

STEELCASE INC

FORM 10-K/A (Amended Annual Report)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K/A

AMENDMENT NO. 2

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

For the fiscal year ended February 23, 2001

Commission File Number 1-13873

STEELCASE INC.

(Exact name of registrant as specified in its charter)

Michigan
(State of incorporation) 38-0819050
(IRS employer identification number)

901 44th Street,
Grand Rapids, Michigan 49508
(Address of principal executive offices) (Zip Code)

(616) 247-2710
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Class A Common Stock.....	New York Stock Exchange

Securities registered pursuant to 12(g) of the Act: None

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

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

As of May 1, 2001, the registrant had outstanding 32,635,033 shares of Class A Common Stock and 114,916,271 shares of Class B Common Stock. The aggregate market value of the Class A Common Stock held by non-affiliates of the registrant was \$331,016,606 computed by reference to the closing price of the Class A Common Stock on that date as reported by the New York Stock Exchange. Although there is no quoted market for registrant's Class B Common Stock, shares of Class B Common Stock may be converted at any time into an equal number of shares of Class A Common Stock. Using the closing price of the Class A Common Stock on May 1, 2001, as reported by the New York Stock Exchange as the basis of computation, the aggregate market value of the Class B Common Stock held by non-affiliates on that date was \$861,894,868.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive proxy statement for its 2001 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations:

Overview

The Company recorded revenues of \$3,885.8 million for fiscal 2001 ("2001") an increase of 16.2% over fiscal 2000 ("2000") revenues of \$3,344.3 million. The increased global revenues reflect acquisition growth as well as the continued growth of new and established products across most business and customer segments. Revenue growth excluding acquisitions was 9.5% for 2001. New product revenues, defined as products introduced in the past five years, made up 25% of 2001 revenues, compared to 17% in 2000. Revenue growth of the Company's established product lines was linked to the growth in the large account business, which strengthened significantly during the first nine months of 2001. The fourth quarter showed a substantial slowing of business activity associated with the general economic slowdown of the U.S. economy.

The Company posted earnings growth of 5.2% in 2001, with net income of \$193.7 million, (\$1.30 basic earnings per share and \$1.29 diluted earnings per share), compared to net income of \$184.2 million (\$1.21 basic and diluted earnings per share). Reported net income for 2001 included non-recurring fourth quarter after-tax charges totaling \$15.2 million related to facility closings, production relocation and workforce reductions. Reported net income also reflects an \$11.6 million after-tax gain on the sale of real estate, which was largely offset by an \$11.9 million after-tax charge for reserves related to dealer transition financing, both of which occurred in the fourth quarter. The Company also recorded in the first quarter of 2001, a \$5.6 million after-tax gain on the sale of real estate. During 2001, the Company's profitability was again impacted by the following factors:

- . The impact of the increase in the percentage of new products--which typically have lower initial margins--in the sales mix.
- . Competitive pricing pressures.

Results of Operations

The following table sets forth consolidated statement of income data as a percentage of revenues for 2001, 2000, and fiscal 1999 ("1999").

	Year Ended		
	February 23, 2001	February 25, 2000	February 26, 1999
Revenues.....	100.0%	100.0%	100.0%
Cost of sales.....	66.3	66.2	63.5
Gross profit.....	33.7	33.8	36.5
Operating expenses.....	25.8	25.6	24.7
Operating income.....	7.9	8.2	11.8
Non-operating items, net.....	0.1	(0.7)	(0.4)
Income before taxes.....	7.8	8.9	12.2
Provision for income taxes.....	2.8	3.5	4.5
Equity in net income of joint ventures and dealer transitions....	--	0.1	0.3
Net income.....	5.0%	5.5%	8.0%

Steelcase Inc.

The following table sets forth consolidated statement of income data, and data as a percentage of revenues for the Company's North America segment for 2001, 2000 and 1999 (in millions).

