STEELCASE INC
Form 10-K
April 26, 2010

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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, 2010

OR

o **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 of incorporation)	**(IRS employer identification number)**
901 44th Street SE	
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 o No x

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 o No x

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o 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, 2009 (the last day of the registrant s most recently completed second fiscal quarter) was approximately $467 million. 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 23, 2010, 83,899,442 shares of the registrant s Class A Common Stock and 49,075,054 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 2010 Annual Meeting of Shareholders, to be held on June 24, 2010, are incorporated by reference in Part III of this Form 10-K.

STEELCASE INC.
FORM 10-K

YEAR ENDED FEBRUARY 26, 2010

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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 referer 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.

Our Business

Steelcase is the global leader in furnishing the work experience in office environments. We aspire to create great experiences, wherever work happens. We provide products and services founded in a research methodology that generates insights about how people work and how spaces can help create great experiences. We offer a comprehensive portfolio of products and services for the workplace, inspired by insights gained serving the world s leading organizations for nearly 100 years.

We design for a wide variety of customer needs through our three core brands: Steelcase, Turnstone and Coalesse. The primary focus of these brands is the office furniture segment, but we also extend our capabilities to serve needs in areas such as healthcare, education and distributed work. Our strategy is to grow by leveraging our deep understanding of the patterns of work, workers and workplaces to offer solutions to help our existing customers migrate to new ways of working, and to grow our business into new customer markets and new geographies.

Insights are core to everything we do. We study the ways people work, and we collaborate with a global network of research partners including leading universities, research institutes and corporations. We seek to understand and recognize emerging social, spatial and informational patterns and create products and solutions that solve for the intersection of all three. By focusing our insights on the overlap of these elements, we can create products and solutions that enable better social interactions, enhance collaboration, and facilitate greater information sharing. This approach is the lens through which we filter opportunities for development.

We create value by translating our insights into products, solutions and experiences that solve our customers critical business issues at competitive prices. Our insights are translated into products, solutions and experiences through thoughtful design, which we define as being smart, desirable and viable. When we understand something new about the way people work and address that insight with a product, it s smart. When we create experiences or objects that are considered refined and highly relevant, they are desirable. And when we do this with fewer, more understandable elements, it s viable. We incorporate sustainability in our approach to design, manufacturing, delivery and product life cycle, and we consider the impact of our work on the environment. At Steelcase our approach to sustainability is holistic, scientific, measureable and long-term in focus.

We offer our products and services to customers around the globe, and we have significant sales, manufacturing and administrative operations in North America, Europe and Asia. We market our products and services primarily through a highly networked group of independent and company-owned dealers, and we also sell directly to end-use customers. We extend our reach with a presence in retail and web-based channels.

Founded in 1912, Steelcase became a publicly-traded company in 1998, and our stock is listed on the New York Stock Exchange under the symbol SCS. Headquartered in Grand Rapids, Michigan, U.S.A., Steelcase is a global company with approximately 11,000 employees and 2010 revenue of approximately $2.3 billion.

Our Offerings

Our brands provide an integrated portfolio of furniture systems and seating, 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 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 with interactive whiteboards and web-based communication tools. Our interior architectural products include full and partial height walls and doors. We also offer services designed to enhance people performance and reduce costs. Among these services are workplace strategy consulting, product design and innovation services through IDEO, lease origination services, and furniture and asset management.

Steelcase Insight-led performance

The Steelcase brand takes our insights and delivers high performance, sustainable work environments and strives 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 entities) that are often large with complex needs and who have an increasingly global reach. We strive to meet their diverse needs while minimizing complexity by using platforms from product components to common processes wherever possible.

Steelcase sub-brands include:

Nurture by Steelcase, which is focused on healthcare environments that can help make patients, caregivers and partners in care more comfortable, efficient and conducive to healthcare delivery. Nurture brings a holistic viewpoint to healthcare environments and works with doctors, nurses and other healthcare professionals to develop valuable insights into environments that promote healing.

Details, which researches, designs and markets worktools and furniture that provide healthy and productive connections between people, their technology, their workplaces and their work.

Turnstone Insight-led simplicity

Turnstone is focused on making it easy and compelling for emerging companies to create great working spaces. Today, emerging companies do not have easy access to solutions that will help them work more effectively. These companies are faced with many of the same complex problems as larger established companies but without the professional help. Turnstone strives to provide simple solutions for the complex social, spatial and informational problems of emerging companies through thoughtful products and solutions, convenient access and a great experience.

Coalesse Insight-led inspiration

Coalesse is founded on the belief that the boundaries between work and life have blurred and seeks to design solutions that support meaningful experiences and create inspiring spaces. Coalesse offers products that knit together the rich design histories of our Brayton, Metro and Vecta brands. Coalesse collaborates with some of the world s best design talent to create inspired solutions that challenge generic approaches to home and office environments. Coalesse s clients desire premium performance and versatility in furnishings that can be applied in a home workplace as elegantly as a professional office environment.

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Designtex, which is a sub-brand of Coalesse, is a design, marketing, sales and distribution business focused on providing insight-led environment enhancement. Designtex products are premium surface materials designed to enhance seating, walls, work stations, floors and ceilings, and can provide privacy, way-finding, motivation, communications and artistic expression.

PolyVision

PolyVision s focus is to understand the needs of K-12 teachers and students and to develop tools that bring learning to life in an effort to provide a better learning experience for students globally. PolyVision provides a comprehensive offering of visual communication solutions, including static and interactive electronic whiteboards.

Reportable Segments

We operate on a worldwide basis within our North America and International 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 17 to the consolidated financial statements.

North America Segment

Our North America segment serves customers in the United States (U.S.) and Canada. Our portfolio of integrated architecture, furniture and technology products is marketed to corporate, government, healthcare, education and retail customers through the Steelcase, Turnstone, Details and Nurture by Steelcase brands.

We serve North America customers mainly through approximately 230 independent and company-owned dealers and we also sell directly to end-use customers. Our end-use customers are distributed across a broad range of industries and vertical markets including healthcare, government, financial services, higher education and technology, but no industry or vertical market individually represented more than 14% of the North America segment revenue in 2010. The healthcare, government and higher education vertical markets collectively represented approximately 38% of 2010 North America revenue. These vertical markets experienced lower declines in 2010 than other vertical markets. In addition, the revenue decline in the financial services vertical market was lower than average in 2010, as this vertical market entered the downturn earlier than other markets and experienced a significant decline in 2009.

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 North America accounted for approximately 6% of the segment s revenue in 2010 and the five largest independent dealers collectively accounted for approximately 16% of the segment s revenue. 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. From time to time, we extend financial support to our dealers. The type of involvement varies, but it most often takes the form of asset-backed lending or term notes to facilitate the transition of a dealership to owners suitable to us. Depending on the situation, accounting rules may require us to consolidate a dealer for a period of time when we extend such financing.

In 2010, the North America segment recorded revenue of $1,237.4, or 54.0% of our consolidated revenue, and as of the end of the year had approximately 6,000 employees, of which approximately 3,800 related to manufacturing.

The North America 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, Kimball International Inc. and Knoll, Inc. Together with Steelcase, these companies represent more than one-half of the U.S. office furniture industry by revenue.

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International Segment

Our International segment serves customers outside of the U.S. and Canada primarily under the Steelcase brand, with an emphasis on freestanding furniture systems, storage and seating solutions. The international office furniture market is highly competitive and fragmented. We compete with many local and regional manufacturers in many different markets. In many cases, these competitors focus on specific product categories. Our largest presence is in Western Europe, where we have the leading market share in Germany, France and Spain. In 2010, approximately 70% of International revenue was from Western Europe. The remaining revenue was from Northern, Central, Eastern and Southern Europe, Latin America, Asia Pacific, the Middle East and Africa. No individual country represents more than 8% of our consolidated revenue.

We serve International customers through approximately 440 independent and company-owned dealers. In certain geographic markets, we sell directly to end-use customers. No single independent dealer in the International segment accounted for more than 3% of the segment s revenue in 2010. The five largest independent dealers collectively accounted for approximately 8% of the segment s revenue.

In 2010, our International segment recorded revenue of $641.6, or 28.0% of our consolidated revenue, and as of the end of the year had approximately 3,300 employees, of which approximately 2,000 related to manufacturing.

Other Category

The Other category includes the Coalesse Group, PolyVision and IDEO.

The Coalesse Group is comprised of the Coalesse and Designtex brands. Coalesse serves the markets of executive office, conference, lounge, teaming environments and residential live/work solutions utilizing a commissioned sales force with revenue primarily generated through our North America dealer network. Designtex primarily sells products specified by architects and designers directly to end-use customers through a direct sales force.

PolyVision designs and manufactures visual communication products, such as static and interactive electronic whiteboards, including a family of interactive electronic whiteboards called çno launched in 2010. PolyVision also manufactures steel and ceramic surfaces for sale to third-party fabricators to create static whiteboards sold in the primary and secondary education markets in the U.S. and Europe. In 2010, PolyVision exited the final portion of the public bid contractor whiteboard fabrication business in the U.S. PolyVision previously manufactured and sold corporate whiteboard and certain other corporate technology products which were transferred to the Steelcase brand in the North America segment during 2009. PolyVision s sales of visual communication products are primarily through audio-visual resellers and our North America dealer network.

IDEO 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, transportation and other industries. We have a collaborative relationship with IDEO which generates innovative solutions and customer experience insights.

In 2008, we entered into an agreement which will allow certain members of the management of IDEO to purchase a controlling equity interest in IDEO in two phases by 2013. The agreement allows us to retain a minimum 20% equity interest in IDEO, and we expect to continue our collaborative relationship with IDEO during and after this ownership transition. As of February 27, 2009, IDEO management effectively purchased 20% of IDEO under the first phase of the agreement. Phase two of the agreement began in 2010 and allows IDEO management to purchase an additional 60% equity interest to be completed by the end of 2012. Phase two also includes a variable compensation program that may provide IDEO management with a portion of the funding for the remaining purchase.

In 2010, the Other category accounted for $412.7, or 18.0% of our total revenue, and as of the end of the year had approximately 1,700 employees, of which approximately 700 related to manufacturing.

Corporate Expenses

Corporate costs include portions of shared service functions such as information technology, human resources, finance, executive, corporate facilities, legal and research. Approximately 82% of corporate expenses were charged to the operating segments in 2010 as part of a corporate allocation. Unallocated corporate expenses are reported as Corporate.

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 complementary products and services. As of February 26, 2010, our investment in these unconsolidated joint ventures and other equity investments was $24.3. Our portion of the income or loss from joint ventures and other equity investments is recorded in *Other income, net* on the Consolidated Statements of Operations.

Customer and Dealer Concentrations

Our largest direct-sale customer accounted for 0.4% of our consolidated revenue in 2010, and our five largest direct-sale customers collectively accounted for 1.6% of our consolidated revenue. However, these percentages do not include revenue from various government agencies. In aggregate, entities purchasing under our U.S. General Services Administration contract collectively accounted for approximately 4% 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 4% of our consolidated revenue in 2010. The five largest independent dealers collectively accounted for approximately 10% of our consolidated revenue. 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 North America segment, and certain markets within the International 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, inventory 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 order; therefore, 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, Europe (principally in France, Germany and Spain) and in Asia (principally in China and Malaysia).

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We have evolved our manufacturing and supply chain systems significantly over the past several years by implementing lean manufacturing principles. In particular, we have focused on implementing continuous one-piece flow, platforming our processes and product offerings, and developing a global network of integrated suppliers. Any operation which cannot be part of one-piece flow may be evaluated to see whether outside partners would offer better levels of service, quality and cost. Our global manufacturing operations are centralized under a single organization to serve our customers needs across multiple brands and geographies.

This approach has reduced the capital needs of our business, inventory levels and the footprint of our manufacturing space, while at the same time, allowing us to improve quality, delivery performance and the customer experience. We continue to identify opportunities to further reduce excess capacity and redundancy while remaining focused on our growth strategies. In 2010, we completed a series of actions to consolidate our manufacturing facilities globally. In 2011, we have initiated a formal procedure of discussions with local work councils regarding a project to reorganize our European manufacturing operations.

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 raw material and component cost savings available through lower cost suppliers around the globe. This global view of potential sources of supply has enhanced our leverage with domestic supply sources, and we have been able to reduce cycle times through improvements from all levels throughout the supply chain.

Our physical distribution system utilizes dedicated fleet, commercial transport and company-owned delivery services. Over the past several years, we have implemented a network of regional distribution centers to reduce freight costs and improve service to our dealers and customers. Some of these distribution centers are located within our manufacturing facilities, and we have engaged third party logistics providers to operate most of these regional distribution centers.

Raw Materials and Energy Prices

We source raw materials and components from a significant number of suppliers around the world. Those raw materials include steel and other metals, plastics, fabrics, wood, paint 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, aluminum, wood, particleboard and petroleum-based products have fluctuated significantly 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 cost, quality and reliability of supply.

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 healthcare, higher education and professional services. Organizationally, global design leadership directs strategy and project work, which is distributed to design studios across our major businesses and often 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

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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, $50.0 and $60.9 in research, design and development activities in 2010, 2009 and 2008, respectively. In 2010, research, design and development spending was down due to benefits from cost reduction efforts, lower variable compensation expense and temporary reductions in employee salaries and retirement benefits. We continue to invest approximately one to two 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 the research, design and development costs since they are variable, based on product sales.

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, Turnstone, Coalesse, IDEO, PolyVision, Designtex, Details and Nurture by 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. We also selectively license our intellectual property to third parties as a revenue source.

