

STEELCASE INC
Form 10-Q
January 04, 2012

Table of Contents

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

FORM 10-Q

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

For the quarterly period ended November 25, 2011

or

o **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 1-13873

STEELCASE INC.

(Exact name of registrant as specified in its charter)

Michigan

**(State or other jurisdiction
of incorporation or organization)**

901 44th Street SE

Grand Rapids, Michigan

(Address of principal executive offices)

38-0819050

(I.R.S. employer identification no.)

49508

(Zip Code)

(Registrant's telephone number, including area code) (616) 247-2710

None

(Former name, former address and former fiscal year, if changed since last report)

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 þ No o

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

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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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

As of December 28, 2011, Steelcase Inc. had 84,032,324 shares of Class A Common Stock and 42,574,992 shares of Class B Common Stock outstanding.

**STEELCASE INC.
FORM 10-Q**

FOR THE QUARTERLY PERIOD ENDED NOVEMBER 25, 2011

INDEX

| | Page No. |
|--|-----------------|
| <u>PART I</u> | |
| <u>Financial Information</u> | 1 |
| <u>Item 1.</u> | 1 |
| <u>Financial Statements (Unaudited)</u> | 1 |
| <u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended November 25, 2011 and November 26, 2010</u> | 1 |
| <u>Condensed Consolidated Balance Sheets as of November 25, 2011 and February 25, 2011</u> | 2 |
| <u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended November 25, 2011 and November 26, 2010</u> | 3 |
| <u>Notes to Condensed Consolidated Financial Statements</u> | 4 |
| <u>Item 2.</u> | 17 |
| <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 17 |
| <u>Item 3.</u> | 29 |
| <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 29 |
| <u>Item 4.</u> | 30 |
| <u>Controls and Procedures</u> | 30 |
| <u>PART II</u> | |
| <u>Other Information</u> | 31 |
| <u>Item 2.</u> | 31 |
| <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 31 |
| <u>Item 6.</u> | 31 |
| <u>Exhibits</u> | 31 |
| <u>Signatures</u> | 32 |
| <u>Exhibit Index</u> | 33 |
| <u>EX-10.1</u> | |
| <u>EX-10.2</u> | |
| <u>EX-31.1</u> | |
| <u>EX-31.2</u> | |
| <u>EX-32.1</u> | |
| <u>EX-101 INSTANCE DOCUMENT</u> | |
| <u>EX-101 SCHEMA DOCUMENT</u> | |
| <u>EX-101 CALCULATION LINKBASE DOCUMENT</u> | |
| <u>EX-101 LABELS LINKBASE DOCUMENT</u> | |
| <u>EX-101 PRESENTATION LINKBASE DOCUMENT</u> | |
| <u>EX-101 DEFINITION LINKBASE DOCUMENT</u> | |

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements:****STEELCASE INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)****(in millions, except per share data)**

| | Three Months Ended | | Nine Months Ended | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | November 25, 2011 | November 26, 2010 | November 25, 2011 | November 26, 2010 |
| Revenue | \$ 719.4 | \$ 672.6 | \$ 2,059.3 | \$ 1,814.2 |
| Cost of sales | 496.3 | 461.8 | 1,430.5 | 1,258.1 |
| Restructuring costs | 3.3 | 6.9 | 24.7 | 20.1 |
| Gross profit | 219.8 | 203.9 | 604.1 | 536.0 |
| Operating expenses | 181.1 | 176.0 | 524.2 | 500.7 |
| Restructuring costs | 0.5 | 1.1 | 1.3 | 3.4 |
| Operating income | 38.2 | 26.8 | 78.6 | 31.9 |
| Interest expense | (4.1) | (4.8) | (20.1) | (13.9) |
| Investment income (loss) | (0.6) | 3.7 | (0.3) | 10.5 |
| Other income, net | 1.1 | 0.1 | 3.1 | 3.8 |
| Income before income tax expense | 34.6 | 25.8 | 61.3 | 32.3 |
| Income tax expense | 12.2 | 7.5 | 19.5 | 22.3 |
| Net income | \$ 22.4 | \$ 18.3 | \$ 41.8 | \$ 10.0 |
| Earnings per share: | | | | |
| Basic | \$ 0.17 | \$ 0.14 | \$ 0.31 | \$ 0.07 |
| Diluted | \$ 0.17 | \$ 0.14 | \$ 0.31 | \$ 0.07 |
| Dividends declared and paid per common share | \$ 0.06 | \$ 0.04 | \$ 0.18 | \$ 0.12 |

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**STEELCASE INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in millions)**

| | (Unaudited) November 25, 2011 | February 25, 2011 |
|--|--|------------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 114.9 | \$ 142.2 |
| Short-term investments | 51.0 | 350.8 |
| Accounts receivable, net of allowances of \$22.5 and \$23.1 | 315.1 | 271.0 |
| Inventories | 153.9 | 127.1 |
| Deferred income taxes | 53.1 | 58.0 |
| Other current assets | 63.4 | 63.2 |
| Total current assets | 751.4 | 1,012.3 |
| Property and equipment, net of accumulated depreciation of \$1,208.7 and \$1,228.1 | 342.3 | 345.8 |
| Company-owned life insurance | 222.2 | 223.1 |
| Deferred income taxes | 126.4 | 132.2 |
| Goodwill | 174.7 | 174.8 |
| Other intangible assets, net | 20.5 | 21.7 |
| Other assets | 96.3 | 86.6 |
| Total assets | \$ 1,733.8 | \$ 1,996.5 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 214.0 | \$ 195.0 |
| Short-term borrowings and current maturities of long-term debt | 2.6 | 255.5 |
| Accrued expenses: | | |
| Employee compensation | 131.6 | 136.3 |
| Employee benefit obligations | 22.1 | 15.5 |
| Other | 137.5 | 134.5 |
| Total current liabilities | 507.8 | 736.8 |
| Long-term liabilities: | | |
| Long-term debt less current maturities | 289.5 | 291.3 |
| Employee benefit plan obligations | 167.8 | 170.0 |
| Other long-term liabilities | 76.8 | 80.0 |
| Total long-term liabilities | 534.1 | 541.3 |

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| | | |
|---|------------|------------|
| Total liabilities | 1,041.9 | 1,278.1 |
| Shareholders' equity: | | |
| Common stock | 7.9 | 48.5 |
| Additional paid-in capital | 30.1 | 20.2 |
| Accumulated other comprehensive income (loss) | (13.1) | 0.6 |
| Retained earnings | 667.0 | 649.1 |
| Total shareholders' equity | 691.9 | 718.4 |
| Total liabilities and shareholders' equity | \$ 1,733.8 | \$ 1,996.5 |

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**STEELCASE INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**
(in millions)

| | Nine Months Ended | |
|--|------------------------------|------------------------------|
| | November 25, 2011 | November 26, 2010 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 41.8 | \$ 10.0 |
| Depreciation and amortization | 41.7 | 49.1 |
| Changes in cash surrender value of company-owned life insurance | 0.9 | (10.7) |
| Changes in deferred income taxes | 3.8 | 6.9 |
| Changes in operating assets and liabilities, net of acquisitions and deconsolidations: | | |
| Accounts receivable, inventories and accounts payable | (47.4) | (68.7) |
| Employee compensation liabilities | (1.1) | 20.6 |
| Other assets and liabilities | (10.7) | 33.3 |
| Other | 18.9 | 18.3 |
| Net cash provided by operating activities | 47.9 | 58.8 |
| INVESTING ACTIVITIES | | |
| Capital expenditures | (49.0) | (33.3) |
| Proceeds from disposal of fixed assets | 8.1 | 14.3 |
| Purchases of short-term investments | (161.8) | (14.8) |
| Liquidations of short-term investments | 460.2 | 3.9 |
| Acquisitions, net of divestiture | (18.2) | |
| Other | 7.5 | (3.5) |
| Net cash provided by (used in) investing activities | 246.8 | (33.4) |
| FINANCING ACTIVITIES | | |
| Repayments of long-term debt | (255.5) | (2.2) |
| Dividends paid | (23.9) | (16.2) |
| Common stock repurchases | (41.0) | (0.3) |
| Other | 0.3 | 0.5 |
| Net cash used in financing activities | (320.1) | (18.2) |
| Effect of exchange rate changes on cash and cash equivalents | (1.9) | 0.7 |
| Net increase (decrease) in cash and cash equivalents | (27.3) | 7.9 |
| Cash and cash equivalents, beginning of period | 142.2 | 111.1 |
| Cash and cash equivalents, end of period | \$ 114.9 | \$ 119.0 |

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions in Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair presentation of the condensed consolidated financial statements have been included. Results for interim periods should not be considered indicative of results to be expected for a full year. Reference should be made to the consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended February 25, 2011 (Form 10-K). The Condensed Consolidated Balance Sheet as of February 25, 2011 was derived from the audited Consolidated Balance Sheet included in our Form 10-K.

As used in this Quarterly Report on Form 10-Q (Report), unless otherwise expressly stated or the context otherwise requires, all references to Steelcase, we, our, Company and similar references are to Steelcase Inc. and its subsidiaries in which a controlling interest is maintained. Unless the context otherwise indicates, reference to a year relates to the fiscal year, ended in February of the year indicated, rather than a calendar year. Additionally, Q1, Q2, Q3 and Q4 reference the first, second, third and fourth quarter, respectively, of the fiscal year indicated. All amounts are in millions, except share and per share data, data presented as a percentage or as otherwise indicated.

As of the end of the first quarter of fiscal year 2012, we realigned our reportable segments for financial reporting purposes primarily as a result of organizational changes to strengthen our position as a globally integrated enterprise. The accompanying segment data for all prior periods has been reclassified to reflect these realignments. See Note 10 for additional information regarding our reportable segments.

2. NEW ACCOUNTING STANDARDS

In September 2011, the Financial Accounting Standards Board (FASB) amended Accounting Standards Codification (ASC) 350, *Intangibles Goodwill and Other*. This amendment is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. The amended provisions are effective for reporting periods beginning on or after December 15, 2011 (the first quarter of fiscal 2013 for the Company). However, early adoption is permitted if an entity's financial statements for the most recent annual or interim period have not yet been issued. This amendment impacts testing steps only, and therefore adoption will not have an impact on the Company's consolidated financial position, results of operations or cash flows.

In September 2011, the FASB amended ASC 715-80, *Compensation Retirement Benefits Multiemployer Plans*. This amendment is intended to provide more information about an employer's financial obligations to a multiemployer pension plan and, therefore, help financial statement users better understand the financial health of all of the significant plans in which the employer participates. The amended provisions are effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2011 (the first quarter of fiscal 2013 for the Company). Early adoption is permitted and retrospective application is required. This amendment impacts disclosures only, and therefore adoption will not have an impact on the Company's consolidated financial position, results of

operations or cash flows.

