STEELCASE INC
Form 10-K
April 15, 2016
Table of Contents

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

FORM 10-K

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

For the fiscal year ended February 26, 2016

OR

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

Commission File Number 1-13873

STEELCASE INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Michigan | 38-0819050 |
| (State or other jurisdiction of incorporation or organization) | (IRS employer identification number) |
| 901 44th Street SE<br>Grand Rapids, Michigan | 49508 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (616) 247-2710
Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Class A Common Stock | New York Stock Exchange |

Securities registered pursuant to 12(g) of the Act: None

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

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

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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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.

Large accelerated filer þ 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 Act). Yes ¨ No þ

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates, computed by reference to the closing price of the Class A Common Stock on the New York Stock Exchange, as of August 28, 2015 (the last day of the registrant’s most recently completed second fiscal quarter) was approximately $1.5 billion. There is no quoted market for registrant’s Class B Common Stock, but shares of Class B Common Stock may be converted at any time into an equal number of shares of Class A Common Stock.

As of April 11, 2016, 88,027,858 shares of the registrant’s Class A Common Stock and 31,611,411 shares of the registrant’s Class B Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant’s definitive proxy statement for its 2016 Annual Meeting of Shareholders, to be held on July 13, 2016, are incorporated by reference in Part III of this Form 10-K.

Table of Contents

STEELCASE INC.
FORM 10-K
YEAR ENDED FEBRUARY 26, 2016
TABLE OF CONTENTS

Table of Contents

PART I

Item 1. Business:

The following business overview is qualified in its entirety by the more detailed information included elsewhere or incorporated by reference in this Annual Report on Form 10-K (“Report”). As used in this 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.

Overview

At Steelcase, our purpose is to unlock human promise by creating great experiences at work, wherever work happens, and in environments that include education and healthcare. Through our family of brands that include Steelcase®, Coalesse®, Designtex®, PolyVision® and Turnstone®, we offer a comprehensive portfolio of solutions that support the social, economic and sustainability needs of people and are inspired by the insights gained from our human-centered research process. We are a globally integrated enterprise, headquartered in Grand Rapids, Michigan, U.S.A., with approximately 11,000 employees. Steelcase was founded in 1912 and became publicly traded in 1998, and our stock is listed on the New York Stock Exchange under the symbol “SCS”.

Our growth strategy continues to focus on translating our research-based insights into products, applications and experiences that will help the world’s leading organizations amplify the performance of their people, teams and enterprise. We help our customers create workplace destinations that augment human interaction by supporting the physical, cognitive and emotional needs of their people, while also optimizing the value of their real estate investments. Over the past several years, we have continued to invest in research and product development and have launched new products, applications and experiences designed to address the significant trends that are impacting the workplace, such as global integration, disruptive technologies, worker mobility, distributed teams and the need for enhanced collaboration and innovation.

We also continue to focus on growth through leveraging our global scale. Our global scale allows us to provide local differentiation, as we serve customers around the globe through significant sales, manufacturing and administrative operations in the Americas, Europe and Asia Pacific. We remain committed to our strategy as a globally integrated enterprise and growing our presence in emerging markets alongside our global customers and where we believe we can serve the needs of workers and organizations.

We market our products and services primarily through a network of independent and company-owned dealers and also sell directly to end-use customers. We extend our reach with a limited presence in retail and web-based sales channels.

Our Offerings

Our brands provide an integrated portfolio of furniture settings, user-centered technologies and interior architectural products across a range of price points. Our furniture portfolio includes panel-based and freestanding furniture systems and complementary products such as storage, tables and ergonomic worktools. Our seating products include task chairs which are highly ergonomic, seating that can be used in collaborative or casual settings and specialty seating for specific vertical markets such as healthcare and education. Our technology solutions support group collaboration by integrating furniture and technology. Our interior architectural products include full and partial height walls and doors. We also offer services designed to reduce costs and enhance the performance of people, wherever they work. Among these services are workplace strategy consulting, lease origination services, furniture and asset management and hosted spaces.

Steelcase

The Steelcase brand takes our insights from research and delivers high performance, sustainable work environments while striving to be a trusted partner. Being a trusted partner means understanding and helping our customers and partners who truly seek to elevate their performance. The Steelcase brand's core customers are leading organizations (such as corporations, healthcare organizations, colleges/universities and government

1

Table of Contents

entities) that are often large with ever-changing complex needs and have an increasingly global reach. We strive to meet their diverse needs while minimizing complexity by using a platform approach—from product components to common processes—wherever possible.

Steelcase sub-brands include:

- Steelcase Health, which is focused on creating healthcare environments that enable empathy, empowerment and connection for patients, care partners, and providers engaged in the healthcare experience.
- Steelcase Education, which is focused on helping schools, colleges and universities create the most effective, rewarding and inspiring "active learning" environments to meet the evolving needs of students and educators.

Coalesse

Coalesse offers a collection of furnishings that expresses a new freedom at work. It is part of the rapidly growing crossover and ancillary market—homes and offices, meeting rooms and social spaces, private retreats and public places—and is addressing the fluid intersections of work and life where boundaries are collapsing and creativity is increasing.

Designtex

Designtex offers applied surface solutions that enhance environments and is a leading resource for applied surface knowledge, innovation and sustainability. Designtex products are premium fabrics and surface materials designed to enhance seating, walls, work stations and floors and can provide privacy, way-finding, motivation, communications and artistic expression.

PolyVision

PolyVision is the world's leading supplier of ceramic steel surfaces for use in educational institutions and architectural panels or special applications for commercial or infrastructure applications.

Turnstone

Turnstone was created based on the belief that the world needs more successful entrepreneurs and small businesses and that great spaces to work can help that happen. Turnstone makes it easier for these companies to create insight-led places to work through our dealer channel or using web-based tools.

Reportable Segments

We operate on a worldwide basis within our Americas and EMEA reportable segments plus an “Other” category. Additional information about our reportable segments, including financial information about geographic areas, is contained in Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 18 to the consolidated financial statements.

Americas Segment

Our Americas segment serves customers in the United States (“U.S.”), Canada, the Caribbean Islands and Latin America. Our portfolio of integrated architecture, furniture and technology products is marketed to corporate, government, healthcare, education and retail customers through the Steelcase, Coalesse and Turnstone brands.

We serve Americas customers mainly through approximately 400 independent and company-owned dealer locations, and we also sell directly to end-use customers. Our end-use customers tend to be larger multinational, regional or local companies and are distributed across a broad range of industries and vertical markets, including healthcare, financial services, manufacturing, higher education, insurance and information technology. No industry or vertical market individually represented more than 13% of the Americas segment revenue in 2016.

Each of our dealers maintains its own sales force which is complemented by our sales representatives who work closely with our dealers throughout the selling process. The largest independent dealer in the Americas accounted for approximately 6% of the segment’s revenue in 2016, and the five largest independent dealers collectively accounted for approximately 17% of the segment’s revenue in 2016.

Table of Contents

In 2016, the Americas segment recorded revenue of $2,256.0, or 73.7% of our consolidated revenue, and as of the end of the year had approximately 7,300 employees, of which approximately 4,800 related to manufacturing.

The Americas office furniture industry is highly competitive, with a number of competitors offering similar categories of products. The industry competes on a combination of insight, product performance, design, price and relationships with customers, architects and designers. Our most significant competitors in the U.S. are Haworth, Inc., Herman Miller, Inc., HNI Corporation and Knoll, Inc. Together with Steelcase, domestic revenue from these companies represents approximately one-half of the U.S. office furniture industry.

EMEA Segment

Our EMEA segment serves customers in Europe, the Middle East and Africa primarily under the Steelcase and Coalesse brands, with an emphasis on freestanding furniture systems, storage and seating solutions. Our largest presence is in Western Europe, where we believe we are among the market leaders in Germany, France, Spain and the United Kingdom. In 2016, approximately 82% of EMEA revenue was from Western Europe. The remaining revenue was from other parts of Europe, the Middle East and Africa. No individual country in the EMEA segment represented more than 5% of our consolidated revenue in 2016.

We serve EMEA customers through approximately 350 independent and company-owned dealer locations. No single independent dealer in the EMEA segment accounted for more than 3% of the segment's revenue in 2016. The five largest independent dealers collectively accounted for approximately 10% of the segment's revenue in 2016. In certain geographic markets, we sell directly to end-use customers. Our end-use customers tend to be larger multinational, regional or local companies spread across a broad range of industries and vertical markets, including financial services, higher education, healthcare, government and information technology.

In 2016, our EMEA segment recorded revenue of $520.6, or 17.0% of our consolidated revenue, and as of the end of the year had approximately 2,100 employees, of which approximately 1,000 related to manufacturing.

The EMEA office furniture market is highly competitive and fragmented. We compete with many local and regional manufacturers in many different markets. In several cases, these competitors focus on specific product categories.

Other Category

The Other category includes Asia Pacific, Designtex and PolyVision.

Asia Pacific serves customers in the People's Republic of China (including Hong Kong), India, Australia, Japan, Singapore, Korea, Taiwan, Malaysia and other countries in Southeast Asia, primarily under the Steelcase brand with an emphasis on freestanding furniture systems, storage and seating solutions. We sell directly and through approximately 50 independent dealer locations to end-use customers. Our end-use customers tend to be larger multinational or regional companies spread across a broad range of industries and are located in both mature and emerging markets. Our competition in Asia Pacific is fragmented and includes large global competitors as well as many regional and local manufacturers.

Designtex primarily sells textiles and wall covering products specified by architects and designers directly to end-use customers through a direct sales force primarily in North America.

PolyVision manufactures ceramic steel surfaces for use in multiple applications but primarily for sale to third-party fabricators and distributors to create static whiteboards and chalkboards sold in the primary and secondary education markets globally.

In 2016, the Other category accounted for $283.4, or 9.3% of our consolidated revenue, and as of the end of the year had approximately 1,600 employees, of which approximately 900 related to manufacturing.

Corporate

Corporate expenses include unallocated portions of shared service functions such as information technology, corporate facilities, finance, human resources, research, legal and executive.

Table of Contents

Joint Ventures and Other Equity Investments

We enter into joint ventures and other equity investments from time to time to expand or maintain our geographic presence, support our distribution network or invest in new business ventures, complementary products or services. As of February 26, 2016, our investment in these unconsolidated joint ventures and other equity investments totaled $51.0. Our share of the earnings from joint ventures and other equity investments is recorded in Other income (expense), net on the Consolidated Statements of Income.

Customer and Dealer Concentrations

Our largest customer accounted for approximately 1% of our consolidated revenue in 2016, and our five largest customers collectively accounted for approximately 4% of our consolidated revenue. However, these percentages do not include revenue from various U.S. federal government agencies. In 2016, our sales to U.S. federal government agencies represented approximately 3% of our consolidated revenue. We do not believe our business is dependent on any single or small number of end-use customers, the loss of which would have a material adverse effect on our business.

No single independent dealer accounted for more than 5% of our consolidated revenue in 2016. The five largest independent dealers collectively accounted for approximately 13% of our consolidated revenue in 2016. We do not believe our business is dependent on any single dealer, the loss of which would have a sustained material adverse effect upon our business.

Working Capital

Our accounts receivable are from our dealers and direct-sale customers. Payment terms vary by country and region. The terms of our Americas segment, and certain markets within the EMEA segment, encourage prompt payment from dealers by offering an early settlement discount. Other international markets have, by market convention, longer payment terms. We are not aware of any special or unusual practices or conditions related to working capital items, including accounts receivable, inventories and accounts payable, which are significant to understanding our business or the industry at large.

Backlog

Our products are generally manufactured and shipped within two to six weeks following receipt of an order; however, in recent years our mix of project business has increased and customer-requested shipment dates have increasingly extended beyond historical averages. Nevertheless, we do not view the amount of backlog at any particular time as a meaningful indicator of longer-term shipments.

Global Manufacturing and Supply Chain

Manufacturing and Logistics

We have manufacturing operations throughout North America (in the U.S. and Mexico), Europe (in France, Germany, Spain and the Czech Republic) and Asia (in China, Malaysia and India). Our global manufacturing operations are centralized under a single organization to serve our customers' needs across multiple brands and geographies.

Our manufacturing model is predominately make-to-order with lead times typically ranging from two to six weeks. We manufacture our products using lean manufacturing principles, which allow us to achieve efficiencies and cost savings and minimize the amount of inventory on hand. As a result, we largely purchase direct materials and components as needed to meet demand. We have evolved our manufacturing and supply chain systems significantly over the last two decades by implementing continuous one-piece flow, platforming our processes and product offerings and developing a global network of integrated suppliers. We also purchase finished goods manufactured by third parties predominantly on a make-to-order basis.

These changes to our manufacturing model have reduced the capital needs of our business and the footprint of our manufacturing space and have allowed us to improve quality, delivery performance and the customer experience. We continue to identify opportunities to improve the fitness of our business and strengthen our long-term competitiveness. In addition to our ongoing focus on enhancing the efficiency of our manufacturing operations, we also seek to reduce costs through our global sourcing effort. We have capitalized on the platforming of our product offering and

Table of Contents

are capturing raw material and component cost savings available through lower cost suppliers around the globe. This platforming of our product offering and global development of potential sources of supply has enhanced our leverage with supply sources, and we have been able to reduce cycle times through improvements with our partners throughout the supply chain.

Our physical distribution system utilizes commercial transport, company-owned and dedicated fleet delivery services. We have implemented a network of regional distribution centers to reduce freight costs and improve service to our dealers and customers.

Raw Materials

We source raw materials and components from a significant number of suppliers around the world. Those raw materials include steel, petroleum-based products, aluminum, other metals, wood, particleboard and other materials and components. To date, we have not experienced any significant difficulties in obtaining these raw materials.

The prices for certain commodities such as steel, petroleum-based products, aluminum, other metals, wood and particleboard have fluctuated in recent years due to changes in global supply and demand. Our global supply chain team continually evaluates current market conditions, the financial viability of our suppliers and available supply options on the basis of quality, reliability of supply and cost.

Research, Design and Development

Our extensive global research—a combination of user observations, feedback sessions and sophisticated analysis—has helped us develop social, spatial and informational insights into work effectiveness. We maintain collaborative relationships with external world-class innovators, including leading universities, think tanks and knowledge leaders, to expand and deepen our understanding of how people work.

Understanding patterns of work enables us to identify and anticipate user needs across the globe. Our design teams explore and develop prototypical solutions to address these needs. These solutions vary from furniture, architecture and technology solutions to single products or enhancements to existing products and across different vertical market applications such as professional services, healthcare and higher education. Organizationally, global design leadership directs strategy and project work, which is distributed to design studios around the world and sometimes involves external design services.

Our marketing team evaluates product concepts using several criteria, including financial return metrics, and chooses which products will be developed and launched. Designers then work closely with engineers and suppliers to co-develop products and processes that incorporate innovative user features with efficient manufacturing practices. Products are tested for performance, quality and compliance with applicable standards and regulations.

Exclusive of royalty payments, we invested $33.0, $35.4 and $35.9 in research, design and development activities in 2016, 2015 and 2014, respectively. We continue to invest more than one percent of our revenue in research, design and development each year. Royalties are sometimes paid to external designers of our products as the products are sold. These costs are not included in research and development expenses.

Intellectual Property

We generate and hold a significant number of patents in a number of countries in connection with the operation of our business. We also hold a number of trademarks that are very important to our identity and recognition in the marketplace. We do not believe that any material part of our business is dependent on the continued availability of any one or all of our patents or trademarks or that our business would be materially adversely affected by the loss of any of such, except the “Steelcase,” “Coalesse,” “Designtex,” “PolyVision” and “Turnstone” trademarks.

We occasionally enter into license agreements under which we pay a royalty to third parties for the use of patented products, designs or process technology. We have established a global network of intellectual property licenses with our subsidiaries.

Table of Contents

Employees

As of February 26, 2016, we had approximately 11,000 employees, of which approximately 6,700 work in manufacturing. Additionally, we had approximately 1,800 temporary workers who primarily work in manufacturing. Approximately 100 employees in the U.S. are covered by collective bargaining agreements. Outside of the U.S., 1,900 employees are represented by workers' councils that operate to promote the interests of workers. Management promotes positive relations with employees based on empowerment and teamwork.

Environmental Matters

We are subject to a variety of federal, state, local and foreign laws and regulations relating to the discharge of materials into the environment, or otherwise relating to the protection of the environment (“Environmental Laws”). We believe our operations are in substantial compliance with all Environmental Laws. We do not believe existing Environmental Laws and regulations have had or will have any material effects upon our capital expenditures, earnings or competitive position.

Under certain Environmental Laws, we could be held liable, without regard to fault, for the costs of remediation associated with our existing or historical operations. We could also be held responsible for third-party property and personal injury claims or for violations of Environmental Laws relating to contamination. We are a party to, or otherwise involved in, proceedings relating to several contaminated properties being investigated and remediated under Environmental Laws, including as a potentially responsible party in several Superfund site cleanups. Based on our information regarding the nature and volume of wastes allegedly disposed of or released at these properties, the total estimated cleanup costs and other financially viable potentially responsible parties, we do not believe the costs to us associated with these properties will be material, either individually or in the aggregate. We have established reserves that we believe are adequate to cover our anticipated remediation costs. However, certain events could cause our actual costs to vary from the established reserves. These events include, but are not limited to: a change in governmental regulations or cleanup standards or requirements; undiscovered information regarding the nature and volume of wastes allegedly disposed of or released at these properties; and other factors increasing the cost of remediation or the loss of other potentially responsible parties that are financially capable of contributing toward cleanup costs.

Available Information

We file annual reports, quarterly reports, proxy statements and other documents with the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934 (the “Exchange Act”). The public may read and copy any materials we file with the SEC at the SEC’s Office of FOIA Services at 100 F Street, NE, Washington, D.C. 20549-2736. The public may obtain information on the operation of the Office of FOIA Services by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers, including Steelcase, that file electronically with the SEC.

We also make available free of charge through our internet website, www.steelcase.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports, as soon as reasonably practicable after we electronically file such reports with or furnish them to the SEC. In addition, our Corporate Governance Principles, Code of Ethics, Code of Business Conduct and the charters for the Audit, Compensation and Nominating and Corporate Governance Committees are available free of charge through our website or by writing to Steelcase Inc., Investor Relations, GH-3E-12, PO Box 1967, Grand Rapids, Michigan 49501-1967.

We are not including the information contained on our website as a part of, or incorporating it by reference into, this Report.

Item 1A. Risk Factors:

The following risk factors and other information included in this Report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we do not know about currently, or that we currently believe are less significant, may also adversely affect our business, operating results, cash flows and financial condition. If any of these risks actually occur, our business, operating results, cash flows and financial condition could be materially adversely affected.

Table of Contents

Our industry is influenced significantly by cyclical macroeconomic factors that are difficult to predict.

Our revenue is generated predominantly from the office furniture industry, and demand for office furniture is influenced heavily by a variety of factors, including macroeconomic factors such as corporate profits, non-residential fixed investment, white-collar employment and commercial office construction and vacancy rates. According to the U.S.-based Business and Institutional Furniture Manufacturers Association and European-based Centre for Industrial Studies, the U.S. and European office furniture industries have gone through two major downturns in recent history. Consumption declined by more than 30% and 20% from calendar year 2000 to 2003, and again by over 30% and 23% from 2007 to 2009, in the U.S. and Europe, respectively. While the U.S. office furniture industry has been in recovery since 2010, the European industry has not improved significantly following the most recent downturn. During these downturns, our revenue declined in similar proportion and our profitability was significantly reduced. Although we have made a number of changes to adapt our business model to these cycles, our profitability could be impacted in the future by cyclical downturns. In addition, the pace of industry recovery, by geography or vertical market, may vary after a cyclical downturn. These macroeconomic factors are difficult to predict, and if we are unsuccessful in adapting our business as economic cyclical changes occur, our results may be adversely affected.

Failure to respond to changes in workplace trends and the competitive landscape may adversely affect our revenue and profits.

Advances in technology, the globalization of business, changing workforce demographics and shifts in work styles and behaviors are changing the world of work and may have a significant impact on the types of workplace products and services purchased by our customers, the level of revenue associated with our offerings and the geographic location of the demand. For example, in recent years, these trends have resulted in a reduction in the amount of office floor space allocated per employee, a reduction in the number, size and price of typical workstations, an increase in work occurring in more collaborative settings and in a variety of locations beyond the traditional office, an increase in residential and lounge-type settings, and broader price offering levels. The confluence of these factors could attract new competitors from outside the traditional office furniture industry, such as real estate management service firms, technology-based firms, general construction contractors or retail and online residential furniture providers, offering products and services which compete with those offered by us and our dealers. In addition, the traditional office furniture industry is highly competitive, with a number of competitors offering similar categories of products. We compete on a variety of factors, including: brand recognition and reputation; insight from our research; product design and features; price, lead time, delivery and service; product quality; strength of dealers and other distributors and relationships with customers and key influencers, such as architects, designers and facility managers. If we are unsuccessful in developing and offering solutions which respond to changes in workplace trends and generate revenue to offset the impact of reduced numbers, size and price of typical workstations, or we or our dealers are unsuccessful in competing with existing competitors and new competitive offerings which could arise from outside our industry, our revenue and profits may be adversely affected.

We may not be able to successfully develop, implement and manage our diversification and growth strategies.

Our longer-term success depends on our ability to successfully develop, implement and manage strategies that will preserve our position as the world’s largest office furniture manufacturer, as well as expand our offerings into adjacent and emerging markets. In particular, our diversification and growth strategies include:

- translating our research regarding the world of work into innovative solutions which address market and user needs,
- growing our market share with existing customers and new customers,
- continuing our expansion into adjacent markets such as healthcare clinical spaces, classrooms, libraries and other educational settings and smaller companies,
- expanding our product categories to include additional architecture and technology product offerings,
- growing our market share in markets such as China, India and central, eastern, and southern Europe, the Middle East and Africa,
- investing in acquisitions and new business ventures and
- developing new alliances and additional channels of distribution.

Table of Contents

If these strategies to diversify and increase our revenues are not sufficient, or if we do not execute these strategies successfully, our profitability may be adversely affected.
We have been and expect to continue making investments in strategic growth initiatives and new product development. If our return on these investments is lower, or develops more slowly, than we anticipate, our profitability may be adversely affected.
Our continuing efforts to improve our business model may result in customer disruption, may distract management from other activities and could result in additional restructuring costs.
Over the last two decades, we have implemented a number of restructuring actions to transform our business through the reinvention of our industrial system and white collar processes and have significantly reduced our manufacturing footprint. While we believe we have made substantial progress, we continue to evolve and optimize our business model to be more flexible and agile in meeting changing demand, and incremental restructuring actions may be necessary.

We are engaged in a multi-year strategy in EMEA to improve revenue, gross margins and the fitness of our business model, which included the exit of two manufacturing facilities in France and Germany and the establishment of a new manufacturing facility in the Czech Republic. The exits of the two facilities have been completed, and our focus now is on stabilizing operations at the new Czech Republic facility and implementing continuous cost reductions across our EMEA facilities. Our EMEA strategy also includes various marketing and sales initiatives expected to improve gross margins and establishing a new Learning + Innovation Center in Munich, Germany, which is expected to open during 2017. The success of these initiatives is dependent on several factors, including our ability to negotiate with related work councils and manage these actions without disrupting existing customer commitments or impacting operating efficiency. Further, these actions may take longer than anticipated, prove more costly than expected and may distract management from other activities, and we may not fully realize the expected benefits of our restructuring activities and initiatives, any of which would have a negative impact on our profitability.
We may be adversely affected by changes in raw material and commodity costs.
We procure raw materials (including steel, petroleum-based products, aluminum, other metals, wood and particleboard) from a significant number of sources globally. These raw materials are not rare or unique to our industry. The costs of these commodities, as well as fuel and energy costs, can fluctuate due to changes in global supply and demand, larger currency movements and changes in import tariffs and trade barriers, which can also cause supply interruptions. In the short-term, rapid increases in raw material and commodity costs can be very difficult to offset with price increases because of existing contractual commitments with our customers, and it is difficult to find effective financial instruments to hedge against such changes. As a result, our gross margins can be adversely affected by short-term increases in these costs. If we are not successful in passing along higher raw material and commodity costs to our customers over the longer-term because of competitive pressures, our profitability could be negatively impacted.
In March 2016, the U.S. Department of Commerce published a preliminary determination in its antidumping investigations involving Japanese producers of cold-rolled steel, which resulted in dumping duties of 71.35% being applied to the specialized flat steel that PolyVision uses in the manufacture of porcelain-enameled writing surfaces, with the duties applying to imports dating back to December 2015. The preliminary determination is subject to finalization by the U.S. Department of Commerce and review by the International Trade Commission, which is expected to occur by the end of August 2016. If the preliminary determination is upheld, PolyVision's profitability in 2017 could be negatively impacted by up to $7 in duties for raw materials previously imported or for which PolyVision has already entered into binding purchase commitments.
Our global presence subjects us to risks that may negatively affect our profitability and financial condition.
We have manufacturing facilities, sales locations and offices in many countries, and as a result, we are subject to risks associated with doing business globally. Our success depends on our ability to manage the complexity associated with designing, developing, manufacturing and selling our solutions in a variety of countries. Our global presence is also subject to market risks, which in turn could have an adverse effect on our business, operating results or financial condition, including:

- differing business practices, cultural factors and regulatory requirements,

8

Table of Contents

- political, social and economic instability, natural disasters, security concerns, including terrorist activity, armed conflict and civil or military unrest, and global health issues, and
- intellectual property protection challenges.

