (i.e., the portion of the total net actuarial loss not subject to amortization) was approximately \$14.7 million.

Refer to Note 12 to the Consolidated Financial Statements for more information regarding costs and assumptions used for employee benefit plans.

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Contractual Obligations *(continued)*

Long-Lived Assets

We evaluate long-lived assets and acquired businesses for indicators of impairment when events or circumstances indicate that a 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 estimated fair value.

Stock-Based Compensation

We view stock-based compensation as a key component of total compensation for certain of our employees, non-employee directors and officers. We account for these programs, which include grants of restricted stock, restricted stock units, performance share units, employee stock purchases, and stock options, in accordance with SFAS 123(R). Under this guidance we recognize compensation expense related to each of these share-based arrangements. We utilize the Black-Scholes option pricing model in estimating the fair value of stock options issued in connection with our compensation program. This pricing model requires the use of several input assumptions. Among the most significant of these assumptions are the expected volatility of our common stock price, and the expected timing of future stock option exercises.

Expected Volatility

This represents a measure, expressed as a percentage, of the expected fluctuation in the market price of our common stock. As a point of reference, a high volatility percentage would assume a wider expected range of market returns for a particular security. All other assumptions held constant, this would yield a higher stock option valuation than a calculation using a lower measure of volatility. In measuring the fair value of stock options issued during fiscal year 2008, we utilized an expected volatility of 28 percent.

Expected Term of Options

This assumption represents the expected length of time between the grant date of a stock option and the date at which it is exercised (option life). We assumed an average expected term of 5.5 years in calculating the fair values of the majority of stock options issued during fiscal 2008.

Refer to Note 14 for further discussion on our stock-based compensation plans.

Contingencies

In the ordinary course of business, we encounter matters that raise the potential for contingent liabilities. In evaluating these matters for accounting treatment and disclosure, we are required to apply judgment in order to determine the probability that a liability has been incurred. We are also required to measure, if possible, the dollar value of such liabilities in determining whether or not recognition in our financial statements is required. This process involves the use of estimates which may differ from actual outcomes. Refer to Note 19 to the Consolidated Financial Statements for more information relating to contingencies.

New Accounting Standards

Refer to Note 1 to the Consolidated Financial Statements for information related to new accounting standards.

Forward Looking Statements

Certain statements in this filing are not historical facts but are "forward-looking statements" as defined under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended. Such statements are based on management's belief, assumptions, current expectations, estimates and projections about the office furniture industry, the economy and the company itself. Words like "anticipates," "believes," "confident," "estimates," "expects," "forecast," "likely," "plans," "projects," and "should," and variations of such words and similar expressions identify 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, expense, likelihood, and degree of occurrence. These risks include, without limitation, employment and general economic conditions in the U.S. and in our international markets, the increase in white collar employment, the willingness of customers to undertake capital expenditures, the types of products purchased by customers, the possibility of order cancellations or deferrals by customers, competitive pricing pressures, the availability and pricing of direct materials, our reliance on a limited number of suppliers, currency fluctuations, the ability to increase prices to absorb the additional costs of direct materials, the financial strength of our dealers, the financial strength of our customers, the mix of our products purchased by customers, our ability to attract and retain key executives and other qualified employees, our ability to continue to make product innovations, the strength of the intellectual property relating to our products, the success of newly introduced products, our ability to serve all of our markets, possible acquisitions, divestitures or alliances, the outcome of pending litigation or governmental audits or investigations, and other risks identified in this Form 10-K and our other filings with the Securities and Exchange Commission. Therefore, actual results and outcomes may materially differ from what we express or forecast. Furthermore, Herman Miller, Inc., takes 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.

Direct Material Costs

The company is exposed to risks arising from price changes for certain direct materials and assembly components used in its operations. The largest such costs incurred by the company are for steel, plastics, textiles, wood particleboard, and aluminum components. Overall, commodity prices were mostly flat during fiscal year 2008 until the fourth quarter when prices began to increase sharply. The full year impact of rising commodity prices was in the range of \$2 million to \$4 million. Commodity prices increased during fiscal 2007, particularly during the first half of the year. For the full year, the company estimates rising commodity prices added between \$14 million and \$16 million to its consolidated cost of sales. During fiscal 2006, commodities were relatively stable with slight improvements to pricing over the prior year.

The market price of plastics and textiles are sensitive to the cost of oil and natural gas. Oil and natural gas prices increased dramatically during fiscal 2008 and we began to see the effect of that on our input costs, especially in the fourth quarter of the year. In fiscal 2007 petroleum prices were volatile, however by the end of the year they had declined somewhat. Petroleum prices increased throughout fiscal year 2006 in what, prior to the context the current year has provided, seemed like a substantial increase. As a result, the cost of plastics and textiles increased during fiscal year 2006 and moderated during fiscal 2007.

The company believes future market price increases on its key direct materials and assembly components are likely. Consequently, it views the prospect of such increases as an outlook risk to the business.

Foreign Exchange Risk

The company manufactures its products in the United States, United Kingdom, and China. It also sources completed products and product components from outside the United States. The company's completed products are sold in numerous countries around the world. Sales in foreign countries as well as certain expenses related to those sales are transacted in currencies other than the company's reporting currency, the U.S. Dollar. Accordingly, production costs and profit margins related to these sales are affected by the currency exchange relationship between the countries where the sales take place and the countries where the products are sourced or manufactured. These currency exchange relationships can also affect the company's competitive positions within these markets.

In the normal course of business, the company enters into contracts denominated in foreign currencies. The principal foreign currencies in which the company conducts its business are the British Pound, Euro, Canadian Dollar, Japanese Yen, Mexican Peso, and Chinese Renminbi. In the fourth quarter of fiscal 2008, the company entered into five forward currency instruments in order to offset exposure denominated in non-functional currency. Three contracts were placed to offset €4.0 million of Euro net asset exposure denominated in non-functional currency and two contracts were placed to offset \$6.0 million US Dollar net liability exposure in China. Similarly, in the fourth quarter of fiscal 2007, the company entered into three separate forward currency contracts in order to offset €4.0 million of its Euro net asset exposure denominated in a non-functional currency. In both years, the instruments were marked to market at the end of the period, with changes in fair value reflected in net earnings. At May 31, 2008, the fair value of the forward currency instruments was \$0.1 million, and negligible at June 2, 2007.

Net gains arising from remeasuring all foreign currency transactions into the appropriate functional currency, which were included in net earnings, were \$0.1 million, negligible and \$0.3 million for the years ended May 31, 2008, June 2, 2007 and June 3, 2006, respectively. Additionally, the cumulative effect of translating the balance sheet and income statement accounts from the functional currency into the United States dollar reduced the accumulated comprehensive loss component of total shareholders' equity by \$4.1 million, \$3.3 million, and \$1.2 million for the years ended May 31, 2008, June 2, 2007, and June 3, 2006, respectively.

Interest Rate Risk

The company maintains fixed-rate debt for which changes in interest rates generally affect fair market value but not earnings or cash flows. The company does not have an incentive 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. As of May 31, 2008, the company has one interest rate swap agreement that effectively converts \$50.0 million of fixed-rate debt securities to a variable rate. As of the end of fiscal year 2007, the company had two interest rate swaps that effectively converted \$53 million in total of fixed-rate debt to a variable-rate basis. This debt is subject to changes in interest rates, which, if significant, could have a material impact on the company's financial results. The interest rate swap derivative instruments are held and used by the company as a tool for managing interest rate risk. They are not used for trading or speculative purposes. The counterparties to these swap instruments are large financial institutions that the company believes are of high-quality creditworthiness. While the company may be exposed to potential losses due to the credit risk of non-performance by these counterparties, such losses are not anticipated.

The combined fair market value of effective swap instruments was \$0.5 million and negative \$1.8 million at May 31, 2008 and June 2, 2007, respectively. The impact of these swap instruments on total interest expense was a reduction to interest expense of \$0.4 million in fiscal 2008 and an addition to interest expense of \$0.6 million and \$0.3 million in fiscal 2007 and 2006, respectively. All cash flows related to the company's interest rate swap instruments are denominated in U.S. dollars. For further information, refer to Notes 16 and 17 to the Consolidated Financial Statements.

Quantitative and Qualitative Disclosures about Market Risk *(continued)*

As of May 31, 2008, the weighted-average interest rate on the company's variable-rate debt was approximately 5.6 percent. Based on the level of variable-rate debt outstanding as of that date, a 1 percentage-point increase in the weighted-average interest rate would increase the company's annual pre-tax interest expense by approximately \$0.5 million.

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

(In millions)	2009	2010	2011	2012	2013	Thereafter	Total ⁽¹⁾
Long-Term Debt:							
Fixed rate	\$ —	\$ —	\$ 175.0	\$ —	\$ —	\$ 200.0	\$375.0
Wtd. average interest rate = 6.69%							
Derivative Financial Instruments Related to Debt –							
Interest Rate Swaps							
Pay variable/receive fixed	\$ —	\$ —	\$ 50.0	\$ —	\$ —	\$ —	\$ 50.0
Pay interest rate = 5.55% (at May 31, 2008)							
Receive interest rate = 7.125%							

(1) Amount does not include the recorded fair value of the swap instruments, which totaled \$0.5 million at the end of fiscal 2008.

Quarterly Financial Data (Unaudited)

Set forth below is a summary of the quarterly operating results on a consolidated basis for the years ended May 31, 2008, June 2, 2007, and June 3, 2006. Refer to Management's Discussion and Analysis provided in Item 7 and the Notes to the Consolidated Financial Statements for further disclosure of significant accounting transactions that may have affected the quarterly operating results for each of the periods presented.

(In millions, except per share data)	First Quarter ⁽³⁾	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2008				
Net sales	\$491.7	\$505.9	\$495.4	\$519.1
Gross margin ⁽¹⁾	167.5	180.1	170.0	181.0
Net earnings	33.5	41.0	38.3	39.5
Earnings per share-basic	.54	.67	.66	.71
Earnings per share-diluted ⁽¹⁾	.54	.67	.65	.71
Fiscal 2007				
Net sales	\$449.7	\$499.1	\$484.8	\$485.3
Gross margin ⁽¹⁾	152.3	170.4	160.0	163.1
Net earnings ⁽²⁾	28.5	36.6	32.3	31.7
Earnings per share-basic	.44	.57	.50	.50
Earnings per share-diluted ^{(1) (2)}	.43	.56	.50	.50
Fiscal 2006				
Net sales	\$430.9	\$438.2	\$424.0	\$444.1
Gross margin ⁽¹⁾	141.7	143.9	137.9	151.2
Net earnings ⁽¹⁾	23.7	27.9	22.4	25.0
Earnings per share-basic	.34	.41	.33	.38
Earnings per share-diluted	.34	.40	.33	.38

(1) The sum of the quarters does not equal the annual balance reflected in the Consolidated Statements of Operations due to rounding associated with the calculations on an individual quarter basis.

(2) The fourth quarter of fiscal year 2007 includes adjustments to various tax accruals resulting in a reduction of income taxes of \$3.4 million or \$0.05 diluted earnings per share in the quarter.

(3) The first quarter of fiscal year 2006 included 14 weeks of operations.

