MILLER HERMAN INC
Form 10-K
July 31, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

For Fiscal Year Ended June 2, 2012 Commission File No. 001-15141

Herman Miller, Inc.
(Exact name of registrant as specified in its charter)

Michigan	38-0837640
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
855 East Main Avenue PO Box 302 Zeeland, Michigan	49464-0302
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (616) 654 3000
Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $.20 Par Value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [X] No [__]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes [__] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [__]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X] No [__]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “accelerated filer,” “large accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer [X] Accelerated filer [__] Non-accelerated filer [__] Smaller reporting company [__]
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [__] No [X]

The aggregate market value of the voting stock held by “nonaffiliates” of the registrant (for this purpose only, the affiliates of the registrant have been assumed to be the executive officers and directors of the registrant and their associates) as of December 3, 2011, was $1,218,876,940 (based on $21.20 per share which was the closing sale price as reported by NASDAQ).

The number of shares outstanding of the registrant's common stock, as of July 26, 2012: Common stock, $.20 par value - 58,415,480 shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on October 8, 2012, are incorporated into Part III of this report.

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PART I

Item 1 BUSINESS

General Development 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 organizations and individuals all over the world. The company's products are sold primarily to or through independent contract office furniture dealers. Through research, the company seeks to define and clarify customer needs and problems existing in its markets and to design, through innovation where appropriate and feasible, products, systems, and services as solutions to such problems. Ultimately, the company seeks to enhance the performance of human habitats worldwide, making its customers' lives more productive, rewarding, delightful, and meaningful.

Herman Miller, Inc. was incorporated in Michigan in 1905. One of the company's major plants and its corporate offices are located at 855 East Main Avenue, PO Box 302, Zeeland, Michigan, 49464-0302, and its telephone number is (616) 654-3000. Unless otherwise noted or indicated by the context, the term “company” includes Herman Miller, Inc., its predecessors, and majority-owned subsidiaries. Further information relating to principles of consolidation is provided in Note 1 to the Consolidated Financial Statements included in Item 8 of this report.
Financial Information about Segments

Information relating to segments is provided in Note 14 to the Consolidated Financial Statements included in Item 8 of this report.
Narrative Description of Business

The company's principal business consists of the research, design, manufacture, and distribution of office furniture systems, seating, products, and related services. Most of these systems and products are designed to be used together.

The company works for a better world around our customers by designing furnishings and related services that improve the human experience wherever people work, heal, learn and live. The company's ingenuity and design excellence creates award-winning products and services, that makes us a leader in design and development of furniture and furniture systems. This leadership is exemplified by the innovative concepts introduced by the company in its modular systems (including Action Office®, Canvas Office Landscape™, Ethospace®, Resolve®, and My Studio Environments™). The company also offers a broad array of seating (including Embody®, Aeron®, Mirra®, Setu®, Sayl®, Celle®, Equa®, and Ergon® office chairs), storage (including Meridian® and Tu™ products), wooden casegoods (including Geiger® products), freestanding furniture products (including Abak®, Intent®, Sense™ and Envelop®) and the recently introduced Thrive portfolio of ergonomic solutions.

The company's products are marketed worldwide by its own sales staff, independent dealers and retailers, its owned dealer network, and via our e-commerce website. Salespersons work with dealers, the architecture and design community, and directly with end-users. Independent dealerships concentrate on the sale of Herman Miller products and some complementary product lines of other manufacturers. It is estimated that approximately 78 percent of the company's sales in the fiscal year ended June 2, 2012, were made to or through independent dealers. The remaining sales were made directly to end-users, including federal, state, and local governments, and several major corporations, by the company's own sales staff, its owned dealer network, or independent retailers.

The company is a recognized leader within its industry for the use, development, and integration of customer-centered technologies that enhance the reliability, speed, and efficiency of our customers' operations. This includes proprietary sales tools, interior design and product specification software; order entry and manufacturing scheduling and

production systems; and direct connectivity to the company's suppliers.

The company's furniture systems, seating, freestanding furniture, storage and casegood products, and related services are used in (1) office/institution environments including offices and related conference, lobby, and lounge areas, and general public areas including transportation terminals; (2) health/science environments including hospitals, clinics, and other healthcare facilities; (3) industrial and educational settings; and (4) residential and other environments.

Raw Materials

The company's manufacturing materials are available from a significant number of sources within the United States, Canada, Europe, and Asia. To date, the company has not experienced any difficulties in obtaining its raw materials. The costs of certain direct materials used in the company's manufacturing and assembly operations are sensitive to shifts in commodity market prices. In particular, the costs of steel components, plastics, and particleboard are sensitive to the market prices of commodities such as raw steel, aluminum, crude oil, lumber, and resins. Increases in the market prices for these commodities can have an adverse impact on the company's profitability. Further information regarding the impact of direct material costs on the company's financial results is provided in Management's Discussion and Analysis in Item 7 of this report.

Patents, Trademarks, Licenses, Etc.
The company has 108 active United States utility patents on various components used in its products and 49 active United States design patents. Many of the inventions covered by the United States patents also have been patented in a number of foreign countries. Various trademarks, including the name and stylized “Herman Miller” and the “Herman Miller Circled Symbolic M” trademark are registered in the United States and many foreign countries. The company does not believe that any material part of its business depends on the continued availability of any one or all of its patents or trademarks, or that its business would be materially adversely affected by the loss of any thereof, except for Herman Miller®, Herman Miller Circled Symbolic M®, Geiger®, Nemschoff®, Action Office®, Ethospace®, Aeron®, Mirra®, Eames®, PostureFit®, and Canvas Office Landscape™. It is estimated that the average remaining life of such patents and trademarks is approximately 5 years and 8 years, respectively.

Working Capital Practices
Information concerning the company's inventory levels relative to its sales volume can be found under the Executive Overview section in Item 7 of this report. Beyond this discussion, the company does not believe that it or the industry in general, has any special practices or special conditions affecting working capital items that are significant for understanding the company's business.

Customer Base
It is estimated that no single dealer accounted for more than 4 percent of the company's net sales in the fiscal year ended June 2, 2012. It is also estimated that the largest single end-user customer, the U.S. federal government, accounted for $164 million, $226 million and $180 million of the company's net sales in fiscal 2012, 2011, and 2010, respectively. This represents approximately 9.5 percent, 14 percent and 14 percent of the company's net sales in fiscal 2012, 2011, and 2010, respectively. The 10 largest customers accounted for approximately 22 percent, 28 percent, and 27 percent of net sales in fiscal 2012, 2011, and 2010, respectively

Backlog of Unfilled Orders
As of June 2, 2012, the company's backlog of unfilled orders was $278.0 million. At May 28, 2011, the company's backlog totaled $275.8 million. It is expected that substantially all the orders forming the backlog at June 2, 2012, will be filled during the next fiscal year. Many orders received by the company are reflected in the backlog for only a short period while other orders specify delayed shipments and are carried in the backlog for up to one year. Accordingly, the amount of the backlog at any particular time does not necessarily indicate the level of net sales for a particular succeeding period.

Government Contracts
Other than standard provisions contained in contracts with the United States Government, the company does not believe that any significant portion of its business is subject to material renegotiation of profits or termination of contracts or subcontracts at the election of various government entities. The company sells to the U.S. Government both through a GSA Multiple Award Schedule Contract and through competitive bids. The GSA Multiple Award Schedule Contract pricing is principally based upon the company's commercial price list in effect when the contract is initiated, rather than being determined on a cost-plus-basis. The company is required to receive GSA approval to apply list price increases during the term of the Multiple Award Schedule Contract period.

Competition
All aspects of the company's business are highly competitive. The company competes largely on design, product and service quality, speed of delivery, and product pricing. Although the company is one of the largest office furniture manufacturers in the world, it competes with manufacturers that have significant resources and sales as well as many smaller companies. In the United States, the company's most significant competitors are Haworth, HNI Corporation, Kimball International, Knoll, and Steelcase.

Research, Design and Development

The company draws great competitive strength from its research, design and development programs. Accordingly, the company believes that its research and design activities are of significant importance. Through research, the company seeks to define and clarify customers and the problems which they are trying to solve. The company designs innovative products and services that address customer needs and solve their problems. The company uses both internal and independent research and design resources. Exclusive of royalty payments, the company spent approximately $41.0 million, $35.4 million, and $33.2 million, on research and development activities in fiscal 2012, 2011, and 2010, respectively. Generally, royalties are paid to designers of the company's products as the products are sold and are not included in research and development costs since they are variable based on product sales.

Environmental Matters

Living with integrity and respecting the environment stands as one of the company's core values. This is based in part, on the belief that environmental sustainability and commercial success are not exclusive ends, but instead exist side by side in a mutually beneficial relationship. The company continues to rigorously reduce, recycle, and reuse solid waste generated by its manufacturing processes and the company's efforts and accomplishments have been widely recognized. Herman Miller continues to power 100% of our global electrical energy demand using green energy. We continue to explore and make progress in achieving our goal of zero impact on the environment by the year 2020.

Based on current facts known to management, the company does not believe that existing environmental laws and regulations have had or will have any material effect upon the capital expenditures, earnings, or competitive position of the company. However, there can be no assurance environmental legislation and technology in this area will not result in or require material capital expenditures or additional costs to our manufacturing process.

Human Resources
The company considers its employees to be another of its major competitive strengths. The company stresses individual employee participation and incentives, believing that this emphasis has helped attract and retain a competent and motivated workforce. The company's human resources group provides employee recruitment, education and development, and compensation planning and counseling. There have been no work stoppages or labor disputes in the company's history, and its relations with its employees are considered good. Approximately 8% percent of the company's employees are covered by collective bargaining agreements, most of whom are employees of its Nemschoff and Herman Miller Limited (U.K.) subsidiaries.

As of June 2, 2012, the company employed 5,482 full-time and 170 part-time employees, representing a 2.4 percent and a 10.1 percent decrease, respectively, compared with May 28, 2011. In addition to its employee work force, the company uses temporary purchased labor to meet uneven demand in its manufacturing operations.

Information about International Operations

The company's sales in international markets are made primarily to office/institutional customers. Foreign sales consist mostly of office furniture products such as Ethospace®, Abak®, Aeron®, Mirra®, Celle®, Sayl® and other seating and storage products. The company conducts business in the following major international markets: Europe, Canada, the Middle East, Latin America, South America and the Asia/Pacific region. In certain foreign markets, the company's products are offered through licensing of foreign manufacturers on a royalty basis.

The company's products currently sold in international markets are manufactured by wholly owned subsidiaries in the United States, the United Kingdom, and China. Sales are made through wholly owned subsidiaries or branches in Canada, France, Germany, Italy, Japan, Mexico, Australia, Singapore, China, India, and the Netherlands. The company's products are offered in the Middle East, South America, and Asia through dealers.

In several other countries, the company licenses manufacturing and selling rights. Historically, these licensing arrangements have not required a significant investment of funds or personnel by the company, and in the aggregate, have not produced material net earnings for the company.

Additional information with respect to operations by geographic area appears in Note 14 of the Consolidated Financial Statements included in Item 8 of this report. Fluctuating exchange rates and factors beyond the control of the company, such as tariff and foreign economic policies, may affect future results of international operations. Refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, for further discussion regarding the company's foreign exchange risk.