Employees

As of February 26, 2010, we had approximately 11,000 employees, including 5,200 hourly employees and 5,800 salaried employees. Additionally, we had approximately 400 temporary workers who primarily work in manufacturing. Approximately 130 employees in the U.S. are covered by collective bargaining agreements. Internationally, approximately 1,100 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 Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room 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-3C, 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 annual report on Form 10-K 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.

Our industry is influenced significantly by cyclical macroeconomic factors.

Our revenues come predominantly from the office furniture industry, and demand for office furniture is influenced heavily by a variety of macroeconomic factors such as corporate profits, non-residential fixed investment, white-collar employment and commercial office construction and vacancy rates. During the past ten years, the U.S. office furniture industry has gone through two major downturns, with consumption declining by more than 30% from calendar year 2000 to 2003 and again from 2007 to 2009, according to the Business and Institutional Furniture Manufacturer s Association. During these downturns, our profitability has been significantly reduced. If the magnitude and frequency of cyclical downturns continues and we are not successful in adapting our business model, our profitability could be further impacted in the future.

The current global recession may have a prolonged adverse effect on our business.

Our revenues have declined significantly since the beginning of the current global recession, from $3.4 billion in 2008 to $2.3 billion in 2010. This decline has had a negative effect on our profitability, as well as the profitability of our dealers. Historically, the office furniture industry has lagged in recovery from an overall economic recovery by two to three quarters; however, due to the global financial crisis underlying this recession, it is possible that business capital spending and employment growth, coming out of this downturn, may be slower than typical, which would extend the recovery timeline for our industry and our company. If the recovery from this recession is prolonged, our results of operations will continue to be negatively impacted. In such circumstances, we may take further action to restructure our business, which would result in additional restructuring costs, and we may delay progress on our growth initiatives. In addition, the profitability and liquidity of our dealers, suppliers and customers could continue to be negatively impacted, which may result in increased provisions for credit losses, manufacturing delays and lower demand for our products.

Failure to respond to workplace trends may adversely affect our revenue and profits.

Changes in technology and the nature and location of work can have a significant impact on the demand for office furniture, the types of products purchased and the geographic location of the demand. For example, in recent years, workplace trends, driven largely by technology and the mobility of workers, have included a reduction in the amount of office floor space allocated per employee, a reduction in size and price of a typical workstation and an increase in telecommuting and work space hoteling. If we are unsuccessful in developing and offering products which respond to changes in the workplace, or if we fail to adapt our business to the geographic changes in where work is performed, our revenue and profits may be adversely affected.

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

We believe our future success depends on our ability to successfully implement and manage growth 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 strategies include:

- protecting and expanding our success in existing markets, by migrating existing customers to newer products and attracting new customers,
- continuing our expansion into adjacent markets such as the mid-market segment (smaller white collar worker firms), healthcare clinical spaces and classrooms and in-between spaces in the education market,
- growing our market share in emerging markets such as China, India and the Middle East,
- investing in acquisitions and new business ventures, and
- developing new alliances and additional channels of distribution.

If we do not implement our strategies successfully, or if our strategies are not sufficient to diversify and expand our revenue stream, our revenues and results of operations may be adversely affected.

Our continuing efforts to restructure our business will result in additional restructuring costs and may result in customer disruption.

Over the past decade, we have implemented significant restructuring actions at an aggregate cost of more than $300. The focus of these actions has been on reinventing our industrial system through implementation of lean manufacturing principles, manufacturing facility consolidation and simplifying our product portfolio, and on reducing our operating expenses through white collar workforce reductions, applying lean-in-the-office principles, reinventing work processes and opening shared services centers in Malaysia and Mexico. Since 2000, we have reduced our manufacturing footprint (measured in square footage) globally by more than 50%, and our total number of employees globally has declined from 20,900 to 11,000. We continue to evolve and optimize our business model to be flexible and agile in meeting changing demand, and additional restructuring actions may be necessary as we continue to evolve our cost structure.

The success of our restructuring initiatives is dependent on several factors, including our ability to manage these actions without disrupting existing customer commitments. Further, these actions may not be accomplished as quickly or effectively as anticipated and may distract management from other activities, and we may not realize the benefits of our restructuring activities, either of which would have a negative impact on our results of operations.

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Our investments in company-owned life insurance may continue to have a material effect on our earnings.

We have invested in company-owned life insurance policies as a long-term funding source for certain employee post-retirement medical benefit, deferred compensation and supplemental retirement plan obligations. As of February 26, 2010, the cash surrender value of these investments was $209.6 on our Consolidated Balance Sheet. A portion of these policies are variable life insurance policies which are invested, at our direction, in equity and fixed income investments. As a result, the cash surrender values of these policies can increase or decline significantly based on volatility in the capital markets, which in turn can have a significant impact on our results of operations. During 2009, declines in the investments within our variable life insurance policies resulted in a non-tax deductible loss of $(42.1), and during 2010, we recorded non-taxable income of $33.3 from these policies.

Our global presence subjects us to risks that may negatively affect our profitability and financial condition.

We have manufacturing facilities and sales, administrative and shared services offices in many countries, and as a result, we are subject to risks associated with doing business globally. Our global presence is subject to risks that may limit our ability to design, develop, manufacture, or sell products in particular countries, which in turn could have an adverse effect on our results of operations and financial condition, including:

- political, social and economic instability,
- intellectual property protection challenges,
- differing employment practices and labor issues,
- local business and cultural factors that differ from our global business standards and practices,
- regulatory requirements and prohibitions that differ between jurisdictions, including regulations governing trade between countries,
- restrictions on our operations by governments seeking to support local industries, nationalization of our operations and restrictions on our ability to repatriate earnings,
- natural disasters, security concerns, including crime, political instability, terrorist activity, armed conflict and civil or military unrest and global health issues, and
- fluctuations in the rate of currency exchange and currency controls.

We may be adversely affected by changes in raw material and commodity costs.

We procure raw materials from a significant number of sources globally. These raw materials are not rare or unique to our industry. The cost of petroleum-based products, steel, wood, particleboard, aluminum, copper and other commodities, such as fuel and energy, has fluctuated significantly in recent years due to changes in global supply and demand. These changes can also lead to supply interruptions. Our gross margins could be affected if these types of costs continue to fluctuate. In the short term, rapid changes in raw material costs can be very difficult to offset with price increases because of contractual agreements we have entered into with our customers and are difficult to find effective financial instruments to hedge against. Also, if we are not successful in passing along higher raw material costs to our customers, because of competitive pressures, our profitability could be negatively impacted.

Disruptions to the supply of raw materials, component parts and labor in our manufacturing operations could adversely affect our supply chain management.

We are reliant on the timely flow of raw materials and components from third party suppliers and labor in our own manufacturing operations. The flow of such materials and components may be affected by:

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

Our migration to a less vertically integrated manufacturing model has increased our reliance on a global network of suppliers. Any disruptions in the supply and delivery of component parts and products or deficiencies in our ability to develop and manage our network of suppliers could have an adverse impact on our business, operating results or financial condition.

Disruptions within our dealer network could adversely affect our business.

We rely largely on a network of over 650 independent and company-owned dealers to market, deliver and install our products to customers. Our business is influenced by our ability to initiate and manage new and existing relationships with dealers. We have relatively low turnover of dealers in a typical year.

From time to time, we or a dealer may choose to terminate our relationship, or the dealer could face financial difficulty leading to failure or difficulty in transitioning to new ownership. In addition, our competitors could engage in a strategy to attempt to acquire or convert a number of our dealers to carry their products. 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. However, 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 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. Establishing new dealers in a market can take considerable time and resources.

A portion of our distribution network is company-owned because of the need for us to make financial investments in dealerships in order to preserve our market share and profitability in the affected regions. In certain markets, with certain customers and, to a limited extent, in the retail sales segment, we have adopted a direct model of distribution through which we establish company-owned sales and service capabilities. Our direct-sale and owned-dealer models sell non-Steelcase products where product gaps exist. If we are not able to effectively manage these businesses, they could have a negative effect on our operating results.

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.

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 reasonably possible 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 profitability. During 2008 and 2009, we recorded goodwill and intangible asset impairments of $21.1 and 65.2, respectively. No goodwill or intangible asset impairments were recorded in 2010.

We test goodwill for impairment by first comparing the carrying value of net assets to the estimated fair value of the reporting unit. We estimate the fair values of the reporting units primarily using discounted cash flows. Forecasts of future cash flows are based on our best estimate of various factors. In addition, estimates of fair value are impacted by estimates of the weighted average costs of capital. Changes in these forecasts and estimates could significantly change the amount of impairment recorded, if any.

Our cost of borrowing may increase which could adversely affect our business, results of operations and financial condition.

Our cost of borrowing and ability to access the capital markets are affected by market conditions and credit ratings assigned to our long-term debt by the major credit rating agencies. These ratings are based, in significant part, on our financial performance as measured by credit metrics such as interest coverage and leverage ratios, as well our business risk profile, which captures factors such as brand strength, scale and diversification of revenues. As of February 26, 2010, our long-term debt ratings are BBB- on CreditWatch from Standard & Poor s and Ba1 with a negative outlook from Moody s Investor Service.

Although our current cash and cash equivalents and short-term investment balances, cash generated from future operations, funds available from COLI and funds available under our credit facilities are expected to be sufficient to finance our known or foreseeable needs, a prolonged or further decline in demand could impact our financial performance and associated credit metrics which could lead to downgrades of our credit ratings. Any such downgrade may increase our cost of borrowing or limit our access to the capital markets, either of which could have an adverse impact on our business, results of operations and financial condition. A ratings downgrade could also cause us to contemplate changes in our liquidity position and capital structure, including the amount of cash and cash equivalents and short-term investments or the structure and level of debt that we maintain.

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) totaling $55.0 which reside primarily in various non-U.S. jurisdictions and reflect a $34.6 valuation allowance. We may be unable to generate sufficient taxable income from future operations in the applicable jurisdiction or implement tax, business or other planning strategies to fully utilize the estimated 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.

We operate in a highly competitive environment and may not be able to compete successfully.

The office furniture industry is highly competitive, with a number of competitors offering similar categories of product. We compete on a variety of factors, including: brand recognition and reputation, price, lead time, delivery and service, insight from our research, product design and features, product quality, strength of dealers and other distributors and relationships with customers and key influencers, such as architects, designers and facility managers. The competitors that we face, our market share and our competitiveness on the factors stated above can vary significantly by geographic location within the U.S. and internationally. If we do not continue to compete successfully, our business could be adversely affected.

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 in excess of that needed 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 50,000 square feet are as follows:

Segment/Category Primarily Supported	Number of Principal Locations	Owned	Leased
North America	10	7	3
International	10	8	2
Other	8	4	4
Total	28	19	9

In 2010, we closed a leased manufacturing facility in North America, and we opened two new leased manufacturing facilities, in China and Mexico, which were opened to replace other manufacturing facilities as a part of our actions to consolidate manufacturing and are included in the table above.

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. Reserved:

None.

Supplementary Item. Executive Officers of the Registrant:

Our executive officers are:

Name	Age	Position
Sara E. Armbruster	39	Vice President, WorkSpace Futures and Corporate Strategy
Mark A. Baker	49	Senior Vice President, Global Operations Officer
James P. Hackett	55	President and Chief Executive Officer, Director
Nancy W. Hickey	58	Senior Vice President, Chief Administrative Officer
James P. Keane	50	President, Steelcase Group
Frank H. Merlotti, Jr.	59	President, Coalesse
James G. Mitchell	60	President, Steelcase International
Mark T. Mossing	52	Corporate Controller and Chief Accounting Officer
Lizbeth S. O Shaughnessy	48	Vice President, Chief Legal Officer and Secretary
David C. Sylvester	45	Vice President, Chief Financial Officer

Sara E. Armbruster has been Vice President, WorkSpace Futures and Corporate Strategy since May 2009. Ms. Armbruster was Vice President, Corporate Strategy from 2007 to May 2009. Prior to joining Steelcase in 2007, Ms. Armbruster was employed by Banta Corporation, a printing and supply chain management services company based in Menasha, Wisconsin, where she led Banta s strategy and business development functions, serving as Vice President, Business Development from April 2006 to January 2007 and Director, Business Development from March 2003 to April 2006.

Mark A. Baker has been Senior Vice President, Global Operations since September 2004 and has been employed by Steelcase since 1995.

James P. Hackett has been President, Chief Executive Officer and Director since December 1994. Mr. Hackett also serves as a member of the Board of Trustees of the Northwestern Mutual Life Insurance Company and the Board of Directors of Fifth Third Bancorp. Mr. Hackett has been employed by Steelcase since 1981.

Nancy W. Hickey has been Senior Vice President, Chief Administrative Officer since November 2001 and also served as Secretary on an interim basis from March to July 2007. Ms. Hickey has been employed by Steelcase since 1986.

James P. Keane has been President, Steelcase Group since October 2006. Mr. Keane was Senior Vice President, Chief Financial Officer from 2001 to October 2006 and has been employed by Steelcase since 1997.

Frank H. Merlotti, Jr. has been President, Coalesse since October 2006 (Coalesse was known as the Premium Group from October 2007 to June 2008 and the Design Group from October 2006 to October 2007). Mr. Merlotti has been employed by Steelcase since 2002 and from 2002 to October 2006, he held the position of President, Steelcase North America.

James G. Mitchell has been President, Steelcase International since June 2004 and has been employed by Steelcase since 1993.

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

Lizbeth S. O Shaughnessy has been Vice President, Chief Legal Officer and Secretary since July 2007 and was Assistant General Counsel from 2000 to July 2007. From 2005 to July 2007, Ms. O Shaughnessy also held the position of Assistant Secretary. Ms. O Shaughnessy has been employed by Steelcase since 1992.

