BROWN FORMAN CORP
Form 424B2
July 01, 2016

Filed Pursuant to Rule 424(b)(2)
Registration No. 333-205183

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Maximum Offering Price per Note	Maximum Aggregate Offering Price	Amount of Registration Fee (2)
1.200% Notes due 2026	$333,090,000	99.766%	$332,310,569	$33,464

(1) 300,000,000 aggregate principal amount of the 1.200% Notes due 2026 will be issued. The Amount to be Registered and Maximum Aggregate Offering Price are based on the closing euro/U.S. dollar exchange rate as of June 30, 2016 of 1.00 = U.S. $1.1103, as announced by Bloomberg.
(2) Pursuant to Rule 457 (c) under the Securities Act of 1933, as amended, the filing fee was calculated based on a maximum aggregate offering price.

Table of Contents

Prospectus Supplement

June 30, 2016

(To Prospectus Dated June 24, 2015)

300,000,000

Brown-Forman Corporation

1.200% Notes due 2026

This is an offering by Brown-Forman Corporation of 300,000,000 aggregate principal amount of 1.200% Notes due July 7, 2026, which we refer to in this prospectus supplement as our notes. Interest on the notes will be payable in arrears on July 7 of each year, commencing on July 7, 2017. The notes will mature on July 7, 2026. The notes will be issued only in minimum denominations of 100,000 and integral multiples of 1,000 in excess thereof.

We may redeem all or part of the notes at our option at any time in whole and from time to time in part at the redemption prices specified in this prospectus supplement under Description of Notes Optional Redemption. In addition, we may redeem the notes at our option, in whole, but not in part, at any time prior to maturity at a price equal to 100% of the outstanding principal amount of such notes, plus accrued and unpaid interest to, but excluding, the redemption date, if certain tax events occur that would obligate us to pay additional amounts as described under Description of Notes Payment of Additional Amounts.

The notes will be our unsecured senior obligations and will rank equally with all of our other existing and future unsecured senior indebtedness and senior to any existing and future subordinated indebtedness from time to time outstanding. The notes will be effectively subordinated to our secured indebtedness to the extent of the value of the assets securing such indebtedness. See Description of Notes Ranking.

Investing in the notes involves risks. See Risk Factors on page S-8.

	Per note	Total
Public Offering Price(1)	99.766%	299,298,000
Underwriting Discount	0.450%	1,350,000
Proceeds (before expenses) to Brown-Forman Corporation(1)	99.316%	297,948,000

(1) Plus accrued interest from July 7, 2016, if settlement occurs after that date.

The notes are a new issue of securities with no established trading market. We intend to apply to list the notes on the New York Stock Exchange. The listing application will be subject to approval by the New York Stock Exchange. If the application is approved, trading of the notes on the New York Stock Exchange is expected to begin within 30 days after the original issue date of the notes. If such a listing is obtained, we will have no obligation to maintain such listing, and we may delist the notes at any time.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be issued initially in the form of one or more registered global notes (the global notes). The global notes will be deposited with, and registered in the name of, a common depositary for Euroclear Bank, S.A./N.V. (Euroclear) and Clearstream Banking, *société anonyme* (Clearstream) or a nominee of such common depositary. Ownership of interests in the global notes will be limited to persons that have accounts with Euroclear or Clearstream or their respective participants. The terms of the indenture relating to the notes will provide for the issuance of definitive registered notes only in certain limited circumstances. The underwriters expect to deliver the notes on or about July 7, 2016, which is the fifth London business day following the date of this prospectus supplement. This settlement date may affect the trading of the notes.

Joint Book-Running Managers

Barclays **BofA Merrill Lynch** **Citigroup** **Deutsche Bank**

Senior Co-Manager

US Bancorp

Co-Managers

PNC Capital Markets LLC **Wells Fargo Securities** **MUFG**

Rabobank **Scotiabank** **The Williams Capital Group, L.P.**

TABLE OF CONTENTS

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of the notes. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the notes.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. Persons into whose possession this prospectus supplement and the accompanying prospectus come are required by us and the underwriters to inform themselves about, and to observe, any applicable restrictions. This prospectus supplement and the accompanying prospectus may not be used for or in connection with an offer or solicitation by any person in any jurisdiction in which that offer or solicitation is not authorized or to any person to whom it is unlawful to make that offer or solicitation. See Underwriting Selling Restrictions in this prospectus supplement. You should assume that the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

Notice to Prospective Investors in the European Economic Area

This prospectus supplement and the accompanying prospectus has been prepared on the basis that all offers of notes will be made pursuant to an exemption under Article 3 of the Prospectus Directive (as defined below), as implemented in member states of the European Economic Area (the EEA), from the requirement to produce a prospectus for offers of notes. Accordingly, any person making or intending to make any offer within the EEA of the notes which are the subject of the offering should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do we or they authorize, the making of any offer of notes through any financial intermediary, other than offers made by the underwriters, which constitute the final placement of the notes contemplated in this prospectus supplement and the accompanying prospectus.

In addition to what is set out above, in relation to each member state of the EEA that has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, no offer has been made and no offer will be made of notes which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the underwriters; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall require us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this restriction, the expression an offer of notes to the public in relation to the notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Table of Contents

Notice to Prospective Investors in the United Kingdom

This prospectus supplement and the accompanying prospectus are only being distributed to, and are only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive and that are also (1) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order), (2) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order or (3) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the UK Financial Services and Markets Act 2000 (FSMA)) in connection with the issue or sale of any notes may otherwise lawfully be communicated (each such person being referred to as a Relevant Person). This prospectus supplement and the accompanying prospectus and their contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this prospectus supplement and/or the accompanying prospectus or any of their contents.

This prospectus supplement and the accompanying prospectus have not been approved for the purposes of section 21 of FSMA by a person authorized under FSMA. This prospectus supplement and the accompanying prospectus are being distributed and communicated to persons in the United Kingdom only in circumstances in which section 21(1) of FSMA does not apply to us. The notes are not being offered or sold to any person in the United Kingdom except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of FSMA.

In connection with the issue of the notes, Merrill Lynch International (the Stabilising Manager) (or any person acting on behalf of the Stabilising Manager) may over-allot the notes or effect transactions with a view to supporting the market price of the notes at a higher level than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake such stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the notes and 60 days after the date of the allotment of the notes. The Stabilising Manager may conduct these transactions in the over-the-counter market or otherwise. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the information incorporated by reference in this prospectus supplement and the accompanying prospectus contain statements, estimates, and projections that are forward-looking statements as defined under U.S. federal securities laws. Words such as aim, anticipate, aspire, believe, can, continue, could, envision, estimate, expect, expectation, intend, may, might, pla pursue, see, seek, should, will, would, and similar words identify forward-looking statements, which speak o the date we make them. Except as required by law, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. By their nature, forward-looking statements involve risks, uncertainties, and other factors (many beyond our control) that could cause our actual results to differ materially from our historical experience or from our current expectations or projections. Some of these risks are described more fully in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended April 30, 2016, which is expressly incorporated by reference into this prospectus supplement and the accompanying prospectus, and those risks described in this prospectus supplement under Risk Factors and elsewhere in documents filed with the U.S. Securities and Exchange Commission (SEC) and incorporated by reference in this prospectus supplement and the accompanying prospectus. These risks and uncertainties include, but are not limited to:

Unfavorable global or regional economic conditions, and related low consumer confidence, high unemployment, weak credit or capital markets, budget deficits, burdensome government debt, austerity measures, higher interest rates, higher taxes, political instability, higher inflation, deflation, lower returns on pension assets, or lower discount rates for pension obligations

Risks associated with being a U.S.-based company with global operations, including commercial, political, and financial risks; local labor policies and conditions; protectionist trade policies or economic or trade sanctions; compliance with local trade practices and other regulations, including anti-corruption laws; terrorism; and health pandemics

Fluctuations in foreign currency exchange rates, particularly a stronger U.S. dollar

Changes in laws, regulations, or policies especially those that affect the production, importation, marketing, labeling, pricing, distribution, sale, or consumption of our beverage alcohol products

Tax rate changes (including excise, sales, VAT, tariffs, duties, corporate, individual income, dividends, capital gains) or changes in related reserves, changes in tax rules (for example, LIFO, foreign income deferral, U.S. manufacturing and other deductions) or accounting standards, and the unpredictability and suddenness with which they can occur

Dependence upon the continued growth of the Jack Daniel s family of brands

Changes in consumer preferences, consumption, or purchase patterns particularly away from larger producers in favor of smaller distilleries or local producers, or away from brown spirits, our premium products, or spirits generally, and our ability to anticipate or react to them; bar, restaurant, travel, or other on-premise declines; shifts in demographic trends; or unfavorable consumer reaction to new products, line extensions, package changes, product reformulations, or other product innovation

Decline in the social acceptability of beverage alcohol in significant markets

Production facility, aging warehouse, or supply chain disruption

Imprecision in supply/demand forecasting

Higher costs, lower quality, or unavailability of energy, water, raw materials, product ingredients, labor, or finished goods

Route-to-consumer changes that affect the timing of our sales, temporarily disrupt the marketing or sale of our products, or result in higher implementation-related or fixed costs

Inventory fluctuations in our products by distributors, wholesalers, or retailers

Competitors consolidation or other competitive activities, such as pricing actions (including price reductions, promotions, discounting, couponing, or free goods), marketing, category expansion, product introductions, or entry or expansion in our geographic markets or distribution networks

Risks associated with acquisitions, dispositions, business partnerships, or investments such as acquisition integration, or termination difficulties or costs, or impairment in recorded value

Inadequate protection of our intellectual property rights

Product recalls or other product liability claims; or product counterfeiting, tampering, contamination, or product quality issues

Significant legal disputes and proceedings; or government investigations

Failure or breach of key information technology systems

Negative publicity related to our company, brands, marketing, personnel, operations, business performance, or prospects

Failure to attract or retain key executive or employee talent

Our status as a family controlled company under New York Stock Exchange rules

Table of Contents

MARKET AND INDUSTRY DATA

Certain market data contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus are based on independent industry publications and reports by market research firms. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources referred to above.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available over the Internet at the SEC s web site at http://www.sec.gov. You may also read and copy any document we file with the SEC at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 to obtain information on the operation of the public reference room. You may obtain copies of this information and the documents incorporated by reference in this prospectus supplement or the accompanying prospectus at no charge by writing or telephoning us at the following address or telephone number: Brown-Forman Corporation, 850 Dixie Highway, Louisville, Kentucky 40210 USA, Attention: Vice President, Director of Investor Relations, telephone number (502) 774-6903.