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.

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Item 1A RISK FACTORS

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face; others, either unforeseen or currently deemed less significant, may also have a negative impact on our company. If any of the following actually occurs, our business, operating results, cash flows, and financial condition could be materially adversely affected.

Our funding obligations and pension expenses are affected by factors outside our control, including the performance of plan assets, interest rates, actuarial data and experience and changes in laws and regulations.
The future funding obligations for the company's U.S. defined benefit pension plans depend upon the future performance of assets set aside in trusts for these plans, the level of interest rates used to determine funding levels, actuarial data and experience and any changes in government laws and regulations. The company has taken steps to mitigate the risk related to the company's pension defined benefit pension plans by announcing its intent to change its employee retirement programs from a defined benefit-based model to a defined contribution structure. The company approved a plan to freeze future benefit accruals of its primary domestic defined benefit plan as of September 1, 2012. At this time, the company will begin to transition employees to a new defined contribution program and subsequently terminate its domestic defined benefit plans. The termination process is expected to take 12 to 24 months from the time that the benefit accruals are frozen. In addition, the company made pension contributions of $64.9 million to the company's pension and post-retirement plans. Due to the additional contributions and improved funded status the company changed the mix of the investments within the plan however, the company's employee benefit plans still hold a significant amount of equity securities. If the market values of these securities decline significantly, our future pension expenses and funding obligations could increase significantly. Decreases in interest rates that are not offset by contributions and asset returns could also increase the company's obligations under such plans. The company may be legally required to make contributions to it's U.S. pension plans in the future, and those contributions could be material. In addition, if local legal authorities increase the minimum funding requirements for the company's defined benefit pension plan outside the United States, the company could be required to contribute more funds, which would negatively affect operating cash flows.

Sustained downturn in the economy could adversely impact our access to capital.
The disruption experienced in the global economic and financial markets has adversely impacted the broader financial and credit markets, at times reducing the availability of debt and equity capital for the market as a whole. Conditions such as these could re-emerge in the future. Accordingly, our ability to access the capital markets could be restricted at a time when we would like, or need, to access those markets, which could have an impact on our flexibility to react to changing economic and business conditions. The resulting lack of available credit, increased volatility in the financial markets and reduced business activity could materially and adversely affect our business, financial condition, results of operations, our ability to take advantage of market opportunities and our ability to obtain and manage our liquidity. In addition, the cost of debt financing and the proceeds of equity financing may be materially and adversely impacted by these market conditions. The extent of any impact would depend on several factors, including our operating cash flows, the duration of tight credit conditions and volatile equity markets, our credit capacity, the cost of financing, and other general economic and business conditions. Our credit agreements contain performance covenants, such as a limit on the ratio of debt to earnings before interest, taxes, depreciation and amortization, and limits on subsidiary debt and incurrence of liens. Although we believe none of these covenants are presently restrictive to our operations, our ability to meet the financial covenants can be affected by events beyond our control.

We may not be successful in implementing and managing our growth strategy.
We have established a set of key strategic goals for our business. Included among these are specific targets for growth in net sales and operating profit as a percentage of net sales. Our strategic plan assumes growth targets will be achieved by pursuing and winning new business in the following areas:

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- Primary Markets — Capturing additional market share within our primary markets by offering superior solutions to customers who value space as a strategic tool.
- Adjacent Markets — Further applying our core skills in space environments such as small business, 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 wholly new markets.

While we have confidence that our strategic plan reflects opportunities that are appropriate and achievable and that we have anticipated and will manage the associated risks, there is the possibility that the strategy may not deliver the projected results due to inadequate execution, incorrect assumptions, sub-optimal resource allocation, or changing customer requirements.

There is no assurance that our current product and service offering will allow us to meet these goals. Accordingly, we believe we will be required to continually invest in the research, design, and development of new products and services. There is no assurance that such investments will have commercially successful results.

Certain growth opportunities may require us to invest in acquisitions, alliances, and the startup of new business ventures. These investments may not perform according to plan.

Future efforts to expand our business within developing economies, particularly within China and India, may expose us to the effects of political and economic instability. Such instability may impact our ability to compete for business. It may also put the availability and/or value of our capital investments within these regions at risk. These expansion efforts expose us to operating environments with complex, changing, and in some cases, inconsistently applied legal and regulatory requirements. Developing knowledge and understanding of these requirements poses a significant challenge, and failure to remain compliant with them could limit our ability to continue doing business in these locations.

Pursuing our growth plan in new and adjacent markets, as well as within developing economies, will require us to find effective new channels of distribution. There is no assurance that we can develop or otherwise identify these channels of distribution.

The markets in which we operate are highly competitive, and we may not be successful in winning new business.
We are one of several companies competing for new business within the furniture industry. Many of our competitors offer similar categories of products, including office seating, systems and freestanding office furniture, casegoods, storage, and residential and healthcare furniture solutions. We believe that our innovative product design, functionality, quality, depth of knowledge, and strong network of distribution partners differentiates us in the marketplace. However, increased market pricing pressure could make it difficult for us to win new business with certain customers and within certain market segments at acceptable profit margins.

Adverse economic and industry conditions could have a negative impact on our business, results of operations, and financial condition.
Customer demand within the contract office furniture industry is affected by various macro-economic factors; general corporate profitability, white-collar employment levels, new office construction rates, and existing office vacancy rates are among the most influential factors. History has shown that declines in these measures can have an adverse effect on overall office furniture demand. Additionally, factors and changes specific to our industry, such as developments in technology, governmental standards and regulations, and health and safety issues can influence demand. There are current and future economic and industry conditions, which could adversely affect our business, operating results, or financial condition.

Our business presence outside the United States exposes us to certain risks that could negatively affect our results of operations and financial condition.
We have significant manufacturing and sales operations in the United Kingdom, which represents our largest marketplace outside the United States. We also have manufacturing operations in China. Additionally, our products are sold internationally through wholly-owned subsidiaries or branches in various countries including Canada, Mexico, Brazil, France, Germany, Italy, Netherlands, Japan, Australia, Singapore, China, Hong Kong, and India. In certain other regions of the world, our products are offered primarily through independent dealerships.

Doing business internationally exposes us to certain risks, many of which are beyond our control and could potentially impact our ability to design, develop, manufacture, or sell products in certain countries. These factors could include, but would not necessarily be limited to:

- Political, social, and economic conditions
- Legal and regulatory requirements
- Labor and employment practices
- Cultural practices and norms
- Natural disasters
- Security and health concerns
- Protection of intellectual property

In some countries, the currencies in which we import and export products can differ. Fluctuations in the rate of exchange between these currencies could negatively impact our business. Additionally, tariff and import regulations, international tax policies and rates, and changes in U.S. and international monetary policies may have an adverse impact on results of operations and financial condition.

Disruptions in the supply of raw and component materials could adversely affect our manufacturing and assembly operations.
We rely on outside suppliers to provide on-time shipments of the various raw materials and component parts used in our manufacturing and assembly processes. The timeliness of these deliveries is critical to our ability to meet customer demand. Any disruptions in this flow of delivery could have a negative impact on our business, results of operations, and financial condition.

Increases in the market prices of manufacturing materials may negatively affect our profitability.
The costs of certain manufacturing materials used in our operations are sensitive to shifts in commodity market prices. In particular, the costs of steel, plastic and aluminum components and particleboard are sensitive to the market prices of commodities such as raw steel, aluminum, crude oil, lumber, and resins. Increases in the market prices of these commodities may have an adverse impact on our profitability if we are unable to offset them with strategic sourcing, continuous improvement initiatives or increased prices to our customers.

Disruptions within our dealer network could adversely affect our business.
Our ability to manage existing relationships within our network of independent dealers is crucial to our ongoing success. Although the loss of any single dealer would not have a material adverse effect on the overall business, our business within a given market could be negatively affected by disruptions in our dealer network caused by the termination of commercial working relationships, ownership transitions, or dealer financial difficulties.

If dealers go out of business or restructure, we may suffer losses because they may not be able to pay for products already delivered to them. Also, dealers may experience financial difficulties, creating the need for outside financial support, which may not be easily obtained. In the past, we have, on occasion, agreed to provide direct financial assistance through term loans, lines of credit, and/or loan guarantees to certain dealers.

Increasing competition for highly skilled and talented workers could adversely affect our business.
The successful implementation of our business strategy depends, in part, on our ability to attract and retain a skilled workforce. The increasing competition for highly skilled and talented employees could result in higher compensation costs, difficulties in maintaining a capable workforce, and leadership succession planning challenges.

Costs related to product defects could adversely affect our profitability.
We incur various expenses related to product defects, including product warranty costs, product recall and retrofit costs, and product liability costs. These expenses relative to product sales vary and could increase. We maintain reserves for product defect-related costs based on estimates and our knowledge of circumstances that indicate the need for such reserves. We cannot, however, be certain that these reserves will be adequate to cover actual product defect-related claims in the future. Any significant increase in the rate of our product defect expenses could have a material adverse effect on operations.

We are subject to risks associated with self-insurance related to health benefits.
We are self-insured for our health benefits and maintain per employee stop loss coverage however we retain the insurable risk at an aggregate level, therefore unforeseen or catastrophic losses in excess of our insured limits could have a material adverse effect on the company’s financial condition and operating results. See Note 1 of the Consolidated Financial Statements for information regarding the company’s retention level.

Government and other regulations could adversely affect our business.
Government and other regulations apply to many of our products. Failure to comply with these regulations or failure to obtain approval of products from certifying agencies could adversely affect the sales of these products and have a material negative impact on operating results.

Item 1B UNRESOLVED STAFF COMMENTS — none

Item 2 PROPERTIES

The company owns or leases facilities located throughout the United States and several foreign countries. The location, square footage, and use of the most significant facilities at June 2, 2012 were as follows:

Owned Locations	Square Footage	Use
Holland, Michigan	917,400	Manufacturing, Distribution, Warehouse, Design, Office
Spring Lake, Michigan	582,700	Manufacturing, Warehouse, Office
Zeeland, Michigan	750,800	Manufacturing, Warehouse, Office
Sheboygan, Wisconsin	207,700	Manufacturing, Warehouse, Office
Hildebran, North Carolina	93,000	Manufacturing, Office
England, U.K.	85,000	Manufacturing, Office
Leased Locations		
Atlanta, Georgia	176,700	Manufacturing, Warehouse, Office
England, U.K.	100,800	Manufacturing, Warehouse, Office
Ningbo, China	94,700	Manufacturing, Warehouse, Office
Hong Kong	109,300	Warehouse, Office

The company also maintains showrooms or sales offices near many major metropolitan areas throughout North America, Europe, Asia/Pacific, and Latin America. The company considers its existing facilities to be in good condition and adequate for its design, production, distribution, and selling requirements.

Item 3 LEGAL PROCEEDINGS

The company is 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 operations, cash flows and financial condition.

ADDITIONAL ITEM: EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information relating to Executive Officers of the company is as follows.

