STEELCASE INC
Form 10-K
April 20, 2007

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

FORM 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended February 23, 2007

OR

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

Commission File Number 1-13873

STEELCASE INC.
(Exact name of Registrant as specified in its Charter)

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

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

Registrant s telephone number, including area code: (616) 247-2710
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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 x No o

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. o

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

Large accelerated filer x Accelerated filer o Non-accelerated filer o

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

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates, computed by reference to the closing price of the Class A Common Stock on the New York Stock Exchange, as of August 25, 2006 (the last day of the registrant s most recently completed second fiscal quarter) was approximately $910 million. There is no quoted market for registrant s Class B Common Stock, but shares of Class B Common Stock may be converted at any time into an equal number of shares of Class A Common Stock.

As of April 13, 2007, 82,262,189 shares of the registrant s Class A Common Stock and 64,388,581 shares of the registrant s Class B Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant s definitive proxy statement for its 2007 Annual Meeting of Shareholders, to be held on June 21, 2007, are incorporated by reference in Part III of this Form 10-K.

STEELCASE INC.
FORM 10-K

YEAR ENDED FEBRUARY 23, 2007

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PART I

Item 1. Business:

The following business overview is qualified in its entirety by the more detailed information included elsewhere or incorporated by reference in this Annual Report on Form 10-K (Report). As used in this Report, unless otherwise expressly stated or the context otherwise requires, all references to Steelcase, we, our, the Company and similar references are to Steelcase Inc. and its consolidated subsidiaries. Unless the context otherwise indicates, reference to a year relates to a 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 of the fiscal year indicated, respectively. All amounts are in millions, except per share data, data presented as a percentage or as otherwise indicated.

Our Business

Steelcase is the world s leading designer, marketer and manufacturer of office furniture and complimentary products and services, with 2007 revenue of approximately $3.1 billion. We were incorporated in 1912 as The Metal Office Furniture Company and changed our name to Steelcase Inc. in 1954. We became a publicly-traded company in 1998 and our stock is listed on the New York Stock Exchange.

Our mission is to provide knowledge, products and services that result in a better work experience for our customers. We expect to grow our business by focusing on new geographic and customer market segments while continuing to leverage our existing customer base, which we believe represents the largest installed base in the industry.

Headquartered in Grand Rapids, Michigan, USA, Steelcase is a global company with approximately 13,000 permanent employees. We sell our products through various channels including independent dealers, company-owned dealers and directly to end users and governmental units. Other appropriate channels are employed to reach new customers and to serve existing customer segments more efficiently. We operate using a global network of manufacturing and assembly facilities to supply product to our various business units.

Our Products

We study how people work to fully understand the ever-changing needs of individuals, teams and organizations all around the world. We then take our knowledge, couple it with products and services inspired by what we ve learned about the workplace, and create solutions that help people work more effectively. This knowledge is embedded in our product portfolio, which includes a broad range of products with a variety of aesthetic options and performance features at various price points that address three core elements of a work environment: furniture, interior architecture and technology. Our reportable segments generally offer similar or complementary products under some or all of the categories listed below:

Furniture

Panel-based and freestanding furniture systems. Moveable and reconfigurable furniture components used to create individual workstations and complete work environments. Systems furniture provides visual and acoustical privacy, accommodates power and data cabling and supports technology and other worktools.

Storage. Lateral and vertical files, cabinets, bins and shelves, carts, file pedestals and towers.

Seating. High-performance, ergonomic, executive, guest, lounge, team, healthcare, stackable and general use chairs.

Tables. Conference, training, personal and café tables.

Textiles and surface materials. Upholstery, wall covering, drapery, panel fabrics, architectural panels, shades and screens and surface imaging.

Desks and Suites. Wood and non-wood desks, credenzas and casegoods.

Worktools. Computer support, technology management and information management products and portable whiteboards.

Architecture

Interior architecture. Full and partial height walls and doors with a variety of surface materials, raised floors and modular post and beam products.

Lighting. Task, ambient and accent lighting with energy efficient and user control features.

Technology

Infrastructure. Infrastructure products, such as modular communications, data and power cabling.

Appliances. Group communication tools, such as interactive and static whiteboards, image capturing devices and web-based interactive space-scheduling devices.

Our Services

IDEO provides product design and innovation services to companies in a variety of industries. IDEO s consultants and engineers design products, services, environments and digital experiences.

In addition, in North America we offer services to help our customers more fully leverage their physical space to drive down and control occupancy costs while at the same time enhance the performance of their employees. Our services include furniture and asset management and workplace strategies consulting.

Financial Services provides leasing services primarily to North America customers and selected financing services to our dealers.

Reportable Segments

During the third and fourth quarters of 2007, we made a number of changes in our organizational structure and certain key leadership positions, which resulted in changes to our segment reporting. As a result of this change, management currently evaluates the Company as eight business units: Steelcase Group, Turnstone, Nurture by Steelcase, International, Design Group, PolyVision, IDEO and Financial Services. For external purposes, these business units are aggregated into two reportable segments: North America and International, plus an Other category. These changes eliminated our Steelcase Design Partnership reportable segment, re-aligning the component businesses within other business units. Additional information about our reportable segments, including financial information about geographic areas, is contained in Item 7: *Management s Discussion and Analysis of Financial Condition and Results of Operations* and Note 14 to the consolidated financial statements.

North America Segment

Our North America segment consists of the Steelcase Group, Turnstone and Nurture by Steelcase, and serves customers mainly through approximately 220 independent and company-owned dealers in the United States and Canada. The North America segment includes furniture, interior architecture, technology and healthcare environment solutions as described above, under the Steelcase, Details, Vecta, Turnstone and Nurture by Steelcase brands. The Steelcase brand delivers insight-led products, services and experiences that elevate performance of the world s leading organizations. The Turnstone brand targets emerging companies and offers furniture that features smart design and provides good value for people at work in all types of organizations. Nurture by Steelcase uses research-based insights

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to create healthcare products and environments that provide patients, caregivers and patients families a more comfortable, efficient and conducive healing process.

Each of our dealers maintains their own sales force which is complemented by our sales representatives who work closely with the dealers throughout the sales process. No single independent dealer in North America accounted for more than 5% of our segment revenue in 2007. The five largest independent dealers collectively accounted for approximately 13% of our segment revenue. We do not believe our business is dependent on any single dealer, the loss of which would have a material effect upon our business. However, temporary disruption of dealer coverage within a specific local market due to financial failure, the inability to smoothly transition ownership or termination of the dealer relationship could temporarily have an adverse impact on our business within the affected market. From time to time, we obtain a controlling interest in dealers that are undergoing an ownership transition. It is typically our intent to divest our interest in these dealerships as soon as it is practical.

In 2007, the North America segment accounted for $1,863.8 or 60.2% of our total revenue, and at the end of the year had approximately 7,700 permanent employees and 500 temporary workers, of which 4,600 of the total workers related to manufacturing.

The North America office furniture markets are highly competitive, with a number of competitors offering similar categories of product. In these markets, companies compete on price, product performance, design, delivery and relationships with customers, architects and designers. Our most significant competitors in the United States are Haworth, Inc., Herman Miller, Inc., HNI Corporation, Kimball International Inc., and Knoll, Inc. Together with Steelcase, these companies represent approximately 60% of the United States office furniture market.

