

**Herman Miller, Inc.**  
**Third Quarter Fiscal 2009**  
**Investor Conference Call**  
**March 19, 2009**

The following document is a replication of the notes used in Herman Miller, Inc.'s Third Quarter Fiscal 2009 Conference Call presentation. Brian Walker, President and CEO; Greg Bylsma, CFO; and Joe Nowicki, VP Investor Relations and Treasurer, hosted the call. These notes represent an abridged version of the conference call and do not include the Q & A segment of the call. Those wishing to hear the Q & A segment can do so by listening to the archived webcast version of the call on this website.

This presentation will include forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. These risks and uncertainties include those risk factors discussed in the Company's reports on forms 10-K and 10-Q and other reports filed with the Securities and Exchange Commission.

Also, the financial amounts and references to internal measures mentioned today are unaudited.

**OPENING – BRIAN WALKER (PRESIDENT AND CEO)**

Good morning everyone.

Last quarter we highlighted the significant challenges that were starting to unfold and the actions our management teams were putting in place to strengthen our position and weather the oncoming storm. The economic crisis and the uncertainty surrounding the global economy was the major theme then, and the uncertainty of these times continues to be the dominant issue today.

As we expected, the credit crunch and general pull-back in capital spending by our customers came very fast, on all fronts of the business, and has held through most of the quarter. Predicting demand was tough last quarter and it remains very difficult today. While operating with this level of uncertainty is difficult, our people and leadership are experienced in navigating times of uncertainty, have managed through sharp declines in the past, and know how to adjust our business in a manner that enables us to remain strong and build for a more prosperous future. This includes working with our supply and distribution partners to ensure they are able to maintain and build our ability to serve our customers.

We made great progress in adjusting our costs this quarter. The majority of the previously announced actions were completed, ahead of schedule and we are on track to capture the savings we committed to. These changes included permanent employment reductions, elimination of temporary positions, production lay-offs, reductions in program spending and the closure of one administrative facility. As Greg will point out, while all of these actions were fully

implemented this past quarter, we did not realize the full benefit in the quarter. As a result, while the absolute results were disappointing, we are impressed with what our people were able to accomplish in a difficult environment.

Near the end of the quarter, we made some additional changes to our compensation and benefit programs designed to create a more variable cost structure. These are tough decisions that are not taken lightly, but we believe it was necessary to create further variability in our cost structure while retaining our talent and maintaining high service levels to our customers. I am grateful that the employee owners of Herman Miller responded to these actions with the same spirit of resolve and participation that have been the hallmark of our culture. Our collective goal is to win more than our share of the opportunities available and find other means of reducing costs.

In addition to these changes we also realigned some of our management teams to increase our speed of implementation and ensure we are delivering the products and solutions our customers and dealers expect and need. This included the appointment of Greg Bylsma to the CFO role as the successor to Curt Pullen. Curt has assumed the role as President of our North American Work Environments business. As noted in the opening, Greg and Joe will join me in making today's presentation, but Curt is here to assist us with answering your questions.

As I stated in the opening, it remains difficult to predict demand with any level of certainty. Therefore, similar to last quarter we are not providing earnings guidance. I will tell you though, we believe the recent decline in order levels may be here for some time and we are planning for this probability. We saw a drop in order levels in December with further declines in January. We are hopeful but cautious that customers are starting to take some actions to move forward. The bottom line is sequentially we anticipate fourth quarter revenue to be slightly lower. We believe the actions and adjustments made will enable us to manage through this situation and maintain the flexibility and capability to respond to the eventual turn around.

Let me close by leaving all of you with a clear statement that our cost structure adjustments are not detracting from our strategy. We continue to pursue our diversification of revenue. Innovation continues to be at the center of all we do. We have a great pipeline of products that you will see launched at NeoCon, with reference setting performance and value, along with some compelling ways for our customers to increase their overall workplace performance. We also continue to make progress in the expansion of our footprint in the Healthcare and International markets through our acquisitions and alliances. In short, we have a great deal to offer our customers.

Economic struggles can sometimes provide added clarity and focus for an organization, and to the solutions it provides for its customers. That's the case at Herman Miller. We've been through very similar conditions before, we know what

needs to be done, we're financially strong, and we're moving ahead with purpose and speed.

With that I will turn it over to Greg and Joe to give you a better understanding of our results and financial strength.

### **3Q FINANCIAL REVIEW – GREG BYLSMA (CFO)**

Thank you, Brian. Good morning everyone.

We experienced a significant pull back from the economic picture that began unfolding last quarter but it was a bit sharper than anticipated. Our revenues were down 28% from last year and about 26% from the second quarter. But because we took action to reduce our cost structure early in the quarter we were able to partially offset the volume decline. The restructuring actions costing \$23 million were completed during the quarter and our operating earnings, excluding these charges were a relatively solid 5.8% of revenue, and if restructuring expenses are excluded from net income we produced earnings of \$.18 per share in the quarter.

We have not yet fully realized all of the benefit from our cost reduction actions, and expect to see further benefit of approximately \$5 million per quarter going forward from recently announced changes to our benefits and work schedules. We continued to generate cash flow from operations. We have increased our cash balance and our balance sheet continues to be strong.