Name	Age	Year Elected an Executive Officer	Position with the Company
Gregory J. Bylsma	47	2009	Executive Vice President, Chief Financial Officer
James E. Christenson	65	1989	Senior Vice President, Legal Services, and Secretary
Steven C. Gane	57	2009	Senior Vice President, President, Geiger & Specialty/Consumer
Donald D. Goeman	55	2005	Executive Vice President, Research, Design & Development
Kenneth L. Goodson, Jr.	60	2003	Executive Vice President, Operations
Andrew J. Lock	58	2003	Executive Vice President, President, International
Curtis S. Pullen	52	2007	Executive Vice President, President, North American Office and Learning Environments
Michael F. Ramirez	47	2011	Senior Vice President of People, Places and Administration
Jeffrey M. Stutz	41	2009	Treasurer and Vice President, Investor Relations
Brian C. Walker	50	1996	President and Chief Executive Officer
B. Ben Watson	47	2010	Executive Creative Director

Except as discussed below, each of the named officers has served the company in an executive capacity for more than five years.

Mr. Bylsma joined Herman Miller, Inc. in 2000 as Director of Reporting & Planning for North America prior to being appointed Corporate Controller in 2005.

Mr. Gane joined Herman Miller in 2007 as President of Geiger International. Prior to this he worked for Furniture Brands International for 16 years serving mostly as President of HBF.

Mr. Pullen joined Herman Miller in 1991 and served as Chief Financial Officer from 2007 to 2009, Senior Vice President of Dealer Distribution from 2003 to 2007, Senior Vice President of Finance for North America from 2000 to 2003, and Vice President of Finance, Herman Miller International from 1994 to 2000.

Mr. Ramirez joined Herman Miller in 1998 and served as Director of Purchasing from 1998 to 2005, Vice President of Inclusiveness and Diversity from 2005 to 2009, and Vice President of Sales Operations from 2009 to 2011.

Mr. Stutz joined Herman Miller in 2009 as Treasurer and Vice President, Investor Relations. Previously he served as Chief Financial Officer for Izzy Designs Inc., subsequent to holding various positions within Herman Miller finance.

Mr. Watson joined Herman Miller in 2010 as Executive Creative Director, and prior to this he served as Managing Director and CEO of Moroso USA. Prior to this Mr. Watson served in creative roles as Global Creative Director of Apparel at Nike, and Global Marketing Director at Vitra.

There are no family relationships between or among the above-named executive officers. There are no arrangements or understandings between any of the above-named officers pursuant to which any of them was named an officer.

Item 4 MINE SAFETY DISCLOSURES - Not applicable

PART II

Item 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

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 26, 2012, there were approximately 16,300 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 June 2, 2012:					
First quarter	$28.67	$16.84	$18.33	$0.42	$0.0220
Second quarter	23.09	16.07	21.20	0.41	0.0220
Third quarter	22.79	18.18	20.62	0.26	0.0220
Fourth quarter	22.99	17.87	17.87	0.20	0.0220
Year	$28.67	$16.07	$17.87	$1.29	$0.0880
Year ended May 28, 2011:					
First quarter	$20.13	$16.62	$16.93	$0.22	$0.0220
Second quarter	21.62	16.39	21.54	0.26	0.0220
Third quarter	27.35	21.54	26.36	0.29	0.0220
Fourth quarter	27.77	22.67	24.56	0.30	0.0220
Year	$27.77	$16.39	$24.56	$1.06	$0.0880

(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 2012 and 2011 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.

Issuer Purchases of Equity Securities

The following is a summary of share repurchase activity during the fourth quarter ended June 2, 2012.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share or Unit	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs [1]
3/4/12-3/31/12	351	21.85	351	$166,644,948
4/1/12-4/28/12	—	—	—	$166,644,948
4/29/12-6/2/12	2,128	17.87	2,128	$166,606,920
Total	2,479	18.43	2,479	

(1) Amounts are as of the end of the period indicated

The company repurchases shares under a previously announced plan authorized by the Board of Directors on September 28, 2007, which provided share repurchase authorization of $300,000,000 with no specified expiration date.

No repurchase plans expired or were terminated during the fourth quarter of fiscal 2012.

During the period covered by this report the company did not sell any of its equity shares that were not registered under the Securities Act of 1933.

Stockholder Return Performance Graph

Set forth below is a line graph comparing the yearly percentage change in the cumulative total stockholder 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 June 2, 2012. The graph assumes an investment of $100 on June 2, 2007 in the company's common stock, the Standard & Poor's 500 Stock Index and the NASD Non-Financial Index, with dividends reinvested.

	2007	2008	2009	2010	2011	2012
Herman Miller, Inc.	$100	$69	$40	$55	$71	$52
S&P 500 Index	$100	$91	$60	$71	$87	$83
NASD Non-Financial	$100	$100	$71	$92	$118	$119

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

Item 6 SELECTED FINANCIAL DATA

Review of Operations

(In millions, except key ratios and per share data)	2012	2011	2010	2009	2008
Operating Results					
Net sales	$1,724.1	$1,649.2	$1,318.8	$1,630.0	$2,012.1
Gross margin	590.6	538.1	428.5	527.7	698.7
Selling, general, and administrative [8]	400.3	369.0	334.4	359.2	400.9
Design and research	52.7	45.8	40.5	45.7	51.2
Operating earnings	137.6	123.3	53.6	122.8	246.6
Earnings before income taxes	119.5	102.5	34.8	98.9	230.4
Net earnings	75.2	70.8	28.3	68.0	152.3
Cash flow from operating activities	90.1	89.0	98.7	91.7	213.6
Depreciation and amortization	37.2	39.1	42.6	41.7	43.2
Capital expenditures	28.5	30.5	22.3	25.3	40.5
Common stock repurchased plus cash dividends paid	7.9	6.0	5.7	19.5	287.9
Key Ratios					
Sales growth (decline)	4.5 %	25.1 %	(19.1)%	(19.0)%	4.9 %
Gross margin [1]	34.3	32.6	32.5	32.4	34.7
Selling, general, and administrative [1] [8]	23.2	22.4	25.4	22.0	19.9
Design and research expense [1]	3.1	2.8	3.1	2.8	2.5
Operating earnings [1]	8.0	7.5	4.1	7.5	12.3
Net earnings growth (decline)	6.2	150.2	(58.4)	(55.4)	18.0
After-tax return on net sales [4]	4.4	4.3	2.1	4.2	7.6
After-tax return on average assets [5]	9.1	9.0	3.7	8.8	21.0
After-tax return on average equity [6]	33.2 %	49.7 %	64.2 %	433.1 %	170.5 %
Share and Per Share Data					
Earnings per share-diluted	$1.29	$1.06	$0.43	$1.25	$2.56
Cash dividends declared per share	0.09	0.09	0.09	0.29	0.35
Book value per share at year end	4.25	3.53	1.41	0.15	0.42
Market price per share at year end	17.87	24.56	19.23	14.23	24.80
Weighted average shares outstanding-diluted	58.5	57.7	57.5	54.5	59.6
Financial Condition					
Total assets	$837.4	$808.0	$770.6	$767.3	$783.2
Working capital [3]	203.3	205.9	182.9	243.7	182.7
Current ratio [2]	1.8	1.8	1.3	1.6	1.6
Interest-bearing debt and related swap agreements	250.0	250.0	301.2	377.4	375.5
Shareholders' equity	248.3	205.0	80.1	8.0	23.4
Total capital [7]	498.3	455.0	381.3	385.4	398.9

(1) Shown as a percent of net sales.
(2) Calculated using current assets divided by current liabilities.
(3) Calculated using current assets less non-interest bearing current liabilities.

(4) Calculated as net earnings divided by net sales.
(5) Calculated as net earnings divided by average assets.
(6) Calculated as net earnings divided by average equity.
(7) Calculated as interest-bearing debt plus stockholders' equity.
(8) Selling, general, and administrative expenses include restructuring expenses in years that are applicable.

2007	2006	2005	2004	2003	2002
$1,918.9	$1,737.2	$1,515.6	$1,338.3	$1,336.5	$1,468.7
645.9	574.8	489.8	415.6	423.6	440.3
395.8	371.7	327.7	304.1	319.8	399.7
52.0	45.4	40.2	40.0	39.1	38.9
198.1	157.7	121.9	61.2	48.3	(79.9)
187.0	147.6	112.8	51.6	35.8	(91.0)
129.1	99.2	68.0	42.3	23.3	(56.0)
137.7	150.4	109.3	82.7	144.7	54.6
41.2	41.6	46.9	59.3	69.4	112.9
41.3	50.8	34.9	26.7	29.0	52.4
185.6	175.4	152.0	72.6	72.7	30.3
10.5%	14.6%	13.2%	0.1%	(9.0)%	(34.3)%
33.7	33.1	32.3	31.1	31.7	30.0
20.6	21.4	21.6	22.7	23.9	27.3
2.7	2.6	2.7	3.0	2.9	2.6
10.3	9.1	8.0	4.6	3.6	(5.4)
30.1	45.9	60.8	81.5	141.6	(139.8)
6.7	5.7	4.5	3.2	1.7	(3.8)
19.4	14.4	9.6	5.7	3.0	(6.3)
87.9%	64.2%	37.3%	21.9%	10.3%	(18.2)%
$1.98	$1.45	$0.96	$0.58	$0.31	$(0.74)
0.33	0.31	0.29	0.18	0.15	0.15
2.47	2.10	2.45	2.71	2.62	3.45
36.53	30.34	29.80	24.08	19.34	23.46
65.1	68.5	70.8	73.1	74.5	75.9
$666.2	$668.0	$707.8	$714.7	$757.3	$788.0
103.2	93.8	162.3	207.8	189.9	188.7
1.4	1.3	1.5	1.8	1.7	1.8
176.2	178.8	194.0	207.2	223.0	235.1
155.3	138.4	170.5	194.6	191.0	263.0
331.5	317.2	364.5	401.8	414.0	498.1

Item 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis

You should read the issues discussed in Management's Discussion and Analysis in conjunction with the company's Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in this Form 10-K.

Executive Overview

At Herman Miller, we work for a better world around you. We do this by designing and developing award-winning furniture and related services and technologies that improve your environment, whether it's an office, hospital, school, home, an entire building, or the world at large. At present, most of our customers come to us for interior environments in corporate office and healthcare settings. We also have a growing presence in educational and residential markets. Our primary products include furniture systems, seating, storage and material handling solutions, freestanding furniture, patient care products, and casegoods. Our other services extend from workplace solutions to furniture asset management.

More than 100 years of innovative business practices and a commitment to social responsibility have established Herman Miller as a recognized global company. A past recipient of the Smithsonian Institution's Cooper-Hewitt "National Design Award," in 2011, Herman Miller again received the Human Rights Campaign Foundation's top rating in its annual Corporate Equality Index and was also named, for the eighth consecutive year, to the Dow Jones Sustainability World Index.

The company's products are sold internationally through wholly-owned subsidiaries or branches in various countries including the United Kingdom, Canada, France, Germany, Italy, Japan, Mexico, Australia, Singapore, China, Hong Kong, India, and the Netherlands. The company's products are offered elsewhere in the world primarily through independent dealerships. The company has customers in over 100 countries.