Consolidated Statements of Operations

(In millions, except per share data)	Fiscal Years Ended		
	May 31, 2008	June 2, 2007	June 3, 2006
Net sales	\$2,012.1	\$1,918.9	\$1,737.2
Cost of sales	1,313.4	1,273.0	1,162.4
Gross margin	698.7	645.9	574.8
Operating Expenses:			
Selling, general, and administrative	395.8	395.8	371.7
Restructuring expenses	5.1	—	—
Design and research	51.2	52.0	45.4
Total operating expenses	452.1	447.8	417.1
Operating earnings	246.6	198.1	157.7
Other Expenses (Income):			
Interest expense	18.8	13.7	14.0
Interest and other investment income	(3.8)	(4.1)	(4.9)
Other, net	1.2	1.5	1.0
Net other expenses	16.2	11.1	10.1
Earnings before income taxes and minority interest	230.4	187.0	147.6
Income tax expense	78.2	57.9	47.7
Minority interest, net of income tax	(0.1)	—	0.7
Net Earnings	\$152.3	\$129.1	\$99.2
Earnings per share – basic	\$2.58	\$2.01	\$1.46
Earnings per share – diluted	\$2.56	\$1.98	\$1.45

Consolidated Balance Sheets

(In millions, except share and per share data)

May 31, 2008

June 2, 2007

Assets

Current Assets:

Cash and cash equivalents	\$155.4	\$76.4
Short-term investments	15.7	15.9
Accounts receivable, less allowances of \$5.6 in 2008 and \$4.9 in 2007	209.0	188.1
Inventories, net	55.1	56.0
Prepaid expenses and other	58.0	48.3

Total Current Assets	493.2	384.7
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Property and Equipment:

Land and improvements	19.0	18.9
Buildings and improvements	139.4	137.2
Machinery and equipment	547.4	543.3
Construction in progress	17.4	17.6

723.2 717.0

Less: accumulated depreciation	(526.9)	(520.4)
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Net Property and Equipment	196.3	196.6
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Goodwill

40.2 39.1

Other assets

53.5 45.8

Total Assets	\$783.2	\$666.2
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Liabilities and Shareholders' Equity

Current Liabilities:

Unfunded checks	\$8.5	\$7.4
Current maturities of long-term debt	—	3.0
Accounts payable	117.9	110.5
Accrued liabilities	184.1	163.6

Total Current Liabilities	310.5	284.5
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Long-term debt, less current maturities

375.5 173.2

Other liabilities

73.8 52.9

Total Liabilities	759.8	510.6
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Minority Interest

— 0.3

Shareholders' Equity:

Preferred stock, no par value (10,000,000 shares authorized, none issued)	—	—
Common stock, \$0.20 par value (240,000,000 shares authorized, 55,706,997 and 62,919,425 shares issued and outstanding in 2008 and 2007, respectively)	11.1	12.6
Additional paid-in capital	—	—
Retained earnings	76.7	197.8
Accumulated other comprehensive loss	(60.1)	(51.6)
Key executive deferred compensation	(4.3)	(3.5)

Total Shareholders' Equity	23.4	155.3
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Total Liabilities and Shareholders' Equity	\$783.2	\$666.2
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Consolidated Statements of Shareholders' Equity

(In millions, except share data)

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Key Executive Deferred Compensation	Total Shareholders' Equity
Balance, May 28, 2005	69,585,989	\$13.9	\$ —	\$227.3	\$(64.4)	\$(6.3)	\$170.5
Net earnings	—	—	—	99.2	—	—	99.2
Foreign currency translation adjustment	—	—	—	—	1.2	—	1.2
Minimum pension liability (net of tax of \$0.4 million)	—	—	—	—	0.3	—	0.3
Unrealized holding loss (net of tax of \$0.2 million)	—	—	—	—	(0.4)	—	(0.4)
Total comprehensive income	—	—	—	—	—	—	100.3
Cash dividends declared (\$0.305 per share)	—	—	—	(20.6)	—	—	(20.6)
Exercise of stock options	1,451,143	0.3	33.5	—	—	—	33.8
Employee stock purchase plan	114,659	—	3.0	—	—	—	3.0
Tax benefit relating to stock options	—	—	3.7	—	—	—	3.7
Repurchase and retirement of common stock	(5,124,306)	(1.0)	(40.4)	(113.7)	—	—	(155.1)
Directors' fees	6,967	—	0.2	—	—	—	0.2
Restricted stock units earned	—	—	—	—	—	1.1	1.1
Stock grants earned	—	—	—	—	—	1.5	1.5
Balance, June 3, 2006	66,034,452	\$13.2	\$ —	\$192.2	\$(63.3)	\$(3.7)	\$138.4
Net earnings	—	—	—	129.1	—	—	129.1
Foreign currency translation adjustment	—	—	—	—	3.3	—	3.3
Pension and post-retirement liability adjustments (net of tax of \$33.5 million)	—	—	—	—	58.3	—	58.3
Unrealized holding gain (net of negligible tax)	—	—	—	—	0.1	—	0.1
Total comprehensive income	—	—	—	—	—	—	190.8
Cash dividends declared (\$0.328 per share)	—	—	—	(21.0)	—	—	(21.0)
Exercise of stock options	1,886,326	0.4	46.9	—	—	—	47.3
Employee stock purchase plan	102,808	—	3.4	—	—	—	3.4
Tax benefit relating to stock-based compensation	—	—	6.7	—	—	—	6.7
Repurchase and retirement of common stock	(5,116,375)	(1.0)	(61.4)	(102.5)	—	—	(164.9)
Directors' fees	5,637	—	0.2	—	—	—	0.2
Restricted stock units compensation expense	—	—	2.4	—	—	(1.3)	1.1
Restricted stock units released	1,527	—	0.1	—	—	—	0.1
Stock grants compensation expense	—	—	(1.1)	—	—	1.8	0.7
Stock grants issued	5,050	—	—	—	—	—	—
Stock option compensation expense	—	—	2.5	—	—	—	2.5
Deferred compensation plan	—	—	0.3	—	—	(0.3)	0.0
Adjustment to adopt SFAS 158 (net of tax of \$28.2 million)	—	—	—	—	(50.0)	—	(50.0)

Consolidated Statements of Shareholders' Equity *(continued)*

Balance, June 2, 2007	62,919,425	\$12.6	\$ —	\$197.8	\$(51.6)	\$(3.5)	\$155.3
Net earnings	—	—	—	152.3	—	—	152.3
Foreign currency translation adjustment	—	—	—	—	4.1	—	4.1
Pension liability adjustments (net of tax of \$5.2 million)	—	—	—	—	(12.6)	—	(12.6)
Total comprehensive income							143.8
Cash dividends declared (\$0.352 per share)	—	—	—	(20.5)	—	—	(20.5)
Exercise of stock options	125,301	—	2.9	—	—	—	2.9
Employee stock purchase plan	118,801	—	3.3	—	—	—	3.3
Tax benefit relating to stock-based compensation	—	—	0.1	—	—	—	0.1
Excess tax benefit relating to stock-based compensation	—	—	0.1	—	—	—	0.1
Repurchase and retirement of common stock	(7,488,430)	(1.5)	(13.3)	(251.9)	—	—	(266.7)
Restricted stock units compensation expense	—	—	0.6	—	—	—	0.6
Restricted stock units released	2,892	—	0.1	—	—	—	0.1
Stock grants compensation expense	—	—	0.7	—	—	—	0.7
Stock grants issued	12,922	—	—	—	—	—	—
Stock option compensation expense	—	—	3.0	—	—	—	3.0
Deferred compensation plan	—	—	0.6	—	—	(0.8)	(0.2)
Directors' fees	16,086	—	0.5	—	—	—	0.5
Performance share units compensation expense	—	—	1.4	—	—	—	1.4
Cumulative effect of adopting FIN 48 (net of tax)	—	—	—	(1.0)	—	—	(1.0)
Balance, May 31, 2008	55,706,997	\$11.1	\$ —	\$76.7	\$(60.1)	\$(4.3)	\$23.4

Consolidated Statements of Cash Flows

(In millions)	May 31, 2008	June 2, 2007	Fiscal Years Ended June 3, 2006
Cash Flows from Operating Activities:			
Net earnings	\$152.3	\$129.1	\$99.2
Adjustments to reconcile net earnings to net cash provided by operating activities	61.3	8.6	51.2
Net Cash Provided by Operating Activities	213.6	137.7	150.4
Cash Flows from Investing Activities:			
Notes receivable repayments	69.1	67.4	67.8
Notes receivable issued	(68.4)	(66.8)	(65.6)
Short-term investment purchases	(11.9)	(11.5)	(11.6)
Short-term investment sales	12.1	11.0	9.8
Capital expenditures	(40.5)	(41.3)	(50.8)
Proceeds from sales of property and equipment	0.3	7.9	1.6
Proceeds from disposal of owned dealers	0.9	—	2.1
Net cash paid for acquisitions	(11.7)	(3.5)	—
Other, net	(0.9)	(0.6)	(0.9)
Net Cash Used for Investing Activities	(51.0)	(37.4)	(47.6)
Cash Flows from Financing Activities:			
Short-term debt repayments	(1.2)	—	—
Long-term debt repayments	(4.0)	(3.0)	(13.0)
Long-term debt borrowings	200.0	—	—
Dividends paid	(21.2)	(20.7)	(20.3)
Common stock issued	6.5	50.4	37.0
Common stock repurchased and retired	(266.7)	(164.9)	(155.1)
Excess tax benefits from stock-based compensation	0.1	6.7	—
Net Cash Used for Financing Activities	(86.5)	(131.5)	(151.4)
Effect of exchange rate changes on cash and cash equivalents	2.9	0.8	1.0
Net Increase (Decrease) in Cash and Cash Equivalents	79.0	(30.4)	(47.6)
Cash and cash equivalents, beginning of year	76.4	106.8	154.4
Cash and Cash Equivalents, End of Year	\$155.4	\$76.4	\$106.8

Notes to the Consolidated Financial Statements

1. 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 majority-owned domestic and foreign subsidiaries. The consolidated entities are collectively referred to as “the company.” All intercompany accounts and transactions, including any involving VIEs, have been eliminated in the Consolidated Financial Statements.

Description of Business

The company researches, designs, manufactures and distributes interior furnishings, for use in various environments including office, healthcare, educational, and residential settings, and provides related services that support companies all over the world. The company's products are sold primarily 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. Fiscal 2008, the year ended May 31, 2008 contained 52 weeks. Fiscal years ended June 2, 2007 and June 3, 2006, contained 52 and 53 weeks, respectively. An extra week in the company's fiscal year is required approximately every six years in order to realign its fiscal calendar-end dates with the actual calendar months.

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 using fiscal year-end exchange rates and translating revenue and expense accounts using average exchange rates for the period is reflected as a component of “Accumulated other comprehensive loss” in the Consolidated Balance Sheets. The financial statement impact resulting from remeasuring all foreign currency transactions into the appropriate functional currency, which was included in “Other Expenses (Income)” in the Consolidated Statements of Operations was a net gain of \$0.1 million for the year ended May 31, 2008. For the years ended June 2, 2007 and June 3, 2006, the financial statement impact was a negligible net gain and a net gain of \$0.3 million, respectively.

Cash Equivalents

The company holds cash equivalents as part of its cash management function. Cash equivalents include money market funds, time deposit investments, and treasury bills with original maturities of less than three months. The carrying value of cash equivalents, which approximates fair value, totaled \$90.7 million and \$22.0 million as of May 31, 2008, and June 2, 2007, respectively. 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 primarily comprised of investment-grade, fixed-income securities. These investments are held by the company's wholly owned insurance captive and are considered “available-for-sale” as defined in Statement of Financial Accounting Standards (SFAS) 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 or losses reflected net of tax as a component of “Accumulated Other Comprehensive Loss” in the Consolidated Balance Sheets.

All marketable security transactions are recognized on the trade date. Realized gains and losses on disposal of available-for-sale investments are included in “Interest and other investment income” in the Consolidated Statements of Operations. Net investment income recognized in the Consolidated Statements of Operations for available-for-sale investments totaled \$0.7 million, \$0.8 million, and \$0.7 million for the years ended May 31, 2008, June 2, 2007, and June 3, 2006, respectively.

The following is a summary of the carrying and market values of the company's short-term investments as of the dates indicated.

Notes to the Consolidated Financial Statements

1 Significant Accounting and Reporting Policies *(continued)*

		May 31, 2008		
	(In millions)	Cost	Unrealized Gain	Unrealized Loss
U.S. Government & agency debt		\$4.8	\$0.2	\$ —
Corporate bonds		6.0	—	(0.2)
Mortgage-backed		4.2	—	(0.1)
Other debt		0.9	—	(0.1)
Total		\$15.9	\$0.2	\$(0.4)

		June 2, 2007		
	(In millions)	Cost	Unrealized Gain	Unrealized Loss
U.S. Government & agency debt		\$3.9	\$ —	\$(0.1)
Corporate bonds		6.0	—	(0.1)
Mortgage-backed		5.5	—	(0.1)
Other debt		0.8	—	—
Total		\$16.2	\$ —	\$(0.3)

Maturities of short-term investments as of May 31, 2008, are as follows.

	(In millions)	Cost	Market Value
Due within one year		\$2.3	\$2.2
Due after one year through five years		8.7	8.7
Due after five years		4.9	4.8
Total		\$15.9	\$15.7

Accounts Receivable Allowances

Reserves for uncollectible accounts receivable balances are based on known customer exposures, historical credit experience, and the specific identification of other potential problems, including the economic climate. Balances are written off against the reserve once the company determines the probability of collection to be remote. The company generally does not require collateral or other security on trade accounts receivable.