Our Class A common stock and Class B common stock are listed on the New York Stock Exchange (NYSE) under the symbols BF/A and BF/B, respectively. You may also inspect the information we file with the SEC at the NYSE s offices at 20 Broad Street, New York, New York 10005.

Table of Contents

INCORPORATION OF INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference the information that we file with the SEC. This means that we can disclose important business and financial information to you by referring you to information and documents that we have filed with the SEC. Any information that we refer to in this manner is considered part of this prospectus supplement and the accompanying prospectus. Any information that we file with the SEC after the date of this prospectus supplement will automatically update and, where applicable, supersede the corresponding information contained in this prospectus supplement or in documents filed earlier with the SEC.

We incorporate by reference into this prospectus supplement our Annual Report on Form 10-K for the fiscal year ended April 30, 2016 filed with the SEC on June 16, 2016.

We are also incorporating by reference any future filings that we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), after the date of this prospectus supplement and prior to the termination of any offering pursuant to this prospectus supplement. In no event, however, will any of the information that we disclose under Items 2.02 or 7.01 of any Current Report on Form 8-K that we may from time to time furnish to the SEC be incorporated by reference into, or otherwise included in, this prospectus supplement.

Each document referred to above is available over the Internet on the SEC s website at http://www.sec.gov and on our website at http://www.brown-forman.com. However, the information on our website is not a part of this prospectus supplement or the accompanying prospectus. You may also request a free copy of any documents referred to above, including exhibits specifically incorporated by reference in those documents, by contacting us at the following address and telephone number:

Brown-Forman Corporation

850 Dixie Highway

Louisville, Kentucky 40210

Attention: Vice President, Director of Investor Relations

(502) 774-6903

In this prospectus supplement and the accompanying prospectus, we, us, our and the Company refer to Brown-Forman Corporation and its consolidated subsidiaries, unless otherwise expressly stated or required by the context. The symbol $ refers to U.S. dollars, unless otherwise indicated. The symbol and references to euro refer to the single currency introduced at the third stage of the European Monetary Union pursuant to the Treaty establishing the European Community, as amended. The symbol £ and references to sterling refer to the lawful currency of the United Kingdom.

Table of Contents

SUMMARY

The following summary highlights certain significant aspects of our business and this offering, but you should carefully read the entire prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, which are described under Incorporation of Information by Reference, before making an investment decision. Because this is a summary, it does not contain all the information that may be important to you. Our actual results could differ materially from those anticipated in certain forward-looking statements contained in this prospectus supplement and the accompanying prospectus as a result of certain factors, including those set forth under Forward-Looking Statements and Risk Factors.

Brown-Forman Corporation

Brown-Forman is one of the leading global spirits companies, producing and marketing premium branded wines and spirits that are sold in more than 160 countries. George Garvin Brown founded the Company in 1870 and descendants of the Brown family remain active in the Company to this day.

We primarily manufacture, bottle, import, export, market and sell a wide variety of alcoholic beverage brands. Our principal beverage brands are:

Jack Daniel s Tennessee Whiskey
Jack Daniel s RTDs
Jack Daniel s Tennessee Honey
Gentleman Jack Rare Tennessee Whiskey
Jack Daniel s Tennessee Fire
Jack Daniel s Single Barrel Collection[1]
Jack Daniel s Sinatra™ Select
Jack Daniel s Winter Jack
Jack Daniel s No. 27 Gold Tennessee Whiskey
Finlandia Vodkas
Finlandia RTDs
Korbel California Champagnes[2]
Korbel California Brandy[2]
Woodford Reserve Kentucky Bourbons
el Jimador Tequilas
el Jimador New Mix RTDs
Herradura Tequilas
Canadian Mist Canadian Whisky
Sonoma-Cutrer California Wines
Early Times Kentucky Whisky and Bourbon
Chambord Liqueur
Old Forester Kentucky Bourbon
Antiguo Tequila
Pepe Lopez Tequila
Santa Dose Cachaça
Collingwood Canadian Whisky

1 The Jack Daniel s Single Barrel Collection includes Jack Daniel s Single Barrel Select, Jack Daniel s Single Barrel Barrel Proof, Jack Daniel s Single Barrel Rye, and Jack Daniel s Single Barrel 100 Proof.

2 While Korbel is not an owned brand, we sell Korbel products under contract in the United States and other select markets.

For the fiscal year ended April 30, 2016, we generated net sales of approximately $4,011 million and net income of approximately $1,067 million.

The most important brand in our portfolio is Jack Daniel s Tennessee Whiskey, which is the fourth-largest spirits brand of any kind and the largest selling American whiskey brand in the world, according to volume statistics published in March 2016 by Impact Databank, a well-known trade publication. In its third year on the Worldwide Impact list, Jack Daniel s Tennessee Honey is the second-largest-selling flavored whiskey on the Worldwide Impact list, selling over 1.5 million nine-liter cases in calendar year 2015, up 13% from the prior calendar year. Additionally, Jack Daniel s

Tennessee Fire was designated by Impact as a Hot Brand in its first full calendar year. Our other leading global brands on the Worldwide Impact list are Finlandia, the ninth-largest-selling vodka; Canadian Mist, the fourth-largest-selling Canadian whisky; and el Jimador, the fourth-largest-selling tequila and designated by Impact as a Hot Brand. We believe the statistics used to rank these products are reasonably accurate.

Table of Contents

Our strategy is to market high quality products that satisfy the preferences of consumers of legal drinking age and to support those products with extensive international, national, and regional marketing programs. These programs are intended to increase consumer brand recognition and brand loyalty.

We own numerous valuable trademarks that are essential to our business. Registrations of trademarks can generally be renewed indefinitely as long as the trademarks are in use. Through licensing arrangements, we have authorized the use of some of our trademarks on promotional items for the primary purpose of enhancing brand awareness.

Ingredients and Other Supplies

The principal raw materials used in manufacturing and packaging our distilled spirits are water, corn, rye, malted barley, agave, sugar, glass, cartons, PET (polyethylene terephthalate, used in non-glass containers), labels, and wood for barrels, which are used for storing whiskey and certain tequilas. The principal raw materials used in liqueurs are neutral spirits, sugar, and wine, while the principal raw materials used in our RTD products are sugar, flavorings, neutral spirits, whiskey, tequila, and malt. The principal raw materials used in producing wines are grapes, packaging materials, and wood barrels. Our grape supply comes from a combination of our California vineyards and contracts with independent growers. We believe that our relationships with our growers are good. Currently, none of these raw materials is in short supply, but shortages in some of these could occur. From time to time, our agricultural ingredients (corn, rye, malted barley, agave, and grapes) could be adversely affected by weather and other forces that might constrain supply.

Due to aging requirements, we must schedule production of whiskeys, certain tequilas, and other distilled spirits to meet demand years in the future. As a result, our inventories may be larger in relation to sales and total assets than would be normal for many other businesses.

Distribution

We use a variety of distribution models across the globe to deliver our products to our customers. In the United States, we sell our brands either to wholesalers or to state governments that then sell to retail customers and consumers. We own and operate distribution networks in Australia, Brazil, Canada, China, the Czech Republic, France, Germany, Hong Kong, South Korea, Mexico, Poland, Thailand, and Turkey, where we sell our products either directly to retail stores, to wholesalers or, in Canada, to provincial governments. We plan to establish a new distribution company in Spain, which we expect to begin operating in our fiscal year ended April 30, 2018. In the United Kingdom, we partner with another supplier, Bacardi, to sell a combined portfolio of our companies   brands. In many other markets, including Italy, Japan, Russia and South Africa, we rely on others to distribute our brands, generally under fixed-term distribution contracts.

International Markets

Our main international markets include Australia, the United Kingdom, Mexico, Germany, Poland, France, Russia, Turkey, Canada, and Japan. Our fiscal 2016 net sales by geography were as follows:

United States	46%
Europe	31%
Australia	9%
Rest of the world	14%

Competition

The distilled spirits industry is highly competitive. We compete against many global, regional, and local brands in a variety of categories of beverage alcohol, but most of our brands compete primarily in the industry s premium-and-higher price categories. We compete based on taste, product quality, brand image, and price all

S-2

Table of Contents

in response to consumer preferences. While the industry is highly fragmented, direct competitors include Bacardi Limited, Beam Suntory Inc., Davide Campari-Milano S.p.A., Diageo PLC, LVMH Moët Hennessy Louis Vuitton S.A., Pernod Ricard S.A., and Rémy Cointreau S.A. In addition, particularly in the United States, we increasingly compete with (a) national companies, and (b) entrepreneurs, many of whom are recent entrants to the industry typically with small-batch or craft spirit brands.

Regulatory Environment

In the United States, at the federal level, the Alcohol and Tobacco Tax and Trade Bureau of the United States Treasury Department regulates the wine and spirits industry with respect to production, blending, bottling, sales, advertising, and transportation of beverage alcohol products. Similar regulatory regimes exist in each state, as well as in most of the non-U.S. jurisdictions where we sell our products. In addition, distilled spirits products are subject to customs duties or excise taxation in many countries, including in the United States, at the federal, state, and local level.