The company is globally positioned in terms of manufacturing operations. In the United States, the company's manufacturing operations are located in Michigan, Georgia, Wisconsin and North Carolina. In Europe, the company's manufacturing presence is located within the United Kingdom, which is the company's largest marketplace outside of the United States. In Asia, manufacturing operations includes a facility located in Ningbo, China. The company manufactures products using a system of lean manufacturing techniques collectively referred to as the Herman Miller Performance System (HMPS). The company strives 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. These factors result in a high rate of inventory turns and typically cause company inventory levels to appear relatively low compared to sales volume.

A key element of the company's manufacturing strategy is to limit fixed production costs by sourcing component parts from strategic suppliers. This strategy has allowed the company 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.

The business is comprised of various operating segments as defined by generally accepted accounting principles in the United States. These operating segments are determined on the basis of how the company internally reports and evaluates financial information used to make operating decisions. For external reporting purposes, the company has

identified the following reportable segments:

- North American Furniture Solutions — Includes the operations associated with the design, manufacture, and sale of furniture products for work-related settings, including office, education, and healthcare environments, throughout the United States and Canada. The North American Furniture Solutions reportable segment is the aggregation of two operating segments in accordance with ASC 280-10-50-10 through 11. In addition, the company has determined that both operating segments within the North American Furniture Solutions reportable segment each represent reporting units.

- Non-North American Furniture Solutions — Includes the operations associated with the design, manufacture, and sale of furniture products, primarily for work-related settings, for Mexico and outside of North America as well as the company's Non-North America consumer retail business.

- Specialty and Consumer — Includes the operations associated with the design, manufacture, and sale of high-end furniture products including Geiger wood products, Herman Miller Collection products and the company's North American consumer retail business.

The reportable segments described above reflect a change made to the company's reportable segments during the first quarter of fiscal year 2012. The modification is a result of an organizational realignment whereby the company's operations related to the consumer retail business, the Herman Miller Collection, and Geiger are now the responsibility of one segment manager responsible for Specialty and Consumer.

The company also reports a corporate category consisting primarily of startup business and unallocated corporate expenses including restructuring and impairment costs.

Core Strengths
The company relies on the following core strengths in delivering workplace solutions to customers.

- Brand - The Herman Miller brand is recognized by customers as a pioneer in design and sustainability, and as an advocate that supports their needs and interests. Within the company's industry, Herman Miller is acknowledged as one of the leading brands that inspires architects and designers to create their best commercial design solutions. Leveraging the company's brand equity across the lines of business to extend the company's reach to customers and consumers is an important element of the company's business strategy.

- Problem-Solving Design and Innovation - The company is committed to developing research-based functionality and aesthetically innovative new products and has a history of doing so. The company believes its skills and experience in matching problem-solving design with the workplace needs of customers provides the company with a competitive advantage in the marketplace. An important component of the company's business strategy is to actively pursue a program of new product research, design, and development. The company accomplishes this through the use of an internal research, and engineering staff as well as third party design resources generally compensated on a royalty basis.

- Operational Excellence - The company was among the first in our industry to embrace the concepts of lean manufacturing. HMPS provides the foundation for all of our manufacturing operations. The company is committed to continuously improving both product quality and production and operational efficiency. The company has extended this lean process work to our non-manufacturing processes as well as externally to our manufacturing supply chain and distribution channel. The company believes these concepts hold great promise for further gains in reliability, quality and efficiency.

- Building and Leading Networks - The company values relationships in all areas of the business. The company considers its network of innovative designers, owned and independent dealers, and suppliers to be among the most important competitive factors and vital to the long-term success of the business.

Channels of Distribution
The company's products and services are offered to most of its 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 the company 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 the company's products and distribute them to end customers. The company recognizes revenue on product sales through this channel once 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 June 2, 2012, the company owned 6 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. The company recognizes revenue on these sales once products are shipped to the end customer and installation is substantially complete. The company believes independent ownership of contract furniture dealers is generally the best model for a financially strong distribution network. With this in mind, the company's strategy is to continue to pursue opportunities to transition the remaining owned dealerships to independent owners. Where possible, the goal is to involve local managers in these ownership transitions.

- Direct Customer Sales - The company sometimes sells products and services directly to end customers without an intermediary (e.g. sales to the U.S. federal government). In most of these instances, the company contracts separately with a dealership or third-party installation company to provide sales-related services. The company recognizes 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.

- E-Commerce - The company sells products through its online store, in which products are available for sale via the company's website, hermanmiller.com. This site complements our existing methods of distribution and exemplifies the company's brand to new customers. The company recognizes revenue on these sales upon shipment of the product.

Challenges Ahead

Like all businesses, the company is faced with a host of challenges and risks. The company believes its core strengths and values, which provide the foundation for its strategic direction, have us well prepared to respond to the inevitable challenges the company will face in the future. While the company is confident in its direction, the company acknowledges the risks specific to the business and industry. Refer to Item 1A for discussion of certain of these risk factors.

Future Avenues of Growth

The company believes it's well positioned to successfully pursue its mission in spite of the risks and challenges it faces. That is, the company will design and develop furniture and related services and technologies that reflect sustainable business practices that improve environments and help to create a better world. In pursuing our mission, the company has identified the following as key avenues for future growth.

- Primary Markets — Capture additional market share within our primary markets by offering superior solutions and ever expanding product categories, to customers who value space as a strategic tool.

- Adjacent Markets — Further apply the company's core skills in space environments such as small business, higher education and residential.

- Developing Economies — Expand the company's geographic reach in areas of the world with significant growth potential.

- New Markets — Develop or acquire 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. The company monitors the trade statistics reported by BIFMA and considers 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 relates primarily to large to mid-size corporations installed via a network of dealers. The office supply segment primarily to smaller customers via wholesalers and retailers. The company primarily participates, and is a leader in, the contract segment. It is important to note that the company's diversification strategy lessens our dependence on the U.S. office furniture market.

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

Discussion of Business Conditions
Fiscal years ended June 2, 2012 and May 28, 2011 contained 53 and 52 weeks of operations, respectively.

The company closed fiscal 2012 with net sales of over $1.7 billion, driving a 22 percent increase in earnings per share relative to last fiscal year. While delivering solid financial results, the company also made meaningful progress on a number of important initiatives. These include significantly decreasing long-term pension obligations during the year by contributing approximately $65 million in cash to the company's pension plans. During fiscal 2012 the company also acquired Sun Hing POSH Holdings Limited (POSH), a Hong Kong-based designer, and distributor of office furniture systems, freestanding furniture, seating, filing and storage with distribution in Hong Kong and China. With POSH, the company gains immediate access to the Chinese market through the POSH dealer network. As the demand for high quality seating and furniture continues to grow in the region, the company anticipates a significant increase in the sales of Herman Miller products through the POSH dealer network. With an expanded product offering through POSH, the company expects to look beyond China to other markets and customers not presently being served.

The development of new products has remained a critical element of the company's business strategy as the company continues to deliver superior products and services to customers. During fiscal 2012 the company gained market traction with a number of recently introduced products - including SAYL® chairs, Canvas Office Landscape™ and the Thrive ergonomic solutions portfolio. Importantly, throughout the year the company has aggressively pursued the next generation of new products that, taken together, represent one of the broadest product development agendas in Herman Miller's history. The company reached an important strategic milestone earlier this fiscal year with the introduction of the Herman Miller Collection - a dynamic product portfolio aimed at further articulating the company's unique heritage and contemporary value to architects, designers, and consumers. The Collection offers both classic and newly commissioned Herman Miller designs, along with broad offerings from both Magis and Mattiazzi - our Italian alliance partners. The combination of these products significantly expands the company's breadth of offer in the workplace. At this year's NeoCon furniture industry trade show the company earned a total of seven Best of NeoCon awards - the most of any manufacturer - across a range of product categories.

Looking forward, the general economic outlook for our industry in the U.S. is expected to be positive. BIFMA issued its most recent report in May 2012 expecting that the growth rate of office furniture orders and shipments in the U.S. for calendar 2012 will be 4.2 percent and 3.4 percent, respectively. This forecasted growth is based on an improvement in the U.S. economy, primarily driven by an improvement in employment.

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 2012	% Chg from 2011	Fiscal 2011	% Chg from 2010	Fiscal 2010
Net sales	$1,724.1	4.5 %	$1,649.2	25.1 %	$1,318.8
Cost of sales	1,133.5	2.0 %	1,111.1	24.8 %	890.3
Gross margin	590.6	9.8 %	538.1	25.6 %	428.5
Operating expenses	453.0	9.2 %	414.8	10.6 %	374.9
Operating earnings	137.6	11.6 %	123.3	130.0 %	53.6
Net other expenses	18.1	(13.0)%	20.8	10.6 %	18.8
Earnings before income taxes	119.5	16.6 %	102.5	194.5 %	34.8
Income tax expense	44.3	39.7 %	31.7	387.7 %	6.5
Net earnings	$75.2	6.2 %	$70.8	150.2 %	$28.3

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	June 2, 2012	May 28, 2011	May 29, 2010
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	65.7	67.4	67.5
Gross margin	34.3	32.6	32.5
Selling, general, and administrative expenses	22.9	22.2	24.1
Restructuring and impairment expenses	0.3	0.2	1.3
Design and research expenses	3.1	2.8	3.1
Total operating expenses	26.3	25.2	28.4
Operating earnings	8.0	7.5	4.1
Net other expenses	1.0	1.3	1.4
Earnings before income taxes	6.9	6.2	2.6
Income tax expense	2.6	1.9	0.5
Net earnings	4.4	4.3	2.1

Net Sales, Orders, and Backlog - Fiscal 2012 Compared to Fiscal 2011

For the fiscal year ended June 2, 2012, consolidated net sales increased 4.5 percent to $1,724.1 million from $1,649.2 million for the fiscal year ended May 28, 2011. Net sales increased approximately $4.9 million in fiscal 2012 from the acquisition of Sun Hing POSH Holdings Limited (POSH). The overall impact of foreign currency changes for the fiscal year was to increase net sales by approximately $4.9 million. The impact of net changes in pricing is estimated to have had a $35.0 million increase on net sales during fiscal 2012 over the prior year. The divestiture of the three dealers sold during fiscal 2012 lead to approximately a $53 million decrease in both net sales and orders for fiscal 2012. The extra week of operations contributed approximately $32 million towards the increase. The remainder of the fiscal 2012 increase was driven by increased unit volumes.

Consolidated net trade orders for fiscal 2012 totaled $1,725.7 million compared to $1,672.3 million in fiscal 2011, an increase of 3.2 percent. Order rates began the year at a steady pace with orders averaging approximately $34 million per week through the second quarter. The third quarter weekly order rates averaged approximately $28 million per week, which is consistent with the company's typical seasonal slowdown. The fourth quarter finished the year with average weekly order rates increasing to approximately $34 million. The overall impact of foreign currency changes

for the fiscal year increased net orders by approximately $5.7 million.

Our backlog of unfilled orders at the end of fiscal 2012 totaled $278.0 million, a 0.8 percent increase from the $275.8 million backlog at the end of fiscal 2011.

