

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 31, 2019
or

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

For the transition period from to
Commission file number: 001-15141



HERMAN MILLER, INC.

(Exact name of registrant as specified in its charter)

Michigan

(State or other jurisdiction of
incorporation or organization)

38-0837640

(I.R.S. Employer Identification No.)

855 East Main Avenue
Zeeland, MI 49464

(Address of principal executive offices and zip code)
(616) 654-3000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	MLHR	NASDAQ

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 ☒ 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 (§232.405 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 ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of October 3, 2019, Herman Miller, Inc. had 59,058,295 shares of common stock outstanding.

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PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

Herman Miller, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Dollars in millions, except share data)

(Unaudited)

	Three Months Ended	
	August 31, 2019	September 1, 2018
Net sales	\$ 670.9	\$ 624.6
Cost of sales	424.8	399.5
Gross margin	246.1	225.1
Operating expenses:		
Selling, general and administrative	165.0	159.5
Restructuring expense	1.8	1.1
Design and research	19.2	18.5
Total operating expenses	186.0	179.1
Operating earnings	60.1	46.0
Other expenses (income):		
Interest expense	3.0	2.9
Other, net	(0.9)	(1.0)
Earnings before income taxes and equity income	58.0	44.1
Income tax expense	12.2	8.9
Equity income from nonconsolidated affiliates, net of tax	2.2	0.7
Net earnings	48.0	35.9
Net (loss) earnings attributable to noncontrolling interests	(0.2)	0.1
Net earnings attributable to Herman Miller, Inc.	\$ 48.2	\$ 35.8
Earnings per share — basic	\$ 0.82	\$ 0.60
Earnings per share — diluted	\$ 0.81	\$ 0.60
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	\$ (9.3)	\$ (7.9)
Pension and other post-retirement plans	0.7	0.7
Interest rate swaps	(8.8)	(0.5)
Unrealized holding loss	—	(0.1)
Other comprehensive loss, net of tax	(17.4)	(7.8)
Comprehensive income	30.6	28.1
Comprehensive (loss) income attributable to noncontrolling interests	(0.2)	0.1
Comprehensive income attributable to Herman Miller, Inc.	\$ 30.8	\$ 28.0

See accompanying notes to Condensed Consolidated Financial Statements.

Herman Miller, Inc.
Condensed Consolidated Balance Sheets
(Dollars in millions, except per share data)
(Unaudited)

	August 31, 2019	June 1, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 159.5	\$ 159.2
Short-term investments	9.0	8.8
Accounts and notes receivable, net	218.3	218.0
Unbilled accounts receivable	33.8	34.3
Inventories, net	181.2	184.2
Prepaid expenses and other	51.8	56.8
Total current assets	653.6	661.3
Property and equipment, at cost	1,087.1	1,084.7
Less — accumulated depreciation	(749.6)	(736.1)
Net property and equipment	337.5	348.6
Right of use assets	233.3	—
Goodwill	303.6	303.8
Indefinite-lived intangibles	78.1	78.1
Other amortizable intangibles, net	39.7	41.1
Other noncurrent assets	139.0	136.4
Total Assets	\$ 1,784.8	\$ 1,569.3
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 178.5	\$ 177.7
Accrued compensation and benefits	70.0	85.5
Accrued warranty	53.3	53.1
Customer deposits	32.4	30.7
Other accrued liabilities	150.7	99.1
Total current liabilities	484.9	446.1
Long-term debt	275.0	281.9
Pension and post-retirement benefits	23.5	24.5
Lease liabilities	200.2	—
Other liabilities	56.0	77.0
Total Liabilities	1,039.6	829.5
Redeemable noncontrolling interests	—	20.6
Stockholders' Equity:		
Preferred stock, no par value (10,000,000 shares authorized, none issued)	—	—
Common stock, \$0.20 par value (240,000,000 shares authorized, 59,063,900 and 58,794,148 shares issued and outstanding in 2020 and 2019, respectively)	11.8	11.7
Additional paid-in capital	97.4	89.8
Retained earnings	748.2	712.7
Accumulated other comprehensive loss	(111.6)	(94.2)
Deferred compensation plan	(0.6)	(0.8)
Total Stockholders' Equity	745.2	719.2
Total Liabilities, Redeemable Noncontrolling Interests, and Stockholders' Equity	\$ 1,784.8	\$ 1,569.3

See accompanying notes to Condensed Consolidated Financial Statements.

Herman Miller, Inc.
Condensed Consolidated Statements of Cash Flows
(Dollars in millions)
(Unaudited)

	Three Months Ended	
	August 31, 2019	September 1, 2018
Cash Flows from Operating Activities:		
Net earnings	\$ 48.0	\$ 35.9
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	19.3	19.0
Stock-based compensation	2.6	2.5
Earnings from nonconsolidated affiliates net of dividends received	(2.1)	(0.7)
Restructuring expenses	1.8	1.1
Decrease (increase) in current assets	1.4	(7.6)
Decrease in current liabilities	(18.9)	(18.3)
Increase in non-current liabilities	—	0.6
Other, net	2.6	0.4
Net Cash Provided by Operating Activities	54.7	32.9
Cash Flows from Investing Activities:		
Equity investment in non-controlled entities	(3.1)	(71.6)
Capital expenditures	(20.6)	(22.0)
Purchase of HAY licensing agreement	—	(4.8)
Other, net	(0.3)	(1.3)
Net Cash Used in Investing Activities	(24.0)	(99.7)
Cash Flows from Financing Activities:		
Dividends paid	(11.6)	(10.7)
Common stock issued	12.7	8.5
Common stock repurchased and retired	(7.6)	(20.8)
Purchase of redeemable noncontrolling interests	(19.8)	(10.0)
Other, net	(1.6)	—
Net Cash Used in Financing Activities	(27.9)	(33.0)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2.5)	(2.4)
Net Increase (Decrease) in Cash and Cash Equivalents	0.3	(102.2)
Cash and Cash Equivalents, Beginning of Period	159.2	203.9
Cash and Cash Equivalents, End of Period	\$ 159.5	\$ 101.7

See accompanying notes to Condensed Consolidated Financial Statements.

Herman Miller, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Dollars in millions, except share data)
(Unaudited)

Three Months Ended August 31, 2019									
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Deferred Compensation Plan	Herman Miller, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount							
June 1, 2019	58,794,148	\$ 11.7	\$ 89.8	\$ 712.7	\$ (94.2)	\$ (0.8)	\$ 719.2	\$ —	\$ 719.2
Net earnings		—	—	48.2	—	—	48.2	(0.2)	48.0
Other comprehensive loss, net of tax	—	—	—	—	(17.4)	—	(17.4)	—	(17.4)
Stock-based compensation expense	—	—	2.6	—	—	—	2.6	—	2.6
Exercise of stock options	382,898	0.1	12.1	—	—	—	12.2	—	12.2
Restricted and performance stock units released	45,105	—	—	—	—	—	—	—	—
Employee stock purchase plan issuances	14,750	—	0.5	—	—	—	0.5	—	0.5
Repurchase and retirement of common stock	(173,001)	—	(7.6)	—	—	—	(7.6)	—	(7.6)
Deferred compensation plan	—	—	—	—	—	0.2	0.2	—	0.2
Dividends declared (\$0.21 per share)	—	—	—	(12.5)	—	—	(12.5)	—	(12.5)
Redemption value adjustment	—	—	—	(0.2)	—	—	(0.2)	0.2	—
August 31, 2019	59,063,900	\$ 11.8	\$ 97.4	\$ 748.2	\$ (111.6)	\$ (0.6)	\$ 745.2	\$ —	\$ 745.2

Three Months Ended September 1, 2018									
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Deferred Compensation Plan	Herman Miller, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount							
June 2, 2018	59,230,974	\$ 11.7	\$ 116.6	\$ 598.3	\$ (61.3)	\$ (0.7)	\$ 664.6	\$ 0.2	\$ 664.8
Net earnings	—	—	—	35.8	—	—	35.8	—	35.8
Other comprehensive loss	—	—	—	—	(7.8)	—	(7.8)	—	(7.8)
Stock-based compensation expense	—	—	2.2	—	—	—	2.2	—	2.2
Exercise of stock options	265,739	0.2	7.9	—	—	—	8.1	—	8.1
Restricted and performance stock units released	335,266	0.1	—	—	—	—	0.1	—	0.1
Employee stock purchase plan issuances	16,805	—	0.5	—	—	—	0.5	—	0.5
Repurchase and retirement of common stock	(545,866)	(0.1)	(20.7)	—	—	—	(20.8)	—	(20.8)
Dividends declared (\$0.1975 per share)	—	—	—	(11.6)	—	—	(11.6)	—	(11.6)
Cumulative effect of accounting changes	—	—	—	2.0	(0.1)	—	1.9	—	1.9
September 1, 2018	59,302,918	\$ 11.9	\$ 106.5	\$ 624.5	\$ (69.2)	\$ (0.7)	\$ 673.0	\$ 0.2	\$ 673.2

See accompanying notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements

(Dollars in millions, except share data)
(unaudited)

1. Basis of Presentation

The Condensed Consolidated Financial Statements have been prepared by Herman Miller, Inc. ("the Company") in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Management believes the disclosures made in this document are adequate with respect to interim reporting requirements. Unless otherwise noted or indicated by the context, all references to "Herman Miller," "we," "our," "Company" and similar references are to Herman Miller, Inc., its predecessors, and controlled subsidiaries.

The accompanying unaudited Condensed Consolidated Financial Statements, taken as a whole, contain all adjustments that are of a normal recurring nature necessary to present fairly the financial position of the Company as of August 31, 2019. Operating results for the three months ended August 31, 2019 are not necessarily indicative of the results that may be expected for the year ending May 30, 2020. It is suggested that these Condensed Consolidated Financial Statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 1, 2019. All intercompany transactions have been eliminated in the Condensed Consolidated Financial Statements. The financial statements of equity method investments are not consolidated.

2. Recently Issued Accounting Standards

Recently Adopted Accounting Standards

On June 2, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)" using the modified retrospective method. Under the updated standard a lessee's rights and obligations under most leases, including existing and new arrangements, are recognized as assets and liabilities, respectively, on the balance sheet. Refer to Note 4 to the Condensed Consolidated Financial Statements for further information regarding the adoption of the standard.

On June 2, 2019, the Company adopted ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities" using the prospective method. This update amends the hedge accounting recognition and presentation with the objectives of improving the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities and simplifying the application of hedge accounting. The update expands the strategies eligible for hedge accounting, relaxes the timing requirements of hedge documentation and effectiveness assessments and permits the use of qualitative assessments on an ongoing basis to assess hedge effectiveness. The new guidance also requires new disclosures and presentation. The adoption did not have a material impact on the Company's financial statements. Refer to Note 12 to the Condensed Consolidated Financial Statements for further information.

Recently Issued Accounting Standards Not Yet Adopted

The Company is currently evaluating the impact of adopting the following relevant standards issued by the FASB:

Standard		Description	Effective Date
2016-13	Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	This guidance replaces the existing incurred loss impairment model with an expected loss model and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	May 31, 2020
2018-13	Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	This update eliminates, adds and modifies certain disclosure requirements for fair value measurements. Early adoption is permitted.	May 31, 2020
2018-14	Compensation - Retirement Benefits - Defined Benefits Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans	This update eliminates, adds and clarifies certain disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Early adoption is permitted.	May 30, 2021

All other issued and not yet effective accounting standards are not relevant to the Company.

3. Revenue from Contracts with Customers

Disaggregated Revenue

Revenue disaggregated by contract type has been provided in the table below:

(In millions)	Three Months Ended	
	August 31, 2019	September 1, 2018
Net Sales:		
Single performance obligation		
Product revenue	\$ 566.2	\$ 535.2
Multiple performance obligations		
Product revenue	99.9	84.8
Service revenue	2.3	2.7
Other	2.5	1.9
Total	<u>\$ 670.9</u>	<u>\$ 624.6</u>

Revenue disaggregated by product type and reportable segment has been provided in the table below:

(In millions)	Three Months Ended	
	August 31, 2019	September 1, 2018
North America Contract:		
Systems	\$ 147.3	\$ 146.1
Seating	130.2	125.6
Freestanding and storage	112.3	87.6
Textiles	29.8	28.8
Other	38.8	32.9
Total North America Contract	<u>\$ 458.4</u>	<u>\$ 421.0</u>
International Contract:		
Systems	\$ 24.0	\$ 22.8
Seating	61.2	68.7
Freestanding and storage	14.7	10.4
Other	14.0	13.5
Total International Contract	<u>\$ 113.9</u>	<u>\$ 115.4</u>
Retail:		
Seating	\$ 60.7	\$ 53.7
Freestanding and storage	17.0	17.2
Other	20.9	17.3
Total Retail	<u>\$ 98.6</u>	<u>\$ 88.2</u>
Total	<u>\$ 670.9</u>	<u>\$ 624.6</u>

Refer to Note 16 of the Condensed Consolidated Financial Statements for further information related to our reportable segments.

Contract Assets and Contract Liabilities

The Company records contract assets and contract liabilities related to its revenue generating activities. Contract assets include certain receivables from customers that are unconditional as all performance obligations with respect to the contract with the customer have been completed. These amounts represent trade receivables and they are recorded within the caption “Accounts and notes receivable, net” in the Condensed Consolidated Balance Sheets.

Contract assets also include amounts that are conditional because certain performance obligations in the contract with the customer are incomplete as of the balance sheet date. These contract assets generally arise due to contracts with the customer that include multiple performance obligations, both the product that is shipped to the customer by the Company, as well as installation services provided by independent third-party dealers. For these contracts, the Company recognizes revenue upon satisfaction of the product performance obligation. These contract assets are included in the caption "Unbilled accounts receivable" in the Condensed Consolidated Balance Sheets until all performance obligations in the contract with the customer have been satisfied.

Contract liabilities represent deposits made by customers before the satisfaction of performance obligation and recognition of revenue. Upon completion of the performance obligation(s) that the Company has with the customer based on the terms of the contract, the liability for the customer deposit is relieved and revenue is recognized. These customer deposits are included within the caption "Customer deposits" in the Condensed Consolidated Balance Sheets. During the three months ended August 31, 2019, the Company recognized Net sales of \$19.2 million related to customer deposits that were included in the balance sheet as of June 1, 2019.

4. Leases

Impact of Adoption

The Company adopted *ASC 842 - Leases* at the beginning of fiscal year 2020. The new standard required the Company to recognize most leases on the balance sheet as right of use (ROU) assets with corresponding lease liabilities. All necessary changes required by the new standard, including those to the Company's accounting policies, business processes, systems, controls, and disclosures, were implemented as of the first quarter of fiscal year 2020.

As part of the implementation process the Company made the following elections:

- The Company elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs for all leases.
- The Company elected to make the accounting policy election for short-term leases resulting in lease costs being recorded as an expense on a straight-line basis over the lease term.
- The Company elected to not separate lease and non-lease components, for all leases.
- The Company did not elect the hindsight practical expedient in determining the lease term and in assessing the likelihood that a lessee purchase option will be exercised, for all leases.
- The Company did not elect the land easement practical expedient in determining whether land easements that were not previously accounted for as leases are or contain a lease.

Upon adoption, the cumulative effect of initially applying this new standard resulted in the addition of approximately \$245 million of ROU assets, as well as corresponding short-term and long-term lease liabilities of approximately \$275 million. Additionally, as a result of adoption, the Company derecognized its construction-type lease asset and financing liability and there was no related cumulative adjustment to retained earnings.

Accounting Policies

The Company primarily has leases for retail studios, showrooms, manufacturing facilities, warehouses, and vehicles, which expire at various dates through 2031. Certain lease agreements include contingent rental payments based on per unit usage over contractual levels and others include rental payments adjusted periodically for inflationary indexes.

Variable lease costs associated with the Company's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease costs are presented as operating expenses in the Company's Condensed Consolidated Statement of Operations and Comprehensive Income in the same line item as expense arising from fixed lease payments for operating leases.

Additionally, certain leases include renewal or termination options, which can be exercised at the Company's discretion. Lease terms include the noncancelable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods. The Company's leases do not contain any residual value guarantees or material restrictive covenants.

The Company determines if an arrangement is a lease at contract inception. Arrangements that are leases with an initial term of 12 months or less are not recorded in the Consolidated Condensed Balance Sheets and the Company recognizes lease expense for these leases on a straight-line basis over the lease term. If leased assets have leasehold improvements, the depreciable life of those leasehold improvements are limited by the expected lease term.

As none of the Company's leases provide an implicit discount rate, the Company uses an estimated incremental borrowing rate at the lease commencement date in determining the present value of the lease payments. Relevant information used in determining the Company's incremental borrowing rate includes the duration of the lease, location of the lease, and the Company's credit risk relative to risk-free market rates.

Leases

During the three months ended August 31, 2019, lease expense was \$15.5 million. The components of lease expense are as follows:

(In millions)		
Operating lease costs	\$	12.7
Short-term lease costs		0.6
Variable lease costs*		2.2
Total	\$	15.5

*Not included in the table above are variable lease costs of \$21.9 million for raw material purchases under certain supply arrangements that the Company has determined to meet the definition of a lease.

At August 31, 2019, the Company has no financing leases. The undiscounted annual future minimum lease payments related to the Company's right-of-use assets are summarized by fiscal year in the following table:

(In millions)		
2020	\$	36.0
2021		44.8
2022		42.0
2023		38.0
2024		32.3
Thereafter		100.9
Total lease payments*		294.0
Less interest		31.3
Present value of lease liabilities	\$	262.7

*Lease payments exclude \$26.6 million of legally binding minimum lease payments for leases signed but not yet commenced, primarily related to a new Chicago showroom expected to open in fiscal 2021.

The long-term portion of the lease liabilities included in the amounts above is \$200.2 million and the remainder of the lease liabilities are included in other current liabilities in the Consolidated Condensed Balance Sheets.

The following table summarizes future minimum rental payments required under operating leases that have non-cancelable lease terms as of June 1, 2019, prior to the adoption of ASC 842:

(In millions)		
2020	\$	51.7
2021		46.8
2022		42.9
2023		39.0
2024		33.5
Thereafter		101.9
Total	\$	315.8

At August 31, 2019, the weighted average remaining lease term and weighted average discount rate for operating leases were 7 years and 3.1%, respectively.