Inventories

Inventories are valued at the lower of cost or market. The inventories at the majority of the company's manufacturing operations are valued using the last-in, first-out (LIFO) method, whereas inventories of certain other of the company's subsidiaries are valued using the first-in, first-out (FIFO) method. The company establishes reserves for excess and obsolete inventory, based on prevailing circumstances and judgment for consideration of current events, such as economic conditions, that may affect inventory. Further information on the company's recorded inventory balances can be found in Note 4.

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 the useful life of the asset, not to exceed 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 not exceeding 5 years.

During the first quarter of fiscal 2006, the company finalized the sale of a warehouse/storage facility in West Michigan that the company previously exited. As a result of the sale, the company received proceeds of \$0.7 million and recognized a gain on sale of \$0.2 million. During the fourth quarter of fiscal 2007, the company completed the sale of its Canton, Georgia facility which was exited in fiscal 2004. The company received net cash consideration of \$7.5 million, for assets with a carrying value of \$7.5 million. This resulted in a negligible pre-tax gain.

As of the end of fiscal 2008, outstanding commitments for future capital purchases approximated \$7.4 million.

Notes to the Consolidated Financial Statements

1 Significant Accounting and Reporting Policies *(continued)*

Long-Lived Assets

The company assesses the recoverability of its long-lived assets in accordance with the provisions of 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 undiscounted cash flows (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.

Goodwill and Other Intangible Assets

The company's recorded goodwill at May 31, 2008 and June 2, 2007, is associated with the North American Furniture Solutions segment, which is described in further detail in Note 20. The company is required to test the carrying value of goodwill for impairment at the "reporting unit" level annually or more frequently if a triggering event occurs under the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). As a matter of practice, the company performs the required annual impairment testing of goodwill during the fourth quarter of each fiscal year. The annual testing performed each year indicated the present value of discounted cash flows of the reporting unit exceeded the recorded carrying value of the company's goodwill assets, and accordingly no impairment charge was required for the years ending May 31, 2008, June 2, 2007, and June 3, 2006.

SFAS 142 also requires the company to evaluate its acquired intangible assets to determine whether any have "indefinite useful lives." Under this accounting standard, intangible assets with indefinite useful lives, if any, are not subject to amortization. The company has other intangible assets, consisting of certain trademarks and tradenames valued at approximately \$3.2 million, which have indefinite useful lives and are evaluated in a manner consistent with goodwill. The company amortizes its other intangible assets over their remaining useful lives using the straight-line method over periods ranging from 5 to 17 years.

Other intangible assets are comprised of patents, trademarks, and intellectual property rights with a combined gross carrying value and accumulated amortization of \$25.7 million and \$7.6 million, respectively as of May 31, 2008. As of June 2, 2007, these amounts totaled \$14.9 million and \$5.5 million, respectively.

Estimated amortization expense for existing intangible assets as of May 31, 2008, for each of the succeeding five fiscal years is as follows.

(In millions)

2009	\$1.7
2010	1.4
2011	1.3
2012	1.3
2013	0.5

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 generally 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 in fiscal years 2008, 2007, and 2006 totaled \$0.4 million for each year.

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. Any resulting book overdraft position is included in current liabilities as unfunded checks.

Notes to the Consolidated Financial Statements

1 Significant Accounting and Reporting Policies *(continued)*

Self-Insurance

The company is partially self-insured for general liability, workers' compensation, and certain employee health and dental benefits under insurance arrangements that provide for third-party coverage of claims exceeding the company's loss retention levels. The company's retention levels designated within significant insurance arrangements as of May 31, 2008, are as follows.

	Retention Level
General liability and auto liability/physical damage	\$1.00 million per occurrence
Workers' compensation and property	\$0.75 million per occurrence
Health benefits	\$0.20 million per employee

The company's policy is to accrue amounts equal to the actuarially-determined liabilities for loss and loss adjustment expenses, which are included in "Other Liabilities" in the Consolidated Balance Sheets. 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. The general and workers' compensation liabilities are managed through the company's wholly-owned insurance captive.

Research, Development, and Other Related Costs

Research, development, 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 \$38.8 million, \$42.1 million, and \$36.7 million, in fiscal 2008, 2007, and 2006, respectively.

Advertising Costs

Advertising costs are expensed as incurred and are included in "Selling, general, and administrative" expense in the accompanying Consolidated Statements of Operations. Advertising costs were \$3.4 million, \$3.2 million, and \$3.2 million, in fiscal 2008, 2007, and 2006, 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

The company has several stock-based compensation plans, which are described fully in Note 14. In December 2004, the FASB issued a revision of SFAS No. 123, "Share-Based Payment" (SFAS 123(R)), which supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." The company adopted the provisions of SFAS 123(R) in the first quarter of fiscal 2007.

Prior to the adoption of SFAS 123(R), the company accounted for its stock-based compensation plans under the recognition and measurement principles of APB 25 and related Interpretations. Under this method, compensation expense related to stock options was recognized only if the market price of the stock, underlying an award on the date of grant, exceeded the related exercise price. Expense attributable to certain stock-based awards, such as restricted stock grants and restricted stock units, was recognized in the company's reported results under APB 25.

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 or the vesting of restricted shares, and is computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted EPS for fiscal years 2008, 2007, and 2006, 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. Refer to Note 13, for further information regarding the computation of EPS.

Notes to the Consolidated Financial Statements

1 Significant Accounting and Reporting Policies *(continued)*

Revenue Recognition

The company recognizes revenue on sales through its network of independent contract furniture dealers and independent retailers once the related product is shipped and title passes to the dealer. In situations where products are sold through subsidiary dealers or directly to the end customer, revenue is recognized once the related product is shipped to the end customer and installation is substantially complete. Offers such as rebates and discounts are recorded as reductions to net sales. Unearned revenue occurs during the normal course of business due to advance payments from customers for future delivery of products and services.

Shipping and Handling Expenses

The company records shipping and handling related expenses under the caption "Cost of Sales" in the Consolidated Statements of Operations.

Comprehensive Income/(Loss)

The company's comprehensive income (loss) consists of net earnings, foreign currency translation adjustments, pension and post-retirement liability adjustments, and unrealized holding gains (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	Pension and Post-Retirement Liability Adjustments (net of tax)	Unrealized Holding Period Gains (Losses) (net of tax)	Total Accumulated Other Comprehensive Income (Loss)
Balance, May 28, 2005	\$(4.0)	\$(60.5)	\$0.1	\$(64.4)
Other comprehensive gain/(loss) in fiscal 2006	1.2	0.3	(0.4)	1.1
Balance, June 3, 2006	(2.8)	(60.2)	(0.3)	(63.3)
Other comprehensive gain in fiscal 2007	3.3	58.3	0.1	61.7
Adjustments to adopt SFAS No. 158 ⁽¹⁾	—	50.0)	—	(50.0)
Balance, June 2, 2007	0.5	(51.9)	(0.2)	(51.6)
Other comprehensive gain/(loss) in fiscal 2008	4.1	(12.6)	—	(8.5)
Balance May 31, 2008	\$4.6	\$(64.5)	\$(0.2)	\$(60.1)

⁽¹⁾ See discussion related to the adoption of SFAS 158 below under New Accounting Standards in this footnote

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.

Variable Interest Entities

The company has provided subordinated debt to and/or guarantees on behalf of certain independent contract furniture dealerships. These relationships may constitute variable interests under the provisions of FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46(R)). On May 31, 2008 and June 2, 2007, the company was not considered the primary beneficiary of any such dealer relationships as defined by FIN 46(R) and therefore, no entities were included as Variable Interest Entities (VIEs) as of these dates. Refer to Note 3 for further discussion regarding VIEs.

New Accounting Standards

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. Under FIN 48, the tax effects of a position should be recognized only if it is "more-likely-than-not" to be sustained based solely on its technical merits as of the reporting date. FIN 48 also requires significant new annual disclosures in the notes to the financial statements. The effect of adjustments at adoption is required to be recorded directly to beginning retaining earnings in the period of adoption and reported as a change in accounting principle. The company adopted the provisions of FIN 48 at the beginning of fiscal 2008. Further information regarding the adoption of FIN 48 is provided in Note 15.

Notes to the Consolidated Financial Statements

1 Significant Accounting and Reporting Policies (*continued*)

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157). This new standard establishes a framework for measuring the fair value of assets and liabilities. This framework is intended to provide increased consistency in how fair value determinations are made under various existing accounting standards which permit, or in some cases require, estimates of fair market value. SFAS 157 also expands financial statement disclosure requirements about a company's use of fair value measurements, including the effect of such measures on earnings. The company is required to adopt this new accounting guidance at the beginning of fiscal 2009. In February 2008, the FASB issued FASB Staff Position (FSP) 157-2, "Partial Deferral of the Effective Date of Statement 157 (FSP 157-2)". FSP 157-2 delays the effective date of SFAS 157 for all nonfinancial assets and liabilities except those items recognized or disclosed at fair value on an annual or more frequently recurring basis beginning in fiscal 2010. While the company is currently evaluating the provisions of SFAS 157 and FSP 157-2, the adoption is not expected to have a material impact on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). SFAS 159 expands the use of fair value measurement by permitting entities to choose to measure at fair value, many financial instruments and certain other items that are not currently required to be measured at fair value. The company is required to adopt SFAS 159 at the beginning of fiscal 2009 and is in the process of evaluating the applicability and potential impact to its consolidated financial statements.

In December 2007, the FASB issued a revised version of SFAS No. 141 "Business Combinations (revised 2007)" (SFAS 141(R)). The revision is intended to simplify existing guidance, and partially converge reporting under U.S. Generally Accepted Accounting Principles (GAAP) with international accounting rules.

The FASB also issued SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements-An Amendment of ARB No. 51" (SFAS 160) at the same time it issued SFAS 141(R). SFAS 160 requires all entities to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements, except as required under FIN 46 (required consolidation with respect to Variable Interest Entities). Its intention is to eliminate the diversity in practice regarding the accounting for transactions between an entity and noncontrolling interests.

The company is required to adopt the provisions of both SFAS 141(R) and SFAS 160 simultaneously at the beginning of fiscal 2010. Earlier adoption is prohibited. The company is currently evaluating the provisions of these pronouncements, and the potential impact on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161 "Disclosures about Derivative Instruments and Hedging Activities – an Amendment of SFAS No. 133" (SFAS 161). SFAS 161 requires enhanced disclosures about derivative and hedging activities that are intended to better convey the purpose of derivative use and the related risks being managed. The enhanced disclosures require a tabular presentation of information related to the fair value of derivatives, the recognized gain or loss, and the classification of those amounts within the financial statements. Prospective application of this statement is effective for the company beginning with the third quarter of fiscal 2009; early application is encouraged. SFAS 161 will not affect the company's financial position or results of operations as the new standard pertains only to the disclosure of information.

2. Acquisitions and Divestitures

During the first quarter of fiscal 2006, the company completed the sale of two wholly owned contract furniture dealerships: Workplace Resource based in Cleveland, Ohio, and WB Wood based in New York, New York. The sale of these dealerships corresponds with the company's strategy to continue pursuing opportunities to transition its owned dealerships to independent owners, as it is believed that independent ownership of contract furniture dealers is generally the best model for a strong distribution network. The company ceased consolidation of the dealerships' balance sheets and results of operations since the respective dates of sale. In connection with these sale transactions, the company received total consideration of \$5.7 million, of which \$2.1 million represented cash proceeds, for net assets with a carrying value of \$5.4 million. This resulted in a pre-tax gain on sale of \$0.3 million, which is reflected as an offset to "Selling, general, and administrative" expenses in the Consolidated Statements of Operations.

Included in the terms of sale associated with the previous divestiture of a dealership was a "success fee" provision requiring the buyer to provide the company additional purchase consideration based upon the operating profitability of the dealership. The company has recognized in its Consolidated Statement of Earnings, a pre-tax gain of \$0.9 million during the fiscal year ended May 31, 2008. This additional consideration concluded the terms of the sale.

During the fourth quarter of fiscal 2007, Convia, a subsidiary of Herman Miller, Inc. acquired a technology company for \$3.5 million in cash. The intellectual property acquired in connection with this transaction is intended to enhance the functionality of Convia's product offering.