In June 2011, the FASB amended ASC 220, *Comprehensive Income*. This amendment was issued to enhance comparability between entities that report under GAAP and International Financial Reporting Standards (IFRS) and to provide a more consistent method of presenting non-owner transactions that

Table of Contents

STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

affect an entity's equity. The amendment requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two separate but consecutive statements. It eliminates the option to report other comprehensive income and its components as part of the statement of changes in shareholders' equity. The amended provisions are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 (the first quarter of fiscal 2013 for the Company). Early adoption is permitted, and full retrospective application is required. This amendment impacts presentation and disclosure only, and therefore adoption will not have an impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2011, the FASB amended ASC 820, *Fair Value Measurements and Disclosures*. This amendment provides a consistent definition of fair value and ensures that the fair value measurement and disclosure requirements are similar between GAAP and IFRS. The amendment clarifies the application of existing fair value measurements and disclosures, and changes certain principles or requirements for fair value measurements and disclosures. These provisions are effective for reporting periods beginning on or after December 15, 2011 (the first quarter of fiscal 2013 for the Company), applied prospectively. This amendment is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

3. EARNINGS PER SHARE

Earnings per share is computed using the two-class method. The two-class method determines earnings per share of common stock and participating securities according to dividends or dividend equivalents and their respective participation rights in undistributed earnings. Participating securities include performance units and restricted stock units in which the participants have non-forfeitable rights to dividends or dividend equivalents during the performance period. Diluted earnings per share includes the effects of options and certain performance shares and performance units in which the participants have forfeitable rights to dividends or dividend equivalents during the performance period. However, for the three and nine months ended November 25, 2011 and November 26, 2010, diluted earnings per

Table of Contents**STEELCASE INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

share does not reflect the effect of options and certain performance units totaling 4.1 million and 3.3 million, respectively, because their effect would have been anti-dilutive.

| Computation of Earnings per Share | Three Months Ended | | Nine Months Ended | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | November 25, 2011 | November 26, 2010 | November 25, 2011 | November 26, 2010 |
| Net income | \$ 22.4 | \$ 18.3 | \$ 41.8 | \$ 10.0 |
| Adjustment for earnings attributable to participating securities | (0.4) | (0.2) | (0.7) | (0.1) |
| Net income used in calculating earnings per share | \$ 22.0 | \$ 18.1 | \$ 41.1 | \$ 9.9 |
| Weighted-average common shares outstanding including participating securities (in millions) | 131.3 | 135.1 | 132.8 | 135.0 |
| Adjustment for participating securities (in millions) | (2.4) | (2.1) | (2.3) | (2.0) |
| Shares used in calculating basic earnings per share (in millions) | 128.9 | 133.0 | 130.5 | 133.0 |
| Effect of dilutive stock-based compensation (in millions) | | 0.5 | | 0.4 |
| Shares used in calculating diluted earnings per share (in millions) | 128.9 | 133.5 | 130.5 | 133.4 |
| Earnings per share: | | | | |
| Basic | \$ 0.17 | \$ 0.14 | \$ 0.31 | \$ 0.07 |
| Diluted | \$ 0.17 | \$ 0.14 | \$ 0.31 | \$ 0.07 |
| Total common shares outstanding at period end (in millions) | 127.4 | 133.1 | 127.4 | 133.1 |

4. COMPREHENSIVE INCOME

Comprehensive income is comprised of net income and all changes to shareholders equity except those due to investments by, and distributions to, shareholders.

| Three Months Ended November 25, 2011 | | Three Months Ended November 26, 2010 | |
|---|---------------|---|---------------|
| Tax | Net of | | Net of |

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| Comprehensive Income | Before Tax | | Tax | Before Tax | | Tax (Expense) | Tax |
|--|-------------------|----------------|---------------|-------------------|----------------|----------------------|------------|
| | Amount | Benefit | Amount | Amount | Benefit | Amount | |
| Net income | | | \$ 22.4 | | | | \$ 18.3 |
| Other comprehensive income: | | | | | | | |
| Foreign currency translation adjustments | \$ (12.2) | \$ | (12.2) | \$ 6.3 | \$ | | 6.3 |
| Unrealized gain (loss) on investments, net | (0.7) | 0.3 | (0.4) | | | | |
| Minimum pension liability | (2.5) | 1.2 | (1.3) | 17.3 | (6.3) | | 11.0 |
| Derivative adjustments | | | | (0.4) | 0.1 | | (0.3) |
| | \$ (15.4) | \$ 1.5 | (13.9) | \$ 23.2 | \$ (6.2) | | 17.0 |
| Total comprehensive income | | | \$ 8.5 | | | | \$ 35.3 |

Table of Contents

STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | Nine Months Ended November 25, 2011 | | | Nine Months Ended November 26, 2010 | | |
|---|--|----------------|-------------------------|--|-----------------------------|-------------------------|
| | Before Tax Amount | Tax Benefit | Net of Tax Amount | Before Tax Amount | Tax (Expense) Benefit | Net of Tax Amount |
| Comprehensive Income | | | | | | |
| Net income | | | \$ 41.8 | | | \$ 10.0 |
| Other comprehensive income: | | | | | | |
| Foreign currency translation adjustments | \$ (8.5) | \$ | (8.5) | \$ 3.1 | \$ | 3.1 |
| Unrealized gain (loss) on investments, net | (0.8) | 0.3 | (0.5) | 1.3 | (0.5) | 0.8 |
| Minimum pension liability | (8.0) | 3.4 | (4.6) | 13.8 | (4.1) | 9.7 |
| Derivative adjustments | (0.2) | 0.1 | (0.1) | (0.4) | 0.1 | (0.3) |
| | \$ (17.5) | \$ 3.8 | (13.7) | \$ 17.8 | \$ (4.5) | 13.3 |
| Total comprehensive income | | | \$ 28.1 | | | \$ 23.3 |

Foreign currency translation adjustments reflect the impact of the changes in certain foreign currency values (principally the euro, pound sterling, and Canadian dollar) relative to the U.S. dollar. As of November 25, 2011, approximately 39% of our assets were denominated in currencies other than the U.S. dollar, the majority of which were denominated in euros.

5. FAIR VALUE

The carrying amounts for many of our financial instruments, including cash and cash equivalents, accounts and notes receivable, accounts and notes payable, short-term borrowings and certain other liabilities, approximate their fair value due to their relatively short maturities. Our short-term investments, foreign exchange forward contracts and long-term investments are measured at fair value on the Condensed Consolidated Balance Sheets.

Our total debt is carried at cost and was \$292.1 and \$546.8 as of November 25, 2011 and February 25, 2011, respectively. The fair value of our total debt is measured using a discounted cash flow analysis based on current market interest rates for similar types of instruments and was approximately \$295 and \$555 as of November 25, 2011 and February 25, 2011, respectively.

Table of Contents**STEELCASE INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

We periodically use derivative financial instruments to manage exposures to movements in interest rates and foreign exchange rates. The use of these financial instruments modifies the exposure of these risks with the intention to reduce our risk of short-term volatility. We do not use derivatives for speculative or trading purposes.

| Fair Value of Financial Instruments | November 25, 2011 | | | Total |
|--|--------------------------|----------------|----------------|--------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Cash and cash equivalents | \$ 114.9 | \$ | \$ | \$ 114.9 |
| Corporate debt securities | | 29.8 | | 29.8 |
| U.S. agency debt securities | | 18.5 | | 18.5 |
| Auction rate securities | | | 12.9 | 12.9 |
| U.S. government debt securities | 1.5 | | | 1.5 |
| Other investments | 3.5 | 1.2 | | 4.7 |
| Canadian asset-backed commercial paper restructuring notes | | | 3.9 | 3.9 |
| Foreign exchange forward contracts | | 7.1 | | 7.1 |
| | \$ 119.9 | \$ 56.6 | \$ 16.8 | \$ 193.3 |
| Liabilities | | | | |
| Foreign exchange forward contracts | \$ | \$ (0.5) | \$ | \$ (0.5) |
| | \$ | \$ (0.5) | \$ | \$ (0.5) |
| | | | | |
| Fair Value of Financial Instruments | February 25, 2011 | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Cash and cash equivalents | \$ 142.2 | \$ | \$ | \$ 142.2 |
| Corporate debt securities | | 36.0 | | 36.0 |
| U.S. agency debt securities | | 254.9 | | 254.9 |
| Auction rate securities | | | 13.8 | 13.8 |
| U.S. government debt securities | 58.9 | | | 58.9 |
| Other investments | 2.2 | 1.0 | | 3.2 |
| Canadian asset-backed commercial paper restructuring notes | | | 4.2 | 4.2 |
| Foreign exchange forward contracts | | 0.5 | | 0.5 |
| | \$ 203.3 | \$ 292.4 | \$ 18.0 | \$ 513.7 |
| Liabilities | | | | |
| Foreign exchange forward contracts | \$ | \$ (4.0) | \$ | \$ (4.0) |
| | \$ | \$ (4.0) | \$ | \$ (4.0) |

Table of Contents**STEELCASE INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for any period presented. Below is a roll-forward of assets and liabilities measured at fair value using Level 3 inputs for the nine months ended November 25, 2011:

| Roll-Forward of Fair Value Using Level 3 Inputs | Auction Rate Securities | Canadian Asset-Backed Commercial Paper Restructuring Notes |
|--|--|--|
| Balance as of February 25, 2011 | \$ 13.8 | \$ 4.2 |
| Unrealized loss on investments | (0.6) | |
| Other-than-temporary impairments | (0.3) | |
| Currency translation adjustment | | (0.3) |
| Balance as of November 25, 2011 | \$ 12.9 | \$ 3.9 |

The other-than-temporary impairments recognized on our auction rate securities during the nine months ended November 25, 2011 were recognized in *Investment income (loss)* on the Condensed Consolidated Statement of Operations.

6. INVENTORIES

| Inventories | November 25, 2011 | February 25, 2011 |
|--------------------|------------------------------|------------------------------|
| Raw materials | \$ 64.1 | \$ 55.0 |
| Work-in-process | 20.1 | 13.9 |
| Finished goods | 91.9 | 79.1 |
| | 176.1 | 148.0 |
| LIFO reserve | (22.2) | (20.9) |
| | \$ 153.9 | \$ 127.1 |

The portion of inventories determined by the LIFO method aggregated \$63.0 as of November 25, 2011 and \$45.5 as of February 25, 2011.