During the three months ended August 31, 2019, the cash paid for leases included in the measurement of the liabilities and the operating cash flows was \$12.5 million and the right of use assets obtained in exchange for new liabilities was \$4.6 million.

5. Acquisitions

Maars Holding B.V.

On August 31, 2018, Herman Miller Holdings Limited, a wholly owned subsidiary of the Company, acquired 48.2% of the outstanding equity of Global Holdings Netherlands B.V., which owns 100% of Maars Holding B.V. ("Maars"), a Harderwijk, Netherlands-based worldwide leader in the design and manufacturing of interior wall solutions. The Company acquired its 48.2% ownership interest in Maars for approximately \$6.1 million in cash. The entity is accounted for using the equity method of accounting as the Company has significant influence, but not control, over the entity.

For the Maars equity method investment, the fair values assigned to the assets acquired were based on best estimates and assumptions as of August 31, 2018 and the valuation analysis was completed in the fourth quarter of fiscal 2019.

Nine United Denmark A/S

On June 7, 2018, Herman Miller Holdings Limited, a wholly owned subsidiary of the Company, acquired 33% of the outstanding equity of Nine United Denmark A/S, d/b/a HAY and subsequently renamed to HAY A/S ("HAY"), a Copenhagen, Denmark-based, design leader in furniture and ancillary furnishings for residential and contract markets in Europe and Asia. The Company acquired its 33% ownership interest in HAY for approximately \$65.5 million in cash. The entity is accounted for using the equity method of accounting as the Company has significant influence, but not control, over the entity.

The Company also acquired the rights to the HAY brand in North America under a long-term license agreement for approximately \$4.8 million in cash. This licensing agreement is recorded as a definite life intangible asset and is being amortized over its 15-year useful life. This asset is recorded within Other amortizable intangibles, net within the Condensed Consolidated Balance Sheets.

For the Hay equity method investment, the fair values assigned to the assets acquired were based on best estimates and assumptions as of June 7, 2018 and the valuation analysis was completed in the third quarter of fiscal 2019 with no differences noted from the preliminary valuation.

Herman Miller Holdings Limited is a party to options, that if exercised, would require Herman Miller Holdings Limited to purchase an additional 33% of the equity in HAY at fair market value.

On October 8, 2019, Herman Miller Holdings Limited entered into a Share Purchase Agreement with Nine United A/S to acquire an additional 34% of the outstanding equity of HAY for approximately \$78 million in cash, subject to the terms and conditions of the purchase agreement. Herman Miller Holdings Limited currently expects the acquisition to close on December 2, 2019, subject to the satisfaction or waiver of certain customary closing conditions, as set forth in the purchase agreement. The entity was previously accounted for using the equity method of accounting and as a result of the increased investment will be consolidated in the Company's financial statements in the third quarter of fiscal 2020.

6. Inventories, net

(In millions)	August 31, 2019	June 1, 2019
Finished goods	\$ 137.2	\$ 139.1
Raw materials	44.0	45.1
Total	<u>\$ 181.2</u>	<u>\$ 184.2</u>

Inventories are valued at the lower of cost or market and include material, labor, and overhead. Certain inventories within our North America Contract manufacturing operations are valued using the last-in, first-out (LIFO) method, whereas inventories of other operations are valued using the first-in, first-out (FIFO) method.

7. Goodwill and Indefinite-Lived Intangibles

Goodwill and other indefinite-lived intangible assets included in the Condensed Consolidated Balance Sheets consisted of the following as of August 31, 2019 and June 1, 2019:

(In millions)	Goodwill	Indefinite-lived Intangible Assets	Total Goodwill and Indefinite-lived Intangible Assets
June 1, 2019	\$ 303.8	\$ 78.1	\$ 381.9
Foreign currency translation adjustments	(0.2)	—	(0.2)
August 31, 2019	\$ 303.6	\$ 78.1	\$ 381.7

Goodwill is tested for impairment at the reporting unit level annually, or more frequently, when events or changes in circumstances indicate that the fair value of a reporting unit has more likely than not declined below its carrying value. A reporting unit is defined as an operating segment or one level below an operating segment. The Company completed the required annual goodwill impairment test in the fourth quarter of fiscal 2019, as of March 31, 2019, performing a quantitative and qualitative impairment test for all goodwill reporting units and other indefinite-lived intangible assets. The carrying value of the Company's Retail reporting unit was \$249.9 million as of June 1, 2019. The calculated fair value of the reporting unit was \$282.6 million, which represents an excess fair value of \$32.7 million or 13.0%. Due to the level that the reporting unit fair values exceeded the carrying amounts and the results of the sensitivity analysis, the Company may need to record an impairment charge if the operating results of its Retail reporting unit were to decline in future periods.

Intangible assets with indefinite useful lives are not subject to amortization and are evaluated annually for impairment, or more frequently, when events or changes in circumstances indicate that the fair value of an intangible asset may not be recoverable. The carrying value of the Company's DWR trade name indefinite-lived intangible asset was \$55.1 million as of June 1, 2019. The calculated fair value of the DWR trade name was \$63.2 million which represents an excess fair value of \$8.1 million or 14.6%. If the residual cash flows related to the Company's DWR trade name were to decline in future periods, the Company may need to record an impairment charge.

During the three months ended August 31, 2019, there were no identified indicators of impairment that required the Company to complete an interim quantitative impairment assessment related to any of the Company's reporting units or indefinitely-lived intangible assets.

8. Employee Benefit Plans

The following table summarizes the components of net periodic benefit cost for the Company's International defined benefit pension plan for the three months ended:

(In millions)	August 31, 2019	September 1, 2018
Interest cost	\$ 0.5	\$ 0.7
Expected return on plan assets	(1.0)	(1.2)
Net amortization loss	0.8	0.8
Net periodic benefit cost	\$ 0.3	\$ 0.3

9. Earnings Per Share

The following table reconciles the numerators and denominators used in the calculations of basic and diluted earnings per share (EPS) for the three months ended:

	August 31, 2019	September 1, 2018
Numerators:		
Numerator for both basic and diluted EPS, Net earnings attributable to Herman Miller, Inc. - in millions	\$ 48.2	\$ 35.8
Denominators:		
Denominator for basic EPS, weighted-average common shares outstanding	58,909,001	59,370,160
Potentially dilutive shares resulting from stock plans	322,727	498,954
Denominator for diluted EPS	59,231,728	59,869,114
Antidilutive equity awards not included in weighted-average common shares - diluted	123,088	161,457

10. Stock-Based Compensation

The following table summarizes the stock-based compensation expense and related income tax effect for the three months ended:

(In millions)	August 31, 2019	September 1, 2018
Stock-based compensation expense	\$ 2.6	\$ 2.5
Related income tax effect	0.6	0.6

Certain of the Company's equity-based compensation awards contain provisions that allow for continued vesting into retirement. Stock-based awards are considered fully vested for expense attribution purposes when the employee's retention of the award is no longer contingent on providing subsequent service.

11. Income Taxes

The Company recognizes interest and penalties related to uncertain tax benefits through income tax expense in its Condensed Consolidated Statement of Comprehensive Income. Interest and penalties recognized in the Company's Condensed Consolidated Statement of Comprehensive Income were negligible for the three months ended August 31, 2019 and September 1, 2018.

The Company's recorded liability for potential interest and penalties related to uncertain tax benefits was:

(In millions)	August 31, 2019	June 1, 2019
Liability for interest and penalties	\$ 0.8	\$ 0.7
Liability for uncertain tax positions, current	\$ 2.0	\$ 1.9

In determining the provision for income taxes for the three months ended August 31, 2019, the Company used an estimated annual effective tax rate which was based on expected annual income and statutory tax rates across the various jurisdictions in which it operates. The effective tax rates were 21.0% and 20.0%, respectively, for the three month periods ended August 31, 2019 and September 1, 2018. The year over year increase in the effective tax rate for the three months ended August 31, 2019 resulted from a decrease in the current quarter tax deduction for certain stock based compensation awards as compared to the same quarter in the prior year. The effective tax rate for the three months ended August 31, 2019 is the same as the United States federal statutory rate. The effective tax rate for the three months ended September 1, 2018 is lower than the United States federal statutory rate due to a tax deduction for the vesting of certain stock-based compensation awards.

The Company is subject to periodic audits by domestic and foreign tax authorities. Currently, the Company is undergoing routine periodic audits in both domestic and foreign tax jurisdictions. It is reasonably possible that the amounts of unrecognized tax benefits could change in the next twelve months because of the audits. Tax payments related to these audits, if any, are not expected to be material to the Company's Condensed Consolidated Statements of Comprehensive Income.

For the majority of tax jurisdictions, the Company is no longer subject to state, local, or non-United States income tax examinations by tax authorities for fiscal years before 2016.

12. Fair Value Measurements

The Company's financial instruments consist of cash equivalents, marketable securities, accounts and notes receivable, deferred compensation plan, accounts payable, debt, interest rate swaps and foreign currency exchange contracts. The Company's financial instruments, other than long-term debt, are recorded at fair value. The carrying value and fair value of the Company's long-term debt, including current maturities, is as follows for the periods indicated:

(In millions)	August 31, 2019		June 1, 2019	
Carrying value	\$	278.3	\$	285.0
Fair value	\$	280.8	\$	287.8

The following describes the methods the Company uses to estimate the fair value of financial assets and liabilities recorded in net earnings, which have not significantly changed in the current period:

Cash and cash equivalents — The Company invests excess cash in short term investments in the form of commercial paper and money market funds. Commercial paper is valued at amortized costs while money market funds are valued using net asset value ("NAV").

Mutual Funds-Equity — The Company's equity securities primarily include equity mutual funds. The equity mutual fund investments are recorded at fair value using quoted prices for similar securities.

Deferred compensation plan — The Company's deferred compensation plan primarily includes various domestic and international mutual funds that are recorded at fair value using quoted prices for similar securities.

Foreign currency exchange contracts — The Company's foreign currency exchange contracts are valued using an approach based on foreign currency exchange rates obtained from active markets. The estimated fair value of forward currency exchange contracts is based on month-end spot rates as adjusted by market-based current activity. These forward contracts are not designated as hedging instruments.

The following table sets forth financial assets and liabilities measured at fair value and recorded in net earnings and the respective pricing levels to which the fair value measurements are classified within the fair value hierarchy as of August 31, 2019 and June 1, 2019.

(In millions)	August 31, 2019			June 1, 2019		
	NAV	Quoted Prices with Other Observable Inputs (Level 2)	Management Estimate (Level 3)	NAV	Quoted Prices with Other Observable Inputs (Level 2)	Management Estimate (Level 3)
Financial Assets						
Cash equivalents:						
Money market funds	\$ 60.6	\$ —	\$ —	\$ 69.5	\$ —	\$ —
Mutual funds - equity	—	0.9	—	—	0.9	—
Deferred compensation plan	—	13.5	—	—	12.5	—
Total	\$ 60.6	\$ 14.4	\$ —	\$ 69.5	\$ 13.4	\$ —
Financial Liabilities						
Foreign currency forward contracts	\$ —	\$ 0.1	\$ —	\$ —	\$ 1.4	\$ —
Total	\$ —	\$ 0.1	\$ —	\$ —	\$ 1.4	\$ —

The following describes the methods the Company uses to estimate the fair value of financial assets and liabilities recorded in other comprehensive income, which have not significantly changed in the current period:

Mutual funds-fixed income — The Company's available-for-sale marketable securities primarily include fixed income mutual funds and government obligations. These investments are recorded at fair value using quoted prices for similar securities.

Interest rate swap agreements — The value of the Company's interest rate swap agreements is determined using a market approach based on rates obtained from active markets. The interest rate swap agreements are designated as cash flow hedging instruments.

The following table sets forth financial assets and liabilities measured at fair value and recorded in other comprehensive income and the respective pricing levels to which the fair value measurements are classified within the fair value hierarchy as of August 31, 2019 and June 1, 2019.

(In millions)	August 31, 2019	June 1, 2019
	Quoted Prices with Other Observable Inputs (Level 2)	Quoted Prices with Other Observable Inputs (Level 2)
Financial Assets		
Mutual funds - fixed income	\$ 8.1	\$ 7.9
Interest rate swap agreement	—	1.0
Total	\$ 8.1	\$ 8.9
Financial Liabilities		
Interest rate swap agreement	\$ 12.7	\$ 2.2
Total	\$ 12.7	\$ 2.2

The following is a summary of the carrying and market values of the Company's fixed income mutual funds and equity mutual funds as of the respective dates:

(In millions)	August 31, 2019			June 1, 2019		
	Cost	Unrealized Gain/(Loss)	Market Value	Cost	Unrealized Gain/(Loss)	Market Value
Mutual funds - fixed income	\$ 8.0	\$ 0.1	\$ 8.1	\$ 7.9	\$ —	\$ 7.9
Mutual funds - equity	0.7	0.2	0.9	0.8	0.1	0.9
Total	\$ 8.7	\$ 0.3	\$ 9.0	\$ 8.7	\$ 0.1	\$ 8.8

The cost of securities sold is based on the specific identification method; realized gains and losses resulting from such sales are included in the Condensed Consolidated Statements of Comprehensive Income within "Other, net".

The Company reviews its investment portfolio for any unrealized losses that would be deemed other-than-temporary and requires the recognition of an impairment loss in earnings. If the cost of an investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than its cost, the Company's intent to hold the investment, and whether it is more likely than not that the Company will be required to sell the investment before recovery of the cost basis. The Company also considers the type of security, related industry and sector performance, and published investment ratings. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established. If conditions within individual markets, industry segments, or macro-economic environments deteriorate, the Company could incur future impairments.

The Company views its equity and fixed income mutual funds as available for use in its current operations. Accordingly, the investments are recorded within Current Assets within the Condensed Consolidated Balance Sheets.

Derivative Instruments and Hedging Activities

Foreign Currency Forward Contracts

The Company transacts business in various foreign currencies and has established a program that primarily utilizes foreign currency forward contracts to reduce the risks associated with the effects of certain foreign currency exposures. Under this program, the Company's strategy is to have increases or decreases in our foreign currency exposures offset by gains or losses on the foreign currency forward contracts to mitigate the risks and volatility associated with foreign currency transaction gains or losses. Foreign currency exposures typically arise from net liability or asset exposures in non-functional currencies on the balance sheets of our foreign subsidiaries. Foreign currency forward contracts generally settle within 30 days and are not used for trading purposes. These forward contracts are not designated as hedging instruments. Accordingly, we record the fair value of these contracts as of the end of the reporting period in the Consolidated Balance Sheets with changes in fair value recorded within the Consolidated Statements of Comprehensive Income. The balance sheet classification for the fair values of these forward contracts is to Other current assets for unrealized gains and to Other accrued liabilities for unrealized losses. The Consolidated Statements of Comprehensive Income classification for the fair values of these forward contracts is to Other expenses (income): Other, net, for both realized and unrealized gains and losses.

Interest Rate Swaps

The Company enters into interest rate swap agreements to manage its exposure to interest rate changes and its overall cost of borrowing. The Company's interest rate swap agreements were entered into to exchange variable rate interest payments for fixed rate payments over the life of the agreement without the exchange of the underlying notional amounts. The notional amount of the interest rate swap agreements is used to measure interest to be paid or received. The differential paid or received on the interest rate swap agreements is recognized as an adjustment to interest expense.

The interest rate swaps were designated cash flow hedges at inception and the facts and circumstances of the hedged relationship remains consistent with the initial quantitative effectiveness assessment in that the hedged instruments remain an effective accounting hedge as of August 31, 2019. Since a designated derivative meets hedge accounting criteria, the fair value of the hedge is recorded in the Consolidated Statements of Stockholders' Equity as a component of Accumulated other comprehensive loss, net of tax. The ineffective portion of the change in fair value of the derivatives is immediately recognized in earnings. The interest rate swap agreements are assessed for hedge effectiveness on a quarterly basis.

In September 2016, the Company entered into an interest rate swap agreement. The interest rate swap is for an aggregate notional amount of \$150.0 million with a forward start date of January 3, 2018 and a termination date of January 3, 2028. As a result of the transaction, the Company effectively converted indebtedness anticipated to be borrowed on the Company's revolving line of credit up to the notional amount from a LIBOR-based floating interest rate plus applicable margin to a 1.949% fixed interest rate plus applicable margin under the agreement as of the forward start date.

On June 12, 2017, the Company entered into an interest rate swap agreement. The interest rate swap is for an aggregate notional amount of \$75.0 million with a forward start date of January 3, 2018 and a termination date of January 3, 2028. As a result of the transaction, the Company effectively converted the Company's revolving line of credit up to the notional amount from a LIBOR-based floating interest rate plus applicable margin to a 2.387% fixed interest rate plus applicable margin under the agreement as of the forward start date.

As of August 31, 2019, the fair value of the Company's two outstanding interest rate swap agreements, which are designated cash flow hedges, was a liability of 12.7 million. The liability fair value was recorded within Other liabilities within the Condensed Consolidated Balance Sheets. Recorded within Other comprehensive loss, net of tax, for the effective portion of the Company's designated cash flow hedges was a net unrealized loss of \$8.8 million and \$0.5 million for the three months ended August 31, 2019 and September 1, 2018, respectively.

There were no gains or losses recognized in earnings for hedge ineffectiveness for the three month periods ended August 31, 2019 and September 1, 2018, respectively. The gains reclassified from Accumulated other comprehensive loss into earnings were \$0.2 million and zero for the three month periods ended August 31, 2019 and September 1, 2018, respectively. Losses expected to be reclassified from Accumulated other comprehensive loss into earnings during the next twelve months are \$0.6 million. The amount of loss, net of tax, expected to be reclassified out of Accumulated other comprehensive loss into earnings during the next twelve months is \$0.5 million.