David C. Sylvester has been Vice President, Chief Financial Officer since October 2006 and was Vice President, Global Operations Finance from 2005 to October 2006. Mr. Sylvester has been employed by Steelcase since 1995.

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 13 to the consolidated financial statements for additional information. As of the close of business on April 23, 2010, we had outstanding 132,974,496 shares of common stock with 8,462 shareholders of record. Of these amounts, 83,899,442 shares are Class A Common Stock with 8,355 shareholders of record and 49,075,054 shares are Class B Common Stock with 107 shareholders of record.

Class A Common Stock Per Share Price Range	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2010				
High	$ 5.87	$ 7.54	$ 7.68	$ 7.15
Low	$ 3.03	$ 4.63	$ 4.98	$ 5.37
Fiscal 2009				
High	$ 14.51	$ 12.83	$ 11.91	$ 6.62
Low	$ 10.50	$ 8.92	$ 5.08	$ 3.96

Dividends

The declaration of dividends is subject to the discretion of our Board of Directors and to compliance with applicable laws. Dividends in 2010 and 2009 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 global committed, syndicated credit facility contains a restricted payment covenant which establishes a maximum level of dividends and/or other equity-related distributions or payments (such as share repurchases) we may make in a fiscal year. We are permitted to make dividends and/or other equity-related distributions or payments of up to $25 per year provided we remain compliant with the financial covenants and other conditions set forth in the credit agreement. We are permitted to make dividends and/or other equity-related distributions or payments in excess of $25 in a fiscal year to the extent that our Liquidity (as defined in the credit agreement) and Leverage Ratio (as defined in the credit agreement) meet certain thresholds set forth in the credit agreement. Under this provision, we were permitted to make dividends and/or other equity-related distributions of up to $96 as of February 26, 2010. See Note 11 for additional information.

Total Dividends Paid

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2010	$ 10.7	$ 5.4	$ 5.4	$ 5.4	$ 26.9

2009	$ 20.3	$ 20.2	$ 20.2	$ 10.6	$ 71.3

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Fourth Quarter Share Repurchases

The following table is a summary of share repurchase activity during Q4 2010:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
11/28/09 1/1/10	1,796	$ 6.13		$ 210.8
1/2/10 1/29/10				210.8
1/30/10 2/26/10	42,646	$ 6.58		210.8
Total	44,442 (2)			

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

(2) All of these shares were repurchased to satisfy participants tax withholding obligations upon the vesting of stock awards, pursuant to the terms of our Incentive Compensation Plan.

Item 6. Selected Financial Data:

Financial Highlights	February 26, 2010	February 27, 2009	February 29, 2008 (1)	February 23, 2007	February 24, 2006
Operating Results					
Revenue	$ 2,291.7	$ 3,183.7	$ 3,420.8	$ 3,097.4	$ 2,868.9
Revenue increase (decrease)	(28.0)%	(6.9)%	10.4%	8.0%	9.8%
Income (loss) before income tax expense (benefit)	$ (31.1)	$ (8.8)	$ 211.4	$ 124.6	$ 76.4
Income (loss) before income tax expense (benefit) % of revenue	(1.4)%	(0.3)%	6.2%	4.1%	2.7%
Net income (loss)	$ (13.6)	$ (11.7)	$ 133.2	$ 106.9	$ 48.9
Net income (loss) % of revenue	(0.6)%	(0.4)%	3.9%	3.5%	1.7%
Supplemental Operating Data:					
Restructuring costs	$ 34.9	$ 37.9	$ (0.4)	$ 23.7	$ 38.9

Goodwill and intangible assets impairment charges	$	$ 65.2	$ 21.1	$ 10.7	$
COLI income (loss)	$ 38.7	$ (36.6)	$ 4.1	$ 15.9	$ 10.7
Per Share Data					
Net income (loss):					
Basic	$ (0.10)	$ (0.09)	$ 0.93	$ 0.72	$ 0.33
Diluted	$ (0.10)	$ (0.09)	$ 0.93	$ 0.71	$ 0.33
Dividends paid common stock (2)	$ 0.20	$ 0.53	$ 2.35	$ 0.45	$ 0.33
Financial Condition					
Working capital	$ 209.9	$ 231.8	$ 251.7	$ 585.5	$ 291.9
Total assets	$ 1,681.9	$ 1,750.0	$ 2,124.4	$ 2,399.4	$ 2,344.5
Long-term debt	$ 293.4	$ 250.8	$ 250.5	$ 250.0	$ 2.2

(1) The fiscal year ended February 29, 2008 contained 53 weeks. All other years shown contained 52 weeks.

(2) Includes special cash dividend of $1.75 per share paid in January 2008.

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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.

Financial Summary

Results of Operations

Income Statement Data Consolidated	Year Ended February 26, 2010		February 27, 2009		February 29, 2008	
Revenue	$ 2,291.7	100.0%	$ 3,183.7	100.0%	$ 3,420.8	100.0%
Cost of sales	1,619.9	70.7	2,236.7	70.3	2,322.6	67.9
Restructuring costs	22.0	0.9	23.9	0.7	(0.4)	
Gross profit	649.8	28.4	923.1	29.0	1,098.6	32.1
Operating expenses	648.4	28.3	842.9	26.5	874.7	25.6
Goodwill and intangible assets impairment charges			65.2	2.0	21.1	0.6
Restructuring costs	12.9	0.6	14.0	0.5		
Operating income (loss)	(11.5)	(0.5)	1.0	0.0	202.8	5.9
Other income (expense), net	(19.6)	(0.9)	(9.8)	(0.3)	8.6	0.3
Income (loss) before income tax expense (benefit)	(31.1)	(1.4)	(8.8)	(0.3)	211.4	6.2
Income tax expense (benefit)	(17.5)	(0.8)	2.9	0.1	78.2	2.3
Net income (loss)	$ (13.6)	(0.6)%	$ (11.7)	(0.4)%	$ 133.2	3.9%

Overview

2010 compared to 2009

We recorded a net loss of $13.6 in 2010 compared to a net loss of $11.7 in 2009. The year over year comparison is significantly impacted by results from company-owned life insurance (COLI), which generated significant income in 2010 compared to significant losses in 2009. 2009 also included $65.2 of goodwill and intangible asset impairment charges. Beyond COLI and prior year impairment charges, the 2010 deterioration was primarily driven by lower volume, which was partially offset by benefits from restructuring activities and other cost reduction efforts, lower commodity costs, lower variable compensation expense and temporary reductions in employee salaries and retirement benefits.

Our revenue decreased $892.0 or 28.0% in 2010 compared to 2009. Current year revenue was negatively impacted by approximately $31 from currency translation effects and $22 of sales related to divestitures compared to 2009. The global economic slowdown and turmoil in the capital markets had the effect of significantly decreasing the demand for office furniture in 2010. 2010 revenue declines were broad-based, significantly affecting almost all of our geographies, vertical markets and product categories. However, percentage declines compared to the prior year moderated in Q4 2010, as we entered this downturn beginning in Q3 2009.

Cost of sales increased to 70.7% of revenue in 2010, a 40 basis point deterioration compared to 2009. The deterioration was driven largely by lower absorption of fixed costs associated with the revenue decline, partially mitigated by benefits from restructuring activities and other cost reduction efforts. The deterioration was also offset by approximately:

210 basis points due to lower commodity costs,

190 basis points due to an increase in COLI income,

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80 basis points related to temporary reductions in employee salaries and retirement benefits, and

70 basis points related to a reduction in variable compensation expense.

Operating expenses decreased by $194.5 compared to 2009. The decrease was primarily due to benefits from restructuring activities and other cost reduction efforts and the following:

an increase in COLI income of $32,

a reduction of $27 in variable compensation expense,

temporary reductions in employee salaries and retirement benefits of $21,

an $8.5 impairment charge in 2009 related to a corporate aircraft classified as held for sale, and

favorable currency translation effects of $7.

There were no goodwill and intangible assets impairment charges in 2010. Goodwill and intangible assets impairment charges in 2009 were primarily related to PolyVision, which is included in the Other category. These charges were primarily due to the impact of the substantial decline in our stock price and market capitalization. As part of our annual goodwill impairment testing, we prepared a reconciliation of the fair value of our reporting units to our adjusted market capitalization as of February 27, 2009. Through this reconciliation process, we determined the fair value of PolyVision (using a discounted cash flow method) was less than its carrying value, resulting in non-cash impairment charges of $63.0 in Q4 2009.

Operating income decreased by $12.5 in 2010 compared to 2009. The North America segment declined $10.3 due to the reduction in revenue, partially offset by benefits from restructuring and other cost reduction efforts, the increase in cash surrender value of COLI, lower commodity costs, temporary reductions in employee salaries and retirement benefits, lower variable compensation expense and lower restructuring costs. The International segment declined $76.5 primarily due to the decline in revenue as well as higher restructuring costs, partially offset by lower variable compensation expense and lower commodity costs. The Other category increased by $64.7 primarily due to prior year impairment charges at PolyVision. Lower revenue in the Other category was mitigated by reductions in operating expenses and lower restructuring costs. Corporate expenses decreased by $9.6.

We recorded restructuring costs of $34.9 in 2010 compared to $37.9 in 2009. The 2010 charges primarily related to the consolidation of additional manufacturing and distribution facilities and employee termination costs related to the reduction of our global white-collar workforce. See further discussion and detail of these items in the *Segment Disclosure* analysis below and in Note 19 to the consolidated financial statements.

2009 compared to 2008

We recorded a net loss of $11.7 in 2009 compared to net income of $133.2 in 2008. The 2009 deterioration was driven by a number of factors, including lower volume within our North America segment and Other category, increased impairment charges and restructuring costs, a significant reduction in cash surrender value of COLI, lower interest income and higher commodity cost inflation which exceeded benefits from pricing actions. These factors were partially offset by lower variable compensation expense and benefits from restructuring activities and other cost reduction efforts completed during the year.

Our revenue decreased $237.1 or 6.9% in 2009 compared to 2008. 2009 revenue was negatively impacted by $30.8 of revenue related to net divestitures compared to 2008 and an estimated $45 from an extra week of shipments in the prior year, as our fiscal year 2008 consisted of 53 weeks. The balance of the decline in 2009 revenue was in our North America segment and Other category. The overall global economic slowdown in the last six months of 2009 and factors contributing to the turmoil in the capital markets decreased the demand for office furniture, though revenue in our International segment did not initially deteriorate as quickly as in our North American segment.

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Cost of sales increased to 70.3% of revenue in 2009, a 240 basis point deterioration compared to 2008. We estimate that the majority of the deterioration was due to lower fixed cost absorption related to lower volume, which had the effect of increasing cost of sales as a percent of revenue compared to the prior year. Other factors contributing to the increase were a reduction in cash surrender value of COLI, which accounted for approximately 80 basis points of the decline, and higher commodity cost inflation, which exceeded benefits from pricing actions and occurred primarily within our North America segment, impacting consolidated cost of sales by approximately 40 basis points. The deterioration in cost of sales was partially mitigated by lower variable compensation expense, which improved cost of sales by approximately 60 basis points, and benefits from restructuring activities and other cost reduction efforts completed during the year.

Operating expenses decreased by $31.8 compared to 2008, with approximately $40 of lower variable compensation in 2009 and an estimated $12 of expenses associated with the additional week in 2008, partially offset by a $13.8 decline in cash surrender value of COLI and an $8.5 impairment charge related to a corporate aircraft classified as held for sale. Operating expenses increased as a percent of revenue due to reduced volume leverage.

Goodwill and intangible assets impairment charges were primarily related to PolyVision, which is included in the Other category. These charges in 2009 were primarily due to the impact of the substantial decline in our stock price and market capitalization. As part of our annual goodwill impairment testing, we prepared a reconciliation of the fair value of our reporting units to our adjusted market capitalization as of February 27, 2009. Through this reconciliation process, we determined the fair value of PolyVision (using a discounted cash flow method) was less than its carrying value, resulting in non-cash impairment charges of $63.0 in Q4 2009.

Operating income decreased by $201.8 in 2009 compared to 2008. The North America segment declined $100.0 due to the reduction in revenue, the decline in cash surrender value of COLI and increased restructuring costs, partially offset by lower variable compensation expense. The International segment declined $16.0 primarily due to a decline in revenue in Q4 2009 compared to the prior year. The Other category declined $84.7 due to higher impairment charges at PolyVision and a decline in revenue in the Coalesse Group and PolyVision, as well as inefficiencies associated with the consolidation of manufacturing activities in the Coalesse Group.

We recorded restructuring costs of $37.9 in 2009, compared to net restructuring credits of $0.4 in 2008. The 2009 charges primarily related to the consolidation of additional manufacturing and distribution facilities and employee termination costs related to the reduction of our global white-collar workforce. See further discussion and detail of these items in the *Segment Disclosure* analysis below and in Note 19 to the consolidated financial statements.

Other Income (Expense), Net and Effective Income Tax Rate

	Year Ended		
Other Income (Expense), Net	**February 26, 2010**	**February 27, 2009**	**February 29, 2008**
Interest expense	$ (18.2)	$ (17.0)	$ (16.9)
Other income (expense), net:			
Interest income	3.1	5.8	23.0
Equity in income of unconsolidated ventures	1.2	4.7	4.9
Foreign exchange gain (loss)		(5.9)	4.0
Miscellaneous, net	(5.7)	2.6	(6.4)
Total other income (expense), net	(1.4)	7.2	25.5

Total interest expense and other income (expense), net	$	(19.6)	$	(9.8)	$	8.6
Effective income tax rate		56.3%		(33.0)%		37.0%

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Interest expense increased in 2010 due to an increase in debt associated with the financing of our corporate aircraft. Interest income decreased in 2009 compared to 2008 due to lower average cash and investment balances and lower interest rates.