Table of Contents**STEELCASE INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT**

| Debt Obligations | Interest Rate Range as of November 25, 2011 | Fiscal Year Maturity Range | November 25, 2011 | February 25, 2011 |
|---|--|---|------------------------------|------------------------------|
| U.S. dollar obligations: | | | | |
| Senior notes due August 2011 | 6.5% | 2012 | \$ | \$ 249.9 |
| Senior notes due February 2021 | 6.375% | 2021 | 249.9 | 249.9 |
| Revolving credit facilities | | | | |
| Notes payable | LIBOR + 3.35% | 2017 | 41.5 | 43.1 |
| Capitalized lease obligations | 6.0%-6.5% | 2012-2016 | 0.4 | 0.5 |
| | | | 291.8 | 543.4 |
| Foreign currency obligations: | | | | |
| Revolving credit facilities | 6.0% | 2012 | | 3.0 |
| Notes payable | 6.5% | 2013 | 0.3 | 0.4 |
| Total short-term borrowings and long-term debt | | | 292.1 | 546.8 |
| Short-term borrowings and current portion of long-term debt | | | 2.6 | 255.5 |
| Long-term debt | | | \$ 289.5 | \$ 291.3 |

The annual maturities of short-term borrowings and long-term debt for each of the following five years are as follows:

| | Twelve Months Ending in November | Amount |
|---------------------|---|---------------|
| 2012 | | \$ 2.6 |
| 2013 | | 2.6 |
| 2014 | | 2.4 |
| 2015 | | 2.4 |
| 2016 and thereafter | | 282.1 |
| | | \$ 292.1 |

8. INCOME TAXES

In Q3 2012, the French Legislature enacted a tax law change affecting the utilization of net operating losses. Under the new law, net operating loss utilization in any particular period will be limited to 60% of the amount by which net income exceeds 1 million euros. This law change will extend the period of time required to utilize our French net

operating losses, however, net operating losses will continue to have an indefinite carryover period. After evaluating the impact of the tax law change and related considerations, it did not have a material impact on our consolidated financial statements. Our judgments and assumptions are subject to change given the uncertainty surrounding the developing debt crisis in Europe and related economic conditions.

9. STOCK INCENTIVE PLAN

Performance Units

In Q1 2012, we awarded a target of 485,845 performance units to our executive officers. These performance units are earned after a three-year performance period, from 2012 through 2014, based on our total shareholder return relative to a comparison group of companies. The number of units that may be earned can range from 0% to 200% of the target amount, therefore the maximum number of

Table of Contents**STEELCASE INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

performance units that can be issued under the award is 971,690. For this award, a dividend equivalent is calculated based on the actual number of units earned at the end of the performance period, equal to the dividends that would have been payable on the earned units had they been held during the entire performance period as Class A Common Stock. At the end of the performance period, the dividend equivalents are paid in the form of cash or Class A Common Stock at the discretion of the Board of Directors. The award will be forfeited if a participant leaves our company for reasons other than retirement, disability or death or if the participant engages in any competition with us, as defined in the plan and determined by the Administrative Committee in its discretion. If a change in control occurs at least six months following the award date, the target award will be deemed to be earned and a pro rata number of units will be vested and paid based upon the length of time within the performance period which has elapsed prior to the effective date of the change in control. The fair value of the performance units awarded was calculated on the grant date using the Monte Carlo simulation model with the following assumptions:

| | 2012 Awards | 2011 Awards | 2010 Awards |
|---|--------------------|--------------------|--------------------|
| Three-year risk-free interest rate (1) | 1.4% | 1.7% | 1.3% |
| Expected term | 3 years | 3 years | 3 years |
| Estimated volatility (2) | 50.9% | 49.2% | 41.3% |
| Weighted-average grant-date fair value per unit | \$ 16.57 | \$ 9.14 | \$ 7.20 |

(1) Based on the U.S. government bond benchmark on the grant date.

(2) Represents the historical price volatility of the Company's common stock for the three-year period preceding the grant date.

The total performance units expense and associated tax benefit for all outstanding awards for the three and nine months ended November 25, 2011 and November 26, 2010 are as follows:

| Performance Units | Three Months Ended | | Nine Months Ended | |
|--------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
| | November 25, 2011 | November 26, 2010 | November 25, 2011 | November 26, 2010 |
| Expense | \$ 1.2 | \$ 0.7 | \$ 7.3 | \$ 4.9 |
| Tax benefit | 0.4 | 0.2 | 2.8 | 1.7 |

The performance units activity for the nine months ended November 25, 2011 is as follows:

| Maximum Number of Nonvested Units | Total | Weighted-Average Grant Date Fair Value per Unit (2) |
|--|--------------|--|
| Nonvested as of February 25, 2011 | 3,024,000 | 4.22 |
| Granted | 971,690 | 8.29 |

| | | |
|---------------------------------------|-----------|------|
| Nonvested as of November 25, 2011 (1) | 3,995,690 | 5.21 |
|---------------------------------------|-----------|------|

(1) Total nonvested units include 390,500 units, which represents the 25% portion of the awards granted in 2011 and 2010 which are not subject to performance conditions.

(2) The fair value per unit presented in this table assumes the awards are at maximum.

As of November 25, 2011, there is \$4.7 of remaining unrecognized compensation cost related to nonvested performance units. That cost is expected to be recognized over a remaining weighted-average period of 1.8 years.

Table of Contents

STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted Stock and Restricted Stock Units

For the three months ended November 25, 2011, we awarded 198,500 restricted stock units (RSUs) to certain employees who are not executive officers. For the nine months ended November 25, 2011 we awarded 468,305 RSUs, of which 252,655 were to our executive officers. These RSUs have restrictions on transfer, the majority of which lapse three years after the date of grant, at which time RSUs are issued as unrestricted shares of Class A Common Stock. These awards are subject to forfeiture if a participant leaves our company for reasons other than retirement, disability, death or termination by us without cause prior to the vesting date.

The total restricted stock and RSUs expense and associated tax benefit for all outstanding awards for the three and nine months ended November 25, 2011 and November 26, 2010 are as follows:

| Restricted Stock and RSUs | Three Months Ended | | Nine Months Ended | |
|---------------------------|----------------------|----------------------|----------------------|----------------------|
| | November 25, 2011 | November 26, 2010 | November 25, 2011 | November 26, 2010 |
| Expense | \$ 0.9 | \$ 0.5 | \$ 2.7 | \$ 1.2 |
| Tax benefit | 0.3 | 0.2 | 1.0 | 0.4 |

The restricted stock and RSUs activity for the nine months ended November 25, 2011 is as follows:

| Nonvested Shares/Units | Restricted Shares | Restricted Stock Units | Total | Weighted-Average |
|-----------------------------------|----------------------|------------------------------|----------|--|
| | | | | Grant Date Fair Value per Share/Unit |
| Nonvested as of February 25, 2011 | 3,566 | 496,151 | 499,717 | 7.71 |
| Granted | | 468,305 | 468,305 | 9.68 |
| Vested | (3,566) | (15,666) | (19,232) | 12.17 |
| Forfeited | | (10,500) | (10,500) | 8.31 |
| Nonvested as of November 25, 2011 | | 938,290 | 938,290 | 8.58 |

As of November 25, 2011, there is \$4.1 of remaining unrecognized compensation cost related to nonvested RSUs. That cost is expected to be recognized over a weighted-average period of 2.4 years.

| Grant Date Fair Value per Share/Unit | Nine Months Ended | |
|--|----------------------|----------------------|
| | November 25, 2011 | November 26, 2010 |
| Weighted-average grant date fair value per unit of RSUs granted during the nine months ended November 25, 2011 and November 26, 2010 | \$ 9.68 | \$ 8.50 |

10. REPORTABLE SEGMENTS

As of the end of Q1 2012, we realigned our reportable segments for financial reporting purposes primarily as a result of organizational changes to strengthen our position as a globally integrated enterprise. The organizational changes consisted of the realignment of the reporting structure for the Steelcase brand in North America, Latin America and the region of Europe, the Middle East and Africa (EMEA).

As a result of these changes, our reportable segments were realigned to reflect the organizational structure used by the Chief Executive Officer for making operating and investment decisions and assessing performance. Our reportable segments now consist of the Americas segment, the EMEA segment and the Other category. Unallocated corporate expenses are reported as Corporate.

Table of Contents**STEELCASE INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Americas segment serves customers in the U.S., Canada and Latin America with a portfolio of integrated architecture, furniture and technology products marketed to corporate, government, healthcare, education and retail customers through the Steelcase, Turnstone, Details and Nurture by Steelcase brands. In addition, the Coalesse operating segment has been aggregated with the Americas.

The EMEA segment serves customers in Europe, the Middle East and Africa primarily under the Steelcase brand, with an emphasis on freestanding furniture systems, storage and seating solutions.

The Other category includes Asia Pacific, PolyVision and Designtex. IDEO was included in the Other category through Q3 2011, but due to the ownership transition, our remaining 20% share of IDEO income has been recorded as a non-operating item since Q4 2011. Asia Pacific serves customers in Asia and Australia primarily under the Steelcase brand with an emphasis on freestanding furniture systems, storage and seating solutions. PolyVision designs and manufactures visual communication products, such as static and interactive electronic whiteboards which are sold into the primary and secondary education markets around the world. Designtex designs and sells surface materials including textiles and wall coverings which are specified by architects and designers directly to end-use customers primarily in North America.

Revenue and operating income (loss) for the three and nine months ended November 25, 2011 and November 26, 2010 and total assets as of November 25, 2011 and February 25, 2011 by segment are presented below:

| Reportable Segment Statement of Operations Data | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
| | November 25, 2011 | November 26, 2010 | November 25, 2011 | November 26, 2010 |
| Revenue | | | | |
| Americas | \$ 484.1 | \$ 406.6 | \$ 1,378.3 | \$ 1,108.4 |
| EMEA | 159.6 | 161.4 | 447.3 | 393.9 |
| Other | 75.7 | 104.6 | 233.7 | 311.9 |
| | \$ 719.4 | \$ 672.6 | \$ 2,059.3 | \$ 1,814.2 |
| Operating income (loss) | | | | |
| Americas | \$ 39.2 | \$ 26.2 | \$ 103.1 | \$ 54.8 |
| EMEA | 4.4 | 3.2 | (9.5) | (15.8) |
| Other | 3.6 | 4.5 | 7.1 | 12.8 |
| Corporate | (9.0) | (7.1) | (22.1) | (19.9) |
| | \$ 38.2 | \$ 26.8 | \$ 78.6 | \$ 31.9 |

| Reportable Segment Balance Sheet Data | November 25, 2011 | February 25, 2011 |
|--|--------------------------|--------------------------|
| Total assets | | |
| Americas | \$ 792.7 | \$ 682.0 |

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| | | |
|-----------|------------|------------|
| EMEA | 354.6 | 351.5 |
| Other | 208.8 | 212.0 |
| Corporate | 377.7 | 751.0 |
| | \$ 1,733.8 | \$ 1,996.5 |

Table of Contents**STEELCASE INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. DIVESTITURES, ACQUISITIONS AND OWNERSHIP TRANSITIONS*****Divestiture of PolyVision Division***

In Q2 2012, we completed the sale of PolyVision's remaining low margin whiteboard fabrication business in Europe to a third party for proceeds totaling \$2.3. The transaction included the sale of PolyVision SAS (France) and PolyVision A/S (Denmark) and resulted in a loss of \$0.9 recorded in *Restructuring costs* on the Condensed Consolidated Statements of Operations.