BIFMA reported an estimated year-over-year increase in U.S. office furniture shipments of approximately 4.1 percent for the twelve-month period ended May 2012. By comparison, the net sales increase for the company's domestic U.S. business was approximately 6.9 percent. The company believes that while comparisons to BIFMA are important, the company continues to pursue a strategy of revenue diversification that makes us less reliant on the drivers that impact BIFMA.

Net Sales, Orders, and Backlog - Fiscal 2011 Compared to Fiscal 2010

For the fiscal year ended May 28, 2011, consolidated net sales increased 25.1 percent to $1,649.2 million from $1,318.8 million for the fiscal year ended May 29, 2010. Net sales increased approximately $33 million in fiscal 2011 from the acquisitions of Colebrook Bosson Saunders, and a contract and retail furniture dealership in Australia, which were both acquired in the fourth quarter of fiscal 2010. The overall impact of foreign currency changes was to increase fiscal 2011 net sales by approximately $10 million. The impact of deeper discounting is estimated to have had a $34.5 million decrease on net sales during fiscal 2011 over the prior year. The remainder of the fiscal 2011 increase was driven by increased unit volumes due to a more robust global economic environment and was experienced across nearly all operating segments and geographies.

Consolidated net trade orders for fiscal 2011 totaled $1,672.3 million compared to $1,322.4 million in fiscal 2010, an increase of 26.5 percent. Order rates began the year at a steady pace with orders averaging approximately $30 million per week through the first quarter. The second and third quarter weekly order rates averaged approximately $36 million and $28 million, respectively, with the third quarter experiencing our typical seasonal slowdown. The fourth quarter finished the year with average weekly order rates increasing to approximately $35 million. The overall impact of foreign currency changes for the fiscal year increased net orders by approximately $8 million.

Our backlog of unfilled orders at the end of fiscal 2011 totaled $275.8 million, a 13.2 percent increase from the $243.6 million backlog at the end of fiscal 2010.

BIFMA reported an estimated year-over-year increase in U.S. office furniture shipments of approximately 17.6 percent for the twelve-month period ended May 2011. By comparison, the net sales increase for the company''s domestic U.S. business was approximately 24.8 percent for the same period.

Gross Margin - Fiscal 2012 Compared to Fiscal 2011

Fiscal 2012 gross margin as a percentage of sales was 34.3 percent which is an increase of 170 basis points from the fiscal 2011 level. Approximately 130 basis points of the increase was driven by the benefit captured from recent price increases net of incremental discounting. This benefit drove an increase in net sales of approximately $35 million during fiscal 2012 relative to the prior year period. An improvement in pricing net of incremental discounting increases net sales relative to prior periods. This has the effect of decreasing the components of the Condensed Consolidated Statement of Operations as a percentage of net sales.

Direct material costs as a percentage of sales in the current year remained consistent with fiscal 2011 levels.

Direct labor costs remained substantially the same as a percentage of sales compared to fiscal 2011 levels. The reduction in net sales due to the dealer divestitures during fiscal 2012 had the effect of increasing the direct labor percent as the incremental dealer sales had a lower direct labor component, however, this was offset by the net increase in pricing and favorable product labor content.

Overhead costs as a percent of net sales were lower by 170 basis points. The decrease in manufacturing overhead percent was due to both a $16.2 million reduction in overhead costs and a reduction in net sales due to the divested

dealers. The additional decrease in manufacturing overhead percent was due to a decrease in employee incentive costs of approximately $6.8 million, and the net increase in pricing. The remainder of the decrease is due to increased absorption of overhead costs.

Freight expenses, as a percentage of sales, were modestly higher by 20 basis points compared to fiscal 2011 levels. In dollars these costs were higher by $5.5 million due to increased volume. The largest contributing factor to the increase in freight expense was increased fuel costs.

Gross Margin - Fiscal 2011 Compared to Fiscal 2010

Fiscal 2011 gross margin as a percentage of sales was 32.6 percent which is an increase of 10 basis points from the fiscal 2010 level. This modest increase was driven primarily by cost leverage on higher production, which was partially offset by deeper discounting, higher employee benefit and incentive costs, and higher costs of key direct materials, most notably steel and steel components. Deeper discounting reduced net sales relative to prior periods. This has the effect of increasing the components of the Condensed Consolidated Statement of Operations as a percentage of net sales.

Direct material costs as a percentage of sales in fiscal year 2011 increased 150 basis points from fiscal 2010. This was primarily driven by an increase in the cost of commodities and the increase in discounting, which has the effect of reducing net sales.

Direct labor costs were lower by 20 basis points as a percentage of sales, although higher in dollars by $19.5 million driven by an increase in volume from fiscal 2010 levels. This percentage decrease was driven primarily by improved efficiencies and product mix, which was partially offset by deeper discounting and increased employee incentives and benefit costs.

Overhead costs as a percent of net sales were lower by 170 basis points but increased by $20.7 million driven by higher volumes from fiscal 2010. The percentage decrease resulted from increased leverage from higher volumes, which was partially offset by deeper discounting and increased employee incentives and benefit costs.

Freight expenses, as a percentage of sales, were modestly higher by 30 basis points compared to fiscal 2010 levels. In dollars these costs were higher by $17.4 million due to increased volume. The largest contributing factor to the percentage of sales increase was the increase in fuel costs during the year.

Restructuring - Fiscal 2012 and Fiscal 2011

During fiscal 2012, the company took action to decrease its cost structure. In the fourth quarter the company announced a plan ("The 2012 Plan) to consolidate the Nemschoff manufacturing operations in Sheboygan, Wisconsin with the closure of the Sioux City, Iowa seating plant. The 2012 Plan also includes the consolidation of the Nemschoff Sheboygan manufacturing sites into one location. This plan will reduce fixed costs and operating expenses in order to improve operating performance, profitability and further enhance productivity. The 2012 Plan will reduce our workforce by approximately 70 employees. The company anticipates it will incur an additional $1.5 million in restructuring expense in future periods for the 2012 Plan.

Under the 2012 Plan, the company incurred restructuring expense of $1.6 million of which consisted of $0.2 million related to severance and the $1.4 million related to impairment of building and equipment. In addition, the company recorded impairment of $3.8 million for the indefinite-lived intangible assets related to two healthcare trade names that were terminated during the fourth quarter of fiscal 2012. The impairment was the result of the company’s strategy to reduce its portfolio of healthcare brands and begin marketing the related products under the Nemschoff trade name. During fiscal 2011 the company incurred $3.0 million of restructuring expense. The restructuring accrual balances of $0.2 million and $1.0 million for fiscal years 2012 and 2011, respectively are included in, "Accrued liabilities" within the Consolidated Balance Sheet.

See Note 15 of the Consolidated Financial Statements for additional information on restructuring.

Operating Expense - Fiscal 2012 Compared to Fiscal 2011

Operating expenses in fiscal 2012 were $453.0 million, or 26.3 percent of net sales, which compares to $414.8 million, or 25.2 percent of net sales in fiscal 2011. The company experienced a year-over-year increase in operating expense dollars of $38.2 million, and a 110 basis point increase to operating expenses as a percentage of net sales. The fiscal 2012 increase in operating expenses was partially driven by the fiscal 2011 positive impact of $15.1 million, resulting from the settlement of the liability related to contingent payments associated with the Nemschoff acquisition. Restructuring and impairment expenses increased by $2.4 million, in fiscal 2012 compared to fiscal 2011 (see the discussion on restructuring expense above for additional detail). The company also incurred approximately $8 million and $1.6 million in additional operating expenses due to the extra week of operations and the acquisition of POSH, respectively, during fiscal 2012. Warranty expenses were higher by $10.9 million for fiscal 2012 due to increased

spend and changes in estimates. The company recorded approximately $7 million less employee incentive expense during fiscal 2012 compared to the prior year period.

Year-over-year changes in currency exchange rates, associated with the company's international operations, increased operating expenses by an estimated $1 million.

Design and research costs included in total operating expenses for fiscal 2012 was $52.7 million, or 3.1 percent of net sales, compared to fiscal 2011 expenses of $45.8 million, or 2.8 percent of net sales. This increase was primarily driven by the company's increased investment in various projects. The remaining increase of $1.3 million was due to an increase in royalty payments to designers due to increases in net sales. Royalty payments for the company products, which are included within design and research costs, totaled $11.7 million and $10.4 million in fiscal years 2012 and 2011, respectively.

Operating Expense - Fiscal 2011 Compared to Fiscal 2010

Operating expenses in fiscal 2011 were $414.8 million, or 25.2 percent of net sales, which compares to $374.9 million, or 28.4 percent of net sales in fiscal 2010. The company experienced a year-over-year increase in operating expense dollars of $39.9 million, and a 320 basis point decrease to operating expenses as a percentage of net sales. The increase in operating expenses was primarily driven by the increase in net sales during the year. In addition, the company incurred $3.8 million and $16.6 million of additional operating expenses during fiscal 2011 due to the reinstatement of all employee benefits and employee incentive expenses, respectively. Restructuring expenses were $3.0 million, compared to restructuring and impairment expenses of $16.7 million in fiscal 2010, which included an impairment of $2.5 million for Convia assets. Operating expense increases were partially offset during fiscal 2011 by the positive impact resulting from the settlement of the liability related to contingent payments associated with the Nemschoff acquisition of $15.1 million.

Year-over-year changes in currency exchange rates, associated with international operations, increased operating expenses by an estimated $2 million in fiscal 2011.

Design and research costs included in total operating expenses for fiscal 2011 was $45.8 million, or 2.8 percent of net sales, compared to fiscal 2010 expenses of $40.5 million, or 3.1 percent of net sales. This increase in dollars of $5.3 million resulted in a decrease of 30 basis points as a percent of sales. This increase in dollars was primarily driven by royalty payments to designers and the reinstatement of employee benefits. Royalty payments to designers for company products totaled $10.4 million and $7.3 million in fiscal years 2011 and 2010, respectively.

Operating Earnings

In fiscal 2012 operating earnings were $137.6 million, an 11.6 percent increase from fiscal 2011 operating earnings of $123.3 million. The fiscal 2011 earnings represented a 130.0 percent increase from fiscal 2010 operating earnings of $53.6 million. Operating earnings as a percentage of sales for fiscal years 2012, 2011 and 2010 were 8.0 percent, 7.5 percent and 4.1 percent, respectively.

Other Expenses and Income

Net other expenses totaled $18.1 million in fiscal 2012 compared to $20.8 million in fiscal 2011 and $18.8 million in fiscal 2010. Approximately $2.4 million of the decrease in fiscal 2012 expense compared to fiscal 2011 was a result of lower interest expense due to the net reduction in the company's long-term debt levels in the fourth quarter of fiscal 2011. Lower foreign currency transaction losses in fiscal 2012 contributed to the remainder of the decrease in expense compared to fiscal 2011.

The increase in fiscal 2011 expense compared to fiscal 2010 was primarily the result of higher foreign currency transaction losses and lower interest and investment income, which were partially offset by lower interest expense compared to the prior year.