Under U.S. federal regulations, bourbon and Tennessee whiskeys must be aged for at least two years in new charred oak barrels. We typically age our whiskeys between three and six years. Federal regulations also require that Canadian whiskey must be manufactured in Canada in compliance with Canadian laws. Mexican authorities regulate the production and bottling of tequilas, which among other specifications, mandate minimum aging periods for *anejo* (one year) and *reposado* (two months) tequilas. We comply with these regulations.

Employees

As of April 30, 2016, we employed approximately 4,600 persons. We believe our employee relations are good.

Concurrent Sterling Notes Offering

On June 30, 2016, we announced an offering of £300,000,000 2.600% Notes due 2028 (the sterling notes), in an underwritten public offering pursuant to a separate prospectus supplement (the Concurrent Offering). Closing of the Concurrent Offering is subject to customary conditions precedent. The consummation of this offering is not contingent upon the successful completion of the Concurrent Offering. We cannot assure you that the Concurrent Offering will be completed. This prospectus supplement and the accompanying prospectus is not, and should not be construed as, an offering of any securities other than the notes offered hereby.

Ratio of Earnings to Fixed Charges

The following table sets forth our historical ratio of earnings to fixed charges for the periods indicated. Earnings consist of income from continuing operations before income taxes, excluding undistributed income of equity investees, plus fixed charges excluding capitalized interest. Fixed charges consist of interest charges, whether expensed or capitalized and is inclusive of that portion of tax reserves we believe to be representative of interest and that portion of rental expense we believe to be representative of interest.

	For the Years Ended April 30,				
	2012	**2013**	**2014**	**2015**	**2016**
Ratio of Earnings to Fixed Charges	22.1x	20.9x	26.9x	28.1x	28.8x

Corporate Information

The Company was incorporated under the laws of the State of Delaware in 1933, successor to a business founded in 1870 as a partnership and subsequently incorporated under the laws of the Commonwealth of Kentucky in 1901. Our principal executive offices are located at 850 Dixie Highway, Louisville, Kentucky

Table of Contents

40210, and our telephone number is (502) 585-1100. Our website address is www.brown-forman.com. Information included or referred to on our website is not part of this prospectus supplement or the accompanying prospectus, unless otherwise specifically set forth herein.

Additional information about us, including our audited financial statements, is contained in the documents incorporated by reference in this prospectus supplement or the accompanying prospectus. See Where You Can Find More Information and Incorporation of Information by Reference.

Summary Consolidated Financial Information

The following table sets forth our summary consolidated financial information for the fiscal years ended April 30, 2014, 2015 and 2016 and as of April 30, 2015 and 2016. The information for the fiscal years ended April 30, 2014, 2015 and 2016 and as of April 30, 2015 and 2016 was derived from our audited annual consolidated financial statements. You should read the following summary consolidated financial information together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements, including the related notes, in each case, in our Annual Report on Form 10-K for the fiscal year ended April 30, 2016, which is incorporated by reference in this prospectus supplement. See Where You Can Find More Information and Incorporation of Information by Reference.

	Twelve Months Ended April 30, (In millions)		
	2014	**2015**	**2016**
Income Statement Data:			
Net Sales	$ 3,946	$ 4,096	$ 4,011
Excise Taxes	955	962	922
Cost of Sales	913	951	945
Gross Profit	2,078	2,183	2,144
Gain on Sale of Business			(485)
Operating Expenses and Other	1,107	1,156	1,096
Operating Income	971	1,027	1,533
Interest Income	2	2	2
Interest Expense	26	27	46
Income Taxes	288	318	422
Net Income	$ 659	$ 684	$ 1,067

	As of April 30, (In millions)	
	2015	**2016**
Balance Sheet Data:		

Cash and Cash Equivalents	$ 370	$ 263
Total Current Assets	2,254	2,233
Property, Plant and Equipment, net	586	629
Total Assets	4,188	4,183
Short-Term Borrowings	190	271
Current Portion of Long-Term Debt	250	
Total Current Liabilities	958	791
Long-Term Debt	743	1,230
Total Liabilities	2,283	2,621
Total Stockholders Equity	1,905	1,562

Table of Contents

The Offering

Issuer	Brown-Forman Corporation.
Securities	300,000,000 aggregate principal amount of 1.200% Notes due 2026.
Maturity Date	July 7, 2026.
Interest	Interest on the notes will accrue at the rate of 1.200% per year. Interest on the notes will be payable annually in arrears on July 7 of each year, beginning July 7, 2017.
Ranking	The notes will be our unsecured senior obligations and will rank equally with all of our other existing and future unsecured senior indebtedness and senior to any existing and future subordinated indebtedness from time to time outstanding. The notes will be effectively subordinated to our secured indebtedness to the extent of the value of the assets securing such indebtedness. See Description of Notes Ranking.
Additional Amounts	We will, subject to certain exceptions and limitations, pay additional amounts as are necessary in order that the net payment of the principal of, premium, if any, and interest in respect of the notes to a holder who is not a United States person (as defined under Description of Notes Payment of Additional Amounts), after withholding or deduction for any present or future tax, assessment, duties or other governmental charge imposed by the United States (or any political subdivisions or taxing authority thereof or therein having power to tax), will not be less than the amount provided in such notes to be then due and payable.
Redemption for Tax Reasons	We may redeem in whole, but not in part, the notes at the redemption price of 100% of their outstanding principal amount, plus accrued and unpaid interest to, but excluding, the redemption date, if certain tax events occur that would obligate us to pay additional amounts as described under Description of Notes Payment of Additional Amounts.
Currency of Payment	All payments of interest and principal, including payments made upon any redemption or repurchase of the notes, will be made in euro; provided that if the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the

euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the euro is again available to us or so used. In such circumstances, the amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the Board of Governors of the Federal Reserve System

Table of Contents

	as of the close of business on the second business day prior to the relevant payment date or, if the Board of Governors of the Federal Reserve System has not announced a rate of conversion, on the basis of the most recent U.S. dollar/euro exchange rate published in The Wall Street Journal on or prior to the second business day prior to the relevant payment date or, in the event The Wall Street Journal has not published such exchange rate, the rate will be determined in our sole discretion on the basis of the most recently available market exchange rate for the euro. Any payment in respect of the notes so made in U.S. dollars will not constitute an Event of Default (as defined in the indenture). Neither the trustee nor the paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing. See Description of Notes Issuance in Euro.
Optional Redemption	We may redeem the notes at our option, in whole at any time or, from time to time, in part. We may redeem the notes before April 7, 2026 (three months prior to the maturity date) at the make-whole redemption price described in Description of Notes Optional Redemption. On or after April 7, 2026 (three months prior to the maturity date), we may redeem the notes at a redemption price equal to 100% of the outstanding principal amount of the notes being redeemed. See Description of Notes Optional Redemption.
Certain Covenants	The indenture under which we will issue the notes contains covenants that, among other things, limit our ability under certain circumstances to create liens, enter into sale and lease-back transactions and engage in mergers, consolidations and sales of substantially all of our assets. See Description of Debt Securities in the accompanying prospectus.
Lack of a Public Market for the Notes	There is no established trading market for the notes and, although we intend to apply for listing of the notes for trading on the New York Stock Exchange, there can be no assurance that the notes will become listed, will remain listed or regarding: any future development or liquidity of a trading market for the notes; the prices at which you may be able to sell your notes; or your ability to sell your notes at all.

Future trading prices of the notes will depend on many factors, including:

- prevailing interest rates;
- our operating results and financial condition; and
- the markets for similar securities.

19.1				
Other current assets	48.5		58.9	
Total current assets	793.2		819.2	
Property, plant and equipment, net of accumulated depreciation of $996.7 and $959.6	429.2		408.1	
Company-owned life insurance ("COLI")	168.8		168.8	
Deferred income taxes	189.1		179.6	
Goodwill	107.1		106.7	
Other intangible assets, net of accumulated amortization of $45.0 and $43.2	16.4		16.8	
Investments in unconsolidated affiliates	50.1		50.5	
Other assets	21.2		42.3	
Total assets	$	1,775.1	$	1,792.0
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	223.7	$	216.8
Short-term borrowings and current maturities of long-term debt	2.8		2.8	
Accrued expenses:				
Employee compensation	102.6		154.3	
Employee benefit plan obligations	23.6		35.0	
Accrued promotions	25.9		19.0	
Customer deposits	20.2		15.9	
Product warranties	18.6		20.4	
Other	67.9		59.2	
Total current liabilities	485.3		523.4	
Long-term liabilities:				
Long-term debt less current maturities	293.3		294.6	
Employee benefit plan obligations	134.3		134.3	
Other long-term liabilities	67.3		73.2	
Total long-term liabilities	494.9		502.1	
Total liabilities	980.2		1,025.5	
Shareholders' equity:				
Common stock	—		—	
Additional paid-in capital	—		—	
Accumulated other comprehensive loss	(28.5	)	(50.6	)
Retained earnings	823.4		817.1	
Total shareholders' equity	794.9		766.5	

Total liabilities and shareholders' equity	$	1,775.1	$	1,792.0

See accompanying notes to the condensed consolidated financial statements.