	Year Ended		
	February 23, 2001	February 25, 2000	February 26, 1999
Revenues.....	\$3,885.8	\$3,344.3	\$2,761.5
Gross profit percentage.....	33.7%	33.8%	36.5%
Operating expense percentage.....	25.8%	25.6%	24.7%
Operating income.....	\$ 306.4	\$ 274.5	\$ 325.9
Operating income percentage.....	7.9%	8.2%	11.8%
Net income.....	\$ 193.7	\$ 184.2	\$ 221.4

Revenues. The Company's consolidated revenues in 2001 increased by 16.2% over 2000 revenues. This increase reflects acquisition growth and was bolstered by demand for new products, as well as solid results across substantially all product categories, distribution channels and business segments. Excluding the impact of acquisitions, 2001 revenues increase by 9.5% over 2000 revenues. The Company's consolidated revenues in 2000 posted a 21.1% increase over 1999 revenues, primarily from the acquisition of Steelcase S.A. and domestic acquisitions. Excluding the impact of all acquisitions, the Company posted flat revenues in 2000 compared to 1999 revenues. During 1999, the Company's consolidated revenues did not include those of Steelcase S.A. During that year, the Company lagged industry growth and posted flat revenues.

Gross Profit. The Company's gross profit as a percentage of revenues decreased slightly in 2001 to 33.7%, down from 33.8% in 2000, and 36.5% in 1999. The gross margin performance for 2001 and 2000 was impacted by non-recurring charges. Excluding non-recurring items the Company's gross margin was 33.9% for 2001, compared to 34.5% for 2000. In 2001, non-recurring charges totaling \$9.5 million related to facility closings, production relocation and workforce reductions; in 2000, non-recurring charges totaling \$24.5 million related to the field retrofit of beltways and insulation materials within installed Pathways products. The gross margin results in 2001 are primarily due to a continuation of the impact of the increase in the percentage of new products--which typically have lower initial margins--in the sales mix and the competitive pricing pressures. The overall decrease in gross margin for 2001 was partially offset by lower variable compensation, as well as continued cost-reduction efforts.

The margin decline during 2000 was primarily the result of the competitive pricing pressures, the impact of the increase in the percentage of new products--which typically have lower initial margins--in the sales mix and major new product introduction and associated ramp up costs. Additionally, the Company experienced the expected margin decrease of approximately 0.5 percentage points with the consolidation of Steelcase S.A. The overall decrease in gross margin for 2000 was also partially offset by lower variable compensation, as well as various cost-reduction efforts.

In 1999, margins remained relatively flat as the Company's continued efforts to reduce costs and to improve efficiencies were tempered by upfront investments required to fund cost-reduction efforts, as well as the disruptions and inefficiencies associated with the Company launching the largest product portfolio in its history.

Operating Expenses. The Company's operating expenses as a percentage of revenues increased to 25.8% in 2001, from 25.6% in 2000 and 24.7% in 1999. Operating expenses now include the financing expenses related to the Company's Financial Services segment. Operating expenses for 2001 included non-recurring charges of \$14.4 million related to facility closings, production relocation and workforce reductions. Excluding these non-recurring items, the Company's operating expense ratio decreased to 25.4% in 2001, slightly lower than in 2000. This reduction of operating expenses was primarily due to lower variable compensation and the positive effect of currency fluctuations--predominantly the euro.

In 2000, overall operating expense ratios were impacted by the consolidation of Steelcase S.A., including increased intangible amortization, write-off of bad debts in the United Kingdom and costs associated with the

consolidation of German operations. Excluding Steelcase S.A., and the reclassification of our Financial Services segment, 2000 operating expenses were 24.5%, which is flat compared to 1999. However, when excluding only Steelcase S.A., 2000 operating expenses were 25.1%, which represents a slight increase due to the reclassification of the Company's Financial Services segment.

During the three-year period, investments in information systems and new product research, development and launch costs have been significant and include the redeployment of resources in support of these strategic initiatives.

Operating Income. For the reasons set forth above, operating income increased to \$306.4 million in 2001, up from \$274.5 million in 2000, which was a decrease from \$325.9 million in 1999. The Company's operating income as a percentage of revenues decreased in 2001 to 7.9%, from 8.2% in 2000 and 11.8% in 1999. Excluding non-recurring items the Company's operating margin was 8.5% for 2001 and 8.9% for 2000.