Within *Miscellaneous, net,* 2010 results included a $2.5 charge recorded in connection with the liquidation of an unconsolidated joint venture and $1.3 of demolition costs related to an idle facility, partially offset by $3.3 of net gains related to various non-operating investments. 2009 results included a gain of $6.6 related to the sale of an investment, partially offset by $2.0 of impairment charges related to our investments in auction rate securities.

Our 2010 effective tax rate was favorably impacted by $38.7 of non-taxable income associated with increases in cash surrender value of COLI and negatively impacted by increases in valuation allowances of $8.9. Our 2009 effective tax rate was negatively impacted by $36.6 of non-deductible losses associated with declines in cash surrender value of COLI, and favorably impacted by $7.5 of tax reserve reductions related to the completion of U.S. Internal Revenue Service examinations of 2004 through 2008. See further discussion and detail of these items in Note 14 to the consolidated financial statements.

Segment Disclosure

We operate on a worldwide basis within North America and International reportable segments plus an Other category. Our Other category includes the Coalesse Group, PolyVision and IDEO. Unallocated corporate expenses are reported as Corporate. Additional information about our reportable segments is contained in Item 1: *Business* and Note 17 to the consolidated financial statements included within this report.

North America

Income Statement Data North America								
				Year Ended				
		February 26, 2010			February 27, 2009			February 29, 2008	
Revenue	$ 1,237.4	100.0%	$ 1,740.0	100.0%	$ 1,936.6	100.0%		
Cost of sales	877.1	70.9	1,256.4	72.2	1,348.2	69.7		
Restructuring costs	7.0	0.5	14.0	0.8	0.8			
Gross profit	353.3	28.6	469.6	27.0	587.6	30.3		
Operating expenses	293.5	23.7	394.5	22.7	420.9	21.7		
Restructuring costs	3.4	0.3	8.4	0.5				
Operating income	$ 56.4	4.6%	$ 66.7	3.8%	$ 166.7	8.6%		

2010 compared to 2009

Operating income in the North America segment decreased by $10.3 in 2010 compared to 2009. The decline was primarily driven by the reduction in volume, mostly offset by benefits from restructuring activities and other cost reduction efforts, higher COLI income, lower commodity costs, temporary reductions in employee salaries and retirement benefits, lower variable compensation expense and lower restructuring costs.

North America revenue, which accounted for 54.0% of consolidated 2010 revenue, decreased by $502.6 or 28.9% from 2009. A divestiture in Q2 2009 and the deconsolidation of a dealer in Q3 2010 had the effect of decreasing revenue by $17 as compared to 2009. Current year revenue was also negatively impacted by an estimated $4 from currency translation effects related to our subsidiary in Canada as compared to 2009. The remaining decrease in revenue was primarily due to decreased volume across most of our vertical markets (except for the U.S. Federal government), geographic regions and product categories. The revenue declines within higher education, state and local government and healthcare were less than the declines experienced in other vertical markets. In addition, the revenue decline in the financial

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services vertical market was lower than the average decline in 2010, as this vertical market entered the downturn earlier than other markets and experienced a significant decline in 2009.

Cost of sales as a percent of revenue decreased 130 basis points compared to the prior year. 2010 results benefited from restructuring activities and other cost reduction efforts. The improvement was also driven by approximately:

- 350 basis points favorable impact related to an increase in COLI income,
- 300 basis points due to lower commodity costs,
- 130 basis points related to temporary reductions in employee salaries and retirement benefits, and
- 90 basis points related to lower variable compensation expense.

These benefits more than offset the negative effects of lower fixed cost absorption related to lower volume.

Operating expenses were 23.7% of revenue in 2010 compared to 22.7% of revenue in 2009. Operating expenses decreased in absolute dollars compared to 2009 primarily due to benefits from restructuring activities and other cost reduction efforts and the following:

- an increase in COLI income of $31,
- temporary reductions in employee salaries and retirement benefits of $17,
- lower variable compensation expense of $14, and
- non-cash impairment charges of $12 in 2009.

Restructuring costs of $10.4 in 2010 primarily consisted of employee termination costs related to the reduction of our white-collar workforce and the closure of manufacturing facilities.

2009 compared to 2008

Operating income in the North America segment decreased by $100.0 in 2009 compared to 2008. The 2009 deterioration was driven by lower volume, decreases in cash surrender value of COLI, higher commodity cost inflation which exceeded benefits from pricing actions and increased restructuring costs and impairment charges, partially offset by lower variable compensation expense and benefits from restructuring activities and other cost reduction efforts completed during the year.

North America revenue, which accounted for 54.7% of consolidated 2009 revenue, decreased by $196.6 or 10.2% from 2008. Net divestitures had the effect of decreasing revenue by $54.3 as compared to 2008. 2009 revenue was also negatively impacted by an estimated $34 from an extra week of shipments in the prior year and approximately $6 from currency translation effects related to our subsidiary in Canada. The remaining decrease in revenue was primarily due to decreased volume across most of our vertical markets and geographic regions throughout the U.S. These declines were mitigated in part by relative stability in the federal government, healthcare, technology and higher education vertical markets. Order rates deteriorated significantly throughout the second half of 2009 as business capital spending declined in connection with the deteriorating U.S. and global economic environment, which we believe led to an increase in project deferrals and cancellations.

Cost of sales as a percent of revenue increased 250 basis points compared to the prior year. The deterioration was primarily the result of lower fixed cost absorption related to lower volume. Other factors contributing to the increase were a reduction in cash surrender value of COLI, which represented 130 basis points of the decline, and higher commodity cost inflation which exceeded benefits from pricing actions and represented an estimated 60 basis points of the decline. The deterioration in cost of sales was partially offset by reduced variable compensation expense, which improved cost of sales by approximately 40 basis points, and benefits from restructuring activities and other cost reduction efforts.

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Operating expenses were 22.7% of revenue in 2009, compared to 21.7% of revenue in 2008. Operating expenses decreased in absolute dollars compared to 2008 primarily due to variable compensation expense which was $32.0 lower than in 2008, an $11.4 reduction resulting from net divestitures and benefits from restructuring activities and other cost reduction efforts, partially offset by a $14.1 impact from the decline in cash surrender value of COLI and an $8.5 impairment charge related to a corporate aircraft classified as held for sale.

Restructuring costs of $14.0 in 2009 included in gross profit primarily consisted of move and severance costs associated with the closure of three manufacturing facilities within our network. Restructuring costs of $8.4 included in operating expenses primarily consisted of employee termination costs related to the reduction of our white-collar workforce.

International

	Year Ended					
Income Statement Data International	**February 26, 2010**		**February 27, 2009**		**February 29, 2008**	
Revenue	$ 641.6	100.0%	$ 922.2	100.0%	$ 893.8	100.0%
Cost of sales	454.1	70.8	629.1	68.2	598.1	66.9
Restructuring costs	11.5	1.8	0.3		(2.0)	(0.2)
Gross profit	176.0	27.4	292.8	31.8	297.7	33.3
Operating expenses	204.9	31.9	250.1	27.2	240.7	26.9
Restructuring costs	6.6	1.0	1.7	0.2		
Operating income (loss)	$ (35.5)	(5.5)%	$ 41.0	4.4%	$ 57.0	6.4%

2010 compared to 2009

International reported an operating loss of $35.5 in 2010 compared to operating income of $41.0 in 2009. The 2010 deterioration was primarily driven by a significant decline in revenue and higher restructuring costs. Cost reduction efforts were only able to offset a portion of the negative effect of lower volume, as the pace of cost structure changes in our larger International markets was tempered by the process of negotiating with the related work councils.

In addition, our results in the United Kingdom continue to be negatively affected by unfavorable currency impacts, and we continue to fund our expansionary efforts in China and India. In the aggregate, these businesses reported an operating loss of approximately $24 in 2010 and $19 in 2009.

International revenue, which accounted for 28.0% of consolidated 2010 revenue, declined by $280.6 or 30.4%. Current year revenue was negatively impacted by approximately $28 from currency translation effects and $5 of sales related to divestitures as compared to 2009. The decrease in revenue was primarily due to the impact of the global economic slowdown on the demand for office furniture across all International markets. The revenue percentage declines within China, Eastern Europe, the United Kingdom and Latin America were deeper than those experienced in other geographic regions.

Cost of sales as a percentage of revenue increased by 260 basis points in 2010 compared to 2009. The 2010 deterioration was almost entirely due to lower fixed cost absorption related to lower volume, partially offset by benefits from restructuring activities and other cost reduction efforts. The deterioration was also partially offset by approximately 120 basis points related to lower commodity costs and 60 basis points related to lower variable compensation expense.

Operating expenses were 31.9% of revenue in 2010 compared to 27.2% of revenue in 2009. 2010 operating expenses decreased in absolute dollars compared to 2009 primarily due to benefits from restructuring activities and other cost reduction efforts, a reduction in variable compensation expense of $8 and favorable currency translation effects of $7.

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Restructuring costs of $18.1 incurred in 2010 primarily consisted of employee termination costs related to workforce reductions, mainly in Europe, as well as consolidation of manufacturing in Asia.

2009 compared to 2008

International reported operating income of $41.0 in 2009, a decrease of $16.0 compared to 2008. The 2009 deterioration was driven by higher commodity costs, unfavorable currency impacts in the United Kingdom and significant declines in volume in Q4 2009. Operating income also decreased as a percent of revenue due to the dilutive impact of consolidating our acquisition of Ultra Group Company Limited (Ultra) in Asia in Q4 2008. These decreases were partially offset by improved fixed cost leverage related to higher volume during the first three quarters of 2009 and operational improvements at a small subsidiary which negatively impacted 2008 results.

Revenue increased $28.4 or 3.2% in 2009 compared to 2008 and represented 29.0% of consolidated 2009 revenue. 2009 revenue was positively impacted by $23.5 of incremental revenue related to net acquisitions and approximately $4 from currency translation effects as compared to 2008. Strong growth in revenue in Germany was offset by decreases in Spain, France and the United Kingdom. The increase was partially offset by a substantial drop in revenue in Q4 as the global economic slowdown and related turmoil in the capital markets dramatically decreased the demand for office furniture across all International markets.

Cost of sales increased by 130 basis points as a percent of revenue compared to 2008. The deterioration was primarily due to higher commodity cost inflation, unfavorable currency impacts in the United Kingdom, which represented approximately 30 basis points of the decline, and the dilutive impact of consolidating our acquisition of Ultra in Asia, which represented approximately 30 basis points of the decline.

Operating expenses were 27.2% of revenue in 2009 compared to 26.9% of revenue in 2008. Operating expenses increased by $9.4 in 2009 compared to 2008, primarily due to $8.5 related to net acquisitions and unfavorable currency translation impacts of approximately $3, partially offset by variable compensation expense which was approximately $3 lower than in 2008.

Other

	Year Ended					
Income Statement Data Other	**February 26, 2010**		**February 27, 2009**		**February 29, 2008**	
Revenue	$ 412.7	100.0%	$ 521.5	100.0%	$ 590.4	100.0%
Cost of sales	288.7	70.0	351.2	67.3	376.3	63.8
Restructuring costs	3.5	0.8	9.6	1.9	0.8	0.1
Gross profit	120.5	29.2	160.7	30.8	213.3	36.1
Operating expenses	132.2	32.0	172.9	33.2	186.8	31.6
Goodwill and intangible assets impairment charges			63.2	12.1	21.1	3.6
Restructuring costs	2.9	0.7	3.9	0.7		
Operating income (loss)	$ (14.6)	(3.5)%	$ (79.3)	(15.2)%	$ 5.4	0.9%

2010 compared to 2009

Our Other category includes the Coalesse Group, PolyVision and IDEO. The Other category reported an operating loss of $14.6 in 2010 compared to an operating loss of $79.3 in 2009. The improved results were primarily due to prior year goodwill and intangible assets impairment charges at PolyVision, benefits from restructuring activities and other cost reduction efforts, lower variable compensation expense, lower restructuring costs and temporary reductions in employee salaries and retirement benefits, partially offset by the revenue decline.

We are still experiencing disruption costs associated with the consolidation of manufacturing activities in the Coalesse Group. In addition, PolyVision recently exited the final portion of the public-bid contractor whiteboard fabrication business in North America and is in the process of closing another small break-even business. Thus, we believe additional benefits may accrue over the next few quarters.

2010 revenue decreased by $108.8 or 20.9% compared to 2009. The Coalesse Group experienced a 29% decline, while IDEO and PolyVision posted much lower revenue declines of 13% and 11%, respectively.

Cost of sales as a percent of revenue increased by 270 basis points in 2010 compared to 2009 primarily as a result of lower fixed cost absorption related to lower volume. The negative volume effect was partially offset by benefits from restructuring activities and other cost reduction efforts and lower commodity costs, as well as initial benefits from the exit of the final portion of the PolyVision public-bid contractor whiteboard fabrication business in North America.

Operating expenses were 32.0% of revenue in 2010 compared to 33.2% of revenue in 2009. Operating expenses decreased in absolute dollars compared to 2009 primarily due to benefits from restructuring activities and other cost reduction efforts, lower variable compensation expense and temporary reductions in employee salaries and retirement benefits. There were no goodwill and intangible assets impairment charges in 2010.

Restructuring costs of $6.4 in 2010 primarily related to the closure of two manufacturing facilities: one within the Coalesse Group and one at PolyVision.