Our global footprint makes us vulnerable to currency exchange rate fluctuations and currency controls.

We primarily sell our products in U.S. dollars and euros, but we generate some of our revenues and pay some of our expenses in other currencies. Our results are affected by the strength of the currencies in countries where we manufacture or purchase goods relative to the strength of the currencies in countries where our products are sold. We use foreign currency derivatives to hedge some of these currency exchange exposures. There can be no assurance that such hedging will be economically effective. If we are not successful in managing currency exchange rate fluctuations, it could have an adverse effect on our business, operating results or financial condition.

Although we operate globally in multiple currencies, we report our results in U.S. dollars, and thus our reported results may be positively or negatively impacted by the strengthening or weakening of the other currencies in which we operate against the U.S. dollar.

In addition, we face restrictions in certain countries that limit or prevent the transfer of funds to other countries or the exchange of the local currency to other currencies, which could have a negative impact on our profitability. We also face risks associated with fluctuations in currency exchange rates that may lead to a decline in the value of the funds held in certain jurisdictions.

We are increasingly reliant on a global network of suppliers.

Our migration to a less vertically integrated manufacturing model has increased our dependency on a global network of suppliers. We are reliant on the timely flow of raw materials, components and finished goods from third-party suppliers. The flow of such materials, components and goods may be affected by:

- fluctuations in the pricing, availability and quality of raw materials,
- the financial solvency of our suppliers and their supply chains,
- disruptions caused by labor activities and
- damage and loss of production from accidents, natural disasters and other causes.

Any disruptions or fluctuations in the pricing, supply and delivery of raw materials, component parts and finished goods or deficiencies in our ability to manage our global network of suppliers could have an adverse impact on our business, operating results or financial condition.

We rely largely on a network of independent dealers to market, deliver and install our products, and disruptions and increasing consolidations within our dealer network could adversely affect our business.

From time to time, we or a dealer may choose to terminate our relationship, or the dealer could face financial insolvency or difficulty in transitioning to new ownership. Our business is influenced by our ability to initiate and manage new and existing relationships with independent dealers, and establishing new dealers in a market can take considerable time and resources. Disruption of dealer coverage within a specific local market could have an adverse impact on our business within the affected market. The loss or termination of a significant number of dealers or the inability to establish new dealers could cause difficulties in marketing and distributing our products and have an adverse effect on our business, operating results or financial condition. In the event that a dealer in a strategic market experiences financial difficulty, we may choose to make financial investments in the dealership, which would reduce the risk of disruption but increase our financial exposure. Alternatively, we may elect to purchase and operate dealers in certain markets which also would increase our financial exposure.

Our diversification and growth strategies into adjacent markets, such as healthcare and education, and the increasing complexity of our technology and architectural products are driving the need for our dealers to develop additional capabilities and invest in additional resources to support such products and markets. Some of our smaller dealers do not have the scale to leverage such investments, and as a result, we have seen and may continue to see increased consolidation within our dealer network. This increased concentration and size of dealers could increase our exposure to the risks discussed above.

Table of Contents

We may be adversely impacted by product defects.

Product defects can occur within our own product development and manufacturing processes or through our increasing reliance on third parties for product development, manufacturing and testing activities. We incur various expenses related to product defects, including product warranty costs, product recall and retrofit costs and product liability costs, which can have an adverse impact on our results of operations. In addition, the reputation of our brands may be diminished by product defects and recalls.

We maintain a reserve for our product warranty costs based on certain estimates and our knowledge of current events and actions, but our actual warranty costs may exceed our reserve, resulting in a need to increase our accruals for warranty charges. We purchase insurance coverage to reduce our exposure to significant levels of product liability claims and maintain a reserve for our self-insured losses based upon estimates of the aggregate liability using claims experience and actuarial assumptions. Incorrect estimates or any significant increase in the rate of our product defect expenses could have a material adverse effect on our results of operations.

We may be required to record impairment charges related to goodwill and indefinite-lived intangible assets which would adversely affect our results of operations.

We have net goodwill of $106.4 as of February 26, 2016. Goodwill and other acquired intangible assets with indefinite lives are not amortized but are evaluated for impairment annually and whenever an event occurs or circumstances change such that it is more likely than not that an impairment may exist. Poor performance in portions of our business where we have goodwill or intangible assets, or declines in the market value of our equity, may result in impairment charges, which would adversely affect our results of operations.

There may be significant limitations to our utilization of net operating loss carryforwards to offset future taxable income.

We have deferred tax asset values related to net operating loss carryforwards (“NOLs”) residing primarily in various non-U.S. jurisdictions totaling $70.5, against which valuation allowances totaling $9.4 have been recorded. Following the implementation of our contract manufacturing model in EMEA, in Q4 2016 sufficient positive evidence became available to cause us to reverse the valuation allowance recorded against our deferred tax assets in France; however, the possibility remains that we may be unable to generate sufficient taxable income from future operations in France or in the other applicable jurisdictions in which we maintain deferred tax assets related to NOLs, or implement tax, business or other planning strategies, to fully utilize the recorded value of our NOLs. We have NOLs in various currencies that are also subject to foreign exchange risk, which could reduce the amount we may ultimately realize. Additionally, future changes in tax laws or interpretations of such tax laws may limit our ability to fully utilize our NOLs.

Costs related to our participation in a multi-employer pension plan could increase.

Our subsidiary SC Transport Inc. contributes to the Central States, Southeast and Southwest Areas Pension Fund, a multi-employer pension plan, based on obligations arising under a collective bargaining agreement with our SC Transport Inc. employees. The plan is not administered by or in any way controlled by us. We have relatively little control over the level of contributions we are required to make to the plan, and it is substantially underfunded. As a result, contributions are scheduled to increase, and we expect that contributions to the plan may be subject to further increases. The amount of any increase or decrease in our required contributions to the multi-employer pension plan will depend upon the outcome of collective bargaining, actions taken by trustees who manage the plan, governmental regulations, the actual return on assets held in the plan, the continued viability and contributions of other employers which contribute to the plan, and the potential payment of a withdrawal liability, among other factors.

Under current law, an employer that withdraws or partially withdraws from a multi-employer pension plan may incur a withdrawal liability to the plan, which represents the portion of the plan’s underfunding that is allocable to the withdrawing employer under very complex actuarial and allocation rules. We could incur a withdrawal liability if we substantially reduce the number of SC Transport Inc. employees. There were a total of 18 SC Transport Inc. employees as of February 26, 2016. The most recent estimate of our potential withdrawal liability is $23.2 as of February 26, 2016.

Table of Contents

Item 1B. Unresolved Staff Comments:
None.
Item 2. Properties:
We have operations at locations throughout the U.S. and around the world. None of our owned properties are mortgaged or are held subject to any significant encumbrance. We believe our facilities are in good operating condition and, at present, are sufficient to meet volume needs currently and for the foreseeable future. Our global headquarters is located in Grand Rapids, Michigan, U.S.A. Our owned and leased principal manufacturing and distribution center locations with greater than 100,000 square feet are as follows:

Table of Contents

| Segment/Category Primarily Supported | Number of Principal Locations | Owned | Leased |
|---|---|---|---|
| Americas | 13 | 5 | 8 |
| EMEA | 4 | 4 | — |
| Other | 4 | 2 | 2 |
| Total | 21 | 11 | 10 |

In 2016, we exited one leased manufacturing facility in EMEA. In 2017, we expect to exit one additional leased manufacturing facility in the Americas, as previously announced.

Item 3. Legal Proceedings:

We are involved in litigation from time to time in the ordinary course of our business. Based on known information, we do not believe we are a party to any lawsuit or proceeding that is likely to have a material adverse effect on the Company.

Item 4. Mine Safety Disclosures:

Not applicable.

Table of Contents

Supplementary Item. Executive Officers of the Registrant:

Our executive officers are:

| Name | Age | Position |
|---|---|---|
| Guillaume M. Alvarez | 56 | Senior Vice President, EMEA |
| Sara E. Armbruster | 45 | Vice President, Strategy, Research and New Business Innovation |
| Ulrich H. E. Gwinner | 52 | President, Asia Pacific |
| James P. Keane | 56 | President and Chief Executive Officer, Director |
| Robert G. Krestakos | 54 | Vice President, Global Operations |
| Terrence J. Lenhardt | 56 | Vice President, Chief Information Officer |
| James N. Ludwig | 52 | Vice President, Global Design and Product Engineering |
| Mark T. Mossing | 58 | Corporate Controller and Chief Accounting Officer |
| Gale Moutrey | 57 | Vice President, Communications |
| Lizbeth S. O'Shaughnessy | 54 | Senior Vice President, Chief Administrative Officer, General Counsel and Secretary |
| Eddy F. Schmitt | 44 | Senior Vice President, Americas |
| Allan W. Smith, Jr. | 48 | Vice President, Global Marketing |
| David C. Sylvester | 51 | Senior Vice President, Chief Financial Officer |

Guillaume M. Alvarez has been Senior Vice President, EMEA since March 2014. Mr. Alvarez was Senior Vice President, Sales, EMEA from October 2011 to March 2014 and Vice President, Global Client Collaboration from May 2010 to October 2011. Mr. Alvarez has been employed by Steelcase since 1984.

Sara E. Armbruster has been Vice President, Strategy, Research and New Business Innovation since January 2014. Ms. Armbruster was Vice President, WorkSpace Futures and Corporate Strategy from May 2009 to January 2014 and has been employed by Steelcase since 2007.

Ulrich H. E. Gwinner has been President, Asia Pacific since March 2014. Mr. Gwinner was President, Steelcase Asia Pacific from May 2007 to March 2014 and has been employed by Steelcase since 2000.

James P. Keane has been President and Chief Executive Officer since March 2014. Mr. Keane was President and Chief Operating Officer from April 2013 to March 2014, Chief Operating Officer from November 2012 to April 2013 and President, Steelcase Group from October 2006 to November 2012. Mr. Keane has been employed by Steelcase since 1997.

Robert G. Krestakos has been Vice President, Global Operations since February 2015. Mr. Krestakos was Vice President, Chief Information Officer and Operations-Americas from December 2013 to February 2015 and Vice President, Chief Information Officer from June 2007 to December 2013. Mr. Krestakos has been employed by Steelcase since 1992.

Terrence J. Lenhardt has been Vice President, Chief Information Officer since January 2015. Mr. Lenhardt was Vice President, Finance-Americas, EMEA & Asia Pacific from February 2013 to January 2015 and Vice President, Finance-Steelcase Group Americas & EMEA from February 2011 to February 2013. Mr. Lenhardt has been employed by Steelcase since 1994.

James N. Ludwig has been Vice President, Global Design and Product Engineering since March 2014. Mr. Ludwig was Vice President, Global Design from March 2008 to March 2014 and has been employed by Steelcase since 1999.

Mark T. Mossing has been Corporate Controller and Chief Accounting Officer since April 2008. Mr. Mossing was Vice President, Corporate Controller from September 1999 to April 2008 and has been employed by Steelcase since 1993.

Gale Moutrey has been Vice President, Communications since March 2014. Ms. Moutrey was Vice President, Brand Communications from March 2001 to March 2014 and has been employed by Steelcase since 1984.

Table of Contents

Lizbeth S. O’Shaughnessy has been Senior Vice President, Chief Administrative Officer, General Counsel and Secretary since June 2014. Ms. O'Shaughnessy was Senior Vice President, Chief Legal Officer and Secretary from April 2011 to June 2014 and Vice President, Chief Legal Officer and Secretary from July 2007 to April 2011. Ms. O'Shaughnessy has been employed by Steelcase since 1992.

Eddy F. Schmitt has been Senior Vice President, Americas since March 2014. Mr. Schmitt was Senior Vice President, Sales and Distribution, Americas from February 2011 to March 2014 and has been employed by Steelcase since 2003.

Allan W. Smith, Jr. has been Vice President, Global Marketing since September 2013. Mr. Smith was Vice President, Applications & Product Marketing-Steelcase Brand from January 2011 to September 2013 and has been employed by Steelcase since 1991.

David C. Sylvester has been Senior Vice President, Chief Financial Officer since April 2011. Mr. Sylvester was Vice President, Chief Financial Officer from October 2006 to April 2011 and has been employed by Steelcase since 1995.

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities:

Common Stock

Our Class A Common Stock is listed on the New York Stock Exchange under the symbol "SCS." Our Class B Common Stock is not registered under the Exchange Act or publicly traded. See Note 14 to the consolidated financial statements for additional information. As of the close of business on April 11, 2016, we had outstanding 119,639,269 shares of common stock with 6,265 shareholders of record. Of these amounts, 88,027,858 shares are Class A Common Stock with 6,195 shareholders of record and 31,611,411 shares are Class B Common Stock with 70 shareholders of record.

| Class A Common Stock<br>Per Share Price Range | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|---|---|---|---|---|
| 2016 | | | | |
| High | $20.45 | $19.79 | $20.30 | $20.37 |
| Low | $16.88 | $16.06 | $17.07 | $11.67 |
| 2015 | | | | |
| High | $17.27 | $17.94 | $18.22 | $18.84 |
| Low | $13.98 | $14.30 | $15.13 | $16.33 |

Dividends

The declaration of dividends is subject to the discretion of our Board of Directors and to compliance with applicable laws. Dividends in 2016 and 2015 were declared and paid quarterly. The amount and timing of future dividends depends upon our results of operations, financial condition, cash requirements, future business prospects, general business conditions and other factors that our Board of Directors may deem relevant at the time.

Our unsecured revolving syndicated credit facility includes a restriction on the aggregate amount of cash dividend payments and share repurchases we may make in any fiscal year. As long as our leverage ratio is less than 2.50 to 1.00, there is no restriction on cash dividends and share repurchases. If our leverage ratio is between 2.50 to 1.00 and the maximum permitted under the facility, our ability to fund more than $35.0 in cash dividends and share repurchases in aggregate in any fiscal year may be restricted, depending on our liquidity. As of February 26, 2016, our leverage ratio was less than 2.50 to 1.00. See Note 12 to the consolidated financial statements for additional information.

Total Dividends Paid

| | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Total |
|---|---|---|---|---|---|
| 2016 | $15.1 | $14.0 | $14.0 | $13.9 | $57.0 |
| 2015 | $13.6 | $13.0 | $13.0 | $12.9 | $52.5 |

Fourth Quarter Share Repurchases

The following is a summary of share repurchase activity during Q4 2016:

| Period | (a)<br>Total Number of Shares Purchased | (b)<br>Average Price Paid per Share | (c)<br>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | (d)<br>Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (1) |
|---|---|---|---|---|
| 11/28/2015 - 01/01/2016 | 496,871 | $14.62 | 496,062 | $52.9 |
| 01/02/2016 - 01/29/2016 | 2,506,129 | $13.92 | 2,503,938 | $168.0 |
| 01/30/2016 - 2/26/2016 | — | $— | — | $168.0 |
| Total | 3,003,000 | (2) | 3,000,000 | |

15

Table of Contents

(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, and in January 2016, the Board of Directors approved an additional share repurchase program permitting the repurchase of up to $150 of shares of our common stock. These programs have no specific expiration dates.

(2) 3,000 shares were repurchased to satisfy participants' tax withholding obligations upon the vesting of restricted stock unit grants, pursuant to the terms of our Incentive Compensation Plan.

Table of Contents

Item 6. Selected Financial Data:

| Financial Highlights | Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 | February 22, 2013 | February 24, 2012 |
|---|---|---|---|---|---|
| Operating Results: | | | | | |
| Revenue | $3,060.0 | $3,059.7 | $2,988.9 | $2,868.7 | $2,749.5 |
| Gross profit | 971.2 | 916.0 | 945.2 | 866.0 | 809.7 |
| Operating income | 174.6 | 144.9 | 165.9 | 59.3 | 97.1 |
| Income before income tax expense | 174.8 | 137.0 | 147.2 | 54.9 | 82.0 |
| Net income | 170.3 | 86.1 | 87.7 | 38.8 | 56.7 |
| Supplemental Operating Data: | | | | | |
| Restructuring costs | $(19.9) | $(40.6) | $(6.6) | $(34.7) | $(30.5) |
| Goodwill and intangible asset impairment charges | — | — | (12.9) | (59.9) | — |
| Share Data: | | | | | |
| Basic earnings per common share | $1.37 | $0.69 | $0.70 | $0.30 | $0.43 |
| Diluted earnings per common share | $1.36 | $0.68 | $0.69 | $0.30 | $0.43 |
| Weighted average shares outstanding - basic | 124.3 | 124.4 | 126.0 | 127.4 | 131.9 |
| Weighted average shares outstanding - diluted | 125.3 | 126.0 | 127.3 | 129.1 | 131.9 |
| Dividends paid per common share | $0.45 | $0.42 | $0.40 | $0.36 | $0.24 |
| Balance Sheet Data: | | | | | |
| Cash and cash equivalents | $181.9 | $176.5 | $201.8 | $150.4 | $112.1 |
| Short-term investments | 84.1 | 68.3 | 119.5 | 100.5 | 79.1 |
| Company-owned life insurance ("COLI") | 160.4 | 159.5 | 154.3 | 225.8 | 227.6 |
| Working capital (1) | 266.4 | 264.9 | 295.3 | 237.1 | 197.2 |
| Total assets | 1,808.6 | 1,719.6 | 1,724.0 | 1,686.4 | 1,675.9 |
| Total debt | 299.1 | 282.1 | 289.7 | 292.2 | 294.5 |
| Total liabilities | 1,071.7 | 1,055.8 | 1,052.3 | 1,024.8 | 995.4 |
| Total shareholders' equity | 736.9 | 663.8 | 677.1 | 668.0 | 686.5 |
| Statement of Cash Flow Data: | | | | | |
| Net cash provided by (used in): | | | | | |
| Operating activities | $186.4 | $84.2 | $178.8 | $187.3 | $101.7 |
| Investing activities | (87.8) | (14.3) | (25.2) | (85.5) | 203.2 |
| Financing activities | (90.1) | (89.8) | (101.6) | (64.2) | (334.3) |

(1) Working capital equals current assets minus current liabilities, as presented in the Consolidated Balance Sheets.

Table of Contents

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations:

The following review of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and accompanying notes thereto included elsewhere within this Report.

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 income, 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 (decline), which represents the change in revenue over the prior year excluding estimated currency translation effects, the impacts of acquisitions and divestitures and an additional week of revenue in 2014; and (2) adjusted operating income (loss), which represents operating income (loss) excluding restructuring costs (benefits) and goodwill and intangible asset impairment charges. 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.

Financial Summary

Results of Operations

Our reportable segments consist of the Americas segment, the EMEA segment and the Other category. Unallocated corporate expenses are reported as Corporate.

| Statement of Operations Data—Consolidated | Year Ended February 26, 2016 | | February 27, 2015 | | February 28, 2014 | |
|---|---|---|---|---|---|---|
| Revenue | $3,060.0 | 100.0 % | $3,059.7 | 100.0 % | $2,988.9 | 100.0 % |
| Cost of sales | 2,075.5 | 67.8 | 2,106.2 | 68.8 | 2,046.5 | 68.5 |
| Restructuring costs (benefits) | 13.3 | 0.5 | 37.5 | 1.2 | (2.8) | (0.1) |
| Gross profit | 971.2 | 31.7 | 916.0 | 30.0 | 945.2 | 31.6 |
| Operating expenses | 790.0 | 25.8 | 768.0 | 25.1 | 757.0 | 25.3 |
| Goodwill and intangible asset impairment charges | — | — | — | — | 12.9 | 0.4 |
| Restructuring costs | 6.6 | 0.2 | 3.1 | 0.1 | 9.4 | 0.3 |
| Operating income | 174.6 | 5.7 | 144.9 | 4.8 | 165.9 | 5.6 |
| Interest expense | (17.6) | (0.6) | (17.7) | (0.6) | (17.8) | (0.6) |
| Investment income (loss) | 1.5 | 0.1 | 1.4 | — | (0.3) | — |
| Other income (expense), net | 16.3 | 0.5 | 8.4 | 0.3 | (0.6) | — |
| Income before income tax expense | 174.8 | 5.7 | 137.0 | 4.5 | 147.2 | 5.0 |
| Income tax expense | 4.5 | 0.1 | 50.9 | 1.7 | 59.5 | 2.0 |
| Net income | $170.3 | 5.6 % | $86.1 | 2.8 % | $87.7 | 3.0 % |
| Earnings per share: | | | | | | |
| Basic | $1.37 | | $0.69 | | $0.70 | |
| Diluted | $1.36 | | $0.68 | | $0.69 | |

Table of Contents

| Organic Revenue Growth—Consolidated | Year Ended February 26, 2016 | February 27, 2015 |
| --- | --- | --- |
| Prior year revenue | $3,059.7 | $2,988.9 |
| Divestitures | (3.2) | (1.5) |
| Impact of additional week * | — | (42.0) |
| Currency translation effects ** | (110.1) | (26.7) |
| Prior year revenue, adjusted | 2,946.4 | 2,918.7 |
| Current year revenue | 3,060.0 | 3,059.7 |
| Acquisition | (22.6) | — |
| Current year revenue, adjusted | 3,037.4 | 3,059.7 |
| Organic growth $ | $91.0 | $141.0 |
| Organic growth % | 3% | 5% |

* 2014 included 53 weeks of revenue in the Americas and Other category. EMEA always ends its fiscal year on the last day of February, so the comparison to the prior year is generally consistent.
** Currency translation effects represent the net effect of translating prior year foreign currency revenues using the average exchange rate on a quarterly basis during the current year.

| Reconciliation of Operating Income to Adjusted Operating Income | Year Ended February 26, 2016 | | February 27, 2015 | | February 28, 2014 | |
| --- | --- | --- | --- | --- | --- | --- |
| Operating income | $174.6 | 5.7% | $144.9 | 4.8% | $165.9 | 5.6% |
| Add: goodwill and intangible asset impairment charges | — | — | — | — | 12.9 | 0.4 |
| Add: restructuring costs | 19.9 | 0.7 | 40.6 | 1.3 | 6.6 | 0.2 |
| Adjusted operating income | $194.5 | 6.4% | $185.5 | 6.1% | $185.4 | 6.2% |

Overview

During 2016, we achieved a sixth consecutive year of organic revenue growth. Our organic revenue growth in 2016 was below global trends in our industry, compared to growth rates that were generally consistent with or better than industry trends over the past four years. The reduced growth compared to industry trends in 2016 was driven by reduced orders from our largest customers, a significant reduction in demand within the energy sector and strong industry growth in product categories where we are under-represented but currently expanding our offerings in the Americas. Our organic revenue growth in EMEA in 2016 was impacted by disruptions to customers associated with manufacturing footprint changes and extended lead times for new products where demand exceeded our initial expectations. Despite lower revenue growth, our operating income in 2016 was the highest level we have achieved in eight years, reflecting strong operating performance in the Americas and improved operating performance in Asia Pacific.