On February 1, 2008, the company completed its acquisition of the stock of Brandrud Furniture, Inc. (Brandrud), an Auburn, Washington based manufacturer of healthcare furnishings. With annual net sales of approximately \$20 million, Brandrud focuses on seating products for patient rooms, patient treatment areas, and public spaces such as lobbies and waiting areas. The initial purchase price related to this transaction was \$12.0 million, which included \$0.3 million of acquired cash. The contractual terms of this acquisition provide for additional purchase consideration from the company in the third fiscal quarter of 2009 contingent upon the achievement of specific performance targets of Brandrud as a wholly-owned subsidiary. The company estimates the additional purchase consideration,

Notes to the Consolidated Financial Statements *(continued)*

if any, would not exceed \$9 million. Final purchase accounting on this transaction is pending the determination of additional purchase consideration and is expected to be completed in fiscal 2009.

Assets acquired and liabilities assumed in the acquisition were recorded on the company's Consolidated Balance Sheets based on their estimated fair values as of the date of the acquisition. The results of operations of Brandrud have been included in the company's Consolidated Statements of Operations since the date of the acquisition. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to goodwill. Brandrud is included in the Company's North American segment; therefore all of the goodwill recorded in the acquisition has been allocated to that segment. The purchase price allocation is preliminary and a final determination of required purchase accounting adjustments will be made upon finalization of asset valuations. Revisions to the fair values will be recorded by the company as further adjustments to the purchase price allocation.

Subsequent to the end of the end of fiscal 2008, the company completed the sale of a wholly-owned contract furniture dealership in Texas. The effect of this transaction on the company's consolidated financial statements is not material.

3. Variable Interest Entities

The company adopted FIN 46(R) at the end of fiscal year 2004. At that time the company qualified as the "primary beneficiary" in certain dealer relationships which required the company to include the financial statements of the qualifying VIEs in its Consolidated Financial Statements. Since that time, triggering events occurred which caused the company to cease the consolidation of these VIE financial statements. At May 31, 2008 and June 2, 2007, the company was not considered the primary beneficiary in any of its independent dealer financing relationships.

During the first quarter of fiscal 2006, a qualifying triggering event occurred with a VIE which resulted in reconsideration under FIN 46(R). Based on this reconsideration, it was determined that the company was no longer the primary beneficiary. Accordingly, the company ceased consolidation of the independent dealership's financial statements. This action resulted in a pre-tax loss of \$0.1 million which is reflected in "Other Expenses (Income)" in the Consolidated Statement of Operations in fiscal 2006.

Consolidation of the VIE during the first quarter of fiscal 2006 increased the company's net sales by \$6.8 million. Net earnings for the same period were not significantly affected, excluding the loss on ceasing consolidation, as the resulting earnings were primarily attributed to minority interest of \$0.7 million.

4. Inventories

(In millions)	May 31, 2008	June 2, 2007
Finished goods	\$25.6	\$27.6
Work in process	13.6	14.3
Raw materials	15.9	14.1
Total	\$55.1	\$56.0

Inventories are valued at the lower of cost or market and include material, labor, and overhead. The inventories of the majority of domestic manufacturing subsidiaries are valued using the last-in, first-out method (LIFO). The inventories of all other subsidiaries are valued using the first-in, first-out method. Inventories valued using LIFO amounted to \$17.2 million and \$21.6 million as of May 31, 2008 and June 2, 2007, respectively. If all inventories had been valued using the first-in first-out method, inventories would have been \$12.0 million and \$12.1 million higher than reported at May 31, 2008 and June 2, 2007, respectively.

5. Prepaid Expenses and Other

(In millions)	May 31, 2008	June 2, 2007
Deferred income taxes	\$17.1	\$10.4
Taxes	9.7	5.2
Other	31.2	32.7
Total	\$58.0	\$48.3

6. Other Assets

(In millions)	May 31, 2008	June 2, 2007
Notes receivable, less allowance of \$3.2 in 2008 and \$1.9 in 2007	\$ —	\$2.0
Prepaid pension benefits	—	9.8
Other intangibles, net	18.1	9.4
Deferred income taxes	11.9	3.2
Other	23.5	21.4
Total	\$53.5	\$45.8

Notes to the Consolidated Financial Statements *(continued)*

7. Accrued Liabilities

(In millions)	May 31, 2008	June 2, 2007
Compensation and employee benefits	\$92.6	\$95.0
Income taxes	5.6	2.0
Other taxes	13.4	7.6
Unearned revenue	16.6	13.3
Warranty reserves	14.9	14.6
Charitable contributions	0.5	2.2
Pension and post-retirement benefits	1.6	—
Customer advances	—	4.1
Other	38.9	24.8
Total	\$184.1	\$163.6

8. Other Liabilities

(In millions)	May 31, 2008	June 2, 2007
Pension benefits	\$22.4	\$5.1
Post-retirement benefits	11.9	17.3
Other	39.5	30.5
Total	\$73.8	\$52.9

9. Notes Payable

On December 18, 2008, the company entered into an unsecured revolving credit facility that provides for \$250 million of borrowings and which expires December 17, 2012. The agreement has an accordion feature enabling the credit facility to be increased by an additional \$100 million, subject to certain conditions. Outstanding borrowings under the agreement bear interest at rates based on the prime, Federal Funds, LIBOR, or negotiated rates as outlined in the agreement. Interest is payable periodically throughout the period a borrowing is outstanding. As of May 31, 2008 the only usage against this facility is related to outstanding standby letters of credit totaling approximately \$13.1 million. Usage against the previous facility at June 2, 2007 related to outstanding standby letters of credit and totaled \$13.1 million.

10. Long-Term Debt

(In millions)	May 31, 2008	June 2, 2007
Series A senior notes, 5.94%, due January 3, 2015	\$50.0	\$0.0
Series B senior notes, 6.42%, due January 3, 2018	150.0	0.0
Series C senior notes, 6.52%, due March 5, 2008	0.0	3.0
Debt securities, 7.125%, due March 15, 2011	175.0	175.0
Fair value of interest rate swap arrangements	0.5	(1.8)
Subtotal		
Less: current portion	375.5	176.2
	(0.0)	(3.0)
Total	\$375.5	\$173.2

The company made its final payment of \$3.0 million and retired its related Series C senior notes on March 5, 2008.

On January 3, 2008, the company issued \$200 million Series A and Series B senior unsecured notes, each having interest payments that are due semi-annually. The \$200 million of proceeds from the notes were used for an accelerated share repurchase (ASR) of the company's common stock. Prior to the ASR, the company repurchased approximately 2.1 million shares. As a result of the ASR, the company retired an additional 5.4 million shares, bringing the full-year repurchase count to 7.5 million shares. The ASR will be completed in September 2008, and the company expects to retire approximately 2 million additional shares at that time.

Notes to the Consolidated Financial Statements *(continued)*

Provisions of the senior notes and the unsecured senior revolving credit facility restrict, without prior consent, the company's borrowings, capital leases, and the 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, 2008 and June 2, 2007, the company was in compliance with all of these restrictions and performance ratios.

Annual maturities of long-term debt for the five fiscal years subsequent to May 31, 2008, are as follows.

(In millions)	
2009	\$ —
2010	\$ —
2011	\$175.0
2012	\$ —
2013	\$ —
Thereafter	\$200.0

The above amounts exclude the recorded fair value of the company's interest rate swap arrangements, which had a combined fair value of positive \$0.5 million as of May 31, 2008. Additional information regarding interest rate swaps is provided in Note 17.

11. 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 non-cancelable lease terms as of May 31, 2008, are as follows.

(In millions)	
2009	\$15.7
2010	\$12.3
2011	\$9.2
2012	\$6.5
2013	\$4.8
Thereafter	\$10.3

Total rental expense charged to operations was \$25.9 million, \$24.8 million, and \$25.6 million, in fiscal 2008, 2007, and 2006, respectively. Substantially all such rental expense represented the minimum rental payments under operating leases.

12. 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 retirement 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 also offers certain employees retirement benefits under other domestic defined benefit plans, one of which covers employees subject to a collective bargaining arrangement. The company provides healthcare and life insurance benefits to employees who retired from service on or before a qualifying date in 1998 and 2008, respectively. As of the qualifying date, the company discontinued offering post-retirement medical and life insurance benefits to future retirees. Benefits to qualifying retirees under this plan are based on the employee's years of service and age at the date of retirement.

In addition to the domestic pension and retiree healthcare and life insurance plans, one of the company's wholly owned foreign subsidiaries has a defined-benefit pension plan based upon an average final pay benefit calculation.

The measurement date for the company's principal domestic and international pension plans as well as its post-retirement medical and life insurance plan is the last day of the fiscal year.

The Company adopted the provisions of SFAS No. 158 as of June 2, 2007 which requires recognition of the overfunded or underfunded status of defined benefit plans as an asset or liability. As a result of the adoption, the company recognized in its June 2, 2007 consolidated balance sheet, an additional \$78.2 million liability with corresponding changes in accumulated other comprehensive income and deferred taxes of \$50.0 million and \$28.2 million, respectively. The adoption of SFAS No. 158 did not require a restatement of prior periods.

Notes to the Consolidated Financial Statements

12 Employee Benefit Plans (continued)

Benefit Obligations and Funded Status

The following table presents, for the fiscal years noted, a summary of the changes in the projected benefit obligation, plan assets, and funded status of the company's domestic and international pension plans and post-retirement plan.

(In millions)	2008		Pension Benefits 2007		Post-Retirement Benefits	
	Domestic	International	Domestic	International	2008	2007
Change in benefit obligation:						
Benefit obligation at beginning of year	\$274.5	\$77.9	\$255.9	\$73.4	\$17.3	\$16.1
Service cost	8.1	2.3	8.8	2.2	—	—
Interest cost	16.1	4.3	16.0	3.7	0.9	1.0
Amendments	1.7	—	—	—	—	—
Foreign exchange impact	—	(0.1)	—	3.9	—	—
Actuarial (gain)/loss	(15.9)	4.9	7.5	(4.8)	(3.6)	1.4
Employee contributions	—	0.5	—	0.5	—	—
Benefits paid	(16.6)	(1.1)	(13.7)	(1.0)	(1.2)	(1.2)
Benefit obligation at end of year	\$267.9	\$88.7	\$274.5	\$77.9	\$13.4	\$17.3
Change in plan assets:						
Fair value of plan assets at beginning of year	\$284.3	\$72.8	\$252.1	\$54.5	\$ —	\$ —
Actual return on plan assets	(4.9)	(4.9)	44.3	10.7	—	—
Foreign exchange impact	—	—	—	3.3	—	—
Employer contributions	0.4	3.6	1.6	4.8	1.2	1.2
Employee contributions	—	0.5	—	0.5	—	—
Benefits paid	(16.6)	(1.1)	(13.7)	(1.0)	(1.2)	(1.2)
Fair value of plan assets at end of year	263.2	70.9	284.3	72.8	—	—
Over (under) funded status at end of year	\$(4.7)	\$(17.8)	\$9.8	\$(5.1)	\$(13.4)	\$(17.3)

The components of the amounts recognized in the Consolidated Balance Sheets are as follows.

(In millions)	2008		Pension Benefits 2007		Post-Retirement Benefits	
	Domestic	International	Domestic	International	2008	2007
Non-current assets	\$ —	\$ —	\$9.8	\$ —	\$ —	\$ —
Current liabilities	(0.1)	—	—	—	(1.5)	—
Non-current liabilities	(4.6)	(17.8)	—	(5.1)	(11.9)	(17.3)
	\$(4.7)	\$(17.8)	\$9.8	\$(5.1)	\$(13.4)	\$(17.3)

The accumulated benefit obligation for the company's domestic employee benefit plans totaled \$264.1 million and \$274.5 million as of the end of fiscal years 2008 and 2007, respectively. For its international plans, these amounts totaled \$81.5 million and \$69.5 million as of the same dates, respectively.

The components of the amounts recognized in accumulated other comprehensive loss before the effect of income taxes are as follows.

(In millions)	2008		Pension Benefits 2007		Post-Retirement Benefits	
	Domestic	International	Domestic	International	2008	2007
Unrecognized net actuarial loss	\$77.1	\$26.3	\$71.5	\$12.9	\$4.0	\$8.0
Unrecognized prior service cost	(8.9)	—	(11.7)	—	0.3	0.3
Unrecognized transition amount	—	0.1	—	0.1	—	—
	\$68.2	\$26.4	\$59.8	\$13.0	\$4.3	\$8.3

Notes to the Consolidated Financial Statements

12 Employee Benefit Plans (continued)

Components of Net Periodic Benefit Costs and Other Changes Recognized in Other Comprehensive Income

The following table is a summary of the annual cost of the company's pension and post-retirement plans.