Income Taxes

The company's effective tax rate was 37.1 percent in fiscal 2012 versus 30.9 percent in fiscal 2011 and 18.8 percent in fiscal 2010. The effective tax rate in fiscal 2012 was above the statutory rate of 35 percent, primarily due to a lower than anticipated manufacturing deduction, non-deductible expenses associated with contingent purchase consideration, and other adjustments required to reconcile income tax expense with the tax return of a foreign subsidiary. The effective tax rate in fiscal 2011 was below the statutory rate of 35 percent, primarily due to the domestic U.S. manufacturing deduction and realization of foreign tax credits. The effective rate in fiscal 2010 was

below the statutory rate of 35 percent, primarily due to the release of tax reserves that were no longer needed due to the closure of an IRS audit of the company's tax returns through fiscal 2009 and the domestic U.S. manufacturing tax incentive.

The company expects the effective tax rate for fiscal 2013 to be between 31 and 33 percent. For further information regarding income taxes, refer to Note 10 of the Consolidated Financial Statements.

Net Earnings; Earnings per Share

In fiscal 2012 and fiscal 2011 we generated $75.2 million and $70.8 million of net earnings, respectively. This compares to net earnings in fiscal 2010 of $28.3 million. In fiscal 2012 diluted earnings per share were $1.29 while diluted earnings per share in fiscal 2011 were $1.06 and $0.43 in fiscal 2010.

Discussion of Segments - Fiscal 2012 Compared to Fiscal 2011

North America
Net sales within the North American Furniture Solutions (North America) reportable segment were $1,218.5 million in fiscal 2012, a 0.5 percent decrease from fiscal 2011 net sales of $1,224.8 million. The divestiture of the three dealers sold during fiscal 2012 lead to approximately a $53.0 million decrease in net sales for fiscal 2012. The impact of net changes in pricing is estimated to have had a $31.0 million increase on net sales during fiscal 2012 over the prior year. The extra week of operations contributed approximately $23.0 million to the fiscal 2012 net sales increase. The impact of foreign currency changes was to increase fiscal 2012 net sales for North America by approximately $0.7 million. The remaining change in net sales was due to a decrease in unit volumes during fiscal 2012.

Operating earnings for North America in fiscal 2012 were $96.9 million, or 8.0 percent of net sales. This compares to operating earnings of $99.4 million or 8.1 percent of net sales in fiscal 2011. The extra week of operations had the effect of increasing operating earnings in fiscal 2012 by approximately $1.8 million. Warranty expenses were higher by $9.2 million for fiscal 2012 due to increased spend and changes in estimates. North America also had approximately $15.0 million less employee incentive expense during fiscal 2012 compared to the prior year. The impact of foreign currency changes increased fiscal 2012 operating earnings for North America by approximately $0.7 million. In addition, the fiscal 2011 operating earnings included the positive impact resulting from the settlement of the liability related to contingent payments associated with the Nemschoff acquisition of $15.1 million. The remaining change in operating earnings as a percent of net sales in the current fiscal year is primarily driven by the ability to spread fixed manufacturing, sales and other costs over increased net sales.

Non-North America
Net sales from the Non-North American Furniture Solutions (Non-North America) reportable segment were $347.3 million in fiscal 2012, a $56.9 million or a 19.6 percent increase from fiscal 2011 net sales of $290.4 million. The extra week of operations contributed approximately $6.3 million towards the increase. Additionally, net sales increased approximately $4.9 million in fiscal 2012 from the acquisition of POSH, which was acquired in the fourth quarter of fiscal 2012. The impact of foreign currency changes was to increase fiscal 2012 net sales for Non-North America by approximately $4.2 million. The remaining year-over-year sales growth was driven primarily from increased unit volumes during fiscal 2012.

Operating earnings within Non-North America totaled $32.1 million and $18.8 million for fiscal year 2012 and 2011, respectively and represents 9.2 percent and 6.4 percent of net sales for fiscal year 2012 and 2011, respectively. The extra week of operations had the effect of increasing operating earnings in fiscal 2012 by approximately $0.6 million. The acquisition of POSH contributed an additional $0.4 million of operating earnings to fiscal 2012. The impact of foreign currency changes increased fiscal 2012 operating earnings for Non-North America by approximately $0.4 million. The remaining increase in operating earnings was driven by the ability to spread fixed manufacturing, sales and other costs over increased unit volumes.

Specialty and Consumer
Net sales within the Specialty and Consumer reportable segment (Specialty and Consumer) were $158.3 million in fiscal 2012, a $24.1 million or a 18.0 percent increase from fiscal 2011 net sales of $134.0 million. The impact of net changes in pricing is estimated to have had a $4.0 million increase on net sales during fiscal 2012 over the prior year. The extra week of operations contributed approximately $3.0 million towards the increase. The remaining increase in net sales was driven primarily from increased unit volumes during fiscal 2012.

Operating earnings within Specialty and Consumer totaled $15.1 million for the year or 9.5 percent of net sales. This compares to operating earnings of $10.7 million or 8.0 percent of net sales in fiscal 2011, an increase of 150 basis points. The extra week of operations had the effect of increasing operating earnings in fiscal 2012 by approximately

$0.3 million. Specialty and Consumer also had approximately $1.0 million less employee incentive expense during fiscal 2012 compared to the prior year. Warranty expenses increased $2.2 million for fiscal 2012 due to increased spend and changes in estimates. The remaining increase in operating earnings was driven by the ability to spread fixed manufacturing, sales and other costs over increased unit volumes.

Discussion of Segments - Fiscal 2011 Compared to Fiscal 2010

North America

Net sales within the North American Furniture Solutions (North America) reportable segment were $1,224.8 million in fiscal 2011, a 23.7 percent increase from fiscal 2010 net sales of $989.7 million. The impact of foreign currency changes was to increase fiscal 2011 net sales for North America by approximately $5 million. The remaining increase in net sales was due to an increase in unit volumes during fiscal 2011.

Operating earnings for North America in fiscal 2011 were $99.4 million, or 8.1 percent of net sales. This compares to reportable segment earnings of $75.8 million or 7.7 percent of net sales in fiscal 2010. Operating earnings in fiscal 2011 were reduced $20.4 million, $3.4 million, and $3.3 million due to additional operating expenses during fiscal 2011 related to the reinstatement of all of our employee benefits, employee incentive costs, and warranty costs, respectively. These increased operating expenses were partially offset during fiscal 2011 by the $15.1 million settlement of the liability related to contingent payments associated with the Nemschoff acquisition. The impact of foreign currency changes increased fiscal 2011 operating earnings for North America by approximately $4 million. The remaining increase in operating earnings as a percent of net

sales in the current fiscal year is primarily driven by the ability to spread fixed manufacturing, sales and other costs over increased unit volumes.

Non-North America
Net sales from the Non-North American Furniture Solutions (Non-North America) reportable segment were $290.4 million in fiscal 2011, a $67.7 million or a 30.4 percent increase from fiscal 2010 net sales of $222.7 million. The impact of foreign currency changes was to increase fiscal 2011 net sales for Non-North America by approximately $5 million. Additionally, net sales increased approximately $33 million in fiscal 2011 from the acquisitions of Colebrook Bosson Saunders, and a contract and retail furniture dealership in Australia, which were both acquired in the fourth quarter of fiscal 2010. The remaining year-over-year sales growth was driven primarily from increased unit volumes during fiscal 2011.

Operating earnings within Non-North America totaled $18.8 million for the year or 6.4 percent of net sales. This compares to an operating loss of $0.2 million or a negative 0.1 percent of net sales in fiscal 2010, an increase of 650 basis points. The operating loss in fiscal 2010 was affected by an independent dealer in Australia that went into receivership and resulted in bad debt expense of approximately $5 million. Operating earnings in fiscal 2011 were reduced $1.9 million due to additional operating expenses related to employee incentive costs and benefits. Additionally, operating earnings increased $1.5 million in fiscal 2011 from the above referenced fiscal 2010 fourth quarter acquisitions. The impact of foreign currency changes increased fiscal 2011 operating earnings for Non-North America by approximately $2.0 million. The remainder of the increased operating profitability was driven by the ability to spread fixed manufacturing, sales and other costs over increased unit volumes.

Specialty and Consumer
Net sales within the Specialty and Consumer reportable segment (Specialty and Consumer) were $134.0 million in fiscal 2011, a $28.1 million or a 26.5 percent increase from fiscal 2010 net sales of $105.9 million. The increase in net sales was driven primarily from increased unit volumes during fiscal 2011.

Operating earnings within Specialty and Consumer totaled $10.7 million for fiscal 2011 or 8.0 percent of net sales, an increase of 280 basis points. This compares to operating earnings of $5.5 million or 5.2 percent of net sales in fiscal 2010. This increase was offset by $2.2 million in additional operating expenses related to the reinstatement of all of the company's employee benefits and employee incentive plans. The remainder of the increased operating profitability was driven by the ability to spread fixed manufacturing, sales and other costs over increased unit volumes.

Liquidity and Capital Resources

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

	Fiscal Year Ended		
(In millions)	2012	2011	2010
Cash and cash equivalents, end of period	$172.2	$142.2	$130.5
Marketable securities, end of period	$9.6	$11.0	$12.1
Cash generated from operating activities	$90.1	$89.0	$98.7
Cash used for investing activities	$(58.4)	$(31.4)	$(77.6)
Cash used for financing activities	$(1.6)	$(50.2)	$(78.9)
Pension and post-retirement benefit plan contributions [4]	$(64.9)	$(52.8)	$(19.3)
Capital expenditures	$(28.5)	$(30.5)	$(22.3)
Stock repurchased and retired	$(2.7)	$(1.0)	$(0.8)
Interest-bearing debt, end of period [1] [3]	$250.0	$250.0	$301.2
Available unsecured credit facility, end of period [2] [3]	$140.3	$140.6	$138.8

(1) Amounts shown include the fair value of the company's interest rate swap arrangement. The net fair value of this arrangement was $1.2 million at May 29, 2010.
(2) Amounts shown are net of outstanding letters of credit, which are applied against the company's unsecured credit facility.
(3) During the second quarter of fiscal 2012 and the first quarter of fiscal 2010 we renegotiated the unsecured revolving credit facility. Refer to Note 5 of the Consolidated Financial Statements for additional information.
(4) Amount shown for fiscal 2011 and fiscal 2010 includes a $14.6 million and $16.7 million contribution made in the company's common stock, respectively.

Cash Flow — Operating Activities

Cash generated from operating activities in fiscal 2012 totaled $90.1 million compared to $89.0 million generated in the prior year. This represents an increase of $1.1 million compared to fiscal 2011. Changes in working capital balances resulted in a $8.8 million source of cash in the current fiscal year compared to a $15.6 million use of cash in the prior year.

The source of cash related to working capital balances in fiscal 2012 consist primarily of decreases in trade receivables of $17.5 million, prepaids of $2.7 million, an increase in trade payables of $4.8 million and an increase in accrued warranty of $5.3 million. These amounts were partially offset by decreases in accrued compensation and other accruals of $20.1 million and $1.4 million, respectively.

The use of cash related to working capital balances in fiscal 2011 consist primarily of increases in trade receivables of $48.5 million, inventory of $8.3 million and prepaids of $14.5 million. These changes were partially offset by increases in trade payables of $14.3 million, and regular and incentive based compensation of $34.8 million during fiscal 2011.