Redeemable Noncontrolling Interests

Redeemable noncontrolling interests are reported on the Consolidated Balance Sheets in mezzanine equity in "Redeemable noncontrolling interests." As of June 1, 2019, the outstanding redeemable noncontrolling interests were \$20.6 million, and represented an approximate 5% minority ownership in the Company's subsidiary, Herman Miller Consumer Holdings, Inc. ("HMCH"). During the three month period ended August 31, 2019, the Company acquired all of the remaining redeemable noncontrolling equity interests. HMCH redeemed certain HMCH stock for cash and then, on August 23, 2019, HMCH merged with and into the Company, with the remaining minority HMCH shareholders receiving a cash payment. Total cash paid of \$20.4 million for the redemptions and for merger consideration was at fair market value based on an independent appraisal. Cash paid for these interests during the three month period ended August 31, 2019 was \$19.8 million, with the remaining payments completed during the second quarter of fiscal 2020. This compares to purchases of \$10.0 million during the three month period ended September 1, 2018.

13. Commitments and Contingencies

Product Warranties

The Company provides coverage to the end-user for parts and labor on products sold under its warranty policy and for other product-related matters. The standard length of warranty is 12 years for the majority of products sold; however, this varies depending on the product classification. The Company does not sell or otherwise issue warranties or warranty extensions as stand-alone products. Reserves have been established for the various costs associated with the Company's warranty program and are included in the Condensed Consolidated Balance Sheets under "Accrued warranty." General warranty reserves are based on historical claims experience and other currently available information. These reserves are adjusted if required and the actual cost of correction becomes known or can be estimated. The Company provides an assurance-type warranty that ensures that products will function as intended. As such, the Company's estimated warranty obligation is accounted for as a liability.

(In millions)	Three Months Ended	
	August 31, 2019	September 1, 2018
Accrual Balance — beginning	\$ 53.1	\$ 51.5
Accrual for product-related matters	5.3	5.6
Settlements and adjustments	(5.1)	(5.0)
Accrual Balance — ending	\$ 53.3	\$ 52.1

Guarantees

The Company is periodically required to provide performance bonds to do business with certain customers. These arrangements are common in the industry and generally have terms ranging between one and three years. The bonds are required to provide assurance to customers that the products and services they have purchased will be installed and/or provided properly and without damage to their facilities. The bonds are provided by various bonding agencies. However, the Company is ultimately liable for claims that may occur against them. As of August 31, 2019, the Company had a maximum financial exposure related to performance bonds totaling approximately \$4.6 million. The Company has no history of claims, nor is it aware of circumstances that would require it to pay, under any of these arrangements. The Company also believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not materially affect the Company's consolidated financial statements. Accordingly, no liability has been recorded in respect to these bonds as of either August 31, 2019 or June 1, 2019.

The Company has entered into standby letter of credit arrangements for purposes of protecting various insurance companies and lessors against default on insurance premium and lease payments. As of August 31, 2019, the Company had a maximum financial exposure from these standby letters of credit totaling approximately \$9.8 million, all of which is considered usage against the Company's revolving line of credit. The Company has no history of claims, nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any claims that might arise in the future, either individually or in the aggregate, would not materially affect the Company's consolidated financial statements. Accordingly, no liability has been recorded in respect to these arrangements as of August 31, 2019 and June 1, 2019.

Contingencies

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

14. Debt

Long-term debt as of August 31, 2019 and June 1, 2019 consisted of the following obligations:

(In millions)	August 31, 2019	June 1, 2019
Debt securities, due March 1, 2021	\$ 50.0	\$ 50.0
Syndicated revolving line of credit, due September 2021	225.0	225.0
Construction-Type Lease	—	6.9
Supplier financing program	3.3	3.1
Total debt	\$ 278.3	\$ 285.0
Less: Current debt	(3.3)	(3.1)
Long-term debt	\$ 275.0	\$ 281.9

As of June 1, 2019, the Company's syndicated revolving line of credit provided the Company with up to \$400 million in revolving variable interest borrowing capacity and included 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 up to \$200 million. On August 28, 2019, the Company entered into an amendment and restatement of its existing unsecured credit facility (the "Agreement"). The Agreement, which expires on August 28, 2024, provides the Company with up to \$500 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 up to \$250 million. 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 if borrowings are outstanding.

As of August 31, 2019, the total debt outstanding related to borrowings under the syndicated revolving line of credit was \$225.0 million. Available borrowings against this facility were \$265.2 million due to \$9.8 million related to outstanding letters of credit. As of June 1, 2019, total debt outstanding related to borrowings under the syndicated revolving line of credit was \$225.0 million and available borrowings were \$165.0 million due to \$10.0 million of outstanding letters of credit.

Supplier Financing Program

The Company has an agreement with a third-party financial institution that allows certain participating suppliers the ability to finance payment obligations from the Company. Under this program, participating suppliers may finance payment obligations of the Company, prior to their scheduled due dates, at a discounted price to the third-party financial institution.

The Company has lengthened the payment terms for certain suppliers that have chosen to participate in the program. As a result, certain amounts due to suppliers have payment terms that are longer than standard industry practice and as such, these amounts have been excluded from the caption "Accounts payable" in the Condensed Consolidated Balance Sheets as the amounts have been accounted for by the Company as a current debt obligation. Accordingly, \$3.3 million and \$3.1 million have been recorded within the caption "Other accrued liabilities" for the periods ended August 31, 2019 and June 1, 2019, respectively.

Construction-Type Lease

During fiscal 2015, the Company entered into a lease agreement for the occupancy of a new studio facility in Palo Alto, California which runs through fiscal 2026. In fiscal 2017, the Company became the deemed owner of the leased building for accounting purposes as a result of the Company's involvement during the construction phase of the project. The lease was therefore accounted for as a financing lease and the building and related financing liability were initially recorded at fair value in the Consolidated Balance Sheets within Construction in progress and Other accrued liabilities. During the first quarter of fiscal 2019, the construction was substantially completed, and the property was placed in service. As a result, the Company began depreciating the assets over their estimated useful lives. The Company also reclassified the related financing liability to Long-term debt. The carrying value of the building and the related financing liability were both \$6.9 million at June 1, 2019. As a result of the adoption of ASC 842, the Company derecognized its construction-type lease asset and financing liability and there was no related cumulative adjustment to retained earnings.

15. Accumulated Other Comprehensive Loss

The following table provides an analysis of the changes in accumulated other comprehensive loss for the three months ended August 31, 2019 and September 1, 2018:

(In millions)	Cumulative Translation Adjustments	Pension and Other Post- retirement Benefit Plans	Unrealized Gains on Available-for- sale Securities	Interest Rate Swap Agreement	Accumulated Other Comprehensive Loss
Balance at June 1, 2019	\$ (48.3)	\$ (45.0)	\$ —	\$ (0.9)	\$ (94.2)
Other comprehensive loss before reclassifications	(9.3)	—	—	(9.0)	(18.3)
Reclassification from accumulated other comprehensive loss - Other, net	—	0.8	—	0.2	1.0
Tax benefit	—	(0.1)	—	—	(0.1)
Net reclassifications	—	0.7	—	0.2	0.9
Net current period other comprehensive income	(9.3)	0.7	—	(8.8)	(17.4)
Balance at August 31, 2019	<u>\$ (57.6)</u>	<u>\$ (44.3)</u>	<u>\$ —</u>	<u>\$ (9.7)</u>	<u>\$ (111.6)</u>
Balance at June 2, 2018	\$ (34.1)	\$ (37.2)	\$ 0.1	\$ 9.9	\$ (61.3)
Cumulative effect of accounting change	—	—	(0.1)	—	(0.1)
Other comprehensive loss before reclassifications	(7.9)	—	(0.1)	(0.5)	(8.5)
Reclassification from accumulated other comprehensive loss - Other, net	—	0.8	—	—	0.8
Tax benefit	—	(0.1)	—	—	(0.1)
Net reclassifications	—	0.7	—	—	0.7
Net current period other comprehensive income	(7.9)	0.7	(0.1)	(0.5)	(7.8)
Balance at September 1, 2018	<u>\$ (42.0)</u>	<u>\$ (36.5)</u>	<u>\$ (0.1)</u>	<u>\$ 9.4</u>	<u>\$ (69.2)</u>

16. Operating Segments

The Company's reportable segments consist of North America Contract, International Contract, and Retail.

The North America Contract segment includes the operations associated with the design, manufacture, and sale of furniture and textile products for work-related settings, including office, education, and healthcare environments, throughout the United States and Canada. The business associated with the Company's owned contract furniture dealers is also included in the North America Contract segment. In addition to the Herman Miller brand, this segment includes the operations associated with the design, manufacture and sale of high-craft furniture products and textiles including Geiger wood products, Maharam textiles, Nemschoff and Herman Miller Collection products.

The International Contract segment includes the operations associated with the design, manufacture, and sale of furniture products, primarily for work-related settings in EMEA, Latin America, and Asia-Pacific.

The Retail segment includes operations associated with the sale of modern design furnishings and accessories to third party retail distributors, as well as direct to consumer sales through eCommerce, direct mailing catalogs and Design Within Reach and HAY studios.

The Company also reports a "Corporate" category consisting primarily of unallocated expenses related to general corporate functions, including, but not limited to, certain legal, executive, corporate finance, information technology, administrative and acquisition-related costs. Management regularly reviews corporate costs and believes disclosing such information provides more visibility and transparency regarding how the chief operating decision maker reviews results of the Company. The accounting policies of the reportable operating segments are the same as those of the Company.

The following is a summary of certain key financial measures for the respective fiscal periods indicated:

(In millions)	Three Months Ended	
	August 31, 2019	September 1, 2018
Net Sales:		
North America Contract	\$ 458.4	\$ 421.0
International Contract	113.9	115.4
Retail	98.6	88.2
Total	\$ 670.9	\$ 624.6
Operating Earnings (Loss):		
North America Contract	\$ 62.9	\$ 48.1
International Contract	13.1	10.5
Retail	(3.9)	2.1
Corporate	(12.0)	(14.7)
Total	\$ 60.1	\$ 46.0
Total Assets:		
North America Contract	\$ 800.6	\$ 733.6
International Contract	366.8	356.8
Retail	448.9	310.0
Corporate	168.5	168.9
Total	\$ 1,784.8	\$ 1,569.3

17. Restructuring Expense

North America Contract Segment

During the fourth quarter of fiscal 2019, the Company announced restructuring activities associated with our profit improvement initiatives, including costs associated with an early retirement program. The plan is expected to generate annual cost savings of approximately \$10 million.

In the first quarter of fiscal 2020, the Company recognized pre-tax restructuring expense of \$1.6 million related to the plan. To date, the Company has recognized \$9.3 million of restructuring expense related to the plan. Future estimated restructuring expenses relate to the early retirement program and are estimated at a cost of \$0.1 million and are substantially complete.

The following table provides an analysis of the changes in the North America Contract Segment restructuring cost reserve:

(In millions)	August 31, 2019		
	Severance and Employee-Related	Exit or Disposal Activities	Total
Beginning Balance	\$ 6.7	\$ 1.0	\$ 7.7
Restructuring Costs	1.6	—	1.6
Amounts Paid	(4.8)	(0.1)	(4.9)
Ending Balance	\$ 3.5	\$ 0.9	\$ 4.4

International Contract Segment

During the fourth quarter of fiscal 2018, the Company announced a facilities consolidation plan related to its International Contract segment. This impacted certain office and manufacturing facilities in the United Kingdom and China. The plan is expected to generate cost savings of approximately \$3 million.

In fiscal 2019, the Company recognized restructuring and impairment expenses of \$2.5 million related to the facilities consolidation plan, comprised primarily of \$0.8 million related to an asset impairment recorded against an office building in the United Kingdom that was vacated and \$1.4 million from the consolidation of the Company's manufacturing facilities in China.

In the first quarter of fiscal 2020 the Company recognized pre-tax restructuring expense of \$0.2 million related to the plan. To date, the Company has recognized \$6.6 million of restructuring costs related to the plan. Future estimated restructuring expenses relate to the facilities consolidation in China and are estimated at a cost of \$1.7 million. The plan is expected to be complete by the end of fiscal 2020.

As the United Kingdom office building and related assets meet the criteria to be designated as assets held for sale, the carrying value of these assets have been classified as current assets and included within "Prepaid expenses and other" in the Condensed Consolidated Balance Sheets at August 31, 2019. The carrying amount of the assets held for sale was approximately \$4.1 million as of August 31, 2019.

The following table provides an analysis of the changes in the International Contract segment restructuring costs reserve:

(In millions)	August 31, 2019				
	Severance and Employee-Related		Exit or Disposal Activities		Total
Beginning Balance	\$	0.1	\$	0.1	\$ 0.2
Restructuring Costs		—		0.2	0.2
Amounts Paid		(0.1)		(0.3)	(0.4)
Ending Balance	\$	—	\$	—	\$ —

18. Variable Interest Entities

The Company has long-term notes receivable with a third-party owned dealer that are deemed to be variable interests in a variable interest entity. The carrying value of these long-term notes receivable was \$1.6 million as of August 31, 2019 and June 1, 2019 and represents the Company's maximum exposure to loss. The Company is not deemed to be the primary beneficiary of the variable interest entity as the entity controls the activities that most significantly impact the entity's economic performance, including sales, marketing, and operations.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in millions, except share data)

The following is management's discussion and analysis of certain significant factors that affected the Company's financial condition, earnings and cash flows during the periods included in the accompanying Condensed Consolidated Financial Statements and should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended June 1, 2019. References to "Notes" are to the footnotes included in the accompanying Condensed Consolidated Financial Statements.

Business Overview

The Company researches, designs, manufactures, sells, and distributes furnishings and accessories, for use in various environments including office, healthcare, educational, and residential settings, and provides related services that support companies all over the world. The Company's products are sold primarily through independent contract office furniture dealers as well as the following channels: owned contract office furniture dealers, direct customer sales, independent retailers, owned retail studios, direct-mail catalogs and the Company's e-commerce platforms. The following is a summary of the results from continuing operations for the three months ended August 31, 2019:

- Net sales were \$670.9 million and orders were \$676.7 million, representing an increase of 7.4% and 6.9%, respectively, when compared to the same quarter of the prior year. The increase in net sales was driven primarily by strong performance within the North America Contract and Retail segments, as well as incremental list price increases. On an organic basis, net sales were \$673.0 million^(*) and orders were \$679.0 million, representing an increase of 7.7%^(*) and 7.3%, respectively, when compared to the same quarter of the prior year.
- Gross margin was 36.7% as compared to 36.0% for the same quarter of the prior year. The increase in gross margin was driven primarily by list price increases, manufacturing leverage on higher production volumes, lower steel costs, and ongoing profitability improvement efforts, partially offset by higher freight and storage costs and the impact of tariffs on Chinese imports.
- Operating expenses increased by \$6.9 million or 3.9% as compared to the same quarter of the prior year. Operating expenses included special charges, totaling \$0.4 million, related to costs associated with the CEO transition. Operating expenses also included restructuring expense of \$1.8 million related to actions involving facilities consolidation and costs associated with an early retirement program.
- The effective tax rate was 21.0% compared to 20.0% for the same quarter of the prior year.
- Diluted earnings per share increased \$0.21 to \$0.81, a 35.0% increase as compared to the prior year. Excluding the impact of restructuring expense and other special charges, adjusted diluted earnings per share were \$0.84^(*), a 21.7% increase as compared to the prior year.
- The Company declared cash dividends of \$0.21 per share compared to \$0.1975 per share in the same quarter of the prior year.
- The Company completed an amendment and restatement of its existing unsecured credit facility, increasing the available borrowing capacity from \$400 million to \$500 million.

(*) Non-GAAP measurements; see accompanying reconciliations and explanations.

The following summary includes the Company's view on the economic environment in which it operates:

- North America remains generally conducive to continued growth due to recent positive industry order trends as reported by the Business and Institutional Furniture Manufacturers Association ("BIFMA"), GDP growth and service sector employment.
- The Company is monitoring the resolution of various trade policy negotiations between the U.S. and key trading partners as well as the ongoing negotiations concerning the U.K. referendum to exit the European Union. These negotiations create a level of uncertainty in key markets, particularly the U.K., continental Europe and China, which, if unresolved in the near term, will likely negatively impact customer demand.
- The Company is also navigating the impact of global tariffs. The Company continues to believe, based upon existing circumstances, that pricing, strategic sourcing actions, and profit optimization initiatives will fully offset the current level of tariffs imposed on imports from China in the near term.

- The Company's Retail segment is facing continuing gross margin pressure from the increasing customer expectation that the products they buy should come free of delivery charges. In response, the Company is evaluating a variety of strategies, including negotiating lower costs from third party freight providers, implementing actions aimed at improving the efficiency of its logistics processes, and more closely reflecting the cost of delivery into the base price of its products.

The remaining sections within Item 2 include additional analysis of the three months ended August 31, 2019, including discussion of significant variances compared to the prior year periods.

Reconciliation of Non-GAAP Financial Measures

This report contains references to Organic net sales and Adjusted earnings per share - diluted, which are non-GAAP financial measures. Organic Growth (Decline) represents the change in Net sales, excluding currency translation effects. Adjusted earnings per share - diluted represents reported diluted earnings per share excluding the impact from amortization of an inventory step up on the HAY equity method investment, restructuring expenses and other charges or gains, including related taxes. Restructuring expenses include actions involving facilities consolidation and costs associated with an early retirement program. Special charges include costs related to CEO transition and third party consulting costs related to the Company's profit enhancement initiatives.

The Company believes presenting Organic net sales and Adjusted earnings per share - diluted is useful for investors as it provides financial information on a more comparative basis for the periods presented by excluding items that are not representative of the ongoing operations of the Company.

Organic net sales and Adjusted earnings per share - diluted are not measurements of our financial performance under GAAP and should not be considered as alternatives to the related GAAP measurement. These non-GAAP measurements have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Our presentation of non-GAAP measures should not be construed as an indication that our future results will be unaffected by unusual or infrequent items. We compensate for these limitations by providing prominence of our GAAP results and using the non-GAAP financial measures only as a supplement.