For year-to-date 2012 and the year ended February 25, 2011 and the interim periods therein, our Condensed Consolidated Statements of Operations included the following related to PolyVision SAS and PolyVision A/S:

| | First Quarter | Second Quarter | Total |
|------------------|--------------------------|---------------------------|--------------|
| 2012 | | | |
| Revenue | \$ 4.1 | \$ 4.5 | \$ 8.6 |
| Gross profit | 0.7 | 0.9 | 1.6 |
| Operating income | (0.2) | 0.3 | 0.1 |

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total |
|------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------|
| 2011 | | | | | |
| Revenue | \$ 3.6 | \$ 4.7 | \$ 4.2 | \$ 4.6 | \$ 17.1 |
| Gross profit | 0.7 | 1.0 | 0.5 | 1.3 | 3.5 |
| Operating income | | 0.3 | (0.1) | 0.4 | 0.6 |

Dealer Acquisition

In Q1 2012, Office Environments of New England, LLC (OENE), a wholly-owned subsidiary of Steelcase Inc., acquired substantially all the assets of bkm Total Office (BKM) for cash consideration of approximately \$18.7. OENE and BKM, both authorized Steelcase dealers, have combined to create a regional enterprise supporting workplace needs that will offer a broadened portfolio of products and services and expanded geographical coverage in New England. We completed the final purchase price allocation in Q3 2012 which resulted in goodwill and intangible assets valuations of \$2.0 and \$0.3, respectively. The combined dealers are included in the Americas segment. The purchase of BKM did not have a material impact on our condensed consolidated financial statements.

IDEO Ownership Transition

In Q4 2011, certain members of the management of IDEO purchased a controlling interest in IDEO pursuant to an agreement entered into during 2008. We retained a 20% equity interest in IDEO, and we expect to continue our collaborative relationship. In Q4 2011, we deconsolidated the operations of IDEO and recorded our share of IDEO's earnings as equity in earnings of unconsolidated joint ventures in *Other income, net* on the Condensed Consolidated Statements of Operations.

Table of Contents**STEELCASE INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the year ended February 25, 2011 and the interim periods therein, our Condensed Consolidated Statements of Operations included the following related to IDEO:

| | First Quarter | Second Quarter | Third Quarter | Total |
|----------------------|--------------------------|---------------------------|--------------------------|--------------|
| 2011 | | | | |
| Revenue | \$ 35.1 | \$ 35.2 | \$ 33.1 | \$ 103.4 |
| Gross profit | 16.9 | 14.6 | 15.6 | 47.1 |
| Operating income (1) | 4.8 | 3.3 | 3.7 | 11.8 |

- (1) Operating income did not include variable compensation expense of approximately \$7 earned by IDEO management in 2011 related to a contingent stock bonus program that was recognized and applied toward the purchase price in Q4 2011.

12. RESTRUCTURING ACTIVITIES

In Q2 2012, we announced the closure of our Morocco manufacturing facility within our EMEA segment, and we incurred \$0.3 and \$6.1 of employee termination costs and \$0.2 and \$0.3 of business exit and other related costs for the three and nine months ended November 25, 2011, respectively.

In Q2 2012, we completed the sale of PolyVision's remaining low margin whiteboard fabrication business in Europe to a third party which resulted in a net loss of \$0.9 recorded in *Restructuring costs* in the Other category for the nine months ended November 25, 2011.

In Q4 2011, we announced the planned closure of three additional manufacturing facilities in North America as part of our ongoing efforts to improve the fitness of our business and strengthen the Company's long-term competitiveness. We are in the process of moving production within these facilities to other Steelcase locations in North America and expect the manufacturing consolidation to continue through fiscal year 2013. We currently estimate the cash restructuring costs associated with these actions will be approximately \$40, with approximately \$30 related to workforce reductions and approximately \$10 related to costs associated with manufacturing consolidation and production moves. During the three and nine months ended November 25, 2011, we incurred restructuring costs of \$3.0 and \$15.1, respectively. During 2011, we incurred restructuring costs of \$10.1 related to these plant closures. These costs primarily related to workforce reductions and were recorded within the Americas segment.

In Q1 2011, we announced a project to reorganize our European manufacturing operations on the basis of specialized competencies. This project is now substantially complete, and total restructuring costs approximated \$20. The majority of these costs related to workforce reductions and some additional costs for manufacturing consolidation and production moves within the EMEA segment. For the nine months ended November 25, 2011, the restructuring costs primarily related to contingencies associated with a former plant in France, which was sold in Q4 2010.

Table of Contents**STEELCASE INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Restructuring costs are summarized in the following table:

| Restructuring Costs | Three Months Ended | | Nine Months Ended | |
|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | November 25, 2011 | November 26, 2010 | November 25, 2011 | November 26, 2010 |
| Cost of sales | | | | |
| Americas | \$ 3.0 | \$ 2.4 | \$ 15.5 | \$ 5.7 |
| EMEA | 0.4 | 4.1 | 8.2 | 13.8 |
| Other | (0.1) | 0.4 | 1.0 | 0.6 |
| | 3.3 | 6.9 | 24.7 | 20.1 |
| Operating expenses | | | | |
| Americas | 0.4 | 0.2 | 0.4 | 0.9 |
| EMEA | 0.2 | 0.2 | 1.0 | 0.3 |
| Other | (0.1) | 0.7 | (0.1) | 2.2 |
| | 0.5 | 1.1 | 1.3 | 3.4 |
| | \$ 3.8 | \$ 8.0 | \$ 26.0 | \$ 23.5 |

Below is a summary of the net additions, payments and adjustments to the restructuring reserve balance for the nine months ended November 25, 2011:

| Restructuring Reserve | Workforce Reductions | Business Exits and Related Costs | Total |
|---|---------------------------------|---|--------------|
| Reserve balance as of February 25, 2011 | \$ 25.7 | \$ 1.3 | \$ 27.0 |
| Additions | 23.1 | 2.9 | 26.0 |
| Payments | (30.8) | (2.2) | (33.0) |
| Adjustments | | 0.5 | 0.5 |
| Reserve balance as of November 25, 2011 | \$ 18.0 | \$ 2.5 | \$ 20.5 |

The workforce reductions reserve balance as of November 25, 2011 primarily relates to estimated employee termination costs associated with the Q4 2011 announcement.

Table of Contents

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

This management's discussion and analysis of financial condition and results of operations should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended February 25, 2011. Reference to a year relates to the fiscal year, ended in February of the year indicated, rather than the calendar year, unless indicated by a specific date. Additionally, Q1, Q2, Q3 and Q4 reference the first, second, third and fourth quarter, respectively, of the fiscal year indicated. Year-to-date references the nine months ended for the fiscal year indicated. All amounts are in millions, except share and per share data, data presented as a percentage or as otherwise indicated.

Non-GAAP Financial Measures

This item contains certain non-GAAP financial measures. A non-GAAP financial measure is defined as a numerical measure of a company's financial performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with GAAP in the consolidated statements of operations, balance sheets or statements of cash flows of the company. Pursuant to the requirements of Regulation G, we have provided a reconciliation below of non-GAAP financial measures to the most directly comparable GAAP financial measure.

The non-GAAP financial measures used are: (1) organic revenue growth, which represents the change in revenue over the prior year excluding estimated currency translation effects and the impacts of the IDEO ownership transition and other acquisitions and divestitures, and (2) adjusted operating income (loss), which represents operating income (loss) excluding restructuring costs. These measures are presented because management uses this information to monitor and evaluate financial results and trends. Therefore, management believes this information is also useful for investors.

Table of Contents**Financial Summary****Results of Operations**

As of the end of the first quarter of fiscal year 2012, we realigned our reportable segments for financial reporting purposes primarily as a result of the previously announced organizational changes to strengthen our position as a globally integrated enterprise. Thus, our reportable segments now consist of the Americas segment, the EMEA segment and the Other category. The accompanying segment data for all prior periods has been reclassified to reflect these realignments. See Note 10 to the condensed consolidated financial statements and Business Segment Review in this Management's Discussion and Analysis of Financial Condition and Results of Operations for further information on our reportable business segments.

| Statement of Operations Data | Three Months Ended | | | | Nine Months Ended | | | |
|--------------------------------|----------------------|--------|----------------------|--------|----------------------|--------|----------------------|--------|
| | November 25, 2011 | | November 26, 2010 | | November 25, 2011 | | November 26, 2010 | |
| Revenue | \$ 719.4 | 100.0% | \$ 672.6 | 100.0% | \$ 2,059.3 | 100.0% | \$ 1,814.2 | 100.0% |
| Cost of sales | 496.3 | 69.0 | 461.8 | 68.7 | 1,430.5 | 69.5 | 1,258.1 | 69.3 |
| Structuring costs | 3.3 | 0.4 | 6.9 | 1.0 | 24.7 | 1.2 | 20.1 | 1.1 |
| Gross profit | 219.8 | 30.6 | 203.9 | 30.3 | 604.1 | 29.3 | 536.0 | 29.6 |
| Operating expenses | 181.1 | 25.2 | 176.0 | 26.1 | 524.2 | 25.4 | 500.7 | 27.6 |
| Structuring costs | 0.5 | 0.1 | 1.1 | 0.2 | 1.3 | 0.1 | 3.4 | 0.2 |
| Operating income | 38.2 | 5.3 | 26.8 | 4.0 | 78.6 | 3.8 | 31.9 | 1.8 |
| Interest expense, investment | | | | | | | | |
| Income (loss) and other income | | | | | | | | |
| Expense), net | (3.6) | (0.5) | (1.0) | (0.2) | (17.3) | (0.8) | 0.4 | 0.0 |
| Income before income tax | | | | | | | | |
| Expense | 34.6 | 4.8 | 25.8 | 3.8 | 61.3 | 3.0 | 32.3 | 1.8 |
| Income tax expense | 12.2 | 1.7 | 7.5 | 1.1 | 19.5 | 1.0 | 22.3 | 1.2 |
| Net income | \$ 22.4 | 3.1% | \$ 18.3 | 2.7% | \$ 41.8 | 2.0% | \$ 10.0 | 0.6% |
| Earnings per share: | | | | | | | | |
| Basic | \$ 0.17 | | \$ 0.14 | | \$ 0.31 | | \$ 0.07 | |
| Diluted | \$ 0.17 | | \$ 0.14 | | \$ 0.31 | | \$ 0.07 | |

| Q3 2012 Organic Revenue Growth | Americas | EMEA | Other | Consolidated |
|---|----------|----------|----------|--------------|
| Q3 2011 revenue | \$ 406.6 | \$ 161.4 | \$ 104.6 | \$ 672.6 |
| IDEO ownership transition and divestiture | | | (37.3) | (37.3) |
| Currency translation effects* | | 2.0 | 2.0 | 4.0 |
| Q3 2011 revenue, adjusted | 406.6 | 163.4 | 69.3 | 639.3 |