Interest expense; Other income, net; and Income taxes

	Year Ended		
	February 23, 2001	February 25, 2000	February 26, 1999
	(in millions)		
Interest expense.....	\$ 18.0 =====	\$10.9 =====	\$ -- =====
Other income, net:			
Interest income.....	\$ 8.3	\$ 6.4	\$13.8
Interest income from tax litigation.....	--	--	5.8
Gain (loss) on dealer transitions.....	(24.7)	8.3	(2.2)
Gain on disposal of property and equipment.....	27.1	10.0	--
Gain on sale of investments.....	2.8	7.0	--
Miscellaneous, net.....	1.8	1.1	(5.9)
	----- \$ 15.3 =====	----- \$32.8 =====	----- \$11.5 =====
Effective income tax rate.....	36.5%	39.0%	37.0%

Interest expense for 2001 increased to \$18.0 million, from \$10.9 million in 2000 and zero in 1999. The increase in 2001 was primarily to fund the Company's capital expenditures during the year. The 2000 increase was primarily due to the acquisition of Steelcase S.A., which was partially financed through short and long-term borrowings.

Other income, net, for 2001 decreased to \$15.3 million, from \$32.8 million in 2000. Both 2001 and 2000 were impacted by non-recurring items. The non-recurring items in 2001 related primarily to the \$27.1 million gain recognized on the sale of certain non-income producing facilities, which was partially offset by \$24.7 million in charges for reserves related to dealer transition financing, \$18.8 million of which is non-recurring.

Other income, net, increased significantly in 2000 due to several non-recurring gains. First, the Company recognized a gain of \$7.5 million in connection with the sale of customer lists to new dealers in the United Kingdom. Second, the Company recorded a gain of \$10.0 million from the sale of certain non-income producing facilities. Finally, the Company recorded investment income of \$7.0 million from the sale of investments in common stock. The above mentioned gains were offset by decreased interest income of \$6.6 million due to lower cash balances in 2000. Also, 1999 included \$5.8 million of interest income recorded in connection with the favorable resolution of income tax litigation discussed below.

Income tax expense as a percentage of income before taxes ("the effective tax rate") approximated 36.5% in 2001, 39.0% in 2000 and 37.0% in 1999. During 2001, the effective tax rate decreased due to the implementation of international tax planning strategies in both Europe and Japan. During 2000, the effective tax rate increased because of the consolidation of Steelcase S.A., with operations in European countries, which typically have higher effective tax rates compared to the rates in U.S. The effective tax rate also increased due to the recording of non-deductible goodwill in 2000. During 1999, the provision for income taxes benefited from the favorable resolution of income tax litigation dating back to 1989, primarily related to investment tax credits and accelerated depreciation on the Company's Corporate Development Center. The resolution of these matters

contributed to a reduced effective tax rate for 1999 and resulted in the recognition of interest income of \$5.8 million in 1999. These tax matters increased 1999 consolidated net income by \$6.2 million, or \$0.04 per share (basic and diluted).

Net income

For the reasons set forth above, net income increased 5.2% in 2001 to \$193.7 million, from \$184.2 million in 2000, which decreased 16.8% from the 1999 level of \$221.4 million. Excluding non-recurring charges in both years, net income increased 7.2% in 2001 and decreased 14.2% in 2000.

Segment Disclosure

The Company operates on a worldwide basis within three reportable segments: two geographic furniture segments and a Financial Services segment. In prior years, the Company reported the third segment as Services and other businesses, which included financial services, as well as, the Company's IDEO and Attwood subsidiaries. In 2001, the Financial Services segment has grown to comprise a significant portion of the Company's balance sheet and, as such is now reported as a separate segment. The North America furniture segment continues to include the U.S., Canada and the Steelcase Design Partnership but now also includes IDEO and Attwood. The International furniture segment continues to include the rest of the world, with the major portion of the operations in Europe. Accordingly, prior year segment information presented below has been restated to reflect the new reporting structure (see Note 16).

The following tables set forth consolidated and pro forma worldwide revenues and operating income, respectively, by segment for 2001, 2000 and 1999 (in millions).

	Year Ended		
	February 23, 2001	February 25, 2000	February 26, 1999
North America.....	\$3,098.2	\$2,718.7	\$2,611.7
International(1)(2).....	709.4	721.5	622.2
Financial Services.....	78.2	52.4	34.5
Worldwide revenues(1).....	\$3,885.8	\$3,492.6	\$3,268.4
Steelcase Strafor(1).....	n/a	(148.3)	(506.9)
Consolidated revenues.....	\$3,885.8	\$3,344.3	\$2,761.5
	=====	=====	=====

(1) International and worldwide revenues and operating income include, on a pro forma basis, the revenues and operating income of the Company's unconsolidated operations in Steelcase S.A. (formerly known as Steelcase Strafor), which are then removed in order to reconcile with the Company's consolidated totals. See Notes 7 and 18 to the Consolidated Financial Statements.