3

Table of Contents

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

	Six Months Ended	
	August 25, 2017	August 26, 2016
OPERATING ACTIVITIES		
Net income	$55.0	$ 57.6
Depreciation and amortization	31.2	29.4
Deferred income taxes	(4.0)	18.7
Non-cash stock compensation	11.7	12.5
Equity in income of unconsolidated affiliates	(5.4)	(4.8)
Dividends received from unconsolidated affiliates	6.1	5.1
Other	(2.3)	(4.5)
Changes in operating assets and liabilities:		
Accounts receivable	(25.2)	(0.1)
Inventories	(7.2)	(4.2)
VAT recoverable	9.5	13.2
Other assets	9.8	(13.4)
Accounts payable	2.8	10.1
Employee compensation liabilities	(59.2)	(70.3)
Employee benefit obligations	(15.7)	(14.9)
Accrued expenses and other liabilities	15.2	(14.3)
Net cash provided by operating activities	22.3	20.1
INVESTING ACTIVITIES		
Capital expenditures	(36.6)	(26.8)
Purchases of investments	(52.1)	(37.2)
Liquidations of investments	60.7	74.8
Other	9.8	0.8
Net cash provided by (used in) investing activities	(18.2)	11.6
FINANCING ACTIVITIES		
Dividends paid	(30.9)	(29.6)
Common stock repurchases	(33.1)	(32.5)
Excess tax benefit from vesting of stock awards	—	(0.3)
Repayment of long-term debt	(1.3)	(0.7)
Net cash used in financing activities	(65.3)	(63.1)
Effect of exchange rate changes on cash and cash equivalents	3.4	1.0
Net decrease in cash and cash equivalents	(57.8)	(30.4)
Cash and cash equivalents, beginning of period	197.1	181.9
Cash and cash equivalents, end of period	$139.3	$ 151.5

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

STEELCASE INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions in Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair presentation of the condensed consolidated financial statements have been included. Results for interim periods should not be considered indicative of results to be expected for a full year. Reference should be made to the consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended February 24, 2017 (“Form 10-K”). The Condensed Consolidated Balance Sheet as of February 24, 2017 was derived from the audited Consolidated Balance Sheet included in our Form 10-K.

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

2. NEW ACCOUNTING STANDARDS

In March 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-07, Compensation - Retirement Benefits (Topic 715), to improve the presentation of net periodic pension cost and net periodic post-retirement benefit cost. The amended guidance requires that an employer disaggregate the service cost component from the other components of net benefit cost, provides explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement, and allows only the service cost component of net benefit cost to be eligible for capitalization. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted within the first interim period of a fiscal year. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

In October 2016, FASB issued ASU No. 2016-16, Income Taxes (Topic 740). The update is intended to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. We chose to early adopt this guidance in Q1 2018, which did not have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718), which is part of the FASB Simplification Initiative. The updated guidance simplifies several aspects of the accounting for share-based payment transactions. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. We adopted this guidance in Q1 2018 and, as a result, the income tax effects of our share-based compensation awards, which aggregated $0.5, were recognized as a component of Income tax expense on our Consolidated Statement of Income for the six months ended August 25, 2017 instead of a component of Additional paid-in capital on our Consolidated Balance Sheet as of August 25, 2017. The remaining requirements of this new accounting guidance did not have a material impact on our consolidated financial statements.

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

Table of Contents
STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which establishes a new standard on revenue recognition. The new standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is designed to create greater comparability for financial statement users across industries and jurisdictions and also requires enhanced disclosures. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted for fiscal years beginning after December 15, 2016. We are in the process of evaluating the impact that will result from adoption of the new standard, but based on analysis performed as of August 25, 2017, we do not anticipate a significant impact on our consolidated financial statements. We currently plan to apply the new standard using the modified retrospective method beginning in 2019.

3. EARNINGS PER SHARE

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

	Three Months Ended		Six Months Ended	
Computation of Earnings per Share	August 25, 2017	August 26, 2016	August 25, 2017	August 26, 2016
Net income	$36.9	$ 38.2	$55.0	$ 57.6
Adjustment for earnings attributable to participating securities	(0.7)	(0.7)	(1.0)	(1.1)
Net income used in calculating earnings per share	$36.2	$ 37.5	$54.0	$ 56.5
Weighted-average common shares outstanding including participating securities (in millions)	119.7	121.1	119.8	121.4
Adjustment for participating securities (in millions)	(2.4)	(2.4)	(2.2)	(2.3)
Shares used in calculating basic earnings per share (in millions)	117.3	118.7	117.6	119.1
Effect of dilutive stock-based compensation (in millions)	0.2	0.4	0.2	0.5
Shares used in calculating diluted earnings per share (in millions)	117.5	119.1	117.8	119.6
Earnings per share:				
Basic	$0.31	$ 0.32	$0.46	$ 0.47
Diluted	$0.31	$ 0.31	$0.46	$ 0.47
Total common shares outstanding at period end (in millions)	116.0	118.3	116.0	118.3
Anti-dilutive performance units excluded from the computation of diluted earnings per share (in millions)	0.5	0.3	0.5	0.3

Table of Contents
STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) for the three months ended August 25, 2017:

	Unrealized gain (loss) on investments	Pension and other post-retirement liability adjustments	Foreign currency translation adjustments	Total
Balance as of May 26, 2017	$ (0.3)	$ 15.8	$ (51.8)	$(36.3)
Other comprehensive income (loss) before reclassifications	0.3	0.2	8.8	9.3
Amounts reclassified from accumulated other comprehensive income (loss)	—	(1.5)	—	(1.5)
Net current period other comprehensive income (loss)	0.3	(1.3)	8.8	7.8
Balance as of August 25, 2017	$ —	$ 14.5	$ (43.0)	$(28.5)

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) for the six months ended August 25, 2017:

	Unrealized gain (loss) on investments	Pension and other post-retirement liability adjustments	Foreign currency translation adjustments	Total
Balance as of February 24, 2017	$ (0.3)	$ 13.0	$ (63.3)	$(50.6)
Other comprehensive income (loss) before reclassifications	0.3	(0.3)	20.3	20.3
Amounts reclassified from accumulated other comprehensive income (loss)	—	1.8	—	1.8
Net current period other comprehensive income (loss)	0.3	1.5	20.3	22.1
Balance as of August 25, 2017	$ —	$ 14.5	$ (43.0)	$(28.5)

The following table provides details about reclassifications out of accumulated other comprehensive income (loss) for the three and six months ended August 25, 2017 and August 26, 2016:

Detail of Accumulated Other Comprehensive Income (Loss) Components	Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) Three Months Ended		Six Months Ended		Affected Line in the Condensed Consolidated Statements of Income
	August 25, 2017	August 26, 2016	August 25, 2017	August 26, 2016	
Amortization of pension and other post-retirement liability adjustments					
Actuarial losses (gains)	(0.5)	(0.1)	(0.9)	(0.1)	Cost of sales
Actuarial losses (gains)	(0.3)	—	(0.7)	0.1	Operating expenses
Prior service cost (credit)	(0.8)	(1.0)	(1.6)	(2.0)	Cost of sales
Prior service cost (credit)	(0.9)	(1.2)	(1.9)	(2.4)	Operating expenses
Settlements - Actuarial losses (gains)	—	—	3.9	—	Cost of sales
Settlements - Actuarial losses (gains)	—	—	3.2	—	Operating expenses
	1.0	0.6	(0.2)	1.7	Income tax expense

Total reclassifications	$(1.5)	$ (1.7)	$1.8	$(2.7)	Net income

7

Table of Contents
STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. FAIR VALUE

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

Our total debt is carried at cost and was $296.1 and $297.4 as of August 25, 2017 and February 24, 2017, respectively. The fair value of our total debt is measured using a discounted cash flow analysis based on current market interest rates for similar types of instruments and was approximately $327 and $330 as of August 25, 2017 and February 24, 2017, respectively. The estimation of the fair value of our total debt is based on Level 2 fair value measurements.

We periodically use derivative financial instruments to manage exposures to movements in foreign exchange rates and interest 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.

Table of Contents
STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Assets and liabilities measured at fair value in our Consolidated Balance Sheets as of August 25, 2017 and February 24, 2017 are summarized below:

	August 25, 2017			
Fair Value of Financial Instruments	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$139.3	$—	$—	$139.3
Restricted cash	2.5	—	—	2.5
Managed investment portfolio and other investments				
Corporate debt securities	—	40.1	—	40.1
U.S. agency debt securities	—	12.8	—	12.8
Asset backed securities	—	8.3	—	8.3
U.S. government debt securities	2.3	—	—	2.3
Municipal debt securities	—	1.3	—	1.3
Foreign exchange forward contracts	—	1.6	—	1.6
Auction rate securities	—	—	3.9	3.9
	$144.1	$64.1	$3.9	$212.1
Liabilities:				
Foreign exchange forward contracts	—	(2.4)	—	(2.4)
	$—	$(2.4)	$—	$(2.4)

	February 24, 2017			
Fair Value of Financial Instruments	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$197.1	$—	$—	$197.1
Restricted cash	2.5	—	—	2.5
Managed investment portfolio and other investments				
Corporate debt securities	—	33.6	—	33.6
U.S. agency debt securities	—	18.6	—	18.6
Asset backed securities	—	3.7	—	3.7
U.S. government debt securities	2.4	—	—	2.4
Municipal debt securities	—	15.1	—	15.1
Foreign exchange forward contracts	—	3.5	—	3.5
Auction rate securities	—	—	3.5	3.5
	$202.0	$74.5	$3.5	$280.0
Liabilities:				
Foreign exchange forward contracts	$—	$(0.9)	$—	$(0.9)
	$—	$(0.9)	$—	$(0.9)

Table of Contents
STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Below is a roll-forward of assets and liabilities measured at fair value using Level 3 inputs for the six months ended August 25, 2017:

Roll-Forward of Fair Value Using Level 3 Inputs	Auction Rate Securities
Balance as of February 24, 2017	$ 3.5
Unrealized gain on investments	0.4
Balance as of August 25, 2017	$ 3.9

6. INVENTORIES

Inventories	August 25, 2017	February 24, 2017
Raw materials and work-in-process	$ 84.7	$ 79.6
Finished goods	107.5	101.7
	192.2	181.3
Revaluation to LIFO	18.7	18.2
	$ 173.5	$ 163.1

The portion of inventories determined by the LIFO method was $76.2 and $77.9 as of August 25, 2017 and February 24, 2017, respectively.