(In millions)	Pension Benefits			Post-Retirement Benefits		
	2008	2007	2006	2008	2007	2006
Domestic:						
Service cost	\$8.1	\$8.8	\$8.3	\$ —	\$ —	\$ —
Interest cost	16.1	16.0	14.3	0.9	1.0	1.0
Expected return on plan assets	(21.7)	(21.2)	(21.1)	—	—	—
Plan amendment	0.9	—	—	—	—	—
Net amortization	3.2	2.5	2.0	0.4	0.8	0.6
Net periodic benefit cost	\$6.6	\$6.1	\$3.5	\$1.3	\$1.8	\$1.6
International:						
Service cost	\$2.3	\$2.2	\$1.7			
Interest cost	4.3	3.7	3.1			
Expected return on plan assets	(5.1)	(4.3)	(3.4)			
Net amortization	0.6	1.6	1.0			
Net periodic benefit cost	\$2.1	\$3.2	\$2.4			
Total net periodic benefit cost	\$8.7	\$9.3	\$5.9	\$1.3	\$1.8	\$1.6

The net prior service credit and actuarial loss included in accumulated other comprehensive income expected to be recognized in net periodic benefit cost during fiscal 2009 is \$(2.0) million (\$1.3) million, net of tax) and \$4.5 million (\$2.9 million, net of tax), respectively.

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive (Income) Loss

(In millions)	Pension Benefits	Post-Retirement Benefits
	2008	2008
Domestic		
Prior service cost	0.8	—
Net actuarial (gain) loss	10.8	(3.6)
Net amortization	(3.2)	(0.4)
Total recognized in other comprehensive (income) loss	8.4	(4.0)
Total recognized net pension (income) cost and other comprehensive (income) loss	\$15.0	\$(2.7)
International		
Net actuarial loss	14.0	
Net amortization	(0.6)	
Total recognized in other comprehensive loss	13.4	
Total recognized net pension cost and other comprehensive loss	\$15.5	
Total:		
Total recognized in other comprehensive (income) loss	\$21.8	\$(4.0)
Total recognized net pension (income) cost and other comprehensive (income) loss	\$30.5	\$(2.7)

Notes to the Consolidated Financial Statements

12 Employee Benefit Plans (continued)

Actuarial Assumptions

The weighted-average actuarial assumptions used to determine the benefit obligation amounts as of the end of the fiscal year for the company's pension plans and post-retirement plans are as follows.

	2008		2007		2006	
	U.S.	International	U.S.	International	U.S.	International
(Percentages)						
Discount rate	6.75	6.25	6.00	5.50	6.50	5.00
Compensation increase rate	4.50	5.00	4.50	4.50	4.50	4.25

The weighted-average actuarial assumptions used to determine the net periodic benefit cost are established at the end of the previous fiscal year for the subsequent fiscal years as follows.

	2008		2007		2006	
	U.S.	International	U.S.	International	U.S.	International
(Percentages)						
Discount rate	6.00	5.50	6.50	5.00	5.75	5.25
Compensation increase rate	4.50	4.50	4.50	4.25	4.50	4.25
Expected return on plan assets	8.50	7.75	8.50	7.75	8.50	8.00

In calculating post-retirement benefit obligations, a 9.3 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2008, decreasing gradually to 5.0 percent by 2014 and remaining at that level thereafter. For purposes of calculating post-retirement benefit costs, a 10.0 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2007, decreasing gradually to 5.0 percent by 2014 and remaining at that level thereafter.

Assumed health care cost-trend rates have a significant effect on the amounts reported for retiree health care costs. A one-percentage-point change in the assumed health care cost-trend rates would have the following effects:

(In millions)	1 Percent Increase	1 Percent Decrease
Effect on total fiscal 2008 service and interest cost components	\$ —	\$ —
Effect on post-retirement benefit obligation at May 31, 2008	\$0.5	\$(0.5)

Plan Assets and Investment Strategies

The company's primary domestic and international plan assets consist mainly of listed common stocks, mutual funds, and fixed income obligations. The company's primary objective for invested pension plan assets is to provide for sufficient long-term growth and liquidity to satisfy all of its benefit obligations over time. Accordingly, the company has developed an investment strategy that it believes maximizes the probability of meeting this overall objective. This strategy includes the development of a target investment allocation by asset category in order to provide guidelines for making investment decisions. This target allocation emphasizes the long-term characteristics of individual asset classes as well as the diversification among multiple asset classes. In developing its strategy, the company considered the need to balance the varying risks associated with each asset class with the long-term nature of its benefit obligations. The company's strategy places an emphasis on the philosophy that, over the long-term, equities will outperform fixed income investments. Accordingly, the majority of plan assets are managed within various forms of equity investments.

The company utilizes independent investment managers to assist with investment decisions within the overall guidelines of the strategy.

The asset allocation for the company's primary pension plans at the end of fiscal 2008 and 2007 and the target allocation by asset category are as follows:

Primary Domestic Plan

(Percentages)	Targeted Asset Allocation	Actual Percentage of Plan Assets at Year end	
		2008	2007
Asset Category			
Equities	59 – 80	73.8	77.7
Fixed Income	20 – 28	25.7	21.7
Other ⁽¹⁾	0 – 5	0.5	0.6
Total		100.0	100.0

Notes to the Consolidated Financial Statements

12 Employee Benefit Plans *(continued)*

Primary International Plan

(Percentages)	Targeted Asset Allocation	Actual Percentage of Plan Assets at Year end	
		2008	2007
Asset Category			
Equities	60 – 90	63.8	83.9
Fixed Income	10 – 30	26.2	8.8
Other ⁽¹⁾	0 – 10	10.0	3.5
Real Estate	0	—	3.8
Total		100.0	100.0

(1) Primarily includes cash and equivalents.

Cash Flows

The company is currently determining what voluntary pension plan contributions, if any, will be made in fiscal 2009. Actual contributions will be dependent upon investment returns, changes in pension obligations, and other economic and regulatory factors.

In August 2006, the Pension Protection Act of 2006 (the "Act") was signed into law. Beginning in 2008, the Act replaces prevailing statutory minimum funding requirements, and will generally require contributions to the Company's U.S. defined benefit pension plans in amounts necessary to fund the cost of currently-accruing benefits, and to fully-fund any unfunded accrued benefits over a period of seven years. In the long term, the new law is not expected to materially change aggregate contributions required to be made to the U.S. pension plans, although such contributions may vary on a year to year basis from what otherwise would have been required. The extent of these variations is not expected to have a material impact on the Company's financial position or cash flows.

The following represents a summary of the benefits expected to be paid by the company in future fiscal years. These expected benefits were estimated based on the same actuarial valuation assumptions used to determine benefit obligations at May 31, 2008.

(In millions)	Pension Benefits	Post-Retirement Benefits		
		Before Medicare Act Subsidy	Effects of Medicare Act Subsidy	After Medicare Act Subsidy
Domestic:				
2009	\$23.0	\$1.7	\$(0.2)	\$1.5
2010	24.4	1.7	(0.2)	1.5
2011	23.9	1.7	(0.2)	1.5
2012	24.9	1.7	(0.2)	1.5
2013	22.3	1.6	(0.2)	1.4
2014-2018	121.0	7.3	(1.2)	6.1
International:				
2009	\$1.0			
2010	1.1			
2011	1.2			
2012	1.4			
2013	2.2			
2014-2018	15.7			

Profit Sharing and 401(k) Plan

Herman Miller, Inc. has a trustee profit sharing plan that includes substantially all domestic employees. These employees are eligible to begin participating on 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 company's profit sharing contributions charged against operations in fiscal 2008, 2007, and 2006, was \$11.0 million, \$12.2 million, and \$13.9 million, respectively.

The company matches 50 percent of employee contributions to their 401(k) accounts up to 6.0 percent of their pay. The cost of the company's matching contributions charged against operations was approximately \$6.8 million, \$6.6 million, and \$6.7 million, in fiscal 2008, 2007, and 2006, respectively.

Notes to the Consolidated Financial Statements *(continued)*

13. 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 fiscal years.

(In millions, except shares)	2008	2007	2006
Numerators:			
Numerators for both basic and diluted EPS, net earnings	\$152.3	\$129.1	\$99.2
Denominators:			
Denominators for basic EPS, weighted-average common shares outstanding	59,109,284	64,318,034	67,861,900
Potentially dilutive shares resulting from stock plans	475,632	743,236	639,239
Denominator for diluted EPS	59,584,916	65,061,270	68,501,139

Options to purchase 1,295,762 shares, 710,516 shares, and 369,817 shares of common stock have not been included in the denominator for the computation of diluted earnings per share for the fiscal years ended May 31, 2008, June 2, 2007, and June 3, 2006, respectively, because they were anti-dilutive.

14. Stock-Based Compensation

The company utilizes equity-based compensation incentives as a component of its employee and non-employee director and officer compensation philosophy. Currently, these incentives consist principally of stock options, restricted stock, restricted stock units and performance share units. The company also offers a discounted stock purchase plan for its domestic and international employees. The Company issues shares in connection with its share-based compensation plans from authorized, but unissued, shares.

Valuation and Expense Information

In December 2004, the FASB issued a revision of SFAS No. 123, "Share-Based Payment" (SFAS 123(R)), which supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). SFAS 123(R) generally requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on their grant-date fair market value and to recognize this cost over the requisite service period. The company adopted SFAS 123(R) as of the beginning of its 2007 fiscal year, using the modified prospective method. Under this method, compensation expense recognized by the company in fiscal 2008 and 2007, included: (a) compensation cost for all stock-based payments granted prior to, but not yet vested as of June 3, 2006, based on the grant-date fair value estimate in accordance with the original provisions of SFAS 123, "Accounting for Stock-Based Compensation," and (b) compensation cost for all stock-based payments granted subsequent to June 3, 2006, based on the grant-date fair value estimated in accordance with SFAS 123(R). Results of prior periods have not been restated.

Prior to the adoption of SFAS 123(R), the company accounted for its stock-based compensation plans under the recognition and measurement principles of APB 25 and related Interpretations. Under this method, compensation expense related to stock options was recognized only if the market price of the stock underlying an award on the date of grant exceeded the related exercise price. Expense attributable to other types of stock-based awards, such as restricted stock grants and restricted stock units, was recognized in the company's reported results under APB 25.

Certain of the company's equity-based compensation awards contain provisions that allow for continued vesting into retirement. Prior to adoption of SFAS 123(R), when following the provisions of APB 25, the company recognized compensation expense related to these awards over the vesting period plus any required performance period, without regard to when an employee became eligible for retirement. Under SFAS 123(R), a stock-based award is considered fully vested for expense attribution purposes when the employee's retention of the award is no longer contingent on providing subsequent service.

The company classifies pre-tax stock-based compensation expense primarily within "Operating Expenses" in the Consolidated Statements of Operations. Related expenses charged to "Cost of Sales" are not material. For the years ended May 31, 2008 and June 2, 2007, pre-tax compensation expense for all types of stock-based programs and the related income tax benefit recognized was \$6.2 million and \$2.1 million, and \$4.9 million and \$1.6 million, respectively. As a result of adopting SFAS 123(R), the company's reported pre-tax stock-based compensation expense for the years ended May 31, 2008 and June 2, 2007, was approximately \$3.5 million and \$3.0 million higher, respectively, than it would have been under APB 25. The incremental stock-based compensation expense effectively reduced basic and diluted earnings per share in fiscal 2008 and 2007, by \$0.04 and \$0.03 each, respectively.

Notes to the Consolidated Financial Statements

14 Stock Based Compensation *(continued)*

The following table reconciles reported net earnings and per share information to pro forma net earnings and per share information that would have been reported if the fair value method had been used to account for stock-based employee compensation in fiscal year 2006.

(In millions, except per share data)		2006
Net earnings, as reported		\$99.2
Addback:		
Total stock-based employee compensation expense included in net earnings, as reported, net of related tax effects		1.6
Less:		
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects		(3.4)
Pro forma net earnings		\$97.4
Earnings per share:		
Basic, as reported		\$1.46
Basic, pro forma		\$1.44
Diluted, as reported		\$1.45
Diluted, pro forma		\$1.42

As of May 31, 2008, total pre-tax stock-based compensation cost not yet recognized related to non-vested awards was approximately \$7.1 million. The weighted-average period over which this amount is expected to be recognized is 1.68 years.

The company estimated the fair value of employee stock options on the date of grant using the Black-Scholes model. In determining these values, the following weighted-average assumptions were used for the options granted during the fiscal years indicated.