The following table reconciles Net sales to Organic net sales for the periods ended as indicated below:

	Three Months Ended 8/31/19				Three Months Ended 9/1/18			
	North America	International	Retail	Total	North America	International	Retail	Total
Net Sales, as reported	\$ 458.4	\$ 113.9	\$ 98.6	\$ 670.9	\$ 421.0	\$ 115.4	\$ 88.2	\$ 624.6
% change from PY	8.9%	(1.3)%	11.8%	7.4%				
<u>Proforma Adjustments</u>								
Currency Translation Effects ⁽¹⁾	0.2	1.9	—	2.1	—	—	—	—
Organic net sales	\$ 458.6	\$ 115.8	\$ 98.6	\$ 673.0	\$ 421.0	\$ 115.4	\$ 88.2	\$ 624.6
% change from PY	8.9%	0.3 %	11.8%	7.7%				

⁽¹⁾ Currency translation effects represent the estimated net impact of translating current period sales using the average exchange rates applicable to the comparable prior year period

The following table reconciles Earnings per share - diluted to Adjusted earnings per share - diluted for the three months ended:

	Three Months Ended	
	8/31/19	9/1/18
Earnings per Share - Diluted	\$ 0.81	\$ 0.60
Add: Inventory step up on HAY equity method investment, after tax	—	0.01
Add: Special charges, after tax	0.01	0.06
Add: Restructuring expense, after tax	0.02	0.02
Adjusted Earnings per Share - Diluted	\$ 0.84	\$ 0.69
Weighted Average Shares Outstanding (used for Calculating Adjusted Earnings per Share) – Diluted	59,231,728	59,869,114

Analysis of Results for Three Months

The following table presents certain key highlights from the results of operations for the three months ended:

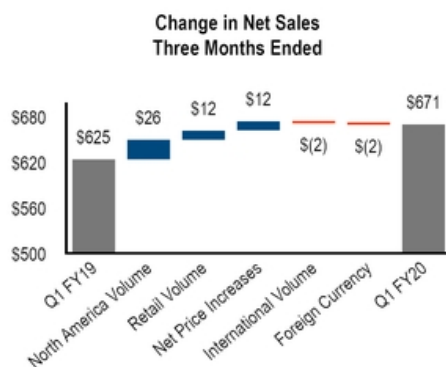
(In millions, except per share data)	August 31, 2019	September 1, 2018	Percent Change
Net sales	\$ 670.9	\$ 624.6	7.4 %
Cost of sales	424.8	399.5	6.3 %
Gross margin	246.1	225.1	9.3 %
Operating expenses	186.0	179.1	3.9 %
Operating earnings	60.1	46.0	30.7 %
Other expenses, net	2.1	1.9	10.5 %
Earnings before income taxes and equity income	58.0	44.1	31.5 %
Income tax expense	12.2	8.9	37.1 %
Equity income from nonconsolidated affiliates, net of tax	2.2	0.7	214.3 %
Net earnings	48.0	35.9	33.7 %
Net (loss) earnings attributable to noncontrolling interests	(0.2)	0.1	(300.0)%
Net earnings attributable to Herman Miller, Inc.	\$ 48.2	\$ 35.8	34.6 %
Earnings per share — diluted	0.81	0.60	35.0 %
Orders	676.7	632.8	6.9 %
Backlog	399.9	354.8	12.7 %

The following table presents select components of the Company's Condensed Consolidated Statements of Comprehensive Income as a percentage of net sales, for the three months ended:

	August 31, 2019	September 1, 2018
Net sales	100.0 %	100.0%
Cost of sales	63.3	64.0
Gross margin	36.7	36.0
Operating expenses	27.7	28.7
Operating earnings	9.0	7.4
Other expenses, net	0.3	0.3
Earnings before income taxes and equity income	8.6	7.1
Income tax expense	1.8	1.4
Equity income from nonconsolidated affiliates, net of tax	0.3	0.1
Net earnings	7.2	5.7
Net (loss) earnings attributable to noncontrolling interests	—	—
Net earnings attributable to Herman Miller, Inc.	7.2	5.7

Consolidated Sales

The following chart presents graphically the primary drivers of the year-over-year change in Net sales for the three months ended August 31, 2019. The amounts presented in the bar graph are expressed in millions and have been rounded.



Consolidated Net sales increased \$46.3 million or 7.4% in the first quarter of fiscal 2020 compared to the first quarter of fiscal 2019. The following items contributed to the change:

- Increased sales volumes within the North America segment of approximately \$26 million due to increased demand within the core Herman Miller and Geiger contract businesses.
- Increased sales volumes within the Retail segment of approximately \$12 million which were driven primarily by growth across the Company's DWR e-commerce and contract channels and the introduction of HAY products.
- Incremental list price increases, net of contract price discounting, of approximately \$12 million.
- Decreased sales volumes within the International segment of approximately \$2 million.
- Foreign currency translation had a negative impact on net sales of approximately \$2 million.

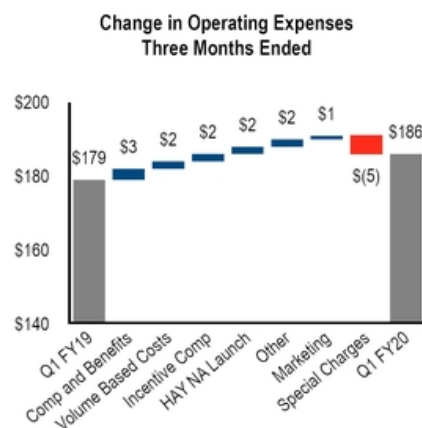
Consolidated Gross Margin

Consolidated gross margin was 36.7% for the three month period ended August 31, 2019 as compared to 36.0% for the same quarter of the prior fiscal year. When compared to last fiscal year, the following factors summarize the major drivers of the change in gross margin percentage:

- Incremental list price increases, net of contract price discounting, increased gross margin by approximately 170 basis points.
- Manufacturing leverage on higher production volumes, lower steel costs, and ongoing profitability improvement efforts increased gross margin by approximately 70 basis points.
- Higher net freight expenses and cost inefficiencies associated with the move into a new Ohio-based distribution center within the Retail segment decreased gross margin by approximately 90 basis points.
- The gross impact of tariffs on Chinese imports decreased gross margin by approximately 80 basis points.

Operating Expenses and Operating Earnings

The following chart presents graphically the primary drivers of the year-over-year change in operating expenses for the three months ended August 31, 2019. The amounts presented in the bar graph are expressed in millions and have been rounded.



Consolidated operating expenses increased by \$6.9 million or 3.9% in the first quarter of fiscal 2020 compared to the prior year period. The following factors contributed to the change:

- Compensation and benefit costs increased by approximately \$3 million.
- Incremental sales volume based costs, such as sales commissions and royalties, increased approximately \$2 million.
- Higher employee incentive costs increased operating expenses by approximately \$2 million. The increase reflects higher incentive compensation costs that are variable based on the achievement of earnings levels for the fiscal year relative to plan.
- Incremental spend of approximately \$2 million related to the marketing, e-commerce, and studios associated with the launch of the HAY brand in North America.
- Special charges decreased by approximately \$5 million, primarily as a result of lower third-party consulting fees related to the Company's profit optimization initiatives.
- The rest of the increase in operating expenses was driven primarily by incremental marketing and IT costs, and incremental operating costs associated with new DWR studios opened within the last twelve months.

Other Income/Expense

During the three months ended August 31, 2019, net other expense was \$2.1 million, an increase of \$0.2 million compared to the same period in the prior year. This increase resulted primarily from higher interest expense on outstanding debt, combined with lower foreign currency gains, partially offset by higher interest income.

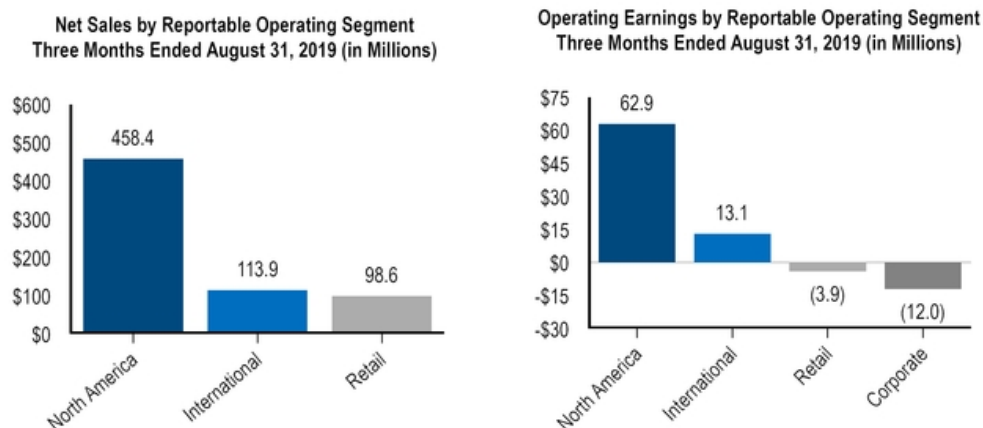
Income Taxes

See Note 11 of the Condensed Consolidated Financial Statements for additional information.

Reportable Operating Segment Results

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. The reportable segments identified by the Company include North America Contract, International Contract, Retail, and Corporate. For descriptions of each segment, refer to Note 16 of the Condensed Consolidated Financial Statements.

The charts below present the relative mix of Net sales and Operating earnings across the Company's reportable segments during the three month period ended August 31, 2019. This is followed by a discussion of the Company's results, by reportable segment.



North America Contract ("North America")

	Three Months Ended		
	August 31, 2019	September 1, 2018	Change
Net sales	\$ 458.4	\$ 421.0	\$ 37.4
Gross margin	167.7	147.6	20.1
Gross margin %	36.6%	35.1%	1.5%
Operating earnings	62.9	48.1	14.8
Operating earnings %	13.7%	11.4%	2.3%

For the three month comparative period, Net sales increased 8.9%, both on an as reported and organic^(*) basis, over the prior year period due to:

- Increased sales volumes within the North America segment of approximately \$26 million due to increased demand within the core contract and Geiger businesses; and
- Incremental list price increases, net of contract price discounting, of approximately \$10 million.

For the three month comparative period, Operating earnings increased \$14.8 million, or 30.8%, over the prior year period due to:

- Increased gross margin of \$20.1 million and increased gross margin percentage of 150 basis points due primarily to incremental list price increases, net of contract price discounting, lower steel costs, and profit optimization initiatives, partially offset by higher tariffs costs; offset by
- Increased operating expenses of \$5.6 million driven primarily by increased restructuring expense and sales volume based costs.

(*) Non-GAAP measurements; see accompanying reconciliations and explanations.

International Contract ("International")

	Three Months Ended		
	August 31, 2019	September 1, 2018	Change
Net sales	\$ 113.9	\$ 115.4	\$ (1.5)
Gross margin	39.8	38.1	1.7
Gross margin %	34.9%	33.0%	1.9%
Operating earnings	13.1	10.5	2.6
Operating earnings %	11.5%	9.1%	2.4%

For the three month comparative period, Net sales decreased 1.3%, or increased 0.3%^(*) on an organic basis, over the prior year period due to:

- Decreased sales volumes within the International segment of approximately \$2 million; and
- The impact of foreign currency translation which decreased sales by approximately \$2 million; offset by
- Incremental list price increases, net of contract price discounting, of approximately \$2 million.

For the three month comparative period, Operating earnings increased \$2.6 million, or 24.8%, over the prior year period due to:

- Increased gross margin of \$1.7 million and increased gross margin percentage of 190 basis points due primarily to incremental list price increases, net of contract price discounting, profit optimization initiatives and restructuring cost savings, partially offset by lower volume leverage and higher tariff costs; and
- Decreased operating expenses of \$0.8 million driven primarily by lower restructuring expense.

Retail

	Three Months Ended		
	August 31, 2019	September 1, 2018	Change
Net sales	\$ 98.6	88.2	\$ 10.4
Gross margin	38.6	39.4	(0.8)
Gross margin %	39.1 %	44.7%	(5.6)%
Operating earnings	(3.9)	2.1	(6.0)
Operating earnings %	(4.0)%	2.4%	(6.4)%

For the three month comparative period, Net sales increased 11.8%, both on an as reported and organic^(*) basis, over the prior year period due to:

- Increased sales volumes within the Retail segment of approximately \$12 million driven primarily by growth across the Company's DWR e-commerce and contract channels and the introduction of HAY products, which were partially offset by lower freight revenue.

For the three month comparative period, Operating earnings decreased \$6.0 million, or 285.7%, over the prior year period due to:

- Decreased gross margin of \$0.8 million and decreased gross margin percentage of 560 basis points due primarily to higher net freight expenses and cost inefficiencies associated with the move into a new Ohio-based distribution center; and
- An increase in operating expenses of \$5.2 million primarily due to new studios and the launch of the HAY brand in North America.

() Non-GAAP measurements; see accompanying reconciliations and explanations.*

Corporate

Corporate unallocated expenses totaled \$12.0 million for the first quarter of fiscal 2020, a decrease of \$2.7 million from the first quarter of fiscal 2019. The decrease was driven primarily by lower special charges related to third-party consulting costs for the Company's profit optimization initiatives, partially offset by higher employee compensation and incentive costs in the current period.

Financial Condition, Liquidity and Capital Resources

The table below summarizes the net increase (decrease) in cash and cash equivalents for the three months ended as indicated.

(In millions)	August 31, 2019	September 1, 2018
Cash provided by (used in):		
Operating activities	\$ 54.7	\$ 32.9
Investing activities	(24.0)	(99.7)
Financing activities	(27.9)	(33.0)
Effect of exchange rate changes	(2.5)	(2.4)
Net change in cash and cash equivalents	<u>\$ 0.3</u>	<u>\$ (102.2)</u>

Cash Flows - Operating Activities

Cash provided by operating activities for the three months ended August 31, 2019 was \$54.7 million, as compared to \$32.9 million in the same period of the prior year. The increase in cash generated from operations in the current year, compared to the prior year, was primarily due to:

- An increase in net earnings of \$12.1 million; and
- An increase in current assets of \$7.6 million in the prior year period driven primarily by an increase inventory as compared to a decrease in current assets in the current period of \$1.4 million.

Cash Flows - Investing Activities

Cash used in investing activities for the three months ended August 31, 2019 was \$24.0 million, as compared to \$99.7 million in the same period of the prior year. The decrease in cash outflow in the current year, compared to the prior year, was primarily due to:

- Prior year cash outflows of \$71.6 million for equity investments in HAY and Maars, and \$4.8 million for the purchase of the HAY licensing agreement.

At the end of the first quarter of fiscal 2020, there were outstanding commitments for capital purchases of \$16.7 million compared to \$26.6 million at the corresponding date in the prior year. The Company plans to fund these commitments with cash on hand and/or cash generated from operations. The Company expects full-year capital purchases to be between \$90.0 million and \$100.0 million, which will be primarily related to investments in the Company's facilities and equipment. This compares to full-year capital spending of \$85.8 million in fiscal 2019.

Cash Flows - Financing Activities

Cash used in financing activities for the three months ended August 31, 2019 was \$27.9 million, as compared to \$33.0 million in the same period of the prior year. The decrease in cash outflow in the current year, compared to the prior year, was primarily due to:

- Lower common stock repurchased of \$7.6 million in the current year compared to \$20.8 million in the prior year; and
- An increase in common stock issuances related to employee benefit programs in the current year of \$12.7 million compared to \$8.5 million in the prior year; partially offset by
- The purchase of the remaining redeemable noncontrolling interests in the current year for \$19.8 million as described in Note 12 of the Condensed Consolidated Financial Statements, compared to purchases of \$10.0 million in the prior year.

Sources of Liquidity

In addition to cash flows from operating activities, the Company has access to liquidity through credit facilities, cash and cash equivalents, and short-term investments. These sources have been summarized below. For additional information, refer to Note 14 to the Condensed Consolidated Financial Statements.

(In millions)	August 31, 2019		June 1, 2019	
Cash and cash equivalents	\$	159.5	\$	159.2
Marketable securities		9.0		8.8
Availability under syndicated revolving line of credit	\$	265.2	\$	165.0

At the end of the first quarter of fiscal 2020, the Company had cash and cash equivalents of \$159.5 million, including \$94.2 million of cash and cash equivalents held outside the United States. In addition, the Company had marketable securities of \$9.0 million held by one of its international subsidiaries.

The subsidiary holding the Company's marketable securities is taxed as a United States taxpayer at the Company's election. Consequently, for tax purposes, all United States tax impacts for this subsidiary have been recorded. The Company maintains its intent to permanently reinvest the remainder of the cash outside the United States. The Tax Cuts and Jobs Act (the "Act"), enacted on December 22, 2017, assesses a one-time tax on deferred foreign income upon transition to a participation exemption system of taxation. The new system of taxation allows for future distribution of foreign earnings to the U.S. without incremental federal income taxes. The Company is considering the impact of the Act and the one-time transition tax on its foreign earnings which are invested in liquidable assets.

The Company believes cash on hand, cash generated from operations, and borrowing capacity will provide adequate liquidity to fund near term and foreseeable future business operations, capital needs, future dividends and share repurchases, subject to financing availability in the marketplace.

Contractual Obligations

Contractual obligations associated with ongoing business and financing activities will require cash payments in future periods. A table summarizing the amounts and estimated timing of these future cash payments as of June 1, 2019 was provided in the Company's annual report on Form 10-K for the year ended June 1, 2019. There have been no material changes in such obligations since that date.

Guarantees

See Note 13 to the Condensed Consolidated Financial Statements.

Variable Interest Entities

See Note 18 to the Condensed Consolidated Financial Statements.

Contingencies

See Note 13 to the Condensed Consolidated Financial Statements.

Critical Accounting Policies

The Company strives to report financial results clearly and understandably. The Company follows accounting principles generally accepted in the United States in preparing its consolidated financial statements, which require certain estimates and judgments that affect the financial position and results of operations for the Company. The Company continually reviews the accounting policies and financial information disclosures. A summary of the more significant accounting policies that require the use of estimates and judgments in preparing the financial statements is provided in the Company's annual report on Form 10-K for the year ended June 1, 2019. During fiscal 2020, the Company changed certain accounting policies in connection with the adoption of *ASC 842 - Leases*. Refer to Note 4 to the Condensed Consolidated Financial Statements for further information.