In 2016, we made significant progress on improving the fitness of our operations and our competitiveness in EMEA. This included (1) the closure of a manufacturing facility in Durlangen, Germany and the transfer of its activities to a new facility in the Czech Republic, (2) the termination of a contract manufacturing relationship in Wisches, France and the transfer of its activities to existing facilities and (3) actions to establish a Learning + Innovation Center in Munich, Germany. We incurred disruption costs and inefficiencies related to these manufacturing footprint changes, as well as other manufacturing and distribution issues, which contributed to our operating loss in EMEA in 2016. We believe that we are nearing completion of these manufacturing footprint changes and expect significant improvements in our manufacturing and distribution performance as we continue to stabilize the new footprint.

2016 compared to 2015

We recorded net income of $170.3 and diluted earnings per share of $1.36 in 2016 compared to net income of $86.1 and diluted earnings per share of $0.68 in 2015. Net income was positively impacted by the reversal of a valuation allowance recorded against net deferred tax assets in France and a gain from the partial sale of an investment in an unconsolidated affiliate in Q4 2016. These significant items, net of the associated variable compensation expense and income tax expense, had a combined favorable impact on net income of approximately $53 and on diluted earnings per share of approximately $0.42. The comparison of net income from 2016 to 2015 was also positively impacted by restructuring charges which were $20.7 lower in 2016 compared to 2015. Our 2016 results reflected strong operating performance in the Americas and improved operating performance in Asia Pacific, partially offset by higher costs in EMEA associated with manufacturing footprint changes and other operational challenges.

Revenue for 2016 of $3,060.0 increased slightly compared to the prior year. Growth in the Americas of 3% was offset by a decline of 13% in EMEA. The growth in the Americas was driven by increased volume, and approximately one-third of the growth rate was attributable to improved pricing. The revenue comparison in EMEA reflected $79.2 of unfavorable currency translation effects. Organic revenue growth for 2016 was $91.0 or 3%, with growth of 3% in the Americas segment, 1% in the EMEA segment and 4% in the Other category.

Operating income in 2016 of $174.6 or 5.7% of revenue compared to $144.9 or 4.8% in the prior year. The increase was driven by a $20.7 reduction in restructuring costs, strong operating performance in the Americas and improved operating performance in Asia Pacific, partially offset by an increase in cost of sales as a percent of revenue in EMEA and $13.7 of variable compensation expense associated with the large favorable tax item and non-operating gain recorded in Q4 2016. Adjusted operating income in 2016 increased by $9.0 or 4.9% to $194.5 compared to the prior year. The 2016 adjusted operating income margin of 6.4% represented a 30 basis point improvement compared to the prior year and reflected an impact of approximately 50 basis points from variable compensation expense associated with the two large items recorded in Q4 2016.

Cost of sales in 2016 was 67.8% as a percent of revenue, a 100 basis point decrease compared to 2015. The improvement was primarily driven by a 120 basis point improvement in the Americas, due to lower material, freight and distribution costs and improvements in negotiated customer pricing, partially offset by a 190 basis point decline in EMEA driven by manufacturing and distribution issues associated with the manufacturing footprint changes and an unfavorable shift in business mix. Cost of sales included disruption costs and inefficiencies of approximately $20 and $28 in 2016 and 2015, respectively, in EMEA. Disruption costs and inefficiencies include labor premiums paid to employees during transition periods and labor inefficiencies caused by work stoppages or slowdowns resulting from restructuring activities. They also include incremental logistics costs caused by split shipments (linked to labor inefficiencies) and interim supply chains during production moves. Lastly, these costs include duplicate labor and overhead at the new Czech Republic facility and other plants impacted by production moves. We believe these costs are temporary and will be eliminated once the manufacturing changes in EMEA are complete and the industrial model returns to normal levels of operating efficiency.

Operating expenses of $790.0 in 2016 increased by $22.0 or 70 basis points as a percent of revenue compared to the prior year. Higher variable compensation expense of $21, additional expenses of $4 related to acquisitions, net of divestitures and other increases in operating expenses, including costs associated with establishing our new Learning + Innovation Center in Munich, were partially offset by approximately $24 of favorable currency translation effects.

We recorded net restructuring costs of $19.9 in 2016 compared to net restructuring costs of $40.6 in 2015. The 2016 amount included costs primarily associated with the closure of the Durlangen facility, and severance provisions related to the relocation of activities to the Learning + Innovation Center in Munich.

In Q4 2015, we implemented changes in EMEA to align our tax structure with the management of our globally integrated business. Our U.S. parent company became the principal in a contract manufacturing model with our Steelcase European subsidiaries. During 2016, we generated taxable income for our French subsidiaries and allowed for partial utilization of the net operating loss carryforwards in France. In Q4 2016, we recognized a discrete tax benefit of $56.0 related to the reversal of the remaining valuation allowance recorded against our French net deferred tax assets. As a result of this discrete tax benefit, our 2016 effective tax rate of 2.6% was significantly lower than the U.S. federal statutory tax rate of 35%. See further discussion in Note 15 to the consolidated financial statements.

Table of Contents

2015 compared to 2014

We recorded net income of $86.1 in 2015 compared to net income of $87.7 in 2014. Goodwill and intangible asset impairment charges in 2014, and a lower effective tax rate and lower non-operating charges in 2015 largely offset higher restructuring costs in 2015.

Operating income of $144.9 in 2015 compared to operating income of $165.9 in 2014. The decrease of $21.0 was driven by $34.0 of higher restructuring costs in 2015 partially offset by $12.9 of goodwill and intangible asset impairment charges in 2014. Adjusted operating income of $185.5 in 2015 represented a slight improvement compared to 2014. The small improvement was driven by benefits of organic revenue growth and improvements in negotiated customer pricing in the Americas which were offset by increased disruption costs and inefficiencies associated with our manufacturing footprint changes in EMEA and higher operating expenses after taking into consideration the extra week in 2014 and favorable currency translation effects.

Revenue for 2015 was $3,059.7 compared to $2,988.9 for 2014. Revenue continued to include a higher mix of project business in 2015. After adjusting for currency translation effects and the impact of an additional week in 2014, organic revenue growth was 5% in 2015. We realized organic growth of 3% in the Americas segment, 8% in the EMEA segment and 10% in the Other category.

Cost of sales increased to 68.8% of revenue in 2015, a 30 basis point increase compared to 2014. The increase was driven primarily by higher disruption costs and inefficiencies in EMEA (approximately $28 in 2015 compared to $4 in 2014) and higher overhead, warranty, and freight and distribution costs in the Americas, but this increase was largely offset by operating leverage from the revenue growth across our segments and improvements in negotiated customer pricing (net of higher material costs) and benefits of on-going cost reduction efforts in the Americas.

Operating expenses of $768.0 increased by $11.0 in 2015 compared to 2014 but decreased 20 basis points as a percentage of sales. The year-over-year comparison included the following:

- approximately $10.3 of costs associated with an extra week in 2014,
- favorable foreign currency translation effects of $4.7,
- a reduction of $2.0 in environmental charges,
- a reduction of $0.9 related to divestitures,
- higher variable compensation expense of $8.6,
- higher costs associated with a dealer accounts receivable reserve of $4.0, and
- other costs of $16.3 primarily related to increased spending on sales staff, marketing and product development initiatives in the Americas, higher tax consulting and a biennial sales and dealer conference.

There were no goodwill and intangible asset impairment charges in 2015. Goodwill and intangible asset impairment charges of $12.9 were recorded in 2014 and related to Asia Pacific within the Other category. See further discussion in Note 10 to the consolidated financial statements.

We recorded net restructuring costs of $40.6 in 2015 compared to $6.6 in 2014. The 2015 net charges included the following:

- severance and business exit costs of $50.6 primarily associated with manufacturing footprint changes in EMEA,
- a gain of $12.0 related to the sale of an idle facility in the Americas segment exited in connection with previously announced restructuring actions, and
- severance and business exit costs of $2.0 primarily associated with a plant closure in the Americas segment.

See further discussion of these items in the Business Segment Disclosure analysis below and in Note 19 to the consolidated financial statements.

Our 2015 effective tax rate was 37.2%, which was higher than the U.S. federal statutory tax rate of 35%. The higher tax rate was being driven by the losses in EMEA, which resulted in deferred tax assets in various jurisdictions for which full valuation allowances have been recorded, partially offset by net discrete tax benefits

Table of Contents

primarily related to tax credits in the Czech Republic associated with the investment in a new manufacturing facility in that country.

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

| Interest Expense, Investment Income (Loss) and Other Income (Expense), Net | Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|
| Interest expense | $(17.6) | $(17.7) | $(17.8) |
| Investment income (loss) | 1.5 | 1.4 | (0.3) |
| Other income (expense), net: | | | |
| Equity in income of unconsolidated affiliates | 13.4 | 15.2 | 10.2 |
| Foreign exchange loss | (4.0) | (5.0) | (5.0) |
| Miscellaneous, net | 6.9 | (1.8) | (5.8) |
| Total other income (expense), net | 16.3 | 8.4 | (0.6) |
| Total interest expense, investment income (loss) and other income (expense), net | $0.2 | $(7.9) | $(18.7) |

A gain of $8.5 related to the partial sale of an unconsolidated affiliate was recorded in miscellaneous, net in 2016. A charge to miscellaneous, net of $6.0 was recorded in 2014 related to an investment in an unconsolidated affiliate.

Business Segment Disclosure

See Note 18 to the consolidated financial statements for additional information regarding our business segments.

Americas

The Americas segment serves customers in the U.S., Canada, the Caribbean Islands 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 and Turnstone brands.

| Statement of Operations Data—Americas | Year Ended February 26, 2016 | | February 27, 2015 | | February 28, 2014 | |
|---|---|---|---|---|---|---|
| Revenue | $2,256.0 | 100.0 % | $2,180.7 | 100.0 % | $2,154.4 | 100.0 % |
| Cost of sales | 1,473.6 | 65.3 | 1,449.3 | 66.5 | 1,438.2 | 66.8 |
| Restructuring costs (benefits) | 2.4 | 0.1 | (10.0) | (0.5) | 0.7 | — |
| Gross profit | 780.0 | 34.6 | 741.4 | 34.0 | 715.5 | 33.2 |
| Operating expenses | 517.7 | 23.0 | 481.5 | 22.1 | 467.1 | 21.7 |
| Goodwill and intangible asset impairment charges | — | — | — | — | — | — |
| Restructuring costs (benefits) | (2.9) | (0.1) | — | — | 1.0 | 0.1 |
| Operating income | $265.2 | 11.7 % | $259.9 | 11.9 % | $247.4 | 11.4 % |

22

Table of Contents

| Organic Revenue Growth—Americas | Year Ended February 26, 2016 | February 27, 2015 |
|---|---|---|
| Prior year revenue | $2,180.7 | $2,154.4 |
| Impact of additional week * | — | (36.2) |
| Currency translation effects ** | (19.0) | (10.3) |
| Prior year revenue, adjusted | 2,161.7 | 2,107.9 |
| Current year revenue | 2,256.0 | 2,180.7 |
| Acquisition | (22.6) | — |
| Current year revenue, adjusted | 2,233.4 | 2,180.7 |
| Organic growth $ | $71.7 | $72.8 |
| Organic growth % | 3% | 3% |

* 2014 included 53 weeks of revenue.
** Currency translation effects represent the net effect of translating prior year foreign currency revenues using the average exchange rate on a quarterly basis during the current year.

| Reconciliation of Operating Income to Adjusted Operating Income—Americas | Year Ended February 26, 2016 | | February 27, 2015 | | February 28, 2014 | |
|---|---|---|---|---|---|---|
| Operating income | $265.2 | 11.7% | $259.9 | 11.9% | $247.4 | 11.4% |
| Add: goodwill and intangible asset impairment charges | — | — | — | — | — | — |
| Add: restructuring costs (benefits) | (0.5) | — | (10.0) | (0.5) | 1.7 | 0.1 |
| Adjusted operating income | $264.7 | 11.7% | $249.9 | 11.4% | $249.1 | 11.5% |

2016 compared to 2015

Operating income in the Americas in 2016 improved by $5.3 compared to the prior year. Benefits associated with the revenue growth and lower cost of sales as a percent of revenue were partially offset by higher operating expenses and a reduction in net restructuring benefits compared to the prior year. The variable compensation expense associated with the large favorable tax item and non-operating gain recorded in Q4 2016 had a $10.6 impact on operating income. Adjusted operating income improved by $14.8 to 11.7% of revenue; the variable compensation expense associated with the two large items recorded in Q4 had an impact of approximately 50 basis points on adjusted operating income as a percent of revenue.

The Americas revenue represented 73.7% of consolidated revenue in 2016. Revenue for 2016 of $2,256.0 increased $75.3 or 3.5% compared to 2015 and reflected $19.0 of unfavorable currency translation effects and a $22.6 favorable impact of an acquisition. The revenue growth included higher volume and approximately one-third of the growth rate was attributable to improvements in negotiated customer pricing. Revenue growth in 2016 is categorized as follows:

- Product categories — Six out of seven product categories grew in 2016, led by Furniture, Turnstone and Seating. Architectural Solutions also improved by achieving a double-digit percentage growth rate. Technology declined compared to the prior year.
- Vertical markets — Federal Government, Financial Services, Technical and Professional and Manufacturing experienced strong growth rates, while Energy declined.
- Geographic regions — The East and South Business Groups showed growth over 2015, while the West Business Group declined.
- Contract type — Project sales and continuing business experienced growth, while marketing programs declined year-over-year.

Organic revenue growth in 2016 was $71.7 or 3% compared to the prior year.

Table of Contents

Cost of sales decreased 120 basis points to 65.3% of revenue in 2016 compared to 66.5% of revenue in 2015. The primary drivers of the decrease were lower material, freight and distribution costs, which had an impact of approximately 200 basis points, and improvements in negotiated customer pricing, partially offset by unfavorable foreign currency exchange rates (Canadian dollar to U.S. dollar) and higher variable compensation costs.

Operating expenses in 2016 increased by $36.2, or 90 basis points as a percent of revenue, compared to the prior year primarily due to $14 of higher variable compensation expense of which $7.2 related to the two large items recorded in Q4 2016, $7 related to a small dealer acquisition and $5 of higher sales and marketing costs.

A net restructuring benefit of $0.5 recognized in 2016 included a $2.8 gain related to the sale of our Corporate Development Center that was closed as part of previously announced restructuring actions, partially offset by costs associated with the closure of a manufacturing facility in High Point, North Carolina. A net restructuring benefit of $10.0 in 2015 primarily related to proceeds received from the sale of an idle manufacturing facility exited as part of previously announced restructuring actions, partially offset by costs related to the closure of the High Point facility.

2015 compared to 2014

Operating income in the Americas grew to $259.9 in 2015, compared to $247.4 in 2014. The improvement was due to benefits associated with the organic revenue growth, a net restructuring gain of $10.0, improvements in negotiated customer pricing and manufacturing cost reduction efforts, partially offset by higher operating expenses. After adjusting for the impact of restructuring costs, adjusted operating income in 2015 was flat compared to 2014.

The Americas revenue represented 71.3% of consolidated revenue in 2015. Revenue for 2015 was $2,180.7 compared to $2,154.4 in 2014, an increase of $26.3 or 1.2%. Revenue growth in 2015 is categorized as follows:

- Product categories — Five out of seven product categories grew in 2015, led by Furniture and Coalesse. Architectural Solutions and Turnstone also improved by achieving double-digit percentage growth rates. Technology and Health declined compared to the prior year.
- Vertical markets — Energy, Technical and Professional, Information Technology and Insurance experienced strong growth rates, while Federal Government declined.
- Geographic regions — All regions showed growth over 2014, led by the West Business Group.
- Contract type — The strongest growth came from project sales, while continuing business grew modestly and marketing programs declined year-over-year.

After adjusting for currency translation effects and the impact of an additional week in 2014, organic revenue growth was $72.8 or 3%.

Cost of sales improved to 66.5% of revenue in 2015 compared to 66.8% of revenue in 2014. The improvement was largely driven by improvements in negotiated customer pricing and continued cost reduction efforts, offset partially by higher warranty and freight and distribution costs.

Operating expenses increased by $14.4 in 2015 compared to 2014, which included expenses associated with an extra week. Adjusted for the impact of the additional week, operating expenses increased primarily due to increased spending on sales staff, marketing and product development initiatives, higher variable compensation and an increase in the allowance for doubtful accounts. Operating expenses increased modestly as a percentage of sales to 22.1% in 2015 from 21.7% in 2014.

A net restructuring gain of $10.0 recognized in 2015 primarily related to the sale of an idle manufacturing facility exited as part of previously announced restructuring actions, partially offset by costs related to the closure of a manufacturing facility in High Point, North Carolina.

EMEA

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

Table of Contents

| Statement of Operations Data—EMEA | Year Ended February 26, 2016 | | February 27, 2015 | | February 28, 2014 | |
|---|---|---|---|---|---|---|
| Revenue | $520.6 | 100.0 % | $595.4 | 100.0 % | $566.9 | 100.0 % |
| Cost of sales | 416.3 | 80.0 | 465.2 | 78.1 | 429.5 | 75.8 |
| Restructuring costs (benefits) | 10.9 | 2.1 | 47.5 | 8.0 | (3.6) | (0.6) |
| Gross profit | 93.4 | 17.9 | 82.7 | 13.9 | 141.0 | 24.8 |
| Operating expenses | 148.2 | 28.5 | 162.4 | 27.3 | 164.2 | 29.0 |
| Goodwill and intangible asset impairment charges | — | — | — | — | — | — |
| Restructuring costs | 9.5 | 1.8 | 3.1 | 0.5 | 8.2 | 1.4 |
| Operating loss | $(64.3) | (12.4)% | $(82.8) | (13.9)% | $(31.4) | (5.6)% |

| Organic Revenue Growth—EMEA | Year Ended February 26, 2016 | February 27, 2015 |
|---|---|---|
| Prior year revenue | $595.4 | $566.9 |
| Divestitures | (3.2) | (1.5) |
| Impact of additional week * | — | — |
| Currency translation effects ** | (79.2) | (13.5) |
| Prior year revenue, adjusted | 513.0 | 551.9 |
| Current year revenue | 520.6 | 595.4 |
| Organic growth $ | $7.6 | $43.5 |
| Organic growth % | 1 % | 8 % |

* EMEA always ends its fiscal year on the last day of February, so the comparison to the prior year is generally consistent.

** Currency translation effects represent the net effect of translating prior year foreign currency revenues using the average exchange rate on a quarterly basis during the current year.

| Reconciliation of Operating Loss to Adjusted Operating Loss—EMEA | Year Ended February 26, 2016 | | February 27, 2015 | | February 28, 2014 | |
|---|---|---|---|---|---|---|
| Operating loss | $(64.3) | (12.4)% | $(82.8) | (13.9)% | $(31.4) | (5.6)% |
| Add: goodwill and intangible asset impairment charges | — | — | — | — | — | — |
| Add: restructuring costs | 20.4 | 3.9 | 50.6 | 8.5 | 4.6 | 0.8 |
| Adjusted operating loss | $(43.9) | (8.5)% | $(32.2) | (5.4)% | $(26.8) | (4.8)% |

2016 compared to 2015

Operating results in EMEA reflected a significant decrease in restructuring costs compared to the prior year, offset by an increase in cost of sales and operating expenses as a percent of revenue compared to the prior year. EMEA's adjusted operating loss increased by $11.7.

EMEA revenue represented 17.0% of consolidated revenue in 2016. Revenue for 2016 reflected $79.2 of unfavorable currency translation effects and a $3.2 favorable impact from divestitures. Organic revenue growth was $7.6 or 1%, driven by growth in Iberia.

Cost of sales as a percent of revenue increased by 190 basis points in 2016 compared to the prior year. During 2016, we experienced manufacturing and distribution issues including power outages and equipment failures at our new facility in the Czech Republic and other startup related issues which resulted in incremental costs, labor inefficiencies and dealer incentives and reimbursements of approximately $6 in aggregate which were

Table of Contents

incurred in the second and third quarters of 2016. The 2016 results also reflected unfavorable shifts in product and business mix partially offset by the benefits from restructuring activities.

Cost of sales in 2016 and 2015 included $20 and $28, respectively, of disruption costs and inefficiencies associated with the manufacturing footprint changes initiated in prior years.

Operating expenses in 2016 decreased by $14.2 compared to the prior year. The 2016 operating expenses reflected favorable currency translation effects of $19. Operating expenses in local currency increased in 2016 primarily due to costs associated with establishing our new Learning + Innovation Center in Munich and higher variable compensation expense. Operating expenses as a percent of revenue increased by 120 basis points in 2016.

Restructuring costs of $20.4 incurred in 2016 primarily consisted of costs associated with the closure of the Durlangen facility and severance provisions related to the relocation of activities to the Learning + Innovation Center in Munich.

2015 compared to 2014

EMEA reported an operating loss of $82.8 in 2015 compared to an operating loss of $31.4 in 2014. The increased loss was primarily driven by higher disruption costs and inefficiencies associated with the manufacturing footprint changes, partially offset by benefits associated with the organic revenue growth. After adjusting for the impact of restructuring costs, the adjusted operating loss of $32.2 in 2015 represented an increase of $5.4 compared to 2014.

EMEA revenue represented 19.4% of consolidated revenue in 2015. Revenue for 2015 was $595.4 compared to $566.9 in 2014. During 2015, growth in project business in France, Iberia and the United Kingdom was partially offset by a decline in Germany due in part to customer disruption associated with the manufacturing footprint changes. Organic revenue growth was 8% after adjusting for currency translation effects and a small divestiture.

Cost of sales increased to 78.1% of revenue in 2015, a 230 basis point deterioration compared to 2014. The deterioration was driven by higher disruption costs and inefficiencies associated with manufacturing footprint changes of $24, offset in part by operating leverage associated with the organic revenue growth.

Operating expenses decreased by $1.8 in 2015 primarily due to favorable foreign currency translation effects. Operating expenses as a percentage of sales decreased to 27.3% in 2015 from 29.0% in 2014.

Net restructuring costs of $50.6 incurred in 2015 were primarily associated with the transfer of the assets and activities of the Wisches, France manufacturing facility to a third party, which included a $27.3 facilitation payment, and costs related to the closure of a manufacturing facility in Durlangen, Germany.

Other

The Other category includes Asia Pacific, Designtex and PolyVision. Asia Pacific serves customers in Asia and Australia primarily under the Steelcase brand with an emphasis on freestanding furniture systems, storage and seating solutions. 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. PolyVision manufactures ceramic steel surfaces for use in multiple applications, but primarily for sale to third-party fabricators and distributors to create static whiteboards and chalkboards sold in the primary and secondary education markets globally.

Table of Contents

| Statement of Operations Data—Other | Year Ended February 26, 2016 | | February 27, 2015 | | February 28, 2014 | |
|---|---|---|---|---|---|---|
| Revenue | $283.4 | 100.0 % | $283.6 | 100.0 % | $267.6 | 100.0 % |
| Cost of sales | 185.6 | 65.5 | 191.7 | 67.6 | 178.8 | 66.8 |
| Restructuring costs | — | — | — | — | 0.1 | — |
| Gross profit | 97.8 | 34.5 | 91.9 | 32.4 | 88.7 | 33.2 |
| Operating expenses | 86.6 | 30.5 | 87.1 | 30.7 | 84.3 | 31.5 |
| Goodwill and intangible asset impairment charges | — | — | — | — | 12.9 | 4.8 |
| Restructuring costs | — | — | — | — | 0.2 | 0.1 |
| Operating income | $11.2 | 4.0 % | $4.8 | 1.7 % | $(8.7) | (3.2)% |

| Organic Revenue Growth—Other | Year Ended February 26, 2016 | February 27, 2015 |
|---|---|---|
| Prior year revenue | $283.6 | $267.6 |
| Impact of additional week * | — | (5.8) |
| Currency translation effects ** | (11.9) | (2.9) |
| Prior year revenue, adjusted | 271.7 | 258.9 |
| Current year revenue | 283.4 | 283.6 |
| Organic growth $ | $11.7 | $24.7 |
| Organic growth % | 4 % | 10 % |

* 2014 included 53 weeks of revenue.
** Currency translation effects represent the net effect of translating prior year foreign currency revenues using the average exchange rate on a quarterly basis during the current year.

| Reconciliation of Operating Income (Loss) to Adjusted Operating Income—Other | Year Ended February 26, 2016 | | February 27, 2015 | | February 28, 2014 | |
|---|---|---|---|---|---|---|
| Operating income (loss) | $11.2 | 4.0 % | $4.8 | 1.7 % | $(8.7) | (3.2)% |
| Add: goodwill and intangible asset impairment charges | — | — | — | — | 12.9 | 4.8 |
| Add: restructuring costs | — | — | — | — | 0.3 | 0.1 |
| Adjusted operating income | $11.2 | 4.0 % | $4.8 | 1.7 % | $4.5 | 1.7 % |

2016 compared to 2015

Revenue in the Other category represented 9.3% of consolidated revenue in 2016. Operating results in the Other category in 2016 improved significantly compared to the prior year. Improved operating performance in Asia Pacific offset lower operating performance at PolyVision, while operating performance at Designtex was comparable to the prior year.