7. SHARE-BASED COMPENSATION

Performance Units

In the six months ended August 25, 2017, we awarded 154,500 performance units ("PSUs") to our executive officers. The PSUs awarded are earned after a three-year performance period, from 2018 through 2020, based on achievement of certain total shareholder return results relative to a comparison group of companies, which is a market condition, and, if earned, will be issued in the form of shares of Class A Common Stock. The number of shares that may be earned can range from 0% to 200% of the target amount; therefore, the maximum number of shares that can be issued under these awards is 309,000. These PSUs are expensed and recorded in Additional paid-in capital on the Condensed Consolidated Balance Sheets over the performance period. We used the Monte Carlo simulation model to calculate the fair value of these PSUs on the date of grant. The model resulted in a weighted average grant date fair value of $21.77 per unit for these PSUs, compared to $16.33 and $24.15 per unit for similar PSUs granted in 2017 and 2016, respectively.

The weighted average grant date fair values were determined using the following assumptions:

	2018 Awards	2017 Awards	2016 Awards
Three-year risk-free interest rate (1)	1.4 %	0.9 %	0.8 %
Expected term	3 years	3 years	3 years
Estimated volatility (2)	31.8 %	31.2 %	29.4 %

---

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

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

10

Table of Contents
STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The total PSU expense and associated tax benefit for all outstanding awards for the three and six months ended August 25, 2017 and August 26, 2016 are as follows:

Performance Units	Three Months Ended		Six Months Ended	
	August 25, 2017	August 26, 2016	August 25, 2017	August 26, 2016
Expense	$0.9	$ 1.0	$2.5	$ 3.2
Tax benefit	0.3	0.4	0.9	1.2

As of August 25, 2017, there was $4.2 of remaining unrecognized compensation cost related to nonvested PSUs, which is expected to be recognized over a remaining weighted-average period of 1.8 years.
The PSU activity for the six months ended August 25, 2017 is as follows:

Maximum Number of Shares That May Be Issued Under Nonvested Units	Total	Weighted-Average Grant Date Fair Value per Unit
Nonvested as of February 24, 2017	916,420	$ 19.31
Granted	309,000	21.77
Nonvested as of August 25, 2017	1,225,420	$ 19.93

Restricted Stock Units
During the six months ended August 25, 2017, we awarded 650,321 restricted stock units ("RSUs"), of which 131,200 were awarded to our executive officers. These RSUs have restrictions on transfer which lapse three years after the date of grant, at which time the units will be issued as unrestricted shares of Class A Common Stock. RSUs are expensed and recorded in Additional paid-in capital on the Condensed Consolidated Balance Sheets over the requisite service period based on the value of the underlying shares on the date of grant.
The RSU expense and associated tax benefit for all outstanding awards for the three and six months ended August 25, 2017 and August 26, 2016 are as follows:

Restricted Stock Units	Three Months Ended		Six Months Ended	
	August 25, 2017	August 26, 2016	August 25, 2017	August 26, 2016
Expense	$2.2	$ 2.2	$8.8	$ 8.9
Tax benefit	0.8	0.8	3.2	3.2

As of August 25, 2017, there was $10.9 of remaining unrecognized compensation cost related to nonvested RSUs, which is expected to be recognized over a weighted-average period of 1.9 years.
The RSU activity for the six months ended August 25, 2017 is as follows:

Nonvested Units	Total	Weighted-Average Grant Date Fair Value per Unit
Nonvested as of February 24, 2017	1,731,507	$ 16.38
Granted	650,321	16.73
Vested	(13,388)	16.36
Forfeited	(17,104)	16.52
Nonvested as of August 25, 2017	2,351,336	$ 16.47

Table of Contents
STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. REPORTABLE SEGMENTS

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

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

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

The Other category includes Asia Pacific, Designtex and PolyVision. Asia Pacific serves customers in Asia and Australia primarily under the Steelcase brand with an emphasis on freestanding furniture systems, seating and storage solutions. Designtex primarily sells textiles, wall coverings and surface imaging solutions specified by architects and designers directly to end-use customers through a direct sales force primarily in North America. PolyVision manufactures ceramic steel surfaces for use in various applications globally, including static whiteboards and chalkboards sold through third party fabricators and distributors to the primary and secondary education markets and architectural panels and other special applications sold through general contractors for commercial and infrastructure projects.

Corporate costs include unallocated portions of shared service functions, such as information technology, corporate facilities, finance, human resources, research, legal and customer aviation, plus deferred compensation expense and income or losses associated with COLI. Corporate assets consist primarily of unallocated cash, short-term investment balances and COLI balances.

Revenue and operating income (loss) for the three and six months ended August 25, 2017 and August 26, 2016 and total assets as of August 25, 2017 and February 24, 2017 by segment are presented below:

Reportable Segment Statement of Operations Data	Three Months Ended		Six Months Ended	
	August 25, 2017	August 26, 2016	August 25, 2017	August 26, 2016
Revenue				
Americas	$568.5	$ 571.0	$1,103.5	$1,091.4
EMEA	118.2	112.8	231.3	238.1
Other	88.9	74.2	175.9	147.3
	$775.6	$ 758.0	$1,510.7	$1,476.8
Operating income (loss)				
Americas	$57.7	$ 78.0	$99.5	$124.6
EMEA	(3.6)	(11.4)	(12.2)	(17.6)
Other	6.8	3.5	13.3	5.7
Corporate	(6.7)	(8.2)	(16.5)	(17.5)
	$54.2	$ 61.9	$84.1	$95.2

Reportable Segment Balance Sheet Data	August 25, 2017	February 24, 2017
Total assets		
Americas	$ 1,010.3	$ 960.7
EMEA	294.4	297.4
Other	208.1	191.1
Corporate	262.3	342.8
	$ 1,775.1	$ 1,792.0

12

Table of Contents

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

This management’s discussion and analysis of financial condition and results of operations should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended February 24, 2017. 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.

Non-GAAP Financial Measures

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

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

Financial Summary

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

Results of Operations

Statement of Operations Data	Three Months Ended August 25, 2017		August 26, 2016		Six Months Ended August 25, 2017		August 26, 2016	
Revenue	$775.6	100.0 %	$758.0	100.0 %	$1,510.7	100.0 %	$1,476.8	100.0 %
Cost of sales	517.2	66.7	494.9	65.3	1,009.5	66.8	979.7	66.3
Restructuring costs	—	—	—	—	—	—	4.2	0.3
Gross profit	258.4	33.3	263.1	34.7	501.2	33.2	492.9	33.4
Operating expenses	204.2	26.3	200.9	26.5	417.1	27.6	397.0	26.9
Restructuring costs	—	—	0.3	—	—	—	0.7	0.1
Operating income	54.2	7.0	61.9	8.2	84.1	5.6	95.2	6.4
Interest expense	(4.4)	(0.6)	(4.4)	(0.6)	(8.7)	(0.7)	(8.6)	(0.6)
Investment income	0.4	—	0.3	—	0.8	0.1	0.8	0.1
Other income, net	0.5	0.1	1.8	0.3	2.9	0.2	3.9	0.3
Income before income tax expense	50.7	6.5	59.6	7.9	79.1	5.2	91.3	6.2
Income tax expense	13.8	1.7	21.4	2.9	24.1	1.6	33.7	2.3
Net income	$36.9	4.8 %	$38.2	5.0 %	$55.0	3.6 %	$57.6	3.9 %
Earnings per share:								
Basic	$0.31		$0.32		$0.46		$0.47	
Diluted	$0.31		$0.31		$0.46		$0.47	

13

Table of Contents

Q2 2018 Organic Revenue Growth (Decline)	Americas	EMEA	Other	Consolidated
Q2 2017 revenue	$571.0	$112.8	$74.2	$ 758.0
Divestitures	—	(1.0)	—	(1.0)
Currency translation effects*	0.1	2.0	0.3	2.4
Q2 2017 revenue, adjusted	571.1	113.8	74.5	759.4
Q2 2018 revenue	568.5	118.2	88.9	775.6
Organic growth (decline) $	$(2.6)	$4.4	$14.4	$ 16.2
Organic growth (decline) %	— %	4 %	19 %	2 %

* Currency translation effects represent the estimated net effect of translating Q2 2017 foreign currency revenues using the average exchange rates during Q2 2018.

Year-to-Date 2018 Organic Revenue Growth (Decline)	Americas	EMEA	Other	Consolidated
Year-to-date 2017 revenue	$1,091.4	$238.1	$147.3	$1,476.8
Divestitures	—	(1.8)	—	(1.8)
Currency translation effects*	(0.8)	(4.1)	(0.5)	(5.4)
Year-to-date 2017 revenue, adjusted	1,090.6	232.2	146.8	1,469.6
Year-to-date 2018 revenue	1,103.5	231.3	175.9	1,510.7
Organic growth (decline) $	$12.9	$(0.9)	$29.1	$41.1
Organic growth (decline) %	1 %	— %	20 %	3 %

* Currency translation effects represent the estimated net effect of translating year-to-date 2017 foreign currency revenues using the average exchange rates during year-to-date 2018.