New Accounting Standards

See Note 2 to the Condensed Consolidated Financial Statements.

Safe Harbor Provisions

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, that are based on management’s beliefs, assumptions, current expectations, estimates, and projections about the office furniture industry, the economy, and the Company itself. Words like “anticipates,” “believes,” “confident,” “estimates,” “expects,” “forecasts,” “likely,” “plans,” “projects,” and “should,” variations of such words, and similar expressions identify such forward-looking statements. These statements do not guarantee future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, likelihood, and degree of occurrence. These risks include, without limitation, the success of our growth strategy, employment and general economic conditions, the pace of economic growth in the U.S., and in our International markets, the potential impact of changes in U.S. tax law, the increase in white collar employment, the willingness of customers to undertake capital expenditures, the types of products purchased by customers, competitive-pricing pressures, the availability and pricing of raw materials, our reliance on a limited number of suppliers, our ability to expand globally given the risks associated with regulatory and legal compliance challenges and accompanying currency fluctuations, the ability to increase prices to absorb the additional costs of raw materials, the financial strength of our dealers and the financial strength of our customers, our ability to locate new DWR and HAY studios, negotiate favorable lease terms for new and existing locations and the implementation of our studio portfolio transformation, our ability to attract and retain key executives and other qualified employees, our ability to continue to make product innovations, the success of newly-introduced products, our ability to serve all of our markets, possible acquisitions, divestitures or alliances, the pace and level of government procurement, the outcome of pending litigation or governmental audits or investigations, political risk in the markets we serve, and other risks identified in our 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., undertakes no obligation to update, amend or clarify forward-looking statements.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

The information concerning quantitative and qualitative disclosures about market risk contained in the Company's Annual Report on Form 10-K for its fiscal year ended June 1, 2019 has not changed significantly. The nature of market risks from interest rates and commodity prices has not changed materially during the first three months of fiscal 2020.

Foreign Exchange Risk

The Company primarily manufactures its products in the United States, United Kingdom, China and India. 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 impact 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, Hong Kong dollar and Chinese renminbi. Changes in the fair value of such contracts are reported in earnings in the period the value of the contract changes. The net gain or loss upon settlement and the change in fair value of outstanding contracts is recorded as a component of Other expense (income), net.

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of August 31, 2019, and the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of that date, the Company's disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

Beginning June 2, 2019, the Company adopted *ASC 842 - Leases*. As a result, the Company implemented certain process changes related to the lease process and related control environment. These changes included the development of new accounting procedures, policies and controls required to comply with the new standard.

There were no other changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the quarterly period ended August 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1: Legal Proceedings

Referred to in Note 13 of the Condensed Consolidated Financial Statements.

Item 1A: Risk Factors

There have been no material changes in the Company's risk factors from those set forth in the Company's Annual Report on Form 10-K for the year ended June 1, 2019.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following is a summary of share repurchase activity during the quarter ended August 31, 2019.

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 (in millions)
6/2/2019-6/29/19	10,176	\$ 37.56	10,176	\$ 263,839,786
6/30/19-7/27/19	116,171	\$ 44.75	116,171	\$ 258,640,680
7/28/19-8/31/19	46,654	\$ 44.03	46,654	\$ 256,586,512
Total	173,001		173,001	

The Company repurchased shares under previously announced plans authorized by the Board of Directors. No repurchase plans expired or were terminated during the first quarter of fiscal 2020, nor do any plans exist under which the Company does not intend to make further purchases. The Board has the authority to terminate any further repurchases. During the period covered by this report, the Company did not sell any of its equity securities that were not registered under the Securities Act of 1933.

Item 3: Defaults upon Senior Securities

None

Item 4: Mine Safety Disclosures

Not applicable

Item 5: Other Information

None

Item 6: Exhibits

The following exhibits (listed by number corresponding to the Exhibit table as Item 601 in Regulation S-K) are filed with this Report:

<u>Exhibit Number</u>	<u>Document</u>
10.1*	<u>Form of Indemnification Agreement between Herman Miller, Inc. and certain employees serving as a director or officer of a foreign subsidiary, including executive officers of Herman Miller, Inc.</u>
10.2	<u>Fifth Amended and Restated Credit Agreement dated as of August 28, 2019 among Herman Miller, Inc., Subsidiary Borrowers, various lenders, Wells Fargo Bank, National Agent, as Administrative Agent, and JPMorgan Chase Bank N.A., as Syndication Agent, is incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K dated August 28, 2019 (Commission File No. 001-15141).</u>
10.3	<u>Share Purchase Agreement dated October 8, 2019 between Herman Miller Holdings Limited and Nine United A/S</u>
31.1	<u>Certificate of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certificate of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2	<u>Certificate of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

(*) Denotes compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

HERMAN MILLER, INC.

October 8, 2019

/s/ Andrea R. Owen

Andrea R. Owen
President and Chief Executive
Officer
(Duly Authorized Signatory for Registrant)

October 8, 2019

/s/ Jeffrey M. Stutz

Jeffrey M. Stutz
Chief Financial Officer
(Duly Authorized Signatory for Registrant)

Exhibit 10.1

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT ("**Agreement**") is executed effective as of July 1, 2019 (the "**Effective Date**"), by and between **HERMAN MILLER, INC.**, a Michigan corporation (the "**Company**"), and _____ ("**Indemnitee**").

RECITALS

A. Indemnitee is an employee of the Company or an Affiliate of the Company and in such capacity has agreed to serve as an officer, director, manager, agent and/or similar capacity (referred to as a "**Responsible Party**") to the Company or one or more Affiliates of the Company. For purposes of this Agreement, the term "**Affiliate**" shall mean all entities that are controlled by the Company, are under common control with the Company or as identified in attached Appendix A, as may be updated by the Company from time to time.

B. The Affiliates have been formed and established in a number of jurisdictions throughout the world and have been organized in a variety of forms of business entities, many of which are unique to the jurisdiction in which they were formed. As a Responsible Party, Indemnitee may be exposed to certain personal risks associated with serving in such capacities for the benefit of the Company and/or its Affiliates.

C. The Company has determined that to attract and retain persons to serve as a Responsible Party for one or more Affiliates and encourage them to take the risks necessary for the success of the Company and/or its Affiliates, it is reasonable, prudent and necessary for the Company to obligate itself contractually to indemnify such persons and to assume for itself and its Affiliates the liability for expenses and damages in connection with claims against them arising of their service as a Responsible Party.

NOW, THEREFORE, in order to induce Indemnitee to serve as a Responsible Party of the Company and/or its Affiliates, and in consideration of the foregoing recitals and mutual promises set forth in this Agreement, the parties agree as follows:

Section 1. INDEMNIFICATION.

1.1 Third Party Proceedings. The Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Company and/or an Affiliate) by reason of the fact that Indemnitee is or was a Responsible Party of the Company or any Affiliate, by reason of any action or inaction on the part of Indemnitee while a Responsible Party, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such action, suit, or proceeding, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and/or an Affiliate, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner that Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and/or an Affiliate, and, with respect to any criminal action or proceeding, had reasonable cause to believe that Indemnitee's conduct was unlawful.

1.2 Proceedings by or in the Right of the Company and/or An Affiliate. The Company shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the Company or any Affiliate to procure a judgment in its favor by reason of the fact that Indemnitee is or was a Responsible Party of the Company or any Affiliate, by reason of any action or inaction on the part of Indemnitee while a Responsible Party against expenses (including attorneys' fees) and, to the fullest extent permitted by law, amounts paid in settlement (to the extent reasonably approved by the Company), in each case to the extent actually and reasonably incurred by Indemnitee in connection with the defense or settlement (to the extent reasonably approved by the Company) of such action or suit, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or an Affiliate, except that no indemnification shall be made in respect of any claim, issue, or matter as to which Indemnitee shall have been adjudged to be liable to the Company or an Affiliate unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses that the court shall deem proper.

1.3 Mandatory Payment of Expenses. To the extent that Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1.1 or 1.2 or the defense of any claim, issue or matter in Section 1.1 or 1.2, Indemnitee shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by Indemnitee in connection with such defense.

Section 2. EXPENSES: INDEMNIFICATION PROCEDURE.

2.1 Advancement of Expenses. The Company shall advance all expenses incurred by Indemnatee, and, to the fullest extent permitted by law, amounts paid in settlement (to the extent reasonably approved by the Company) by Indemnatee, in connection with the investigation, defense, settlement, or appeal of any civil or criminal action, or proceeding referenced in Sections 1.1 or 1.2 of this Agreement. Indemnatee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnatee is not entitled to be indemnified by the Company as authorized by this Agreement. The advances to be made under this Agreement shall be paid by the Company to Indemnatee within thirty (30) days following delivery of a written request for such advance by Indemnatee to the Company together with evidence of the expenses incurred by Indemnatee.

2.2 Notice/Cooperation by Indemnatee. Indemnatee shall, as condition precedent to the right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any claim made against Indemnatee for which indemnification shall or could be sought under this Agreement. Notice to the Company shall be directed to the President of the Company at the address shown on the signature page of this Agreement, or such other address as the Company shall designate in writing to Indemnatee. Notice shall be deemed received three (3) business days after the date postmarked if sent by domestic certified or registered mail, properly addressed; otherwise notice shall be deemed received when such notice shall actually be received by the Company. In addition, Indemnatee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnatee's power.

2.3 Procedure. Any indemnification and advances provided for in Section 1 and this Section 2 shall be made no later than thirty (30) days after receipt of the written request of Indemnatee. If a claim under this Agreement is not paid in full by the Company within forty five (45) days after a written request for payment of such claim has first been received by the Company, Indemnatee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount the claim and, subject to Section 6 of this Agreement, Indemnatee shall also be entitled to be paid for the expenses (including attorneys' fees) of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any action, suit, or proceeding in advance of its final disposition) that Indemnatee has not met the standards of conduct that make it permissible under applicable law for the Company to indemnify Indemnatee for the amount claimed, but the burden of proving such defense shall be on the Company and Indemnatee shall be entitled to receive interim payments of expenses pursuant to Section 2.1 unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that if the Company contests Indemnatee's right to indemnification, the question of Indemnatee's right to indemnification shall be for the court to decide.

2.4 Notice to Insurers. If, at the time of the receipt of a notice of a claim pursuant to Section 2.2 of this Agreement, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnatee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

2.5 Selection of Counsel. In the event the Company shall be obligated under Section 2.1 of this Agreement to pay the expenses of any proceeding against Indemnatee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnatee (whose approval shall not be unreasonably withheld), upon the delivery to Indemnatee of its written notification of election to do so. After delivery of such notice, approval of such counsel by Indemnatee and the retention of such counsel by the Company, the Company shall not be liable to Indemnatee under this Agreement for any fees of counsel subsequently incurred by Indemnatee with respect to the same proceeding, provided, that (a) Indemnatee shall have the right to employ his counsel in any such proceeding at Indemnatee's expense; and (b) if (i) the employment of counsel by Indemnatee has been previously authorized by the Company, (ii) Indemnatee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnatee in the conduct of any such defense, or (iii) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnatee's counsel shall be at the expense of the Company.

Section 3. ADDITIONAL RIGHTS; NONEXCLUSIVITY.

3.1 Scope. Notwithstanding any other provision of this Agreement, the Company hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the Company's Articles of Incorporation, the Company's Bylaws, or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute or rule that expands the right of a Michigan corporation to indemnify Indemnitee as a Responsible Party, such changes shall be, ipso facto, within the purview of Indemnitee's rights and Company's obligations under this Agreement. In the event of any change in any applicable law, statute or rule that narrows the right of a Michigan corporation to indemnify Indemnitee as a Responsible Party, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations under this Agreement.

3.2 Nonexclusivity. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Articles of Incorporation, its Bylaws or the organizational documents or instruments governing any Affiliate. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while Indemnitee is or was serving in an indemnified capacity even though he may have ceased to serve in such capacity at the time of any action, suit or other covered proceeding.

Section 4. PARTIAL INDEMNIFICATION. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred by Indemnitee in the investigation, defense, appeal or settlement of any civil or criminal action, suit or proceeding, but not, however, for the total amount of any such expenses, judgments, fines or penalties, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, fines or penalties to which Indemnitee is entitled.

Section 5. SEVERABILITY. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this Section 5. If this Agreement or any portion of this Agreement shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

Section 6. EXCEPTIONS. Any other provision in this Agreement to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

6.1 Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or any other applicable statute or law.

6.2 Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by the Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by the Indemnitee in such proceeding was not made in good faith or was frivolous.

6.3 Insured Claims. To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA, excise taxes or penalties, and amounts paid in settlement) that have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors' liability insurance maintained by the Company or an Affiliate.

Section 7. CONSTRUCTION OF CERTAIN PHRASES.

7.1 References to Company. For purposes of this Agreement, references to the "**Company**" shall include, in addition to the resulting corporation, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger, so that if Indemnitee is or was a Responsible Party of such constituent entity, or is or was serving at the request of such constituent entity as a Responsible Party of another entity, partnership, joint venture, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving entity as Indemnitee would have with respect to such constituent entity if its separate existence had continued.

7.2 Other Phrases. For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a Responsible Party that imposes duties on, involves services by, such Responsible Party with respect to an employee benefit plan or its participants or beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

Section 8. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

Section 9. SUCCESSORS AND ASSIGNS. This Agreement is personal to Indemnatee and shall not be assignable by Indemnatee without the prior written consent of the Company other than by the laws of descent and distribution. This Agreement shall be binding upon the Company and its successors and assigns, and shall inure to the benefit of Indemnatee and his respective estates, heirs, successors, legal representatives and assigns. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as previously defined and any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law or otherwise.

Section 10. ATTORNEYS' FEES. In the event that any action is instituted by Indemnatee under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnatee shall be entitled to be paid all court costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Indemnatee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnatee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnatee shall be entitled to be paid all court costs and expenses, including, without limitation, attorneys' fees, incurred by Indemnatee in defense of such action (including with respect to Indemnatee's counterclaims and cross claims made in such action), unless as a part of such action the court determines that each of Indemnatee's material defenses to such action was made in bad faith or frivolous.

Section 11. SUBROGATION. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnatee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company to effectively bring suit to enforce such rights.

Section 12. NOTICE. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed duly on the third business day after the date postmarked, if delivered by domestic certified or registered mail with postage or, if delivered by other means, on the date actual notice is received. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice.

Section 13. CONSENT TO JURISDICTION. The Company and Indemnatee each hereby irrevocably consent to the non-exclusive jurisdiction of the courts of the State of Michigan for all purposes in connection with any action or proceeding that arises out of or relates to this and agree that any action instituted under this Agreement may be brought in any court of competent jurisdiction in the State of Michigan.

Section 14. CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND ITS PROVISIONS CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MICHIGAN.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

COMPANY: HERMAN MILLER, INC.

By: _____

Jacqueline Rice

Its: General Counsel

Address: 855 East Main Avenue
Zeeland, Michigan 49464
Attention: General Counsel

INDEMNITEE:

(Signature)

Address: _____

APPENDIX A
LIST OF NON-CONTROLLED ENTITES

Global Holdings Netherlands B.V.
HAY A/S
Kvadrat Australia Pty Limited
Kvadrat Maharam Arabia DMCC
Kvadrat Maharam Turkey JSC
Naughtone (Holdings) Limited
Naughtone Manufacturing Ltd
Naught One Ltd

Execution version

STRICTLY CONFIDENTIAL

Our ref. 315314-JAS

SHARE PURCHASE AGREEMENT

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List of schedules:

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Schedule 3.1.1(1)	Evidence pertaining to the Seller's execution of the Agreement
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Schedule 2.5.1(b)	Copy of current license agreement with TAK
Schedule 2.5.2	Shared Services Agreements
Schedule 4.1.2	Heads of terms for the Shareholders' and Option Agreement
Schedule 7.2	Minutes of extraordinary general meeting for the conversion of the Company and Aktieselskabet af 5/12 2018 from public limited companies into private limited companies
Schedule 10.1	A list of the Due Diligence Documentation
Schedule 11.1	Seller's Representations and Warranties

SHARE PURCHASE AGREEMENT

On 8 October 2019,

Nine United A/S

Company reg. no. (CVR) 25 93 44 58
Havnen 1
8700 Horsens
Denmark
(hereinafter the "**Seller**")

and

Herman Miller Holdings Limited

Corporation registration No. 7200056
5th Floor, 9-10 Market Place
London, W1W 8AQ
United Kingdom
(hereinafter the "**Purchaser**")

have entered into the following share purchase agreement regarding the transfer of shares in Hay A/S, company reg. no. (CVR) 26 79 99 45, to the Purchaser on the terms and conditions set out below:

1. Definitions, schedules and interpretation

1.1 For the purposes of this Agreement, the following terms and expressions have the following meanings:

1.1.1 **Agreement** means this share purchase agreement and its Schedules.

1.1.2 **Annual Reports** means the annual reports of the Companies for the financial years 2015/16 – 2018/19 to the extent such accounts have been prepared.

1.1.3 **Asset Purchase Agreement** has the meaning set forth in Clause 2.5.1.

1.1.4 **Banking Day** means a day where the banks in Copenhagen and London are generally open for the public for ordinary banking business (other than for internet banking only).