(2) In local currency, Steelcase S.A. revenues increased 7.6% in 2001, 6.1% in 2000 and 9.8% in 1999.

	Year Ended		
	February 23, 2001	February 25, 2000	February 26, 1999
North America.....	\$246.6	\$234.5	\$303.0
International(1).....	38.5	31.4	39.1
Financial Services.....	8.0	2.6	2.5
Eliminations(3).....	13.3	16.4	14.6
Worldwide operating income(1).....	\$306.4	\$284.9	\$359.2
Steelcase Strafor(1).....	n/a	(10.4)	(33.3)
Consolidated operating income.....	\$306.4	\$274.5	\$325.9
	=====	=====	=====

(3) Eliminations represent intercompany interest expense between the Financial Services segment and the North America segment.

North America

The following table sets forth consolidated statement of income data, and data as a percentage of revenues for the Company's North America segment for 2001, 2000 and 1999 (in millions).

	Year Ended		
	February 23, 2001	February 25, 2000	February 26, 1999
Revenues.....	\$3,098.2	\$2,718.7	\$2,611.7
Gross profit percentage.....	32.0%	32.7%	35.8%
Operating expense percentage.....	24.0%	24.1%	24.2%
Operating income.....	\$ 246.6	\$ 234.5	\$ 303.0
Operating income percentage.....	8.0%	8.6%	11.6%

Revenues. North America revenues grew at 14.0% and 4.1% for 2001 and 2000, respectively, and were flat for 1999. While new products led the revenue increase in 2001, established Steelcase core products, particularly within large account business, also had solid performance for the year. The Steelcase Design Partnership ("SDP") also continued their strong growth rate, posting 12.7% growth in 2001.

Likewise, in 2000, SDP and new product revenues provided the bulk of the revenue increase for the segment, with new products doubling their run rates over 1999 levels. Additionally, domestic acquisitions contributed to this increase. These increases were offset by the decline in the revenues of the Company's core Steelcase branded products, which followed the industry trends in 2000.

In 1999, the industry softened due to a high level of merger and acquisition activity within the U.S. Fortune 500 companies, which contributed to a lack of revenue growth. As the industry softened in 1999, the Company's core Steelcase branded products in North America were impacted by the deferred spending actions within the Company's large corporate account business, resulting in declines.

Gross Profit. North America gross profit as a percentage of revenues decreased in 2001 to 32.0%, from 32.7% in 2000; and 35.8% in 1999. North America was the only business segment impacted by the aforementioned non-recurring items in 2001 and 2000; excluding these items the segment's gross margin was 32.3% for 2001 and 33.6% for 2000. Gross margin decline was primarily due to a continuation of the impact of the increase in the percentage of new products--which typically have lower initial margins--in the sales mix and competitive pricing pressures. The overall decrease in gross margin for 2001 was partially offset by lower variable compensation.

Operating Expenses. North America operating expenses as a percentage of revenues remained flat at 24.0% for 2001 and 2000, after decreasing from 24.2% in 1999. North America was the only business segment impacted by the aforementioned non-recurring items in 2001. Excluding these non-recurring items, the segment's operating expense ratio was 23.6% for 2001. The reduction in the operating expense ratio has been primarily due to lower variable compensation.

Operating Income. For the reasons set forth above, North America operating income increased to \$246.6 million in 2001, up from \$234.5 million in 2000, which was a decrease from \$303.0 million in 1999. The segment's operating income as a percentage of revenues decreased in 2001 to 8.0%, from 8.6% in 2000; and 11.6% in 1999. North America was the only business segment impacted by non-recurring items in 2001 and 2000. Excluding non-recurring items, the segment's operating margin was 8.7% for 2001 and 9.5% for 2000.

International

The following table sets forth consolidated statement of income data, and data as a percentage of revenues for the Company's International segment for 2001, 2000 and 1999 (in millions). The table reflects the accounts of Steelcase Strafor, as if the joint venture had been consolidated for the first quarter of 2000 and for full year 1999.