Reconciliation of Operating Income to Adjusted Operating Income	Three Months Ended August 25, 2017		August 26, 2016		Six Months Ended August 25, 2017		August 26, 2016	
Operating income	$54.2	7.0%	$61.9	8.2%	$84.1	5.6%	$95.2	6.4%
Add: restructuring costs	—	—	0.3	—	—	—	4.9	0.4
Adjusted operating income	$54.2	7.0%	$62.2	8.2%	$84.1	5.6%	$100.1	6.8%

Overview

In Q2 2018, we posted 2% revenue growth over the prior year, driven by strong growth in Asia Pacific and 5% growth in EMEA, while revenue in the Americas declined by less than 1% compared to the prior year. In the Americas, continued growth from new products and solutions was offset by continued declines in traditional furniture applications. Demand from large customers remained subdued, but the rate of decline was lower than the first quarter. Despite the revenue growth, operating income declined compared to the prior year as a result of increases in cost of sales and operating expenses as a percentage of revenue in the Americas. The increases reflected higher discounting and incentives, higher commodity costs, investments in support of product development and manufacturing agility, and unfavorable shifts in business mix. We have continued to invest in product development, sales, marketing and information technology that support our strategies, and we intend to launch a significant number of new products throughout 2018.

Q2 2018 Compared to Q2 2017

We recorded net income of $36.9 and diluted earnings per share of $0.31 in Q2 2018 compared to net income of $38.2 and diluted earnings per share of $0.31 in Q2 2017. The Q2 2018 results reflected the net impact of the sale of property in Rosenheim, Germany and a favorable tax adjustment which together increased diluted earnings per share by approximately $0.05. Operating income of $54.2 in Q2 2018 compared to operating income of $61.9 in Q2 2017. Benefits associated with revenue growth in Q2 2018 were more than offset by higher cost of sales as a percentage of revenue in the Americas and higher operating expenses compared to the prior year. After adjusting for the impact of restructuring costs in the prior year, operating income of $54.2 in Q2 2018 compared to adjusted operating income of

$62.2 in Q2 2017.

14

Table of Contents

Revenue of $775.6 in Q2 2018 represented an increase of $17.6 or 2% compared to the prior year. The increase in revenue was driven by growth of 20% in the Other category and 5% in EMEA, while revenue in the Americas declined by less than 1% compared to the prior year. After adjusting for $2.4 of favorable currency translation effects and a $1.0 unfavorable impact due to divestitures, organic revenue growth was $16.2 or 2% compared to the prior year. On an organic basis, revenue in the Other category grew by 19% and revenue in EMEA grew by 4%, while revenue in the Americas declined by less than 1% compared to the prior year.

Cost of sales as a percentage of revenue increased by 140 basis points to 66.7% of revenue in Q2 2018 compared to Q2 2017. The increase was driven by a 250 basis point increase in the Americas, partially offset by a 280 basis point decline in EMEA. The increase in the Americas was driven by higher discounting and incentives, higher commodity costs, investments in support of product development and manufacturing agility, and unfavorable shifts in business mix. The improvement in EMEA was driven by benefits associated with cost reduction and other gross margin improvement initiatives.

Operating expenses of $204.2 in Q2 2018 represented an increase of $3.3 or a decline of 20 basis points as a percentage of revenue compared to the prior year. Current quarter operating expenses included a $4.0 gain on the sale of the Rosenheim property and $1.8 of lower deferred compensation expense compared to the prior year. Increased spending in the current quarter included investments in product development, sales, marketing and information technology in support of our strategies, partially offset by lower variable compensation expense.

There were no restructuring costs in Q2 2018 compared to restructuring costs of $0.3 in Q2 2017. The Q2 2017 amount included costs associated with the establishment of the Learning + Innovation Center in Munich, Germany.

Our effective tax rate in Q2 2018 was 27.2% compared to a Q2 2017 effective tax rate of 35.9%. The improvement was primarily due to a $3.9 favorable tax adjustment recorded during the current quarter.

Year-to-Date 2018 Compared to Year-to-Date 2017

We recorded year-to-date 2018 net income of $55.0 compared to year-to-date 2017 net income of $57.6. The slight decline was driven by the same factors as the quarter. The year-to-date 2018 results reflected the net impact of the sale of the Rosenheim property and a favorable tax adjustment in Q2 2018 which together increased diluted earnings per share by approximately $0.05, partially offset by the defined benefit plan annuitizations in Q1 2018 which decreased diluted earnings per share by approximately $0.03.

Year-to-date 2018 revenue of $1,510.7 represented an increase of $33.9 or 2% compared to year-to-date 2017. The increase in revenue was driven by higher volume in the Other category and the Americas. After adjusting for $5.4 of unfavorable currency translation effects and a $1.8 unfavorable impact due to divestitures, the organic revenue increase was $41.1 or 3%. On an organic basis, revenue increased by 20% in the Other category and 1% in the Americas, while EMEA was flat compared to the prior year.

Cost of sales increased by 50 basis points to 66.8% of revenue in year-to-date 2018 compared to year-to-date 2017. The increase was due to a 140 basis point increase in the Americas, partially offset by an improvement of 120 basis points in EMEA and an improvement of 220 basis points in the Other category. The increase in the Americas was driven by higher discounting and incentives, higher commodity costs, investments in support of product development and manufacturing agility, unfavorable shifts in business mix and $3.4 of charges associated with the defined benefit plan annuitizations recorded in Q1 2018, partially offset by ongoing cost reduction initiatives and $5.4 of lower warranty costs compared to the prior year. The improvement in EMEA was driven by benefits associated with cost reduction and other gross margin improvement initiatives. The improvement in the Other category was driven by the impact of higher sales volume.

Operating expenses of $417.1 in year-to-date 2018 represented an increase of $20.1 or 70 basis points as a percentage of revenue compared to the prior year. Operating expenses increased by $17.2 in the Americas and $5.9 in the Other category, while operating expenses decreased by $2.0 in EMEA. The increase in the Americas and Other category was driven primarily by investments in product development, sales, marketing and information technology. The decrease in EMEA included a $4.0 gain from the sale of the Rosenheim property, partially offset by higher costs related to product development and our new Learning + Innovation Center in Munich. In addition, the higher spending included $3.9 of expense associated with the defined benefit plan annuitizations ($3.0 in the Other category and $0.9 in Corporate).

15

Table of Contents

There were no restructuring costs in year-to-date 2018 compared to net restructuring costs of $4.9 in year-to-date 2017. The year-to-date 2017 amount included costs related to the closure of a manufacturing facility in High Point, North Carolina, the closure of a manufacturing facility in Durlangen, Germany and the establishment of the Learning + Innovation Center in Munich.

Our year-to-date 2018 effective tax rate was 30.5% compared to a year-to-date 2017 effective tax rate of 36.9%. The decrease was driven by the same factor as the quarter.

Interest Expense, Investment Income and Other Income, Net

Interest Expense, Investment Income and Other Income, Net	Three Months Ended		Six Months Ended	
	August 25, 2017	August 26, 2016	August 25, 2017	August 26, 2016
Interest expense	$(4.4)	$ (4.4)	$(8.7)	$ (8.6)
Investment income	0.4	0.3	0.8	0.8
Other income (expense), net:				
Equity in income of unconsolidated affiliates	2.6	2.2	5.6	4.7
Foreign exchange gains (losses)	(0.2)	0.2	(2.2)	0.7
Miscellaneous, net	(1.9)	(0.6)	(0.5)	(1.5)
Total other income, net	0.5	1.8	2.9	3.9
Total interest expense, investment income and other income, net	$(3.5)	$ (2.3)	$(5.0)	$ (3.9)

Business Segment Review

See Note 8 to the condensed consolidated financial statements for additional information regarding our business segments.

Americas

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

Statement of Operations Data — Americas	Three Months Ended				Six Months Ended			
	August 25, 2017		August 26, 2016		August 25, 2017		August 26, 2016	
Revenue	$568.5	100.0%	$571.0	100.0%	$1,103.5	100.0%	$1,091.4	100.0%
Cost of sales	372.7	65.6	360.5	63.1	725.8	65.8	703.2	64.4
Restructuring costs	—	—	—	—	—	—	2.6	0.3
Gross profit	195.8	34.4	210.5	36.9	377.7	34.2	385.6	35.3
Operating expenses	138.1	24.3	132.5	23.2	278.2	25.2	261.0	23.9
Restructuring costs	—	—	—	—	—	—	—	—
Operating income	$57.7	10.1 %	$78.0	13.7 %	$99.5	9.0 %	$124.6	11.4 %

Reconciliation of Operating Income to Adjusted Operating Income — Americas	Three Months Ended				Six Months Ended			
	August 25, 2017		August 26, 2016		August 25, 2017		August 26, 2016	
Operating income	$57.7	10.1%	$78.0	13.7%	$99.5	9.0%	$124.6	11.4%
Add: restructuring costs	—	—	—	—	—	—	2.6	0.3
Adjusted operating income	$57.7	10.1%	$78.0	13.7%	$99.5	9.0%	$127.2	11.7%

Operating income in the Americas decreased by $20.3 and $25.1 respectively, in Q2 2018 and year-to-date 2018 compared to the prior year. The decline in the quarter was driven by higher cost of sales as a percentage of revenue and higher operating expenses. On a year-to-date basis, the decline was driven by higher cost of sales as a percentage of revenue and higher operating expenses, partially offset by higher revenue. After adjusting for the impact of restructuring costs in the prior year, operating income of $57.7 and $99.5 in Q2 2018 and year-to-date 2018 compared to adjusted operating income of $78.0 and $127.2 in the prior year.

16

Table of Contents

The Americas revenue represented 73.3% of consolidated revenue in Q2 2018. Revenue for Q2 2018 was $568.5 compared to $571.0 in Q2 2017. The continued growth from our new products and solutions was offset by declines in traditional furniture applications. Demand from large customers remained subdued, but the rate of decline was lower than Q1 2018. After adjusting for $0.1 of unfavorable currency translation effects, the organic revenue decrease in Q2 2018 was $2.6.