International Segment

Our International segment serves customers outside of the United States and Canada primarily under the Steelcase brand. The International office furniture market is highly competitive and fragmented. We compete with many different local and regional manufacturers in many different markets. In many cases, these competitors focus on specific product categories. The International segment has its greatest presence in Europe where we have the leading market share. The International segment serves customers through approximately 350 independent and company-owned dealers. No single independent dealer in International accounted for more than 5% of our segment revenue in 2007. The five largest independent dealers collectively accounted for approximately 7% of our segment revenue. In certain geographic markets the segment sells directly to customers.

In 2007, our International segment accounted for $735.8 or 23.8% of our total revenue, and at the end of the year had approximately 3,000 permanent employees and 500 temporary workers. Approximately 2,300 of the total workers related to manufacturing.

Other Category

The Other category includes our Design Group, PolyVision, IDEO and Financial Services subsidiaries.

The Design Group is comprised of the following three brands focused on providing architects and designers with unique products and premium experiences.

Designtex focuses on surface materials including textiles, wall coverings, shades, screens and surface imagings.

Brayton focuses on lounge, executive and healthcare seating and tables.

Metro creates refined, modern furniture for meeting spaces, private offices and the open plan.

Designtex primarily sells products specified by architects and designers directly to end customers through a direct sales force. Brayton and Metro sales are primarily generated through our North America dealer network.

PolyVision designs and manufactures visual communications products, such as static and electronic whiteboards. The majority of PolyVision s revenue relates to static whiteboards sold in the primary and secondary education markets. PolyVision s revenues generated from whiteboards and group communication tools are sold through our North America dealer network, and to a greater extent, other audio-visual resellers. PolyVision also sells to general contractors through a direct bid process.

IDEO provides product design and innovation services to companies in a variety of industries including communications, consumer products, healthcare, information technology and manufacturing among others.

Financial Services provides leasing services primarily to North America customers and selected financing services to our dealers.

In 2007, the Other category accounted for $497.8, or 16.0% of our total revenue.

Corporate Expenses

Approximately 84% of corporate expenses are charged to the operating segments as part of a corporate allocation. Unallocated corporate expenses are reported as Corporate. Corporate costs include executive and portions of shared service functions such as human resources, finance, legal, research and development and corporate facilities.

Joint Ventures

We enter into joint ventures from time to time to expand our geographic presence or support our distribution network. As of February 23, 2007, our investment in these unconsolidated joint ventures was $15.9. Our portion of the income or loss from the joint ventures is recorded in *Other income, net,* in the Consolidated Statements of Income. Our primary joint ventures include:

KSM We own 25% of this Japanese office furniture manufacturer that supports our distribution in the Japanese market.

One Workplace We own 25% of this U.S. based dealer that serves customers primarily in the northern California market.

Steelcase Jeraisy We own 49% of this office furniture manufacturer in Saudi Arabia that serves customers primarily in the local market.

WSA We own 40% of this dealer located in Switzerland that serves customers primarily in the German-speaking regions of the country.

Workstage We own 44% of this U.S.-based company which designs and constructs buildings that focus on the integration of the three core elements of the work environment: furniture, interior architecture and technology.

Customer and Dealer Concentrations

Our largest direct sale customer accounted for 0.4% of our consolidated revenue in 2007 and our five largest direct sale customers accounted for 1.3% of consolidated revenue. However, these percentages do not include revenue from various government agencies and other entities purchasing under our General Services Administration contract, which in the aggregate accounted for 1.9% of our consolidated revenue. We do not believe our business is dependent on any single or small number of end-use customers, the loss of which would have a material adverse effect upon our business.

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No single independent dealer accounted for more than 3% of our consolidated revenue for 2007. The five largest independent dealers collectively accounted for 9.0% of our consolidated revenue.

Working Capital

Our accounts receivable are primarily from our dealers, and to a lesser degree, direct sale customers. Payment terms vary by country and region. The terms of our North America segment, and certain markets within the International segment, encourage prompt payment by offering a discount. Other International markets have, by market convention, longer payment terms. We are not aware of any special or unusual practices or conditions related to working capital items, including accounts receivable, inventory and accounts payable, which are significant to understanding our business or the industry at large.

Backlog

Our products are generally manufactured and shipped within four to six weeks following receipt of order; therefore, we do not view the amount of backlog at any particular time as a meaningful indicator of longer-term shipments.

Global Manufacturing and Supply Chain

Manufacturing and Logistics

We have evolved our manufacturing and overall supply chain significantly over the past several years. During the rapid growth period of the 1970 s and 1980 s in the United States, we were uniquely positioned to command a high market share due to our capacity and ability to accept and deliver large orders of furniture. During this time period, most third party suppliers did not have the capacity and, in many cases, the expertise to make parts and components for our products. Our strategy of vertical integration provided the right formula at the time.

Over time, a much more capable supply base emerged, in many cases, in support of the automotive industry. These third party suppliers (located both locally and in lower-cost countries) have since taken the capabilities they built for their automotive customers and diversified their customer base into other industries like office furniture. These new, capable suppliers afforded us the opportunity to restructure our industrial model which is increasingly being built on the basis of lean principles emphasizing continuous one-piece flow and agility. Portions of the process not conducive to one-piece flow continue to be evaluated for potential outsourcing.

This approach has reduced the capital needs of our business, reduced inventories, reduced the footprint of our manufacturing space and, at the same time, allowed us to improve quality, delivery performance and the customer experience. During 2001 to 2005, as a result of our new industrial model and a precipitous drop in industry demand from 2002 to 2004, we started to significantly reduce our manufacturing square footage in North America and Europe. This process has continued so that by the end of Q1 2008, we expect to have reduced our global manufacturing and distribution center square footage by 50% from 2000 to approximately 8.9 million square feet. At the same time, in order to serve the growth needs of our Asian market, we opened a new plant in Shenzhen, China in 2007 and restructured our production capacity in Kuala Lumpur, Malaysia.

Worldwide, we are optimizing across the entire value chain, incorporating both the needs and capabilities of our dealer service partners, supply chain partners and logistics providers. In the past 18 months, we have opened several regional distribution centers around the United States that allow us to improve service to our customers and dealers and reduce freight cost throughout the value stream.

Raw Materials and Suppliers

We source raw materials and components from a significant number of suppliers around the world. Those raw materials include steel and other metals, wood, paper, paint, plastics, acoustical materials,

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foam, laminates, particleboard, veneers, glass, fabrics and leather. The prices for certain commodities such as steel, aluminum, wood, particleboard and petroleum-based products have fluctuated in recent years due to changes in global supply and demand. Our global supply chain team continually evaluates market conditions and alternate supply bases to minimize disruptions and unexpected increases in costs.

Research, Design and Development

Our extensive global research a combination of user observations, feedback sessions and sophisticated network analysis has helped us develop unique expertise in helping people work more effectively. We team up with external world-class innovators leading universities, think tanks and knowledge leaders to expand and deepen our understanding of how people work.

Understanding patterns of work enables us to identify and anticipate user needs across the globe. Our design teams explore and develop prototypical solutions to address these needs. These solutions vary from integrated architecture, furniture and technology solutions to single products or enhancements to existing products. Design work is organizationally distributed globally across our major businesses and can involve external design services.

Our marketing team evaluates product concepts using several criteria, including financial return metrics, and chooses which products will be developed and launched. Designers then work closely with our engineers and external suppliers to co-develop products and processes that lead to more efficient manufacturing while incorporating innovative user features. Products are tested for performance, quality and compliance with applicable standards and regulations.

