steelcase inc

Steelcase Inc. Reports Third Quarter Fiscal 1999 Earnings of $57.4 Million, or $0.37 Per Share, on Sales of $687.6 Million

GRAND RAPIDS, Michigan - December 18, 1998 - Steelcase Inc. (NYSE: SCS) today announced consolidated net income of $57.4 million, or $0.37 per share, and net sales of $687.6 million for its third quarter ended November 27, 1998. As reported on November 16, 1998, earnings and gross margins were negatively impacted by softer than anticipated sales orders. Nonetheless, consolidated net sales and net income for the first nine months of Fiscal 1999 represent record levels of performance for the Company for a nine month period.

Third Quarter and Nine Month Fiscal 1999 Results

Consolidated net income of $57.4 million, or $0.37 per share, for the third quarter of Fiscal 1999 represented a 15.3 percent increase from reported net income of $49.8 million, or $0.32 per share, in the prior year. The current quarter benefited from the successful resolution of income tax litigation, which generated interest income and contributed to a reduction in the overall effective income tax rate expected for Fiscal 1999, resulting in an increase in net income of $6.2 million, or $0.04 per share. The prior year quarter was negatively impacted by various charges aggregating $18.8 million before tax, decreasing net income by $11.5 million, or $0.07 per share.

Consolidated net sales of $687.6 million in the third quarter of Fiscal 1999 decreased by 2.1% from $702.0 million in the prior year. As reported in mid-November, the Company has initiated a series of steps to increase sales and to reduce expenses in alignment with current volumes, including an increase in field sales positions by more than 10%, a targeted reduction in temporary workers, and offering voluntary paid leave of absence to approximately 150 manufacturing and distribution employees. The Company is focused on maintaining high levels of profitability while increasing sales. Its goals are to increase sales to $6 billion over the next five years, while trimming operating expenses to 22 percent of sales and achieving a 14 percent operating income margin.

Consolidated net income for the nine months ended November 27, 1998 increased 6.6 percent to $174.1 million, or $1.13 per share, compared with net income of $163.3 million, or $1.05 per share, in the same period a year ago. While the comparability of the nine month periods is impacted by the factors referenced above, prior year charges were partially offset in the second quarter of Fiscal 1998 by a litigation settlement, which increased consolidated net income by $6.0 million, or $0.04 per share.

	Three Months Ended			Nine Months Ended		
Net Sales (in millions)	Nov 27 1998	Nov 28 1997	% Inc	Nov 27 1998	Nov 28 1997	% Inc
Domestic -U.S. only	599.7	601.3	(0.3)%	1,803.7	1,772.0	1.8%
International & Canada	61.5	70.1	(12.3)%	167.0	30.6	(13.7)%
Services & Other Businesses	26.4			93.2		
Consolidated Net Sales	687.6	702.0	(2.1)%	2,063.9	2,060.5	0.2%
Steelcase Strafor, and Other Unconsolidated Joint Ventures	119.4	105.4	13.3% (1)	383.3	331.3	15.7% (1)
Worldwide Net Sales	807.0	807.4	-	2,447.2	2,391.8	2.3%

(1) In local currency, Steelcase Strafor net sales increased 13.0 percent and 20.7 percent for the three months ended November 27, 1998.

Domestic sales growth in the third quarter remained flat despite appreciable growth in the Company's Wood, Design Partnership, Revest and Turnstone operations. Sales contracted solely by dealers, the Company's primary U.S. distribution channel, grew 4% for the quarter and 8% year to date. Large corporate account business continues to trail the dealer distribution channel, primarily because of deferred spending actions which contributed to unfavorable results in the Company's Steel operations.

International sales declined 12.3% in the third quarter of Fiscal 1999 due primarily to the impact of the global economic slowdown and prior year restructuring efforts that focused on profitability improvements. The Company noted that the European economic climate remains good and it anticipates continued sales growth rates at or near double digits for the fiscal year.

Given ongoing worldwide economic fluctuations and domestic merger and acquisition activity, the Company anticipates continued softness in consolidated net sales growth into the fourth quarter of Fiscal 1999, resulting in flat sales for the full fiscal year.

Acquisitions Position Company for Growth and Support Long-Term Strategic Objectives

Steelcase recently announced the completion of an acquisition by its Steelcase Strafor joint venture of Munich-based Werndl Buromobel AG, the second-largest wood office furniture company in Germany with annual sales in excess of US $115 million. In addition, the planned acquisition of JM Lynne Co., Inc., a leading designer and distributor of vinyl wallcoverings for commercial environments with annual sales of $46 million headquartered in Long Island, New York, which was announced on October 22, 1998, is expected to be completed in January 1999.

"These acquisitions, coupled with our expanding Pathways product collection, will help us strengthen our market position and

add significantly to our revenues and profitability," said James P. Hackett, president and chief executive officer.

Strong Cash Flow Supports Stock Repurchase

For the nine months ended November 27, 1998, net cash generated from operations was $285.2 million, while total net cash flow was $97.0 million. During the third quarter of Fiscal 1999, the Company repurchased 444,300 common shares for $7.0 million under a 3 million share repurchase program authorized by the Board on June 17, 1998. Since the authorization of the repurchase program, the Company has repurchased 794,300 shares. It believes that at current market prices, these purchases are an excellent value and an affirmation of management's commitment to enhance shareholder return.