	2008	2007	2006 ⁽⁵⁾
Risk-free interest rates ⁽¹⁾	3.13-4.82%	4.33-4.95%	3.72-4.38%
Expected term of options ⁽²⁾	1.6-5.5 years	1.7-5.0 years	1.6-5.0 years
Expected volatility ⁽³⁾	28%	28%	30%
Dividend yield ⁽⁴⁾	1.0%	1.0%	1.0%
Weighted-average grant-date fair value of stock options:			
Granted with exercise prices equal to the fair market value of the stock on the date of grant	\$9.55	\$9.38	\$7.68
Granted with exercise prices greater than the fair market value of the stock on the date of grant	\$ —	\$7.48	\$8.02

(1) Represents the U.S. Treasury yield over the same period as the expected option term.

(2) Represents the period of time that options granted are expected to be outstanding. Based on analysis of historical option exercise activity, the company has determined that all employee groups exhibit similar exercise and post-vesting termination behavior.

(3) Amount is determined based on analysis of historical price volatility of the company's common stock over a period equal to the expected term of the options. The company also utilizes a market-based or "implied volatility" measure, on exchange-traded options in the company's common stock, as a reference in determining this assumption.

(4) Represents the company's estimated cash dividend yield over the expected term of options.

(5) Assumptions used for pro forma purposes.

Stock-based compensation expense recognized in the Consolidated Statements of Operations for the years ended May 31, 2008 and June 2, 2007, has been reduced for estimated forfeitures, as it is based on awards ultimately expected to vest. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience. In the company's pro forma information, which was required under SFAS No. 123 for comparable periods prior to fiscal 2007, the company accounted for forfeitures as they occurred. The cumulative effect of the change in accounting for forfeitures was not material.

Adoption of SFAS 123(R) also affected the presentation of cash flows. The change is related to tax benefits arising from tax deductions that exceed the amount of compensation expense recognized (excess tax benefits) in the financial statements. For the years ended May 31, 2008 and June 2, 2007, cash flows from operating activities were reduced by \$0.1 million and \$6.7 million, respectively and cash flows from financing activities were increased by \$0.1 million and \$6.7 million, respectively, from amounts that would have been reported if the company had not adopted SFAS 123(R). For the year ended June 3, 2006, the amount of tax benefits arising from tax deductions exceeding the amount of compensation expense included in cash flows from operating activities was \$3.7 million.

Notes to the Consolidated Financial Statements

14 Stock Based Compensation (continued)

Employee Stock Purchase Program

Under the terms of the company's 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. The company recognized \$0.5 million of pre-tax compensation expense related to employee stock purchases for each of the fiscal years ended May 31, 2008 and June 2, 2007.

Stock Option Plans

The company has stock option plans under which options to purchase the company's stock are granted to employees and non-employee directors and officers 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 three years from date of grant and expire two to ten years from date of grant. The options are subject to graded vesting with the related compensation expense recognized on a straight-line basis over the requisite service period. At May 31, 2008, there were 5.9 million shares available for future options.

The following is a summary of the transactions under the company's stock option plans.

	Shares Under Option	Weighted-Average Exercise Prices	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In Millions)
Outstanding at May 28, 2005	5,383,012	\$24.64	3.93	\$27.9
Granted at Market	110,010	\$28.36		
Granted>Market	356,713	\$33.51		
Exercised	(1,451,143)	\$23.30		
Forfeited	(67,884)	\$31.56		
Outstanding at June 3, 2006	4,330,708	\$25.80	3.88	\$20.8
Granted at Market	94,205	\$34.87		
Granted>Market	385,286	\$30.54		
Exercised	(1,886,326)	\$25.01		
Forfeited	(63,751)	\$29.72		
Outstanding at June 2, 2007	2,860,122	\$27.18	4.82	\$26.8
Granted at Market	317,902	\$31.35		
Exercised	(125,301)	\$24.03		
Forfeited	(58,121)	\$30.84		
Outstanding at May 31, 2008	2,994,602	\$27.68	4.36	\$1.5
Ending vested + Expected to vest	2,942,484	\$27.61	4.29	\$1.5
Exercisable at end of period	2,360,117	\$26.68	3.35	\$1.5

Pre-tax compensation expense related to these options totaled \$3.0 million and \$2.5 million for fiscal 2008 and 2007, respectively. On a pro forma basis, compensation expense related to these options totaled \$1.6 million for fiscal 2006.

The total pre-tax intrinsic value of options exercised during fiscal 2008, 2007 and 2006 was \$.9 million, \$19.8 million, and \$11.5 million, respectively. The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the company's closing stock price as of the end of the period presented, which would have been received by the option holders had all option holders exercised in-the-money options as of that date.

The following is a summary of stock options outstanding at May 31, 2008.

Range of Exercise Price	Outstanding Stock Options			Exercisable Stock Options	
	Shares	Weighted-Average Remaining Contractual Term (Years)	Weighted-Average Exercise Prices	Shares	Weighted-Average Exercise Prices
\$16.29-\$25.00	1,030,421	3.22	\$23.43	1,030,421	\$23.43
\$25.06-\$30.54	1,304,425	3.78	\$28.32	1,030,159	\$27.81
\$31.84-\$38.13	659,756	7.29	\$33.05	299,537	\$33.94
Total	2,994,602	4.36	\$27.68	2,360,117	\$26.68

Notes to the Consolidated Financial Statements

14 Stock Based Compensation (continued)

Restricted Stock Grants

The company grants restricted common stock to certain key employees. Shares are granted 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 grants are subject to either cliff-based or graded vesting over a period not to exceed five years, subject to forfeiture if the employee ceases to be employed by the company for certain reasons. After the vesting period, the risk of forfeiture and restrictions on transferability lapse. The company recognizes the related compensation expense on a straight-line basis over the requisite service period. A summary of shares subject to restrictions follows.

	2008		2007		2006	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Outstanding, at beginning of year	106,001	\$26.00	140,484	\$25.12	184,221	\$24.89
Granted	12,922	31.13	5,050	33.68	—	—
Vested	(2,849)	\$25.21	(39,533)	\$23.87	(43,737)	\$24.13
Outstanding, at end of year	116,074	\$26.59	106,001	\$26.00	140,484	\$25.12

Pre-tax compensation expense related to these awards totaled \$0.7 million, \$0.7 million, and \$1.5 million, for the years ended May 31, 2008, June 2, 2007, and June 3, 2006, respectively. The weighted-average remaining recognition period of the outstanding restricted shares at May 31, 2008, was 1.36 years. The fair value on the dates of vesting for shares that vested during the twelve months ended May 31, 2008, was \$0.1 million.

Restricted Stock Units

The company grants restricted stock units to certain key employees. This program provides that the actual number of restricted stock units awarded is tied in part to the company's annual financial performance for the year on which the grant is based. The awards generally cliff-vest after a five-year service period, with prorated vesting under certain circumstances and continued vesting into retirement. Each restricted stock unit represents one equivalent share of the company's common stock to be awarded, free of restrictions, after the vesting period. Compensation expense related to these awards is recognized over the requisite service period, which includes any applicable performance period. Dividend equivalent awards are granted quarterly. The following is a summary of restricted stock unit transactions for the years ended May 31, 2008, June 2, 2007 and June 3, 2006.

	2008			2007			2006		
	Share Units	Aggregate Intrinsic Value in Millions	Weighted-Average Remaining Contractual Term (Years)	Share Units	Aggregate Intrinsic Value in Millions	Weighted-Average Remaining Contractual Term (Years)	Share Units	Aggregate Intrinsic Value in Millions	Weighted-Average Remaining Contractual Term (Years)
Outstanding, at beginning of year	177,474	\$6.5	3.68	80,062	\$2.4	4.07	—	—	—
Granted	2,195	—	—	109,318	—	—	83,120	—	—
Forfeited	(8,404)	—	—	(10,379)	—	—	(2,882)	—	—
Released	(2,891)	—	—	(1,527)	—	—	(176)	—	—
Outstanding, at end of year	168,374	\$4.1	2.69	177,474	\$6.5	3.68	80,062	\$2.4	4.07
Ending vested + expected to vest	143,554	\$3.6	2.69	154,808	\$5.7	3.68	70,105	\$2.1	4.07

The company recognized pre-tax compensation expense related to restricted stock units of \$0.6 million in fiscal 2008, \$1.1 million in fiscal 2007, and \$1.1 million in fiscal 2006.

Notes to the Consolidated Financial Statements

14 Stock Based Compensation (continued)

Performance Share Units

The company grants performance share units to certain key employees. No Performance Share Units were granted prior to fiscal 2008. The number of units initially awarded is based on the value of a portion of the participant's long-term incentive compensation, divided by the fair value of the company's common stock on the date of grant. Each unit represents one equivalent share of the company's common stock. The number of common shares ultimately issued in connection with these performance share units is determined based on the company's financial performance over the related three-year service period. Compensation expense is determined based on the grant-date fair value and the number of common shares projected to be issued, and is recognized over the requisite service period.

The following is a summary of performance share unit transactions for the year ended May 31, 2008.

	Share Units	Aggregate Intrinsic Value (in Millions)	2008 Weighted- Average Remaining Contractual Term (Years)
Outstanding, at beginning of year	—	—	—
Granted	95,530		
Forfeited	(2,507)		
Outstanding, at end of year	93,023	\$2.3	2.15
Ending vested + expected to vest	85,434	\$2.1	2.15

The company recognized pre-tax compensation expense related to performance stock units of \$1.4 million in fiscal 2008.

Deferred Compensation Plan

In 2008 the company discontinued use of the existing Non-qualified Deferred Compensation Plan for new contributions and established the Herman Miller, Inc. Executive Equalization Retirement Plan.

The Non-qualified Deferred Compensation Plan allowed selected employees to defer part or all of their executive incentive cash bonus payment each year. The company could 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 vested at the rate of 33 1/3 percent annually. In accordance with the terms of the plan, the executive deferral and company matching contribution were placed in a "Rabbi" trust, which invested solely in the company's common stock. 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 Deferred Compensation.

The Herman Miller, Inc. Executive Equalization Retirement Plan is a supplemental deferred compensation plan and is available for salary deferrals beginning in January 2008. The plan is available to highly compensated employees who are selected for participation by the Executive Compensation Committee of the Board of Directors. The plan allows participants to defer up to 50 percent of their base salary and 100 percent of their incentive cash bonus. Company contributions to the plan "mirror" the amounts the Company would have contributed to the various other retirement plans had the employee's compensation not been above the statutory ceiling (currently \$225,000), subject to a limit of 9.9 percent of compensation. Investment options under this plan are the same as those available under the 401(k) Plan except that company stock is not an investment option under this plan.

In accordance with the terms of the Executive Equalization Plan, the executive deferral and company matching contribution have been placed in a "Rabbi" trust. 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 an asset on the company's balance sheet.

Director Fees

Company directors may 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 the following in the fiscal years indicated.

	2008	2007	2006
Options	21,746	9,494	28,369
Shares of common stock	16,086	5,637	6,967
Shares through the deferred compensation program	4,334	6,529	8,633

Notes to the Consolidated Financial Statements *(continued)*

15. Income Taxes

The components of earnings before income taxes and minority interest are as follows.

(In millions)	2008	2007	2006
Domestic	\$176.1	\$149.9	\$124.4
Foreign	54.3	37.1	23.2
Total	\$230.4	\$187.0	\$147.6

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

(In millions)	2008	2007	2006
Current:			
Domestic – Federal	\$62.7	\$38.7	\$35.7
Domestic – State	5.0	3.7	3.3
Foreign	21.1	12.3	8.3
Subtotal	88.8	54.7	47.3
Deferred:			
Domestic – Federal	(7.6)	1.6	1.6
Domestic – State	(0.3)	0.9	0.3
Foreign	(2.7)	0.7	(1.5)
Subtotal	(10.6)	3.2	0.4
Total income tax provision	\$78.2	\$57.9	\$47.7

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

(In millions)	2008	2007	2006
Income taxes computed at the United States statutory rate of 35%	\$80.7	\$65.5	\$51.7
Increase (decrease) in taxes resulting from:			
Manufacturing deduction under the American Jobs Creation Act of 2004	(3.4)	(1.2)	(0.7)
Other, net	0.9	(6.4)	(3.3)
Income tax expense	\$78.2	\$57.9	\$47.7
Effective tax rate	33.9%	31.0%	32.3%

In fiscal 2007, the company was granted a tax holiday from the Ningbo Economic and Technological Development Commission in China. This agreement provides, starting with the first year of cumulative profits, for the company to be taxed at a reduced rate for five years. As of January 1, 2008 the company's Ningbo, China operations has started the first year of the tax holiday.