Exclusive of royalty payments, we invested $132.2 in research, design and development activities over the past three years. Royalties are sometimes paid to external designers of our products as the products are sold and are not included in the research, design and development costs since they are variable, based on product sales. We continue to invest approximately one to two percent of our revenue in research and development each year. See Note 2 to the consolidated financial statements for more information regarding research, design and development costs.

Intellectual Property

We generate and hold a significant number of patents in a number of countries in connection with the operation of our business. We also hold a number of trademarks that are very important to our identity and recognition in the marketplace. We do not believe that any material part of our business is dependent on the continued availability of any one or all of our patents or trademarks, or that our business would be materially adversely affected by the loss of any of such, except the Steelcase, Turnstone, PolyVision, Designtex and IDEO trademarks.

We occasionally enter into license agreements under which we pay a royalty to third parties for the use of patented products, designs or process technology. We have established a global network of intellectual property licenses with our affiliates. We also selectively license our intellectual property to third parties as a revenue source. For example, our Leap® seating technology has been licensed for use in automotive and aircraft seating, and we are pursuing other licensing opportunities for this technology.

Employees

As of February 23, 2007, we had approximately 13,000 permanent employees including 7,600 hourly employees and 5,400 salaried employees. Additionally, we had 1,200 temporary workers who primarily work in manufacturing. Approximately 330 employees in the United States are covered by collective bargaining agreements. Internationally, a significant number of employees are covered by workers councils that operate to promote the interests of workers.

Management believes we continue to maintain strong relations with our employees.

Environmental Matters

We are subject to a variety of federal, state, local and foreign laws and regulations relating to the discharge of materials into the environment, or otherwise relating to the protection of the environment (Environmental Laws). We believe our operations are in substantial compliance with all Environmental Laws. We do not believe that existing Environmental Laws and regulations have had or will have any material effects upon our capital expenditures, earnings or competitive position.

Under certain Environmental Laws, we could be held liable, without regard to fault, for the costs of remediation associated with our existing or historical operations. We could also be held responsible for third-party property and personal injury claims or for violations of Environmental Laws relating to contamination. We are a party to, or otherwise involved in, proceedings relating to several contaminated properties being investigated and remediated under Environmental Laws, including as a potentially responsible party in several Superfund site cleanups. Based on our information regarding the nature and volume of wastes allegedly disposed of or released at these properties, other financially viable potentially responsible parties and the total estimated cleanup costs, we do not believe that the costs to us associated with these properties will be material, either individually or in the aggregate. We have established reserves that we believe are adequate to cover our anticipated remediation costs. However, certain events could cause our actual costs to vary from the established reserves. These events include, but are not limited to: a change in governmental regulations or cleanup standards or requirements; undiscovered information regarding the nature and volume of wastes allegedly disposed of or released at these properties; and other factors increasing the cost of remediation or the loss of other potentially responsible parties that are financially capable of contributing towards cleanup costs.

Available Information

We file annual reports, quarterly reports, proxy statements, and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (the Exchange Act). The public may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website at *www.sec.gov* that contains reports, proxy and information statements and other information regarding issuers, including Steelcase, that file electronically with the SEC.

We also make available free of charge through our internet website, *www.steelcase.com,* our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports, as soon as reasonably practicable after we electronically file such reports with or furnish them to the SEC. In addition, our Corporate Governance Principles and the charters for the Audit, Compensation, and Nominating and Corporate Governance Committees are available free of charge through our website or by writing to Investor Relations, PO Box 1967, Grand Rapids, Michigan 49501-1967.

We are not including the information contained on our website as a part of, or incorporating it by reference into, this Report.

Item 1A. Risk Factors:

The following risk factors and other information included in this Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also adversely affect our business, operating results, cash flows, and financial condition. If any of the following risks actually occur, our business, operating results, cash flows and financial condition could be materially adversely affected.

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We may not be able to successfully implement and manage our growth strategy.

Our growth strategy calls for expansion in:

- existing markets by leveraging our current distribution to win new customers and more fully serve existing customers and their installed base of our products, and

- new adjacent markets such as the mid-market segment of the office furniture market, vertical markets such as healthcare and education and emerging international markets.

We believe that our future success depends upon our ability to deliver to our customers a great experience, which includes innovative, well-made products and world class processes. Our success relies in part on our research and development and engineering efforts, our ability to manufacture or source the products, and customer acceptance of our products. As it relates to new markets, our success also depends on our ability to create and implement distribution strategies to reach these markets. The potential inability to successfully implement and manage our growth strategy could adversely affect our business and our results of operations.

Our efforts to grow our business in emerging markets include the risk factors listed below relating to our global operations, but can also include other risks. In certain markets in Asia and Eastern Europe where we are expanding our business, the legal and political environment can be unstable and uncertain which could make it difficult for us to compete successfully and to protect our investments or sell our investments in the future. As we hire new people and establish new processes in these locations, we are implementing our global business standards, but there is some risk our activities could expose us to liabilities.

We also make investments in new business development initiatives which, like most startups, have a relatively high failure rate. We limit our investments in these initiatives and establish governance procedures to contain the associated risks, but losses could result and may be material.

We operate in a highly competitive environment and may not be able to compete successfully.

The office furniture industry is highly competitive, with a number of competitors offering similar categories of product. We compete on a variety of factors, including: brand recognition and reputation, price, lead time, delivery and service, product design and features, product quality, strength of dealers and other distributors and relationships with customers and key influencers, such as architects, designers and facility managers.

In the North America segment, our top competitors in our primary markets are Haworth, Inc., Herman Miller, Inc., HNI Corporation, Kimball International Inc. and Knoll, Inc. Some of our competitors have lower cost structures and a broader offering of moderately priced products, potentially making it more difficult for us to compete in certain customer segments. In addition, such competition may prevent us from maintaining or raising the prices of our products in response to rising raw material prices and other inflationary pressures.

Although we do not have major offshore competitors in our North America segment, there are other segments of the North America furniture industry, notably the residential furniture and made-to-stock office furniture segments, where lower-cost imports have become dominant. While customer lead time and customization requirements are currently inhibiting factors, it is possible we could see increased competition from imports in our core markets.

In the International segment, we tend to compete against a larger number of smaller size competitors. Most of our top competitors have strong relationships with their existing customers that can be a source of significant future sales through repeat and expansion orders. These competitors manufacture products with strong acceptance in the marketplace and can develop products that could have a competitive advantage over Steelcase products. In certain markets, we compete using an import model which requires longer lead times than local competitors with domestic supply chains.

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In the Other category, we are experiencing intense competition related to static and interactive whiteboard products, which has negatively impacted our operating margins during 2007.

Our continued success depends upon many things, including our ability to continue to manufacture and market high quality, high performance products at competitive prices and our ability to evolve our business model and implement world class processes to enable us to effectively compete in the office furniture industry s increasingly competitive environment. Our success is also dependent on our ability to sustain our positive brand reputation and recognition among existing and potential customers and use our brand and our trademarks effectively as we enter new markets.

Our efforts to restructure our industrial model may not be successful.