Year-to-date 2018 revenue of $1,103.5 represented an increase of $12.1 compared to year-to-date 2017. The slight increase in revenue reflected continued growth from our new products and solutions, partially offset by declines in traditional furniture applications. After adjusting for $0.8 of unfavorable currency translation effects, the year-to-date 2018 organic revenue increase was $12.9 or 1% compared to the prior year.

Cost of sales as a percentage of revenue increased 250 basis points in Q2 2018 compared to Q2 2017, which represented the lowest level of cost of sales as a percentage of revenue in more than a decade. The increase was driven by higher discounting and incentives, higher commodity costs, higher investments in support of product development and manufacturing agility, and unfavorable shifts in business mix, each of which contributed similarly to the increase.

Year-to-date 2018 cost of sales represented an increase of 140 basis points compared to the prior year and was driven by higher discounting and incentives, approximately $6 of higher commodity costs, approximately $5 of higher investments in support of product development and manufacturing agility, unfavorable shifts in business mix, and $3.4 of charges associated with the defined benefit plan annuitizations, partially offset by ongoing cost reduction initiatives and $5.4 of lower warranty costs compared to the prior year.

Operating expenses in Q2 2018 increased by $5.6, or 110 basis points as a percentage of revenue, compared to the prior year driven by $7.3 of higher investments in product development, sales, marketing and information technology that support our product development and growth strategies. Operating expenses increased by $17.2, or 130 basis points as a percentage of revenue, in year-to-date 2018 compared to the prior year and was driven by the same factors as the quarter.

There were no restructuring costs recorded in the Americas in Q2 2018 or Q2 2017. There were no restructuring costs recorded in the Americas in year-to-date 2018 compared to restructuring costs of $2.6 in year-to-date 2017 associated with the closure of the High Point manufacturing facility.

EMEA

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

Statement of Operations Data — EMEA	Three Months Ended				Six Months Ended			
	August 25, 2017		August 26, 2016		August 25, 2017		August 26, 2016	
Revenue	$118.2	100.0 %	$112.8	100.0 %	$231.3	100.0 %	$238.1	100.0 %
Cost of sales	86.8	73.4	86.0	76.2	171.4	74.1	179.3	75.3
Restructuring costs	—	—	—	—	—	—	1.6	0.7
Gross profit	31.4	26.6	26.8	23.8	59.9	25.9	57.2	24.0
Operating expenses	35.0	29.6	37.9	33.6	72.1	31.2	74.1	31.1
Restructuring costs	—	—	0.3	0.3	—	—	0.7	0.3
Operating loss	$(3.6)	(3.0)%	$(11.4)	(10.1)%	$(12.2)	(5.3)%	$(17.6)	(7.4)%

Reconciliation of Operating Income (Loss) to Adjusted Operating Income (Loss) — EMEA	Three Months Ended				Six Months Ended			
	August 25, 2017		August 26, 2016		August 25, 2017		August 26, 2016	
Operating loss	$(3.6)	(3.0)%	$(11.4)	(10.1)%	$(12.2)	(5.3)%	$(17.6)	(7.4)%
Add: restructuring costs	—	—	0.3	0.3	—	—	2.3	1.0
Adjusted operating loss	$(3.6)	(3.0)%	$(11.1)	(9.8)%	$(12.2)	(5.3)%	$(15.3)	(6.4)%

Operating results in EMEA improved significantly in Q2 2018 and year-to-date 2018 compared to the prior year. The improvement was driven by benefits associated with cost reduction and other gross margin improvement initiatives and included a $4.0 gain on the sale of the Rosenheim property.

17

Table of Contents

EMEA revenue represented 15.2% of consolidated revenue in Q2 2018. Revenue for Q2 2018 was $118.2 compared to $112.8 in Q2 2017. The increase in revenue was driven by higher volume in Eastern Europe, Iberia, the Middle East, and the United Kingdom, partially offset by a decline in Germany. After adjusting for $2.0 of favorable currency translation effects, the organic revenue increase was $4.4 or 4%. For year-to-date 2018, revenue declined by $6.8 or 3% compared to the prior year due to lower volume in Germany, partially offset by growth in the Middle East and Eastern Europe.

Cost of sales as a percentage of revenue decreased significantly in Q2 2018 and year-to-date 2018 compared to the prior year. The improved performance was driven by benefits associated with cost reduction and other gross margin improvement initiatives and favorable shifts in business mix.

Operating expenses in Q2 2018 and year-to-date 2018 decreased by $2.9 and $2.0, respectively, compared to the prior year. The decreases included a $4.0 gain on the sale of the Rosenheim property, partially offset by higher costs related to product development and our new Learning + Innovation Center in Munich.

There were no restructuring costs in EMEA in Q2 2018 and year-to-date 2018 compared to restructuring costs of $0.3 and $2.3, in Q2 2017 and year-to-date 2017, respectively. The restructuring costs in Q2 2017 and year-to-date 2017 were associated with the closure of the Durlangen manufacturing facility and the establishment of the Learning + Innovation Center in Munich.

Other

The Other category includes Asia Pacific, Designtex and PolyVision. Asia Pacific serves customers in Asia and Australia primarily under the Steelcase brand with an emphasis on freestanding furniture systems, seating and storage solutions. Designtex primarily sells textiles, wall coverings and surface imaging solutions specified by architects and designers directly to end-use customers through a direct sales force primarily in North America. PolyVision manufactures ceramic steel surfaces for use in various applications globally, including static whiteboards and chalkboards sold through third party fabricators and distributors to the primary and secondary education markets and architectural panels and other special applications sold through general contractors for commercial and infrastructure projects.

Statement of Operations Data — Other	Three Months Ended				Six Months Ended			
	August 25, 2017		August 26, 2016		August 25, 2017		August 26, 2016	
Revenue	$88.9	100.0%	$74.2	100.0%	$175.9	100.0%	$147.3	100.0%
Cost of sales	57.7	64.9	48.4	65.2	112.3	63.8	97.2	66.0
Restructuring costs	—	—	—	—	—	—	—	—
Gross profit	31.2	35.1	25.8	34.8	63.6	36.2	50.1	34.0
Operating expenses	24.4	27.5	22.3	30.1	50.3	28.6	44.4	30.1
Restructuring costs	—	—	—	—	—	—	—	—
Operating income	$6.8	7.6 %	$3.5	4.7 %	$13.3	7.6 %	$5.7	3.9 %

Reconciliation of Operating Income to Adjusted Operating Income — Other	Three Months Ended				Six Months Ended			
	August 25, 2017		August 26, 2016		August 25, 2017		August 26, 2016	
Operating income	$6.8	7.6%	$3.5	4.7%	$13.3	7.6%	$5.7	3.9%
Add: restructuring costs	—	—	—	—	—	—	—	—
Adjusted operating income	$6.8	7.6%	$3.5	4.7%	$13.3	7.6%	$5.7	3.9%

Revenue in the Other category represented 11.5% of consolidated revenue in Q2 2018. Revenue in Q2 2018 increased $14.7 or 20% compared to the prior year driven by strong growth in Asia Pacific (led by India) and Designtex. Year-to-date 2018 revenue of $175.9 represented an increase of $28.6 or 19% compared to the prior year. The increase was driven by the same factors as the quarter.

Operating results in the Other category improved significantly in Q2 2018 and year-to-date 2018 compared to the prior year. The Q2 2018 results reflected strong performance in Asia Pacific driven by higher volume. Operating results in year-to-date 2018 were driven by strong performance in Asia Pacific, partially offset by lower income at

Designtex which included $3.0 of charges related to the defined benefit plan annuitizations in Q1 2018.

Table of Contents
STEELCASE INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Statement of Operations Data — Corporate	Three Months Ended		Six Months Ended	
	August 25, 2017	August 26, 2016	August 25, 2017	August 26, 2016
Operating expenses	$6.7	$ 8.2	$16.5	$ 17.5

The decrease in operating expenses in Q2 2018 and year-to-date 2018 was primarily due to lower deferred compensation expense compared to the prior year.
Liquidity and Capital Resources
Based on current business conditions, we target a range of $75 to $150 in cash and cash equivalents and short-term investments to fund day-to-day operations, including seasonal disbursements, particularly the annual payment of accrued variable compensation and retirement plan contributions in Q1 of each fiscal year. In addition, we may carry additional liquidity for potential investments in strategic initiatives and as a cushion against economic volatility.

Liquidity Sources	August 25, 2017	February 24, 2017
Cash and cash equivalents	$ 139.3	$ 197.1
Short-term investments	64.8	73.4
Company-owned life insurance	168.8	168.8
Availability under credit facilities	155.1	150.3
Total liquidity	$ 528.0	$ 589.6

As of August 25, 2017, we held a total of $204.1 in cash and cash equivalents and short-term investments. Of our total $139.3 in cash and cash equivalents, approximately 51% was located in the U.S. and the remaining 49% was located outside of the U.S., primarily in France, Mexico, China and Hong Kong. The majority of amounts located outside the U.S. would be taxable if repatriated to the U.S. as dividends. However, such amounts are considered available to repay intercompany debt, available to meet local working capital requirements or permanently reinvested in foreign subsidiaries. The majority of our short-term investments are located in the U.S. and maintained in a managed investment portfolio, which primarily consists of corporate debt securities and U.S. agency debt securities.
Our investments in COLI policies are intended to be utilized as a long-term funding source for long-term employee benefit obligations. However, COLI can be used as a source of liquidity. We believe the financial strength of the issuing insurance companies associated with our COLI policies is sufficient to meet their obligations. COLI investments are recorded at their net cash surrender value.
Availability under credit facilities may be reduced related to compliance with applicable covenants.
The following table summarizes our condensed consolidated statements of cash flows for the six months ended August 25, 2017 and August 26, 2016:

Cash Flow Data	Six Months Ended	
	August 25, 2017	August 26, 2016
Net cash provided by (used in):		
Operating activities	$22.3	$ 20.1
Investing activities	(18.2)	11.6
Financing activities	(65.3)	(63.1)
Effect of exchange rate changes on cash and cash equivalents	3.4	1.0
Net decrease in cash and cash equivalents	(57.8)	(30.4)

Cash and cash equivalents, beginning of period	197.1	181.9
Cash and cash equivalents, end of period	$ 139.3	$ 151.5

19

Table of Contents

Cash provided by operating activities

Cash Flow Data — Operating Activities	Six Months Ended August 25, 2017	August 26, 2016
Net income	$55.0	$ 57.6
Depreciation and amortization	31.2	29.4
Non-cash stock compensation	11.7	12.5
Other	(1.6)	(4.2)
Changes in accounts receivable, inventories and accounts payable	(29.6)	5.8
Changes in VAT recoverable	9.5	13.2
Changes in employee compensation liabilities	(59.2)	(70.3)
Changes in other operating assets and liabilities and deferred income taxes	5.3	(23.9)
Net cash provided by operating activities	$22.3	$ 20.1

The increased use of working capital in the current period was driven by revenue growth, which was notably higher toward the end of Q2 2018 compared to Q2 2017. The lower level of changes in employee compensation liabilities in the current period was driven by lower variable compensation payments in Q1 2018 compared to Q1 2017. Changes in other operating assets and liabilities and deferred income taxes were primarily driven by timing of payments and collections related to various tax accounts and accrued expenses.