	Year Ended		
	February 23, 2001	February 25, 2000	February 26, 1999
Pro forma international revenues(1).....	\$709.4	\$721.5	\$622.2
Consolidated international revenues.....	\$709.4	\$573.2	\$115.3
Gross profit percentage.....	34.0%	32.8%	34.3%
Operating expense percentage.....	28.6%	29.1%	29.3%
Operating income.....	\$ 38.5	\$ 21.0	\$ 5.8
Operating income percentage.....	5.4%	3.7%	5.0%

(1) International revenues for 2000 and 1999 include, on a pro forma basis, the revenues of the Company's unconsolidated operations in Steelcase S.A. (formerly known as Steelcase Strafor). See Notes 7 and 18 to the Consolidated Financial Statements.

Revenues. International revenues grew at 23.8% in 2001 and increased nearly five-fold in 2000, after a 16.7% decrease for 1999. Excluding the impact of acquisitions, International revenues in 2001 increased 14.3% in local currency, but due to the negative effect of currency fluctuations--primarily the euro--revenues in U.S. dollars decreased 1.7%. During 2001, International revenues outside of Europe increased 22.8%, in U.S. dollars, primarily due to increased revenues in Singapore, Australia and the Company's export business.

In 2000, due to the effective date of Company's acquisition of the remaining 50% interest in Steelcase S.A., the International segment includes nine months of Steelcase S.A. revenues. Excluding the acquisition, international revenue had local currency growth of 6.1% in 2000 primarily driven by our German manufacturing operations. However, the devaluation of the Euro throughout 2000 offset most of the local currency growth, resulting in 1% growth in U.S. dollars. Revenues outside of Europe declined by 4.0% during 2000, primarily due to a decline in the Company's export business coupled with the adverse impact of currency devaluation in Brazil, which was partially offset by growth in Mexican operations.

In 1999, the International revenues decreased by 16.7% due to several factors including a reduction in export projects to Latin America and flat revenues in Asia, as well as the reorganization of the Company's Japanese subsidiary.

Gross Profit. International gross profit as a percentage of revenues increased in 2001 to 34.0%, from 32.8% in 2000, which was a decrease from the 1999 level of 34.3%. The increase in gross profit was primarily due to a more favorable industry environment for the Company's European operations.

Operating Expenses. International operating expenses as a percentage of revenues decreased to 28.6% in 2001 from 29.1% in 2000 and 29.3% in 1999. The International operating expense ratios have been positively impacted by the effect of currency fluctuations--primarily the euro, as well as the ability of the Company's operations in Singapore and Australia to leverage their revenue growth.

Operating Income. For the reasons set forth above, International operating income increased to \$38.5 million in 2001, up from \$21.0 million in 2000 and \$5.8 million in 1999. International operating income as a percentage of revenues increased in 2001 to 5.4%, from 3.7% in 2000; which was a decrease from the 1999 level of 5.0%.

Financial Services

The following table sets forth consolidated statement of income data, and data as a percentage of revenues for the Company's Financial Services segment for 2001, 2000 and 1999 (in millions).

	Year Ended		
	February 23, 2001	February 25, 2000	February 26, 1999
Revenues.....	\$78.2	\$52.4	\$34.5
Net financing margin percentage.....	21.4%	20.0%	27.8%
General and administrative expense percentage.....	11.2%	15.0%	20.6%
Operating income.....	\$ 8.0	\$ 2.6	\$ 2.5
Operating income percentage.....	10.2%	5.0%	7.2%

Revenues. Financial Services revenues grew at 49.2%, 51.9% and 31.7% for 2001, 2000 and 1999, respectively, primarily due to increased lease finance revenues.

Net Financing Margin. Financial Services operating expenses are split into two separate components--financing expenses and general and administrative expenses. Finance revenues less financing expenses equals net financing margin; net financing margin less general and administrative expense equals operating income. Net financing margin was 21.4%, 20.0% and 27.8% for 2001, 2000 and 1999, respectively. Margin improvement was primarily due to increased lease finance revenues, which was partially offset by the growth in interest expense.