The source of cash related to working capital balances in fiscal 2010 consisted primarily of decreases in trade receivables of $9.0 million, prepaids of $23.6 million and an increase in trade payables of $13.5 million, offset by increased inventory of $7.1 million and a decrease in other accruals. The other accruals decreased primarily due to restructuring payments of $15.5 million during fiscal 2010.

Collections of accounts receivable remained strong throughout fiscal 2012, and the company's recorded accounts receivable valuation allowances at the end of the year are believed to be adequate to cover the risk of potential bad debts. Allowances for non-collectible accounts receivable, as a percent of gross accounts receivable, totaled 2.7 percent, 2.3 percent, and 3.0 percent at the end of fiscal years 2012, 2011, and 2010, respectively.

During fiscal 2012 $64.9 million in cash contributions were made to the company's employee pension and post-retirement benefit plans. Cash contributions during fiscal years 2011 and 2010 made to the company's employee pension and post-retirement benefit plans totaled $38.2 million and $2.6 million, 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 7 of the Consolidated Financial Statements.

Cash Flow — Investing Activities

Capital expenditures totaled $28.5 million, $30.5 million and $22.3 million in fiscal 2012, 2011 and 2010, respectively. Outstanding commitments for future capital purchases at the end of fiscal 2012 were approximately $8 million. The company expects capital spending in fiscal 2013 to be between $50 million and $60 million primarily due to planned investments in the company's facilities.

Included in the fiscal 2012 investing activities, is a net cash outflow of $47.1 million related to the acquisition of Sun Hing POSH Holdings Limited. During fiscal 2012 the company also received proceeds of $13.8 million and $3.6 million from the sale of three furniture dealerships and a warehousing facility, respectively.

Included in the fiscal 2010 investing activities, is a net cash outflow of $46.1 million related to our acquisitions of Nemschoff, CBS, and two furniture dealerships. Also included within fiscal 2010 investing activities is a note receivable for $6.9 million related to our acquisition of Nemschoff. In fiscal 2010 we repaid loans held against the value of company owned life insurance policies for $2.9 million.

Our net marketable securities transactions for fiscal 2012 yielded a $1.4 million source of cash. This compares to a $1.3 million source of cash in fiscal 2011 and a $0.1 million source of cash in fiscal 2010.

Cash Flow — Financing Activities

	Fiscal Year Ended		
(In millions, except share and per share data)	2012	2011	2010
Shares acquired	115,012	49,694	44,654
Cost of shares acquired	$2.7	$1.0	$0.8
Shares issued [(1)]	442,085	1,095,819	3,221,326
Average price per share issued	$19.2	$22.59	$14.9
Cash dividends paid	$5.2	$5.0	$4.9

(1) Includes 2,041,666 shares issued in connection with the Nemschoff acquisition during fiscal 2010. Includes 582,000 shares and 967,000
shares issued as a contribution to the company's pension plans during fiscal 2011 and fiscal 2010, respectively.

During the second quarter of fiscal 2012, the company entered into an amendment and restatement of the syndicated revolving line of credit, which provides the company with up to $150 million in revolving variable interest borrowing capacity and includes an "accordion feature" allowing the company to increase, at its option and subject to the approval of the participating banks, the aggregate borrowing capacity of the facility by $75 million. The facility expires in November 2016 and outstanding borrowings bear interest at rates based on the prime rate, federal funds rate, LIBOR, or negotiated rates as outlined in the agreement. Interest is payable periodically throughout the period a borrowing is outstanding.

During the first quarter of fiscal 2010, the company also completed the repurchase of $75 million of registered debt securities.

In the fourth quarter of fiscal 2009 we announced a reduction in the cash dividend effective for the first quarter of fiscal 2010 payment. This change reduced the cash dividend to $0.088 per share annually versus a total quarterly cash dividend of $0.088 per share that was paid through the third quarter of fiscal 2009. As part of our decision to conserve cash we suspended significant share repurchases beginning in fiscal 2009. The amount remaining under our share repurchase authorization at the end of fiscal 2012 totaled $166.6 million. Subsequent to the end of fiscal 2012 the company announced an increase in its quarterly cash dividend to $0.088 per share or $0.35 per share annually.

Interest-bearing debt at the end of fiscal 2012 and fiscal 2011 was $250 million compared to $301.2 million at the end of fiscal 2010. The decrease in fiscal 2011 is a result of the repayment of the remaining $100 million in principal due under the 2001 public bond issue. The payment was made using a combination of existing cash and proceeds from newly-issued senior unsecured private placement notes of $50 million maturing in March 2021.

The only usage against the company's unsecured revolving credit facility at the end of fiscal years 2012 and 2011 represented outstanding standby letters of credit totaling $9.7 million and $9.4 million, respectively. The provisions of the company's private placement notes and unsecured credit facility require the company to adhere to certain covenants and maintain certain performance ratios. The company was in compliance with all such covenants and performance ratios during fiscal 2012.

In fiscal 2012, we received $6.4 million related to the issuance of shares in connection with stock-based compensation plans. This compares to receiving $8.6 million and $2.5 million in fiscal 2011 and fiscal 2010, respectively.

At the end of the fourth quarter fiscal 2012, the company had cash of $172.2 million including foreign cash of $47.7 million. In addition, the company had foreign marketable securities of $9.6 million. The foreign subsidiary holding the company's marketable securities is taxed as a U.S. taxpayer at the company's election; consequently, for tax purposes

all U.S tax impacts for this subsidiary have been recorded. The company currently plans to repatriate approximately $3.6 million within fiscal 2013 from foreign subsidiaries, for which all U.S taxes have been recorded. The company's intent is to permanently reinvest the remainder of the foreign cash amounts outside the U.S. The company's plans do not demonstrate a need to repatriate these balances to fund U.S. operations. During fiscal 2011 the company repatriated $18.8 million of undistributed foreign earnings. During fiscal 2010 the company did not repatriate any 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, subject to financing availability in the marketplace.

Contingencies

The company leases a facility in the United Kingdom under an agreement that expired in June 2011, and the company is currently leasing the facility on a month to month basis. 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 be approximately $1.2 million. As a result, this amount has been recorded as a liability reflected under the caption “Other Liabilities” in the Consolidated Balance Sheets as of June 2, 2012. Based on circumstances existing in fiscal 2010, the amount recorded in the Consolidated Balance Sheets as of May 28, 2011 was $1.3 million.

The company has a lease obligation in the U.K. until May 2014 for a facility that it has exited. 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 if it were subleased. As of June 2, 2012 and May 28, 2011 the future cost of this arrangement was estimated to be $1.1 million and $1.7 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 the company's operations, cash flows, and financial condition.

Basis of Presentation

The company's fiscal year ends on the Saturday closest to May 31. Fiscal year ending June 2, 2012 contained 53 weeks of operations. Fiscal years ended May 28, 2011 and May 29, 2010 each included 52 weeks of operations. This is the basis upon which weekly-average data is presented.

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 5 of the Consolidated Financial Statements. Likewise, further information related to operating leases can be found in Note 6 of the Consolidated Financial Statements.

(In millions)	Payments due by fiscal year				
	Total	2013	2014-2015	2016-2017	Thereafter
Long-term debt	$250.0	$—	$50.0	$—	$200.0
Estimated interest on debt obligations [1]	87.9	15.6	30.0	25.3	17.0
Operating leases	68.2	18.0	24.2	12.4	13.6
Purchase obligations [2]	49.3	43.8	5.5	—	—
Pension plan funding [3]	4.5	3.7	0.2	0.2	0.4
Stockholder dividends [4]	1.3	1.3	—	—	—
Other [5]	16.9	1.8	3.4	3.2	8.5
Total	$478.1	$84.2	$113.3	$41.1	$239.5

(1) Estimated future interest payments on our outstanding debt obligations are based on interest rates as of June 2, 2012. Actual cash outflows may differ significantly due to changes in underlying interest rates and timing of

principal payments.
(2) Purchase obligations consist of non-cancelable purchase orders and commitments for goods, services, and capital assets.
(3) Pension plan funding commitments are known for a 12-month period for those plans that are funded; unfunded pension and post-retirement plan funding amounts are equal to the estimated benefit payments. As of June 2, 2012, the total projected benefit obligation for our domestic and international employee pension benefit plans was $418.8 million.
(4) Represents the recorded dividend payable as of June 2, 2012. Future dividend payments are not considered contractual obligations until declared.
(5) Other contractual obligations primarily represent long-term commitments related to deferred and supplemental employee compensation benefits, and other post-employment benefits.

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 Accounting Standards Codification (ASC) Topic 460, "Guarantees" as described in Note 13 of the Consolidated Financial Statements.

Critical Accounting Policies and Estimates
Our goal is to report financial results clearly and understandably. We follow accounting principles generally accepted in the United States of America 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 through owned dealers, we recognize revenue once the product and services are delivered and installation thereof is substantially complete.

Amounts recorded as net sales generally include any 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

Receivable Allowances
We base our allowances for receivables on known customer exposures, historical credit experience, and the specific identification of other potential problems, including the current 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 $4.4 million and $4.5 million at June 2, 2012 and May 28, 2011, respectively. As a percentage of gross accounts receivable, these allowances totaled 2.7 percent and 2.3 percent for fiscal 2012 and fiscal 2011, respectively. The year-over-year decrease in the allowance is primarily due to the stabilization of economic conditions and continued financial health of our customers.

Goodwill and Indefinite-lived Intangibles
The carrying value of goodwill and indefinite-lived intangible assets as of June 2, 2012 and May 28, 2011, were $184.0 million and $133.6 million, respectively. The company is required to perform an annual test of goodwill and indefinite-lived intangible assets to determine if the asset values are impaired.

The company has early-adopted the provisions of ASU 2011-08, which permits the company to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value to assess goodwill for impairment. The quantitative impairment test, when necessary, is based on the present value of projected cash flows and the resulting residual value and includes a reconciliation to market capitalization. In completing the test under this approach, the company assumes that one of the drivers of the value of a business today is the cash flows it will generate in the future. The company also assumes that such future cash flows can be reasonably estimated. While these projected cash flows reflect the best estimate of future reporting unit performance, actual cash flows could differ significantly.

The company completed the required annual goodwill impairment test in the fourth quarter of fiscal 2012 and concluded through a qualitative assessment that it is more likely than not that the goodwill of the reporting units are not impaired and thus the two-step quantitative impairment test was unnecessary. The company employs a market-based approach in selecting the discount rates used in our analysis.The discount rates

selected represent market rates of return equal to what the company believes is what a reasonable investor would expect to achieve on investments of similar size to the company's reporting units. The company believes the discount rates selected in the qualitative assessment are appropriate 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 discount rates, though the testing performed in fiscal 2012 indicates that even a significant increase in the discount rate would not have changed the conclusion.

The company employs the relief from royalty method to determine the fair value of the indefinite-lived intangible assets which is a both a market-based approach and an income-based approach. The relief from royalty method focuses on the level of royalty payments that the user of an intangible asset would have to pay a third party for the use of the asset if it were not owned by the user. This method involves estimating theoretical future after tax royalty payments based on the company's forecasted revenues attributable to the trade names. These payments are then discounted to present value utilizing a discount rate that considers the after-corporate tax required rate of return applicable to the asset.
The projected revenues reflect the best estimate of management for the trade names, however, actual revenues could differ significantly.