- 1.1.5 **Breach** means in relation to (i) the Seller's Representations and Warranties; that one of the Seller's Representations and Warranties turns out to be incorrect or not fulfilled, (ii) the Seller's Specific Indemnities; that an event, Claim, Loss or the like covered by one of the Seller's Specific Indemnities occurs, (iii) the Purchaser's Representations and Warranties; that one of the Purchaser's Representations and Warranties turns out to be incorrect or not fulfilled, or (iv) other provisions in the Agreement; any other failure to meet the obligations of a Party under the Agreement.
- 1.1.6 **Charity Release Agreement** has the meaning set forth in Clause 4.2.1(1).
- 1.1.7 **Charity Obligation** has the meaning set forth in Clause 4.2.1.
- 1.1.8 **Claim** means a claim for indemnification by either Party against the other Party resulting from a Breach.
- 1.1.9 **Claim Notice** has the meaning set forth in Clause 14.5.1.
- 1.1.10 **Clause** means a clause included in this Agreement.
- 1.1.11 **Closing** means the consummation of the Transaction through the Parties' exchange of their respective deliveries and fulfilment of their respective obligations as set out in Clause 8, i.e. the Effective Date.
- 1.1.12 **Companies** means the Company and its following subsidiaries:
- HAY Norway AS, company reg. no. 994 085 522 (org. no.), Josefines gate 23, 0351 Oslo, Norway (of which the Company owns seventy (70)% of the share capital);
 - HAY STUDIO UK Ltd., company reg. no. 08124288, 34 Queen Annes Gate, London, SW1H 9AB, England;
 - Aktieselskabet af 5/12 2018, company reg. no. 40 10 53 01, Havnen 1, 8700 Horsens, Denmark; and
 - HAR AS, company reg. no. 922 149 909, Josefine Gate 23, 0351 Oslo, Norway.
- 1.1.13 **Company** means Hay A/S, company reg. no. (CVR) 26 79 99 45, Havnen 1, 8700 Horsens, Denmark. For the record it is noted that the Parties contemplate converting the Company from a public limited company into a private limited company before Closing, cf. Clause 7.2.

- 1.1.14 **Confidential Information** has the meaning set forth in Clause 16.5.1.
- 1.1.15 **Contract** means any contract, agreement, binding arrangement or commitment, to which any of the Companies is a party.
- 1.1.16 **Corporate Documents** means memorandum of association, articles of association, rules of procedure for the board of directors and any similar corporate documents.
- 1.1.17 **Dantzer** has the meaning set forth in Clause 4.1.1.
- 1.1.18 **DKK** means Danish Kroner, the lawful currency of Denmark.
- 1.1.19 **Due Diligence Documentation** means the material listed in Schedule 10.1 with accompanying USB stick.
- 1.1.20 **Effective Date** means 2 December 2019 or the later date as may be agreed between the Parties.
- 1.1.21 **Fiedler** has the meaning set forth in Clause 4.1.1.
- 1.1.22 **First Transaction** has the meaning set forth in Clause 4.2.1.
- 1.1.23 **Fundamental Representations and Warranties** means the Seller's Representations and Warranties specified in clauses 1 (Matters relating to company law; Capacity) and 2 (The Shares) of Schedule 11.1.
- 1.1.24 **Governmental Authority** means any state, government, government department, ministry, commission, council, board, bureau, agency, court, municipality, district or other judicial, administrative, regulatory or legislative authority in Denmark, the European Union, or any other jurisdiction in which the Companies and the NewCos carry on its business or activities.
- 1.1.25 **Holdingselskabet** means Holdingselskabet af 1/7 2007 ApS, company reg. no (CVR) 30 70 87 17.
- 1.1.26 **Intellectual Property Rights** and **IPR** mean patents, utility models, trademarks (registered or unregistered), other business logos, domain names and design rights, know-how, trade secrets and other intellectual property rights owned or used by the Companies or the NewCos.

- 1.1.27 **Interest** means an annual rate of interest of 1.5 percentage points above 3 month CIBOR as published by the Nasdaq Copenhagen A/S at 11:00 (CET) on the Effective Date calculated on the basis of the actual number of days elapsed and 365 days in the year.
- 1.1.28 **Leakage** means, except for any Permitted Leakage, any dividend, other payment, other financial advantage or distribution (whether in cash or in kind) declared, paid or made by the Companies and/or the NewCos to or for the benefit of the Seller and/or any of Seller's Related Parties.
- 1.1.29 **Loss** means any documented loss, claim, liability, cost or expense recoverable under the laws of Denmark, except for indirect and/or consequential losses, e.g. loss of goodwill and loss of profit etc. However, losses for the Purchaser due to the Companies and/or the NewCos suffering losses that would normally be considered indirect and/or consequential losses for the Companies and/or the NewCos (e.g. loss of the Companies' goodwill and loss of profit), including reasonable external costs and expenses related to the recovery of such loss, shall be considered as a direct loss.
- 1.1.30 **Maximum Limit** has the meaning set forth in Clause 14.3.2.
- 1.1.31 **Minimum Limit** has the meaning set forth in Clause 14.3.1.
- 1.1.32 **NewCos** means the Danish and foreign wholly owned subsidiaries which are currently in the process of formation for the purpose of acquiring the right to market and sell products under the Company's brand under the Asset Purchase Agreement.
- 1.1.33 **Party** means the Purchaser and/or the Seller, and the **Parties** means the Purchaser and the Seller collectively.
- 1.1.34 **Permitted Leakage** means any Leakage paid in the ordinary course of business of the Companies and/or the NewCos (e.g. payment of salaries, payment of rent, payment pursuant to commercial agreements, etc.). For clarity, no dividend declared, paid or made by the Company is included in Permitted Leakage.
- 1.1.35 **Person** means any individual (natural person), corporation, company, partnership, firm, association, trust, incorporated or unincorporated organization or other legal entity as well as any Governmental Authority.
- 1.1.36 **Purchase Price** means a fixed price of DKK 530,000,000.

- 1.1.37 **Purchaser** means Herman Miller Holdings Limited, Corporation registration No. 7200056, 5th Floor, 9-10 Market Place, London, W1W 8AQ, United Kingdom.
- 1.1.38 **Purchaser's Representations and Warranties** means the representations and warranties contained in Clause 13.
- 1.1.39 **Related Parties** means Persons that are related parties (*In Danish "nærstående"*) pursuant to the definition in section 2 of the Danish Insolvency Act in force at any time or another similar provision.
- 1.1.40 **Release Date** has the meaning set forth in Clause 14.9.1.
- 1.1.41 **Retained Amount** has the meaning set forth in Clause 14.9.1.
- 1.1.42 **Schedules** means the schedules of this Agreement.
- 1.1.43 **Selected Sales Companies** means the following:
- Nine United Germany GmbH, company reg. no. HRB154980B, Auguststraße 19, 10117 Berlin, Germany;
 - Nine United Brand & Design AG, company reg. no. CHE-440.919.443, Feldeggstrasse 2, 8152 Glattbrugg, Switzerland;
 - Nine United NL BV, company reg. no. 62445928, Aalsmeerderdijk 640, 1435BW Rijssenhou, Netherlands;
 - Nine United Belgium BVBA, company reg. no. 0697955085, Hofstraat 24, 2000 Antwerpen, Belgium;
 - HAY Italy s.r.l., company reg. no. 03658981208, Via Braglia 21, 40024 Castel San Pietro Terme, Italy;
 - Nine United Trading Spain S.L., company reg. no 000513840, C/ Argelia 2, Churriana, 29140 Malaga, Spain; and
 - Nine United UK Ltd., company reg. no 09304592, 16 Queen Anne's Gate, Queen Annes Gate, London, SW1H 9AA United Kingdom.
- 1.1.44 **Seller** means Nine United A/S, Company reg. no. (CVR) 25 93 44 58, Havnen 1, 8700 Horsens, Denmark.
- 1.1.45 **Seller's Bank Account** means a bank account with Nordea Bank Denmark (IBAN: DK4820005655757866, SWIFT: NDEADKKK).

- 1.1.46 **Seller's Knowledge** means the actual knowledge that Line S. Lauridsen, Mogens Madsen and the Seller's Ultimate Owner as well as the Seller's advisers (who have been involved in the Transaction), and knowledge which such persons ought to have if they had made due inquiry.
- 1.1.47 **Seller's Representations and Warranties** means the representations and warranties contained in Schedule 11.1.
- 1.1.48 **Seller's Specific Indemnities** means the indemnities contained in Clause 12.
- 1.1.49 **Seller's Ultimate Owner** means Troels Holch Povlsen.
- 1.1.50 **Shared Services Agreements** has the meaning set forth in Clause 2.5.2.
- 1.1.51 **Shareholders' Agreement** means the shareholders' agreement entered into on 7 June 2018 between the Parties and Holdingselskabet, setting out the mutual rights and obligations of the Parties and Holdingselskabet as shareholders in the Company in regard to their ownership of shares in the Company.
- 1.1.52 **Shareholders' and Option Agreement** has the meaning set forth in Clause 4.1.2.
- 1.1.53 **Shares** means the Seller's fully paid-up shares in the Company of a nominal value of DKK 1,530,000 and equal to thirty-four percent (34%) of all of the Company's issued and outstanding share capital. For the record it is noted that the conversion of the Company from a public limited company into a private limited company, cf. Clause 7.2, will not affect the nominal value of the percentage of the Shares.
- 1.1.54 **Signing** means the Parties' signing of this Agreement.
- 1.1.55 **Signing Date** means the date of execution of the Agreement by the Parties which takes place on 8 October 2019.
- 1.1.56 **TAK** means Nine United TAK Co., Ltd., Corporate registration No. 91310000MA1K34BX43, Room 301-57, Floor 3, Building 1, No. 38, Debao Road, Pilot Free Trade Zone, China (Shanghai).
- 1.1.57 **Taxes** means all direct and indirect taxes, whether deferred, contingent or actual, such as income tax, company tax, VAT and turnover tax and social benefits and all similar taxes, duties, customs and fees, interest, surcharges and penalties.

1.1.58 **Third Party Rights** means liens, encumbrances, charges, pre-emption rights, options to purchase, other options, owners' rights as well as any other right, actual or potential, of third party (including any other party than the authorised rights owner), save for the contents of the Shareholders' Agreement.

1.1.59 **Tipping Basket** has the meaning set forth in Clause 14.3.1.

1.1.60 **Transaction** means the transfer of the Shares from the Seller to the Purchaser as contemplated by the Agreement.

1.2 The Schedules attached to the Agreement form an integral part of the Agreement.

1.3 Each Party has participated in the negotiation and drawing up of the Agreement. None of the Parties is regarded as a drafter for the purposes of interpreting the Agreement.

2. The subject-matter of the Agreement and Effective Date

2.1 With effect from the Effective Date, the Seller sells the Shares to the Purchaser, and the Purchaser acquires the Shares from the Seller on the terms and conditions set out in this Agreement.

2.2 The Shares amount to thirty-four percent (34%) of the total share capital of the Company and are transferred to the Purchaser free and clear of all Third Party Rights. The remaining shares in the Company are owned by the Purchaser and Holdingselskabet.

2.3 The Company is part of the group structure shown in the attached **Schedule 2.3**.

2.4 As of the Effective Date, the Purchaser shall be entitled to all benefits, and to exercise all rights, attached or accruing to the Shares including, without limitation, the right to receive all dividends, distributions or any return of capital declared, paid or made by the Company on or after the Effective Date.

2.5 Related agreements involving the Company

2.5.1 The Company (or directly or indirectly through the Company's wholly owned subsidiaries) and the Selected Sales Companies shall at Signing enter into the asset purchase agreement attached as **Schedule 2.5.1(a)** (the "**Asset Purchase Agreement**"). Following closing of the Asset Purchase Agreement, no direct or indirect right to distribute the Hay brand shall be held by the Seller or the Seller's Ultimate Owner, except pursuant to (i) the license agreement, dated

on or about 1 January 2017, by and between the Company and TAK, attached as **Schedule 2.5.1(b)**, which license agreement has not been amended as of the date first set forth above, and (ii) the Asset Purchase Agreement.

- 2.5.2 Prior to or at Closing, on one side the Seller and on the other side some of the Companies (e.g. the Company, HAY Norway AS and HAR AS) will enter into shared services agreements, inter alia, regarding the shared use of certain services, such as IT, which is attached as **Schedule 2.5.2** (the "**Shared Services Agreements**").

3. Signing

- 3.1 Signing shall take place place electronically (via email) on the Signing Date.

- 3.1.1 On the Signing Date, the Seller has presented the following documentation to the Purchaser:

- (1) Evidence that the execution of the Agreement by the Seller constitutes a legal, valid and binding obligation on the part of the Seller by way of a transcript from the Danish Business Authority dated on the Signing Date, cf. **Schedule 3.1.1(1)**; and
- (2) The Asset Purchase Agreement duly signed by the legal representatives of the Selected Sales Companies and the Company.

- 3.1.2 On the Signing Date, the Purchaser has presented the following documentation to the Seller:

- (1) Evidence that the execution of the Agreement by the Buyer constitutes a legal, valid and binding obligation on the part of the Buyer by way of officers certificate acknowledging that the legal representatives acting on behalf of the Buyer are duly authorised to represent and legally bind the Buyer dated on the Signing Date, cf. **Schedule 3.1.2(1)**; and
- (2) The Asset Purchase Agreement duly signed by the legal representatives of the Company.

4. Shareholders' and Option Agreement and transfer of Charity Obligation

- 4.1 Following Signing and prior to Closing, the Purchaser (only with respect to the Purchaser obligations) and the Seller (only with respect to all other obligations) shall ensure that:

- 4.1.1 The current shareholders of TAK and the Purchaser (or a company designated by the Purchaser) enter into a shareholders' and option agreement pursuant to which (a) the two current shareholders of TAK, being Dantzer Ltd., company reg. no. 1202752, 19/F, Seaview Commercial Building, 21-24 Connaught Road West, Hong

Kong ("Dantzer"), and Fiedler Holding Limited, company reg. no. 2277799, 19/F, Seaview Commercial Building, 21-24 Connaught Road West, Hong Kong ("Fiedler"), with the following provisions:

- 4.1.1.1 Dantzer and Fiedler are granted rights of first refusal to acquire all or part of the Seller's Ultimate Owner's indirectly owned shares in TAK;
- 4.1.1.2 the Purchaser (or a company designated by the Purchaser) is granted a right of second refusal to purchase all or part of of the Seller's Ultimate Owner's indirectly owned shares in TAK proposed to be sold (at the same price as the proposed sale), provided that Dantzer and Fiedler refrain from executing their rights of first refusal;
- 4.1.1.3 the Purchaser (or a company designated by the Purchaser) is granted a right of first refusal to purchase all or part of of Dantzer's and Fiedler's shares in TAK proposed to be sold (at the same price as the proposed sale) for a period of 3 years following Closing;
- 4.1.1.4 Dantzer and Fiedler are granted a tag-along right, provided that the Purchaser (or a company designated by the Purchaser) acquires the Seller's Ultimate Owner's indirectly owned shares in TAK; and
- 4.1.1.5 "Nine United" is removed from the company name of TAK in the event that any of the purchase options above on the Seller's Ultimate Owner's indirectly owned shares in TAK are exercised.
- 4.1.2 The heads of terms for the shareholders' and option agreement (the "**Shareholders' and Option Agreement**") are attached as **Schedule 4.1.2**. It is expressly agreed that any other terms in the Shareholders' and Option Agreement than contained in Schedule 4.1.2 must be negotiated by the Purchaser and has no relevance in terms of this Agreement and its deliveries. Notwithstanding the afore-mentioned, the Parties shall make good faith efforts to obtain all relevant signatures prior to Closing.
- 4.2 Transfer of the Charity Obligation
 - 4.2.1 During the due diligence proces and prior to completion of the transaction regarding the Purchaser's acquisition of 33% of the shares in the Company from the Seller and Holdingselskabet which was signed and completed on 7 June 2018 (the "**First Transaction**"), the Parties and Holdingselskabet discussed whether the Company had entered into a charitable donation agreement under which the

Company is subject to an obligation to pay annually 3% of the Company's annual net profit to the NineUnited-Fond, company reg. no. 38 53 65 67, up and until the end of the financial year 2024/2025 (the "**Charity Obligation**"). Pursuant to schedule 5.4.1 of the share purchase agreement regarding the First Transaction, the Parties and Holdingselskabet agreed to have good faith discussions following closing of the First Transaction regarding the contents and future obligations for the Company in respect of the Charity Obligation. During the due diligence proces regarding this Transaction and prior to Signing, there is a pending disagreement between the Parties as to whether the Company is subject to the Charity Obligation and prior to Signing the Parties have agreed on the following:

- (1) Prior to the Effective Date, the Company and the NineUnited-Fond shall negotiate to resolve all future obligations on behalf of the Company with respect to the Charity Obligation by the Company making a one-off payment on the Effective Date (in addition to the payment mentioned in Clause 4.2.1(2)) to the NineUnited-Fond in the amount of DKK 19,000,000 as full and final settlement and satisfaction with respect to the Charity Obligation with effect as of the Effective Date (the "**Charity Release Agreement**"); and
- (2) the Company shall prior to the Effective Date pay 3% of the Company's net profits for the fiscal year ended 31 July 2019 as set forth in the final Annual Report and calculated consistent with past practice to the NineUnited-Fond.

5. The Purchase Price and its payment

- 5.1 In return for the sale of the Shares, the Purchaser shall pay to the Seller the Purchase Price.

6. Conditions

- 6.1 The Parties' obligation to complete the Transaction is subject to each of the following conditions:
 - 6.1.1 The Board of Directors of the Purchaser and the Seller approving the transaction.
 - 6.1.2 The receipt of an irrevocable and unconditional waiver of the right of first refusal in the Shareholders' Agreement of Holdingselskabet, and Holdingselskabet's agreement that no dividend will be paid by the Company on or before the Effective Date.

- 6.1.3 Rolf Foged Hvidegaard Hay approving the Asset Purchase Agreement and the Charity Release Agreement in his capacity as member of the board of directors of the Company.
- 6.1.4 Either signing of the Charity Release Agreement (subject to the Closing hereunder) or written approval of the Charity Release Agreement by NineUnited-Fond.
- 6.2 The Parties undertake to make all commercially reasonable efforts to ensure that the conditions in this Clause 6 are met as soon as possible.
- 6.3 If the above conditions are not met before 17 October 2019, each Party shall be entitled to terminate this Agreement without the Parties being entitled to set up any Claims against each other, unless the non-performance is attributable to one Party as intentional or grossly negligent.