Over the last several years, we have been migrating to a more flexible industrial model based on lean manufacturing principles and a simpler more platform-based product portfolio. We also began to adopt a global supply chain. These strategies, along with a precipitous drop in industry demand from 2002 to 2004, have led to the restructuring of our manufacturing operations in the North America and International segments. The restructuring of our manufacturing operations has involved actions such as workforce reductions, facility rationalizations and the disposition of excess assets, including real estate. The cost of these actions has had the effect of reducing earnings until expected cost savings are achieved. While we expect to complete the final phase of our publicly announced restructuring plans during Q1 2008, it is possible that additional restructuring actions will continue to be necessary, though at a less significant level, as we continue to implement our strategies. Therefore, it is also possible that the cost of our restructuring efforts will be higher than we anticipate.

The success of our restructuring initiatives is dependent on several factors, including our ability to manage facility consolidation without disrupting existing customer commitments, efficient implementation of lean manufacturing techniques, simplifying our product portfolio, establishing cost effective regional distribution centers and implementing global sourcing and supply chain initiatives. Such actions may not be accomplished as quickly and effectively as anticipated, and we may not realize the expected benefits of our restructuring activities, either of which would have a negative impact on our results of operations.

Our global operations subject us to risks that may negatively affect our results of operations and financial condition.

We have sales offices and manufacturing facilities in many countries, and as a result, we are subject to risks associated with doing business globally. Our global operations may be subject to risks that may limit our ability to manufacture, design, develop or sell products in particular countries, which could in turn have an adverse effect on our results of operations and financial condition, including:

- differing employment practices and labor issues,
- local business and cultural factors that differ from our normal standards and practices,
- regulatory requirements and prohibitions that differ between jurisdictions,
- restrictions on our operations by governments seeking to support local industries, nationalization of our operations and restrictions on our ability to repatriate earnings, and
- natural disasters, security concerns, including crime, political instability, terrorist activity, armed conflict and civil or military unrest, and global health issues.

In the United States and most countries in Europe, our revenues and costs are typically in the same currency. However there are some situations where we export and import products in different currencies. We also may hold assets, such as equity investments, real estate investments and cash balances, or incur debt in currencies other than the U.S. dollar. Fluctuations in the rate of exchange between the U.S. dollar and the currencies of other countries in which we conduct business, and changes in currency controls with respect to such countries, could negatively impact our business, operating results and financial condition. In addition, changes in tariff and import regulations and changes to U.S. and international monetary policies may also negatively impact our revenue. Varying tax rates or increasing limitations on net operating loss carry-forwards in different jurisdictions could negatively impact our consolidated effective tax rate.

A downturn in the cyclical office furniture industry could adversely impact our revenues and profits.

Office furniture industry revenues are impacted by a variety of cyclical macroeconomic factors such as corporate profits, non-residential fixed investment, white-collar employment growth and commercial office construction. Our product sales are directly tied to corporate capital spending, which is outside of our control. Geopolitical uncertainties, terrorist attacks, acts of war, natural disasters, other world events or combinations of such and other factors that are outside of our control could also have a significant effect on business confidence and the global economy and therefore, our business. The global office furniture industry experienced a significant downturn several years ago which dramatically impacted our profitability because of our historical strategy of vertical integration and the high level of fixed costs associated with our business. While we continue to restructure our industrial model, if another economic or industry downturn occurred in a similar magnitude as experienced during recent years, we may not be able to react fast enough to counteract the decline, which could negatively impact our operating results, financial condition and access to capital. Other demand influences on our industry include technology changes, organizational change, employee health and safety concerns and the globalization of companies. The trend towards outsourcing white collar jobs could cause our major customers in our core markets to shift employment growth to countries where our market share is not as strong.

Disruptions to the supply of raw materials, component parts and labor in our manufacturing operations could adversely affect our supply chain management.

We are reliant on the timely flow of raw materials and components from third party suppliers and our own manufacturing operations. The flow of such materials and components may be affected by:

- fluctuations in the availability and quality of the raw materials,
- damage and loss or disruption of production from accidents, natural disasters and other causes, and
- disruptions caused by labor activities.

We expect to continue to migrate to a less vertically integrated manufacturing model, which will increase our reliance on an international network of suppliers. Any disruptions in the supply and delivery of products or deficiencies in our ability to develop and manage our network of suppliers could have an adverse impact on our business, operating results or financial condition.

We could be adversely affected by increasing raw material costs.

We procure raw materials from a significant number of sources within the United States, Canada, Europe and Asia. These raw materials are not rare or unique to our industry. The absolute level and volatility in steel and other commodity costs, such as energy, have significantly increased in recent years due to changes in global supply and demand. These changes could also lead to supply interruptions. Our gross margins could be affected if these types of costs remain high or escalate further. In the short run, rapid changes in raw material costs can be very difficult to offset because of price hold agreements we have entered into with our customers. It is difficult to find effective hedge markets to manage these risks. In the longer run, we may not be successful in passing along a portion of the higher raw materials costs to our customers because of competitive pressures.

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Disruptions within our dealer network could adversely affect our business.

We rely largely on a network of independent and company-owned dealers to market our products to customers. Our business is influenced by our ability to initiate and manage new and existing relationships with dealers.

From time to time, an individual dealer or Steelcase may choose to terminate the relationship, or the dealership could face financial difficulty leading to failure or difficulty in transitioning to new ownership. In addition, our competitors or other third parties could engage in a strategy to attempt to acquire or convert a number of our dealers to carry their products. We do not believe our business is dependent on any single dealer, the loss of which would have a sustained material adverse effect upon our business. However, temporary disruption of dealer coverage within a specific local market could temporarily have an adverse impact on our business within the affected market. The loss or termination of a significant number of dealers could cause difficulties in marketing and distributing our products and have an adverse effect on our business, operating results or financial condition. In the event that a dealer in a strategic market experiences financial difficulty, we may choose to make financial investments in the dealership, reducing the risk of disruption, but increasing our financial exposure.

A portion of our international distribution network is owned because of the need for us to make financial investments in dealerships in order to preserve our market share in the affected regions. If we are not able to effectively manage these dealerships, they could have a negative effect on our operating results. In certain cases, we have adopted a direct model of distribution through which we establish company-owned sales and service capabilities. Our direct-sale and owned-dealer models sell non-Steelcase products where product gaps exist. These models involve increased operational risk, the risk of conflict with other distribution channels and the risk that we will not be able to compete effectively to win business in those markets because of a more limited breadth of product offering than a dealer who carries multiple lines of products.

We could be adversely affected by product defects.

Product defects can occur within our own product development and manufacturing processes or through our increasing reliance on third parties for product development and manufacturing activities. We incur various expenses related to product defects, including product warranty costs, product recall and retrofit costs and product liability costs. The amount of our product defect expenses relative to product sales varies from time to time and could increase in the future. We maintain a reserve for our product warranty costs based on certain estimates and our knowledge of current events and actions, but our actual warranty costs may exceed our reserve and we could need to increase our accruals for warranty charges. In addition, the reputation of our brands may be diminished by product defects and recalls. Any significant increase in the rate of our product defect expenses could have a material adverse effect on our results of operations.

There may be significant limitations to our utilization of net operating losses to offset future taxable income.

We have significant deferred tax asset values related to net operating loss carryforwards (NOLs) in various jurisdictions. We may be unable to generate sufficient taxable income from future operations in the applicable jurisdiction to fully utilize our NOLs. We have NOLs in various currencies that are also subject to foreign exchange risk, which could reduce the amount that we will ultimately realize. Additionally, future changes in tax laws or interpretations of such tax laws may limit our ability to fully utilize our NOLs.

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Our acquisition, joint venture or alliance activities may not be successful.