#### Looking at the Sales for this quarter.

- Consolidated third quarter sales were \$354 million, down 28% from last year, and down \$123 million from our second quarter.
- North American sales of \$296 million marked a decrease of approximately 28% from the prior year. Significant declines in the Foreign Currency Exchange rates for Canada and Mexico caused \$8 million of this reduction.
- Our Non-North American businesses are experiencing the same harsh pull back. Sales declined 28% to \$52 million from the third quarter last year. Declines in the GBP caused \$2 million of the reduction.
- Year-to-date our healthcare business has expanded, although orders are slowing here as well. Our retail business has declined but we are seeing strong growth in new channels to market.

### Moving on to Order rates during the quarter.....

- Consolidated orders totaled \$279 million for the quarter, a decrease of 38%. Orders were also negatively impacted by \$10 million due to changes in foreign currency rates. As expected, our order pacing dropped in December – stabilized in late January...and toward the end of February activity started to improve and has remained at those levels over the past few weeks.

### Gross Margin is next.....

- Our gross margin performance for the quarter ended at 29.9% of sales...a decline of 440 basis points from the prior year. Margin was negatively impacted by high commodity costs and the loss of leverage as a result of the lower sales volume. This was partially offset by the continued efficiency gains and spending reductions by our operations teams, as well as partial benefits from the restructure actions. We also captured margin improvement related to the price increase implemented last August. This was partially offset in part due to increased discounting
- Raw material prices were higher than last year by approximately \$6 million which was offset somewhat by declining diesel prices. Sequentially, material prices were basically flat but we did begin to see price relief toward the end of the quarter. Most of the material reductions remained in inventory and will be realized in March. We expect to see further material reductions throughout this next quarter, though not to the low levels of the prior year.
- Given the rapids decline of volume...our teams did a remarkable job of adjusting labor costs, despite inefficiencies in January...we were back on target for our labor metric in February. Additionally, our cost reduction actions recently taken will continue to provide relief.

### Moving to our Operating Expenses and Income.....

- Operating expenses totaled \$85 million for the quarter, a decline of 21% from the prior year same quarter --- a reduction of \$23 million! This demonstrates the variable nature of our cost structure, and our internal resolve to quickly adjust costs to meet new volume levels.
- Our results for the quarter included \$23 million in restructuring costs associated with the actions announced in December consisting primarily of severance payments.
- Our operating earnings for the quarter resulted in a loss of \$2.8 million but when you exclude the restructuring costs our operating earnings totaled \$21 million, or almost 6% of revenue. Year-to-date our operating earnings

reached \$132 million, or 10% of revenue. This amount also excludes the restructure expenses.

- We completed our previously announced restructuring actions during this quarter; however we did not fully realize all of the benefits in the current quarter. To supplement the previous actions, given the sharp drop in revenue, we announced changes that will add another \$20 million of annual cost savings.
- Taking into account all of the actions announced and implemented... we are targeting an operating expense level that is \$110 million - \$115 million lower than our fiscal 2008 level, and we remain committed to manage our cost structure to produce solid results with volume fluctuations.

**I'll now turn the call over to Joe to give us an update on our balance sheet.....**

Thanks, Greg

- Regarding the current quarter balance sheet metrics, we grew our cash balance by over \$6 million to \$172.4 million.
- Cash flow from operations for the quarter totaled \$18.7 million compared to \$35.6 million for the same period last year. Cash flow from operations this quarter included approximately \$9 million of payments related to the restructure actions. Capital expenditures of roughly \$4.5 million are down over 50% from the \$9.2 million spent during the third quarter last year. Our plan is to continue to conserve capital expenditure spend levels to align with business levels.
- Adding to our cash reserves, we have \$237 million available on our \$250 million revolving credit line. Considering our available revolver and our cash reserves we are confident in our ability to continue funding our strategy and feel well prepared for the uncertain times ahead.
- We are in compliance with all of our debt covenants and are currently running with a leverage ratio (Debt to EBITDA) of approximately 1.6 times ---- which is toward the low end of our targeted range of 1-2 times debt to EBITDA, but given the current market conditions, is appropriate relative to our capital structure and business strategy. And by the way, if you use a Net Debt basis to do the leverage calculation – Debt less the cash we hold – you get down to less than 1X debt to EBITDA! A strong balance sheet.

**That's' it for now on the Balance Sheet for this quarter..... I will hand it back to Greg.....**

Thanks, Joe

- As Brian mentioned, we have continued the decision to not provide guidance in the press release at this time. We believe the uncertain picture caused by the current economic climate continues to cloud the picture for the short term. We are cautiously hopeful that the bottom may be in sight or possibly has been reached this quarter. However, we still don't feel it's beneficial to publish a quarterly sales or earnings range.
- However, we believe that in the long term, with the changes we have announced we will be able to generate operating income in the mid single digits even with a 30 - 40% decline in revenue.
- We have great confidence in our ability to continue serving our customers well and, at the same time, in adjusting our costs and maintaining our financial flexibility to meet current and future business conditions. We continue to have a very strong balance sheet and solid capital structure to weather both economic challenges and enable market opportunities.

**Let me now turn the call back to the operator and we'll take your questions.**

**Brian – Closing**

Thanks for joining us today, and for your continued interest in Herman Miller. I also want to express my appreciation to the people of Herman Miller. Despite the current economic challenges, they continue to bring a level of quality and commitment to their work that ensures our future success. We have solid plans, outstanding focus, and the people and network of business partners that will keep our business moving and gaining strength.

That's all for now – we'll look forward to talking to you again in the next quarter.