

STEELCASE INC  
Form 10-Q  
January 02, 2008

**Table of Contents**

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

**FORM 10-Q**

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

**For the quarterly period ended November 23, 2007**

**or**

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

**For the transition period from            to**

**Commission File Number 1-13873**

**STEELCASE INC.**

**(Exact name of registrant as specified in its charter)**

**Michigan**  
**(State or other jurisdiction**  
**of incorporation or organization)**  
**901 44th Street SE**  
**Grand Rapids, Michigan**  
**(Address of principal executive offices)**

**38-0819050**  
**(I.R.S. employer identification no.)**

**49508**  
**(Zip Code)**

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

**None**

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

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

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

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Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of December 31, 2007, Steelcase Inc. had 83,012,248 shares of Class A Common Stock and 58,427,452 shares of Class B Common Stock outstanding.

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**STEELCASE INC.  
FORM 10-Q**

**FOR THE QUARTER ENDED NOVEMBER 23, 2007**

**INDEX**

	<b>Page No.</b>
<b><u>Part I</u></b>	
<b><u>Financial Information</u></b>	
<u>Item 1.</u> <u>Financial Statements (Unaudited)</u>	1
<u>Condensed Consolidated Statements of Income for the Three and Nine Months Ended November 23, 2007 and November 24, 2006</u>	1
<u>Condensed Consolidated Balance Sheets as of November 23, 2007 and February 23, 2007</u>	2
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended November 23, 2007 and November 24, 2006</u>	3
<u>Notes to Condensed Consolidated Financial Statements</u>	4
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>Item 2.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	20
<u>Item 3.</u> <u>Controls and Procedures</u>	21
<u>Item 4.</u>	
<b><u>Part II</u></b>	
<b><u>Other Information</u></b>	22
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
<u>Item 6.</u> <u>Exhibits</u>	22
<u>Signatures</u>	23
<u>Exhibit Index</u>	24
<u>Certification of CEO Pursuant to Section 302</u>	
<u>Certification of CFO Pursuant to Section 302</u>	
<u>Certification of CEO and CFO Pursuant to Section 906</u>	

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>November 23, 2007</b>	<b>November 24, 2006</b>	<b>November 23, 2007</b>	<b>November 24, 2006</b>
Revenue	\$ 885.9	\$ 802.0	\$ 2,519.5	\$ 2,319.0
Cost of sales	589.1	549.2	1,680.9	1,593.2
Restructuring (benefit) cost	(0.1)	5.5	(0.1)	14.1
Gross profit	296.9	247.3	838.7	711.7
Operating expenses	244.2	206.6	682.7	600.5
Restructuring cost		0.2		0.3
Operating income	52.7	40.5	156.0	110.9
Interest expense	(4.2)	(5.1)	(12.6)	(14.3)
Other income, net	3.6	13.9	21.8	25.5
Income before income tax expense	52.1	49.3	165.2	122.1
Income tax expense	20.8	16.5	62.6	44.5
Net income	\$ 31.3	\$ 32.8	\$ 102.6	\$ 77.6
Earnings per share:				
Basic	\$ 0.22	\$ 0.22	\$ 0.72	\$ 0.52
Diluted	\$ 0.22	\$ 0.22	\$ 0.71	\$ 0.52
Dividends per common share	\$ 0.15	\$ 0.12	\$ 0.45	\$ 0.32

See accompanying notes to the condensed consolidated financial statements.

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

	<b>(Unaudited)</b> <b>November 23,</b> <b>2007</b>	<b>February 23,</b> <b>2007</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 467.6	\$ 527.2
Short-term investments	76.5	33.1
Accounts receivable, net	437.2	352.6
Inventories	162.0	144.0
Other current assets	125.7	172.7
Total current assets	1,269.0	1,229.6
Property and equipment, net	482.4	477.1
Company-owned life insurance	211.3	209.2
Goodwill and other intangible assets, net	265.4	278.0
Other assets	202.7	205.5
Total assets	\$ 2,430.8	\$ 2,399.4
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 266.1	\$ 222.0
Short-term borrowings and current maturities of long-term debt	7.6	5.1
Accrued expenses:		
Employee compensation	161.3	162.7
Employee benefit plan obligations	33.1	34.2
Other	218.9	220.1
Total current liabilities	687.0	644.1
Long-term liabilities:		
Long-term debt less current maturities	251.2	250.0
Employee benefit plan obligations	193.8	191.1
Other long-term liabilities	104.8	76.3
Total long-term liabilities	549.8	517.4
Total liabilities	1,236.8	1,161.5
Shareholders' equity:		
Common stock	162.1	259.4

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Additional paid-in capital	4.4	6.3
Accumulated other comprehensive income (loss)	21.5	(1.3)
Retained earnings	1,006.0	973.5
Total shareholders' equity	1,194.0	1,237.9
Total liabilities and shareholders' equity	\$ 2,430.8	\$ 2,399.4

See accompanying notes to the condensed consolidated financial statements.