Cash used in investing activities

Cash Flow Data — Investing Activities	Six Months Ended August 25, 2017	August 26, 2016
Capital expenditures	$(36.6)	$ (26.8)
Purchases of investments	(52.1)	(37.2)
Liquidations of investments	60.7	74.8
Other	9.8	0.8
Net cash provided by (used in) investing activities	$(18.2)	$ 11.6

Capital expenditures in year-to-date 2018 included investments in our global manufacturing operations, product development and the new Learning + Innovation Center in Munich.

Liquidations of short-term investments were lower in year-to-date 2018 due to lower variable compensation payments in Q1 2018 compared to Q1 2017.

Cash used in financing activities

Cash Flow Data — Financing Activities	Six Months Ended August 25, 2017	August 26, 2016
Dividends paid	$(30.9)	$ (29.6)
Common stock repurchases	(33.1)	(32.5)
Excess tax benefit from vesting of stock awards	—	(0.3)
Repayments of debt	(1.3)	(0.7)
Net cash used in financing activities	$(65.3)	$ (63.1)

We paid dividends of $0.1275 per common share in each of Q1 2018 and Q2 2018 and $0.12 per share in each of Q1 2017 and Q2 2017.

In year-to-date 2018, we made common stock repurchases of 2,358,714 shares, 358,714 of which were made to satisfy participants' tax withholding obligations upon the vesting of equity awards, pursuant to the terms of the Incentive Compensation Plan. In year-to-date 2017, we made common stock repurchases of 2,315,717 shares, 448,817 of which were made to satisfy participants' tax withholding obligations upon the vesting of equity awards.

As of the end of Q2 2018, we had $99.2 of remaining availability under the $150 share repurchase program approved by our Board of Directors in Q4 2016.

20

Table of Contents

Off-Balance Sheet Arrangements
During Q2 2018, no material change in our off-balance sheet arrangements occurred.
Contractual Obligations
During Q2 2018, no material change in our contractual obligations occurred.
Liquidity Facilities
Our total liquidity facilities as of August 25, 2017 were:

Liquidity Facilities	August 25, 2017
Global committed bank facility	$ 125.0
Various uncommitted lines	30.1
Total credit lines available	155.1
Less: Borrowings outstanding	—
Available capacity	$ 155.1

We have a $125 global committed five-year bank facility which was entered into in Q3 2017. As of August 25, 2017, there were no borrowings outstanding under the facility, our availability was not limited, and we were in compliance with all covenants under the facility.
The various uncommitted lines may be changed or canceled by the banks at any time. There were no outstanding borrowings under the uncommitted facilities as of August 25, 2017.
In addition, we have credit agreements totaling $43.5 which can be utilized to support letters of credit, bank guarantees or foreign exchange contracts; letters of credit and bank guarantees totaling $14.5 were outstanding under such facilities as of August 25, 2017. There were no draws on our standby letters of credit during Q2 2018.
Total consolidated debt as of August 25, 2017 was $296.1. Our debt primarily consists of $248.9 in term notes due in 2021 with an effective interest rate of 6.6%. In addition, we have a term loan with a balance as of August 25, 2017 of $46.7. This term loan has a floating interest rate based on 30-day LIBOR plus 1.20% and is due in Q1 2024. The term notes are unsecured and the term loan is secured by two aircraft. The term notes and the term loan do not contain financial covenants and are not cross-defaulted to our other debt facilities.
Liquidity Outlook
Our current cash and cash equivalents and short-term investment balances, funds available under our credit facilities, funds available from COLI and cash generated from future operations are expected to be sufficient to finance our known or foreseeable liquidity needs. We continue to maintain a conservative approach to liquidity and have flexibility over significant uses of cash including our capital expenditures and discretionary operating expenses.
Our significant funding requirements include operating expenses, non-cancelable operating lease obligations, capital expenditures, variable compensation and retirement plan contributions, dividend payments and debt service obligations.
We currently expect capital expenditures to approximate $80 to $90 in 2018 compared to $61 in 2017. This amount includes investments in our global manufacturing operations, product development and the new Learning + Innovation Center in Munich. We closely manage capital spending to ensure we are making investments that we believe will sustain our business and preserve our ability to introduce innovative new products.
On September 18, 2017, we announced a quarterly dividend on our common stock of $0.1275 per share, or approximately $15.1, to be paid in Q3 2018. Future dividends will be subject to approval by our Board of Directors.

Table of Contents

Critical Accounting Estimates

During Q2 2018, there have been no changes in the items that we have identified as critical accounting estimates.

Recently Issued Accounting Standards

See Note 2 to the condensed consolidated financial statements.

Forward-looking Statements

From time to time, in written and oral statements, we discuss our expectations regarding future events and our plans and objectives for future operations. These forward-looking statements discuss goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or state other information relating to us, based on current beliefs of management as well as assumptions made by, and information currently available to, us. Forward-looking statements generally are accompanied by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “possible,” “potential,” “predict,” “project,” or other similar words, phrases or expressions. Althou believe these forward-looking statements are reasonable, they are based upon a number of assumptions concerning future conditions, any or all of which may ultimately prove to be inaccurate. Forward-looking statements involve a number of risks and uncertainties that could cause actual results to vary from our expectations because of factors such as, but not limited to, competitive and general economic conditions domestically and internationally; acts of terrorism, war, governmental action, natural disasters and other Force Majeure events; changes in the legal and regulatory environment; changes in raw materials and commodity costs; currency fluctuations; changes in customer demand; and the other risks and contingencies detailed in this Report, our most recent Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission. We undertake no obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events, or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk:

The nature of market risks (i.e., the risk of loss arising from adverse changes in market rates and prices) faced by us as of August 25, 2017 is the same as disclosed in our Annual Report on Form 10-K for the year ended February 24, 2017. 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 Exchange Risk

During Q2 2018, no material change in foreign exchange risk occurred.

Interest Rate Risk

During Q2 2018, no material change in interest rate risk occurred.

Commodity Price Risk

During Q2 2018, no material change in commodity price risk occurred.

Fixed Income and Equity Price Risk

During Q2 2018, no material change in fixed income and equity price risk occurred.

Table of Contents

Item 4. Controls and Procedures:

(a) Disclosure Controls and Procedures. Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of August 25, 2017. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of August 25, 2017, our disclosure controls and procedures were effective in (1) recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and (2) ensuring that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

Table of Contents

PART II. OTHER INFORMATION
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds:
Issuer Purchases of Equity Securities
The following is a summary of share repurchase activity during Q2 2018:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (1) (in millions)
05/27/2017 - 06/30/2017	722,508	$ 13.93	722,225	$ 116.4
07/01/2017 - 07/28/2017	293,358	$ 14.18	293,358	$ 112.3
07/29/2017 - 08/25/2017	984,417	$ 13.30	984,417	$ 99.2
Total	2,000,283 (2)		2,000,000	

(1) In January 2016, the Board of Directors approved a share repurchase program permitting the repurchase of up to $150 of shares of our common stock. This program has no specific expiration date. On April 18, 2017, we entered into a stock repurchase agreement with a third party broker under which the broker was authorized to repurchase up to 4 million shares of our common stock on our behalf during the period from from April 18, 2017 through September 21, 2017. The agreement was established in accordance with Rule 10b5-1 of the Exchange Act. Shares purchased under the agreement are part of the Company's share repurchase program approved in January 2016.

(2) 283 of these shares were repurchased to satisfy participants’ tax withholding obligations upon the vesting of equity awards, pursuant to the terms of our Incentive Compensation Plan.

Item 6. Exhibits:
See Exhibit Index.

24

Table of Contents

SIGNATURES

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

STEELCASE INC.

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

Date: September 20, 2017

Table of Contents

Exhibit Index

Exhibit No.	Description
10.1	2017-1 Amendment to the Steelcase Inc. Restoration Retirement Plan
10.2	Summary of Compensation for the Board of Directors of Steelcase Inc. (1)
10.3	Steelcase Inc. Management Incentive Plan, as amended and restated as of February 25, 2017 (2)
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

(1) Filed as Exhibit 10.1 to the Company's Form 8-K, as filed with the Commission on July 14, 2017 (commission file number 001-13873), and incorporated herein by reference.

(2) Filed as Exhibit 10.2 to the Company's Form 8-K, as filed with the Commission on July 14, 2017 (commission file number 001-13873), and incorporated herein by reference.