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| | | | | |
|------------------------------------|---------|----------|--------|---------|
| Q3 2012 revenue | 484.1 | 159.6 | 75.7 | 719.4 |
| Dealer acquisition | (17.6) | | | (17.6) |
| Q3 2012 revenue, adjusted | 466.5 | 159.6 | 75.7 | 701.8 |
| Organic revenue growth (decline) | \$ 59.9 | \$ (3.8) | \$ 6.4 | \$ 62.5 |
| Organic revenue growth (decline) % | 15% | (2)% | 9% | 10% |

Table of Contents

| Year-to-Date 2012 Organic Revenue Growth | Americas | EMEA | Other | Consolidated |
|---|-----------------|-------------|--------------|---------------------|
| Year-to-date 2011 revenue | \$ 1,108.4 | \$ 393.9 | \$ 311.9 | \$ 1,814.2 |
| IDEO ownership transition and divestiture | | | (107.6) | (107.6) |
| Currency translation effects** | 4.0 | 25.0 | 4.0 | 33.0 |
| Year-to-date 2011 revenue, adjusted | 1,112.4 | 418.9 | 208.3 | 1,739.6 |
| Year-to-date 2012 revenue | 1,378.3 | 447.3 | 233.7 | 2,059.3 |
| Dealer acquisition | (40.0) | | | (40.0) |
| Year-to-date 2012 revenue, adjusted | 1,338.3 | 447.3 | 233.7 | 2,019.3 |
| Organic revenue growth | \$ 225.9 | \$ 28.4 | \$ 25.4 | \$ 279.7 |
| Organic revenue growth % | 20% | 7% | 12% | 16% |

* Currency translation effects represent the estimated net effect of translating Q3 2011 foreign currency revenues using the average exchange rates during Q3 2012.

** Currency translation effects represent the estimated net effect of translating Q3 2011, Q2 2011, and Q1 2011 foreign currency revenues using the average exchange rates during Q3 2012, Q2 2012, and Q1 2012, respectively.

| Reconciliation of Operating Income to Adjusted Operating Income | Three Months Ended | | | | Nine Months Ended | | | |
|--|---------------------------|------|--------------------------|------|--------------------------|------|--------------------------|------|
| | November 25, 2011 | | November 26, 2010 | | November 25, 2011 | | November 26, 2010 | |
| Operating income | \$ 38.2 | 5.3% | \$ 26.8 | 4.0% | \$ 78.6 | 3.8% | \$ 31.9 | 1.8% |
| Add: Restructuring costs | 3.8 | 0.5 | 8.0 | 1.2 | 26.0 | 1.3 | 23.5 | 1.3 |
| Adjusted operating income | \$ 42.0 | 5.8% | \$ 34.8 | 5.2% | \$ 104.6 | 5.1% | \$ 55.4 | 3.1% |

Overview

In Q3 2012, we experienced 10% organic revenue growth compared to the prior year, which represents the seventh consecutive quarter of year-over-year organic revenue growth following the recent financial crisis. The growth is generally consistent with or better than global trends in our industry. Companies have been increasing corporate spending thus far in the economic recovery, leveraging the strength of their cash positions, even though white collar employment and new construction (traditional industry drivers) have been slow to regain momentum. The broader economic recovery remains challenged by a variety of headwinds, including the ongoing sentiment surrounding European sovereign debt. However, many of our customers have deferred spending during a decade in which various forces have dramatically impacted their work environments, and many are at the point where they are now investing to address these impacts. We have been conducting research and launching new products, applications and experiences over the past several years to address these forces, some of which include globalization trends, miniaturization of technology, mobility of workers, increased collaboration and multi-generations at work. We believe staying invested in these growth initiatives during the worst of the recession helped us establish a strong foundation for revenue growth as our customers continue to increase spending. We have begun to make incremental investments in product

development, sales and distribution strategies and other growth initiatives. We believe these investments will strengthen our market leadership and help to sustain the momentum we have in our business.

Q3 2012 Compared to Q3 2011

We recorded Q3 2012 net income of \$22.4 compared to Q3 2011 net income of \$18.3. The increase in net income was driven by higher operating income in the Americas and EMEA, partially offset by lower operating income in the Other category (due to the IDEO ownership transition) and variable life company owned life insurance (COLI) losses in the current quarter compared to variable life COLI income in the prior year.

Table of Contents

Revenue for Q3 2012 was \$719.4 compared to \$672.6 in Q3 2011, representing organic revenue growth of 10% after adjusting by \$19.7 for the net impact from the IDEO ownership transition and other acquisitions and divestitures and currency translation effects of \$4.0. We realized organic revenue growth of 15% in the Americas and 9% in the Other category, while EMEA experienced a decline in organic revenue of 2%. The organic revenue growth in the Americas was broad based and included a higher mix of revenue from some of our largest corporate customers, services and owned dealers.

Operating income grew to \$38.2 in Q3 2012, compared to operating income of \$26.8 in the prior year which included \$3.7 of operating income from IDEO, which is no longer consolidated. Q3 2012 adjusted operating income of \$42.0 represented an improvement of \$7.2 compared to the prior year, which was primarily due to operating leverage from organic revenue growth (including benefits of improved pricing). These improvements were offset in part by approximately \$10 of higher commodity costs, a higher mix of business from some of our largest corporate customers, services and owned dealers, higher spending on product development, sales and distribution strategies and other initiatives and the impact of the IDEO ownership transition. Benefits of improved pricing offset higher commodity costs for the first time in six quarters.

Cost of sales increased slightly to 69.0% of revenue in Q3 2012, a 30 basis point increase compared to Q3 2011. Excluding the impact of deconsolidating IDEO, cost of sales decreased 50 basis points. Higher absorption of fixed costs associated with the organic revenue growth (including benefits of improved pricing) in the quarter was partially offset by a business mix weighted more heavily towards some of our largest corporate customers and services associated with our direct business in the Americas.

Operating expenses in Q3 2012 of \$181.1 increased by \$5.1 compared to Q3 2011 operating expenses of \$176.0. Prior year operating expenses included \$12.5 related to IDEO and a small division at PolyVision, which have since been deconsolidated. Aside from this, operating expenses increased \$6.2 due to variable compensation (including expenses associated with our EVA-based bonus programs and the Steelcase Inc. Retirement Plan), and \$3.5 due to a dealer acquired in Q1 2012. The remaining increase of \$7.2 over the prior year relates to increased spending on product development, sales and distribution strategies and other initiatives in the Americas and Asia Pacific, as well as employee and other costs in EMEA.

We recorded restructuring costs of \$3.8 in Q3 2012, \$3.0 of which was associated with the North America plant closures announced in Q4 2011. In Q3 2011, we recorded restructuring costs of \$8.0, \$4.1 of which was associated with the project to reorganize our European manufacturing operations announced in Q1 2011. The remaining restructuring costs of \$3.9 incurred in Q2 2011 related to several smaller actions to consolidate manufacturing facilities and reorganize other areas of our business.

Income tax expense recorded for Q3 2012 reflects an estimated annual effective tax rate of 35%.

Year-to-Date 2012 Compared to Year-to-Date 2011

We recorded year-to-date 2012 net income of \$41.8 compared to year-to-date 2011 net income of \$10.0. Year-to-date 2012 results were affected by the same factors as our Q3 2012 results, as well as lower income tax expense, as the prior year included a charge of \$11.4 resulting from U.S. healthcare reform legislation.

Year-to-date 2012 revenue increased \$245.1 or 13.5% compared to year-to-date 2011, representing organic revenue growth of 16% after adjusting for the IDEO ownership transition and other acquisitions and divestitures and currency translation effects of \$33.0. The organic revenue growth was broad-based, with growth of 20% in the Americas, 7% in EMEA and 12% in the Other category.

Year-to-date 2012 operating income grew to \$78.6 compared to \$31.9 in the prior year. Year-to-date 2012 adjusted operating income improved to \$104.6 from \$55.4 in the prior year. This improvement was driven by similar items affecting Q3 2012.

Table of Contents

Year-to-date 2012 cost of sales was 69.5%, a 20 basis point increase compared to year-to-date 2011. Excluding the impact of deconsolidating IDEO, cost of sales decreased 70 basis points. Higher absorption of fixed costs associated with the organic revenue growth (including benefits of improved pricing) was offset by higher commodity costs of \$30 and a business mix weighted more heavily towards some of our largest corporate customers and services associated with our direct business in the Americas.

Year-to-date 2012 operating expenses of \$524.2 increased \$23.5 compared to the same period last year but decreased as a percentage of sales to 25.4% from 27.6%. Prior year operating expenses included \$35.9 related to IDEO and a small division at PolyVision, which have since been deconsolidated. Aside from this item, operating expenses included a \$29.3 increase in variable compensation (including expenses associated with our EVA-based bonus programs and the Steelcase Inc. Retirement Plan), \$8.0 due to currency translation effects, and \$8.3 of operating expenses related to a dealer acquired in Q1 2012. The remaining increase of \$12.6 over the prior year primarily relates to increased spending on product development, sales and distribution strategies and other initiatives in the Americas, as well as employee and other costs in EMEA.

We recorded year-to-date 2012 restructuring costs of \$26.0 compared to \$23.5 for year-to-date 2011. The year-to-date 2012 amount includes \$15.1 associated with the North America plant closures announced in Q4 2011, \$6.4 related to the Morocco plant closure announced in Q2 2012, \$1.4 associated with the project to reorganize our European manufacturing operations announced in Q1 2011, and \$0.9 associated with the divestiture of a small division at PolyVision completed in Q2 2012. The year-to-date 2011 amount included \$13.5 associated with the project to reorganize our European manufacturing facilities. The remaining year-to-date 2011 amount primarily related to several smaller actions to consolidate manufacturing facilities and reorganize other areas of our business.

