

Steelcase Inc. Reports Record Sales in Fiscal Year 2000; Earnings in Line With Expectations

GRAND RAPIDS, Mich.--(BUSINESS WIRE)--March 28, 2000--Steelcase Inc. (NYSE:SCS) announced record net sales of \$3.3 billion for the fiscal year ended February 25, 2000, up 21 percent compared to \$2.7 billion last fiscal year. Net sales reflect the third full quarter consolidation of the Steelcase Strafor acquisition, completed in April 1999. Robust sales of new products, strong growth in the Steelcase Design Partnership (SDP) business and International operations offset the lower-than-expected sales of some of the established Steelcase branded products in North America during the year.

Reported net income for fiscal year 2000 was \$184.2 million, or \$1.21 per share, and included a \$15.0 million after-tax charge for material and installation costs associated with the Pathways product line improvements announced last quarter. Additionally, the company sold certain non-operating assets and had investment gains resulting in a one-time after-tax gain of \$9.3 million. Excluding these nonrecurring items, net income was in line with expectations at \$189.9 million, or \$1.24 per share for the year, a 14 percent decline compared with net income of \$221.4 million, or \$1.44 per share, last fiscal year.

Several factors adversely affected the company's profitability throughout fiscal 2000. The decline in net income is primarily the result of the unfavorable industry-pricing environment, the impact of new products -- which typically have lower margins initially -- in the sales mix, and major new product introduction and ramp up costs. As projected, the company experienced a \$.04 per share dilution to earnings related to the Steelcase Strafor acquisition.

"We are extremely pleased that sales of our new products around the world gained momentum during the year and attracted a large number of new customers to Steelcase," said James P. Hackett, president and chief executive officer. "We feel we are poised for future growth, as we align our manufacturing to support increasing demand for these new products. The run rates for our major new products, Pathways, Answer and Leap have more than doubled in the year, which is unprecedented in our company's history. We will continue to focus on cost reduction and implementation of technology initiatives to ensure that sales increases translate into earnings improvement as we go forward."

Fourth Quarter Results

Net sales for the fourth quarter were a record \$911.4 million, a 34 percent increase from \$678.6 million in the prior year fourth quarter. Sales increases were primarily due to acquisition-related gains in Europe, and by continued strong growth in the company's SDP business. Net income was \$44.0 million, or \$0.29 per share, down 7 percent from \$47.3 million, or \$0.31 per share in the fourth quarter of the prior year. Excluding the impact of one-time adjustments in the fiscal 2000 fourth quarter, net income would have been \$49.7 million, or \$0.33 per share.

Segment Performance

	Three Months Ended			Fiscal Year Ended		
	Feb. 25, 2000	Feb. 26, 1999	% Inc. (Dec.)	Feb. 25, 2000	Feb. 26, 1999	% Inc. (Dec.)
Net Sales (in millions)						
North America	\$660.8	\$617.1	7.1%	\$2,606.4	\$2,511.3	3.8%
International (a)	212.2	31.0	n/m	573.2	115.3	n/m
Services & Other Businesses	38.4	30.5	25.9%	136.5	115.9	17.8%
Consolidated Net Sales	\$911.4	\$678.6	34.3%	\$3,316.1	\$2,742.5	20.9%

(a) Because of the effective date of the acquisition, Steelcase Strafor net sales for Q499 (\$146.4 million) and the last three-quarters of FY99 (\$385.1 million) are not included in the chart above.

Fourth quarter net sales for Steelcase North America, which includes the U.S., Canada and Steelcase Design Partnership operations of the company, were \$660.8 million, an increase of 7 percent, from \$617.1 million in the fourth quarter of fiscal year 1999. This increase was primarily due to acquisitions. In addition, the Steelcase Design Partnership business continued to post strong results and new products gained momentum. Incoming order rates were up moderately over the prior year fourth quarter, but have increased significantly during the past several weeks, and reflect strengthening across all product categories. Excluding acquisitions, net sales for the quarter were comparable to fiscal year 1999 levels, despite an overall decline in the industry.

Steelcase International, which now includes Europe and all other non-North American operations, had net sales of \$212.2 million in the fourth quarter. European businesses have rebounded from a soft first half to post a fourth quarter net sales gain of 13 percent in local currency, but was flat when converted to U.S. dollars. This growth was primarily the result of strong seasonal influences and significant year-over-year growth in our German operations. Despite the adverse currency translation impact, Steelcase's international business made a significant contribution to fourth quarter profits.