2009 compared to 2008

The Other category reported an operating loss of $79.3 in 2009, compared to operating income of $5.4 in 2008. The decline was primarily the result of higher goodwill and intangible assets impairment charges at PolyVision, lower volume within the Coalesse Group and PolyVision, increased restructuring costs and disruption costs associated with the consolidation of manufacturing activities, partially offset by lower variable compensation expense. Additionally, prior to 2009, the Other category also included our Financial Services subsidiary, which had $13.8 of revenue and $8.6 of operating income from Financial Services in 2008, primarily related to residual gains from early lease terminations we originated and funded in prior years.

2009 revenue decreased by $68.9 or 11.7% compared to 2008. The decrease in revenue includes the effects of our decisions to exit a portion of the PolyVision public bid contractor whiteboard fabrication business and to transfer corporate whiteboard and certain other corporate technology products to the Steelcase brand in the North America segment during the first six months of 2009. In addition, the weakening economy in the U.S. contributed to decreases in revenue in the Coalesse Group, PolyVision and IDEO.

Cost of sales as a percent of revenue increased by 350 basis points in 2009 compared to 2008 primarily due to lower fixed cost absorption related to the reduction in volume, higher commodity cost inflation which exceeded benefits from pricing actions and disruption costs associated with the consolidation of manufacturing activities.

Operating expenses were 33.2% of revenue in 2009 compared to 31.6% of revenue in 2008. Operating expenses decreased in absolute dollars compared to 2008 primarily due to variable compensation expense, which was approximately $3 lower than in 2008 and benefits from restructuring activities and other cost reduction efforts.

During the second half of 2009, there was a substantial decline in the market price of our Class A Common Stock and thus our market capitalization. As part of our annual goodwill impairment testing, we prepared a reconciliation of the fair value of our reporting units to our adjusted market capitalization as of February 27, 2009. Through this reconciliation process, we determined that the fair value of PolyVision (using a discounted cash flow method) was less than its carrying value, resulting in non-cash goodwill and intangible assets impairment charges of $63.0 in Q4 2009. See Note 10 to the consolidated financial statements for additional information.

In 2008, we entered into an agreement which will allow certain members of the management of IDEO to purchase a controlling equity interest in IDEO in two phases by 2013. The agreement allows us to retain a minimum 20% equity interest in IDEO, and we expect to continue our collaborative relationship with IDEO during and after this ownership transition. As of February 27, 2009, IDEO management effectively purchased 20% of IDEO under the first phase of the agreement. Phase two of the agreement began in 2010 and allows IDEO management to purchase an additional 60% equity interest to be completed by the end of 2012. Phase two also includes a variable compensation program that may provide IDEO management with a portion of the funding for the remaining purchase. For 2010, the impact of phase two was not material to our results of operations.

Restructuring costs of $13.5 in 2009 primarily related to the closure of two manufacturing facilities: one within the Coalesse Group and one at PolyVision.

Corporate

	Year Ended		
Income Statement Data Corporate	**February 26, 2010**	**February 27, 2009**	**February 29, 2008**
Operating expenses	$ 17.8	$ 27.4	$ 26.3

Corporate costs include portions of shared service functions such as information technology, human resources, finance, executive, corporate facilities, legal and research. Approximately 82% of corporate expenses were charged to the operating segments in 2010 as part of a corporate allocation. Unallocated portions of these expenses are considered general corporate costs and are reported as Corporate.

Corporate costs decreased in 2010 compared to 2009 primarily due to temporary reductions in employee salaries and retirement benefits, lower variable compensation expense and other reductions in discretionary spending.

Liquidity and Capital Resources

Liquidity

As a result of a decline in the level of business activity since 2009, we currently target to maintain approximately $100 in cash and cash equivalents and short-term investments to fund the day-to-day operations of our business, to provide available liquidity for funding investments in growth initiatives and as a cushion against volatility in the economy. Our actual cash and short-term investment balances will fluctuate from quarter to quarter as we plan for and manage certain seasonal disbursements, particularly the annual payment of accrued variable compensation and retirement plan contributions in Q1 of each fiscal year, when applicable. These are general guidelines; we may modify our approach in response to changing market conditions or opportunities. As of February 26, 2010, we held a total of $111.1 in cash and cash equivalents and $68.2 in short-term investments. Our short-term investments are maintained in a managed investment portfolio which consists of short-term investments in U.S. Treasury, U.S. Government agency and corporate debt instruments.

We have investments in COLI with a cash surrender value of $209.6 as of February 26, 2010, with $109.3 related to whole life insurance policies and $100.3 related to variable life insurance policies. These investments, while an available source of liquidity, were made with the intention of utilizing them as a long-term funding source for post-retirement medical benefits, deferred compensation and supplemental retirement plan obligations, which as of February 26, 2010 aggregated approximately $186, with a related deferred tax asset of approximately $76. The cash surrender value of our COLI investments exceeds these long-term benefit obligations on a tax-adjusted basis and therefore, to more efficiently manage our balance sheet and liquidity position, beginning in Q1 2011 we will consider our variable life

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COLI policies to be primarily a source of corporate liquidity. As a result of this change, we may adjust the target asset allocation of the investments in the variable life COLI policies. We continue our intention to utilize our whole life COLI policies as the funding source for post-retirement medical benefits and other employee obligations. We believe the whole life COLI policies, which are with highly-rated insurance companies, represent a stable source for these long-term benefit obligations. This change does not result in our investments in COLI representing a committed funding source for liquidity or long-term employee benefit obligations. They are subject to claims from creditors, and we can designate them to another purpose at any time.

This change will have no impact on the financial statement classification of the net returns in cash surrender value, normal insurance expenses and any death benefit gains related to our investments in whole life COLI policies, which is currently allocated between *Cost of sales* and *Operating expenses* on the Consolidated Statements of Operations consistent with the costs associated with the long-term employee benefit obligations that the investments in whole life policies are intended to fund. However, beginning in Q1 2011, the net returns in cash surrender value, normal insurance expenses and any death benefit gains related to our investments in variable life COLI policies will now be recorded in *Other income (expense), net* on the Consolidated Statements of Operations consistent with our other investments.

We also have investments in auction rate securities (ARS) with a par value of $26.5 and an estimated fair value of $19.6 as of February 26, 2010 and Canadian asset-backed commercial paper restructuring notes (ABCPRN) with a combined par value of Canadian $5.0 and an estimated combined fair value of $3.8 as of February 26, 2010. These securities are included in *Other assets* on the Consolidated Balance Sheets due to the tightening of the U.S. and Canadian credit markets and current lack of liquid markets for these investments. We intend to hold these investments until the market recovers and do not anticipate the need to sell these investments in order to operate our business or fund our growth initiatives. See Note 6 to the consolidated financial statements for additional information.

These funds, in addition to cash generated from future operations and funds available under our credit facilities, are expected to be sufficient to finance our foreseeable liquidity and capital needs.

The following table summarizes our consolidated statements of cash flows:

Cash Flow Summary			Year Ended			
		February 26, 2010		February 27, 2009		February 29, 2008
Net cash flow provided by (used in):						
Operating activities	$	(10.9)	$	104.2	$	249.7
Investing activities		(10.0)		(61.1)		(91.3)
Financing activities		13.0		(132.2)		(484.4)
Effect of exchange rate changes on cash and cash equivalents		1.4		(7.2)		12.7
Net decrease in cash and cash equivalents		(6.5)		(96.3)		(313.3)
Cash and cash equivalents, beginning of period		117.6		213.9		527.2
Cash and cash equivalents, end of period	$	111.1	$	117.6	$	213.9

During 2010, cash and cash equivalents decreased by $6.5 to a balance of $111.1 as of February 26, 2010. Of our total cash and cash equivalents, approximately 52% was located in the U.S. and the remaining 48% was located outside of the U.S., primarily in Canada and Europe.

Cash provided by (used in) operating activities

Cash Flow Data Operating Activities	Year Ended February 26, 2010	February 27, 2009	February 29, 2008
Net income (loss)	$ (13.6)	$ (11.7)	$ 133.2
Depreciation and amortization	74.2	87.3	92.4
Goodwill and intangible assets impairment charges		65.2	21.1
Changes in cash surrender value of COLI	(38.0)	39.0	(1.4)
Deferred income taxes	(18.2)	(4.8)	11.3
Changes in accounts receivable, net, inventories, and accounts payable	61.9	23.8	(13.0)
Changes in other operating assets and liabilities	(82.7)	(119.8)	6.8
Other	5.5	25.2	(0.7)
Net cash provided by (used in) operating activities	$ (10.9)	$ 104.2	$ 249.7

The cash used in operating activities in 2010 and the decrease in cash provided by operating activities in 2009 was primarily due to a significant decline in net income which was driven largely by the recent effects of deteriorating global economic conditions and the related impacts on business capital spending and our revenue. The associated cash generated from reductions in working capital in 2010 and 2009 was offset by Q1 payments of variable compensation and annual funding of retirement contributions related to prior years.

Cash used in investing activities

Cash Flow Data Investing Activities	Year Ended February 26, 2010	February 27, 2009	February 29, 2008
Capital expenditures	$ (35.2)	$ (83.0)	$ (79.6)
Proceeds from disposal of fixed assets	9.4	4.9	27.5
Net purchases (liquidations) of investments	10.9	(15.2)	(42.2)
Divestitures and acquisition		17.5	(13.8)
Proceeds from repayments of notes receivable	3.3	10.0	15.4
Other	1.6	4.7	1.4
Net cash used in investing activities	$ (10.0)	$ (61.1)	$ (91.3)

During 2010, we significantly reduced capital expenditures to conserve cash and maintain liquidity as a result of the deterioration in the global economy. We closely scrutinize capital spending to ensure we are making the right investments to sustain our business and to preserve our ability to introduce innovative, new products. Capital expenditures during 2009 and 2008 included payments of $13.2 and $13.6, respectively, related to replacement corporate aircraft.

In Q1 2010, in connection with the delivery of the replacement corporate aircraft, we traded in an existing aircraft to the manufacturer. The trade-in value of $18.5 was partially used as credit for the final installment of $13.5 related to the replacement corporate aircraft and for a deposit of $1.0 related to an additional replacement aircraft currently scheduled for delivery in Q3 2012. Our corporate aircraft are used primarily to transport our customers to our corporate showroom and design center in Grand Rapids, Michigan. Accordingly, we believe they are an integral part of our sales process.

Net cash used in investing activities in 2010 resulted largely from the purchase of capital assets, partially offset by the net liquidations of short-term investments, which consists primarily of investments in U.S. Treasury, U.S. Government agency and corporate debt instruments. Net cash used in investing activities in 2009 and 2008 included the allocation of $20 and $50, respectively, of cash and cash equivalents into a managed investment portfolio, which consists of short-term investments in

U.S. Treasury, U.S. Government agency and corporate debt instruments. In 2008, we purchased ARS, certain of which we continue to hold due to a current lack of liquidity in the marketplace.

Proceeds from the disposal of fixed assets primarily related to the corporate aircraft and the sale of real estate, facilities and equipment.

Divestitures in 2009 represent the proceeds from the sale of Custom Cable Industries, Inc. and an international dealer. In 2008, the amount related to the acquisition of Ultra, partially offset by cash proceeds from the divestiture of an owned dealer.

Cash provided by (used in) financing activities

		Year Ended	
Cash Flow Data Financing Activities	**February 26, 2010**	**February 27, 2009**	**February 29, 2008**
Borrowings (repayments) of short-term and long-term debt, net	$ 45.5	$ (2.6)	$ 1.4
Excess tax benefit from exercise of stock options and vesting of restricted stock	(1.0)	0.4	1.7
Common stock repurchases, net of issuances	(4.6)	(58.7)	(153.8)
Dividends paid	(26.9)	(71.3)	(333.7)
Net cash provided by (used in) financing activities	$ 13.0	$ (132.2)	$ (484.4)

In Q2 2010, we completed a $47.0 financing of our corporate aircraft to further enhance our liquidity position.

We paid dividends of $0.08 per share in Q1 2010 and $0.04 per share in Q2, Q3 and Q4 2010. We paid dividends of $0.15 per share in Q1, Q2 and Q3 2009 and $0.08 per share in Q4 2009. Dividends in 2008 were $2.35 per share consisting of quarterly dividends of $0.15 per share and a special cash dividend of $1.75 during Q4 2008. During Q1 2011, we announced a quarterly dividend of $0.04 per share.

During 2010, we made common stock repurchases of $4.6, all of which related to our Class A Common Stock. During 2009 and 2008, we made common stock repurchases of $59.2 and $165.3, respectively. All of the 2009 repurchases related to our Class A Common Stock; of the 2008 repurchases, $132.3 related to the repurchase of 7.7 million shares of our Class A Common Stock and $33.0 related to the repurchase of 1.7 million shares of our Class B Common Stock. As of February 26, 2010, $210.8 remained available under our repurchase authorizations. We have no outstanding share repurchase commitments.

Share repurchases of Class A Common Stock to enable participants to satisfy tax withholding obligations upon vesting of restricted stock and restricted stock units, pursuant to the terms of our Incentive Compensation Plan, were $0.4 in 2010. In 2009 and 2008, the repurchases enabling participants to satisfy tax withholdings were $1.7 and $3.2, respectively.

In 2009 and 2008, we received proceeds of $0.5 and $11.5, respectively from the issuance of shares of Class A Common Stock as a result of the exercise of stock options. See Note 13 to the consolidated financial statements for additional information.

Capital Resources

Off-Balance Sheet Arrangements

We are contingently liable under loan and lease guarantees for certain Steelcase dealers and joint ventures 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;

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however, when necessary we record reserves to cover potential losses. See Note 16 to the consolidated financial statements for additional information.