General and administrative expenses. General and administrative expenses as a percentage of revenues decreased to 11.2% in 2001, down from 15.0% in 2000, after decreasing from 20.6% in 1999. General and administrative expense dollars have held relatively flat over the past three years, while financing revenue has increased, resulting in increased operating margin leverage.

Operating Income. For the reasons set forth above, Financial Services operating income increased to \$8.0 million in 2001, up from \$2.6 million in 2000 and \$2.5 million in 1999. Financial Services operating income as a percentage of revenues increased in 2001 to 10.2%, up from 5.0% in 2000; which was a decrease from the 1999 level of 7.2%.

Liquidity and Capital Resources

Historically, the Company's cash and capital requirements have been satisfied through cash generated from operating activities. The Company's financial position at February 23, 2001 included cash, cash equivalents and short-term investments of \$39.5 million, a decrease from the \$88.6 million reported on February 25, 2000. These funds, in addition to cash generated from future operations and available credit facilities, are expected to be sufficient to finance the known or foreseeable future liquidity and capital needs of the Company.

Through February 1999, the Company had no long-term debt. However, with the acquisition of Steelcase S.A. and management's intent to leverage the significant financial resources available to the Company to meet its growth objectives, the Company has obtained long-term debt financing from bank syndicates in Europe and the United States. During 2001, the Company received investment grade credit ratings from both Moody's (A3) and Standard & Poor's (A-). In April 2001, the Company established a \$400.0 million global credit facility that will replace the North American and European credit facilities that currently exist (see Note 9). The Company intends to use the global credit facility as a backstop for a commercial paper program currently being negotiated. Total debt at February 23, 2001 aggregated \$537.2 million, which was approximately 25% of total capitalization of the Company. The Company also holds \$612.3 million of interest bearing assets, of which \$585.2 is held through its Financial Services business segment.

Cash provided by operating activities

The following table sets forth consolidated statement of cash flow data for 2001, 2000 and 1999 (in millions).

	Year Ended		
	February 23, 2001	February 25, 2000	February 26, 1999
Net income.....	\$193.7	\$184.2	\$221.4
Depreciation and amortization.....	162.5	141.8	107.0
Changes in operating assets and liabilities.....	(139.0)	(21.8)	20.4
Other.....	(7.4)	1.5	11.1
	-----	-----	-----
Net cash provided by operating activities.....	\$209.8	\$305.7	\$359.9
	=====	=====	=====

Cash provided by operating activities totaled \$209.8 million in 2001, \$305.7 million in 2000 and \$359.9 million in 1999. The cash provided by operations resulted primarily from net income excluding non-cash charges such as depreciation and amortization, net of increases in accounts receivable and inventories and prepaids. The decrease in 2001 is attributable to the Company's European operations, as well as volume increases around the world, both of which have resulted in higher accounts receivable and inventory balances. This decrease was partially offset by increased depreciation and amortization. In addition, the Company had significant cash outlays for previously accrued expenses including those related to its payment of the year-end bonus, contributions to the Company's trust fund, tax payments and deferred acquisition payments. The consolidation of Steelcase S.A. increased working capital for 2000 and 2001. However, the Company is implementing aggressive strategies to reduce both inventories and accounts receivable on a worldwide basis.

Cash used in investing activities

The following table sets forth consolidated statement of cash flow data for 2001, 2000 and 1999 (in millions).

	Year Ended		
	February 23, 2001	February 25, 2000	February 26, 1999
Capital expenditures.....	\$(260.5)	\$(188.8)	\$(170.4)
Proceeds from the disposal of assets.....	179.3	16.4	--
Lease fundings, net of repayments...	(100.7)	(120.2)	(63.1)
Corporate acquisitions, net of cash acquired.....	(0.1)	(209.6)	(57.2)
Other.....	(38.0)	(12.4)	(51.5)
	-----	-----	-----
Net cash provided by investing activities.....	\$(220.0)	\$(514.6)	\$(342.2)
	=====	=====	=====

Cash used in investing activities totaled \$220.0 million in 2001, \$514.6 million in 2000 and \$342.2 million in 1999. The decrease in 2001 is primarily due to the absence of any material acquisitions during the year, as well as an increase in proceeds from the disposal of assets, which was partially offset by an increase in capital expenditures. During 2001, the Company evaluated the use of its asset base and where applicable, it has financed several non-income producing assets through the use of various sale/leaseback arrangements. In addition, other non-income producing assets were sold during the year. The increase in 2000 resulted primarily from corporate acquisitions, as well as increases in capital expenditures and leased assets.