Year-to-date 2012 income tax expense included a net benefit of \$2.0 for miscellaneous discrete tax items, the majority of which related to the divestiture of a small division at PolyVision. Excluding discrete items, income tax expense recorded for year-to-date 2012 reflects an estimated annual effective tax rate of 35%. Year-to-date 2011 income tax expense included a charge of \$11.4 resulting from U.S. healthcare reform legislation.

Interest Expense, Investment Income (Loss) and Other Income (Expense), Net

| Interest Expense, Investment Income (Loss) and Other Income (Expense), Net | Three Months Ended | | Nine Months Ended | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | November 25, 2011 | November 26, 2010 | November 25, 2011 | November 26, 2010 |
| Interest expense | \$ (4.1) | \$ (4.8) | \$ (20.1) | \$ (13.9) |
| Investment income (loss) | (0.6) | 3.7 | (0.3) | 10.5 |
| Other income (expense), net: | | | | |
| Equity in income of unconsolidated ventures | 1.7 | 1.4 | 5.4 | 3.3 |
| Miscellaneous, net | (0.6) | (1.3) | (2.3) | 0.5 |
| Total other income (expense), net | 1.1 | 0.1 | 3.1 | 3.8 |
| Total interest expense, investment income (loss) and other income (expense), net | \$ (3.6) | \$ (1.0) | \$ (17.3) | \$ 0.4 |

Year-to-date 2012 interest expense included \$7.7 associated with \$250 of senior notes which matured and were repaid in Q2 2012. The Q3 and year-to-date 2012 change in investment income (loss) was primarily driven by losses from variable life COLI policies compared to income in the prior year.

Business Segment Review

See Note 10 to the condensed consolidated financial statements for additional information regarding our business segments.

Table of Contents**Americas**

The Americas segment serves customers in the U.S., Canada and Latin America with a portfolio of integrated architecture, furniture and technology products marketed to corporate, government, healthcare, education and retail customers through the Steelcase, Coalesse, Turnstone, Details and Nurture by Steelcase brands.

| Component of Operations Data | Americas | Three Months Ended | | | | Nine Months Ended | | | |
|------------------------------|----------|--------------------|--------|-------------------|--------|-------------------|--------|-------------------|--|
| | | November 25, 2011 | | November 26, 2010 | | November 25, 2011 | | November 26, 2010 | |
| Revenue | | \$ 484.1 | 100.0% | \$ 406.6 | 100.0% | \$ 1,378.3 | 100.0% | \$ 1,108.4 | |
| Sales | | 337.7 | 69.8 | 286.4 | 70.4 | 962.3 | 69.8 | 786.1 | |
| Manufacturing costs | | 3.0 | 0.6 | 2.4 | 0.6 | 15.5 | 1.1 | 5.7 | |
| Profit | | 143.4 | 29.6 | 117.8 | 29.0 | 400.5 | 29.1 | 316.6 | |
| Operating expenses | | 103.8 | 21.4 | 91.4 | 22.5 | 297.0 | 21.6 | 260.9 | |
| Manufacturing costs | | 0.4 | 0.1 | 0.2 | 0.1 | 0.4 | | 0.9 | |
| Operating income | | \$ 39.2 | 8.1% | \$ 26.2 | 6.4% | \$ 103.1 | 7.5% | \$ 54.8 | |

| Reconciliation of Operating Income to Adjusted Operating Income | Americas | Three Months Ended | | | | Nine Months Ended | | | |
|---|----------|--------------------|------|-------------------|------|-------------------|------|-------------------|------|
| | | November 25, 2011 | | November 26, 2010 | | November 25, 2011 | | November 26, 2010 | |
| Operating income | | \$ 39.2 | 8.1% | \$ 26.2 | 6.4% | \$ 103.1 | 7.5% | \$ 54.8 | 4.9% |
| Add: Restructuring costs | | 3.4 | 0.7 | 2.6 | 0.7 | 15.9 | 1.1 | 6.6 | 0.6 |
| Adjusted operating income | | \$ 42.6 | 8.8% | \$ 28.8 | 7.1% | \$ 119.0 | 8.6% | \$ 61.4 | 5.5% |

Operating income of \$39.2 in the Americas increased by \$13.0 in Q3 2012 compared to Q3 2011 operating income of \$26.2. Adjusted operating income increased by \$13.8 in Q3 2012 compared to Q3 2011, due to operating leverage from organic revenue growth (including benefits of improved pricing), offset in part by \$8 of higher commodity costs, a higher mix of business from some of our largest corporate customers, services and owned dealers and higher spending on product development, sales and distribution strategies and other initiatives. The \$57.6 improvement in year-to-date 2012 adjusted operating income was due to operating leverage from organic revenue growth (including benefits of improved pricing), partially offset by \$23 of higher commodity costs, a shift in business mix and higher spending on product development, sales and distribution strategies and other initiatives.

The Americas revenue represented 67.3% of consolidated revenue in Q3 2012. Revenue for Q3 2012 was \$484.1 compared to \$406.6 in Q3 2011, an increase of \$77.5 or 19.1%. After adjusting for revenue of \$17.6 from a dealer acquired in Q1 2012, organic revenue growth was \$59.9 or 15%. The organic revenue growth in the Americas benefited from a strong beginning backlog and current quarter orders which grew 16% compared to the prior year, which included a pull-forward effect of a November 2010 price increase. Year-to-date 2012 organic revenue growth was \$225.9 or 20%. Revenue growth in Q3 2012 is categorized as follows:

Product categories Revenue growth rates were strongest in the Technology category. Details and Turnstone also showed strength relative to the other product categories, and Furniture, Coalesse, and Nurture were slightly above average. Seating was slightly below average, but that was against a strong prior year comparison. Architectural Solutions was flat and Wood experienced a slight decline.

Vertical markets Outside of government (Federal and State and Local), all vertical markets grew with notable strength in Energy and the Technical / Professional markets. The Financial Services and Information Technology sectors also grew at above average rates. Healthcare, Education, and Insurance also grew but at below average rates.

Geographic regions Nearly all geographic regions reported growth compared to the prior year, with the strongest growth rate in the Central region of the U.S.

Table of Contents

Contract type Business generated from our marketing programs targeted toward small to mid-sized companies led in terms of growth rates, but Continuing (or day-to-day) business and Project business also showed double digit growth.

Cost of sales decreased to 69.8% of revenue in Q3 2012 compared to 70.4% of revenue in Q3 2011. Higher absorption of fixed costs associated with the organic revenue growth was partially offset by higher commodity costs and a business mix weighted more heavily towards some of our largest corporate customers and services associated with our direct business. Year-to-date 2012 cost of sales improved by 110 basis points and was affected by the same factors as Q3 2012 results.

Operating expenses increased by \$12.4 in Q3 2012 compared to the same period last year. The increase was partially driven by increased variable compensation expense of \$4.5 (including expenses associated with our EVA-based bonus programs and the Steelcase Inc. Retirement Plan) and operating expenses of \$3.5 related to a dealer that we acquired in Q1 2012. Year-to-date 2012 operating expenses also increased due to variable compensation of \$12.6 and operating expenses related to the dealer acquisition of \$8.3. The remaining increases for the quarter and year-to-date periods related to higher spending on product development, sales and distribution strategies and other initiatives.

Restructuring costs of \$3.4 incurred in Q3 2012 and \$15.9 year-to-date 2012 primarily related to the consolidation of manufacturing facilities announced in Q4 2011.

EMEA

The EMEA segment serves customers in Europe, the Middle East and Africa primarily under the Steelcase brand, with an emphasis on freestanding furniture systems, storage and seating solutions.

| Segment of Operations Data | EMEA | Three Months Ended | | | | Nine Months Ended | | | |
|----------------------------|------|--------------------|--------|--------------|--------|-------------------|--------|--------------|--------|
| | | November 25, | | November 26, | | November 25, | | November 26, | |
| | | 2011 | | 2010 | | 2011 | | 2010 | |
| Revenue | | \$ 159.6 | 100.0% | \$ 161.4 | 100.0% | \$ 447.3 | 100.0% | \$ 393.9 | 100.0% |
| Cost of sales | | 110.1 | 69.0 | 112.5 | 69.7 | 316.3 | 70.7 | 282.2 | 71.6 |
| Manufacturing costs | | 0.4 | 0.2 | 4.1 | 2.5 | 8.2 | 1.8 | 13.8 | 3.5 |
| Operating profit | | 49.1 | 30.8 | 44.8 | 27.8 | 122.8 | 27.5 | 97.9 | 24.8 |
| Operating expenses | | 44.5 | 27.9 | 41.4 | 25.7 | 131.3 | 29.4 | 113.4 | 28.8 |
| Manufacturing costs | | 0.2 | 0.1 | 0.2 | 0.1 | 1.0 | 0.2 | 0.3 | 0.1 |
| Operating income (loss) | | \$ 4.4 | 2.8% | \$ 3.2 | 2.0% | \$ (9.5) | (2.1)% | \$ (15.8) | (4.0)% |

| Reconciliation of Operating Income (Loss) to Adjusted Operating Income (Loss) | EMEA | Three Months Ended | | | | Nine Months Ended | | | |
|---|------|--------------------|------|--------------|------|-------------------|--------|--------------|--------|
| | | November 25, | | November 26, | | November 25, | | November 26, | |
| | | 2011 | | 2010 | | 2011 | | 2010 | |
| Operating income (loss) | | \$ 4.4 | 2.8% | \$ 3.2 | 2.0% | \$ (9.5) | (2.1)% | \$ (15.8) | (4.0)% |
| Added: Restructuring costs | | 0.6 | 0.3 | 4.3 | 2.6 | 9.2 | 2.0 | 14.1 | 3.6 |
| Adjusted operating income (loss) | | \$ 5.0 | 3.1% | \$ 7.5 | 4.6% | \$ (0.3) | (0.1)% | \$ (1.7) | (0.4)% |

Operating income in EMEA of \$4.4 in Q3 2012 represented an increase of \$1.2 compared to Q3 2011 operating income of \$3.2. The adjusted operating income recorded in Q3 2012 was \$5.0 compared to \$7.5 in the same period of the prior year. The decline was due to lower volume as well as higher operating costs, including higher commodity costs of \$3, partially offset by the benefits of improved pricing and previous restructuring activities. The year-to-date 2012 operating loss of \$9.5 was an improvement of \$6.3 over the year-to-date 2011 operating loss of \$15.8, and the year-to-date 2012 adjusted operating loss of \$0.3 was an improvement over the year-to-date 2011 operating loss of \$1.7. The improvement was driven primarily by operating leverage from year-to-date organic revenue growth and benefits from improved pricing and previous restructuring activities, offset in part by higher commodity costs and other operating costs.