Cost of sales as a percent of revenue decreased by 210 basis points in 2016 compared to the prior year. Improvements in Asia Pacific were partially offset by higher costs at PolyVision in the current year. The decrease in cost of sales in Asia Pacific was driven by favorable foreign currency exchange rates and improved business and product mix.

Asia Pacific recorded operating income in the current year compared to an operating loss in the prior year. The improvement was driven by organic revenue growth, favorable foreign currency exchange rates and improved business mix.

Table of Contents

Operating income at PolyVision declined compared to the prior year. The decline was driven by reduced volume, an increase in cost of sales as a percent of revenue and higher operating expense.

2015 compared to 2014

The Other category reported operating income of $4.8 in 2015 compared to an operating loss of $8.7 in 2014. The 2014 results included goodwill and intangible asset impairment charges of $12.9. Adjusted operating income increased by $0.3 driven by a higher adjusted operating income at PolyVision and Designtex, partially offset by higher adjusted operating losses in Asia Pacific.

Revenue of $283.6 in 2015 increased by $16.0 compared to revenue of $267.6 in 2014. PolyVision was the largest contributor to the growth, and Designtex and Asia Pacific also grew in 2015. Excluding the impact of the additional week in 2014 and currency translation effects, organic revenue growth was $24.7 or 10%.

Cost of sales increased to 67.6% of revenue in 2015, an 80 basis point deterioration compared to 2014. The erosion in 2015 was primarily driven by higher cost of sales in Asia Pacific due to business mix shifts, competitive pricing pressures and higher overhead costs linked to the opening of a new facility in India, partially offset by better absorption of fixed costs associated with the revenue growth at PolyVision.

Operating expenses increased by $2.8 to $87.1 in 2015 compared to $84.3 in 2014. The increase was primarily driven by sales and marketing investments at Designtex. Operating expenses as a percentage of sales decreased in 2015 compared 2014.

Corporate

Corporate expenses include unallocated portions of shared service functions such as information technology, human resources, finance, executive, corporate facilities, legal and research, plus deferred compensation expense and income or losses associated with COLI.

| | Year Ended | | |
|---|---|---|---|
| Statement of Operations Data—Corporate | February 26, 2016 | February 27, 2015 | February 28, 2014 |
| Operating expenses | $37.5 | $37.0 | $41.4 |

Lower income associated with COLI and higher variable compensation expense in 2016 were partially offset by lower earnings associated with deferred compensation. The decrease of $4.4 in 2015 was primarily due to lower environmental remediation costs and higher income associated with COLI.

Liquidity and Capital Resources

Liquidity

Based on current business conditions, we target maintaining a range of $75 to $150 in cash and cash equivalents and short-term investments to fund day-to-day operations, including seasonal disbursements, particularly the annual payment of accrued variable compensation and retirement plan contributions in Q1 of each fiscal year. In addition, we may carry additional liquidity for potential investments in strategic initiatives and as a cushion against economic volatility.

| Liquidity Sources | February 26, 2016 | February 27, 2015 |
|---|---|---|
| Cash and cash equivalents | $181.9 | $176.5 |
| Short-term investments | 84.1 | 68.3 |
| Company-owned life insurance | 160.4 | 159.5 |
| Availability under credit facilities | 151.7 | 154.7 |
| Total liquidity | $578.1 | $559.0 |

As of February 26, 2016, we held a total of $266.0 in cash and cash equivalents and short-term investments. The majority of our short-term investments are located in the U.S. Of our total $181.9 in cash and cash equivalents, 73% was located in the U.S. and the remaining 27%, or $49.9, was located outside of the U.S., primarily in Mexico,

Table of Contents

Hong Kong, France, Malaysia and China. Amounts located outside the U.S. would be taxable if repatriated to the U.S. as dividends, but we do not anticipate repatriating such amounts or needing them for operations in the U.S. Such amounts are considered available to repay intercompany debt, available to meet local working capital requirements or permanently reinvested in foreign subsidiaries.

The majority of our short-term investments are maintained in a managed investment portfolio, which primarily consists of corporate debt securities and U.S. agency debt securities.

Our investments in COLI policies are intended to be utilized as a long-term funding source for long-term benefit obligations. However, COLI can be used as a source of liquidity. We believe the financial strength of the issuing insurance companies associated with our COLI policies is sufficient to meet their obligations. COLI investments are recorded at their net cash surrender value. See Note 9 to the consolidated financial statements for more information.

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 consolidated statements of cash flows:

| Cash Flow Data | Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|
| Net cash flow provided by (used in): | | | |
| Operating activities | $186.4 | $84.2 | $178.8 |
| Investing activities | (87.8) | (14.3) | (25.2) |
| Financing activities | (90.1) | (89.8) | (101.6) |
| Effect of exchange rate changes on cash and cash equivalents | (3.1) | (5.4) | (0.6) |
| Net increase (decrease) in cash and cash equivalents | 5.4 | (25.3) | 51.4 |
| Cash and cash equivalents, beginning of period | 176.5 | 201.8 | 150.4 |
| Cash and cash equivalents, end of period | $181.9 | $176.5 | $201.8 |

Cash provided by operating activities

| Cash Flow Data—Operating Activities | Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|
| Net income | $170.3 | $86.1 | $87.7 |
| Depreciation and amortization | 65.7 | 59.9 | 60.0 |
| Goodwill and intangible asset impairment charges | — | — | 12.9 |
| Gain from partial sale of investment in unconsolidated affiliate | (8.5) | — | — |
| Deferred income taxes | (68.3) | 0.4 | 14.1 |
| Restructuring gains on sale of fixed assets | (2.8) | (12.0) | (4.5) |
| Non-cash stock compensation | 21.0 | 18.4 | 16.8 |
| Equity in income of unconsolidated affiliates | (13.4) | (15.2) | (10.2) |
| Dividends received from unconsolidated affiliates | 12.4 | 10.7 | 6.2 |
| Other | 0.3 | (5.1) | 2.6 |
| Changes in accounts receivable, inventories and accounts payable | 3.4 | (58.3) | (16.1) |
| Assets related to derivative instruments | 22.3 | (23.8) | 1.0 |
| VAT recoverable | (28.9) | (4.3) | (1.8) |
| Changes in employee compensation liabilities | 20.4 | (0.8) | 13.1 |
| Changes in other operating assets and liabilities | (7.5) | 28.2 | (3.0) |
| Net cash provided by operating activities | $186.4 | $84.2 | $178.8 |

Table of Contents

The increase in cash provided by operating activities in 2016 compared to 2015 was largely due to a decrease in the use of working capital related to modest organic revenue growth in Q4 2016 compared to strong organic revenue growth in Q4 2015 and the settlement of foreign exchange contracts, partially offset by an increase in VAT recoverable. The decrease in cash provided by operating activities in 2015 compared to 2014 was due to an increase in the use of working capital to fund strong organic revenue growth in Q4 2015 compared to modest organic revenue growth in Q4 2014, non-cash gains on foreign exchange contracts, and lower utilization of foreign tax credit carryforwards in the U.S.

Cash used in investing activities

| Cash Flow Data—Investing Activities | Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|
| Capital expenditures | $(93.4) | $(97.5) | $(86.8) |
| Proceeds from disposal of fixed assets | 5.6 | 19.7 | 9.5 |
| Purchases of investments | (105.7) | (91.4) | (146.7) |
| Liquidations of investments | 95.1 | 149.1 | 122.3 |
| Liquidations of COLI | — | — | 74.5 |
| Proceeds from partial sale of investment in unconsolidated affiliate | 18.0 | — | — |
| Acquisition, net of cash acquired | (6.9) | — | — |
| Other | (0.5) | 5.8 | 2.0 |
| Net cash used in investing activities | $(87.8) | $(14.3) | $(25.2) |

Capital expenditures in 2016 included $26.0 in progress payments toward a new aircraft. Capital expenditures in 2016 also included investments in manufacturing operations. The net increase in investments in 2016 was related to our increase in cash provided by operating activities and the proceeds from the partial sale of an investment in an unconsolidated affiliate. Capital expenditures in 2015 were primarily related to investments in manufacturing operations, including a new manufacturing location in the Czech Republic, and product development. Cash provided by investing activities in 2015 included the receipt of proceeds related to the sale of a former manufacturing facility. The net reduction in investments in 2015 is primarily related to the funding of restructuring costs in EMEA. During 2014, we reduced our COLI investments by withdrawing basis of $74.5 (tax-free), and we reinvested the proceeds in short-term investments.

Table of Contents

Cash used in financing activities

| Cash Flow Data—Financing Activities | Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|
| Dividends paid | $(57.0) | $(52.5) | $(50.2) |
| Common stock repurchases | (56.4) | (36.3) | (49.9) |
| Excess tax benefit from vesting of stock awards | 7.0 | 1.6 | 0.5 |
| Net borrowings and repayments of debt | 16.3 | (2.6) | (2.0) |
| Net cash used in financing activities | $(90.1) | $(89.8) | $(101.6) |

We paid dividends of $0.1125, $0.105 and $0.10 per common share during each quarter in 2016, 2015 and 2014, respectively. On March 22, 2016, our Board of Directors declared a dividend of $0.12 per common share to be paid in Q1 2017.

During 2016, 2015 and 2014, we made common stock repurchases of $56.4, $36.3, and $49.9, respectively, all of which related to our Class A Common Stock. As of February 26, 2016, we had $168.0 of remaining availability under the $250 and $150 share repurchase programs approved by our Board of Directors in Q4 2008 and Q4 2016, respectively.

Share repurchases of Class A Common Stock to enable participants to satisfy tax withholding obligations upon vesting of restricted stock, restricted stock units and performance units, pursuant to the terms of our Incentive Compensation Plan, were $13.0, $4.9 and $6.6 in 2016, 2015 and 2014, respectively.

Capital Resources

Off-Balance Sheet Arrangements

We are contingently liable under loan and lease guarantees for certain independent dealers in the event of default or non-performance of the financial repayment of a liability. In certain cases, we also guarantee completion of contracts by our dealers. Due to the contingent nature of guarantees, the full value of the guarantees is not recorded on our Consolidated Balance Sheets; however, when necessary, we record reserves to cover potential losses. As of February 26, 2016 and February 27, 2015, there were no reserves for guarantees recorded on our Consolidated Balance Sheets.

Contractual Obligations

Our contractual obligations as of February 26, 2016 were as follows:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| Contractual Obligations | Total | Less than 1 Year | 1-3 Years | 3-5 Years | After 5 Years |
| Long-term debt and short-term borrowings | $299.1 | $2.5 | $5.5 | $253.5 | $37.6 |
| Estimated interest on debt obligations | 84.2 | 16.7 | 33.2 | 33.0 | 1.3 |
| Operating leases | 213.3 | 47.5 | 71.8 | 43.7 | 50.3 |
| Committed capital expenditures | 27.5 | 27.5 | — | — | — |
| Purchase obligations | 62.4 | 37.9 | 20.9 | 3.6 | — |
| Other liabilities | 3.3 | 3.3 | — | — | — |
| Employee benefit and compensation obligations | 278.5 | 133.4 | 37.0 | 27.0 | 81.1 |
| Total | $968.3 | $268.8 | $168.4 | $360.8 | $170.3 |

Total consolidated debt as of February 26, 2016 was $299.1. Of our total debt, $248.2 is in the form of term notes due in 2021 and $50.0 is related to financing secured by our corporate aircraft due in 2024.

We have commitments related to certain sales offices, showrooms, warehouses and equipment under non-cancelable operating leases that expire at various dates through 2025. Minimum payments under operating leases, net of sublease rental income, are presented in the contractual obligations table above.

Table of Contents

Committed capital expenditures represent obligations we have related to property, plant and equipment purchases.
Purchase obligations represent obligations under non-cancelable contracts to purchase goods or services beyond the needs of meeting current backlog or production.
Other liabilities represent obligations for foreign exchange forward contracts.
Employee benefit and compensation obligations represent contributions and benefit payments expected to be made for our post-retirement, pension, deferred compensation, defined contribution, severance arrangements and variable compensation plans. Our obligations related to post-retirement benefit plans are not contractual, and the plans could be amended at the discretion of the Compensation Committee of our Board of Directors. We limited our disclosure of contributions and benefit payments to 10 years as information beyond this time period was not available. See Note 13 to the consolidated financial statements for additional information.
The contractual obligations table above is current as of February 26, 2016. The amounts of these obligations could change materially over time as new contracts or obligations are initiated and existing contracts or obligations are terminated or modified. We anticipate the cash expected to be generated from future operations, current cash and cash equivalents and short-term investment balances, funds available under our credit facilities and funds available from COLI will be sufficient to fulfill our existing contractual obligations.
Liquidity Facilities
Our total liquidity facilities as of February 26, 2016 were:

| Liquidity Facilities | February 26, 2016 |
|---|---|
| Global committed bank facility | $125.0 |
| Other committed bank facilities | 5.0 |
| Various uncommitted lines | 21.7 |
| Total credit lines available | 151.7 |
| Less: borrowings outstanding | — |
| Available capacity | $151.7 |

We have a $125 global committed five-year unsecured revolving syndicated credit facility which was entered into in 2013. The facility requires us to satisfy financial covenants including a maximum leverage ratio covenant and a minimum interest coverage ratio covenant. Additionally, the facility requires us to comply with certain other terms and conditions, including a restricted payment covenant which establishes a maximum level of dividends and other equity-related distributions or payments (such as share repurchases) we may make in a fiscal year. As of February 26, 2016, we were in compliance with all covenants under the facility. We have $5.0 in other revolving credit facilities.
The various uncommitted lines may be changed or canceled by the applicable lenders at any time. There were no outstanding borrowings under uncommitted facilities as of February 26, 2016. In addition, we have a revolving letter of credit agreement for $37.5 which can be utilized to support bank guarantees, letters of credit, overdrafts and foreign exchange contracts. As of February 26, 2016, we had $20.0 in outstanding bank guarantees and standby letters of credit against these facilities. We had no draws against our standby letters of credit during 2016 or 2015.
Total consolidated debt as of February 26, 2016 was $299.1. Our debt primarily consists of $248.2 in term notes due in Q4 2021 with an effective interest rate of 6.6%. In addition, we have a term loan with a balance as of February 26, 2016 of $50.0. This term loan has a floating interest rate based on 30-day LIBOR plus 1.20% and is due in 2024. The term notes are unsecured, the term loan is secured by our existing aircraft and the assignment of the purchase agreement for a new aircraft to be delivered in 2017, contains no financial covenants and is not cross-defaulted to our other debt facilities.
See Note 12 to the consolidated financial statements for additional information.

Table of Contents

Liquidity Outlook

Our current cash and cash equivalents and short-term investment balances, funds available under our credit facilities, funds available from COLI and cash generated from future operations are expected to be sufficient to finance our known or foreseeable liquidity needs. We continue to maintain a conservative approach to liquidity and have flexibility over significant uses of cash including our capital expenditures and discretionary operating expenses.

Our significant funding requirements include operating expenses, non-cancelable operating lease obligations, capital expenditures, variable compensation and retirement plan contributions, dividend payments and debt service obligations.

We expect capital expenditures to total approximately $75 to $85 in 2017 compared to $93 in 2016. This amount includes investments in our global manufacturing operations, product development and new Learning + Innovation Center in Munich, Germany. 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.

On March 22, 2016, we announced a quarterly dividend on our common stock of $0.12 per share, or $14.3, to be paid in Q1 2017. Future dividends will be subject to approval by our Board of Directors and compliance with the restricted payment covenant of our credit facilities.

Critical Accounting Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements and accompanying notes. Our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. These principles require the use of estimates and assumptions that affect amounts reported and disclosed in the consolidated financial statements and accompanying notes. Although these estimates are based on historical data and management's knowledge of current events and actions it may undertake in the future, actual results may differ from the estimates if different conditions occur. The accounting estimates that typically involve a higher degree of judgment and complexity are listed and explained below. These estimates were discussed with the Audit Committee of our Board of Directors and affect all of our segments.

Goodwill and Other Intangible Assets

Goodwill represents the difference between the purchase price and the related underlying tangible and identifiable intangible net asset values resulting from business acquisitions. Annually in Q4, or earlier if conditions indicate it is necessary, the carrying value of the reporting unit is compared to an estimate of its fair value. If the estimated fair value of the reporting unit is less than the carrying value, goodwill is impaired and is written down to its estimated fair value. Goodwill is assigned to and the fair value is tested at the reporting unit level. In 2016, we evaluated goodwill and intangible assets using six reporting units: the Americas, Red Thread, EMEA, Asia Pacific, Designtex and PolyVision.

Annually in Q4, or earlier if conditions indicate it is necessary, we also perform an impairment analysis of our intangible assets not subject to amortization using an income approach based on the cash flows attributable to the related products. An impairment loss is recognized if the carrying amount of a long-lived asset exceeds its estimated fair value. In testing for impairment, we first determine if the asset is recoverable and then compare the discounted cash flows over the asset's remaining life to the carrying value.

During Q4 2016, we performed our annual impairment assessment of goodwill in our reporting units. In the first step to test for potential impairment, we measured the estimated fair value of our reporting units using a discounted cash flow ("DCF") valuation method. The DCF analysis calculated the present value of projected cash flows and a residual value using discount rates that ranged from 11.0% to 15.0%. Considerable management judgment is necessary to evaluate the impact of operating changes and to estimate future cash flows in measuring fair value. Assumptions used in our impairment valuations, such as forecasted growth rates and cost of capital, are consistent with our current internal projections. These assumptions could change over time, which may result in future impairment charges. There were no impairments for any reporting units in 2016.

Table of Contents

As of February 26, 2016, we had remaining goodwill and net intangible assets recorded on our Consolidated Balance Sheet as follows:

| Reportable Segment | Goodwill | Other Intangible Assets, Net |
|---|---|---|
| Americas | $87.9 | $9.1 |
| EMEA | — | 0.7 |
| Other category | 18.5 | 3.9 |
| Total | $106.4 | $13.7 |

As of the valuation date, the enterprise value available for goodwill determined as described above is in excess of the underlying reported value of goodwill as follows:

| Reportable Segment | Enterprise Value Available in Excess of Goodwill |
|---|---|
| Americas | $1,697.0 |
| Other category | 51.0 |

For each reporting unit, the excess enterprise value available for goodwill is primarily driven by the residual value of future years. Thus, increasing the discount rate by 1%, leaving all other assumptions unchanged, would reduce the enterprise value in excess of goodwill to the following amounts:

| Reportable Segment | Enterprise Value Available in Excess of Goodwill |
|---|---|
| Americas | $1,434.0 |
| Other category | 42.0 |

As of February 26, 2016, no reporting unit had goodwill balances in excess of enterprise value available for goodwill based on the sensitivity analysis above.

See Note 2 and Note 10 to the consolidated financial statements for additional information.

Income Taxes

Our annual effective tax rate is based on income, statutory tax rates and tax planning strategies in various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating tax positions. Tax positions are reviewed quarterly, and balances are adjusted as new information becomes available.

We are audited by the U.S. Internal Revenue Service under the Compliance Assurance Process ("CAP"). Under CAP, the U.S. Internal Revenue Service works with large business taxpayers to identify and resolve issues prior to the filing of a tax return. Accordingly, we expect to record minimal liabilities for U.S. Federal uncertain tax positions. Tax positions are reviewed regularly for state, local and non-U.S. tax liabilities associated with uncertain tax positions. Our liability for uncertain tax positions in these jurisdictions is $0.2 as of February 26, 2016.

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse. In evaluating our ability to recover deferred tax assets within the jurisdiction from which they arise, we consider all positive and negative evidence. These expectations require significant judgment and are developed using forecasts of future taxable income that are consistent with the internal plans and estimates we are using to manage the underlying business. Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future.

In Q4 2015, we implemented changes in EMEA to align our tax structure with the management of our globally integrated business. Our U.S. parent company became the principal in a contract manufacturing model with our

Table of Contents

Steelcase European subsidiaries. In Q4 2016, we reached the conclusion that there was sufficient positive evidence, including acceptance of the new tax structure by U.S. Internal Revenue Service, sustained profitability in our French subsidiaries and other factors, which caused us to reverse valuation allowances of $56.0 recorded against deferred tax assets in France.

Future tax benefits of tax losses are recognized to the extent that realization of these benefits is considered more likely than not. As of February 26, 2016, we recorded tax benefits from net operating loss carryforwards of $70.5, but we also have recorded valuation allowances totaling $9.4, which reduced our recorded tax benefit to $61.1. It is considered more likely than not that a $61.1 cash benefit will be realized on these carryforwards in future periods. This determination is based on the expectation that related operations will be sufficiently profitable or various tax, business and other planning strategies will enable us to utilize the carryforwards. To the extent that available evidence raises doubt about the realization of a deferred tax asset, a valuation allowance would be established or adjusted. A change in judgment regarding our expected ability to realize deferred tax assets would be accounted for as a discrete tax expense or benefit in the period in which it occurs.

Additionally, we have deferred tax assets related to tax credit carryforwards of $28.2. In 2016 and 2015, we added $1.5 and $5.7, respectively, related to investment tax credits granted by the Czech Republic for investments in qualifying manufacturing equipment placed in service during 2016 and 2015. The U.S. foreign tax credit carryforward period is 10 years, and utilization of foreign tax credits is restricted to 35% of foreign source taxable income in that year. We have projected our pretax domestic earnings and foreign source income based on historical results and expect to fully utilize the remaining excess foreign tax credits (as well as the remaining other credits) within the allowable carryforward period. The carryforward period for the Czech Republic investment tax credits is effectively 13 years. We have projected our pretax earnings in the Czech Republic and also expect to fully utilize these credits within the allowable carryover period. Similar to our treatment of operating loss carryforwards, a valuation allowance would be established on the credit carryforwards if available evidence raises doubt about their expected realization.

A 10% decrease in the expected amount of cash benefit to be realized on the carryforwards would have resulted in a decrease in net income for 2016 of approximately $8.9.

See Note 15 to the consolidated financial statements for additional information.

Pension and Other Post-Retirement Benefits

We sponsor a number of domestic and foreign plans to provide pension, medical and life insurance benefits to retired employees. As of February 26, 2016 and February 27, 2015, the benefit obligations, fair value of plan assets and funded status of these plans were as follows:

| | Defined Benefit Pension Plans | | Post-Retirement Plans | |
|---|---|---|---|---|
| | February 26, 2016 | February 27, 2015 | February 26, 2016 | February 27, 2015 |
| Fair value of plan assets | $47.3 | $54.5 | $— | $— |
| Benefit plan obligations | 93.4 | 103.6 | 66.2 | 73.7 |
| Funded status | $(46.1) | $(49.1) | $(66.2) | $(73.7) |

The post-retirement medical and life insurance plans are unfunded. As of February 26, 2016, approximately 72% of our unfunded defined benefit pension obligations is related to our non-qualified supplemental retirement plan that is limited to a select group of management approved by the Compensation Committee. Our investments in whole life and variable life COLI policies with a net cash surrender value of $160.4 as of February 26, 2016 are intended to be utilized as a long-term funding source for post-retirement medical benefits, deferred compensation and supplemental retirement plan obligations. The asset values of the COLI policies are not segregated in a trust specifically for the plans and thus are not considered plan assets. Changes in the values of these policies have no effect on the post-retirement benefits expense, defined benefit pension expense or benefit obligations recorded in the consolidated financial statements.