The Company's capital expenditures were \$260.5 million in 2001, \$188.8 million in 2000 and \$170.4 million in 1999, reflecting investments in excess of depreciation for each of the last three years. Capital expenditures continue to include increased investments in manufacturing equipment, information systems and facilities. Collectively, these investments are expected to improve productivity and safety, increase capacity,

decrease the impact on the surrounding environments in which the Company operates and facilitate the launch of new products. The Company expects capital expenditures in fiscal 2002 to decrease, returning closer to 2000 levels or slightly higher due to the continued construction of a new wood manufacturing facility and the continued investment in new product development, information systems and corporate and showroom facilities. The Company expects to fund these capital expenditures primarily through cash generated from operations.

The Company continues to invest in its leasing portfolio, which includes both direct financing and operating leases of office furniture products. The Company's net investment in leased assets increased to \$449.8 as of February 23, 2001, up from \$349.1 million as of February 25, 2000. The Company expects to fund future investments in leased assets primarily through its lease receivables transfer facility.

Corporate acquisitions in 2000, aggregating \$209.6 million, reflect the complete ownership of Steelcase S.A., Clestra Hauserman and a significant dealer. Corporate acquisitions in 1999, aggregating \$57.2 million, reflect the complete ownership of J.M. Lynne and the partial ownership of Microfield Graphics, Clestra Hauserman and the Modernform Group Public Company Limited. (See Note 18).

Cash provided by (used in) financing activities

The following table sets forth consolidated statement of cash flow data for 2001, 2000 and 1999 (in millions).

	Year Ended		
	February 23, 2001	February 25, 2000	February 26, 1999
Short-term and long-term debt, net..	\$ 81.9	\$323.4	\$ --
Common stock issuance (repurchase), net.....	(56.5)	(36.7)	9.8
Dividends paid.....	(65.9)	(67.3)	(63.1)
	-----	-----	-----
Net cash provided by (used in) financing activities.....	\$ (40.5) =====	\$219.4 =====	\$ (53.3) =====

Cash provided by (used in) financing activities totaled \$(40.5) million in 2001, \$219.4 million in 2000 and \$(53.3) million in 1999.

Management continues to evaluate the optimal capital structure for the Company in light of its long-term growth strategies. At the time of the above mentioned acquisition of Steelcase S.A., the Company established a 364-day unsecured committed \$200 million revolving credit facility. Subject to certain conditions, the facility is renewable annually for additional 364-day periods. The Company also established a \$200 million lease receivables transfer facility. Subject to certain conditions, the facility is renewable annually, with borrowings on the facility scheduled to mature in accordance with the terms of the underlying leases.

Additionally, the Company has an unsecured, committed credit facility of EUR 200 million from bank syndicates in Europe to provide liquidity and finance capital expenditures for its European operations. The agreement is comprised of two tranches: Tranche A is a EUR 75.0 million, 364-day revolving facility, and Tranche B is a EUR 125.0 million, five-year term facility.

Annual dividends per share of common stock were \$0.44 in 2001, \$0.44 in 2000 and \$0.41 in 1999.

During 1999, eligible employees purchased shares of Class A Common Stock pursuant to the terms of the Employee Discount Option Grant, resulting in proceeds to the Company of \$24.8 million. The shares for this grant, along with the shares for the Employee Stock Grant issued in 1998, were purchased by the Company from the selling shareholders in the initial public offering for \$43.5 million.

On June 17, 1998 the Board of Directors authorized a share repurchase program for up to three million shares, which has since been expanded to 11 million shares authorized for repurchase. The Company

repurchased 1,633,300 shares, 1,373,870 shares and 794,300 shares of Class A Common Stock for \$24.8 million, \$18.4 million and \$15.0 million in 2001, 2000 and 1999, respectively, and 1,944,337 shares and 1,086,400 shares of Class B Common Stock for \$31.8 million and \$18.3 million in 2001 and 2000, respectively. Management anticipates that the stock repurchase program will not reduce the Company's tradable share float in the long run as it expects that Class B Common Stock will continue to convert to Class A Common Stock over time.