Notes to the Consolidated Financial Statements

15 Income Taxes (continued)

The tax effects and types of temporary differences that give rise to significant components of the deferred tax assets and liabilities at May 31, 2008 and June 2, 2007, are as follows.

(In millions)	2008	2007
Deferred tax assets:		
Compensation-related accruals	\$9.9	\$6.8
Accrued pension and post-retirement benefit obligations	15.0	8.2
Reserves for inventory	2.3	1.6
Reserves for uncollectible accounts and notes receivable	2.6	1.9
Warranty	4.6	4.6
State and local tax net operating loss carryforwards	3.7	4.4
Tax basis in property in excess of book basis	—	3.7
State credits	1.8	1.8
Foreign tax net operating loss carryforwards	5.2	5.2
Foreign tax credits	3.5	2.8
Other	11.9	7.8
Subtotal	60.5	48.8
Valuation allowance	(8.3)	(9.2)
Total	\$52.2	\$39.6
Deferred tax liabilities:		
Capitalized software costs	\$(0.1)	\$(18.3)
Book basis in property in excess of tax basis	(15.8)	—
Prepaid employee benefits	(5.9)	(5.6)
Other	(1.4)	(2.1)
Total	\$(23.2)	\$(26.0)

The future tax benefits of net operating loss (NOL) carryforwards and foreign tax credits 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 and/or foreign tax credits. To the extent that available evidence about the future raises doubt about the realization of these tax benefits, a valuation allowance is established.

At May 31, 2008, the company had state and local tax NOL carryforwards of \$57.8 million, the tax benefit of which is \$3.7 million, which have various expiration periods from one to twenty years. The company also had state credits with a tax benefit of \$1.8 million that expire in one to ten years. For financial statement purposes, the NOL carryforwards and state tax credits have been recognized as deferred tax assets, subject to a valuation allowance of \$4.0 million.

At May 31, 2008, the company had foreign NOL carryforwards of \$17.6 million, the tax benefit of which is \$5.2 million, which have expiration periods from three years to unlimited in term. The company also had foreign tax credits with a tax benefit of \$3.5 million that expire in eight to ten years. For financial statement purposes, NOL carryforwards and foreign tax credits have been recognized as deferred tax assets, subject to a valuation allowance of \$4.3 million.

The company has not provided for United States income taxes on undistributed earnings of foreign subsidiaries totaling approximately \$116.0 million. Recording deferred income taxes on these undistributed earnings is not required, because these earnings have been deemed to be 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.

The company adopted the provisions of FIN 48 on June 3, 2007. Prior to the adoption of FIN 48, the company had income tax accruals of \$5.2 million associated with tax benefits claimed on tax returns but not recognized for financial statement purposes ("unrecognized tax benefits"). As a result of the adoption of FIN 48, the company recorded an increase in liabilities for unrecognized tax benefits of \$0.8 million, which was recorded as a reduction to beginning retained earnings in fiscal 2008. The components of the company's unrecognized tax benefits are as follows.

(In millions)	
Balance at June 3, 2007	\$6.0
Increases related to current year income tax positions	1.9
Increases related to prior year income tax positions	0.8
Decreases related to prior year income tax positions	(0.5)
Decreases related to lapse of applicable statute of limitations	(1.0)
Balance at May 31, 2008	\$7.2

Notes to the Consolidated Financial Statements

15 Income Taxes *(continued)*

The company's effective tax rate would have been affected by the \$7.2 million of unrecognized tax benefits had this amount been recognized as a reduction to income tax expense.

The company recognizes interest and penalties related to unrecognized tax benefits through income tax expense in its statement of operations. Interest and penalties recognized in the company's Consolidated Statements of Operations for the year ended May 31, 2008 was \$0.2. The company has also reserved approximately \$0.2 million for interest and penalties related to the adoption of FIN 48, which was recorded as a reduction to beginning retained earnings in fiscal 2008. As of May 31, 2008, the company's recorded liability for interest and penalties related to unrecognized tax benefits totaled \$0.9 million.

The company is subject to periodic audits by domestic and foreign tax authorities. Currently, the company is undergoing routine periodic audits in both domestic and foreign tax jurisdictions. It is reasonably possible that the amounts of unrecognized tax benefits could change in the next 12 months as a result of new positions that may be taken on income tax returns, settlement of tax positions and the closing of statutes of limitation. It is not expected that any of the changes will be material to the company's Consolidated Statement of Operations.

For the majority of tax jurisdictions, the company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2004.

16. 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. As of May 31, 2008 and June 2, 2007, the company estimates that the fair value of notes receivable approximates the related carrying values. The company intends to hold these notes to maturity and has recorded allowances to reflect the expected net realizable value. As of May 31, 2008, 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 arrangements, was \$375.5 million with a corresponding fair market value of \$370.1 million. At June 2, 2007, the carrying value and fair market value was \$176.2 million and \$181.2 million, respectively.

17. 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

In the normal course of business, the company enters into contracts denominated in foreign currencies. The principal foreign currencies in which the company conducts its business are the British Pound Sterling, Euro, Canadian dollar, Japanese Yen, Mexican Peso, and Chinese Renminbi. As of May 31, 2008, the company had outstanding, five forward currency instruments designed to offset either net asset or net liability exposure that is denominated in non-functional currencies. Three forward contracts were placed in order to offset 4.0 million Euro-denominated net asset exposure that is denominated in a non-functional currency. Two forward contracts were placed to offset a 6.0 million U.S. dollar-denominated net liability exposure in China. At June 2, 2007, the company had outstanding, three forward currency instruments designed to offset 4.0 million Euro-denominated exposure. At May 31, 2008, the fair value of the forward currency instruments was \$0.1 million, and negligible at June 2, 2007.

Interest Rate Swaps

In November 2003, the company entered into two fixed-to-floating interest rate swap agreements. The first which expires March 15, 2011, effectively converts \$50.0 million of fixed-rate debt securities to a floating-rate basis. The fair value of this swap instrument, which is based upon expected LIBOR rates over the remaining term of the instrument, was approximately \$.5 million at May 31, 2008, and is reflected as an addition to long-term debt and an offsetting addition to non-current assets in the Consolidated Balance Sheets. As of June 2, 2007, the fair value of approximately \$(1.8) million is reflected as a reduction to long-term debt and an offsetting addition to other long-term liabilities. The floating interest rate for this agreement is based on the six-month LIBOR, set in-arrears at the end of each semi-annual period, and is estimated to be approximately 5.6 percent and 8.0 percent at May 31, 2008, and June 2, 2007, respectively. The next scheduled interest rate reset date is in September 2008.

The second agreement, which expired March 5, 2008, effectively converted \$3.0 million of fixed-rate private placement debt to a floating-rate basis. This agreement expired concurrently with the final payment of the underlying debt. The fair value of this swap instrument, which is based upon expected LIBOR rates over the remaining term of the instrument, was approximately \$(0.1) million at June 2, 2007, and is reflected as a reduction to long-term debt and an offsetting addition to other long-term liabilities in the Consolidated Balance Sheets.

As of May 31, 2008, a total of \$50.0 million of the company's outstanding debt was effectively converted to a variable-rate basis as a result of the remaining interest rate swap arrangement. This swap is a fair-value hedge and qualifies for hedge-accounting treatment using the "short-cut" method under the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."

Notes to the Consolidated Financial Statements *(continued)*

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. The agreement requires the company to pay floating-rate interest payments in return for receiving fixed-rate interest payments that coincide with the semi-annual payments to the debt holders at the same date.

The counterparty to the remaining swap instrument is a large 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.

These swap arrangements effectively reduced interest expense by \$0.4 million in fiscal 2008, and increased interest expense by \$0.6 million and \$0.3 million in fiscal 2007 and fiscal 2006, respectively.

18. 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)	2008	2007	2006
Depreciation	\$41.1	\$39.7	\$40.5
Amortization	2.1	1.5	1.1
Provision for losses on accounts receivable and notes receivable	3.8	(0.6)	0.5
Provision for losses on financial guarantees	(0.1)	(0.2)	0.1
Minority interest	(0.1)	—	0.7
Loss on sales of property and equipment	1.1	1.5	1.3
Gain on disposal of owned dealers	(0.9)	—	(0.3)
Deferred taxes	(10.6)	3.2	0.4
Pension and other post-retirement benefits	5.5	3.9	(18.5)
Stock-based compensation	6.2	4.9	2.6
Excess tax benefits from stock-based compensation	(0.1)	(6.7)	—
Other liabilities	1.9	0.3	2.9
Other	(0.4)	(1.9)	(0.5)
Changes in current assets and liabilities:			
Decrease (increase) in assets:			
Accounts receivable	(21.3)	(14.8)	(7.6)
Inventories	2.6	(9.0)	(8.7)
Prepaid expenses and other	(2.6)	(6.3)	3.0
Increase (decrease) in liabilities:			
Accounts payable	6.1	(1.8)	7.5
Accrued liabilities	27.0	(5.1)	26.2
Total changes in current assets and liabilities	11.8	(37.0)	20.4
Total adjustments	\$61.3	\$8.6	\$51.2

Cash payments for interest and income taxes were as follows.

(In millions)	2008	2007	2006
Interest paid	\$13.1	\$13.5	\$13.8
Income taxes paid, net of cash received	\$75.7	\$57.6	\$45.0

Notes to the Consolidated Financial Statements *(continued)*

19. 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 varies 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 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 and other factors. Specific reserves are established once an issue is identified with the amounts for such reserves based on the estimated cost of correction. Changes in the warranty reserve for the stated periods were as follows.

(In millions)	2008	2007
Accrual balance, beginning	\$14.6	\$14.9
Accrual for warranty matters	15.2	12.3
Settlements and adjustments	(14.9)	(12.6)
Accrual balance, ending	\$14.9	\$14.6

Other Guarantees

The company has entered into separate agreements to guarantee the debt of two independent contract furniture dealerships. In accordance with the provisions of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others" (FIN 45), the company initially recorded an expense equal to the estimated fair values of these guarantees. The maximum financial exposure assumed by the company as a result of these arrangements totaled \$0.4 million and \$0.5 million as of May 31, 2008 and June 2, 2007, respectively. Guarantees of \$0.3 million and \$0.4 million are reflected under the caption "Other Liabilities" in the Consolidated Balance Sheets as of May 31, 2008 and June 2, 2007, respectively.

The company is periodically required to provide performance bonds in order to conduct 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 performance bonds are provided by various bonding agencies and the company is ultimately liable for claims that may occur against them. As of May 31, 2008, the company had a maximum financial exposure related to performance bonds of approximately \$12.7 million. The company has 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 as of May 31, 2008 and June 2, 2007.

The company periodically enters into agreements in the normal course of business, which may include indemnification clauses regarding patent/trademark infringement and service losses. Service losses represent all direct or consequential loss, liability, damages, costs and expenses incurred by the customer or others resulting from services rendered by the company, the dealer, or certain sub-contractors due to a proven negligent act. The company has no history of claims, nor is it aware of circumstances that would require it to perform under 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 as of May 31, 2008 and June 2, 2007.

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, 2008, the company had a maximum financial exposure from these insurance-related standby letters of credit of approximately \$13.1 million. The company has 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 as of May 31, 2008 and June 2, 2007.

Contingencies

In the fourth quarter of fiscal 2008, the company reached an agreement with the New York, Michigan, and Illinois Attorneys General on all matters related to an inquiry of the Minimum Advertised Price Policy maintained by the company's Herman Miller for the Home division. In reaching the settlement, all parties acknowledged that the agreement does not constitute either an admission or denial of liability or wrongdoing. The agreement, which was reached through a consent decree filed with the United States District Court in New York, required the company to pay a total of \$0.75 million. This amount was previously recorded within "Other Liabilities" on the company's Consolidated Balance Sheets.

Notes to the Consolidated Financial Statements

19 Guarantees, Indemnifications, and Contingencies *(continued)*

The company leases a facility in the United Kingdom under an agreement that expired in March 2008. Under the terms of the lease, the company is required to perform the maintenance and repairs necessary to address the general dilapidation of the facility over the lease term. The ultimate cost of this provision to the company is dependent on a number of factors including, but not limited to, the future use of the facility by the lessor and whether the company chooses and is permitted to renew the lease term. The company has estimated the cost of these maintenance and repairs to be between \$0 and \$3 million, depending on the outcome of future plans and negotiations. Based on existing circumstances, it is estimated that these costs will most likely approximate \$1.0 million, as of May 31, 2008, and was estimated to be \$0.5 million as of June 2, 2007. As a result, these amounts have been recorded as a liability reflected under the caption "Other Liabilities" in the Consolidated Balance Sheets.