Our growth strategy may involve acquisitions, joint ventures alliances and additional channels of distribution. Some of the risks associated with these activities are:

we may not identify attractive opportunities or be able to enter into transactions on acceptable terms and at the right price,

we may not successfully integrate acquired entities into our operations and be able to retain key employees of the acquired companies,

our business philosophy may change which could affect the business rationale for our joint ventures or alliances, and

we may not successfully implement new distribution channels, and changes could create discord in our existing channels of distribution.

Item 1B. Unresolved Staff Comments:

None.

Item 2. Properties:

We have operations at locations throughout the United States and around the world. None of our owned properties are mortgaged or are held subject to any significant encumbrance. We believe our facilities are in good operating condition and that, at present, are in excess of that needed to meet volume needs currently and for the foreseeable future. Our global headquarters is located in Grand Rapids, Michigan, USA. Our owned and leased principal manufacturing and distribution center locations with greater than 60,000 square feet are as follows:

Segment/Category Primarily Supported	Number of Principal Locations	Owned	Leased
North America	13	8	5
International	8	7	1
Other	8	3	5
Total	29	18	11

During 2007, we sold the manufacturing and distribution center facilities on our Grand Rapids campus. We are leasing one of the facilities through May 2008 and that facility is not included in the table above. In addition to the facilities included in the table above, two of our other former manufacturing sites are being actively marketed. The net book values associated with both of these sites are included in *Other Current Assets* on our Consolidated Balance Sheet.

Item 3. Legal Proceedings:

We are involved in litigation from time to time in the ordinary course of our business. Based on known information, we do not believe we are a party to any lawsuit or proceeding that is likely to have a material adverse effect on the Company.

Item 4. Submission of Matters to a Vote of Security Holders:

None.

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Supplementary Item. Executive Officers of the Registrant:

Our executive officers are:

Name	Age	Position
Mark A. Baker	46	Senior Vice President, Global Operations Officer
Mark T. Greiner	55	Senior Vice President, WorkSpace Futures
James P. Hackett	51	President and Chief Executive Officer, Director
Nancy W. Hickey	55	Senior Vice President, Chief Administrative Officer and Secretary
James P. Keane	47	President, Steelcase Group
Michael I. Love	58	President, Nurture by Steelcase
John S. Malnor	45	General Manager, Turnstone
Frank H. Merlotti, Jr	56	President, Design Group
James G. Mitchell	57	President, Steelcase International
David C. Sylvester	42	Vice President, Chief Financial Officer

Mark A. Baker has been Senior Vice President, Global Operations Officer since September 2004. Mr. Baker served as Senior Vice President, Operations from November 2001 to September 2004.

Mark T. Greiner has been Senior Vice President, WorkSpace Futures since October 2002. From 2001 to 2002, Mr. Greiner held the position of Senior Vice President, Research & Development, Concepts and Ventures.

James P. Hackett has been President, Chief Executive Officer and Director of the Company since December 1994. Mr. Hackett also serves as a member of the Board of Trustees of the Northwestern Mutual Life Insurance Company and the Board of Directors of Fifth Third Bancorp.

Nancy W. Hickey has been Senior Vice President, Chief Administrative Officer and Secretary since March 2007. Ms. Hickey was Senior Vice President, Chief Administrative Officer from 2001 to 2007.

James P. Keane has been President, Steelcase Group including PolyVision since October 2006. Mr. Keane was Senior Vice President, Chief Financial Officer from 2001 to 2006.

Michael I. Love has been President, Nurture by Steelcase since May 2006. Mr. Love was President and Chief Executive Officer, Steelcase Design Partnership from 2000 to 2006.

John S. Malnor has been General Manager, Turnstone since January 2004. From 2001 to 2004, Mr. Malnor was Director, Market Development for Turnstone.

Frank H. Merlotti, Jr. has been President, Design Group since October 2006. Mr. Merlotti was President, Steelcase North America from 2002 to 2006.

James G. Mitchell has been President, Steelcase International since June 2004. Mr. Mitchell served as Managing Director, United Kingdom from 2003 to June 2004. From 1999 to 2003, Mr. Mitchell was President, Steelcase Canada.

David C. Sylvester has been Vice President, Chief Financial Officer since October 2006. Mr. Sylvester was Vice President, Global Operations Finance from 2005 to 2006. From 2001 to 2005, Mr. Sylvester held the position of Vice

President, International Finance.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities:

The Class A Common Stock of Steelcase Inc. is listed on the New York Stock Exchange under the symbol SCS . Our Class B Common Stock is neither registered under the Securities Exchange Act of 1934 nor publicly traded. See Note 10 to the consolidated financial statements for further discussion of our common stock. As of April 13, 2007, we had outstanding 146,650,770 shares of common stock with 9,363 shareholders of record. Of these amounts, 82,262,189 shares are Class A Common Stock with 9,250 shareholders of record and 64,388,581 shares are Class B Common Stock with 119 shareholders of record.

Class A Common Stock End of Day Per Share Price Range	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2007				
High	$ 19.29	$ 19.00	$ 18.11	$ 20.22
Low	$ 16.84	$ 13.22	$ 13.70	$ 17.25
Fiscal 2006				
High	$ 14.45	$ 14.82	$ 14.91	$ 17.34
Low	$ 12.40	$ 12.70	$ 13.57	$ 14.69

The declaration of dividends is subject to the discretion of our Board of Directors and to compliance with applicable law. Dividends in 2007 and 2006 were declared and paid quarterly. Following the close of 2007, we announced an increase in the dividend to $0.15 per share payable in Q1 2008 which is expected to result in additional quarterly dividend payments of $2.9 compared to Q4 2007. The amount and timing of future dividends depends upon our results of operations, financial condition, cash requirements, future business prospects, general business conditions and other factors that our Board of Directors may deem relevant at the time.

Total Dividends Paid

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Fiscal 2007	$ 15.0	$ 15.0	$ 17.9	$ 19.3	$ 67.2
Fiscal 2006	$ 8.9	$ 13.4	$ 13.4	$ 13.5	$ 49.2

In June 1998, September 1999 and September 2000, we announced the approvals by our Board of Directors of a share repurchase program which permitted us to purchase up to 11 million shares of our common stock. During Q4 2007, we completed the remaining repurchases approved under this program. The following table is a summary of share repurchase activity under these approvals during Q4 2007:

Issuer Purchases of Equity Securities

	(c) Total Number of	(d) Maximum Number of Shares that May

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plan or Program	Yet be Purchased Under the Plan or Program
11/25/06 12/29/06	52,400	$ 18.22	52,400	1,580,193
12/30/06 1/26/07	1,580,193	18.12	1,580,193	
1/27/07 2/23/07				
Total	1,632,593		1,632,593	

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In Q3 2007, our Board of Directors approved a share repurchase program permitting the repurchase of up to $100 million of shares of our common stock. This program has no specific expiration date. The following table is a summary of share repurchase activity under this approval during Q4 2007:

Issuer Purchases of Equity Securities

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	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
11/25/06 12/29/06				
12/30/06 1/26/07	853,307	$ 18.10	853,307	$ 84,555,000
1/27/07 2/23/07				
Total	853,307		853,307	$ 84,555,000

See Note 10 to the consolidated financial statements for additional information regarding share repurchases. See Item 12: *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* for information on our equity compensation plans.