7. Preparation of Closing

- 7.1 The Closing of the Transaction will be verified by the Parties signing a closing memorandum. No later than ten (10) days prior to the Effective Date, the Purchaser's lawyer will present a draft closing memorandum. No later than five (5) days prior to the Effective Date, the Seller's lawyer is obliged to have made any comments he/she may have to the draft closing memorandum.
- 7.2 The Parties agree that the Company and Aktieselskabet af 5/12 2018 shall be converted from public limited companies (in Danish: "aktieselskab") into private limited companies (in Danish: "anpartsselskab") prior to Closing. The conversions shall be adopted by the board of directors of the Company and Aktieselskabet af 5/12 2018, the Company's and Aktieselskabet af 5/12 2018's Articles of Association shall be amended to the effect that they comply with the requirements relating to private limited companies, and the conversions shall be registered in the IT system of the Danish Business Authority prior to Closing. Draft minutes of extraordinary general meetings for the conversions of Company and Aktieselskabet af 5/12 2018 from a public limited company into a private limited company are attached as **Schedule 7.2**.
- 7.3 Prior to Closing, the Seller shall procure that the Company, and if necessary, with the assistance of the Seller's legal department, use all reasonably efforts to ensure that the ownership of the registration regarding the following products "About a Chair", "About a Lounge" and "About a Stool" is transferred from the Company's distribution partner Corporate Culture Australia Pty Ltd. to the Company.

- 7.4 The Seller and the Purchaser each agree that they shall not cause the Company to declare a dividend on or before the Effective Date.

8. Closing of the Transaction

- 8.1 Completion of the Transaction ("**Closing**") shall take place electronically (via e-mail) at the Effective Date.
- 8.2 At the Effective Date, the Seller shall deliver the following documents against the Purchaser's simultaneous fulfilment of all its obligations set forth in Clause 8.3:
- 8.2.1 Approval of the Transaction from the Seller's Ultimate Owner in his capacity as member of the board of directors of the Company.
- 8.2.2 Approval of the Transaction from the board of directors of the Seller.
- 8.2.3 The Company's register of shareholders in which the Purchaser has been registered as the owner of the Shares free of any Third Party Rights.
- 8.2.4 Statement from Troels Holch Povlsen stating that he retires as board member of the Company and does not have any claims against the Company as a result of his directorship.
- 8.2.5 A statement from the Seller's Ultimate Owner to the effect that to its actual knowledge as of Closing neither the Seller's Ultimate Owner, the Seller, the Selected Sales Companies or any company directly or indirectly controlled by the Seller's Ultimate Owner have any claims against the Companies or the NewCos or the other shareholders of the Company with effect as of the Effective Date, except with respect to obligations set forth in this Agreement, the Asset Purchase Agreement, the Shared Services Agreements or any other commercial agreements between on one side the Companies or the NewCos and on the other side the Seller, the Selected Sales Companies or any company directly or indirectly controlled by the Seller's Ultimate Owner in force prior to the Effective Date which will remain in force after the Effective Date. If any of the Seller's Ultimate Owner, the Seller, the Selected Sales Companies and/or any company directly or indirectly controlled by the Seller's Ultimate Owner have actual knowledge as of Closing of any claims against any of the Companies or the NewCos with effect as of the Effective Date this shall be disclosed in the statement referred to in this clause 8.2.5. For the purpose of this clause 8.2.5, "claims" means any pending disputes and not for instance undue payment if this is part of the day-to-day operations under any of the commercial agreements mentioned in this clause 8.2.5.

- 8.2.6 Evidence that HAY Italy s.r.l. has changed its corporate name, as needed, to cease using the name "HAY."
- 8.2.7 Deliver an electronic copy of the Due Diligence Documentation to the Purchaser.
- 8.2.8 The Shared Services Agreements duly signed by the Seller or the respective Seller's Related Parties.
- 8.2.9 The Shareholders' and Option Agreement duly signed by Holch Povlsen Switzerland AG, company reg. no. CHE-115.871.464, Dantzer and Fiedler.
- 8.2.10 The Charity Release Agreement duly signed by the NineUnited-Fond.
- 8.3 At the Effective Date, the Purchaser has delivered the following documents against the Seller's simultaneous fulfilment of all their obligations set forth in Clause 8.2:
 - 8.3.1 Approval of the Transaction from the Purchaser's board of directors.
 - 8.3.2 Approval of the Transaction from the Purchaser's designated representative on the board of directors of the Company.
 - 8.3.3 Documentation stating that the Purchase Price has been transferred to the Seller's Bank Account in immediately available funds at the Effective Date.
 - 8.3.4 The Shareholders' and Option Agreement duly signed by the Purchaser (or representatives of the company designated by the Purchaser to enter into the Shareholders' and Option Agreement).
 - 8.3.5 The Charity Release Agreement duly signed by the Company.
 - 8.3.6 A statement from each of the Purchaser and the Company to the effect that to their actual knowledge as of Closing none of the Companies or the NewCos have any claims against any of the Selected Sales Companies, the Seller, the Seller's Ultimate Owner and/or any company directly or indirectly controlled by the Seller's Ultimate Owner with effect as of the Effective Date, except with respect to obligations set forth in this Agreement, the Asset Purchase Agreements, the Shared Services Agreements or any commercial agreements between on one side the Companies or the NewCos and on the other side any of the Selected Sales Companies, the Seller, the Seller's Ultimate Owner and/or any company directly or indirectly controlled by the Seller's Ultimate Owner in force prior to the Effective

Date which will remain in force after the Effective Date. If any of the Purchaser and/or the Company have actual knowledge as of Closing of any claims against any of the Selected Sales Companies, the Seller, the Seller's Ultimate Owner and/or any company directly or indirectly controlled by the Seller's Ultimate Owner with effect as of the Effective Date this shall be disclosed in the statement referred to in this clause 8.3.6. For the purpose of this clause 8.3.6, "claims" means any pending disputes and not for instance undue payment if this is part of the day-to-day operations under any of the commercial agreements mentioned in this clause 8.3.6.

- 8.3.7 The Shared Services Agreements duly signed by the Company, HAY Norway AS and HAR AS.
- 8.4 The actions specified in Clauses 8.2 and 8.3 are considered as being performed simultaneously to the effect that none of the actions are considered as having been performed before all actions have been performed or a Party has waived the other Party's performance thereof.
- 8.5 In the event that the Seller fails to fulfil its obligations under Clause 8.2 or if the Purchaser fails to fulfil its obligations under Clause 8.3, the other Party is entitled (i) to rescind (in Danish: "hæve") the Agreement and (ii) to be indemnified by the Party failing to fulfil its obligations under Clause 8.2 or Clause 8.3, as the case may be, for any Loss incurred due to such failure.

9. Post Closing

- 9.1 General meetings
 - 9.1.1 The Purchaser shall on the Effective Date or as soon as reasonably possible thereafter procure the holding of general meeting of shareholders of the Company for the purpose of electing a new member of the board of directors of the Company.
 - 9.1.2 The Purchaser undertakes immediately following Closing to notify the relevant business authority (in Danish: "Erhvervsstyrelsen") of the resignation of Troels Holch Povlsen in his capacity as a member of the board of directors of the Company, HAY Norway AS and HAY STUDIO Ltd.
- 9.2 Registration of transfer of Shares with public register of shareholders.

- 9.2.1 The Purchaser shall procure that the Company on the Effective Date or as soon as reasonably possible thereafter procure that the new ownership of the Shares is duly recorded in the Danish Public Register of Shareholders (in Danish: "Det Offentlige Ejerregister" and "register over reelle ejere") at the webpage www.virk.dk.

10. The Purchaser's examinations

- 10.1 Prior to the Effective Date, the Purchaser and its advisers have had the opportunity to examine the commercial, financial, legal and other matters of the Companies through a virtual data room during the period from 11 September 2019 up until and including the Signing Date. The material which the Purchaser has had opportunity to examine has been copied to a USB stick which is handed over to the Purchaser and the Seller in connection with the completion of the Transaction. A list of the material copied to the USB stick is attached in **Schedule 10.1**.
- 10.2 As part of its due diligence, the Purchaser has had opportunity to ask questions to the Seller in writing and to interview relevant employees of the Company. A list of written questions and answers is also included in Schedule 10.1.

11. The Seller's Representations and Warranties

- 11.1 As at the Effective Date, the Seller provides the representations and warranties contained in **Schedule 11.1** in favour of the Purchaser.
- 11.2 The Seller's Representations and Warranties are provided with effect as at the Effective Date on an objective basis, i.e. without regard to the Seller's actual knowledge. Except for the Seller's Specific Indemnities, the Seller's Representations and Warranties are the Seller's complete and only representations and warranties and the Purchaser shall not rely on any other representations, warranties, assumptions or expectations – whether express or implied – except as expressly set out in this Agreement.
- 11.3 The Seller's Representation and Warranties are not limited by any knowledge of the Purchaser and its advisors whatsoever, including such knowledge which have been obtained on the basis of the Due Diligence Documentation.

12. The Seller's Specific Indemnities

- 12.1 In addition to the Seller's Representations and Warranties the Seller provides the below indemnities in Clauses 12.2-12.6.1 (the "**Seller's Specific Indemnities**") in favour of the Purchaser as at the Effective Date. The Seller's Specific Indemnities concern matters of which the Purchaser has had notice prior to the

Effective Date, and thus the Seller's Specific Indemnities are not limited by any knowledge of the Purchaser and its advisors whatsoever.

12.2 Tax

- 12.2.1 No special Tax relief, Tax exemption, Tax incentive or the like enjoyed by any of the Companies may be changed or reversed as a result of circumstances attributable to the activities of the Companies prior to the Effective Date or as a result of the conclusion of the Agreement.
- 12.2.2 All income tax returns and reports relating to Tax which must be filed prior to the Effective Date by or on behalf of the Companies and the NewCos have been duly filed with the relevant authority and were correct and complete, and any information which must be filed for the purpose of correct Tax assessment has been filed. All due Tax payable by and imposed on the Companies and the NewCos has been paid in full.
- 12.2.3 The required and sufficient provisions for any kind of Tax payable but not yet due as at the date of the Annual Accounts have been made in the Annual Reports.
- 12.2.4 No transactions, agreements or measures have been made or taken where the primary object was tax arbitrage, and no transactions, agreements or measures constitute illegal tax evasion.
- 12.2.5 To the extent that the Companies or the NewCos have not met the applicable requirements of transfer pricing documentation and continuously complied with the prepared transfer pricing documentation, e.g. intragroup trading has taken place in accordance with the transfer pricing rules in force, there will be no Loss for the Purchaser, the Companies and/or the NewCos, except for ordinary consultancy costs for preparing such transfer pricing documentation.
- 12.2.6 The Companies have reported the Companies' historical tax losses to the Danish tax authorities, to the effect that the Danish tax authorities cannot refuse use of deferrable tax losses for the period preceding the Effective Date on the grounds that notification has not taken place in compliance with the provisions of Danish tax law.
- 12.2.7 The pre-Closing restructuring of shares regarding Hay Norway AS and Nine United STUDIO UK Ltd. have been carried out on arm's length terms and will not result in any adverse Tax consequences for any of the Companies.

12.2.8 No Governmental Authority is entitled to make any claim against any of the Companies due to the Companies' historical credit relief for foreign taxes.

12.2.9 No Governmental Authority is entitled to make any claim against the Companies regarding withholding Taxes concerning the Companies' royalty payments.

12.3 No Leakage

12.3.1 During the period from 7 June 2018 to the Effective Date there has been no Leakage.

12.4 No charitable commitments

12.4.1 As of the Effective Date, save for the Charity Obligation, none of the Companies nor the NewCos shall have any liability or other obligation to make any charitable contribution or other payment after the Effective Date which one or more of the Seller, any company directly or indirectly controlled by the Seller's Ultimate Owner or the Seller's Ultimate Owner have had anything to do with.

12.5 No liability regarding prior operation of the Selected Sales Companies

12.5.1 Apart from the Asset Purchase Agreement, none of the Companies or the NewCos shall have any liability or other obligation related to the operation of the business of the Selected Sales Companies.

12.6 IPR

12.6.1 The Company's failure to comply with the obligations set out in Clause 7.3, will not result in any Loss for the Companies.

13. The Purchaser's Representations and Warranties

13.1 The Purchaser represents and warrants (the "**Purchaser's Representations and Warranties**") to the Seller as set out in Clauses 13.1-13.5. The representations and warranties set out in Clauses 13.1-13.5 are the Purchaser's complete and sole representations and warranties and no other representations and warranties have been provided by the Purchaser pursuant to the Agreement. The Seller shall not rely on any other representations, warranties, assumptions, expectations or agreements – whether express or implied – except as expressly set out in this Agreement. The Purchaser's Representations and Warranties are given with effect as of the Effective Date.

13.2 Due authorisation and binding obligations

13.2.1 The Purchaser validly exists and is registered, having capacity to carry on its business, to sue and be sued, to hold its own assets and to enter into the Agreement and perform its obligations hereunder. The Purchaser has made all acts required to be made under the Purchaser's Corporate Documents and applicable law to enter into the Agreement and perform its obligations hereunder. No consent from any shareholder, creditor or any other Person, or notification to or registration with any court of law or administrative body is required in connection with the execution and performance of the Agreement, except as set out in the Agreement.

13.2.2 The Agreement is valid and binding on the Purchaser and is enforceable against the Purchaser in accordance with its terms, except where enforceability is prohibited or restrained by applicable bankruptcy and insolvency law or similar legislation generally affecting the enforceability of creditors' rights.

13.3 No breach

13.3.1 Neither the execution nor the performance of the Agreement conflicts with or constitutes a breach of:

- (1) the Purchaser's Corporate Documents;
- (2) any material judgement, decision or order of any court, arbitration tribunal or Governmental Authority which includes or binds the Purchaser;
- (3) any law or regulation applicable to the Purchaser; or
- (4) any material agreement or obligation binding upon the Purchaser.

13.4 No disputes

13.4.1 No claim, lawsuit, legal or other proceeding is pending or to the Purchaser's knowledge threatened against the Purchaser or its assets before any court, arbitration tribunal, or administrative body which, if adversely decided, would prevent or delay the Purchaser's consummation of the Agreement.

13.5 Payment guarantee

- 13.5.1 The Purchaser has, and will during the period until and including Closing have, at its free disposal the amount necessary for the Purchaser to settle its payment obligations at Closing, cf. Clauses 5.1 and 8.3.3.

14. Indemnification

14.1 Breach of the Agreement

- 14.1.1 Either Party shall indemnify the other Party in compliance with the general rules of Danish law from any Loss suffered by the other Party as a result of a Breach. Notwithstanding the above, the clarifications and modifications specified in Clauses 14.2-14.9 shall apply in regard to Claims concerning a Breach of the Seller's Representations and Warranties and the Seller's Specific Indemnities (except as otherwise provided below).

- 14.1.2 The Seller has no obligation to indemnify the Purchaser with respect to information in the Due Diligence Documentation relating to future commercial risks, business plans, budgets, forecasts or similar commercially forward-looking matters.

- 14.1.3 In case of a Breach of any of the Seller's Representations and Warranties, the Seller's Specific Indemnities or this Agreement, the Seller shall in accordance with this Agreement indemnify the Purchaser for any Loss related to such Breach.

- 14.1.4 For a period of twenty (20) Banking Days following receipt of a Claim Notice (as defined in Clause 14.5.1 below) from the Purchaser, the Seller is entitled to remedy the Breach. If, and to the extent, the Seller remedies the Breach, the Seller's obligation to indemnify the Purchaser for said Breach will cease.

14.2 Calculation of Claims

- 14.2.1 All Claims must be compensated by cash payment, however, the Purchaser is entitled to Claim specific performance instead of financial compensation in case of Breach of the Fundamental Representations and Warranties.

- 14.2.2 Any payment from the Seller to the Purchaser under Clause 14.1.1 is regarded as a reduction of the Purchase Price.

- 14.2.3 Losses are calculated at the ratio of DKK 1 to DKK 1 without consideration of any multiples under which the Purchase Price has been calculated.

- 14.2.4 When calculating the Purchaser's Loss, any amount and value of other benefits obtained (after deduction of costs and expenses such as self insurance) by the

Companies and the NewCos (valued on the basis of Purchaser's thirty-four percent (34%) interest purchased hereunder) or the Purchaser as a result of the event giving rise to the Claim must be deducted from the Purchaser's Claim against the Seller, including:

- (1) Tax savings which the Purchaser and/or the Companies or the NewCos have obtained; and
- (2) insurance payments received by the Purchaser and/or the Companies or the NewCos.

14.2.5 In the event that the Purchaser - following payment by the Seller of any amount of indemnification to the Purchaser - receives payment or enjoys a benefit (after deduction of costs and expenses such as self insurance) from a third party relating to the same Breach in accordance with Clause 14.2.4, the Purchaser shall reimburse the Seller an amount corresponding to such net amount or benefit to the Seller (not exceeding the amount of indemnification paid by the Seller to the Purchaser) plus Interest from the time of the Purchaser's receipt of the amount or benefit from such third party.

14.2.6 The Purchaser shall use all reasonable efforts to use its influence in the Company in order to avoid and to mitigate all Loss arising from a Breach. If and to the extent that the Purchaser fails so to avoid and mitigate the Loss, the Seller shall be relieved from their obligation to indemnify the Purchaser.

14.2.7 The Seller has no obligation to indemnify the Purchaser for any Loss caused by (i) any change in applicable laws or regulations after the Effective Date including any change in Tax rates, (ii) any change in the Companies' or the NewCos' accounting principles adopted after the Effective Date; or (iii) the Purchaser's, the Companies' and the NewCos' actions or omissions after Closing.

14.2.8 The Seller has no obligation to indemnify the Purchaser for any Loss incurred by the Purchaser if and to the extent specific provisions or write-offs are made in respect thereof in the Annual Reports.

14.3 Minimum Limit, Tipping Basket and Maximum Limit

14.3.1 If the Purchaser is entitled to set up Claims of indemnification for Breach of the Seller's Representations and Warranties and/or the Seller's Specific Indemnities (but excluding the Seller's Specific Indemnities in Clauses 12.2.9, 12.4.1 and 12.5.1), such a Claim may only be set up if each Claim exceeds DKK 530,000 (the "**Minimum Limit**"), and if the Claim or all the Claims that individually exceed the

minimum limit of DKK 530,000 collectively exceed DKK 5,300,000 (*basket*). In the event the abovementioned thresholds in this Clause 14.3.1 are reached, the Seller shall be liable in respect of the aggregate amount of such Claim from the first DKK 1.00 (the "**Tipping Basket**").