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

	<b>Nine Months Ended</b>	
	<b>November 23, 2007</b>	<b>November 24, 2006</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 102.6	\$ 77.6
Depreciation and amortization	70.1	77.6
Impairment of goodwill and intangible assets	21.1	
Changes in operating assets and liabilities	(35.3)	9.8
Other, net	9.3	27.4
Net cash provided by operating activities	167.8	192.4
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(52.6)	(33.9)
Purchases of short-term investments, net	(43.1)	
Acquisitions, net of cash acquired	(7.6)	(13.8)
Net decrease in notes receivable	16.6	8.9
Proceeds from disposal of assets	26.0	8.1
Net proceeds from repayments of leases	2.9	7.8
Other, net	(7.6)	3.3
Net cash used in investing activities	(65.4)	(19.6)
<b>FINANCING ACTIVITIES</b>		
Borrowings of long-term debt, net		249.3
Repayments of long-term debt	(1.4)	(251.9)
Borrowings (repayments) of lines of credit, net	2.9	(6.2)
Dividends paid	(64.9)	(47.9)
Common stock repurchases	(124.5)	(32.2)
Common stock issuances	11.0	11.5
Other, net	2.8	2.2
Net cash used in financing activities	(174.1)	(75.2)
Effect of exchange rate changes on cash and cash equivalents	12.1	3.6
Net (decrease) increase in cash and cash equivalents	(59.6)	101.2
Cash and cash equivalents, beginning of period	527.2	423.8
Cash and cash equivalents, end of period	\$ 467.6	\$ 525.0

See accompanying notes to the condensed consolidated financial statements.





**Table of Contents**

**STEELCASE INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**1. BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ) for interim financial information and with the instructions in Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair presentation of the condensed consolidated financial statements have been included. Results for interim periods should not be considered indicative of results to be expected for a full year. Reference should be made to the consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended February 23, 2007 ( Form 10-K ). As used in this Report, unless otherwise expressly stated or the content otherwise requires, all references to Steelcase, we, our, Company and similar references are to Steelcase Inc. and its majority-owned subsidiaries.

Unless the context otherwise indicates, reference to a year relates to the fiscal year, ended in February of the year indicated, rather than the 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 per share data, data presented as a percentage or as otherwise indicated.

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

**2. NEW ACCOUNTING STANDARDS**

***FIN 48***

We adopted the provisions of Financial Accounting Standards Board ( FASB ) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ) on February 24, 2007. FIN 48 requires that we recognize in our financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based solely on the technical merits of the position. As a result of our adoption of FIN 48, we recognized a \$3.6 decrease to the liability for uncertain tax positions (which was reclassified to *Other long-term liabilities* in the condensed consolidated balance sheet), with a corresponding increase to retained earnings. As of February 24, 2007, we had \$11.4 of gross unrecognized tax benefits, which, if recognized, would favorably affect the effective income tax rate in future periods. During 2008, our liability for unrecognized tax benefits increased by \$1.0.

We have accrued \$0.6 in total interest and penalties related to unrecognized tax benefits in the provision for income taxes.

Our federal income tax returns for fiscal years 2004 through 2007 are currently under examination by the Internal Revenue Service ( IRS ). We file in numerous state and foreign jurisdictions with varying statutes of limitation. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our liability for uncertain tax positions reflects the most probable outcome. We adjust these reserves, as well as potential interest and penalties, in light of changing facts and circumstances. We do not expect a significant tax payment related to these obligations within the next year.

***SFAS No. 157***

In September 2006, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 157, *Fair Value Measurements*. This statement clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures on fair value measurements. For

**Table of Contents**

**STEELCASE INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

financial assets and liabilities, SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. For non-financial assets and liabilities, SFAS No. 157 is effective for fiscal years beginning after November 15, 2008. We do not believe the adoption of SFAS No. 157 will have a material impact on our consolidated financial statements.