We recognize the cost of benefits provided during retirement over the employees' active working lives. Inherent in this approach is the requirement to use various actuarial assumptions to predict and measure costs and obligations many years prior to the settlement date. Key actuarial assumptions that require significant management judgment and have a material impact on the measurement of our consolidated benefits expense and benefit

Table of Contents

obligations include, among others, the discount rate and health care cost trend rates. These and other assumptions are reviewed with our actuaries and updated annually based on relevant external and internal factors and information, including, but not limited to, benefit payments, expenses paid from the plan, rates of termination, medical inflation, regulatory requirements, plan changes and governmental coverage changes.

To conduct our annual review of discount rates, we perform a matching exercise of projected plan cash flows against spot rates on a yield curve comprised of high quality corporate bonds as of the measurement date (the Ryan ALM Top Third curve). The measurement dates for our retiree benefit plans are consistent with the last day in February. Accordingly, we select discount rates to measure our benefit obligations that are consistent with market indices at the end of February.

Based on consolidated benefit obligations as of February 26, 2016, a one percentage point decline in the weighted-average discount rate used for benefit plan measurement purposes would have changed the 2016 consolidated benefits expense by less than $1 and the consolidated benefit obligations by less than $13. All obligation-related experience gains and losses are amortized using a straight-line method over the average remaining service period of active plan participants.

To conduct our annual review of healthcare cost trend rates, we model our actual claims cost data over a historical period, including an analysis of the pre-65 age group and other important demographic components of our covered retiree population. This data is adjusted to eliminate the impact of plan changes and other factors that would tend to distort the underlying cost inflation trends. Our initial healthcare cost trend rate is reviewed annually and adjusted as necessary to remain consistent with recent historical experience and our expectations regarding short-term future trends. As of February 26, 2016, our initial rate of 7.72% for pre-age 65 retirees was trended downward by each year, until the ultimate trend rate of 4.50% was reached. The ultimate trend rate is adjusted annually, as necessary, to approximate the current economic view on the rate of long-term inflation plus an appropriate healthcare cost premium. Post-age 65 trend rates are not applicable as our plan provides a fixed subsidy for post-age 65 benefits.

Based on consolidated benefit obligations as of February 26, 2016, a one percentage point increase or decrease in the assumed healthcare cost trend rates would have changed the 2016 consolidated benefits expense by less than $1 and changed the consolidated benefit obligations by less than $1. All experience gains and losses are amortized using a straight-line method, over at least the minimum amortization period prescribed by accounting guidance.

Despite the previously described policies for selecting key actuarial assumptions, we periodically experience material differences between assumed and actual experience. Our consolidated net unamortized prior service credits and net experience losses are recorded in Accumulated other comprehensive income (loss) on the Consolidated Balance Sheets.

See Note 13 to the consolidated financial statements for additional information.

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 discuss goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or state other information relating to us, based on current beliefs of management as well as assumptions made by, and information currently available to, us. Forward-looking statements generally are accompanied by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “possible,” “potential,” “predict,” “project,” or other similar words, phrases or expressions. Althou believe these forward-looking statements are reasonable, they are based upon a number of assumptions concerning future conditions, any or all of which may ultimately prove to be inaccurate. 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 demands; and the other risks and contingencies detailed in this Report and our other filings with the SEC. We undertake no obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

Recently Issued Accounting Standards
See Note 3 to the consolidated financial statements for information regarding recently issued accounting standards.
Item 7A. Quantitative and Qualitative Disclosures About Market Risk:
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.
Foreign Currency Exchange Risk
We are exposed to foreign currency exchange rate risk primarily on sales commitments, anticipated sales and purchases and assets and liabilities denominated in currencies other than the U.S. dollar. In 2016, 2015 and 2014, we transacted business in 17 primary currencies worldwide, of which the most significant were the U.S. dollar, the euro, the Canadian dollar, the United Kingdom pound sterling, the Mexican peso and the Malaysian ringgit. Revenue from foreign locations represented approximately 30% of our consolidated revenue in 2016, 32% in 2015 and 32% in 2014. We actively manage the foreign currency exposures that are associated with committed foreign currency purchases and sales created in the normal course of business at the local entity level. Exposures that cannot be naturally offset within a local entity to an immaterial amount are often hedged with foreign currency derivatives or netted with offsetting exposures at other entities. We do not use derivatives for trading or speculative purposes. Our results are affected by the strength of the currencies in countries where we manufacture or purchase goods relative to the strength of the currencies in countries where our products are sold.
We estimate that an additional 10% strengthening of the U.S. dollar against local currencies would have increased operating income by less than $5 in each of 2016, 2015 and 2014. These estimates assume no changes other than the exchange rate itself. However, this quantitative measure has inherent limitations. The sensitivity analysis disregards the possibility that rates can move in opposite directions and that gains from one currency may or may not be offset by losses from another currency.
The translation of the assets and liabilities of our international subsidiaries is made using the foreign currency exchange rates as of the end of the fiscal year. Translation adjustments are not included in determining net income but are included in Accumulated other comprehensive income (loss) within shareholders’ equity on the Consolidated Balance Sheets until a sale or substantially complete liquidation of the net investment in the international subsidiary takes place. In certain markets, we could recognize a significant gain or loss related to
unrealized cumulative translation adjustments if we were to exit the market and liquidate our net investment. As of February 26, 2016 and February 27, 2015, the cumulative net currency translation adjustments reduced shareholders’ equity by $50.9 and $38.7, respectively.
Foreign currency exchange gains and losses reflect transaction gains and losses, which arise from monetary assets and liabilities denominated in currencies other than a business unit’s functional currency and are recorded in Other income (expense), net on the Consolidated Statements of Income. In 2016, 2015 and 2014, net foreign currency exchange losses were $4.0, $5.0 and $5.1, respectively.
See Note 2 to the consolidated financial statements for additional information.
Interest Rate Risk
We are exposed to interest rate risk primarily on our short-term and long-term investments and short-term and long-term borrowings. Our short-term investments are primarily invested in U.S. agency debt securities, U.S. government debt securities and highly-rated corporate debt securities. The risk on our short-term and long-term borrowings is primarily related to a floating interest rate loan with a balance of $50.0 as of February 26, 2016. This loan bears a floating interest rate based on 30-day LIBOR plus 1.20%. We had a floating interest rate loan with a balance of $33.5 as of February 27, 2015. This loan bore a floating interest rate based on 30-day LIBOR plus 3.35%. We estimate a 1% increase in interest rates would have increased our net income by less than $1 in 2016, 2015 and 2014, mainly as a result of higher interest income on our investments. Significant changes in interest rates could have an impact on the market value of our managed fixed-income investment portfolio. However, this quantitative measure has inherent limitations since not all of our investments are in similar asset classes. In addition, our investment manager actively manages certain investments, thus our results could be better or worse than market returns. As of February 26, 2016, approximately 49% of our fixed-income investments mature within one year, approximately 19% in two years, approximately 24% in three years and approximately 8% in four or more years.

See Note 6 and Note 12 to the consolidated financial statements for additional information.

Commodity Price Risk

We are exposed to commodity price risk primarily on our raw material purchases. These raw materials are not rare or unique to our industry. The cost of steel, petroleum-based products, aluminum, other metals, wood, particleboard and other commodities, such as fuel and energy, has fluctuated in recent years due to changes in global supply and demand. Our gross margins could be affected if these types of costs continue to fluctuate. We actively manage these raw material costs through global sourcing initiatives and price increases on our products. However, in the short-term, rapid increases in raw material costs can be very difficult to offset with price increases because of contractual agreements with our customers, and it is difficult to find effective financial instruments to hedge against such changes.

As a result of changes in commodity costs, cost of sales decreased approximately $40 during 2016, increased approximately $6 in 2015 and decreased approximately $3 in 2014. The decrease in commodity costs during 2016 was driven primarily by lower steel, transportation and other costs. We estimate that a 1% increase in commodity prices, assuming no offsetting benefit of price increases, would have decreased our operating income by approximately $12 in 2016, 2015 and 2014. This quantitative measure has inherent limitations given the likelihood of implementing pricing actions to offset significant increases in commodity prices.

Fixed Income and Equity Price Risk

We are exposed to fixed income and equity price risk primarily on the cash surrender value associated with our investments in variable life COLI policies. Our variable life COLI policies were allocated at approximately 50% to 65% equity investments.

We estimate a 10% adverse change in the value of the equity portion of our variable life COLI investments would reduce our net income in 2016, 2015 and 2014 by approximately $3, $2 and $2, respectively. However, given that a portion of the investments in COLI policies are intended to be utilized as a long-term funding source for deferred compensation obligations, any adverse change in the equity portion of our variable life COLI investments may be partially offset by favorable changes in deferred compensation liabilities. We estimate that the risk of changes in the value of the variable life COLI investments due to other factors, including changes in interest rates,

Table of Contents

yield curve and portfolio duration, would not have a material impact on our results of operations or financial condition. This quantitative measure has inherent limitations since not all of our investments are in similar asset classes.
See Note 6 and Note 9 to the consolidated financial statements for additional information.

Table of Contents

Item 8. Financial Statements and Supplementary Data:

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining effective internal control over financial reporting. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board of Directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect all misstatements. Further, because of changes in conditions, effectiveness of internal control over financial reporting may vary over time.

Management assessed the effectiveness of the system of internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management determined that our system of internal control over financial reporting was effective as of February 26, 2016.

Deloitte & Touche LLP, the independent registered certified public accounting firm that audited our financial statements included in this annual report on Form 10-K, also audited the effectiveness of our internal control over financial reporting, as stated in their report which is included herein.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of
STEELCASE INC.
GRAND RAPIDS, MICHIGAN

We have audited the internal control over financial reporting of Steelcase Inc. and subsidiaries (the “Company”) as of February 26, 2016, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 26, 2016, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended February 26, 2016 of the Company and our report dated April 15, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

Grand Rapids, Michigan
April 15, 2016

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of
STEELCASE INC.
GRAND RAPIDS, MICHIGAN

We have audited the accompanying consolidated balance sheets of Steelcase Inc. and subsidiaries (the “Company”) as of February 26, 2016 and February 27, 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended February 26, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Steelcase Inc. and subsidiaries at February 26, 2016 and February 27, 2015 and the results of their operations and their cash flows for each of the three years in the period ended February 26, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of February 26, 2016, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 15, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

Grand Rapids, Michigan
April 15, 2016

Table of Contents

STEELCASE INC.
CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data)

| | Year Ended | | |
|---|---|---|---|
| | February 26, 2016 | February 27, 2015 | February 28, 2014 |
| Revenue | $3,060.0 | $3,059.7 | $2,988.9 |
| Cost of sales | 2,075.5 | 2,106.2 | 2,046.5 |
| Restructuring costs (benefits) | 13.3 | 37.5 | (2.8) |
| Gross profit | 971.2 | 916.0 | 945.2 |
| Operating expenses | 790.0 | 768.0 | 757.0 |
| Goodwill and intangible asset impairment charges | — | — | 12.9 |
| Restructuring costs | 6.6 | 3.1 | 9.4 |
| Operating income | 174.6 | 144.9 | 165.9 |
| Interest expense | (17.6) | (17.7) | (17.8) |
| Investment income (loss) | 1.5 | 1.4 | (0.3) |
| Other income (expense), net | 16.3 | 8.4 | (0.6) |
| Income before income tax expense | 174.8 | 137.0 | 147.2 |
| Income tax expense | 4.5 | 50.9 | 59.5 |
| Net income | $170.3 | $86.1 | $87.7 |
| Earnings per share: | | | |
| Basic | $1.37 | $0.69 | $0.70 |
| Diluted | $1.36 | $0.68 | $0.69 |

See accompanying notes to the consolidated financial statements.

Table of Contents

STEELCASE INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

| | Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|
| Net income | $170.3 | $86.1 | $87.7 |
| Other comprehensive income (loss), gross: | | | |
| Unrealized gain (loss) on investments | (0.2) | — | 0.3 |
| Pension and other post-retirement liability adjustments | 2.6 | (16.8) | 1.1 |
| Derivative adjustments | — | 0.1 | — |
| Foreign currency translation adjustments | (12.2) | (19.2) | 4.1 |
| Total other comprehensive income (loss), gross | (9.8) | (35.9) | 5.5 |
| Other comprehensive income (loss), tax (expense) benefit: | | | |
| Unrealized gain (loss) on investments | — | — | (0.1) |
| Pension and other post-retirement liability adjustments | (0.4) | 5.7 | (0.4) |
| Derivative adjustments | — | — | — |
| Foreign currency translation adjustments | — | — | — |
| Total other comprehensive income (loss), tax (expense) benefit | (0.4) | 5.7 | (0.5) |
| Other comprehensive income (loss), net: | | | |
| Unrealized gain (loss) on investments | (0.2) | — | 0.2 |
| Pension and other post-retirement liability adjustments | 2.2 | (11.1) | 0.7 |
| Derivative adjustments | — | 0.1 | — |
| Foreign currency translation adjustments | (12.2) | (19.2) | 4.1 |
| Total other comprehensive income (loss), net | (10.2) | (30.2) | 5.0 |
| Comprehensive income | $160.1 | $55.9 | $92.7 |

See accompanying notes to the consolidated financial statements.

Table of Contents

STEELCASE INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

| | February 26, 2016 | February 27, 2015 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $181.9 | $176.5 |
| Short-term investments | 84.1 | 68.3 |
| Accounts receivable, net of allowances of $11.7 and $14.6 | 322.7 | 325.6 |
| Inventories | 159.4 | 166.2 |
| Prepaid expenses | 19.6 | 16.5 |
| Other current assets | 56.2 | 55.5 |
| Total current assets | 823.9 | 808.6 |
| Property, plant and equipment, net of accumulated depreciation of $936.8 and $1,055.9 | 411.6 | 389.5 |
| Company-owned life insurance ("COLI") | 160.4 | 159.5 |
| Deferred income taxes | 211.6 | 146.5 |
| Goodwill | 106.4 | 107.2 |
| Other intangible assets, net of accumulated amortization of $42.7 and $41.1 | 13.7 | 14.7 |
| Investments in unconsolidated affiliates | 51.0 | 59.1 |
| Other assets | 30.0 | 34.5 |
| Total assets | $1,808.6 | $1,719.6 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $209.6 | $215.0 |
| Short-term borrowings and current portion of long-term debt | 2.5 | 2.5 |
| Accrued expenses: | | |
| Employee compensation | 169.9 | 151.9 |
| Employee benefit plan obligations | 36.5 | 29.4 |
| Customer deposits | 18.6 | 25.1 |
| Product warranties | 20.5 | 22.4 |
| Other | 99.9 | 97.4 |
| Total current liabilities | 557.5 | 543.7 |
| Long-term liabilities: | | |
| Long-term debt less current maturities | 296.6 | 279.6 |
| Employee benefit plan obligations | 142.5 | 158.2 |
| Other long-term liabilities | 75.1 | 74.3 |
| Total long-term liabilities | 514.2 | 512.1 |
| Total liabilities | 1,071.7 | 1,055.8 |
| Shareholders' equity: | | |
| Preferred stock-no par value; 50,000,000 shares authorized, none issued and outstanding | — | — |
| Class A common stock-no par value; 475,000,000 shares authorized, 87,759,355 and 89,248,134 issued and outstanding | — | — |
| Class B common stock-no par value; 475,000,000 shares authorized, 31,611,411 and 32,220,413 issued and outstanding | — | — |
| Additional paid-in capital | — | 5.0 |
| Accumulated other comprehensive loss | (39.6) | (29.4) |
| Retained earnings | 776.5 | 688.2 |
| Total shareholders' equity | 736.9 | 663.8 |

| | | |
|---|---|---|
| Total liabilities and shareholders’ equity | $1,808.6 | $1,719.6 |

See accompanying notes to the consolidated financial statements.
44

Table of Contents

STEELCASE INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in millions, except share and per share data)

| | Common Shares Outstanding | Class A Common Stock | Class B Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| February 22, 2013 | 125,164,587 | $— | $— | $ 27.2 | $ (4.2 ) | $645.0 | $668.0 |
| Common stock issuance | 31,790 | | | 0.5 | | | 0.5 |
| Common stock repurchases | (3,619,817 ) | | | (43.7 ) | | (6.2 ) | (49.9 ) |
| Tax effect of exercise of stock awards | | | | 0.5 | | | 0.5 |
| Performance units issued as common stock | 1,018,500 | | | | | | |
| Restricted stock units issued as common stock | 281,704 | | | | | | |
| Performance units and restricted stock units expense | | | | 16.3 | | | 16.3 |
| Other repurchases related to stock vested not yet issued | | | | (0.8 ) | | | (0.8 ) |
| Other comprehensive income (loss) | | | | | 5.0 | | 5.0 |
| Dividends paid ($0.40 per share) | | | | | | (50.2 ) | (50.2 ) |
| Net income | | | | | | 87.7 | 87.7 |
| February 28, 2014 | 122,876,764 | $— | $— | $ — | $ 0.8 | $676.3 | $677.1 |
| Common stock issuance | 48,064 | | | 0.8 | | | 0.8 |
| Common stock repurchases | (2,365,897 ) | | | (14.6 ) | | (21.7 ) | (36.3 ) |
| Tax effect of exercise of stock awards | | | | 1.6 | | | 1.6 |
| Performance units issued as common stock | 453,627 | | | | | | |
| Restricted stock units issued as common stock | 455,989 | | | | | | |
| Performance units and restricted stock units expense | | | | 17.6 | | | 17.6 |
| Other repurchases related to stock vested not yet issued | | | | (0.4 ) | | | (0.4 ) |
| Other comprehensive income (loss) | | | | | (30.2 ) | | (30.2 ) |
| Dividends paid ($0.42 per share) | | | | | | (52.5 ) | (52.5 ) |
| Net income | | | | | | 86.1 | 86.1 |
| February 27, 2015 | 121,468,547 | $— | $— | $ 5.0 | $ (29.4 ) | $688.2 | $663.8 |
| Common stock issuance | 39,052 | | | 0.7 | | | 0.7 |
| Common stock repurchases | (3,737,573 ) | | | (31.4 ) | | (25.0 ) | (56.4 ) |
| Tax effect of exercise of stock awards | | | | 7.0 | | | 7.0 |
| Performance units issued as common stock | 1,026,000 | | | | | | |
| Restricted stock units issued as common stock | 574,740 | | | | | | |
| | | | | 20.3 | | | 20.3 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Performance units and restricted stock units expense | | | | | | | |
| Other repurchases related to stock vested not yet issued | | | | (1.6) | | | (1.6) |
| Other comprehensive income (loss) | | | | | (10.2) | | (10.2) |
| Dividends paid ($0.45 per share) | | | | | | (57.0) | (57.0) |
| Net income | | | | | | 170.3 | 170.3 |
| February 26, 2016 | 119,370,766 | $— | $— | $— | $ (39.6) | $776.5 | $736.9 |

See accompanying notes to the consolidated financial statements.
45

Table of Contents

STEELCASE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

| | Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Net income | $170.3 | $86.1 | $87.7 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 65.7 | 59.9 | 60.0 |
| Goodwill and intangible asset impairment charges | — | — | 12.9 |
| Gain from partial sale of investment in unconsolidated affiliate | (8.5) | — | — |
| Deferred income taxes | (68.3) | 0.4 | 14.1 |
| Restructuring gains on sale of fixed assets | (2.8) | (12.0) | (4.5) |
| Non-cash stock compensation | 21.0 | 18.4 | 16.8 |
| Equity in income of unconsolidated affiliates | (13.4) | (15.2) | (10.2) |
| Dividends received from unconsolidated affiliates | 12.4 | 10.7 | 6.2 |
| Other | 0.3 | (5.1) | 2.6 |
| Changes in operating assets and liabilities, net of acquisition | | | |
| Accounts receivable | 0.7 | (43.7) | (15.7) |
| Inventories | 6.8 | (27.2) | (13.1) |
| Assets related to derivative instruments | 22.3 | (23.8) | 1.0 |
| VAT recoverable | (28.9) | (4.3) | (1.8) |
| Other assets | 2.9 | 12.1 | (6.3) |
| Accounts payable | (4.1) | 12.6 | 12.7 |
| Restructuring reserve | (4.5) | 5.6 | (1.4) |
| Employee compensation liabilities | 20.4 | (0.8) | 13.1 |
| Accrued expenses and other liabilities | (5.9) | 10.5 | 4.7 |
| Net cash provided by operating activities | 186.4 | 84.2 | 178.8 |
| INVESTING ACTIVITIES | | | |
| Capital expenditures | (93.4) | (97.5) | (86.8) |
| Proceeds from disposal of fixed assets | 5.6 | 19.7 | 9.5 |
| Purchases of investments | (105.7) | (91.4) | (146.7) |
| Liquidations of investments | 95.1 | 149.1 | 122.3 |
| Liquidations of COLI | — | — | 74.5 |
| Proceeds from partial sale of investment in unconsolidated affiliate | 18.0 | — | — |
| Acquisition, net of cash acquired | (6.9) | — | — |
| Other | (0.5) | 5.8 | 2.0 |
| Net cash used in investing activities | (87.8) | (14.3) | (25.2) |
| FINANCING ACTIVITIES | | | |
| Dividends paid | (57.0) | (52.5) | (50.2) |
| Common stock repurchases | (56.4) | (36.3) | (49.9) |
| Excess tax benefit from vesting of stock awards | 7.0 | 1.6 | 0.5 |
| Borrowings of long-term debt, net of issuance costs | 50.0 | — | 0.6 |
| Repayments of long-term debt | (33.7) | (2.5) | (2.5) |
| Borrowings of lines of credit | 1.1 | — | 0.2 |
| Repayments of lines of credit | (1.1) | (0.1) | (0.3) |
| Net cash used in financing activities | (90.1) | (89.8) | (101.6) |

| | | | |
|---|---|---|---|
| Effect of exchange rate changes on cash and cash equivalents | (3.1) | (5.4) | (0.6) |
| Net increase (decrease) in cash and cash equivalents | 5.4 | (25.3) | 51.4 |
| Cash and cash equivalents, beginning of period | 176.5 | 201.8 | 150.4 |
| Cash and cash equivalents, end of period | $181.9 | $176.5 | $201.8 |
| Supplemental Cash Flow Information: | | | |
| Income taxes paid, net of refunds received | $57.0 | $60.4 | $33.1 |
| Interest paid, net of amounts capitalized | $17.1 | $17.2 | $17.4 |

See accompanying notes to the consolidated financial statements.

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. NATURE OF OPERATIONS

Steelcase is the global leader in furnishing the work experience in office environments. Founded in 1912, we are headquartered in Grand Rapids, Michigan, U.S.A. and employ approximately 11,000 employees. We operate manufacturing and distribution center facilities in 21 principal locations. We distribute products through various channels, including independent and company-owned dealers in more than 800 locations throughout the world, and have led the global office furniture industry in revenue every year since 1974. We operate under the Americas and EMEA reportable segments plus an “Other” category. Additional information about our reportable segments is contained in Note 18.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of Consolidation

The consolidated financial statements include the accounts of Steelcase Inc. and its subsidiaries. We consolidate entities in which we maintain a controlling interest. All material intercompany transactions and balances have been eliminated in consolidation. We also consolidate variable interest entities when appropriate.

Investments in entities where our equity ownership falls between 20% and 50%, or where we otherwise have significant influence, are accounted for under the equity method of accounting. All other investments in unconsolidated affiliates are accounted for under the cost method of accounting. These investments are reported as Investments in unconsolidated affiliates on the Consolidated Balance Sheets, and income from equity method and cost method investments are reported in Other income (expense), net on the Consolidated Statements of Income. See Note 11 for additional information.

### Fiscal Year

Our fiscal year ends on the last Friday in February, with each fiscal quarter typically including 13 weeks. The fiscal years ended February 26, 2016 and February 27, 2015 contained 52 weeks. The fiscal year ended February 28, 2014 contained 53 weeks, with Q4 2014 containing 14 weeks. 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. All amounts are in millions, except share and per share data, data presented as a percentage or as otherwise indicated.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts and disclosures in the consolidated financial statements and accompanying notes. Although these estimates are based on historical data and management’s knowledge of current events and actions we may undertake in the future, actual results may differ from these estimates under different assumptions or conditions.