Contractual Obligations

Our contractual obligations as of February 26, 2010 were as follows:

		Payments Due by Period			
		Less than	1-3	3-5	After 5
Contractual Obligations	**Total**	**1 Year**	**Years**	**Years**	**Years**
Long-term debt and short-term borrowings	$ 300.8	$ 7.4	$ 255.0	$ 4.8	$ 33.6
Estimated interest on debt obligations	32.8	18.0	10.9	2.5	1.4
Operating leases	234.6	53.9	78.4	50.3	52.0
Committed capital expenditures	31.5	13.2	18.3		
Purchase obligations	20.4	16.7	3.4	0.3	
Other liabilities	1.3	1.3			
Employee benefit and compensation obligations	232.7	49.2	50.1	37.6	95.8
Total	$ 854.1	$ 159.7	$ 416.1	$ 95.5	$ 182.8

Total consolidated debt as of February 26, 2010 was $300.8. Of our total debt, $249.8 is in the form of term notes due in August 2011 and $45.4 is related to financing initiated in Q2 2010 which is secured by our two corporate aircraft.

We have commitments related to certain sales offices, showrooms, warehouses and equipment under non-cancelable operating leases that expire at various dates through 2019. Minimum payments under operating leases are presented in the contractual obligations table above.

Committed capital expenditures represent obligations we have related to property, plant and equipment purchases and include outstanding commitments of $27.0 to purchase one corporate aircraft that is intended to replace an existing aircraft.

We define purchase obligations as non-cancelable signed contracts to purchase goods or services beyond the needs of meeting current backlog or production.

Other liabilities represent obligations for foreign exchange forward contracts and uncertain tax positions.

Employee benefit and compensation obligations represent contributions and benefit payments expected to be made for our post-retirement, pension, defined contribution, variable compensation plans and our deferred compensation and severance programs. Our obligations related to post-retirement benefit plans are not contractual, and the plans can be amended at the discretion of the Compensation Committee of the 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 12 to the consolidated financial statements for additional information.

The contractual obligations table above is current as of February 26, 2010. 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.

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Liquidity Facilities

Our total liquidity facilities as of February 26, 2010 were:

Liquidity Facilities	Amount
Global committed bank facility	$ 125.0
Various uncommitted lines	70.7
Total credit lines available	195.7
Less:	
Borrowings outstanding	4.6
Standby letters of credit	18.4
Available capacity (subject to covenant constraints)	$ 172.7

The various uncommitted lines may be changed or cancelled by the banks at any time.

Our $125 global committed, syndicated credit facility expires in Q4 2013. At our option, and subject to certain conditions, we may increase the aggregate commitment under the facility by up to $75 by obtaining at least one commitment from one or more lenders. Borrowings under this facility are unsecured and unsubordinated. As of February 26, 2010, there were no borrowings outstanding under the facility, although our availability was limited to $85 as a result of covenant constraints and $15 utilized through an issued letter of credit.

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

- The Eurocurrency rate plus the applicable margin as set forth in the credit agreement, for interest periods of one, two, three or six months, or
- For Floating Rate Loans (as defined in the credit agreement), the highest of the prime rate, the Federal funds 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.

The facility requires us to satisfy two financial covenants:

- A maximum leverage ratio covenant, which is measured by the ratio of Indebtedness (as defined in the credit agreement), minus the amount, if any, of Liquidity (as defined in the credit agreement) in excess of $25, to trailing four quarter Adjusted EBITDA (as defined in the credit agreement, and which includes adjustments for certain cash dividends received, extraordinary or unusual non-cash gains and losses, impairments and cash restructuring charges) and is required to be no greater than 3.0:1.
- A minimum interest coverage ratio covenant, which is measured by the ratio of trailing four quarter Adjusted EBITDA to 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 terms and conditions, including a restricted payment covenant which establishes a maximum level of dividends and/or other equity-related distributions or payments (such as share repurchases) we may make in a fiscal year. We are permitted to make dividends and/or other equity-related distributions or payments of up to $25 per year provided we remain compliant with the financial covenants and other conditions set forth in the credit agreement. We are permitted to make dividends and/or other equity-related distributions or payments in excess of $25 in a fiscal year to the extent that our Liquidity and Leverage Ratio (as defined in the credit agreement) meet certain thresholds set forth in the credit agreement.

As of February 26, 2010, we were in compliance with all covenants under the facility.

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Outstanding borrowings on uncommitted facilities of $4.6 as of February 26, 2010 were primarily related to short-term liquidity management within our International segment. In addition to those borrowings, we had $3.0 as of February 26, 2010 in outstanding standby letters of credit against these uncommitted facilities which primarily relate to our self-insured workers compensation programs. We had no draws on our standby letters of credit during 2010.

Total consolidated debt as of February 26, 2010 was $300.8. Our debt primarily consists of $249.8 in term notes due in Q2 2012 with an effective interest rate of 6.3% and a $45.4 loan at a floating interest rate based on 30-day LIBOR plus 3.35%. The term notes rank equally with all of our other unsecured unsubordinated indebtedness, and they contain no financial covenants. The $45.4 loan has a term of seven years and requires fixed monthly principal payments of $0.2 based on a 20-year amortization schedule with a $30 balloon payment due in Q2 2017. The loan is secured by our two corporate aircraft, contains no financial covenants and is not cross-defaulted to our other debt facilities.

Our long-term debt ratings are BBB- on CreditWatch from Standard & Poor s and Ba1 with a negative outlook from Moody s Investor Service as of February 26, 2010. These ratings are not a recommendation to buy, sell or hold securities, are subject to revision or withdrawal at any time by the rating organization and should be evaluated independently of any other rating. We do not have any rating downgrade triggers that would accelerate the maturity of our debt or an increase in the cost of borrowings under our credit facilities.

Liquidity Outlook

Our current cash and cash equivalents and short-term investment balances, cash generated from future operations, funds available from COLI and funds available under our credit facilities are expected to be sufficient to finance our known or foreseeable liquidity needs.

The deterioration in the global economy has adversely impacted our revenue and operating profitability. Accordingly, we have taken a variety of actions to improve our operating efficiencies and to conserve cash and maintain liquidity.

In 2010, we completed a number of restructuring activities to consolidate manufacturing facilities and reduce our global workforce and other operating costs. In 2011, we have initiated a formal procedure of discussions with local work councils regarding a project to reorganize our European manufacturing operations.

We implemented a temporary reduction in employee salaries and we did not make any contributions to the Steelcase Inc. Retirement Plan for 2010. The wage reductions for salaried employees were reinstated as of the beginning of 2011.

We reduced the cash dividend on our common stock and the level of share repurchases in 2010.

We reduced our level of capital expenditures in 2010 to approximately $35, as compared to $83.0 for 2009, which included $13.2 of progress payments associated with replacement corporate aircraft. We expect 2011 capital expenditures to be approximately $60, including $9 for progress payments associated with a replacement corporate aircraft.

We replaced our global credit facility on December 16, 2009 under modified terms that provide us greater access to borrowings during economic downturns.

Critical Accounting Estimates

Management s Discussion and Analysis of Results of Operations and Financial Condition 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 the Board of Directors and affect all segments of the Company.

Impairment of 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 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 evaluated goodwill and intangible assets using seven reporting units where goodwill is recorded specifically, North America; Europe and Asia Pacific within the International segment; and Coalesse, Designtex, PolyVision and IDEO within the Other category.

Annually in Q4, or earlier if conditions indicate it is necessary, we 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. We also perform an impairment analysis of our intangible assets subject to amortization during interim periods upon the occurrence of certain events or changes in circumstance. An impairment loss is recognized if the carrying amount of a long-lived asset is not recoverable and its carrying amount exceeds its 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.

As of February 26, 2010, we had $183.8 of goodwill and $25.0 of net intangible assets recorded on our Consolidated Balance Sheet as follows:

Reportable Segment	Goodwill	Other Intangible Assets, Net
North America	$ 62.5	$ 10.7
International	48.0	4.6
Other category	73.3	9.7
Total	$ 183.8	$ 25.0

During Q4 2010, 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 valuation (DCF) method and reconciled the fair value of our reporting units to the sum of our total market capitalization plus a 25% control premium (our adjusted market capitalization). The control premium represents an estimate associated with obtaining control of the company in an acquisition of the outstanding shares of Class A Common Stock and Class B Common Stock. The DCF analysis used the present value of projected cash flows and a residual value. 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.

As part of the reconciliation to our adjusted market capitalization, we made adjustments to the estimated future cash flows, as well as the discount rates used in calculating the estimated fair value of the reporting units. The discount rates ranged from 13.5% to 15.0%. Due to the subjective nature of this reconciliation process, these assumptions could change over time, which may result in future impairment charges.

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

Reportable Segment		Enterprise Value Available in Excess of Goodwill
North America	$	154.0
International		110.0
Other category		15.0

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
North America	$	85.0
International		71.0
Other category		(2.0)

Based on the sensitivity analysis above, the Asia Pacific, Coalesse and Designtex reporting units would have had goodwill balances in excess of enterprise value available for goodwill and would have triggered the second step of our impairment testing. These reporting units had recorded goodwill aggregating $11.8, $20.9 and $38.3, respectively as of February 26, 2010.

See Note 2 and 10 to the consolidated financial statements for more information regarding goodwill and other intangible assets.

Income Taxes

Our annual effective tax rate is based on income, statutory tax rates and tax planning strategies available 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 in future years. 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.

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 our deferred tax assets within the jurisdiction from which they arise, we consider all positive and negative evidence. These assumptions require significant judgment about forecasts of future taxable income and are consistent with the internal plans and estimates we are using to manage the underlying business.

Future tax benefits of tax losses and credit carryforwards are recognized to the extent that realization of these benefits is considered more likely than not. As of February 26, 2010, we estimate a potential tax benefit from the operating loss carryforwards before valuation allowances of $89.6, but we have recorded a valuation allowance of $34.6, which reduced our realized tax benefit to $55.0. Additionally, we realized a tax benefit from tax credit carryforwards of $24.8. It is considered more likely than not that a combined benefit of $79.8 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 is established. A 10% decrease in the expected amount of benefit to be realized on the carryforwards would have resulted in a decrease in net income for 2010 of approximately $8.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. In March 2010, the U.S. enacted significant healthcare reform legislation which effectively changes the tax treatment of the federal subsidies received by employers who provide certain prescription drug benefits for retirees (the Medicare Part D subsidy) beginning after December 31, 2012. We are required to recognize the impact of the tax law change in the period in which the law is enacted. In Q1 2011, we expect to recognize a reduction in deferred tax assets related to the Medicare Part D subsidy with an offsetting increase in income tax expense of approximately $12. We are not aware of any other such tax law or rate changes that would have a material effect on our results of operations, cash flows or financial position.

Pension and Other Post-Retirement Benefits

The Company sponsors a number of domestic and foreign plans to provide pension, medical and life insurance benefits to retired employees. As of February 26, 2010 and February 27, 2009, the projected benefit obligation, fair value of plan assets and funded status of these plans are as follows:

	Defined Benefit Pension Plans		Post-Retirement Plans	
	February 26, 2010	**February 27, 2009**	**February 26, 2010**	**February 27, 2009**
Projected benefit plan obligations	$ 83.0	$ 66.1	$ 131.8	$ 117.7
Fair value of plan assets	44.7	35.7		
Funded status	$ (38.3)	$ (30.4)	$ (131.8)	$ (117.7)

The post-retirement medical and life insurance plans are unfunded, but we purchased COLI policies with the intention of utilizing them as a long-term funding source for benefit obligations. The asset values of the COLI policies are not segregated in a trust specifically for the plans, thus are not considered plan assets. Changes in the values of these policies have no effect on the post-retirement benefits expense or benefit obligations recorded in the consolidated financial statements.

As of February 26, 2010, approximately 70% of our defined benefit pension obligations related to our non-qualified supplemental retirement plans that are limited to a select group of management approved by the Compensation Committee. These plans are unfunded, but we purchased COLI policies with the intention of utilizing them as a long-term funding source for benefit obligations. The asset values of the COLI policies are not segregated in a trust specifically for the plans, thus are not considered plan assets. Changes in the values of these policies have no effect on the 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 accumulated obligation include, among others, the discount rate and health cost trend rates. These 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 fund, rates of termination, medical inflation, technology and quality care changes, regulatory requirements, plan changes and governmental coverage changes.

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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 (Ryan ALM 45/95 curve) with a primary focus for our domestic plans. 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.

Based on consolidated obligations as of February 26, 2010, a one percentage point decline in the weighted-average discount rate used for benefit plan measurement purposes would have changed the 2010 benefits expense by approximately $1 and changed the consolidated obligations by approximately $20. 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 pre-65 versus post-65 age groups 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, 2010, our initial rates of 10.0% for pre-age 65 retirees and 6.0% for post-age 65 retirees were trended downward by each year, until the ultimate trend rate of 4.5% is 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.

Based on consolidated obligations as of February 26, 2010, a one percentage point increase or decrease in the assumed healthcare cost trend rates would have changed the 2010 benefits expense by less than $1 and changed the consolidated obligations by approximately $4. All experience gains and losses are amortized using a straight-line method, over at least the minimum amortization prescribed by accounting guidance.

Despite the previously described policies for selecting key actuarial assumptions, we periodically experience material differences between assumed and actual experience. As of February 26, 2010, we had consolidated unamortized prior service credits and net experience gains of $7.0, as compared to $36.8 as of February 27, 2009.

See Note 12 to the consolidated financial statements for additional information on employee benefit obligations.

Forward-Looking Statements

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

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. We transact business in 16 primary currencies worldwide, of which the most significant in 2010 were the euro, the Canadian dollar and the pound sterling. Revenue from foreign locations represented approximately 36% of our consolidated revenue in 2010 and 37% in 2009. 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. 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. In the United Kingdom, our results continue to be negatively affected by unfavorable foreign currency impacts of the weak pound sterling, relative to the euro, as the products we sell in the United Kingdom are primarily manufactured within the euro zone.