Outlook

"We incurred significant costs associated with launching three major new product lines and investing in information technology systems, such as SAP, which are designed to strengthen our business over the long term," said Alwyn Rougier-Chapman, chief financial officer. "We anticipate margins will stabilize at current levels throughout the next fiscal year. Consequently, we expect earnings for fiscal year 2001 to be in the range of \$1.25 to \$1.35 per share, which is in line with our previous expectations."

"We expect continued momentum with our major new products, such as Pathways, Answer and Leap," said Mr. Hackett. "In addition, we intend to aggressively build on our global leadership position. Steelcase's global reach is a significant competitive advantage that positions us to meet the increasingly global needs of our customers. We are confident that the strategies we have in place will create moderate top-line growth and modest earnings increases in fiscal year 2001."

"We remain committed to the ambitious financial targets we've stated: achieve \$6 billion in sales, 14 percent operating income margin and operating expenses that represent 22 percent of sales. We have the right strategies in place to do this, but realistically with the current industry environment, we will not reach those targets in the timeframe originally expected," said Mr. Hackett.

Other Fiscal Year Highlights

-- The company introduced several new products that help people work more effectively -- including, Pathways architectural products, Answer, the Leap chair with its patented technology, TNT, the Please chair and the Canopy light.

-- Steelcase completed the acquisitions of the remaining 50 percent interest in Steelcase Strafor S.A., a European joint venture formed by Steelcase Inc. and Strafor Facom S.A. in 1974; and Clestra Hauserman, a leading provider of steel moveable walls and partitions in North America.

-- The company repurchased 2.5 million shares of Class A and B common stock, amounting to \$36.7 million. Steelcase has approximately 30.2 million shares of Class A common stock and 121.0 million shares of Class B common stock outstanding.

-- Steelcase made significant investments in information technology systems, such as SAP, designed to enhance business processes and help extend the company's leadership position into the future.

About Steelcase Inc.

Steelcase Inc. is the world's preeminent designer and manufacturer of products used to create high-performance work environments. Founded in Grand Rapids, Michigan in 1912, Steelcase Inc. helps individuals and the organizations that employ them around the world to work more effectively. The company has led the office furniture industry in sales every year since 1974. Its product portfolio includes seating, storage, furniture systems, interior architectural products, technology products and related products and services. Fiscal 2000 worldwide net sales, including unconsolidated joint ventures, were more than \$3.3 billion. Steelcase Inc. (www.steelcase.com) and its subsidiaries and joint ventures have dealers in nearly 700 locations, more than 35 manufacturing locations and 21,500 employees around the world.

Live Webcast

Steelcase will hold its quarterly conference call at 11:00 a.m. EST on Tuesday, March 28, 2000, which will be simulcast on the Internet at www.steelcase.com.

Forward-looking Statements

Portions of this earnings release include "forward-looking statements," involving uncertainties and risks that could cause actual results to vary from stated expectations, particularly those with respect to anticipated sales and earnings growth and stabilizing margin levels for fiscal year 2001. The company's performance may differ materially from that contemplated by such statements for a variety of reasons, including, but not limited to: competitive and general economic conditions domestically and internationally; competitive pricing pressure; currency fluctuations; changes in customer order patterns; the success of new products and their continuing impact on the company's manufacturing processes; the company's ability to reduce costs, including ramp up costs associated with new products, to improve margins on new products, to successfully integrate acquired businesses, and to successfully implement technology initiatives; sufficiency of the reserve established with regard to material and installations costs associated with Pathways product line improvements and other risks detailed in the company's form 10-K for the year ended February 26, 1999 and other filings with the Securities and Exchange Commission.