### Foreign Currency

For most international operations, local currencies are considered the functional currencies. We translate assets and liabilities of these subsidiaries to their U.S. dollar equivalents at exchange rates in effect as of the balance sheet date. Translation adjustments are not included in determining net income but are recorded in Accumulated other comprehensive income (loss) on the Consolidated Balance Sheets until a sale or a substantially complete liquidation of the net investment in the international subsidiary takes place. We translate Consolidated Statements of Income accounts at average exchange rates for the applicable period.

Foreign currency transaction gains and losses, net of derivative impacts, arising primarily from changes in exchange rates on foreign currency denominated intercompany loans and other intercompany transactions and balances between foreign locations, are recorded in Other income (expense), net on the Consolidated Statements of Income.

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Cash and Cash Equivalents
Cash and cash equivalents include demand bank deposits and highly liquid investment securities with an original maturity of three months or less. Cash equivalents are reported at cost and approximate fair value. Outstanding checks in excess of funds on deposit are classified as Accounts payable on the Consolidated Balance Sheets. Our restricted cash balance as of February 26, 2016 and February 27, 2015 was $2.5, and consisted primarily of funds held in escrow for potential future workers' compensation claims. Our restricted cash balance is classified in Other assets on the Consolidated Balance Sheets.
Allowances for Credit Losses
Allowances for credit losses related to accounts receivable and notes receivable are maintained at a level considered by management to be adequate to absorb an estimate of probable future losses existing at the balance sheet date. In estimating probable losses, we review accounts that are past due or in bankruptcy. We consider an accounts receivable or notes receivable balance past due when payment is not received within the stated terms. We review accounts that may have higher credit risk using information available about the debtor, such as financial statements, news reports and published credit ratings. We also use general information regarding industry trends, the economic environment and information gathered through our network of field-based employees. Using an estimate of current fair market value of any applicable collateral and other credit enhancements, such as third party guarantees, we arrive at an estimated loss for specific concerns and estimate an additional amount for the remainder of trade balances based on historical trends and other factors previously referenced. Receivable balances are written off when we determine the balance is uncollectible. Subsequent recoveries, if any, are credited to bad debt expense when received.
Concentrations of Credit Risk
Our trade receivables are primarily due from independent dealers who, in turn, carry receivables from their customers. We monitor and manage the credit risk associated with individual dealers and direct customers where applicable. Dealers are responsible for assessing and assuming credit risk of their customers and may require their customers to provide deposits, letters of credit or other credit enhancement measures. Some sales contracts are structured such that the customer payment or obligation is direct to us. In those cases, we typically assume the credit risk. Whether from dealers or customers, our trade credit exposures are not concentrated with any particular entity.
Inventories
Inventories are stated at the lower of cost or market. The Americas segment primarily uses the last in, first out ("LIFO") method to value its inventories. The EMEA segment values inventories primarily using the first in, first out method. Businesses within the Other category primarily use the first in, first out or the average cost inventory valuation methods. See Note 7 for additional information.
Property, Plant and Equipment
Property, plant and equipment are stated at cost. Major improvements that materially extend the useful lives of the assets are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.
Long-lived assets such as property, plant and equipment are tested for impairment when conditions indicate that the carrying value may not be recoverable. We evaluate several conditions, including, but not limited to, the following: a significant decrease in the market price of an asset or an asset group; a significant adverse change in the extent or manner in which a long-lived asset is being used, including an extended period of idleness; and a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. We review the carrying value of our long-lived assets held and used using estimates of future undiscounted cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its estimated fair value.
When assets are classified as "held for sale," losses are recorded for the difference between the carrying amount of the property, plant and equipment and the estimated fair value less estimated selling costs. Assets are

Table of Contents


considered “held for sale” when it is expected that the asset is going to be sold within twelve months. See Note 8 for additional information.

Operating Leases

Rent expense under operating leases is recorded on a straight-line basis over the lease term unless the lease contains an escalation clause which is not fixed and determinable. The lease term begins when we have the right to control the use of the leased property, which is typically before rent payments are due under the terms of the lease. If a lease has a fixed and determinable escalation clause, the difference between rent expense and rent paid is recorded as deferred rent. Rent expense under operating leases that do not have an escalation clause or where escalation is based on an inflation index is expensed over the lease term as it is payable. See Note 17 for additional information.

Goodwill and Other Intangible Assets

Goodwill represents the difference between the purchase price and the related underlying tangible and identifiable intangible net asset fair values resulting from business acquisitions. Annually in Q4, or earlier if conditions indicate it is necessary, the carrying value of the reporting unit is compared to an estimate of its fair value. If the estimated fair value of the reporting unit is less than the carrying value, goodwill is impaired and is written down to its estimated fair value. Goodwill is assigned to and the fair value is tested at the reporting unit level. We evaluate goodwill and intangible assets using six reporting units: the Americas, Red Thread, EMEA, Asia Pacific, Designtex and PolyVision. See Note 10 for additional information.

Other intangible assets subject to amortization consist primarily of proprietary technology, trademarks, customer relationships and non-compete agreements and are amortized over their estimated useful economic lives using the straight-line method. Other intangible assets not subject to amortization, consisting of certain trademarks, are accounted for and evaluated for potential impairment in a manner consistent with goodwill. See Note 10 for additional information.

Contingencies

Loss contingencies are accrued if the loss is probable and the amount of the loss can be reasonably estimated. Legal costs associated with potential loss contingencies are expensed as incurred. We are involved in litigation from time to time in the ordinary course of our business. Based on known information, we do not believe we are party to any lawsuit or proceeding, individually and in the aggregate, that is likely to have a material adverse impact on the consolidated financial statements.

Self-Insurance

We are self-insured for certain losses relating to domestic workers’ compensation, product liability and employee medical, dental, and short-term disability claims. We purchase insurance coverage to reduce our exposure to significant levels of these claims. Self-insured losses are accrued based upon estimates of the aggregate liability for uninsured claims incurred as of the balance sheet date using current and historical claims experience and certain actuarial assumptions. These estimates are subject to uncertainty due to a variety of factors, including extended lag times in the reporting and resolution of claims, and trends or changes in claim settlement patterns, insurance industry practices and legal interpretations. As a result, actual costs could differ significantly from the estimated amounts. Adjustments to estimated reserves are recorded in the period in which the change in estimate occurs.

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

| Net Reserve for Estimated Domestic Workers' Compensation Claims | Year Ended February 26, 2016 | February 27, 2015 |
|---|---|---|
| Assets: | | |
| Long-term - Other long-term assets | $4.0 | $4.5 |
| Liabilities: | | |
| Current - Accrued expenses - other | 3.5 | 3.8 |
| Long-term - Other long-term liabilities | 13.4 | 14.4 |
| | 16.9 | 18.2 |
| Net reserve | $12.9 | $13.7 |

The other long-term asset balance represents the portion of claims expected to be paid by a third party insurance provider.

| Net Reserve for Estimated Product Liability Claims | Year Ended February 26, 2016 | February 27, 2015 |
|---|---|---|
| Assets: | | |
| Long-term - Other long-term assets | $2.7 | $2.5 |
| Liabilities: | | |
| Current - Accrued expenses - other | 1.5 | 1.1 |
| Long-term - Other long-term liabilities | 8.3 | 8.3 |
| | 9.8 | 9.4 |
| Net reserve | $7.1 | $6.9 |

The other long-term asset balance represents the portion of claims expected to be paid by a third party insurance provider.

The estimate for employee medical, dental, and short-term disability claims incurred as of February 26, 2016 and February 27, 2015 was $3.8 and $3.1, respectively, and is recorded within Accrued expenses: Other on the Consolidated Balance Sheets.

Product Warranties

We offer warranties ranging from 12 years to lifetime for most products, subject to certain exceptions. These warranties provide for the free repair or replacement of any covered product, part or component that fails during normal use because of a defect in materials or workmanship. The accrued liability for product warranties is based on an estimated amount needed to cover product warranty costs, including product recall and retrofit costs, incurred as of the balance sheet date determined by historical claims experience and our knowledge of current events and actions.

| Roll-Forward of Accrued Liability for Product Warranties | Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|
| Balance as of beginning of period | $39.4 | $37.3 | $31.1 |
| Accruals related to product warranties, recalls and retrofits | 18.1 | 17.1 | 16.2 |
| Adjustments related to changes in estimates | — | — | 4.6 |
| Reductions for settlements | (16.0) | (13.6) | (14.9) |
| Currency translation adjustments | 0.6 | (1.4) | 0.3 |
| Balance as of end of period | $42.1 | $39.4 | $37.3 |

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Our reserve for estimated settlements expected to be paid beyond one year as of February 26, 2016 and February 27, 2015 was $21.6 and $17.0, respectively, and is included in Other long-term liabilities on the Consolidated Balance Sheets.

Pension and Other Post-Retirement Benefits

We sponsor a number of domestic and foreign plans to provide pension benefits and medical and life insurance benefits to retired employees. We measure the net over-funded or under-funded positions of our defined benefit pension plans and post-retirement benefit plans as of the end of each fiscal year and display that position as an asset or liability on the Consolidated Balance Sheets. Any unrecognized prior service credit (cost) or experience gains (losses) are reported, net of tax, as a component of Accumulated other comprehensive income (loss) in shareholders' equity. See Note 13 for additional information.

Environmental Matters

Environmental expenditures related to current operations are expensed or capitalized as appropriate. Expenditures related to an existing condition allegedly caused by past operations, and not associated with current or future revenue generation, are expensed. Generally, the timing of these accruals coincides with completion of a feasibility study or our commitment to a formal plan of action. Liabilities are recorded on a discounted basis as site-specific plans indicate the amount and timing of cash payments are fixed or reliably determinable. We have ongoing monitoring and identification processes to assess how the activities, with respect to the known exposures, are progressing against the accrued cost estimates, as well as to identify other potential remediation sites that are presently unknown.

| Environmental Contingencies | Year Ended February 26, 2016 | February 27, 2015 |
|---|---|---|
| Current: | | |
| Accrued expenses - other | $1.0 | $5.6 |
| Long-Term: | | |
| Other long-term liabilities | 3.5 | — |
| Total environmental contingencies (discounted) | $4.5 | $5.6 |

The environmental liabilities were discounted using a rate of 4.0% as of February 26, 2016 and February 27, 2015. Our undiscounted liabilities were $5.7 and $7.1 as of February 26, 2016 and February 27, 2015, respectively. Based on our ongoing evaluation of these matters, we believe we have accrued sufficient reserves to absorb the costs of all known environmental assessments and the remediation costs of all known sites.

Asset Retirement Obligations

We record all known asset retirement obligations for which the liability's fair value can be reasonably estimated. We also have known conditional asset retirement obligations that are not reasonably estimable due to insufficient information about the timing and method of settlement of the obligation. Accordingly, these obligations have not been recorded in the consolidated financial statements. A liability for these obligations will be recorded in the period when sufficient information regarding timing and method of settlement becomes available to make a reasonable estimate of the liability's fair value. In addition, there may be conditional asset retirement obligations we have not yet discovered, and therefore, these obligations also have not been included in the consolidated financial statements.

Revenue Recognition

Revenue consists substantially of product sales and related service revenue. Product sales are reported net of discounts and are recognized when title and risks associated with ownership have passed to the dealer or customer. Under sales contracts with our dealers, this typically occurs when product is shipped to the dealer or directly to the customer. In cases where we have a direct sales contract with the customer, title and risks associated with ownership often transfer upon acceptance of the installation by the customer. Revenue from services is recognized when the services have been rendered. Total revenue does not include sales tax, as we consider ourselves a pass-through entity for collecting and remitting sales taxes.

Cost of Sales

Cost of sales includes material, labor and overhead. Included within these categories are such items as employee compensation expense, depreciation, facilities expense, inbound freight charges, warehousing costs, shipping and handling expenses, warranty expense, internal transfer costs and other costs of our distribution network.

Operating Expenses

Operating expenses include selling, general and administrative expenses not directly related to the procurement, manufacturing and delivery of our products. Included in these expenses are items such as employee compensation expense, depreciation, facilities expense, research and development expense, rental expense, royalty expense, information technology services, professional services and travel and entertainment expense.

Research and Development Expenses

Research and development expenses, which are expensed as incurred, were $33.0 for 2016, $35.4 for 2015 and $35.9 for 2014.

Income Taxes

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases. These deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in the consolidated statements of income in the period that includes the enactment date.

We have net operating loss carryforwards available in certain jurisdictions to reduce future taxable income. Future tax benefits associated with net operating loss carryforwards are recognized to the extent that realization of these benefits is considered more likely than not. This determination is based on the expectation that related operations will be sufficiently profitable or various tax, business and other planning strategies will enable us to utilize the net operating loss carryforwards. In making this determination we consider all available positive and negative evidence. To the extent that available evidence raises doubt about the realization of a deferred income tax asset, a valuation allowance is established.

We record reserves for uncertain tax positions except to the extent it is more likely than not that the tax position will be sustained on audit, based on the technical merits of the position. Periodic changes in reserves for uncertain tax positions are reflected in the provision for income taxes. See Note 15 for additional information.

Share-Based Compensation

Our share-based compensation consists of restricted stock units and performance units. Our policy is to expense share-based compensation using the fair-value based method of accounting for all awards granted, modified or settled. Restricted stock units and performance units are credited to equity as they are expensed over the requisite service periods based on the grant date fair value of the shares expected to be issued. See Note 16 for additional information.

Financial Instruments

The carrying amounts of our financial instruments, consisting of cash and cash equivalents, accounts and notes receivable, accounts and notes payable 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 Consolidated Balance Sheets. Our total debt is carried at cost and

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

was $299.1 and $282.1 as of February 26, 2016 and February 27, 2015, 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 $326 and $321 as of February 26, 2016 and February 27, 2015, respectively. The estimation of the fair value of our total debt is based on Level 2 fair value measurements.
See Note 6 and Note 12 for additional information.
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.

Foreign Exchange Forward Contracts
A portion of our revenue and earnings is exposed to changes in foreign exchange rates. We seek to manage our foreign exchange risk largely through operational means, including matching same currency revenue with same currency costs and same currency assets with same currency liabilities. Foreign exchange risk is also partially managed through the use of derivative instruments. Foreign exchange forward contracts serve to reduce the risk of conversion or translation of certain foreign denominated transactions, assets and liabilities. We primarily use derivatives for intercompany loans and certain forecasted transactions. The foreign exchange forward contracts relate principally to the euro, the Mexican peso, the Canadian dollar, the United Kingdom pound sterling and the Australian dollar. See Note 6 for additional information.
Assets and liabilities related to derivative instruments as of February 26, 2016 and February 27, 2015 are summarized below:

| Consolidated Balance Sheets | February 26, 2016 | February 27, 2015 |
|---|---|---|
| Other current assets | $1.8 | $24.1 |
| Accrued expenses | (3.3) | (3.1) |
| Total net fair value of derivative instruments (1) | $(1.5) | $21.0 |

(1) The notional amounts of the outstanding foreign exchange forward contracts were $145.4 as of February 26, 2016 and $212.7 as of February 27, 2015.

Net gains (losses) recognized from derivative instrument activity in 2016, 2015 and 2014 are summarized below:

| Gain (Loss) Recognized in Consolidated Statements of Income | Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|
| Cost of sales | $(0.8) | $(1.6) | $(0.1) |
| Operating expenses | (0.8) | (0.6) | — |
| Other income (expense), net | 3.0 | 23.8 | (3.5) |
| Total net gains (losses) | $1.4 | $21.6 | $(3.6) |

The net gains or losses recognized from derivative instruments in other income (expense), net are largely offset by related foreign currency gains or losses on our intercompany loans.
Reclassifications
Certain amounts within the Operating Activities section of the 2015 and 2014 Consolidated Statements of Cash Flows have been reclassified to conform with the 2016 presentation, impacting Adjustments to reconcile net income to net cash provided by (used in) operating activities and Changes in operating assets and liabilities, net of acquisition, with no change to total Net cash provided by operating activities for these periods. The Research and development expenses disclosed for 2015 have been corrected.

3. NEW ACCOUNTING STANDARDS

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, Compensation - Stock Compensation (Topic 718), which is part of the FASB's Simplification Initiative. The updated guidance simplifies the accounting for share-based payment transactions. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which establishes a new lease accounting model for lessees. The updated guidance requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10), which updates the recognition and measurement of financial assets and financial liabilities. The updated guidance changes the accounting and disclosure of equity investments (except those that are consolidated or accounted for under the equity method). The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes. The update requires deferred tax assets and liabilities be classified entirely as non-current in the balance sheet. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. The amended guidance may be applied prospectively or retrospectively. We chose to retrospectively adopt these provisions in Q4 2016, which resulted in reclassifications in our Consolidated Balance Sheet as of February 27, 2015, of $46.4 from current Deferred income taxes to long-term Deferred income taxes and $1.6 from Other accrued expenses to Other long-term liabilities.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. The update changes the presentation of debt issuance costs to a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. Early adoption is permitted, and the new guidance is to be applied on a retrospective basis to all prior periods. We chose to adopt these provisions in Q1 2016, which impacted our Consolidated Balance Sheet as of February 27, 2015 by reducing Other current assets and Other assets by $0.5 and $1.7, respectively, and decreasing Long-term debt by $2.2, and

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

impacted our Consolidated Statement of Cash Flows as of February 27, 2015 and February 28, 2014 by increasing Operating Activities - Other by $0.5 and decreasing Changes in operating assets and liabilities - Other assets by $0.5 in both years.

In May 2014, the FASB issued a new standard on revenue recognition. The new standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is designed to create greater comparability for financial statement users across industries and jurisdictions and also requires enhanced disclosures. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted for fiscal years beginning after December 15, 2016. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

4. EARNINGS PER SHARE

Earnings per share is computed using the two-class method. The two-class method determines earnings per share for each class of common stock and participating securities according to dividends or dividend equivalents and their respective participation rights in undistributed earnings. Participating securities represent performance units and restricted stock units in which the participants have non-forfeitable rights to dividend equivalents during the performance period. Diluted earnings per share includes the effects of performance units in which the participants have forfeitable rights to dividend equivalents during the performance period.

| Computation of Earnings per Share | Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|
| Net income | $170.3 | $86.1 | $87.7 |
| Adjustment for earnings attributable to participating securities | (3.4) | (1.6) | (1.4) |
| Net income used in calculating earnings per share | $166.9 | $84.5 | $86.3 |
| Weighted-average common shares outstanding including participating securities (in millions) | 124.3 | 124.4 | 126.0 |
| Adjustment for participating securities (in millions) | (2.5) | (2.3) | (1.9) |
| Shares used in calculating basic earnings per share (in millions) | 121.8 | 122.1 | 124.1 |
| Effect of dilutive stock-based compensation (in millions) | 1.0 | 1.6 | 1.3 |
| Shares used in calculating diluted earnings per share (in millions) | 122.8 | 123.7 | 125.4 |
| Earnings per share: | | | |
| Basic | $1.37 | $0.69 | $0.70 |
| Diluted | $1.36 | $0.68 | $0.69 |
| Total common shares outstanding at period end (in millions) | 119.4 | 121.5 | 122.9 |
| Anti-dilutive performance units excluded from computation of diluted earnings per share (in millions) | — | — | 0.1 |

5. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) during the years ended February 26, 2016 and February 27, 2015:

| | Unrealized gain on investments | Pension and other post-retirement liability adjustments | Derivative adjustments | Foreign currency translation adjustments | Total |
|---|---|---|---|---|---|
| Balance as of February 28, 2014 | $0.8 | $ 19.6 | $(0.1) | $(19.5) | $0.8 |
| Other comprehensive income (loss) before reclassifications | — | (7.6) | — | (19.2) | (26.8) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | (3.5) | 0.1 | — | (3.4) |
| Net other comprehensive income (loss) during period | — | (11.1) | 0.1 | (19.2) | (30.2) |
| Balance as of February 27, 2015 | $0.8 | $ 8.5 | $— | $(38.7) | $(29.4) |
| Other comprehensive income (loss) before reclassifications | — | 7.2 | — | (12.2) | (5.0) |
| Amounts reclassified from accumulated other comprehensive income (loss) | (0.2) | (5.0) | — | — | (5.2) |
| Net other comprehensive income (loss) during period | (0.2) | 2.2 | — | (12.2) | (10.2) |
| Balance as of February 26, 2016 | $0.6 | $ 10.7 | $— | $(50.9) | $(39.6) |

The following table provides details about reclassifications out of accumulated other comprehensive income (loss) for the years ended February 26, 2016 and February 27, 2015:

| Detail of Accumulated Other Comprehensive Income (Loss) Components | Amount Reclassified from Accumulated Other Comprehensive Income (Loss) Year Ended February 26, 2016 | February 27, 2015 | Affected Line in the Consolidated Statements of Income |
|---|---|---|---|
| Unrealized gains on investments | $(0.2) | $— | Other income (expense), net |
| | — | — | Income tax expense |
| | (0.2) | — | Net income |
| Unrealized gains on derivatives | — | 0.1 | Other income (expense), net |
| | — | — | Income tax expense |
| | — | 0.1 | Net income |
| Amortization of pension and other post-retirement liability adjustments | | | |
| Actuarial losses | 0.2 | 1.3 | Cost of sales |
| Actuarial losses | 0.8 | 0.7 | Operating expenses |
| Prior service credit | (4.2) | (4.2) | Cost of sales |
| Prior service credit | (5.0) | (4.8) | Operating expenses |
| | 3.2 | 3.5 | Income tax expense |
| | (5.0) | (3.5) | Net income |
| Total reclassifications | $(5.2) | $(3.4) | |

## 6. FAIR VALUE

Fair value measurements are classified under the following hierarchy:

Level 1 — Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.
Level 2 — Inputs based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.
Level 3 — Inputs reflect management's best estimate of what market participants would use to price the asset or liability at the measurement date in model-driven valuations. The inputs are unobservable in the market and significant to the instrument's valuation.
Fair value measurements are classified according to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be other significant inputs that are readily observable.

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Assets and liabilities measured at fair value in our Consolidated Balance Sheets as of February 26, 2016 and February 27, 2015 are summarized below:

| Fair Value of Financial Instruments | February 26, 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Cash and cash equivalents | $181.9 | $— | $— | $181.9 |
| Restricted cash | 2.5 | — | — | 2.5 |
| Managed investment portfolio and other investments | | | | |
| U.S. agency debt securities | — | 34.7 | — | 34.7 |
| Corporate debt securities | — | 31.7 | — | 31.7 |
| Asset-backed securities | — | 9.2 | — | 9.2 |
| U.S. government debt securities | 8.2 | — | — | 8.2 |
| Municipal debt securities | — | 0.3 | — | 0.3 |
| Foreign exchange forward contracts | — | 1.8 | — | 1.8 |
| Auction rate securities | — | — | 4.4 | 4.4 |
| Canadian asset-backed commercial paper restructuring notes | — | 3.1 | — | 3.1 |
| | $192.6 | $80.8 | $4.4 | $277.8 |
| Liabilities: | | | | |
| Foreign exchange forward contracts | $— | $(3.3) | $— | $(3.3) |
| | $— | $(3.3) | $— | $(3.3) |

| Fair Value of Financial Instruments | February 27, 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Cash and cash equivalents | $176.5 | $— | $— | $176.5 |
| Restricted cash | 2.5 | — | — | 2.5 |
| Managed investment portfolio and other investments | | | | |
| U.S. agency debt securities | — | 24.1 | — | 24.1 |
| Corporate debt securities | — | 30.7 | — | 30.7 |
| Asset-backed securities | — | 7.7 | — | 7.7 |
| U.S. government debt securities | 4.3 | — | — | 4.3 |
| Municipal debt securities | — | 0.8 | — | 0.8 |
| Other investments | — | 0.7 | — | 0.7 |
| Foreign exchange forward contracts | — | 24.1 | — | 24.1 |
| Auction rate securities | — | — | 9.7 | 9.7 |
| Canadian asset-backed commercial paper restructuring notes | — | 3.4 | — | 3.4 |
| | $183.3 | $91.5 | $9.7 | $284.5 |
| Liabilities: | | | | |
| Foreign exchange forward contracts | $— | $(3.1) | $— | $(3.1) |
| | $— | $(3.1) | $— | $(3.1) |

Managed Investment Portfolio and Other Investments

Our managed investment portfolio consists of U.S. agency debt securities, corporate debt securities, asset backed securities, U.S. government debt securities and municipal debt securities. Our investment manager operates under a mandate to keep the average duration of investments under two years. Our managed investment portfolio and other investments are considered available-for-sale. Fair values for these investments are based upon valuations for identical or similar instruments in active markets, with the resulting net unrealized holding gains or losses reflected net of tax as a component of Accumulated other comprehensive income (loss) on the Consolidated Balance Sheets.