14.3.2 The Seller's total obligation to indemnify the Purchaser from Breach of the Seller's Representations and Warranties and the Seller's Specific Indemnities (but excluding the Seller's Specific Indemnity in Clause 12.4.1), shall not under any circumstances exceed, in the aggregate, DKK 39,683,000 (the "**Maximum Limit**").

14.3.3 Series of Claims (i.e. Claims arising out of the same event or of several similar events) are regarded as one Claim according to the Minimum Limit of DKK 530,000 specified in Clause 14.3.1.

14.3.4 The limits specified in Clauses 14.3.1-14.3.3 do not apply to the Fundamental Representations and Warranties but do apply to the Seller's Specific Indemnities (except when it is otherwise set forth above that such limits do not apply to the Seller's Specific Indemnities).

14.4 Time-barring

14.4.1 Except with respect to the specific other Clauses of this Agreement described in Clauses 14.4.2-14.4.3, the Seller's obligation to indemnify the Purchaser from Breach of the Seller's Representations and Warranties becomes time-barred (i) in accordance with the provisions of Clause 14.5; or (ii) within fifteen (15) months after the Effective Date.

14.4.2 The Seller has no obligation to indemnify the Purchaser for a Loss resulting from Breach of the Fundamental Representations and Warranties, if the Purchaser fails to give notice to the Seller of such Claims prior ten (10) years after the Effective Date.

14.4.3 The Seller has no obligation to indemnify the Purchaser for a Loss resulting from Breach of the Seller's Specific Indemnities set forth in Clauses 12.2, 12.4.1 and 12.5.1, if the Purchaser fails to give notice to the Seller of such Claims prior to the date falling three (3) months after expiry of the statutory limitation period applicable to the underlying claim to which the Claim refers. Except with respect to the specific Seller's Specific Indemnities described above, the Seller has no obligation to indemnify the Purchaser for a Loss resulting from Breach of the other Seller's Specific Indemnities, if the Purchaser fails to give notice to the Seller of

such Claims prior to fifteen (15) months after the Effective Date. It is intentional that this period equals the period in Clause 14.4.1.

14.5 Notice of Claims

14.5.1 In the event that the Purchaser wishes to make a Claim against the Seller or in the event that the Purchaser acquires knowledge of a matter which may give rise to a Claim against the Seller, the Purchaser shall give notice (a "**Claim Notice**") to the Seller within sixty (60) Banking Days after the Purchaser appointed member and/or observer of the Company's board of directors acquiring knowledge of the matter giving rise to such Claim or possible Claim.

14.5.2 In the event that the Purchaser fails to give a Claim Notice to the Seller in due time, cf. Clause 14.5.1, the Seller's obligation to indemnify the Purchaser will cease in respect of the relevant matter.

14.5.3 A Claim Notice must contain a description in reasonable detail of the Claim and the factual and legal basis of the Claim as well as the amount of the Claim (estimated if necessary).

14.5.4 The Purchaser shall keep the Seller informed of the status, development and other relevant information concerning a Claim.

14.5.5 In the event that the Seller rejects (in part or in full) any obligation to indemnify the Purchaser in respect of a Claim, the Seller shall notify the Purchaser thereof in writing. In such case, the Purchaser must commence arbitration proceedings in respect of the Claim (or such part thereof which the Seller has rejected) within three (3) months of the Purchaser's receipt of the Seller's rejection notice, failing which the Seller's obligation to indemnify the Purchaser in respect of the Claim (or the relevant part thereof) will automatically cease.

14.6 Third party claims

14.6.1 This Clause 14.6.1 applies in circumstances where:

- (1) a claim is made by a third party against the Purchaser or the Companies or the NewCos which has given rise or may be expected to give rise to a Claim by the Purchaser against the Seller under the Seller's Representations and Warranties or the Seller's Specific Indemnities; or
- (2) the Purchaser or the Companies or the NewCos have made or may be expected to make a claim against a third party in respect of matters for

which the Purchaser has made or may be expected to make a Claim against the Seller under the Seller's Representations and Warranties or the Seller's Specific Indemnities.

14.6.2 In the circumstances described in Clause 14.6.1 and provided that the Seller beforehand has accepted to be under an indemnification obligation with respect to the Claim concerned in accordance with this Clause 14, the Purchaser shall (and the Purchaser shall contribute to that the Companies and the NewCos will):

- (1) keep the Seller informed of all relevant matters pertaining to such claim, including written communication and discussions with the relevant third party and give the Seller and their advisors access to the material pertaining to such claim, optionally with the exception of confidential paragraphs, and to a reasonable extent consult with the Purchaser's and the Companies' and the NewCos' employees and advisors relevant in the context of such claim; and
- (2) take any such reasonable action requested by the Seller, including the instruction of professional advisors nominated by the Seller and who is acceptable to the Purchaser, such accept not to be unreasonably withheld, to act on behalf of the Purchaser, the Companies and the NewCos, provided that the expenses incurred in this connection are reasonable, to make, defend or settle any such claim raised by or against a third party as referred to in Clause 14.6.1(1) or Clause 14.6.1(2).

14.7 No other remedies for Breach of the Agreement

14.7.1 The Parties waive the right to Claim remedies for Breach other than those specified above in this Clause 14 (and the limits stated herein), including the right to terminate the Agreement or to Claim a proportional reduction.

14.8 Intent

14.8.1 The limits specified in Clause 14.3 with respect to the remedies for Breach of the Parties do not apply in the event of intent (except in the event that such issue, information or circumstance was fairly disclosed in the Due Diligence Documentation or within the Purchaser's knowledge), however they do apply in the event of gross negligence. In the event of intent, the Seller's obligation to indemnify the Purchaser from non-performance of the Seller's Representations and Warranties or the Seller's Specific Indemnities becomes time-barred at the latest of the following dates: (i) the date of time barring under Clause 14.4 and (ii) the date of time barring pursuant to the provision of the Danish Limitations Act on time barring.

14.9 The Purchaser's security for Claims under the Seller's Representations and Warranties and the Seller's Specific Indemnities

14.9.1 In security of any Claims of the Purchaser against the Seller relating to Breach of the Seller's Representations and Warranties and the Seller's Specific Indemnities, the Seller undertakes to retain and maintain, free and clear of Third Party Rights, an amount equal to ten (10)% of the Purchase Price in cash and/or cash equivalents such as liquid, publicly-traded equity (the "**Retained Amount**") until the later of (i) 5 years after Closing, and (ii) the final settlement of any Claims made by the Purchaser in accordance with the provisions of the Agreement (the "**Release Date**") as security for the payment of any Claims that the Purchaser may have under the Agreement. If the Seller at any time before the Release Date fails to retain the Retained Amount, the Seller's Ultimate Owner shall be directly and personally liable for an amount equal to the shortfall of the Retained Amount.

15. Restrictive covenant

15.1 For a period of thirty-six (36) months after the Effective Date, the Seller and the Seller's Ultimate Owner will not directly or indirectly interfere with any of the Companies' and the NewCos' relationships with their suppliers and/or designers of products in the HAY portfolio if such interference by the Seller and/or the Seller's Ultimate Owner materially and adversely affect the Companies' or the NewCos' business relation with the suppliers or designers concerned and such interference by the Seller and/or the Seller's Ultimate Owner is the main purpose of the action (the Purchaser acknowledges and agrees that for instance a change in standard commercial terms generally applied to all business relationships or other commercially drive decisions shall not be deemed to have material and/or adverse affects on the business relations of the Companies and the NewCos).

Subject to this Clause 15.1, the Purchaser acknowledges and agrees that the Seller and the Seller's Ultimate Owner shall, following Closing, be entitled to compete with the business of the Companies and the NewCos as such business was conducted immediately prior to the Effective Date, including, without limitation, that the Seller and/or the Seller's Ultimate Owner, inter alia, shall be entitled to for instance acquire or invest in a supplier and/or designer of any of the Companies or the NewCos.

15.2 Non-compliance with this restrictive covenant clause obliges the party in Breach to pay an agreed penalty of DKK 1,500,000 to the Purchaser for each Breach. If the Breach consists in bringing about or continuing a situation, including, without

limitation, maintaining a customer relationship, each commenced month in which the situation is maintained will be regarded as one Breach.

- 15.3 Payment of the agreed penalty does not mean that the obligations no longer apply, and in addition to the agreed penalty the Purchaser is entitled to prevent any wrongful conduct by means of an injunction. An injunction may be issued without provision of security.
- 15.4 If the Purchaser finds that the Seller or Seller's Ultimate Owner does not comply with the restrictive covenant in this Clause 15, the Purchaser shall send a written notice of Breach to the Seller within thirty (30) days after the Purchaser became aware or ought to have become aware of the Breach. The notice must set forth the facts that have caused the alleged non-compliance with Clause 15. Following the Seller's receipt of said notice, Seller and/or Seller's Ultimate Owner shall be entitled to cease the activities and thereby remedy said Breach within fourteen (14) Banking Days, if possible, without paying the agreed penalty pursuant to Clause 15.2.
- 15.5 The remedies stated in this Clause 15 are the Purchaser's exclusive remedies in case of a Breach of this Clause 15.

16. Other provisions

- 16.1 Costs
 - 16.1.1 The Parties each pays their own costs regarding the negotiation, drafting and conclusion of the Agreement.
- 16.2 Interest
 - 16.2.1 Any payment which the Seller and/or the Seller's Ultimate Owner are obligated to pay to the Purchaser under the Agreement shall include payment of Interest from (but not including) the due date set out in regard to such payment and until and including the date of payment.
- 16.3 Counterparts
 - 16.3.1 The Agreement is executed in two (2) identical counterparts of which the Purchaser and the Seller receives one original counterpart.
- 16.4 Notices

- 16.4.1 Any notice required to be given under this Agreement must be in writing and as regards the Seller addressed to:

Nine United A/S

Havnen 1
8700 Horsens
Denmark
Attn.: Troels Holch Povlsen, thp@nineunited.com

with a copy to

Bech-Bruun Law Firm P/S
Værkmestergade 2
8000 Aarhus
Denmark
Attn.: Søren Kamp Nørbæk, sno@bechbruun.com

and to the following as regards the Purchaser:

Herman Miller Holdings Limited

5th Floor, 9-10 Market Place
London, W1W 8AQ
United Kingdom
Attn.: General Counsel, Jackie Rice jackie_rice@hermanmiller.com

with a copy to

Herman Miller, Inc.
855 East Main Avenue
PO Box 302
Zeeland, Michigan 49464
United States of America
Attn.: General Counsel, Jackie Rice jackie_rice@hermanmiller.com

and with a copy to

Andersen Partners
Jernbanegade 31
6000 Kolding
Denmark
Attn.: Michael Roschmann Skovgaard, mrs@andersen-partners.dk

unless the individual Party gives notification of another addressee. Unless otherwise agreed, any notice required to be given under this Agreement will be regarded as having been duly given if it is in writing and delivered or sent by registered and stamped mail to the above addressees or if receipt thereof is otherwise acknowledged.

16.5 Confidentiality and publication

16.5.1 Subject to Clauses 16.5.2 and 16.5.4, each Party shall treat as strictly confidential all Confidential Information. Confidential Information comprises (i) the terms and conditions of the Agreement, (ii) information concerning the other Party and its business and affairs obtained from the other Party in connection with the negotiations regarding the Agreement and its execution and performance and (iii) with respect to the Seller and subject to Closing being completed, information concerning the Companies and the NewCos and their businesses and affairs.

16.5.2 Each Party may, however, disclose information which would otherwise be Confidential Information in the event that:

- (1) it is required by law or by a court of competent jurisdiction;
- (2) it is required by any securities exchange, administrative body or other Governmental Authority, whether or not the requirement for information has the force of law;
- (3) disclosure is made as a normal part of the preparation of the accounts and/or other financial reports;
- (4) disclosure is made as a usual part of a due diligence review, however, provided that the parties to whom disclosure is made are subject to customary confidentiality undertakings;
- (5) disclosure is made to its affiliates and/or its or their legal or financial advisers or banks, if such advisers or banks are under a legal obligation to treat such information as confidential;
- (6) for the purpose of enforcing any right or complying with any obligation under this Agreement, including, to the extent required or appropriate, for the purpose of any arbitration proceedings pursuant to Clause 17.2;

- (7) the information has come into the public domain through no fault of the relevant Party or any of its authorized recipients under Clause 16.5.2(5); or
 - (8) the other Party has given its prior written approval to the disclosure, such approval not to be unreasonably withheld or delayed.
- 16.5.3 Any disclosure pursuant to Clause 16.5.2(2) requires prior notice to and consultation with the other Parties to the extent permitted by law.
- 16.5.4 The Parties shall agree on the date and the substance of the announcement of the signing of the Agreement to the public and the Companies' and the NewCos' employees upon due consideration of the Purchaser's groups obligations pertaining to stock exchange law and regulation.
- 16.6 Omission to enforce rights
 - 16.6.1 A Party's omission in a specific situation to enforce a right under this Agreement will not limit such Party's right to exercise its right in compliance with the provisions of the Agreement in another situation, e.g. a later similar situation (except as expressly set out in this Agreement).
- 16.7 Entire agreement
 - 16.7.1 This Agreement constitutes the sole understanding of the Parties with respect to the subject matter hereof and supersede all prior oral or written discussions and agreements regarding the subject matter hereof, including, but not limited to, the draft term sheet discussed by the Parties.
- 16.8 Changes to the Agreement
 - 16.8.1 Should the Parties agree to amend this Agreement, such agreement must be made in writing.
- 16.9 Assignment of rights and obligations
 - 16.9.1 Neither Party may transfer or assign the Agreement or any of its rights or obligations hereunder to any third party – whether in ownership or as security – without the prior approval of the other Party save by operation of law.
- 16.10 Invalid or unenforceable terms

- 16.10.1 If a provision of the Agreement or part thereof becomes invalid or unenforceable, the validity or enforceability of the remaining provisions of the Agreement will not be affected. In such case, the Parties shall endeavour to negotiate in good faith any necessary adjustments of this Agreement in order to secure their basic interests and main objectives prevailing at the Effective Date. Failing an agreement between the Parties on necessary adjustments of the Agreement, such adjustments shall be made by arbitration in accordance with Clause 17.2.

17. Disputes

- 17.1 Any dispute arising out of or in connection with this Agreement, including disputes regarding the existence or validity of the Agreement must be settled pursuant to Danish law, with the exception of any conflict of laws rules, which may lead to the application of other law than Danish law and/or CISG.
- 17.2 Any disputes, which cannot be amicably settled by the Parties, shall be settled with binding and final effect by arbitration administered in English by the Danish Institute of Arbitration in accordance with the rules of arbitration procedure adopted by the Danish Institute of Arbitration and in force at the time of filing of the arbitration case. If the Parties so agree, the dispute may be settled by one (1) arbitrator appointed by the Danish Institute of Arbitration. In other cases, the dispute shall be settled by three (3) arbitrators, whereas each Party involved in the arbitration case appoints an arbitrator, and the Danish Institute of Arbitration appoints the chairman of the arbitration tribunal. If a Party has not appointed an arbitrator within twenty (20) Banking Days of that Party having filed or received Notice of the request for arbitration, the Danish Institute of Arbitration will also appoint such arbitrator.
- 17.3 The place of arbitration shall be Copenhagen, Denmark.
- 17.4 The Parties are obliged to keep secret the arbitration proceedings and the award.

SIGNATURES FOLLOW ON THE NEXT PAGE

IN WITNESS WHEREOF, the Parties have entered into this Agreement effective as of the Effective Date.

As the **Seller:**

On behalf of Nine United A/S:

Troels Holch Povlsen
Chairman of the board of directors

As the **Purchaser:**

On behalf of Herman Miller
Holdings Limited:

David Lutz
Director

Robert Woodbridge
Director

Effective as of the Effective Date, the obligations specified in Clauses 2.5.1, 14.9, 15 and 17 are hereby accepted and undertaken by the Seller's Ultimate Owner:

Troels Holch Povlsen

Exhibit 31.1

**CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER
OF HERMAN MILLER, INC. (THE "REGISTRANT")**

I, Andrea R. Owen, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended August 31, 2019, of Herman Miller, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 8, 2019

/s/ Andrea R. Owen

Andrea R. Owen

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATE OF THE CHIEF FINANCIAL OFFICER
OF HERMAN MILLER, INC. (THE "REGISTRANT")

I, Jeffrey M. Stutz, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended August 31, 2019, of Herman Miller, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 8, 2019

/s/ Jeffrey M. Stutz
Jeffrey M. Stutz
Chief Financial Officer

Exhibit 32.1

**CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER
OF HERMAN MILLER, INC. (THE "COMPANY")**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002:

I, Andrea R. Owen, President and Chief Executive Officer of the company, certify to the best of my knowledge and belief pursuant to Section 906 of Sarbanes-Oxley Act of 2002 that:

- (1) The quarterly report on Form 10-Q for the period ended August 31, 2019, which this statement accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this quarterly report on Form 10-Q for the quarterly period ended August 31, 2019, fairly presents, in all material respects, the financial condition and results of operations of the company

Dated: October 8, 2019

/s/ Andrea R. Owen

Andrea R. Owen

President and Chief Executive Officer

The signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Herman Miller, Inc. and will be retained by Herman Miller, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATE OF THE CHIEF FINANCIAL OFFICER
OF HERMAN MILLER, INC. (THE "COMPANY")**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002:

I, Jeffrey M. Stutz, Chief Financial Officer of the company, certify to the best of my knowledge and belief pursuant to Section 906 of Sarbanes-Oxley Act of 2002 that:

- (1) The quarterly report on Form 10-Q for the period ended August 31, 2019, which this statement accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this quarterly report on Form 10-Q for the quarterly period ended August 31, 2019, fairly presents, in all material respects, the financial condition and results of operations of the company.

Dated: October 8, 2019

/s/ Jeffrey M. Stutz

Jeffrey M. Stutz
Chief Financial Officer

The signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Herman Miller, Inc. and will be retained by Herman Miller, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.