The company completed the required annual indefinite-lived intangible asset impairment tests in the fourth quarter of fiscal 2012 and concluded that two healthcare trade names were impaired during fiscal 2012, resulting in an impairment of $3.8 million. The impairment was the result of the company’s strategy change during the fourth quarter of fiscal 2012 to reduce its portfolio of healthcare brands and begin marketing the related products under the Nemschoff trade name. The remaining indefinite-lived intangible assets tested were not impaired. The discount rates selected represent market rates of return equal to what the company believes is what a reasonable investor would expect to achieve on investments of similar size to the company's reporting units. The company believes the discount rates selected are appropriate 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 and changes in the discount rate may result in future impairment.

Long-lived Assets

The company evaluates other long-lived assets and acquired business units for indicators of impairment when events or circumstances indicate that an impairment risk may be present. The 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. During the fourth quarter of fiscal 2010 the company recorded an impairment charge of $2.5 million that was related to our Convia line of business. These assets related to products that we determined had no future revenue stream to the company. The impairment charge was comprised of $1.4 million of expense related to an intangible asset and $1.1 million of expense in relation to fixed assets, respectively.

During the fourth quarter of fiscal 2012 the company recorded a fixed asset impairment charge of $1.4 million. This asset impairment relates to the Nemschoff plant closure and consolidation. See note 15 to the Consolidated Financial Statements for additional information on the restructuring action which included this fixed asset impairment.

Warranty Reserve
The company stands behind company products and the promises it makes to customers. From time to time, quality issues arise resulting in the need to incur costs to correct problems with products or services. The company has established warranty reserves for the various costs associated with these obligations. 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 these 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. 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. The reserve required to record inventory at lower of cost or market may be adjusted in response to changing conditions.

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.

See Note 10 of the Consolidated Financial Statements for information regarding the company's uncertain tax positions.

The company has net operating loss (NOL) carryforwards available in certain jurisdictions to reduce future taxable income. The company also has 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. This determination is based on the expectation that related operations will be sufficiently profitable or various tax planning strategies available to us will enable us to utilize the NOL carryforwards 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, reserves are established for workers' compensation and general liability exposures. The reserves are established based on expected future claims for incurred losses. The company also establishes reserves for health, prescription drugs, 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. The company also maintains insurance coverage for certain risk exposures through traditional premium-based insurance policies. The company's health benefits retention level does not include an aggregate stop loss policy. The company's retention levels designated within significant insurance arrangements as of June 2, 2012, 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	$1.00 million per employee

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 are 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. The company utilizes the services of an independent actuarial firm to assist in determining the rate. For the 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. The discount rate is set for the 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 takes into consideration the index yield and the difference in comparative durations.

- Interest Crediting Rate — The company uses 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. The company bases 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 still appropriate.

- Expected Long-Term Rate of Return — The company bases 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. The company considers likely returns and 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 the long-term market return expectation, actual asset returns can and do 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 June 2, 2012, and May 28, 2011, the net actuarial loss associated with the employee pension and post-retirement benefit plans totaled approximately $195.7 million and $158.2 million, respectively. The majority of this unrecognized loss was associated with lower than expected return on assets for fiscal 2011 and fiscal 2010. Changes in the discount rate and return on assets can have a

significant effect on the expense and obligations related to our pension plans. The company cannot accurately predict these changes in discount rates or investment returns and, therefore, cannot reasonably estimate whether adjustments to the expense or obligation in subsequent years will be significant. Both the June 2, 2012 pension funded status and 2013 expense are affected by year-end 2012 discount rate and expected return on assets assumptions. Any change to these assumptions will be specific to the time periods noted and may not be additive, so the impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities shown. The effect of the indicated increase/(decrease) in discount rates and expected return on assets is shown below:

(In millions)

Assumption	1 Percent Change	2013 Expense		June 2, 2012 Obligation	
		U.S.	International	U.S.	International
Discount rate	+/- 1.0	$ 1.5 / (1.5)	$ (1.1) / 1.3	$ (15.0) / 18.7	$ (16.0) / 20.8
Expected return on assets	+/- 1.0	$(3.1) / 3.1	$ (0.8) / 0.8	—	—

For purposes of determining annual net pension expense, the company uses a calculated method for determining the market-related value of plan assets. Under this method, the company recognizes the change in fair value of plan assets systematically over a five-year period. Accordingly, a portion of the 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. The company currently estimates this period to be approximately 13 years. As of June 2, 2012, the deferred net actuarial loss (i.e. the portion of the total net actuarial loss not subject to amortization) was approximately $8.7 million.

Refer to Note 7 of the Consolidated Financial Statements for more information regarding costs and assumptions used for employee benefit plans.

Stock-Based Compensation

The company views stock-based compensation as a key component of total compensation for certain employees, non-employee directors and officers. The stock-based compensation programs include grants of restricted stock, restricted stock units, performance share units, employee stock purchases, and stock options. The company recognizes expense related to each of these share-based arrangements. The Black-Scholes option pricing model is used in estimating the fair value of stock options issued in connection with compensation programs. This pricing model requires the use of several input assumptions. Among the most significant of these assumptions are the expected volatility of the 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 the company's 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 2012, we utilized an expected volatility of 42 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). The company assumed an average expected term of 5.5 years in calculating the fair values of the majority of stock options issued during fiscal 2012.

Refer to Note 9 of the Consolidated Financial Statements for further discussion on our stock-based compensation plans.

Contingencies

In the ordinary course of business, the company encounters matters that raise the potential for contingent liabilities. In evaluating these matters for accounting treatment and disclosure, the company is required to apply judgment in order to determine the probability that a liability has been incurred. The company is 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 13 of the Consolidated Financial Statements for more information relating to contingencies.

New Accounting Standards
Refer to Note 1 of 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 express 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.

Item 7A 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. The impact from changes in commodity prices increased the company's costs by approximately $1 million during fiscal 2012 compared to the prior year. The net impact of changes in pricing of increased net sales by $35 million, which had the effect of decreasing the company's costs as a percent of net sales compared to fiscal 2011.
The net impact of changes in pricing in fiscal 2011 decreased net sales by $12 million, which had the effect of increasing the company's costs as a percent of net sales compared to fiscal 2010. The net impact of changes in pricing in fiscal 2010 increased net sales by approximately $24 million, which had the effect of decreasing the company's costs as a percent of net sales compared to fiscal 2009.

The company believes market prices for commodities in the near term may move higher and acknowledges that over time 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 primarily 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 sterling, euro, Canadian dollar, Japanese yen, Mexican peso, and Chinese renminbi. As of June 2, 2012, the company had outstanding, ten forward currency instruments designed to offset either net asset or net liability exposure that is denominated in non-functional currencies. Two forward contracts were placed to offset a 3.9 million euro-denominated net asset exposure and two forward contracts were placed to offset a 0.6 million U.S. dollar-denominated net asset exposure. One forward contract was placed to offset 0.3 million Australian dollar-denominated net asset exposure. Five forward contracts were placed to offset a 4.2 million U.S.dollar-denominated net liability exposure.

As of May 28, 2011, the company had outstanding, sixteen forward currency instruments designed to offset either net asset or net liability exposure that is denominated in non-functional currencies. Two forward contracts were placed to offset a 3.1 million euro-denominated net asset exposure and five forward contracts were placed to offset a 7.6 million U.S. dollar-denominated net asset exposure. One forward contract was placed to offset 0.4 million Australian dollar-denominated net asset exposure. Eight forward contracts were placed to offset a 2.4 million U.S.dollar-denominated net liability exposure.

A net loss of $1.3 million and $2.0 million related to remeasuring all foreign currency transactions into the appropriate functional currency was included in net earnings for fiscal 2012 and fiscal 2011, respectively. For fiscal year 2010, a net gain of $0.4 million impacted net earnings. Additionally, the cumulative effect of translating the balance sheet and income statement accounts from the functional currency into the United States dollar increased the accumulated comprehensive loss component of total stockholders' equity by $7.1 million as of the end of fiscal 2012. Conversely, the effect decreased the accumulated comprehensive loss component of total stockholders equity by $6.4 million as of the end of fiscal 2011. For fiscal 2010 the cumulative effect increased the accumulated comprehensive loss component of total stockholders' equity by $2.9 million.

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. During the fourth quarter of fiscal 2011 the company's interest rate swap agreement expired as planned on March 15, 2011. At the end of fiscal 2010 the company held one interest rate swap agreement that effectively converted $50.0 million of fixed-rate debt securities to a variable rate.

The combined fair market value and net asset amount of the effective interest rate swap instruments was $1.2 million at May 29, 2010. The swap arrangement effectively reduced interest expense by $1.5 million and $1.9 million in fiscal 2011 and fiscal 2010, respectively. All cash flows related to the company's interest rate swap instruments are denominated in U.S. dollars.

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

(In millions)	2013	2014	2015	2016	2017	Thereafter	Total
Long-Term Debt:							
Fixed rate	$—	$—	$50.0	$—	$—	$200.0	$250.0
Wtd. average interest rate = 6.2%							

Item 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Statements of Operations

	Fiscal Years Ended		
(In millions, except per share data)	June 2, 2012	May 28, 2011	May 29, 2010
Net sales	$1,724.1	$1,649.2	$1,318.8
Cost of sales	1,133.5	1,111.1	890.3
Gross margin	590.6	538.1	428.5
Operating expenses:			
Selling, general, and administrative	394.9	366.0	317.7
Restructuring and impairment expenses	5.4	3.0	16.7
Design and research	52.7	45.8	40.5
Total operating expenses	453.0	414.8	374.9
Operating earnings	137.6	123.3	53.6
Other expenses (income):			
Interest expense	17.5	19.9	21.7
Interest and other investment income	(1.0)	(1.5)	(4.6)
Other, net	1.6	2.4	1.7
Net other expenses	18.1	20.8	18.8
Earnings before income taxes	119.5	102.5	34.8
Income tax expense	44.3	31.7	6.5
Net Earnings	$75.2	$70.8	$28.3
Earnings per share —basic	$1.29	$1.24	$0.51
Earnings per share —diluted	$1.29	$1.06	$0.43

Consolidated Balance Sheets

(In millions, except share and per share data)	June 2, 2012	May 28, 2011
Assets		
Current Assets:		
Cash and cash equivalents	$172.2	$142.2
Marketable securities	9.6	11.0
Accounts receivable, less allowances of $4.4 in 2012 and $4.5 in 2011	159.7	193.1
Inventories, net	59.3	66.2
Deferred income taxes	20.4	21.2
Prepaid property and other taxes	17.6	25.4
Other	16.5	12.6
Total Current Assets	455.3	471.7
Property and Equipment:		
Land and improvements	19.2	19.9
Buildings and improvements	146.0	149.5
Machinery and equipment	533.7	531.0
Construction in progress	12.6	13.0
Gross Property and Equipment	711.5	713.4
Less: accumulated depreciation	(555.5)	(544.3)
Net Property and Equipment	156.0	169.1
Goodwill	144.7	110.4
Indefinite-lived intangibles	39.3	23.2
Other amortizable intangibles, net	31.1	24.3
Other assets	11.0	9.3
Total Assets	$837.4	$808.0