Item 6. Selected Financial Data:

Financial Highlights	February 23, 2007	February 24, 2006	February 25, 2005	February 27, 2004	February 28, 2003(1)
Operating Results					
Revenue	$ 3,097.4	$ 2,868.9	$ 2,613.8	$ 2,345.6	$ 2,529.9
Revenue increase (decrease)	8.0%	9.8%	11.4%	(7.3)%	(16.7)%
Gross profit	$ 947.9	$ 846.3	$ 745.7	$ 615.3	$ 728.1
Gross profit % of revenue	30.6%	29.5%	28.5%	26.2%	28.8%
Income (loss) from continuing operations before income tax expense (benefit)	$ 124.6	$ 76.4	$ 5.0	$ (92.9)	$ (66.7)
Income (loss) from continuing operations before income tax expense (benefit) % of revenue	4.1%	2.7%	0.2%	(4.0)%	(2.6)%
Income (loss) from continuing operations after income tax expense (benefit)	$ 106.9	$ 48.9	$ 11.7	$ (42.0)	$ (41.6)
Income (loss) from continuing operations after income tax expense (benefit) % of revenue	3.5%	1.7%	0.5%	(1.8)%	(1.6)%
Income from discontinued operations(2)			$ 1.0	$ 22.4	$ 4.7
Cumulative effect of accounting change, net of income taxes(3)				$ (4.2)	$ (229.9)
Net income (loss)	$ 106.9	$ 48.9	$ 12.7	$ (23.8)	$ (266.8)
Net income (loss) % of revenue	3.5%	1.7%	0.5%	(1.0)%	(10.5)%
Per Share Data					
Income (loss) from continuing operations:					
Basic	$ 0.72	$ 0.33	$ 0.08	$ (0.28)	$ (0.28)
Diluted	$ 0.71	$ 0.33	$ 0.08	$ (0.28)	$ (0.28)
Income from discontinued operations:					
Basic			$ 0.01	$ 0.15	$ 0.03
Diluted			$ 0.01	$ 0.15	$ 0.03
Cumulative effect of accounting change basic and diluted				$ (0.03)	$ (1.56)
Net income (loss):					
Basic	$ 0.72	$ 0.33	$ 0.09	$ (0.16)	$ (1.81)
Diluted	$ 0.71	$ 0.33	$ 0.09	$ (0.16)	$ (1.81)
Dividends common stock	$ 0.45	$ 0.33	$ 0.24	$ 0.24	$ 0.24
Financial Condition					
Working capital	$ 585.5	$ 291.9	$ 447.8	$ 401.0	$ 334.3

Total assets	$	2,399.4	$	2,344.5	$	2,364.7	$	2,359.4	$	2,354.9
Long-term debt	$	250.0	$	2.2	$	258.1	$	319.6	$	294.2

(1) The fiscal year ended February 28, 2003 contained 53 weeks. All other years shown contained 52 weeks.

(2) Income from discontinued operations relate to the disposition of AW Corporation in 2005.

(3) Cumulative effect of accounting change for the fiscal year ended February 27, 2004 related to our adoption of Financial Accounting Standards Board (FASB) Interpretation Number (FIN) 46(R), *Consolidation of Variable Interest Entities.* Cumulative effect of accounting change for the fiscal year ended February 28, 2003 related to our adoption of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets.*

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

The following review of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and accompanying notes thereto included elsewhere within this Report.

Financial Summary

Results of Operations

Income Statement Data Consolidated	Year Ended February 23, 2007		February 24, 2006		February 25, 2005	
Revenue	$ 3,097.4	100.0%	$ 2,868.9	100.0%	$ 2,613.8	100.0%
Cost of sales	2,128.2	68.7	1,989.4	69.3	1,859.9	71.2
Restructuring costs	21.3	0.7	33.2	1.2	8.2	0.3
Gross profit	947.9	30.6	846.3	29.5	745.7	28.5
Operating expenses	831.8	26.8	758.1	26.4	722.3	27.6
Restructuring costs	2.4	0.1	5.7	0.2	5.2	0.2
Operating income	113.7	3.7	82.5	2.9	18.2	0.7
Other income (expense), net	10.9	0.4	(6.1)	(0.2)	(13.2)	(0.5)
Income from continuing operations before income tax expense (benefit)	124.6	4.1	76.4	2.7	5.0	0.2
Income tax expense (benefit)	17.7	0.6	27.5	1.0	(6.7)	(0.3)
Income from continuing operations	106.9	3.5	48.9	1.7	11.7	0.5
Discontinued operations, net					1.0	
Net income	$ 106.9	3.5%	$ 48.9	1.7%	$ 12.7	0.5%

Overview

Net income improved significantly in 2007 and 2006. The $58.0 improvement in 2007 net income was due to higher revenues and price yield, favorable tax adjustments, improved gross margins, lower restructuring costs, and higher interest income on increased cash balances, partially offset by higher variable compensation costs, PolyVision intangible asset and goodwill impairment-related charges, and increased spending related to longer-term growth initiatives. The 2006 net income improvement of $36.2 over 2005 was primarily driven by increased operating profits in the North America segment.

Our revenue increased 8.0% in 2007 compared to 2006 following an increase of 9.8% from 2005 to 2006. Revenue in 2007 increased for all of our reportable segments, but growth in our International segment of 14.2% was the strongest.

As compared to 2006, revenue included $36.9 of incremental sales related to net acquisitions. Current year revenue was also positively impacted by $25.8 from currency translation effects as compared to the prior year.

Cost of sales, which is reported separately from restructuring costs, decreased to 68.7% of revenue in 2007, a 0.6 percentage point improvement compared to the prior year. Improvements in the North America and International segments of 1.0 and 2.1 percentage points, respectively, were the key drivers of this improvement. These improvements were partially offset by cost of sales increases at PolyVision, which is included in the Other category. Gross margin increased to 30.6% because of the improvements in cost of sales and lower restructuring costs.

Operating expenses increased $73.7 in 2007 compared to the prior year. Higher variable compensation costs, intangible asset and goodwill impairment-related charges at PolyVision, spending related to longer-term growth initiatives, currency effects and net acquisitions were the primary reasons for the increase.

Operating income improved by $31.2 in 2007 compared to 2006, due to better performance in our International and North America segments and lower restructuring costs.

We recorded net pre-tax operating charges for restructuring costs totaling $23.7 in 2007, compared to $38.9 in 2006 and $13.4 in 2005. The net charges in 2007 primarily consisted of facility rationalizations in the North America segment. The charges were part of a two year restructuring effort announced on March 28, 2005, to consolidate our North America operations by closing certain manufacturing and distribution facilities in Grand Rapids, Michigan and relocating their activities to other facilities. See further discussion and detail of all these items in the *Segment Disclosure* analysis below and in Notes 14 and 16 to the consolidated financial statements.

Interest Expense; Other Income, Net; and Effective Income Tax Rate

Interest Expense and Other Income (Expense), net	**February 23, 2007**	**Year Ended February 24, 2006**	**February 25, 2005**
Interest expense	$ 18.5	$ 18.1	$ 20.9
Other income (expense), net:			
Interest income	25.9	11.1	6.7
Equity in income of unconsolidated ventures	3.5	2.0	3.0
Elimination of minority interest in consolidated dealers	(2.8)	(2.9)	0.3
Other income (expense), net	2.8	1.8	(2.3)
Total other income, net	29.4	12.0	7.7
Total interest expense and other income (expense), net	$ 10.9	$ (6.1)	$ (13.2)
Effective income tax rate	14.2%	36.0%	(133.9)%

Interest income increased in 2007 and 2006 due to higher cash and investment balances and higher interest rates.