Table of Contents

EMEA revenue represented 22.2% of consolidated revenue in Q3 2012. Revenue for Q3 2012 was \$159.6 compared to \$161.4 in Q3 2011. After adjusting for favorable currency translation effects of \$2, the organic revenue decline was \$3.8 or 2%. Strength in Germany, Northern Europe and the rest of EMEA was offset by declines in Spain and France. Year-to-date 2012 organic revenue growth was \$28.4 or 7%.

Cost of sales improved by 70 basis points to 69.0% of revenue in Q3 2012 from 69.7% of revenue in Q3 2011. The improvement was primarily driven by benefits from previous restructuring activities. Year-to-date 2012 cost of sales decreased to 70.7% of sales, a 90 basis point improvement compared to year-to-date 2011. This improvement was due to higher absorption of fixed costs associated with the year-to-date organic revenue growth and benefits from previous restructuring activities.

Q3 2012 operating expenses increased by \$3.1 and year-to-date 2012 operating expenses increased by \$17.7 compared to the prior year. These increases were primarily due to currency translation effects of \$1.2 and \$8.1, respectively, and higher employee and other operating costs.

Restructuring costs of \$0.6 incurred in Q3 2012 primarily relate to employee termination costs associated with the closure of our Morocco manufacturing facility which we announced in Q2 2012. Year-to-date 2012 restructuring costs of \$9.2 consist of \$6.4 related to the closure of the Morocco manufacturing facility and \$2.8 related to the completion of actions launched in prior periods.

Other

The Other category includes Asia Pacific, PolyVision and Designtex. Asia Pacific serves customers in Asia and Australia primarily under the Steelcase brand with an emphasis on freestanding furniture systems, storage and seating solutions. PolyVision designs and manufactures visual communication products, such as static and interactive electronic whiteboards which are sold into the primary and secondary education markets around the world. Designtex designs and sells surface materials including textiles and wall coverings which are specified by architects and designers directly to end-use customers through a direct sales force. IDEO was consolidated in the Other category through Q3 2011, but due to the ownership transition, our remaining 20% share of IDEO income has been recorded as a non-operating item since Q4 2011.

| Statement of Operations Data | Other | Three Months Ended | | | | Nine Months Ended | | | |
|------------------------------|-------|----------------------|--------|----------------------|--------|----------------------|--------|----------------------|--------|
| | | November 25, 2011 | | November 26, 2010 | | November 25, 2011 | | November 26, 2010 | |
| Revenue | | \$ 75.7 | 100.0% | \$ 104.6 | 100.0% | \$ 233.7 | 100.0% | \$ 311.9 | 100.0% |
| Cost of sales | | 48.5 | 64.1 | 62.9 | 60.1 | 151.9 | 65.0 | 189.8 | 60.0 |
| Restructuring costs | | (0.1) | (0.2) | 0.4 | 0.4 | 1.0 | 0.4 | 0.6 | 0.0 |
| Operating profit | | 27.3 | 36.1 | 41.3 | 39.5 | 80.8 | 34.6 | 121.5 | 38.0 |
| Operating expenses | | 23.8 | 31.4 | 36.1 | 34.5 | 73.8 | 31.6 | 106.5 | 34.0 |
| Restructuring costs | | (0.1) | (0.1) | 0.7 | 0.7 | (0.1) | | 2.2 | 0.0 |
| Operating income | | \$ 3.6 | 4.8% | \$ 4.5 | 4.3% | \$ 7.1 | 3.0% | \$ 12.8 | 4.0% |

| Reconciliation of Operating Income to | Three Months Ended | | Nine Months Ended | |
|---------------------------------------|--------------------|--------------|-------------------|--------------|
| | November 25, | November 26, | November 25, | November 26, |

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| Adjusted Operating Income | Other | 2011 | | 2010 | | 2011 | | 2010 | |
|----------------------------------|--------------|-------------|-------|-------------|------|-------------|------|-------------|------|
| Operating income | | \$ 3.6 | 4.8% | \$ 4.5 | 4.3% | \$ 7.1 | 3.0% | \$ 12.8 | 4.1% |
| Add: Restructuring costs | | (0.2) | (0.3) | 1.1 | 1.1 | 0.9 | 0.4 | 2.8 | 0.9 |
| Adjusted operating income | | \$ 3.4 | 4.5% | \$ 5.6 | 5.4% | \$ 8.0 | 3.4% | \$ 15.6 | 5.0% |

The Other category reported operating income of \$3.6 in Q3 2012 which represents a decrease of \$0.9 compared to operating income of \$4.5 in Q3 2011, which included \$3.7 from IDEO. Q3 2012 adjusted operating income of \$3.4 declined by \$2.2 from \$5.6 in Q3 2011. The decrease is primarily due

Table of Contents

to the impact of the IDEO ownership transition. In addition, improved results in Asia Pacific were offset in part by lower operating income from PolyVision which continues to be impacted by reduced K-12 education spending in the United States. Year-to-date 2012 operating income of \$7.1 declined from year-to-date 2011 operating income of \$12.8, which included \$11.8 from IDEO. Year-to-date 2012 results were affected by the same factors as our Q3 2012 results.

Q3 2012 revenue decreased by \$28.9 or 27.6% and year-to-date 2012 revenue decreased \$78.2 or 25.1%. Excluding the decrease in revenue due to the IDEO ownership transition, the divestiture of a small division at PolyVision, and favorable currency translation effects, organic revenue growth was \$6.4 or 9% for Q3 2012 and \$25.4 or 12% for year-to-date 2012, driven by strength in the Asia Pacific region.

Cost of sales as a percent of revenue increased by 400 basis points in Q3 2012 compared to Q3 2011. After adjusting for the impact of deconsolidating IDEO, cost of sales increased by 50 basis points. Higher absorption of fixed costs associated with revenue growth in Asia Pacific was more than offset by unfavorable product mix and lower absorption of fixed costs at PolyVision. Year-to-date 2012 cost of sales as a percentage of revenue increased by 410 basis points compared to year-to-date 2011. After adjusting for the impact of deconsolidating IDEO, year-to-date cost of sales increased by 100 basis points, due to similar factors impacting the quarter.

Q3 2012 operating expenses decreased by \$12.3 compared to Q3 2011, and year-to-date 2012 operating expenses decreased by \$32.7 compared to year-to-date 2011. The Q3 2011 and year-to-date 2011 periods included \$11.9 and \$35.3, respectively, of operating expenses related to IDEO.

Corporate

Approximately 80% of corporate expenses are charged to the operating segments as part of a corporate allocation. Unallocated portions of these expenses are considered general corporate costs and are reported as Corporate. Corporate costs include unallocated portions of executive costs and shared service functions such as information technology, human resources, finance, legal, research and development and corporate facilities.

| Statement of Operations Data | Corporate | Three Months Ended | | Nine Months Ended | |
|------------------------------|-----------|--------------------|-------------------|-------------------|-------------------|
| | | November 25, 2011 | November 26, 2010 | November 25, 2011 | November 26, 2010 |
| Operating expenses | | \$ 9.0 | \$ 7.1 | \$ 22.1 | \$ 19.9 |

| Reconciliation of Operating Income (Loss) to Adjusted Operating Income (Loss) | Corporate | Three Months Ended | | Nine Months Ended | |
|---|-----------|--------------------|-------------------|-------------------|-------------------|
| | | November 25, 2011 | November 26, 2010 | November 25, 2011 | November 26, 2010 |
| Operating income (loss) | | \$ (9.0) | \$ (7.1) | \$ (22.1) | \$ (19.9) |
| Add: Restructuring costs | | | | | |
| Adjusted operating income (loss) | | \$ (9.0) | \$ (7.1) | \$ (22.1) | \$ (19.9) |

The Q3 2012 and year-to-date 2012 increase in Corporate operating expenses primarily relates to higher variable compensation expense related to our EVA-based bonus programs and other incentive compensation plans.

Liquidity and Capital Resources

Based on current business conditions, we target a minimum of \$100 in cash and cash equivalents and short-term investments to fund the day-to-day operations of the business, provide available liquidity for investments in growth initiatives and serve as a cushion against economic volatility. Our actual cash and cash equivalents and short-term investment balances will fluctuate from quarter to quarter as we

Table of Contents

plan for and manage certain seasonal disbursements, particularly the annual payment of accrued variable compensation and retirement plan contributions in Q1 of each fiscal year, when applicable.

| Primary Liquidity Sources | November 25, 2011 | February 25, 2011 |
|--|------------------------------|------------------------------|
| Cash and cash equivalents | \$ 114.9 | \$ 142.2 |
| Short-term investments | 51.0 | 350.8 |
| Variable life company-owned life insurance | 108.7 | 110.3 |
| Availability under credit facilities | 168.0 | 165.7 |
| Total liquidity | \$ 442.6 | \$ 769.0 |

As of November 25, 2011, we held a total of \$165.9 in cash and cash equivalents and short-term investments. Of our total cash and cash equivalents, approximately 43% was located in the U.S. and the remaining 57% was located outside of the U.S., primarily in Asia, France and Canada. The majority of our short-term investments are located in the U.S., and are maintained in a managed investment portfolio which primarily consists of U.S. Treasury, U.S. Government agency and corporate debt instruments.

Our investments in COLI policies are recorded at their net cash surrender value. We consider our investments in variable life COLI policies to be primarily a source of corporate liquidity, and our investments in whole life COLI policies represent an additional potential source of liquidity, as their designation to fund employee benefit plan obligations can be changed at any time. We believe the financial strength of the issuing insurance companies associated with our variable and whole life COLI policies are sufficient to meet their obligations to us.

Availability under credit facilities may be reduced by the use of cash and cash equivalents and short-term investments for purposes other than the repayment of debt as a result of constraints related to our maximum leverage ratio covenant. See Liquidity Facilities for more information.