We estimate that an additional 10% devaluation of the U.S. dollar against local currencies would not have had a material impact on our operating income in 2010, assuming 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 disclosed 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, 2010, the cumulative net currency translation adjustments reduced shareholders equity by $24.2.

Foreign currency exchange gains and losses reflect transaction gains and losses. Transaction gains and losses arise from monetary assets and liabilities denominated in currencies other than a business unit s functional currency. For 2010, net transaction losses were not material.

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 and long-term investments and short and long-term borrowings. Our short term investments are primarily invested in U.S. Treasury, U.S. Government agency and corporate debt instruments. Additionally we held $26.5 and Canadian $5.0 par value investments in ARS and Canadian ABCPRN, respectively, as of February 26, 2010, which are classified as long-term investments as no liquid markets currently exist for these securities. The risk on our short and long-term borrowings primarily relates to a $47.0 loan, which bears a floating interest rate based on 30-day LIBOR plus 3.35%.

We estimate a 1% increase in interest rates would have reduced our results of operations by approximately $1 in 2010.

See Note 6 and 11 to the consolidated financial statements for additional information.

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Commodity Price Risk

We are exposed to commodity price risk primarily on our raw materials inventory. These raw materials are not rare or unique to our industry. The cost of petroleum-based products, steel, wood, particleboard, aluminum, copper and other commodities, such as fuel and energy, has fluctuated significantly 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 materials 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 we have entered into with our customers and competitive pressures.

As a result of changes in commodity costs, cost of sales decreased approximately $48 during 2010. We estimate that a 1% increase in commodity prices would have decreased our operating income by approximately $7 in 2010.

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 and our managed investment portfolio. We estimate a 10% adverse change in the value of the underlying funds, which could be caused by changes in interest rates, yield curve, portfolio duration or equity prices, would have reduced our operating income by approximately $15 in 2010. 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 fixed income investments and our results could be better or worse than market returns.

See Note 6 and Note 9 to the consolidated financial statements for additional information.

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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* 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, 2010.

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.

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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, 2010, based on criteria established in *Internal Control Integrated Framework* 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, 2010, based on the criteria established in *Internal Control Integrated Framework* 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 accompanying consolidated financial statements and financial statement schedule listed in the Index at

Item 15(a)(2) as of and for the year ended February 26, 2010 of the Company and our report dated April 26, 2010 expressed an unqualified opinion on those financial statements and financial statement schedule.

DELOITTE & TOUCHE LLP

Grand Rapids, Michigan
April 26, 2010

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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 sheet of Steelcase Inc. and subsidiaries (the Company) as of February 26, 2010, and the related consolidated statements of operations, changes in shareholders equity, and cash flows for the year ended February 26, 2010. Our audit also included the financial statement schedule listed in the Index at Item 15(a)(2). 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 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 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 audit provides 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 as of February 26, 2010, and the results of their operations and their cash flows for the year then ended, 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, 2010, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 26, 2010 expressed an unqualified opinion on the Company s internal control over financial reporting.

DELOITTE & TOUCHE LLP

Grand Rapids, Michigan
April 26, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

STEELCASE INC.
GRAND RAPIDS, MICHIGAN

We have audited the accompanying consolidated balance sheet of Steelcase Inc. as of February 27, 2009 and the related consolidated statements of operations, changes in shareholders equity, and cash flows for each of the two years in the period ended February 27, 2009. In connection with our audits of the financial statements, we have also audited the financial statement schedule for the two years in the period ended February 27, 2009 as listed in Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and 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 and schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Steelcase Inc. as of February 27, 2009, and the results of its operations and its cash flows for each of the two years in the period ended February 27, 2009, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule for the two years in the period ended February 27, 2009, 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.

BDO SEIDMAN, LLP

Grand Rapids, Michigan
April 23, 2009

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STEELCASE INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Year Ended February 26, 2010	February 27, 2009	February 29, 2008
Revenue	$ 2,291.7	$ 3,183.7	$ 3,420.8
Cost of sales	1,619.9	2,236.7	2,322.6
Restructuring costs	22.0	23.9	(0.4)
Gross profit	649.8	923.1	1,098.6
Operating expenses	648.4	842.9	874.7
Goodwill and intangible assets impairment charges		65.2	21.1
Restructuring costs	12.9	14.0	
Operating income (loss)	(11.5)	1.0	202.8
Interest expense	(18.2)	(17.0)	(16.9)
Interest income	3.1	5.8	23.0
Other income (expense), net	(4.5)	1.4	2.5
Income (loss) before income tax expense	(31.1)	(8.8)	211.4
Income tax expense (benefit)	(17.5)	2.9	78.2
Net income (loss)	$ (13.6)	$ (11.7)	$ 133.2
Earnings per share:			
Basic	$ (0.10)	$ (0.09)	$ 0.93
Diluted	$ (0.10)	$ (0.09)	$ 0.93

See accompanying notes to the consolidated financial statements.

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STEELCASE INC.

CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	February 26, 2010	February 27, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 111.1	$ 117.6
Short-term investments	68.2	76.0
Accounts receivable, net of allowances of $20.6 and $29.6	242.5	280.3
Inventories	98.4	129.9
Deferred income taxes	57.7	63.8
Prepaid expenses	16.0	17.9
Other current assets	49.7	65.9
Total current assets	643.6	751.4
Property, plant and equipment, net of accumulated depreciation of $1,309.9 and $1,280.3	415.7	433.3
Company-owned life insurance	209.6	171.6
Deferred income taxes	136.4	108.9
Goodwill	183.8	181.1
Other intangible assets, net of accumulated amortization of $56.8 and $50.2	25.0	29.6
Other assets	63.1	74.1
Total assets	$ 1,677.2	$ 1,750.0

See accompanying notes to the consolidated financial statements.

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STEELCASE INC.

CONSOLIDATED BALANCE SHEETS (Continued)
(in millions, except share data)

	February 26, 2010	February 27, 2009
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 159.2	$ 175.1
Short-term borrowings and current portion of long-term debt	7.4	4.4
Accrued expenses:		
Employee compensation	99.1	141.8
Employee benefit plan obligations	16.7	38.0
Product warranties	22.1	19.2
Workers compensation claims	20.0	21.5
Deferred revenue	23.3	14.6
Other	85.9	105.0
Total current liabilities	433.7	519.6
Long-term liabilities:		
Long-term debt less current maturities	293.4	250.8
Employee benefit plan obligations	189.5	164.4
Other long-term liabilities	63.0	82.4
Total long-term liabilities	545.9	497.6
Total liabilities	979.6	1,017.2
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, 80,360,130 and 78,197,169 issued and outstanding	57.0	59.8
Class B Common Stock-no par value; 475,000,000 shares authorized, 52,603,081 and 55,604,152 issued and outstanding		
Additional paid-in capital	8.2	4.7
Accumulated other comprehensive income (loss)	(17.9)	(22.5)
Retained earnings	650.3	690.8
Total shareholders equity	697.6	732.8
Total liabilities and shareholders equity	$ 1,677.2	$ 1,750.0

See accompanying notes to the consolidated financial statements.

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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	Total Comprehensive Income (Loss)
February 23, 2007	146,845,849	225.4	34.0	6.3	(1.3)	973.5	1,237.9	$ 118.9
Adjustment to adopt accounting for uncertainty in income taxes						3.6	3.6	
Adjustment to adopt employers accounting for defined benefit plans and other post-retirement plans						(0.2)	(0.2)	
Common stock conversion		1.0	(1.0)					
Common stock issuance	852,239	11.5					11.5	
Common stock repurchases	(9,393,055)	(129.7)	(33.0)			(2.6)	(165.3)	
Tax effect of exercise of stock awards		1.7					1.7	
Restricted stock expense	200,185	1.4					1.4	
Restricted stock units converted to common stock	51,500	0.4		(0.4)				
Performance shares converted to common stock, restricted stock and restricted stock units	93,060	3.0		(3.0)				
Performance share, performance units and restricted stock units expense				2.1			2.1	
					18.7		18.7	18.7

Other comprehensive income								
Dividends paid ($2.35 per share)						(333.7)	(333.7)	
Net income						133.2	133.2	133.2
February 29, 2008	138,649,778	114.7		5.0	17.4	773.8	910.9	$ 151.9
Common stock issuance	47,591	0.5					0.5	
Common stock repurchases	(5,145,354)	(59.2)					(59.2)	
Tax effect of exercise of stock awards		0.4					0.4	
Restricted stock unit issuance				1.6			1.6	
Restricted stock expense	(3,984)	0.5					0.5	
Restricted stock units converted to common stock	127,254	1.3		(1.3)				
Performance shares converted to common stock, restricted stock and restricted stock units	126,036	1.6		(1.6)				
Performance share, performance units and restricted stock units expense				1.0			1.0	
Other comprehensive loss					(39.9)		(39.9)	(39.9)
Dividends paid ($0.53 per share)						(71.3)	(71.3)	
Net loss						(11.7)	(11.7)	(11.7)
February 27, 2009	133,801,321	$ 59.8	$	$ 4.7	$ (22.5)	$ 690.8	$ 732.8	$ (51.6)
Common stock issuance	44,346	0.2					0.2	
Common stock repurchases	(1,060,743)	(4.6)					(4.6)	
Tax effect of exercise of stock awards		(1.0)					(1.0)	
Restricted stock unit issuance				0.5			0.5	

IDEO equity interest purchase				0.3			0.3	
Restricted stock expense		0.3					0.3	
Restricted stock units converted to common stock	144,595	1.6		(1.6)				
Performance shares converted to common stock, restricted stock and restricted stock units	33,692	0.7		(0.7)				
Performance share, performance units and restricted stock units expense				5.0			5.0	
Other comprehensive gain					4.6		4.6	4.6
Dividends paid ($0.20 per share)						(26.9)	(26.9)	
Net loss						(13.6)	(13.6)	(13.6)
February 26, 2010	132,963,211	$ 57.0	$	$ 8.2	$ (17.9)	$ 650.3	$ 697.6	$ (9.0)

See accompanying notes to the consolidated financial statements.

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STEELCASE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended February 26, 2010	February 27, 2009	February 29, 2008
OPERATING ACTIVITIES			
Net (loss) income	$ (13.6)	$ (11.7)	$ 133.2
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	74.2	87.3	92.4
Goodwill and intangible assets impairment charges		65.2	21.1
Changes in cash surrender value of COLI	(38.0)	39.0	(1.4)
Loss on disposal and fixed asset impairment	3.4	10.7	0.6
Deferred income taxes	(18.2)	(4.8)	11.3
Pension and post-retirement benefit cost	5.9	5.7	4.1
Restructuring charges (payments), net	(5.8)	11.0	(2.6)
Excess tax expense (benefit) from exercise and vesting of stock awards	1.0	(0.4)	(1.7)
Other	1.0	(1.8)	(1.1)
Changes in operating assets and liabilities, net of acquisitions, divestures, and deconsolidations:			
Accounts receivable	44.7	70.2	(20.2)
Inventories	33.9	3.6	7.8
Other assets	2.5	(8.1)	3.3
Accounts payable	(16.7)	(50.0)	(0.6)
Employee compensation	(62.0)	(52.5)	28.6
Employee benefit obligations	(3.7)	(22.7)	(9.7)
Accrued expenses and other liabilities	(19.5)	(36.5)	(15.4)
Net cash (used in) provided by operating activities	(10.9)	104.2	249.7
INVESTING ACTIVITIES			
Capital expenditures	(35.2)	(83.0)	(79.6)
Proceeds from disposal of fixed assets	9.4	4.9	27.5
Purchases of investments	(4.7)	(25.6)	(124.2)
Liquidations of investments	15.6	10.4	82.0
Divestitures and acquisitions		17.5	(13.8)
Proceeds from repayments of notes receivable	3.3	10.0	15.4
Other	1.6	4.7	1.4
Net cash used in investing activities	(10.0)	(61.1)	(91.3)
FINANCING ACTIVITIES			
Dividends paid	(26.9)	(71.3)	(333.7)
Common stock repurchases	(4.6)	(59.2)	(165.3)

Common stock issuance				0.5		11.5
Excess tax (expense) benefit from exercise and vesting of stock awards		(1.0)		0.4		1.7
Borrowings of long-term debt		47.0		1.1		0.5
Repayments of long-term debt		(2.2)		(4.5)		(1.9)
Borrowings of lines of credit		4.2		2.9		14.8
Repayments of lines of credit		(3.5)		(2.1)		(12.0)
Net cash provided by (used in) financing activities		13.0		(132.2)		(484.4)
Effect of exchange rate changes on cash and cash equivalents		1.4		(7.2)		12.7
Net decrease in cash and cash equivalents		(6.5)		(96.3)		(313.3)
Cash and cash equivalents, beginning of year		117.6		213.9		527.2
Cash and cash equivalents, end of year	$	111.1	$	117.6	$	213.9
Supplemental Cash Flow Information:						
Income taxes paid, net of refunds received	$	9.1	$	16.7	$	40.3
Interest paid	$	17.7	$	17.2	$	16.5
Trade-in value received for existing corporate aircraft.	$	18.5				
Final progress payment towards replacement corporate aircraft.		(13.5)				
Deposit towards future replacement corporate aircraft.		(1.0)				
Proceeds from trade-in of corporate aircraft.	$	4.0				

See accompanying notes to the consolidated financial statements.