Euro Conversion

On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their existing sovereign currencies and the Euro. There will be a transition period from January 1, 1999 through January 1, 2002, at which time all legal tender will convert to the Euro. The transition period is anticipated to resolve difficulties in handling local currencies and the Euro simultaneously, while remaining flexible to the market. The Company's primary exposure to the Euro conversion is concentrated in Steelcase S.A. Steelcase S.A. has created an internal Euro Committee, a pan-European multifunctional team whose goal is to determine the impact of this currency change on products, markets and information systems. Based on the Euro Committee's work to date, the Company does not expect the Euro conversion to have a material impact on Steelcase S.A.'s financial position, or on the Company as a whole.

Forward Looking Statements

From time to time, in written reports and oral statements, the Company discusses its expectations regarding future performance. For example, certain portions of Management's Discussion and Analysis of Financial Condition and Results of Operations, contain various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements involve certain risks and uncertainties that could cause actual results to vary from stated expectations. 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; changes in domestic and international government laws and regulations; competitive pricing pressure; pricing changes by the Company or its competitors; currency fluctuations (including the euro); the timing, extent and impact of work force reductions (including elimination of temporary workers, hourly layoffs and salaried workforce reduction) and plant closings on the company's costs; changes in customer demand and order patterns; changes in relationships with customers, suppliers, employees and dealers; product (sales) mix; the success (including product performance and customer acceptance) of new products, current product innovations and platform simplification, and their impact on the company's manufacturing processes; possible acquisitions or divestitures by the company; the company's ability to reduce costs, including ramp-up costs associated with new products, current product innovations and platform simplification; the company's ability to improve margins on new products, to successfully integrate acquired businesses, to successfully initiate and manage alliances and global sourcing, to successfully transition the production of its products to other manufacturing facilities as a result of production rationalization, and to successfully implement technology initiatives; the sufficiency of the reserve established with regard to material and installations costs associated with Pathways product line improvements; changes in future business strategies and decisions; and other risks detailed in the Company's other filings with the Securities and Exchange Commission.

Recently Issued Accounting Standards

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, establishes a comprehensive standard for the recognition and measurement of derivatives and hedging activities. The new standard requires that all derivatives be recognized as assets or liabilities in the balance sheet and measured at fair value. Gains and losses resulting from changes in fair value are required to be recognized in current earnings unless they meet specific hedging criteria in which case the gains and losses would be included in comprehensive income. SFAS No. 133 will become effective for the Company beginning in the first quarter of fiscal year 2002. The adoption of SFAS No. 133 will not have a material effect on the Company's financial results.

PART III

Item 11. Executive Compensation:

The information required by Item 11 is contained in the Proxy Statement, under the captions "Directors' Compensation", "Executive Compensation: Report of the Compensation Committee", "Executive Compensation, Retirement Programs and Other Arrangements", "Compensation Committee Interlocks and Insider Participation", and "Stock Performance Graph", and is incorporated herein by reference, except for "Aggregated Option Exercises In Last Fiscal Year and Option Values at Fiscal Year End" referenced below.

Aggregated Option Exercises In Last
Fiscal Year and Option Values at Fiscal
Year End

The table below shows information concerning the options exercised in fiscal year 2001 by each of the executive officers named in the Summary Compensation Table and the value of the options held by such officers at the end of fiscal year 2001. No stock appreciation rights are held by any of such officers.

Name and Principal Position	Shares Acquired on Exercise	Value Received	Number of Securities Underlying Unexercised Options at February 23, 2001		Value of Unexercised in the Money Options at February 23, 2001	
			Exercisable	Unexercisable	Exercisable	Unexercisable
James P. Hackett President and Chief Executive Officer	0	\$ 0	166,667	459,036	\$30,917	\$823,215
Robert A. Ballard President, Steelcase North America	0	\$ 0	86,667	206,872	\$17,667	\$295,843
Robert W. Black President, International	0	\$ 0	30,000	89,737	\$ 6,625	\$176,172
Alwyn Rougier-Chapman Senior Vice President-- Finance, Chief Financial Officer	0	\$ 0	51,333	122,272	\$ 8,833	\$175,947
Mark T. Greiner Senior Vice President-- Research, Concepts and Ventures	0	\$ 0	18,667	49,496	\$ 4,417	\$ 83,301