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

	Three Months Ended		Year Ended	
	Feb. 25, 2000	Feb. 26, 1999	Feb. 25, 2000	Feb. 26, 1999
Net sales	\$ 911.4	\$ 678.6	\$ 3,316.1	\$ 2,742.5
Cost of sales	638.0	448.3	2,213.4	1,753.1
Gross profit	273.4	230.3	1,102.7	989.4
Selling, general & administrative expenses	229.3	160.0	830.9	672.2
Operating income	44.1	70.3	271.8	317.2
Interest expense	(5.0)	--	(15.9)	--
Other income, net	31.3	(0.1)	40.5	20.2
Income before provision for income taxes and equity in net income of joint ventures and dealer transitions	70.4	70.2	296.4	337.4
Provision for income taxes	27.4	26.0	115.5	124.9
Income before equity in net income of joint ventures and dealer transitions	43.0	44.2	180.9	212.5
Equity in net income of joint ventures and dealer transitions	1.0	3.1	3.3	8.9
Net income	\$ 44.0	\$ 47.3	\$ 184.2	\$ 221.4
Per Share Data:				
Net Income				
Basic & Diluted	\$ 0.29	\$ 0.31	\$ 1.21	\$ 1.44

Dividends paid	\$ 0.11	\$ 0.11	\$ 0.44	\$ 0.41
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Weighted Average Shares Outstanding - Basic & Diluted	152.1	153.6	152.8	153.8
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STEELCASE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)

	Feb. 25, 2000	Feb. 26, 1999
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Assets		
Current assets:		
Cash and cash equivalents	\$ 73.7	\$ 67.5
Short-term investments	14.9	8.6
Accounts receivable, less allowances of \$45.5 and \$27.6	592.6	348.9
Notes receivable and leased assets	189.0	140.4
Inventories	166.5	96.5
Prepaid expenses	12.5	6.8
Deferred income taxes	78.1	68.7
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Total current assets	1,127.3	737.4
Property and equipment, net	939.1	739.0
Notes receivable and leased assets	294.1	209.1
Joint ventures and dealer transitions	37.0	210.4
Deferred income taxes	43.7	40.5
Goodwill and other intangible assets, net of accumulated amortization of \$38.6 and \$25.6	422.6	99.6
Other assets	173.8	146.5
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Total assets	\$ 3,037.6	\$ 2,182.5
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Liabilities & Shareholders' Equity		
Current liabilities:		
Accounts and notes payable	\$ 219.8	\$ 102.1
Short-term borrowings and current portion of long-term debt	209.0	--
Accrued expenses:		
Employee compensation	121.1	92.8
Employee benefit plan obligations	90.0	51.8
Other	287.3	200.1
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Total current liabilities	927.2	446.8
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Long-term liabilities:		
Long-term debt	257.8	--
Employee benefit plan obligations	243.7	222.8
Deferred income taxes	29.5	--

Other long-term liabilities	17.2	12.9
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Total long-term liabilities	548.2	235.7
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Total liabilities	1,475.4	682.5
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Shareholders' equity:		
Common Stock	342.7	379.4
Accumulated other comprehensive income	(33.0)	(15.0)
Retained earnings	1,252.5	1,135.6
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Total shareholders' equity	1,562.2	1,500.0
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Total liabilities and shareholders' equity	\$ 3,037.6	\$ 2,182.5
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STEELCASE INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended	
	Feb. 25, 2000	Feb. 26, 1999
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Operating Activities		
Net income	\$ 184.2	\$ 221.4
Depreciation and amortization	141.8	107.0
Changes in current assets and liabilities, net of corporate acquisitions	(21.8)	20.4
Other, net	1.5	11.1
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Net cash provided by operating activities	305.7	359.9
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Investing Activities		
Capital expenditures	(188.8)	(170.4)
Corporate acquisitions, net of cash acquired	(209.6)	(57.2)
Net increase in notes receivable and leased assets	(140.2)	(52.2)
Other, net	24.0	(62.4)
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Net cash used in investing activities	(514.6)	(342.2)
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Financing Activities		
Proceeds from issuance of long-term debt	326.3	--
Repayment of debt	(93.4)	--
Short-term borrowings, net	90.5	--
Common stock issuance	--	24.8
Common stock repurchase	(36.7)	(15.0)
Dividends paid	(67.3)	(63.1)
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Net cash provided by (used in) financing activities	219.4	(53.3)

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Effect of exchange rate changes on cash	(4.3)	--
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Net increase (decrease) in cash and cash equivalents	6.2	(35.6)
Cash and cash equivalents, beginning of period	67.5	103.1
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Cash and cash equivalents, end of period	\$ 73.7	\$ 67.5
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