Equity in income of unconsolidated ventures represents our portion of the income from our joint ventures.

Our consolidated results include the results of several dealers in which we either own a majority interest or we maintain participative control but our investments are structured such that we do not share in the profits or losses. Elimination of minority interest in consolidated dealers represents the elimination of earnings where either our class of equity does not share in the earnings or the earnings are allocated to the minority interest holder.

Other income (expense), net consists of foreign exchange gains and losses, unrealized gains and losses on derivative instruments and miscellaneous income (expense) in 2007, 2006 and 2005. Included in this amount for 2007 is a $4.9 foreign withholding tax expense from a cash dividend which was repatriated from a wholly-owned foreign subsidiary and a $3.6 gain on a dealer transition.

During 2007, we recorded favorable tax adjustments of $25.1. These adjustments include a $13.6 reduction of deferred tax asset valuation allowances related to International and U.S. net operating losses and U.S. foreign tax credit carryforwards. These reductions are the result of improved profitability and the implementation of tax planning strategies which increased the likelihood of utilizing foreign net operating losses, U.S. state net operating losses and U.S. foreign tax credit carryforwards. We reduced specific tax reserves by $7.5 due to the completion of a long-outstanding audit of a foreign subsidiary and other

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adjustments related to open tax periods in the U.S. In addition, we recorded a $4.0 adjustment to recognize the future benefit of U.S. foreign tax credits resulting from a change in an election for the treatment of foreign losses on our 2004 to 2006 U.S. tax returns. See further discussion and detail on these items in Note 11 to the consolidated financial statements.

The favorable tax adjustments had the effect of reducing the 2007 effective tax rate to 14.2%. Excluding the impact of the total adjustments, the 2007 effective tax rate would have been 34.3%.

In 2005, we recorded an $8.2 reduction in a specific tax reserve. The tax reserve was originally recorded in response to a fiscal 1997 tax calculation that was later rejected by the IRS. At the time of the rejection, we recorded a reserve for the total amount of the deduction while we challenged the IRS s decision. The matter was settled in our favor during 2005 resulting in the reversal of the reserve. We calculated our tax expense for 2005 using a 30% rate and then adjusted it for the $8.2 reserve reduction.

Although our tax rate can vary from year to year, we expect that our long-term effective tax rate will be within a range of 34% to 35% for 2008 with the U.S. research tax credit remaining in effect through the end of the calendar year 2007.

Segment Disclosure

During the third and fourth quarters of 2007, we made a number of changes in our organizational structure and certain key leadership positions, which resulted in changes to our segment reporting. As a result of this change, management currently evaluates the Company as eight business units: Steelcase Group, Turnstone, Nurture by Steelcase, International, Design Group, PolyVision, IDEO and Financial Services. For external purposes, these business units are aggregated into two reportable segments: North America and International, plus an Other category. Prior year information has been restated to reflect the new segment information. See more information regarding segments in Item 1: *Business* and Note 14 to the consolidated financial statements included with this Report.

North America

	Year Ended					
Income Statement Data North America	**February 23, 2007**		**February 24, 2006**		**February 25, 2005**	
Revenue	$ 1,863.8	100.0%	$ 1,757.3	100.0%	$ 1,569.0	100.0%
Cost of sales	1,313.9	70.5	1,257.4	71.5	1,166.6	74.4
Restructuring costs	18.5	1.0	22.6	1.3	7.8	0.5
Gross profit	531.4	28.5	477.3	27.2	394.6	25.1
Operating expenses	425.8	22.8	392.2	22.4	370.1	23.5
Restructuring costs	1.7	0.1			1.0	0.1
Operating income	$ 103.9	5.6%	$ 85.1	4.8%	$ 23.5	1.5%

The North America segment increased operating income by $18.8 in 2007 compared to 2006 after an increase of $61.6 between 2005 and 2006. The 2007 improvement was driven by volume growth, improved pricing yield and cost of sales improvements, partially offset by increased variable compensation costs and spending related to longer-term growth initiatives.

Revenue increased 6.1% in 2007 compared to 2006 and represented 60.2% of consolidated revenues. Revenue growth in 2007 was driven by increased sales across the Steelcase Group, Turnstone and Nurture by Steelcase brands. Additionally, as compared to the prior year, current year revenue included $27.8 of incremental sales related to net acquisitions and $5.4 from favorable currency effects related to sales by our subsidiary in Canada.

Cost of sales, which is reported separately from restructuring costs, as a percent of revenue decreased 1.0 percentage point from the prior year because of improved pricing yields, benefits from restructuring efforts and product simplicity initiatives and continued implementation of lean manufacturing principles. The combined results from these initiatives will have allowed us to reduce our total manufacturing and distribution center footprint from approximately 14.0 million square feet in 2000 to 6.7 million square feet by the end of Q1 2008.

Our wood product category within the North America segment has reported significant operating losses over the past several years. In 2007, we estimate that this product category incurred an operating loss of $27.5 after an allocation of operating expenses related to corporate and other shared service functions. The current year results were negatively impacted by one large, complex project that was awarded in 2006, and various long-term contracts with existing customers, most of which have since been amended. In addition, we incurred significant expenses associated with current year cost reduction initiatives, new product introductions and environmental sustainability initiatives. As a result of our efforts, the quarterly losses in 2007 were reduced from $9.5 in Q1 to $5.7 in Q4. We expect to implement additional strategies and initiatives to further improve the profitability of our wood product category. However, the achievement of improved operating results will depend upon the success of the strategies and initiatives discussed above, as well as various other risks and contingencies discussed in the Risk Factors section of this report.

Gross margin as a percent of revenue improved from 27.2% in the prior year to 28.5% in the current year, due to improved operating performance and lower restructuring costs. Restructuring costs of $18.5 in 2007 and $22.6 in 2006 included in gross profit related to move and severance costs associated with our current plant consolidation initiative, which we expect to complete by the end of Q1 2008, and a loss on the sale of our Grand Rapids manufacturing campus, which was completed during Q4 2007.

Operating expenses were 22.8% of revenue in 2007 compared to 22.4% in 2006. Operating expenses increased compared to 2006 primarily due to increases in variable compensation costs linked to Steelcase Inc. consolidated performance and spending related to longer-term growth initiatives.

International

	Year Ended								
Income Statement Data International	**February 23, 2007**			**February 24, 2006**			**February 25, 2005**		
Revenue	$	735.8	100.0%	$	644.5	100.0%	$	590.5	100.0%
Cost of sales		490.0	66.6		442.8	68.7		411.7	69.7
Restructuring costs (benefit)		2.8	0.4		8.6	1.3		(0.6)	(0.1)
Gross profit		243.0	33.0		193.1	30.0		179.4	30.4
Operating expenses		208.7	28.4		188.7	29.3		181.0	30.7
Restructuring costs		0.1	0.0		5.7	0.9		3.8	0.6
Operating income (loss)	$	34.2	4.6%	$	(1.3)	(0.2)%	$	(5.4)	(0.9)%

International reported operating income of $34.2, an improvement of $35.5 compared to 2006. The 2007 improvement was driven by lower restructuring costs and increased profitability in certain markets, most notably the United Kingdom (U.K.), Spain, eastern Europe, and Germany.