The following table summarizes our statements of cash flows for the nine months ended November 25, 2011 and November 26, 2010:

| Cash Flow Data | Nine Months Ended | |
|--|------------------------------|------------------------------|
| | November 25, 2011 | November 26, 2010 |
| Net cash provided by (used in): | | |
| Operating activities | \$ 47.9 | \$ 58.8 |
| Investing activities | 246.8 | (33.4) |
| Financing activities | (320.1) | (18.2) |
| Effect of exchange rate changes on cash and cash equivalents | (1.9) | 0.7 |
| Net increase (decrease) in cash and cash equivalents | (27.3) | 7.9 |
| Cash and cash equivalents, beginning of period | 142.2 | 111.1 |
| Cash and cash equivalents, end of period | \$ 114.9 | \$ 119.0 |

Table of Contents**Cash provided by operating activities**

| Cash Flow Data | Operating Activities | | Nine Months Ended | |
|--|----------------------|--|----------------------|----------------------|
| | | | November 25, 2011 | November 26, 2010 |
| Net income | | | \$ 41.8 | \$ 10.0 |
| Depreciation and amortization | | | 41.7 | 49.1 |
| Changes in cash surrender value of COLI | | | 0.9 | (10.7) |
| Changes in deferred income taxes | | | 3.8 | 6.9 |
| Changes in accounts receivable, inventories and accounts payable | | | (47.4) | (68.7) |
| Changes in employee compensation liabilities | | | (1.1) | 20.6 |
| Changes in other operating assets and liabilities | | | (10.7) | 33.3 |
| Other | | | 18.9 | 18.3 |
| Net cash provided by operating activities | | | \$ 47.9 | \$ 58.8 |

The change in cash provided by operating activities in year-to-date 2012 compared to year-to-date 2011 was primarily due to an increase in cash generated from net income, partially offset by higher variable compensation payments in Q1 2012, plus Q1 2011 included the receipt of a U.S. income tax refund of approximately \$20.

Cash provided by (used in) investing activities

| Cash Flow Data | Investing Activities | | Nine Months Ended | |
|---|----------------------|--|----------------------|----------------------|
| | | | November 25, 2011 | November 26, 2010 |
| Capital expenditures | | | \$ (49.0) | \$ (33.3) |
| Proceeds from disposal of fixed assets | | | 8.1 | 14.3 |
| Purchases of short-term investments | | | (161.8) | (14.8) |
| Liquidations of short-term investments | | | 460.2 | 3.9 |
| Acquisitions, net of divestitures | | | (18.2) | |
| Other | | | 7.5 | (3.5) |
| Net cash provided by (used in) investing activities | | | \$ 246.8 | \$ (33.4) |

Capital expenditures in year-to-date 2012 were primarily related to investments in product development in the Americas and EMEA, spending on corporate facilities related to campus consolidation in the Americas and progress payments totaling \$20 towards a replacement aircraft. In year-to-date 2012, purchases and liquidations of investments activity increased due to our use of the proceeds from the debt issuance in Q4 2011.

Cash used in financing activities

| Cash Flow Data | Financing Activities | | Nine Months Ended | |
|----------------|----------------------|--|----------------------|----------------------|
| | | | November 26, 2010 | November 26, 2010 |

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| | | | | |
|---------------------------------------|----|---------|----|--------|
| Repayments of long-term debt | \$ | (255.5) | \$ | |
| Dividends paid | | (23.9) | | (16.2) |
| Common stock repurchases | | (41.0) | | (0.3) |
| Other | | 0.3 | | (1.7) |
| Net cash used in financing activities | \$ | (320.1) | \$ | (18.2) |

In August 2011, we repaid \$250.0 of senior notes at face value.

Table of Contents

We paid dividends of \$0.06 per common share during the first three quarters of 2012 and \$0.04 per share during the first three quarters in 2011. On December 21, 2011, our Board of Directors declared a dividend of \$0.06 per common share to be paid in Q4 2012.

As of the end of Q3 2012, we had \$159.8 of remaining availability under the \$250 share repurchase program approved by our Board of Directors in Q4 2008. On November 4, 2011, we entered into a stock repurchase agreement with an independent third party broker under which the broker is authorized to repurchase up to \$25 of the Company's common stock on behalf of the Company during the period from November 4, 2011 through March 21, 2012, subject to certain price, market and volume constraints specified in the agreement. As of the end of Q3 2012, there was \$21 of remaining availability under this agreement.

Off-Balance Sheet Arrangements

During Q3 2012, no material change in our off-balance sheet arrangements occurred.

Contractual Obligations

During Q3 2012, no material change in our contractual obligations occurred.

Liquidity Facilities

| | Liquidity Facilities | November 25, 2011 |
|--------------------------------|-----------------------------|------------------------------|
| Global committed bank facility | | \$ 125.0 |
| Various uncommitted lines | | 43.0 |
| Total credit lines available | | 168.0 |
| Less: Borrowings outstanding | | |
| Available capacity | | \$ 168.0 |

Our \$125 global committed, syndicated credit facility expires in Q4 2013. At our option, and subject to certain conditions, we may increase the aggregate commitment under the facility by up to \$75 by obtaining a commitment from one or more lenders. Borrowings under this facility are unsecured and unsubordinated. The facility requires us to satisfy financial covenants including a maximum leverage ratio covenant and a minimum interest coverage ratio covenant. As of November 25, 2011, there were no borrowings outstanding under the facility, and we were in compliance with all covenants under the facility.

The various uncommitted lines may be changed or cancelled by the banks at any time. There were no outstanding borrowings on uncommitted facilities as of November 25, 2011. In addition, we have a revolving letter of credit agreement for \$15.5 of which \$15.0 was utilized, primarily related to our reserve for self-insured workers compensation claim costs as of November 25, 2011. There were no draws on our standby letters of credit during year-to-date 2012 or 2011.

Total consolidated debt as of November 25, 2011 was \$292.1. Our debt primarily consists of \$249.9 in term notes due in 2021 with an effective interest rate of 6.6%. In addition, we have a \$41.3 term loan due in 2017 at a floating interest rate based on 30-day LIBOR plus 3.35%. The term notes are unsecured, the term loan is secured by two corporate

aircraft, and both the term notes and the term loan contain no financial covenants and are not cross-defaulted to other debt facilities.

Liquidity Outlook

Our current cash and cash equivalents and short-term investment balances, cash generated from future operations, funds available from COLI and funds available under our credit facilities are expected to be sufficient to finance our known or foreseeable liquidity needs. We believe the timing, strength and continuity of the economic recovery in various geographies and markets around the world remain

Table of Contents

uncertain which may continue to challenge our level of cash generation from operations. We continue to maintain a conservative approach to liquidity and maintain flexibility over significant uses of cash including our capital expenditures and discretionary operating expenses.

We expect capital expenditures to approximate \$60 to \$65 in 2012 compared to \$46 in 2011. Capital expenditures in year-to-date 2012 included \$20 associated with a replacement corporate aircraft delivered in Q3 2012, and we expect to have a total of approximately \$8 in spending in 2012 on corporate facilities as a result of campus consolidation. We closely manage capital spending to ensure we are making investments that we believe will sustain our business and preserve our ability to introduce innovative new products. We expect capital expenditures to remain at a relatively high level in fiscal 2013, likely at or above the level of spending in fiscal 2012, as we make incremental investments in our manufacturing processes and product development efforts.

In Q4 2011, we announced the planned closure of three manufacturing facilities in North America as part of our ongoing efforts to improve the fitness of our business and strengthen the Company's long-term competitiveness. We currently estimate the cash restructuring costs associated with these actions will be approximately \$40, with approximately \$30 related to workforce reductions and approximately \$10 related to costs associated with manufacturing consolidation and production moves. See Note 12 to the condensed consolidated financial statements for additional information.

On December 21, 2011, we announced a quarterly dividend on our common stock of \$0.06 per share, or \$7.6 to be paid in Q4 2012. Future dividends will be subject to approval by our Board of Directors.

Critical Accounting Estimates

During Q3 2012, there have been no changes in the items that we have identified as critical accounting estimates.

Recently Issued Accounting Standards

See Note 2 to the condensed consolidated financial statements.

Forward-looking Statements

From time to time, in written and oral statements, we discuss our expectations regarding future events and our plans and objectives for future operations. These forward-looking statements generally are accompanied by words such as anticipate, believe, could, estimate, expect, forecast, intend, may, possible, potential, predict, words, phrases or expressions. Forward-looking statements involve a number of risks and uncertainties that could cause actual results to vary from our expectations because of factors such as, but not limited to, competitive and general economic conditions domestically and internationally; acts of terrorism, war, governmental action, natural disasters and other Force Majeure events; changes in the legal and regulatory environment; our restructuring activities; changes in raw materials and commodity costs; currency fluctuations; changes in customer demand; and the other risks and contingencies detailed in this Report, our most recent Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission. We undertake no obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events, or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk:

The nature of market risks (i.e., the risk of loss arising from adverse changes in market rates and prices) faced by us as of November 25, 2011 is the same as disclosed in our Annual Report on Form 10-K for the year ended February 25, 2011. We are exposed to market risks from foreign currency exchange, interest rates, commodity prices and fixed

income and equity prices, which could affect our operating results, financial position and cash flows.

Table of Contents

Foreign Exchange Risk

During Q3 2012, no material change in foreign exchange risk occurred.

Interest Rate Risk

During Q3 2012, no material change in interest rate risk occurred.

Fixed Income and Equity Price Risk

During Q3 2012, no material change in fixed income and equity price risk occurred.

Item 4. Controls and Procedures:

(a) *Disclosure Controls and Procedures.* Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of November 25, 2011. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of November 25, 2011, our disclosure controls and procedures were effective in (1) recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and (2) ensuring that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Internal Control Over Financial Reporting.* There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during our third fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****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 Q3 2012:

| Period | | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | (d) Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (1) |
|---------------|----------|---|---|---|---|
| 8/27/11 | 9/30/11 | 597,614 | \$ 6.11 | 597,614 | \$ 174.2 |
| 10/1/11 | 10/28/11 | 1,523,203 | \$ 6.53 | 1,523,203 | \$ 164.2 |
| 10/29/11 | 11/25/11 | 604,368 | \$ 7.28 | 604,368 | \$ 159.8 |
| Total | | 2,725,185 | | 2,725,185 | |

(1) In December 2007, our Board of Directors approved a share repurchase program permitting the repurchase of up to \$250 of shares of our common stock. This program has no specific expiration date.

Item 6. Exhibits:

See Exhibit Index.

Table of Contents

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, thereunto duly authorized.

STEELCASE INC.

By: */s/ Mark T. Mossing*
Mark T. Mossing
Corporate Controller and
Chief Accounting Officer
(Duly Authorized Officer and
Principal Accounting Officer)

Date: January 3, 2012

Table of Contents

Exhibit Index

| Exhibit No. | Description |
|--------------------|--|
| 10.1 | Summary of Compensation for the Board of Directors of Steelcase Inc., as updated October 11, 2011 |
| 10.2 | Second Amendment to Aircraft Time-Sharing Agreement, dated November 9, 2011, between Steelcase Inc. and James P. Hackett. |
| 31.1 | Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Schema Document |
| 101.CAL | XBRL Calculation Linkbase Document |
| 101.LAB | XBRL Labels Linkbase Document |
| 101.PRE | XBRL Presentation Linkbase Document |
| 101.DEF | XBRL Definition Linkbase Document |