The company has a lease obligation in the UK until May 2014 for a facility that it previously exited. The company believes it will be able to assign or sublet the lease for the majority of the remaining lease term to another tenant at current market rates. However, current market rates for comparable office space are lower than the rental payments owed under the lease agreement. As such, the company would remain liable to pay the difference. As a result, the estimated liability of \$2.0 million and \$1.4 million is reflected under the caption "Other Liabilities" in the Consolidated Balance Sheets at May 31, 2008 and June 2, 2007, respectively.

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. The company has occasionally noted errors in complying with contract provisions. From time to time the company has notified the GSA of known instances of non-compliance (whether favorable or unfavorable to the GSA) once such circumstances are identified and investigated. The company does not believe that any of the errors brought to the GSA's attention will adversely affect its relationship with the GSA. Currently there are no GSA post-award audits either scheduled or in process. Management does not expect resolution of potential future audits to have a material adverse effect on the company's Consolidated Financial Statements.

The company has been made aware of a potential issue related to the actuarial valuation of liabilities under its primary international pension plan and the definition of eligible compensation. The company is currently in the process of correcting and clarifying the definition and believes any resulting adjustments would be immaterial to its financial statements.

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 affect the company's Consolidated Financial Statements.

20. Operating Segments

The company is comprised of two primary operating segments as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information;" North American Furniture Solutions and non-North American Furniture Solutions.

The North American Furniture Solutions segment includes the operations associated with the design, manufacture, and sale of furniture products for work-related settings, including office and healthcare environments, throughout the United States, Canada, and Mexico. The business associated with the company's owned contract furniture dealers is also included in the North American Furniture Solutions segment. The non-North American Furniture Solutions segment includes the operations associated with the design, manufacture, and sale of furniture products, primarily for work-related settings, outside of North America.

The company also reports an "Other" category consisting primarily of its North American residential furniture business as well as other business activities such as Convia, and unallocated corporate expenses. North American Home includes the operations associated with the design, manufacture and sale of furniture products for residential settings in the United States, Canada, and Mexico. The start-up businesses are discrete operations, such as Convia, Inc., or activities aimed at developing innovative products to serve current and new markets.

Notes to the Consolidated Financial Statements

20 Operating Segments (continued)

The performance of the operating segments is evaluated by the company's management using various financial measures. The following is a summary of certain key financial measures for the respective fiscal years indicated.

(In millions)	2008	2007	2006
Net Sales:			
North American Furniture Solutions	\$1,636.3	\$1,563.6	\$1,448.0
Non-North American Furniture Solutions	323.5	278.5	216.9
Other	52.3	76.8	72.3
Total	\$2,012.1	\$1,918.9	\$1,737.2
Depreciation and Amortization:			
North American Furniture Solutions	\$36.5	\$35.7	\$36.5
Non-North American Furniture Solutions	4.6	4.4	4.0
Other	2.1	1.1	1.1
Total	\$43.2	\$41.2	\$41.6
Operating Earnings:			
North American Furniture Solutions	\$195.9	\$161.7	\$139.9
Non-North American Furniture Solutions	47.3	28.9	14.1
Other	3.4	7.5	3.7
Total	\$246.6	\$198.1	\$157.7
Capital Expenditures:			
North American Furniture Solutions	\$33.2	\$34.1	\$39.0
Non-North American Furniture Solutions	5.7	4.8	9.1
Other	1.6	2.4	2.7
Total	\$40.5	\$41.3	\$50.8
Total Assets:			
North American Furniture Solutions	\$594.9	\$507.0	\$512.2
Non-North American Furniture Solutions	159.2	133.1	130.1
Other	29.1	26.1	25.7
Total	\$783.2	\$666.2	\$668.0

The accounting policies of the reportable operating segments are the same as those of the company, which are disclosed in further detail within Note 1. Additionally, the company employs a methodology for allocating corporate costs and assets to the operating segments. The underlying objective of this methodology is to allocate corporate costs according to the relative "usage" of the underlying resources and to allocate corporate assets according to the relative expected benefit. The company has determined that allocation based on relative net sales is most appropriate for all expenses. The majority of corporate costs are allocated to the operating segments; however, certain costs that are generally considered the result of isolated business decisions are not subject to allocation and are evaluated separately from the rest of the regular ongoing business operations. The net restructuring charges of \$5.1 million recorded in fiscal 2008, and discussed in Note 21, were allocated to the "Other" category.

The company's product offerings consist primarily of office furniture systems, seating, freestanding furniture, storage and casegoods. These product offerings are marketed, distributed, and managed primarily as a group of similar products on an overall portfolio basis. The following is a summary of net sales by product category for the respective fiscal years indicated. Given that formal product line information is not available for the company as a whole, this summary is intended to represent a reasonable estimate of net sales by product category based on the best information available.

(In millions)	2008	2007	2006
Net sales:			
Systems	\$579.7	\$565.2	\$530.6
Seating	489.1	481.7	421.1
Freestanding and storage	295.9	288.0	277.1
International ⁽¹⁾	481.0	408.9	336.1
Other ⁽²⁾	166.4	175.1	172.3
Total	\$2,012.1	\$1,918.9	\$1,737.2

(1) The company has determined that the disclosure of international product line information is not practicable.

(2) "Other" primarily consists of miscellaneous or otherwise uncategorized product sales and service sales.

Notes to the Consolidated Financial Statements

20 Operating Segments *(continued)*

Sales by geographic area are based on the location of the customer. Long-lived assets consist of long-term assets of the company, excluding financial instruments and deferred tax assets. The following is a summary of geographic information for the respective fiscal years indicated. Individual foreign country information is not provided as none of the individual foreign countries in which the company operates are considered material for separate disclosure based on quantitative and qualitative considerations.

(In millions)	2008	2007	2006
Net Sales:			
United States	\$1,531.1	\$1,510.0	\$1,401.1
International ⁽¹⁾	481.0	408.9	336.1
Total	\$2,012.1	\$1,918.9	\$1,737.2
Long-Lived Assets:			
United States	\$243.3	\$238.4	\$241.4
International ⁽¹⁾	34.9	37.9	29.6
Total	\$278.2	\$276.3	\$271.0

⁽¹⁾ International is defined as outside the U.S.

It is estimated that no single dealer accounted for more than 4 percent of the company's net sales in the fiscal year ended May 31, 2008. It is also estimated that the largest single end-user customer accounted for approximately 7 percent of the company's net sales with the 10 largest customers accounting for approximately 16 percent of net sales.

Approximately 6 percent of the company's employees are covered by collective bargaining agreements, most of whom are employees of its Integrated Metal Technology, Inc., and Herman Miller Limited (U.K.) subsidiaries.

21. Restructuring Charges

During the second quarter of fiscal 2008, the company executed a restructuring plan ("the Plan") that reduced operating expenses in order to improve operating performance, profitability and further enhance productivity and efficiencies. The Plan eliminated approximately 150 full-time positions, primarily in West Michigan. In connection with the Plan, the company recorded \$5.2 million of pre-tax charges and \$(0.1) million of adjustments for employee severance and outplacement costs. These charges have been reflected separately as restructuring expenses in the Consolidated Statements of Operations. Refer to Note 20 for a discussion of the Plan's impact on the company's reportable operating segments.

The following is a summary of changes in restructuring accruals during fiscal 2008.

(In millions)	Severance and Outplacement Costs
Balance as of June 2, 2007	\$ —
Restructuring expenses	5.2
Adjustments	(0.1)
Cash payments	(4.5)
Balance as of May 31, 2008	\$0.6

Management's Report on Internal Control over Financial Reporting

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The internal control over financial reporting at Herman Miller, Inc., is designed to provide reasonable assurance to our stakeholders that the financial statements of the Company fairly represent its financial condition and results of operations.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of May 31, 2008, based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management believes the Company's internal control over financial reporting was effective as of May 31, 2008.

Ernst & Young LLP has issued an attestation report on the effectiveness of our internal control over financial reporting, which appears on page 81.



Brian C. Walker
Chief Executive Officer



Curtis S. Pullen
Chief Financial Officer

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

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

We have audited Herman Miller Inc.'s internal control over financial reporting as of May 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Herman Miller, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Herman Miller, Inc. maintained, in all material respects, effective internal control over financial reporting as of May 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the fiscal 2008 consolidated financial statements of Herman Miller, Inc., and our report dated July 18, 2008 expressed an unqualified opinion thereon.

Grand Rapids, Michigan
July 18, 2008

/s/ Ernst & Young LLP

Report of Independent Registered Public Accounting Firm on Financial Statements

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

We have audited the accompanying consolidated balance sheets of Herman Miller, Inc. and subsidiaries as of May 31, 2008 and June 2, 2007, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three fiscal years in the period ended May 31, 2008. 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 the standards of the Public Company Accounting Oversight Board (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, 2008 and June 2, 2007, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended May 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 15 to the consolidated financial statements, in fiscal 2008, the company changed its method of accounting for unrecognized tax benefits as a result of the required adoption of Financial Accounting Standards Board Interpretation No. 48. As discussed in Notes 12 and 14 to the consolidated financial statements, in fiscal 2007, the company changed its method of accounting for pension and post-retirement benefits and stock-based payments as a result of the required adoption of Statements of Financial Accounting Standards No. 158 and 123(R), respectively.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Herman Miller, Inc.'s internal control over financial reporting as of May 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 18, 2008 expressed an unqualified opinion thereon.

Grand Rapids, Michigan
July 18, 2008

/s/ Ernst & Young LLP

Board of Directors

Paget L. Alves

President, South Region Sales & Distribution, Sprint Nextel
Global communications company

Mary Vermeer Andringa ⁽²⁾

President and Chief Executive Officer, Vermeer Manufacturing Company
Agricultural and industrial equipment manufacturer

Douglas D. French ⁽¹⁾

Managing Director, Santé Health Ventures
Healthcare venture capital

Lord Brian Griffiths of Fforestfach ⁽⁴⁾

International Advisor, Goldman Sachs International Limited
International investment banking firm and House of Lords, United Kingdom

J. Barry Griswell ^{(1) (3)}

Chairman, President and Chief Executive Officer, Principal Financial Group, Inc. and Principal Life
Financial services organization

John R. Hoke III ⁽¹⁾

Vice President, Footwear Design, Converse, Inc.
Footwear, apparel, equipment, and accessories

James R. Kackley ^{(2) (3)}

Director of various companies

C. William Pollard ^{(2) (3)}

Chairman Emeritus, The ServiceMaster Company
Management and consumer services for healthcare, industrial, and educational facilities

Dorothy A. Terrell ^{(3) (4)}

Venture Partner, First Light Capital

David O. Ulrich ⁽⁴⁾

Professor, University of Michigan Business School

Michael A. Volkema ⁽³⁾

Chairman of the Board, Herman Miller, Inc.

Brian C. Walker

President and Chief Executive 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) Audit Committee

(3) Executive Committee

(4) Nominating and Governance Committee

Leadership Team

Brian Walker
President and Chief Executive Officer

Don Goeman
Executive Vice President, Research, Design, and Development

Ken Goodson
Executive Vice President, Operations

Andy Lock
Executive Vice President, Chief Administrative Officer

Kris Manos
Executive Vice President
President, North American Office Environments

Gary Miller
Executive Vice President, Chief Development Officer

Beth Nickels
Executive Vice President
President, Herman Miller for Healthcare

John Portlock
Executive Vice President
President, Herman Miller International

Curt Pullen
Executive Vice President, Chief Financial Officer

Charley Vranian
Executive Vice President, North American Emerging Markets

Shareholder Reference Information

Line of Business

Herman Miller uses problem-solving design and innovation to create great places to work, heal, live, and learn. The company's award-winning products are complemented by primary furniture-management services, which are provided corporately and through a network of owned and independent dealers. 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 traded on the NASDAQ-Global Select Market System (Symbol: MLHR). As of July 24, 2008, there were approximately 27,600 record holders, including individual participants in security position listings, 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, Michigan 49464-0302, USA

Or call: 616 654 3305

Or email: investor@hermanmiller.com

Transfer Agent and Registrar

Computershare Trust Company, N.A., 250 Royall Street, Canton, Massachusetts 02021, Attention: Herman Miller, Inc.

Shareholder Relations

Or call 800 446 2617

Independent Registered 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 throughout 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, Michigan 49464-0302, USA