***SFAS No. 159***

In February 2007, the FASB issued SFAS No. 159, *Establishing the Fair Value Option for Financial Assets and Liabilities*, to permit all entities the option to measure eligible financial instruments at fair value. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157, Fair Value Measurements. An entity is prohibited from retrospectively applying SFAS No. 159, unless it chooses early adoption. We do not believe the adoption of SFAS No. 159 will have a material impact on our consolidated financial statements.

***SFAS No. 141(R)***

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, to create greater consistency in the accounting and financial reporting of business combinations. SFAS 141(R) establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) applies to fiscal years beginning after December 15, 2008. Earlier adoption is prohibited.

***SFAS No. 160***

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*, to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 establishes accounting and reporting standards that require (i) the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheet within equity, but separate from the parent's equity, (ii) the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of income, and (iii) changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently. SFAS No. 160 applies to fiscal years beginning after December 15, 2008. Earlier adoption is prohibited.

**3. SIGNIFICANT ACCOUNTING MATTERS**

***Acquisition of Ultra Group Company Limited***

In Q3 2008, we acquired 100% of the outstanding stock of Ultra Group Company Limited (UGCL), a wholly-owned subsidiary of Ultra Group Holdings Limited, for \$14.0, subject to certain post-closing purchase price adjustments. UGCL is an office furniture manufacturer with headquarters in Hong Kong, manufacturing in China and sales and distribution throughout Asia. As a result of the preliminary purchase price allocation, we recorded goodwill and

intangible assets of \$8.0. We expect to finalize the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed when we obtain information sufficient to complete the formal valuation of intangible assets and working capital adjustments, but in any case, within one year after acquisition. UGCL had net sales of \$38.4 for its fiscal

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

year ended March 31, 2007. The purchase of UGCL did not have a material impact on our consolidated financial statements.

***Deconsolidation of Dealers***

During Q2 2008, a consolidated dealer repaid its transition financing and equity balances, resulting in a non-operating gain of \$3.4. The repayment caused us to reconsider the consolidation of the dealer under FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities* ( FIN 46(R) ). As a result, we determined that we were no longer the primary beneficiary (as defined in FIN 46(R)), and we deconsolidated the dealer. Additionally, during Q2 2008 we transitioned ownership of another dealer to an independent third party. Our condensed consolidated statement of income for the nine months ended November 23, 2007 includes \$30.2 of revenue, \$8.2 of gross profit, \$7.7 of operating expenses, \$0.6 of operating income, and \$0.9 of other expense, net, related to these dealers.

***Partial Divestiture of IDEO Inc.***

During Q2 2008, we entered into an agreement which will allow certain members of the management of IDEO Inc. ( IDEO ), one of our subsidiaries, to potentially purchase a controlling equity interest in IDEO in two phases over approximately the next five years. The first phase includes a variable compensation program which will allow the employees to acquire up to 20% of the outstanding shares of IDEO over the next two years in lieu of cash variable compensation, provided certain performance targets are met. In the case where IDEO management has purchased a minimum of 15% under the first phase, a second phase will allow the buyers a limited option to purchase an additional 60% equity interest in IDEO. The agreement provides that, under any circumstance, we will retain a minimum 20% equity interest in IDEO. Through the first nine months of 2008, IDEO management has effectively purchased approximately 8% of IDEO under the first phase of the agreement.

***PolyVision Impairment***

In Q3 2008, during our annual strategic planning process, it became apparent to management that certain intangible assets and goodwill related to PolyVision's contractor whiteboard business were impaired. As a result, we performed impairment tests in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. The testing was consistent with procedures performed with our annual impairment testing in Q4 2007. We measured the estimated fair value of PolyVision based upon a discounted cash flow valuation. The discounted cash flow analysis was based on the present value of projected cash flows and a residual value. Refer to the critical accounting policies section of our annual report on Form 10-K for the fiscal year ended February 23, 2007 for further information regarding the specific nature of testing procedures performed.

As a result of our testing during Q3 2008, we recorded a non-cash impairment charge of \$21.1, which is included in *Operating expenses* in our condensed consolidated statement of income. Of this amount, \$5.3 is related to goodwill and \$15.8 is related to intangible assets. Of the \$15.8 impairment on PolyVision's intangible assets, \$6.0 related to intangible assets subject to amortization and \$9.8 related to assets not subject to amortization. We will perform our annual impairment testing related to all other reporting units during the fourth quarter of 2008.