The Company anticipates that the stock repurchase program will not reduce its tradable share float in the long run as it expects that Class B common shares will continue to convert into Class A common shares over time.

Steelcase Inc., headquartered in Grand Rapids, Michigan and founded in 1912, is the world's pre-eminent designer and manufacturer of products used to create high performance work environments. The Company's portfolio includes office furniture, furniture systems, interior architectural products, and related products and services. Fiscal 1998 worldwide net sales, including those of unconsolidated joint ventures, were $3.3 billion. Additional information about Steelcase and its global operations can be found on the Internet at www.steelcase.com.

Portions of this earnings release containing management's current expectations and goals relating to sales of Pathways-based products, increasing sales of the Company to $6 billion over the next five years, increasing international sales, decreasing operating expenses to 22 percent of sales, increasing operating margins to 14 percent of sales, expected sales in the fourth quarter of Fiscal 1999, the impact of acquisitions, and the conversion of Class B common shares to Class A common shares over time, constitute forward-looking information. The Company's performance may differ materially from that contemplated by such statements for a variety of reasons, including, but not limited to the Company's ability to grow at a greater rate than the industry, competitive and general economic conditions, the future success of new products and their impact on the Company's manufacturing processes, the ability to integrate acquired businesses, and other risks detailed in the Company's Form 10-K for the year ended February 27, 1998, and its other filings with the Securities and Exchange Commission.

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

	Three Months Ended		Nine Months Ended	
	Nov 27, 1998	Nov 28, 1997	Nov 27, 1998	Nov 28, 1997
Net sales	$687.6	$702.0	$2,063.9	$2,060.5
Cost of sales	446.9	459.4	1,304.8	1,316.5
Gross profit	240.7	242.6	759.1	744.0
Selling, general & administrative expenses	163.9	173.8	512.2	499.1
Operating income	76.8	68.8	246.9	244.9
Other income, net	11.6	5.4	20.3	15.7
Income before provision for income taxes and equity in net income of joint ventures and dealer transitions	88.4	74.2	267.2	260.6
Provision for income taxes	31.0	28.5	98.9	100.3
Income before equity in net income of joint ventures and dealer transitions	57.4	45.7	168.3	160.3
Equite in net income of joint ventures and dealer transitions	-	4.1	5.8	3.0
Net income	$57.4	$49.8	$174.1	$163.3
Per Share Data:				
Net income Basic & Diluted	$0.37	$0.32	$1.13	$1.05
Dividends paid	$0.10	$0.10	$0.30	$0.30
Weighted Average Shares Outstanding - Basic & Diluted	153.9	154.9	153.8	154.9

STEELCASE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)

(Unaudited)

	Nov. 27, 1998	Feb. 27, 1998
Assets		
Current assets:		
Cash and cash equivalents	$200.1	$103.1
Accounts receivable, net	354.9	364.3
Notes receivable and leased assets	153.1	142.1
Income taxes receivable	--	32.8
Inventories	99.1	105.8
Other current assets	79.0	76.9
Total current assets	886.2	825.0
Property and equipment, net	729.5	671.2
Notes receivable and leased assets	186.3	158.0
Joint ventures and dealer transitions	139.1	115.9
Other assets	240.3	237.1
Total assets	$2,181.4	$2,007.2
Liabilities & Shareholders' Equity		
Current liabilities:		
Accounts and notes payable	$90.4	$117.8
Accruedexpenses:		
Employee compensation	140.2	103.9
Employee benefit plan obligations	50.5	59.1
Other	200.7	189.1

Total current liabilities	481.8	469.9
Long-term liabilities:		
Employee benefit plan obligations	208.2	191.2
Other long-term liabilities	18.9	13.7
total long-term liabilities	227.1	204.9
total liabilities	708.9	674.8
Shareholders' equity:		
Common Stock	379.4	369.6
Accumulated other comprehensive income	(12.1)	(14.5)
Retained earnings	1,105.2	977.3
Total shareholders' equity	1,472.5	1,332.4
total liabilities and shareholders' equity	$2,181.4	$2,007.2

STEELCASE INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in millions)

	Nine Months Ended	
	Nov. 27, 1998	Nov. 28, 1997
Operating activities		
Net income	$174.1	$163.3
Depreciation and amortization	75.9	76.8
Changes in current assets and liabilities	11.8	52.0
Other, net	23.4	14.0
Net cash provided by operating activities	285.2	306.1
Investing Activities		
Capital expenditures	(138.3)	(96.9)
Other, net	(13.5)	(15.4)
Net cash used in investing activities	(151.8)	(112.3)

Financing Activities

Common stock issuance	24.8	--
Common stock repurchase	(15.0)	--
Dividends paid	(46.2)	(44.9)
Net cash used in financing activities	(36.4)	(44.9)
Net increase in cash and cash equivalents	97.0	148.9
Cash and cash equivalents, beginning of period	103.1	174.0
Cash and cash equivalents, end of period	$200.1	$322.9