The cost basis for these investments, determined using the specific identification method, was $84.1 and $67.6 as of February 26, 2016 and February 27, 2015, respectively. Net unrealized gains were $0.0 for 2016 and $0.1 for 2015. As of February 26, 2016, approximately 49% of the debt securities mature within one year, approximately 19% in two years, approximately 24% in three years and approximately 8% in four or more years.

Foreign Exchange Forward Contracts

From time to time, we enter into forward contracts to reduce the risk of translation into U.S. dollars of certain foreign-denominated transactions, assets and liabilities. We primarily hedge intercompany working capital loans and certain forecasted currency flows from foreign-denominated transactions. The fair value of foreign exchange forward contracts is based on a valuation model that calculates the differential between the contract price and the market-based forward rate.

Canadian Asset-Backed Commercial Paper Restructuring Notes

As of February 26, 2016, we held four floating-rate Canadian asset-backed commercial paper restructuring notes. These notes replaced an investment in Canadian asset-backed commercial paper, which, as a result of a lack of liquidity in the market in 2008, failed to settle on maturity and went into default. These assets are considered to be Level 2 investments due to increased market liquidity and price transparency since that time.

Auction Rate Securities

As of February 26, 2016, we held auction rate securities (“ARS”) with a total par value of $6.5. While there has been no payment default with respect to our ARS, these investments are not widely traded and therefore do not currently have a readily determinable market value. We receive higher penalty interest rates on the securities ranging from 30-Day LIBOR plus 2.0 to 2.5%. We have the intent and ability to hold these securities until recovery of market value or maturity, and we believe the current inability to easily liquidate these investments will have no impact on our ability to fund our ongoing operations. During Q4 2016, one issuance held in our portfolio was redeemed at par for $5.2 in proceeds.

To estimate fair value, we used an internally-developed discounted cash flow analysis. Our discounted cash flow analysis considers, among other factors, (i) the credit ratings of the ARS, (ii) the credit quality of the underlying securities or the credit rating of issuers, (iii) the estimated timing and amount of cash flows, (iv) the formula applicable to each security which defines the penalty interest rate and (v) discount rates equal to the sum of (a) the yield on U.S. Treasury securities with a term through the estimated workout date plus (b) a risk premium based on similarly rated observable securities. These assumptions are based on our current judgment and our view of current market conditions. Based upon these factors, ARS with an original par value of approximately $6.5 have been adjusted to an estimated fair value of $4.4 as of February 26, 2016. The difference between par value and fair value is comprised of other-than-temporary impairment losses and unrealized gains on our ARS investments of $2.5 and $0.4, respectively. The investments other-than-temporarily impaired were impaired due to general credit declines, and the impairments were recorded in Investment income (loss) in the Consolidated Statements of Income. Unrealized gains are recorded in Accumulated other comprehensive income (loss) on the Consolidated Balance Sheets. The unrealized gains are due to changes in interest rates and are expected to fluctuate over the contractual term of the instruments. A deterioration in market conditions or the use of different assumptions could result in a different valuation and additional impairments. For example, an increase to the discount rate of 100 basis points would reduce the estimated fair value of our investment in ARS by approximately $0.6.

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Below is a roll-forward of assets and liabilities measured at estimated fair value using Level 3 inputs for the years ended February 26, 2016 and February 27, 2015:

| Roll-forward of Fair Value Using Level 3 Inputs | Auction Rate Securities |
|---|---|
| Balance as of February 28, 2014 | $9.6 |
| Unrealized gain on investments | 0.1 |
| Balance as of February 27, 2015 | $9.7 |
| Unrealized loss on investments | (0.1) |
| Redemption of auction rate securities at par | (5.2) |
| Balance as of February 26, 2016 | $4.4 |

There were no other-than-temporary impairments or transfers into or out of Level 3 during either 2016 or 2015. Our policy is to value any transfers between levels of the fair value hierarchy based on end of period fair values.

7. INVENTORIES

| Inventories | February 26, 2016 | February 27, 2015 |
|---|---|---|
| Raw materials and work-in-process | $80.4 | $96.9 |
| Finished goods | 96.9 | 90.4 |
| | 177.3 | 187.3 |
| Revaluation to LIFO | 17.9 | 21.1 |
| | $159.4 | $166.2 |

The portion of inventories determined by the LIFO method aggregated $76.3 and $78.1 as of February 26, 2016 and February 27, 2015, respectively.

8. PROPERTY, PLANT AND EQUIPMENT

| Property, Plant and Equipment | Estimated Useful Lives (Years) | February 26, 2016 | February 27, 2015 |
|---|---|---|---|
| Land | | $32.7 | $34.1 |
| Machinery and equipment | 3 – 15 | 660.7 | 692.2 |
| Buildings and improvements | 10 – 40 | 379.3 | 478.7 |
| Capitalized software | 3 – 10 | 105.4 | 99.1 |
| Furniture and fixtures | 5 – 8 | 56.9 | 55.9 |
| Leasehold improvements | 3 – 10 | 56.0 | 54.8 |
| Construction in progress | | 57.4 | 30.6 |
| | | 1,348.4 | 1,445.4 |
| Accumulated depreciation | | (936.8) | (1,055.9) |
| | | $411.6 | $389.5 |

A majority of the net book value of property, plant and equipment as of February 26, 2016 relates to machinery and equipment of $158.5 and buildings and improvements of $110.1. A majority of the net book value of property, plant and equipment as of February 27, 2015 relates to machinery and equipment of $167.1 and building and improvements of $111.8. Depreciation expense on property, plant and equipment was $63.3 for 2016, $57.1 for 2015 and $56.3 for 2014. The estimated cost to complete construction in progress was $27.5 and $43.0 as of

Table of Contents


February 26, 2016 and February 27, 2015, respectively. As of February 27, 2015, $1.3 of land was classified as assets "held for sale" and included in Other current assets on the Consolidated Balance Sheets.

9. COMPANY-OWNED LIFE INSURANCE

Our investments in company-owned life insurance ("COLI") policies are recorded at their net cash surrender value. Our investments in COLI policies are intended to be utilized as a long-term funding source for post-retirement medical benefits, deferred compensation and supplemental retirement plan obligations, which as of February 26, 2016 aggregated approximately $155, with a related deferred tax asset of approximately $57. The designations of our COLI investments as funding sources for our benefit obligations do not result in these investments representing a committed funding source for these obligations. They are subject to claims from creditors, and we can redesignate them to another purpose at any time.

The costs associated with the long-term benefit obligations that the investments are intended to fund are recorded in Operating expenses on the Consolidated Statements of Income. As these costs exceed the net returns in cash surrender value, normal insurance expenses and any death benefit gains related to our investments in COLI policies ("COLI income"), we began recording all COLI income in Operating expenses on the Consolidated Statements of Income during Q3 2014. COLI income recorded in Operating expenses on the Consolidated Statements of Income totaled $0.8 in 2016, $5.8 in 2015 and $5.4 in 2014.

Prior to Q3 2014, our investments in whole life COLI policies were intended to be utilized as a long-term funding source for post-retirement medical benefits, deferred compensation and supplemental retirement plan obligations, and our investments in variable life COLI policies were primarily considered a source of corporate liquidity. Therefore, in 2014, we recorded COLI income of $0.6 to Cost of sales and a loss of $1.8 to Investment income (loss). Additionally, during Q3 2014 we reduced the variable life COLI balances by withdrawing basis of $74.5 (tax-free) and invested the cash proceeds in short-term investments.

The balances of our COLI investments as of February 26, 2016 and February 27, 2015 were as follows:

| Type | Ability to Choose Investments | Net Return | Target Asset Allocation as of February 26, 2016 | Net Cash Surrender Value February 26, 2016 | Net Cash Surrender Value February 27, 2015 |
|---|---|---|---|---|---|
| Whole life COLI policies | No ability | A rate of return set periodically by the insurance companies | Not applicable | $121.7 | $118.1 |
| Variable life COLI policies | Can allocate across a set of choices provided by the insurance companies | Fluctuates depending on performance of underlying investments | 35% fixed income; 65% equity | 38.7 | 41.4 |
| | | | | $160.4 | $159.5 |

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

## 10. GOODWILL & OTHER INTANGIBLE ASSETS

A summary of the changes in goodwill during the years ended February 26, 2016 and February 27, 2015, by reportable segment, is as follows:

| Goodwill | Americas | EMEA | Other | Total |
|---|---|---|---|---|
| Goodwill | $91.3 | $265.0 | $116.5 | $472.8 |
| Accumulated impairment losses | (1.7) | (265.0) | (98.0) | (364.7) |
| Balance as of February 28, 2014 | $89.6 | $— | $18.5 | $108.1 |
| Currency translation adjustments | (0.9) | — | — | (0.9) |
| Goodwill | 90.4 | 265.0 | 116.5 | 471.9 |
| Accumulated impairment losses | (1.7) | (265.0) | (98.0) | (364.7) |
| Balance as of February 27, 2015 | $88.7 | $— | $18.5 | $107.2 |
| Currency translation adjustments | (0.8) | — | — | (0.8) |
| Goodwill | 89.6 | 265.0 | 116.5 | 471.1 |
| Accumulated impairment losses | (1.7) | (265.0) | (98.0) | (364.7) |
| Balance as of February 26, 2016 | $87.9 | $— | $18.5 | $106.4 |

Our goodwill impairment evaluation is a two step process. In step one, we compare the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value, goodwill is not impaired, and no further testing is required. If the fair value of the reporting unit is less than the carrying value, we perform step two to measure the amount of impairment loss, if any. In step two, the reporting unit's fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of the reporting unit's goodwill is less than the carrying value, the difference is recorded as an impairment loss.

We estimated the fair value of our reporting units using the income approach, which calculates the fair value of each reporting unit based on the present value of its estimated future cash flows. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rates used are based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the reporting units' ability to execute on the projected cash flows. The estimation of the fair value of our reporting units represents a Level 3 measurement.

Based on the results of the annual impairment test, we concluded that no goodwill impairment existed as of February 26, 2016 or February 27, 2015. We will continue to evaluate goodwill, on an annual basis in Q4, and whenever events or changes in circumstances, such as significant adverse changes in business climate or operating results, changes in management's business strategy or significant declines in our stock price, indicate that there may be a potential indicator of impairment.

As of February 26, 2016 and February 27, 2015, our other intangible assets and related accumulated amortization consisted of the following:

| | February 26, 2016 | | | | February 27, 2015 | | |
|---|---|---|---|---|---|---|---|
| Other Intangible Assets | Weighted Average Useful Life (Years) | Gross | Accumulated Amortization | Net | Gross | Accumulated Amortization | Net |
| Intangible assets subject to amortization: | | | | | | | |
| Proprietary technology | 9.7 | $22.8 | $22.7 | $0.1 | $22.8 | $21.8 | $1.0 |
| Trademarks | 10.0 | 9.2 | 9.2 | — | 9.4 | 9.4 | — |
| Non-compete agreements | 5.1 | 1.6 | 1.4 | 0.2 | 1.2 | 1.2 | — |
| Other | 5.0 | 10.1 | 9.4 | 0.7 | 9.8 | 8.7 | 1.1 |
| | | 43.7 | 42.7 | 1.0 | 43.2 | 41.1 | 2.1 |
| Intangible assets not subject to amortization: | | | | | | | |
| Trademarks and other | n/a | 12.7 | — | 12.7 | 12.6 | — | 12.6 |
| | | $56.4 | $42.7 | $13.7 | $55.8 | $41.1 | $14.7 |

In 2016 and 2015, no intangible asset impairment charges were recorded.

We recorded amortization expense on intangible assets subject to amortization of $1.8 in 2016, $1.6 in 2015 and $2.1 for 2014. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the following five years is as follows:

| Year Ending in February | Amount |
|---|---|
| 2017 | $0.8 |
| 2018 | 0.2 |
| 2019 | — |
| 2020 | — |
| 2021 | — |
| | $1.0 |

Future events, such as acquisitions, dispositions or impairments, may cause these amounts to vary.

## 11. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

We enter into joint ventures and other equity investments from time to time to expand or maintain our geographic presence, support our distribution network or invest in new business ventures, complementary products and services. Our investments in unconsolidated affiliates and related direct ownership interests are summarized below:

| | February 26, 2016 | | February 27, 2015 | |
|---|---|---|---|---|
| Investments in unconsolidated affiliates | Investment Balance | Ownership Interest | Investment Balance | Ownership Interest |
| Equity method investments | | | | |
| Dealer relationships | $23.4 | 20%-40% | $22.1 | 20%-40% |
| Manufacturing joint ventures | 11.5 | 49% | 12.0 | 25%-49% |
| IDEO and other | 9.6 | 10%-39% | 18.5 | 20%-39% |
| | 44.5 | | 52.6 | |
| Cost method investments | | | | |
| Dealer relationship | 5.8 | Less than 10% | 5.8 | Less than 10% |
| Other | 0.7 | Less than 10% | 0.7 | Less than 10% |
| | 6.5 | | 6.5 | |
| Total investments in unconsolidated affiliates | $51.0 | | $59.1 | |

Our equity in earnings of unconsolidated affiliates is recorded in Other income (expense), net on the Consolidated Statements of Income and is summarized below:

| | Year Ended | | |
|---|---|---|---|
| Equity in earnings of unconsolidated affiliates | February 26, 2016 | February 27, 2015 | February 28, 2014 |
| Dealer relationships | $6.9 | $6.5 | $3.1 |
| Manufacturing joint ventures | 4.8 | 5.7 | 5.7 |
| IDEO and other | 1.7 | 3.0 | 1.4 |
| Total equity in earnings of unconsolidated affiliates | $13.4 | $15.2 | $10.2 |

Additionally, during 2014 we recorded a $6.0 other-than-temporary loss on the value of an equity method investment and related notes receivable in Other income (expense), net.

### Dealer Relationships

We have invested in dealers from time to time to expand or maintain our geographic presence and support our distribution network. These dealer relationships may also include asset-based lending and term financing as a result of the dealer facing difficulty in transitioning to new ownership or financial challenges driven by other circumstances. We choose to make financial investments in these dealers to address these risks or continue our presence in a region as establishing new dealers in a market can take considerable time and resources.

### Manufacturing Joint Ventures

We have entered into manufacturing joint ventures from time to time to expand or maintain our geographic presence. The manufacturing joint ventures primarily consist of Steelcase Jeraisy Company Limited, which is located in the Kingdom of Saudi Arabia and is engaged in the manufacturing of wood and metal office furniture systems, accessories and related products for the Kingdom.

### IDEO

IDEO LP is an innovation and design firm that uses a human-centered, design-based approach to generate new offerings and build new capabilities for its customers. IDEO serves Steelcase and a variety of other organizations within consumer products, financial services, healthcare, information technology, government,

Table of Contents


transportation and other industries. During Q4 2016, we sold a portion of our equity interest in IDEO and recorded a gain of $8.5 in Other income (expense), net on the Consolidated Statement on Income. As of February 26, 2016 we owned a 10% equity interest in IDEO.

The summarized financial information presented below represents the combined accounts of our equity method investments in unconsolidated affiliates.

| Consolidated Balance Sheets | February 26, 2016 | February 27, 2015 |
|---|---|---|
| Total current assets | $180.2 | $171.2 |
| Total non-current assets | 35.6 | 34.2 |
| Total assets | $215.8 | $205.4 |
| Total current liabilities | $101.7 | $88.9 |
| Total long-term liabilities | 11.8 | 18.6 |
| Total liabilities | $113.5 | $107.5 |

| | Year Ended | | |
|---|---|---|---|
| Statements of Income | February 26, 2016 | February 27, 2015 | February 28, 2014 |
| Revenue | $635.1 | $573.5 | $450.7 |
| Gross profit | 182.1 | 167.3 | 141.3 |
| Income before income tax expense | 43.5 | 49.7 | 36.0 |
| Net income | 40.4 | 46.2 | 32.5 |

| | Year Ended | | |
|---|---|---|---|
| Supplemental Information | February 26, 2016 | February 27, 2015 | February 28, 2014 |
| Dividends received from unconsolidated affiliates | $12.5 | $10.7 | $6.2 |
| Sales to unconsolidated affiliates | 273.3 | 277.4 | 222.3 |
| Amount due from unconsolidated affiliates | 10.6 | 11.0 | 13.2 |

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

| Debt Obligations | Interest Rate Range as of February 26, 2016 | Fiscal Year Maturity Range | February 26, 2016 | February 27, 2015 |
|---|---|---|---|---|
| U.S. dollar obligations: | | | | |
| Senior notes (1) | 6.375% | 2021 | $248.2 | $247.7 |
| Revolving credit facilities (2)(4) | | 2018 | — | — |
| Notes payable (3) | 1.64%-3.5% | 2017-2024 | 50.1 | 33.5 |
| Capitalized lease obligations | 6.0%-6.5% | 2017-2018 | 0.1 | 0.1 |
| | | | 298.4 | 281.3 |
| Foreign currency obligations: | | | | |
| Revolving credit facilities (4) | | | — | — |
| Notes payable | 6.0%- 8.0% | | 0.3 | 0.3 |
| Capitalized lease obligations | 1.9% | 2019 | 0.4 | 0.5 |
| Total short-term borrowings and long-term debt | | | 299.1 | 282.1 |
| Short-term borrowings and current portion of long-term debt (5) | | | 2.5 | 2.5 |
| Long-term debt | | | $296.6 | $279.6 |

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(1) We have $250 of unsecured unsubordinated senior notes, due in February 2021 ("2021 Notes"). The 2021 Notes were issued at 99.953% of par value. The bond discount of $0.1 and direct debt issuance costs of $3.0 were deferred and are being amortized over the life of the 2021 Notes. Although the coupon rate of the 2021 Notes is 6.375%, the effective interest rate is 6.6% after taking into account the impact of the direct debt issuance costs, a deferred loss on interest rate locks related to the debt issuance and the bond discount. The 2021 Notes rank equally with all of our other unsecured unsubordinated indebtedness, and they contain no financial covenants. We may redeem some or all of the 2021 Notes at any time. The redemption price would equal the greater of (1) the principal amount of the notes being redeemed; or (2) the present value of the remaining scheduled payments of principal and interest discounted to the redemption date on a semi-annual basis at the comparable U.S. Treasury rate plus 45 basis points; plus, in both cases, accrued and unpaid interest. If the notes are redeemed within 3 months of maturity, the redemption price would be equal to the principal amount of the notes being redeemed plus accrued and unpaid interest. Amortization expense related to the direct debt issuance costs and bond discount on the 2021 Notes was $0.3 in 2016, 2015 and 2014.

(2) We have a $125 global committed five-year bank facility which was entered into in Q1 2013. As of February 26, 2016 and February 27, 2015, there were no borrowings outstanding under the facility, our availability was not limited, and we were in compliance with all covenants under the facility. We have $5.0 in other revolving credit facilities, from which we had no borrowings outstanding as of February 26, 2016 and February 27, 2015.

In addition, we have revolving credit agreements of $37.5 which can be utilized to support bank guarantees, letters of credit, overdrafts and foreign exchange contracts. As of February 26, 2016, we had $20.0 in outstanding bank guarantees and standby letters of credit against these facilities. We had no draws against our standby letters of credit during 2016 or 2015.

(3) As of February 26, 2016, we had a note payable with an original amount of $50.0 at a floating interest rate based on 30-day LIBOR plus 1.20%. The loan is secured by our existing aircraft and the assignment of the purchase agreement for a new aircraft to be delivered in 2017, contains no financial covenants and is not cross-defaulted to our other debt facilities. The loan requires interest-only payments until delivery of the new aircraft. Thereafter, the loan has a term of seven years and requires fixed monthly principal payments of $0.2 with a $32 balloon payment due in 2024. As of February 27, 2015, we had a note payable with an original amount of $47.0 at a floating interest rate based on 30-day LIBOR plus 3.35%. The loan had a term of seven years and required fixed monthly principal payments of $0.2 with a balloon payment of $30 due in 2017. In Q3 2016, we repaid the remaining $31.9 on this

note payable using a portion of the proceeds from the note payable due in 2024.

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(4) We have unsecured uncommitted short-term credit facilities of up to $1.6 of U.S. dollar obligations and up to $20.1 of foreign currency obligations with various financial institutions available for working capital purposes as of February 26, 2016. Interest rates are variable and determined at the time of borrowing. These credit facilities have no stated expiration date but may be changed or canceled by the banks at any time. There were no borrowings on these facilities as of February 26, 2016 and February 27, 2015.

(5) The weighted-average interest rate for short-term borrowings and the current portion of long-term debt was 1.8% as of February 26, 2016 and 3.5% as of February 27, 2015.

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

| Year Ending in February | Amount |
|---|---|
| 2017 | $2.5 |
| 2018 | 2.8 |
| 2019 | 2.7 |
| 2020 | 2.6 |
| 2021 | 250.9 |
| Thereafter | 37.6 |
| | $299.1 |

Global Credit Facility

Our $125 committed five-year unsecured revolving syndicated credit facility expires in 2018. At our option, and subject to certain conditions, we may increase the aggregate commitment under the facility by up to $75 by obtaining at least one commitment from a lender.

We can use borrowings under the facility for general corporate purposes, including friendly acquisitions. Interest on borrowings under the facility is based on the rate, as selected by us, between the following two options:

- the greatest of the prime rate, the Federal fund effective rate plus 0.5%, and the Eurocurrency rate for a one month interest period plus 1%, plus the applicable margin as set forth in the credit agreement; or
- the Eurocurrency rate plus the applicable margin as set forth in the credit agreement.

The facility requires us to satisfy two financial covenants:

- A maximum leverage ratio covenant, which is measured by the ratio of (x) indebtedness (as determined under the credit agreement) less excess liquidity (as determined under the credit agreement) to (y) trailing four quarter Adjusted EBITDA (as determined under the credit agreement) and is required to be no greater than 3:1. (In the context of certain permitted acquisitions, we have a one-time ability, subject to certain conditions, to increase the maximum ratio to 3.25 to 1.0 for four consecutive quarters).
- A minimum interest coverage ratio covenant, which is measured by the ratio of (y) trailing four quarter Adjusted EBITDA (as determined under the credit agreement) to (z) trailing four quarter interest expense and is required to be no less than 3.5:1.

The facility requires us to comply with certain other covenants, including a restriction on the aggregate amount of cash dividend payments and share repurchases in any fiscal year. In general, as long as our leverage ratio is less than 2.50 to 1.00, there is no restriction on cash dividends and share repurchases. If our leverage ratio is between 2.50 to 1.00 and the maximum then permitted, our ability to pay more than $35.0 in cash dividends and share repurchases in aggregate in any fiscal year may be restricted, depending on our liquidity. As of February 26, 2016, our leverage ratio was less than 2.50 to 1.00.

As of February 26, 2016 and February 27, 2015, we were in compliance with all covenants under the facility.