**4. EARNINGS PER SHARE**

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

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

have been outstanding if the shares under our stock incentive plans had been issued and the dilutive effect of restricted shares to the extent those shares have not vested.

Diluted earnings per share includes the effects of dilutive shares and potential shares issued under our stock incentive plans. However, diluted earnings per share does not reflect the effects of 3.4 million shares for 2008 and 1.1 million shares for 2007 because those potential incentive shares were not dilutive.

<b>Components of Earnings per Share</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>November 23, 2007</b>	<b>November 24, 2006</b>	<b>November 23, 2007</b>	<b>November 24, 2006</b>
Net income	\$ 31.3	\$ 32.8	\$ 102.6	\$ 77.6
Weighted-average shares outstanding for basic net earnings per share	140.9	148.1	143.1	148.9
Effect of dilutive stock-based compensation	1.0	1.1	1.2	1.4
Adjusted weighted-average shares outstanding for diluted net earnings per share	141.9	149.2	144.3	150.3
Net earnings per share of common stock:				
Basic	\$ 0.22	\$ 0.22	\$ 0.72	\$ 0.52
Diluted	\$ 0.22	\$ 0.22	\$ 0.71	\$ 0.52
Total shares outstanding at period end	141.4	148.4	141.4	148.4

**5. COMPREHENSIVE INCOME**

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

<b>Components of Comprehensive Income</b>	<b>Three Months Ended</b>	
	<b>November 23, 2007</b>	<b>November 24, 2006</b>
Net income	\$ 31.3	\$ 32.8
Other comprehensive income (loss):		
Foreign currency translation	13.3	(2.2)
Derivative adjustments, net of tax of \$0.2 and \$0.0	0.3	
Minimum pension liability, net of tax of \$(0.7) and \$(0.1)	(1.2)	(0.1)
Total	12.4	(2.3)



Comprehensive income	\$	43.7	\$	30.5
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**Table of Contents****STEELCASE INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

<b>Components of Comprehensive Income</b>	<b>Nine Months Ended</b>	
	<b>November 23, 2007</b>	<b>November 24, 2006</b>
Net income	\$ 102.6	\$ 77.6
Other comprehensive income (loss):		
Foreign currency translation	26.5	10.8
Derivative adjustments, net of tax of \$0.1 and \$0.8	0.1	1.3
Minimum pension liability, net of tax of \$(2.3) and \$0.5	(3.8)	0.8
Total	22.8	12.9
Comprehensive income	\$ 125.4	\$ 90.5

*Total comprehensive income* disclosed in our 2007 Form 10-K incorrectly included the effects of adopting SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 106 and 132(R)* as *Comprehensive income* rather than as an adjustment to ending *Comprehensive income*. *Total comprehensive income* for the year ended February 23, 2007 was \$118.9 instead of \$144.7. This amount will be reflected correctly in our 2008 Form 10-K.

**6. INVENTORIES**

Following is a summary of inventories as of November 23, 2007 and February 23, 2007:

<b>Inventories</b>	<b>November 23, 2007</b>	<b>February 23, 2007</b>
Finished goods	\$ 96.9	\$ 86.4
Work in process	24.7	26.1
Raw materials	69.9	61.9
	191.5	174.4
LIFO reserve	(29.5)	(30.4)
Total	\$ 162.0	\$ 144.0

The portion of inventories determined by the LIFO method aggregated \$62.3 as of November 23, 2007 and \$64.6 as of February 23, 2007.

**Table of Contents****STEELCASE INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****7. EMPLOYEE BENEFIT PLAN OBLIGATIONS**

Components of Expense	Three Months Ended			
	Pension Plans		Post-Retirement Plans	
	November 23, 2007	November 24, 2006	November 23, 2007	November 24, 2006
Service cost	\$ 0.6	\$ 0.7	\$ 0.3	\$ 0.4
Interest cost	1.2	1.1	1.9	2.3
Amortization of prior year service cost (gain)			(1.8)	(1.4)
Expected return on plan assets	(1.0)	(0.9)		
Adjustment due to plan curtailment			(0.4)	(0.1)
Adjustment due to plan settlement				
Amortization of unrecognized net actuarial loss	0.1	0.4		
Net expense	\$ 0.9	\$ 1.3		\$ 1.2