STEELCASE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Steelcase Inc. is the world s leading designer, marketer and manufacturer of office furniture. 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 28 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 North America and International reportable segments plus an Other category. Additional information about our reportable segments is contained in Note 17.

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.

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, 2010 and February 27, 2009 included 52 weeks. The fiscal year ended February 29, 2008 included 53 weeks.

In addition, 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.

Reclassifications

Certain amounts in the prior years financial statements have been reclassified to conform to the current year s presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 it 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 to 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 substantially complete liquidation of the net investment in the international subsidiary takes place. We translate Consolidated Statements of Operations accounts at average exchange rates for the period.

STEELCASE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign currency transaction gains and losses, net of derivatives, arising primarily from changes in exchange rates on foreign currency denominated intercompany working capital loans and certain transactions with foreign locations, are recorded in *Other income, net*.

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.

Allowances for Credit Losses

Allowances for credit losses related to accounts receivable, notes receivable and investments in leases 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 review accounts that may have higher credit risk using information available about the customer or dealer, 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 accounts and estimate an additional amount for the remainder of the trade balance 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. We consider an accounts receivable or notes receivable balance past due when payment is not received within the stated terms.

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 may 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 North America segment primarily uses the last in, first out (LIFO) method to value its inventories. The International 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, including some internally-developed internal use software, 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.

STEELCASE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We review the carrying value of our long-lived assets held and used and assets to be disposed of 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 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. Property, plant and equipment are 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 16 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 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 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 evaluated goodwill and intangible assets using seven reporting units where goodwill is recorded specifically North America; Europe and Asia Pacific within the International segment; and Coalesse, Designtex, PolyVision and IDEO within the Other category. See Note 10 for additional information.

Other intangible assets subject to amortization consist primarily of proprietary technology, trademarks 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.

Self-Insurance

We are self-insured for certain losses relating to domestic workers compensation, product liability and a portion of 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.

A reserve for estimated future product liability costs incurred as of February 26, 2010 and February 27, 2009 was $7.1 and $9.4, respectively, and is included in *Accrued expenses: Other* on the Consolidated Balance Sheets.

The estimate for employee medical, dental, and short-term disability claims incurred as of February 26, 2010 and February 27, 2009 was $2.8 and $2.9, respectively, and is recorded within *Accrued expenses: Other* on the Consolidated Balance Sheets.

STEELCASE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Product Warranties

We offer a 5-year, 10-year or lifetime warranty 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 warranty costs is based on an estimated amount needed to cover future warranty obligations incurred as of the balance sheet date determined by historical claims and our knowledge of current events and actions.

	Year Ended		
Product Warranties	**February 26, 2010**	**February 27, 2009**	**February 29, 2008**
Balance as of beginning of period	$ 19.2	$ 21.6	$ 22.9
Accruals for warranty charges	16.8	16.9	12.2
Settlements	(13.9)	(19.3)	(13.5)
Balance as of end of period	$ 22.1	$ 19.2	$ 21.6

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. We measure the net over- or under-funded positions of our defined benefit pension plans and post-retirement plans as of the fiscal year end and display that position as an asset or liability on the Consolidated Balance Sheets. Any unrecognized prior service cost, experience gains/losses or transition obligation is reported as a component of *Accumulated Other Comprehensive Income (Loss)*, net of tax, in shareholders equity. See Note 12 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 that are 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 an undiscounted basis unless 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. The liability for environmental contingencies included in *Accrued expenses: Other* on the Consolidated Balance Sheets was $3.6 as of February 26, 2010 and $2.7 as of February 27, 2009. Our undiscounted liabilities were $5.0 as of February 26, 2010 and $4.1 as of February 27, 2009. 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

STEELCASE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 estimated returns and allowances and are recognized when title and risks associated with ownership have passed to the dealer or customer. Typically, this is when product is shipped to the dealer. When product is shipped directly to an end customer, revenue is typically recognized upon delivery or upon acceptance by the end 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 compensation expense, depreciation, facilities expense, inbound freight charges, warehousing costs, shipping and handling expenses, 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 manufacturing of our products. Included in these expenses are items such as compensation expense, depreciation, facilities expense, rental expense, royalty expense, information technology services, legal services and travel and entertainment expense.

Research and Development Expenses

Research and development expenses, which are expensed as incurred, were $33.0 for 2010, $50.0 for 2009 and $60.9 for 2008. We invest approximately one to two 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 the research and development expenses.

Income Taxes

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. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in 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 recognize the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of

STEELCASE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the position. The tax benefits from uncertain tax positions recognized are reflected at the amounts most likely to be sustained on examination. See Note 14 for additional information.

Stock-Based Compensation

Our stock-based compensation consists of restricted stock, restricted stock units, performance shares and performance units. Our policy is to expense stock-based compensation using the fair-value based method of accounting for all awards granted, modified or settled.

Restricted stock, restricted stock units, performance shares and performance units are credited to equity as they are expensed over their vesting periods based on the current market value of the shares expected to be issued or the applicable lattice model for shares with market conditions. See Note 15 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, short-term borrowings and certain other liabilities, approximate their fair value due to their relatively short maturities. Our short-term investments, foreign exchange forward contracts and long-term investments are measured at fair value on the Consolidated Balance Sheets. We carry our long-term debt at cost. The fair value of our long-term debt was approximately $309 and $235 as of February 26, 2010 and February 27, 2009, respectively. The fair value of our long-term debt is measured using a discounted cash flow analysis based on current market interest rates for similar types of instruments. See Note 6 and 11 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 cost and same currency assets with same currency liabilities. Foreign exchange risk is also managed through the use of derivative instruments. Foreign exchange forward contracts serve to mitigate the risk of translation of certain foreign denominated net income, assets and liabilities. We primarily use derivatives for intercompany working capital loans and certain forecasted transactions. The foreign exchange forward contracts relate principally to the euro, pound sterling and Canadian dollar and have maturity dates less than one year. See Note 6 for additional information.

Consolidated Balance Sheets	February 26, 2010	February 27, 2009
Other current assets	$ 0.4	$ 10.2
Accrued expenses	(1.1)	(0.8)
Total net fair value of derivative instruments (1)	$ (0.7)	$ 9.4

(1) The notional amounts of the outstanding foreign exchange forward contracts were $160.6 as of February 26, 2010 and $107.9 as of February 27, 2009.

STEELCASE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended		
Gain (Loss) Recognized in Consolidated Statements of Operations	**February 26, 2010**	**February 27, 2009**	**February 29, 2008**
Cost of sales	$ (0.8)	$ 0.7	$ 2.0
Other income, net	(3.3)	11.6	(21.6)
Total net gains (losses)	$ (4.1)	$ 12.3	$ (19.6)

Consolidated Statements of Cash Flows

In 2010, purchases and liquidations of investments and borrowings and repayments of lines of credit were presented on a gross basis on the Consolidated Statement of Cash flows. Such amounts were previously presented on a net basis for 2009 and 2008. The 2009 and 2008 Consolidated Statements of Cash Flows have been revised to present the gross presentation. The correction had no effect on net cash used in investing or financing activities.

3. NEW ACCOUNTING STANDARDS

Fair Value Measurements

In Q3 2007, the Financial Accounting Standards Board (FASB) issued a new accounting statement on fair value measurements. This statement clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures of fair value measurements. In Q4 2008, the FASB issued new guidance that delayed the effective date of the fair value measurements statement for certain non-financial assets and liabilities until fiscal years beginning after November 15, 2008. We adopted the new accounting statement for financial assets and liabilities beginning in Q1 2009, and for non-financial assets and liabilities beginning in Q1 2010, and neither adoption had a material impact on our consolidated financial statements. See Note 6 for additional information.

In Q1 2010, the FASB issued additional guidance that addresses the determination of fair values when there is no active market or where the price inputs represent distressed sales. It also reaffirms that the objective of fair value measurement is to reflect an asset s sale price in an orderly transaction at the date of the financial statements. We adopted the new guidance beginning in Q2 2010, and it did not have a material impact on our consolidated financial statements. See Note 6 for additional information.

In Q2 2010, the FASB issued additional guidance on measuring liabilities at fair value and reaffirmed the practice of measuring fair value using quoted market prices when a liability is traded as an asset. We adopted the new guidance beginning in Q3 2010, and it did not have a material impact on our consolidated financial statements. See Note 6 for additional information.

In Q3 2010, the FASB issued new guidance for the fair value measurement of investments in certain entities that calculate the net asset value per share (or its equivalent) determined as of the reporting entity s measurement date. Certain attributes of the investment (such as restrictions on redemption) and transaction prices from principal-to-principal or brokered transactions will not be considered in measuring the fair value of the investment.

We adopted the new guidance beginning in Q4 2010, and it did not have a material impact on our consolidated financial statements. See Note 6 for additional information.

In Q4 2010, the FASB issued updated guidance to add new requirements for fair value disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The new disclosure requirements are effective Q1 2011.

STEELCASE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Plan Assets of Defined Benefit Pension and Other Post-Retirement Plans

In Q4 2009, the FASB issued additional guidance on employers disclosures about plan assets of defined benefit pension or other post-retirement plans. The guidance expands the disclosures set forth in the initial guidance by adding required disclosures about how investment allocation decisions are made by management, major classes of plan assets and significant concentrations of risk. Additionally, the updated guidance requires employers to disclose information about the determination of plan assets fair value similar to the guidance applicable to our assets and liabilities. The updated guidance intends to enhance the transparency surrounding the types of plan assets and associated risks in employers defined benefit pension or other post-retirement plans. We adopted the new guidance in 2010 by adding disclosures to the consolidated financial statements. See Note 12 for additional information.

Noncontrolling Interests

In Q4 2008, the FASB issued a new accounting statement on noncontrolling interests in consolidated financial statements. This statement requires that the noncontrolling interest in the equity of a consolidated subsidiary be accounted for and reported as equity, provides revised guidance on the treatment of net income and losses attributable to the noncontrolling interest and changes in ownership interests in a subsidiary and requires additional disclosures that identify and distinguish between the interests of the controlling and noncontrolling owners. We adopted the new accounting statement beginning in Q1 2010. As the amount of net income and interests of noncontrolling owners are not material, we have not separately presented such information in our consolidated financial statements for the periods presented.

Other-Than-Temporary Impairments

In Q1 2010, the FASB issued new guidance on the recognition and presentation of other-than-temporary impairments. The guidance was designed to create greater consistency in the timing of impairment recognition and provide greater clarity about the credit and noncredit components of impaired debt securities that are not expected to be sold. We adopted the new guidance beginning in Q2 2010, and it did not have a material impact on our consolidated financial statements. See Note 6 for additional information.

Participating Securities

In Q2 2009, the FASB issued new guidance on determining whether instruments granted in share-based payment transactions are participating securities. The guidance clarifies that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are considered participating securities and should be included in the computation of earnings per share pursuant to the two-class method. We adopted the new guidance in Q1 2010. Upon adoption, we were required to retrospectively adjust earnings per share data to conform to the provisions of the new guidance. The application of the provisions of the new guidance did not change earnings per share amounts for any of the periods presented. See Note 4 for additional information.

Variable Interest Entities

In Q2 2010, the FASB issued a new accounting statement which changes the consolidation model for variable interest entities. This statement requires companies to qualitatively assess the determination of the primary beneficiary of a variable interest entity (VIE) based on whether the entity (1) has the power to direct matters that most significantly impact the activities of the VIE and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The new accounting statement is effective Q1 2011.

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STEELCASE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Based on this guidance, we will deconsolidate a variable interest dealer during Q1 2011 which will have no effect on net income. For the year ended February 26, 2010, our Consolidated Statement of Operations included $54.7 of revenue, $19.8 of gross profit, $17.3 of operating expenses, $2.5 of operating income and $2.1 of other expense, net related to the dealer.

Revenue Recognition for Arrangements with Multiple Deliverables

In Q3 2010, the FASB issued amendments to the guidance on revenue recognition for arrangements with multiple deliverables. The new guidance amends the method of accounting for products and services separately rather than as a combined unit and requires new and expanded disclosures about revenue recognition for arrangements with multiple deliverables. The amendments are effective prospectively in Q1 2012. The adoption of the amendments will not have a material impact on our consolidated financial statements.

4. EARNINGS PER SHARE

As a result of the adoption of new guidance on the determination of participating securities, we increased weighted average shares outstanding for basic earnings per share and decreased the effect of dilutive stock-based compensation for the years ended February 27, 2009 and February 29, 2008 by 0.0 and 0.4, respectively. However, earnings per share amounts did not change for any of the periods presented.

Basic earnings per share is based on the weighted average number of shares of common stock outstanding during each period. It excludes the dilutive effects of additional common shares that would have been outstanding if the shares that may be earned under non-participating securities awards granted, but not yet earned or vested, under our stock incentive plan had been issued. See Note 15 for additional information.

Diluted earnings per share includes the effects of dilutive shares and potential shares issued under our stock incentive plan. However, diluted earnings per share does not reflect the effects of options, performance shares and certain performance units of 3.7 million for 2010, 4.2 million for 2009 and 3.4 million for 2008 because those potential shares were not dilutive.

		Year Ended	
Earnings Per Share	**February 26, 2010**	**February 27, 2009**	**February 29, 2008**
Net income (loss)	$ (13.6)	$ (11.7)	$ 133.2
Weighted-average shares outstanding for basic net earnings per share (in millions)	132.9	134.4	142.5
Effect of dilutive stock-based compensation (in millions)			0.7
Adjusted weighted-average shares outstanding for diluted net earnings per share (in millions)	132.9	134.4	143.2
Earnings per share of common stock:			
Basic	$ (0.10)	$ (0.09)	$ 0.93

Diluted	$	(0.10)	$	(0.09)	$