13. EMPLOYEE BENEFIT PLAN OBLIGATIONS

| Employee Benefit Plan Obligations (net) | February 26, 2016 | February 27, 2015 |
|---|---|---|
| Defined contribution retirement plans | $22.5 | $16.7 |
| Post-retirement medical benefits | 66.2 | 73.7 |
| Defined benefit pension plans | 46.1 | 49.1 |
| Deferred compensation plans and agreements | 43.1 | 46.8 |
| | $177.9 | $186.3 |
| | | |
| Employee benefit plan assets | | |
| Long-term asset | $1.1 | $1.3 |
| | | |
| Employee benefit plan obligations | | |
| Current portion | $36.5 | $29.4 |
| Long-term portion | 142.5 | 158.2 |
| | $179.0 | $187.6 |

Defined Contribution Retirement Plans

Substantially all of our U.S. employees are eligible to participate in defined contribution retirement plans, primarily the Steelcase Inc. Retirement Plan (the “Retirement Plan”). Company contributions, including discretionary profit sharing and 401(k) matching contributions, and employee 401(k) pre-tax contributions fund the Retirement Plan. All contributions are made to a trust which is held for the sole benefit of participants. Company contributions for our defined contribution retirement plans are discretionary.

Total expense under all defined contribution retirement plans was $28.8 for 2016, $26.3 for 2015 and $22.6 for 2014. We expect to fund approximately $34.0 related to our defined contribution plans in 2017, including funding related to our discretionary profit sharing contributions.

Post-Retirement Medical Benefits

We maintain post-retirement benefit plans that provide medical and life insurance benefits to certain North American-based retirees and eligible dependents. The plans were frozen to new participants in 2003. We accrue the cost of post-retirement benefits during the service periods of employees based on actuarial calculations for each plan. These plans are unfunded, but our investments in COLI policies are intended to be utilized as a long-term funding source for these benefit obligations. See Note 9 for additional information. While we do not expect the timing of cash flows to closely match, we intend to hold the policies until maturity, and we expect the policies will generate insufficient cash to cover the obligation payments over the next several years and generate excess cash in later years.

Defined Benefit Pension Plans

Our defined benefit pension plans include various qualified domestic and foreign retirement plans as well as non-qualified supplemental retirement plans that are limited to a select group of management approved by the Compensation Committee. The benefit plan obligations for the non-qualified supplemental retirement plans are primarily related to the Steelcase Inc. Executive Supplemental Retirement Plan. In Q4 2015, we amended the plan to close it to new participants and froze the benefits under the plan for current participants upon vesting. The amendment resulted in a decrease to the pension benefit obligation of $1.4. This plan is unfunded, but our investments in COLI policies are intended to be utilized as a long-term funding source for these benefit obligations. See Note 9 for additional information. The funded status of our defined benefit pension plans (excluding our investments in COLI policies) is as follows:

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

| Defined Benefit Pension Plan Obligations | February 26, 2016 Qualified Plans | | | February 27, 2015 Qualified Plans | | |
|---|---|---|---|---|---|---|
| | Domestic | Foreign | Non-qualified Supplemental Retirement Plans | Domestic | Foreign | Non-qualified Supplemental Retirement Plans |
| Plan assets | $8.1 | $39.2 | $— | $8.8 | $45.7 | $— |
| Projected benefit plan obligations | 9.5 | 50.9 | 33.0 | 10.2 | 59.8 | 33.6 |
| Funded status | $(1.4) | $(11.7) | $(33.0) | $(1.4) | $(14.1) | $(33.6) |
| Long-term asset | $— | $1.1 | $— | $— | $1.3 | $— |
| Current liability | — | (0.1) | (3.4) | — | — | (3.6) |
| Long-term liability | (1.4) | (12.7) | (29.6) | (1.4) | (15.4) | (30.0) |
| Total benefit plan obligations | $(1.4) | $(11.7) | $(33.0) | $(1.4) | $(14.1) | $(33.6) |
| Accumulated benefit obligation | $9.5 | $47.2 | $32.6 | $10.2 | $55.3 | $32.7 |

As of February 26, 2016, we had one qualified foreign plan in an over-funded status, as plan assets of $10.8 exceeded projected benefit plan obligations of $9.7 by $1.1.

Summary Disclosures for Defined Benefit Pension and Post-Retirement Plans
The following tables summarize our defined benefit pension and post-retirement plans.

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

| Changes in Assets, Benefit Obligations and Funded Status | Defined Benefit Pension Plans | | Post-Retirement Plans | |
|---|---|---|---|---|
| | February 26, 2016 | February 27, 2015 | February 26, 2016 | February 27, 2015 |
| Change in plan assets: | | | | |
| Fair value of plan assets, beginning of year | $54.5 | $55.0 | $— | $— |
| Actual return on plan assets | (1.2) | 5.5 | — | — |
| Employer contributions | 4.0 | 3.6 | 3.4 | 3.3 |
| Plan participants' contributions | — | — | 2.7 | 2.7 |
| Estimated Medicare subsidies received | — | — | 0.1 | 0.1 |
| Expenses | (0.2) | (0.3) | — | — |
| Currency changes | (4.2) | (4.1) | — | — |
| Benefits paid | (5.6) | (5.2) | (6.2) | (6.1) |
| Fair value of plan assets, end of year | 47.3 | 54.5 | — | — |
| Change in benefit obligations: | | | | |
| Benefit plan obligations, beginning of year | 103.6 | 103.5 | 73.7 | 69.1 |
| Service cost | 3.1 | 3.2 | 0.7 | 0.6 |
| Interest cost | 3.0 | 3.6 | 2.6 | 2.9 |
| Amendments | — | (1.4) | — | — |
| Net actuarial (gain) loss | (6.2) | 9.8 | (7.0) | 4.9 |
| Plan participants' contributions | — | — | 2.7 | 2.7 |
| Medicare subsidies received | — | — | 0.1 | 0.1 |
| Effect of divestiture | — | (3.2) | — | — |
| Currency changes | (4.5) | (6.7) | (0.4) | (0.5) |
| Benefits paid | (5.6) | (5.2) | (6.2) | (6.1) |
| Benefit plan obligations, end of year | 93.4 | 103.6 | 66.2 | 73.7 |
| Funded status | $(46.1) | $(49.1) | $(66.2) | $(73.7) |
| Amounts recognized on the Consolidated Balance Sheets: | | | | |
| Long-term asset | $1.1 | $1.3 | $— | $— |
| Current liability | (3.5) | (3.6) | (4.5) | (4.6) |
| Long-term liability | (43.7) | (46.8) | (61.7) | (69.1) |
| Net amount recognized | $(46.1) | $(49.1) | $(66.2) | $(73.7) |
| Amounts recognized in accumulated other comprehensive income—pretax: | | | | |
| Actuarial loss (gain) | $19.4 | $23.9 | $(10.9) | $(3.7) |
| Prior service cost (credit) | (0.9) | (1.0) | (17.9) | (26.9) |
| Total amounts recognized in accumulated other comprehensive income—pretax | $18.5 | $22.9 | $(28.8) | $(30.6) |
| Estimated amounts to be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year: | | | | |
| Actuarial loss (gain) | $0.8 | $1.0 | $(0.8) | $0.2 |
| Prior service cost (credit) | (0.2) | (0.2) | (8.6) | (9.1) |
| Total amounts recognized in accumulated other comprehensive income—pretax | $0.6 | $0.8 | $(9.4) | $(8.9) |

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

| Components of Expense | Pension Plans Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 | Post-Retirement Plans Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|---|---|---|
| Components of expense: | | | | | | |
| Service cost | $3.1 | $3.2 | $3.5 | $0.7 | $0.6 | $0.8 |
| Interest cost | 3.0 | 3.6 | 3.5 | 2.6 | 2.9 | 2.8 |
| Amortization of net loss (gain) | 0.9 | 0.8 | 1.2 | 0.1 | (0.5) | 0.2 |
| Amortization of prior year service cost (credit) | (0.2) | — | 0.1 | (9.0) | (9.1) | (9.2) |
| Expected return on plan assets | (2.5) | (3.2) | (2.9) | — | — | — |
| Adjustment due to plan curtailment | — | 0.1 | (0.1) | — | — | — |
| Adjustment due to plan settlement | — | (2.2) | 0.1 | — | — | — |
| Other | — | — | (0.8) | — | — | — |
| Net expense (credit) recognized in Consolidated Statements of Income | 4.3 | 2.3 | 4.6 | (5.6) | (6.1) | (5.4) |
| Other changes in plan assets and benefit obligations recognized in other comprehensive income (pre-tax): | | | | | | |
| Net actuarial loss (gain) | (2.4) | 7.8 | (3.2) | (7.0) | 4.8 | (5.7) |
| Prior service cost (credit) | — | (1.4) | 0.1 | — | — | — |
| Amortization of gain (loss) | (0.9) | (0.8) | (1.3) | (0.1) | (0.2) | (0.2) |
| Amortization of prior year service credit (cost) | 0.2 | — | (0.1) | 9.0 | 9.1 | 9.2 |
| Gain (losses) recognized as part of the curtailment / settlement | — | (1.0) | — | — | — | — |
| Prior service cost recognized as a part of curtailment / settlement | — | (0.1) | — | — | — | — |
| Other | — | — | (0.3) | — | — | — |
| Total recognized in other comprehensive income | (3.1) | 4.5 | (4.8) | 1.9 | 13.7 | 3.3 |
| Total recognized in net periodic benefit cost and other comprehensive income (pre-tax) | $1.2 | $6.8 | $(0.2) | $(3.7) | $7.6 | $(2.1) |

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

| Pension and Other Post-Retirement Liability Adjustments | Before Tax Amount | Tax (Expense) Benefit | Net of Tax Amount |
|---|---|---|---|
| Balance as of February 28, 2014 | $24.5 | $(4.9) | $19.6 |
| Prior service (cost) credit from plan amendment arising during period | 1.4 | (0.5) | 0.9 |
| Prior service cost recognized as a part of the curtailment / settlement | 0.1 | — | 0.1 |
| Amortization of prior service cost (credit) included in net periodic pension cost | (9.1) | 3.5 | (5.6) |
| Net prior service (cost) credit during period | (7.6) | 3.0 | (4.6) |
| Net actuarial gain (loss) arising during period | (12.6) | 3.4 | (9.2) |
| Amortization of net actuarial (gain) loss included in net periodic pension cost | 1.0 | (0.3) | 0.7 |
| Gain/losses recognized as a part of the settlement | 1.0 | — | 1.0 |
| Net actuarial gain (loss) during period | (10.6) | 3.1 | (7.5) |
| Foreign currency translation adjustments | 1.4 | (0.4) | 1.0 |
| Current period change | (16.8) | 5.7 | (11.1) |
| Balance as of February 27, 2015 | $7.7 | $0.8 | $8.5 |
| Amortization of prior service cost (credit) included in net periodic pension cost | (9.2) | 3.6 | (5.6) |
| Net prior service (cost) credit during period | (9.2) | 3.6 | (5.6) |
| Net actuarial gain (loss) arising during period | 9.4 | (3.5) | 5.9 |
| Amortization of net actuarial (gain) loss included in net periodic pension cost | 1.0 | (0.4) | 0.6 |
| Net actuarial gain (loss) during period | 10.4 | (3.9) | 6.5 |
| Foreign currency translation adjustments | 1.4 | (0.1) | 1.3 |
| Current period change | 2.6 | (0.4) | 2.2 |
| Balance as of February 26, 2016 | $10.3 | $0.4 | $10.7 |

| Weighted-Average Assumptions | Pension Plans Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 | Post-Retirement Plans Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|---|---|---|
| Weighted-average assumptions used to determine benefit obligations: | | | | | | |
| Discount rate | 3.30 % | 3.10 % | 3.80 % | 4.34 % | 3.73 % | 4.31 % |
| Rate of salary progression | 2.30 % | 2.30 % | 2.70 % | | | |
| Weighted-average assumptions used to determine net periodic benefit cost: | | | | | | |
| Discount rate | 3.70 % | 3.90 % | 3.70 % | 3.72 % | 4.32 % | 3.82 % |
| Expected return on plan assets | 4.20 % | 4.20 % | 4.90 % | | | |
| Rate of salary progression | 2.80 % | 2.70 % | 3.10 % | | | |

The measurement dates for our retiree benefit plans are consistent with our fiscal year-end. Accordingly, we select discount rates to measure our benefit obligations that are consistent with market indices at the end of each year. In evaluating the expected return on plan assets, we consider the expected long-term rate of return on plan assets based on the specific allocation of assets for each plan, an analysis of current market conditions and the views of leading financial advisors and economists.

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The assumed healthcare cost trend was 7.72% for pre-age 65 retirees as of February 26, 2016, gradually declining to 4.50% after eleven years. As of February 27, 2015, the assumed healthcare cost trend was 6.86% for pre-age 65 retirees, gradually declining to 4.50% after five years. Post-age 65 trend rates are not applicable as our plan provides a fixed subsidy for post-age 65 benefits. A one percentage point change in assumed healthcare cost trend rates would have had the following effects as of February 26, 2016:

| Health Cost Trend Sensitivity | One percentage point increase | One percentage point decrease |
|---|---|---|
| Effect on total of service and interest cost components | $— | $— |
| Effect on post-retirement benefit obligation | $0.3 | $(0.2) |

Plan Assets

The investments of the domestic plans are managed by third-party investment managers. The investment strategy for the domestic plans is to maximize returns while taking into consideration the investment horizon and expected volatility to ensure there are sufficient assets to pay benefits as they come due.

The investments of the foreign plans are managed by third-party investment managers who follow local regulations. In general, the investment strategy is designed to accumulate a diversified portfolio among markets, asset classes or individual securities in order to reduce market risk and assure that the pension assets are available to pay benefits as they come due.

Our pension plans' weighted-average investment allocation strategies and weighted-average target asset allocations by asset category as of February 26, 2016 and February 27, 2015 are reflected in the following table. The target allocations are established by the investment committees of each plan in consultation with external advisors after consideration of the associated risk and expected return of the underlying investments.

| | February 26, 2016 | | February 27, 2015 | |
|---|---|---|---|---|
| Asset Category | Actual Allocations | Target Allocations | Actual Allocations | Target Allocations |
| Equity securities | 57 % | 55 % | 56 % | 54 % |
| Debt securities | 34 | 39 | 34 | 40 |
| Real estate | 2 | — | 2 | — |
| Other (1) | 7 | 6 | 8 | 6 |
| Total | 100 % | 100 % | 100 % | 100 % |

(1) Represents guaranteed insurance contracts, money market funds and cash.

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The fair value of the pension plan assets as of February 26, 2016 and February 27, 2015, by asset category are as follows:

| Fair Value of Pension Plan Assets | February 26, 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | $0.5 | $— | $— | $0.5 |
| Equity securities: | | | | |
| U.S. large-cap | 0.8 | — | — | 0.8 |
| U.S. small-cap | 0.8 | — | — | 0.8 |
| U.S. index | 0.8 | — | — | 0.8 |
| International | — | 23.8 | — | 23.8 |
| Fixed income securities: | | | | |
| Bond funds | — | 16.7 | — | 16.7 |
| Other investments: | | | | |
| Group annuity contract (1) | — | — | 2.0 | 2.0 |
| Guaranteed insurance contracts (2) | — | — | 1.0 | 1.0 |
| Property funds | 0.9 | — | — | 0.9 |
| | $3.8 | $40.5 | $3.0 | $47.3 |

| Fair Value of Pension Plan Assets | February 27, 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | $0.8 | $— | $— | $0.8 |
| Equity securities: | | | | |
| U.S. large-cap | 1.0 | — | — | 1.0 |
| U.S. small-cap | 1.0 | — | — | 1.0 |
| U.S. index | 1.0 | — | — | 1.0 |
| International | — | 27.8 | — | 27.8 |
| Fixed income securities: | | | | |
| Bond funds | — | 18.5 | — | 18.5 |
| Other investments: | | | | |
| Group annuity contract (1) | — | — | 2.1 | 2.1 |
| Guaranteed insurance contracts (2) | — | — | 1.3 | 1.3 |
| Property funds | 1.0 | — | — | 1.0 |
| | $4.8 | $46.3 | $3.4 | $54.5 |

(1) Group annuity contracts are valued utilizing a discounted cash flow model. The term “cash flow” refers to the future principal and interest payments we expect to receive on a given asset in the general account. The model projects future cash flows separately for each investment period and each category of investment.

(2) Guaranteed insurance contracts are valued at book value, which approximates fair value, and are calculated using the prior year balance plus or minus investment returns and changes in cash flows.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for any periods presented.

Below is a roll-forward of plan assets measured at estimated fair value using Level 3 inputs for the years ended February 26, 2016 and February 27, 2015:

| Roll-forward of Fair Value Using Level 3 Inputs | Group Annuity Contract | Guaranteed Insurance Contracts |
|---|---|---|
| Balance as of February 28, 2014 | $2.3 | $1.6 |
| Unrealized return on plan assets, including changes in foreign exchange rates | 0.1 | (0.2) |
| Purchases, sales, and other, net | (0.3) | (0.1) |
| Balance as of February 27, 2015 | $2.1 | $1.3 |
| Unrealized return on plan assets, including changes in foreign exchange rates | 0.1 | — |
| Purchases, sales, and other, net | (0.2) | (0.2) |
| Balance as of February 26, 2016 | $2.0 | $1.1 |

We expect to contribute approximately $5 to our pension plans and fund approximately $5 related to our post-retirement plans in 2017. The estimated future benefit payments under our pension and post-retirement plans are as follows:

| Year Ending in February | Pension Plans | Post-retirement Plans |
|---|---|---|
| 2017 | $6.4 | $4.6 |
| 2018 | 5.7 | 4.2 |
| 2019 | 6.3 | 4.3 |
| 2020 | 6.4 | 4.4 |
| 2021 | 6.2 | 4.5 |
| 2022 - 2026 | 31.6 | 23.5 |

Multi-Employer Pension Plan

Our subsidiary SC Transport Inc. contributes to the Central States, Southeast and Southwest Areas Pension Fund based on obligations arising from a collective bargaining agreement covering 18 SC Transport Inc. employees. This plan provides retirement benefits to participants based on their service to contributing employers. The benefits are paid from assets held in trust for that purpose. Trustees are appointed by employers and unions; however, we are not a trustee. The trustees typically are responsible for determining the level of benefits to be provided to participants and for such matters as the investment of the assets and the administration of the plan.

Based on the most recent information available, we believe that the projected benefit obligations in this multi-employer plan significantly exceed the value of the assets held in trust to pay benefits. Because we are one of a number of employers contributing to this plan, it is difficult to ascertain what the exact amount of the under-funding would be, although we anticipate the contribution per participating employee will increase at each contract renegotiation. We believe that funding levels have not changed significantly since year-end.

The risks of participating in a multi-employer plan are different from the risks associated with single-employer plans in the following respects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If a participating employer chooses to stop participating in a multi-employer plan or otherwise has participation in the plan drop below certain levels, that employer may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Our participation in this plan is outlined in the tables below. Expense is recognized at the time our contributions are funded, in accordance with applicable accounting standards. Any adjustment for a withdrawal

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

liability would be recorded at the time the liability is both probable and can be reasonably determined. The most recent estimate of our potential withdrawal liability is $23.2.

| Pension Fund | EIN - Pension Plan Number | Plan Month / Day End Date | Pension Protection Act Zone Status (1) | | FIP/RP Status Pending / Implemented (2) | Contributions | | | Surcharges Imposed or Amortization Provisions |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2015 | 2014 | | 2016 | 2015 | 2014 | |
| Central States, Southeast and Southwest Areas Pension Fund | 366044243-001 | 12/31 | Red | Red | Implemented | $0.3 | $0.3 | $0.3 | No |

(1) The most recent Pension Protection Act Zone Status available in 2015 and 2014 relates to the plan's two most recent fiscal year-ends. The zone status is based on information received from the plan certified by the plan's actuary. Among other factors, red zone status plans are generally less than 65 percent funded and are considered in critical status.

(2) The FIP/RP Status Pending/Implemented column indicates plans for which a financial improvement plan or a rehabilitation plan is either pending or has been implemented by the trustees of the plan.

The following table describes the expiration of the collective bargaining agreement associated with the multi-employer plan in which we participate:

| Pension Fund | Total Collective Bargaining Agreements | Expiration Date | % of Associates Under Collective Bargaining Agreement | Over 5% Contribution 2016 |
|---|---|---|---|---|
| Central States, Southeast and Southwest Areas Pension Fund | 1 | 3/31/2018 | 0.2% | No |

At the date the financial statements were issued, the Form 5500 was not available for the plan year ending in 2015.

Deferred Compensation Programs

We maintain four deferred compensation programs. The first deferred compensation program is closed to new entrants. In this program, certain employees elected to defer a portion of their compensation in return for a fixed benefit to be paid in installments beginning when the participant reaches age 70. Under the second plan, certain employees may elect to defer a portion of their compensation. The third plan is intended to restore retirement benefits that would otherwise be paid under the Retirement Plan but are precluded as a result of the limitations on eligible compensation under Internal Revenue Code Section 401(a)(17). Under the fourth plan, our non-employee directors may elect to defer all or a portion of their board retainer and committee fees. The deferred amounts in the last three plans earn a return based on the investment option selected by the participant.

These deferred compensation obligations are unfunded, but our investments in COLI policies are intended to be utilized as a long-term funding source for these deferred compensation obligations. See Note 9 for additional information.

Deferred compensation expense, which represents annual participant earnings on amounts that have been deferred, and restoration retirement benefits were $5.9 for 2016, $5.7 for 2015 and $5.0 for 2014.

14. CAPITAL STRUCTURE

Terms of Class A Common Stock and Class B Common Stock

The holders of common stock are generally entitled to vote as a single class on all matters upon which shareholders have a right to vote, subject to the requirements of applicable laws and the rights of any outstanding series of preferred stock to vote as a separate class. Each share of Class A Common Stock entitles its holder to one vote, and each share of Class B Common Stock entitles its holder to 10 votes. Each share of Class B Common Stock is convertible into a share of Class A Common Stock on a one-for-one basis (i) at the option of the holder at any time, (ii) upon transfer to a person or entity which is not a Permitted Transferee (as defined in our Second Restated Articles of Incorporation, as amended), (iii) with respect to shares of Class B Common Stock acquired

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

after February 20, 1998, at such time as a corporation, partnership, limited liability company, trust or charitable organization holding such shares ceases to be controlled or owned 100% by Permitted Transferees and (iv) on the date on which the number of shares of Class B Common Stock outstanding is less than 15% of all of the then outstanding shares of common stock (calculated without regard to voting rights).

Except for the voting and conversion features described above, the terms of Class A Common Stock and Class B Common Stock are generally similar. That is, the holders are entitled to equal dividends when declared by our Board of Directors and generally will receive the same per share consideration in the event of a merger and be treated on an equal per share basis in the event of a liquidation or winding up of Steelcase Inc. In addition, we are not entitled to issue additional shares of Class B Common Stock, or issue options, rights or warrants to subscribe for additional shares of Class B Common Stock, except that we may make a pro rata offer to all holders of common stock of rights to purchase additional shares of the class of common stock held by them, and any dividend payable in common stock will be paid in the form of Class A Common Stock to Class A holders and Class B Common Stock to Class B holders. Neither class of stock may be split, divided or combined unless the other class is proportionally split, divided or combined.

Preferred Stock

Our Second Restated Articles of Incorporation, as amended, authorize our Board of Directors, without any vote or action by our shareholders, to create one or more series of preferred stock up to the limit of our authorized but unissued shares of preferred stock and to fix the designations, preferences, rights, qualifications, limitations and restrictions thereof, including the voting rights, dividend rights, dividend rate, conversion rights, terms of redemption (including sinking fund provisions), redemption price or prices, liquidation preferences and the number of shares constituting any series.

Share Repurchases and Conversions

The 2016 and 2015 activity for share repurchases is as follows (share data in millions):

| Share repurchases | Year ended February 26, 2016 | | February 27, 2015 | |
|---|---|---|---|---|
| | Total number of shares | Price Paid | Total number of shares | Price Paid |
| Class A Common Stock | 3.7 | $56.4 | 2.4 | $36.3 |
| Class B Common Stock | — | $— | — | $— |

During 2016 and 2015, 0.6 million and 0.8 million shares of our Class B Common Stock were converted to Class A Common Stock, respectively.

Table of Contents
STEELCASE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

15. INCOME TAXES
Provision for Income Taxes
The provision for income taxes on income before income taxes consists of:

| Provision for Income Taxes—Expense | Year Ended February 26, 2016 | February 27, 2015 | February 28, 2014 |
|---|---|---|---|
| Current income taxes: | | | |
| Federal | $47.7 | $40.0 | $26.8 |
| State and local | 12.5 | 8.8 | |