Components of Expense	Nine Months Ended			
	Pension Plans		Post-Retirement Plans	
	November 23, 2007	November 24, 2006	November 23, 2007	November 24, 2006
Service cost	\$ 1.7	\$ 2.0	\$ 0.9	\$ 1.2
Interest cost	3.5	3.2	5.7	6.8
Amortization of prior year service cost (gain)		0.1	(5.3)	(4.2)
Expected return on plan assets	(2.8)	(2.6)		
Adjustment due to plan curtailment			(0.9)	(0.3)
Adjustment due to plan settlement		0.1		
Amortization of unrecognized net actuarial loss	0.2	1.1		0.1
Net expense	\$ 2.6	\$ 3.9	\$ 0.4	\$ 3.6

We expect to contribute approximately \$7.7 to our pension plans during 2008. This is a \$4.0 increase over our prior estimate because of additional contributions to an underfunded International pension plan. We also expect to contribute \$12.0 to our post-retirement benefit plans during 2008. As of November 23, 2007, contributions of approximately \$3.8 and \$8.9 have been made to our pension and post-retirement plans, respectively.

We expect to receive approximately \$1.7 in Medicare Part D subsidy reimbursements during 2008. During the nine months ended November 23, 2007, we received \$0.8 in Medicare Part D subsidy reimbursements.

## **8. RESTRUCTURING COST**

During Q3 2008, we recorded a restructuring benefit of \$0.5 in our International segment related to a gain on the sale of property sold during the quarter. We also recorded \$0.3 of additional net restructuring charges in our North America segment, representing substantial completion of the initiative to consolidate our manufacturing operations. At the end of Q3 2008, we have incurred a cumulative total

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

of \$43.8 in charges related to employee termination costs, impairment of certain property and equipment, relocation charges and gains and losses on the disposal of assets, in connection with our previously announced restructuring plan.

Restructuring cost (benefit) is summarized in the following table:

<b>Restructuring Cost (Benefit)</b>	<b>Three Months Ended</b>			<b>Nine Months</b>
	<b>May 25, 2007</b>	<b>August 24, 2007</b>	<b>November 23, 2007</b>	<b>Ended November 23, 2007</b>
Cost of sales:				
North America	\$ 1.7		\$ 0.3	\$ 2.0
International		\$ (1.6)	(0.5)	(2.1)
Other category		(0.1)	0.1	
Total	\$ 1.7	\$ (1.7)	\$ (0.1)	\$ (0.1)

Below is a reconciliation of additions, payments and adjustments to the restructuring reserve balance during 2008:

<b>Restructuring Reserve</b>	<b>Workforce Reductions</b>	<b>Business Exit and Related Costs</b>	<b>Total</b>
Reserve balance as of February 23, 2007	\$ 4.0	\$ 3.4	\$ 7.4
Additions	0.5		0.5
Payments	(3.5)	(4.0)	(7.5)
Adjustments	0.8	3.2	4.0
Reserve balance as of November 23, 2007	\$ 1.8	\$ 2.6	\$ 4.4

The reserve balance as of November 23, 2007 for business exits and related costs primarily relates to an environmental reserve for expected remediation costs for the Grand Rapids campus and lease impairment provisions in our International segment.

**9. PRODUCT WARRANTY**

The accrued liability for warranty costs, included within other accrued expenses on the condensed consolidated balance sheets, is based on an estimated amount needed to cover future warranty obligations for products sold as of the balance sheet date and is determined by historical product data and management's knowledge of current events and actions.

	<b>Product Warranty</b>	<b>Amount</b>
Balance as of February 23, 2007		\$ 22.9
Accruals for warranty charges		10.7
Settlements and adjustments		(9.6)
Balance as of November 23, 2007		\$ 24.0

**Table of Contents**

**STEELCASE INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

**10. REPORTABLE SEGMENTS**

We operate with two reportable segments (North America and International), plus an Other category. Unallocated corporate expenses are reported as Corporate. Revenue and operating income (loss) for the three and nine months ended November 23, 2007 and November 24, 2006 and total assets as of November 23, 2007 and February 23, 2007 by segment are presented below:

<b>Three Months Ended</b>		<b>Nine Months Ended</b>
<b>November 23,</b>	<b>November 24,</b>	