Revenue increased 14.2% in 2007 compared to 2006 and represented 23.8% of consolidated revenue. The growth was relatively broad-based across most of our international regions, but was particularly strong in Germany, Spain, eastern Europe, the U.K. and Asia. Currency translation had the effect of increasing revenue by $20.4 in 2007 as compared to the prior year.

Cost of sales, which is reported separately from restructuring costs, decreased by 2.1 percentage points as a percentage of revenue compared to 2006. The improvement was due to volume leverage, benefits from prior restructuring activities and better operational performance, especially in our business in the U.K. In addition, we experienced a more favorable mix of business in our more profitable markets.

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Gross margin as a percent of revenue was 33.0% in 2007 compared to 30.0% in 2006. The improvements in gross margin are due to the improvements in cost of sales and lower restructuring costs.

Operating expenses increased by $20.0 in 2007, primarily due to higher spending on growth initiatives in Asia, costs related to acquired dealers, and higher variable compensation costs. Currency translation had the effect of increasing operating expenses in 2007 by $5.6 compared to 2006.

Restructuring charges in 2007 related primarily to the impairment of our closed facilities in Strasbourg, France, and our exit from the white goods business in Morocco.

Other

	Year Ended					
Income Statement Data Other	**February 23, 2007**		**February 24, 2006**		**February 25, 2005**	
Revenue	$ 497.8	100.0%	$ 467.1	100.0%	$ 454.3	100.0%
Cost of sales	324.3	65.1	289.2	61.9	281.6	62.0
Restructuring costs			2.0	0.4	1.0	0.2
Gross profit	173.5	34.9	175.9	37.7	171.7	37.8
Operating expenses	170.3	34.3	149.0	31.9	147.0	32.3
Restructuring costs	0.6	0.1			0.4	0.1
Operating income	$ 2.6	0.5%	$ 26.9	5.8%	$ 24.3	5.4%

Our Other category includes the Design Group, PolyVision, IDEO and Financial Services subsidiaries.

The Other category reported operating income of $2.6, a $24.3 decline compared to the prior year. The decline was primarily the result of $10.7 of intangible asset and goodwill impairment-related charges at PolyVision, operational issues and intense price competition in PolyVision s U.S. static whiteboard business, a decline in operating margins at IDEO, and prior year gains from credit recoveries at Financial Services.

Revenue increased by $30.7 in 2007 due to growth in PolyVision s technology and international infrastructure businesses, as well as modest growth at IDEO and across the Design Group.

Gross margin as a percent of revenue was 34.9% in 2007 compared to 37.7% in 2006. The decline in gross margin was primarily due to operational issues and intense competition in PolyVision s U.S. static whiteboard business and a decline in IDEO margins due to lower growth in key service offerings.

Restructuring costs included in 2007 relate to PolyVision workforce reductions. Restructuring costs included in 2006 related to the consolidation of two PolyVision facilities.

Corporate

Year Ended

Income Statement Data Other	February 23, 2007	February 24, 2006	February 25, 2005
Operating expenses	$ 27.0	$ 28.2	$ 24.2

Approximately 84% of corporate expenses are charged to the operating segments as part of a corporate allocation. Unallocated portions of these expenses are considered general corporate costs and are reported as Corporate. Corporate costs include executive and portions of shared service functions such as human resources, finance, legal, research and development and corporate facilities.

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Liquidity and Capital Resources

Liquidity

The following table summarizes our statement of cash flows:

	Year Ended February 23, 2007	February 24, 2006	February 25, 2005
Net cash flow provided by (used in):			
Operating activities	$ 280.5	$ 175.5	$ 114.7
Investing activities	(51.9)	127.7	(25.7)
Financing activities	(127.1)	(101.6)	(60.3)
Effect of exchange rate changes on cash and cash equivalents	1.9	5.6	5.7
Net increase in cash and cash equivalents	103.4	207.2	34.4
Cash and cash equivalents, beginning of period	423.8	216.6	182.2
Cash and cash equivalents, end of period	$ 527.2	$ 423.8	$ 216.6

During 2007, we increased cash and cash equivalents by $103.4 to a balance of $527.2 as of February 23, 2007. Of our total cash and cash equivalents, 85.3% was located in the United States and the remaining 14.7% was located outside of the United States, primarily in Canada and Europe. These funds, in addition to cash generated from future operations and available credit facilities, are expected to be sufficient to finance our foreseeable liquidity and capital needs.

The increase in cash and cash equivalents was due to a number of factors. Operating activities generated cash primarily from net income as adjusted for depreciation and amortization, which are non-cash expenses. Depreciation and amortization have remained higher than the level of capital expenditures, which represents a source of cash. The largest investing activities were made up of capital expenditures, purchases of short-term investment instruments and the acquisition of Softcare Innovations, Inc. and DJRT Manufacturing, Inc. (Softcare). These investments were offset in part by net proceeds from asset disposals and run-off collections of lease and notes receivable within Financial Services. Financing activities consisted primarily of quarterly dividend payments and net share repurchases.

We believe that we currently need approximately $50 in cash to fund the day-to-day operating needs of our business. Our cash balances fluctuate from quarter to quarter because our business has some seasonality, and certain cash flows related to variable compensation, retirement plan funding and insurance payments occur only annually. At this time, we expect to maintain an additional cushion of approximately $200 for funding investments in our growth initiatives, which may include opportunistic or strategic acquisitions, and to protect us in the event of a downturn while we are still restructuring our operations. We will also use cash to return value to shareholders, primarily through dividends and share repurchases. These are general guidelines and our cash balance may be higher or lower at any point in time. We also may change this approach as conditions change or new opportunities emerge.

Significant uses of cash in Q1 2008 are expected to include approximately $80 related to 2007 variable compensation payments and retirement plan contributions.

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Cash provided by operating activities

Cash Flow Data Operating Activities	Year Ended February 23, 2007	February 24, 2006	February 25, 2005
Net income	$ 106.9	$ 48.9	$ 12.7
Depreciation and amortization	101.4	119.4	127.6
Deferred income taxes	30.9	0.2	(13.7)
Changes in operating assets and liabilities, net of acquisitions	23.1	(8.9)	(25.3)
Other, net	18.2	15.9	13.4
Net cash provided by operating activities	$ 280.5	$ 175.5	$ 114.7

Net cash provided by operating activities was sufficient to fund our capital expenditure needs for 2007 and we expect this trend to continue.

The increase in cash generated from operating activities in 2007 was primarily due to higher net income, increased utilization of deferred income tax assets related to net operating loss carryforwards and improved working capital performance.

Most of the change in cash generated from operating activities from 2005 to 2006 was due to the improvements in year-over-year income from continuing operations and an improvement in management of working capital, primarily through an improvement in accounts receivable days sales outstanding, which was influenced by a change in terms offered to our North America dealers.

Cash (used in) provided by investing activities

Cash Flow Data Investing Activities	Year Ended February 23, 2007	February 24, 2006	February 25, 2005
Capital expenditures	$ (58.2)	$ (71.9)	$ (49.2)
Short-term investments, net	(33.1)	131.6	(51.4)
Proceeds from disposal of fixed assets	18.9	39.3	19.8
Proceeds from repayments of lease fundings	9.7	17.7	32.3
Proceeds from repayments of notes receivable, net	17.5	15.3	15.1
Acquisitions, net of cash acquired and business divestitures	(9.9)	(8.6)	
Other, net	3.2	4.3	7.7
Net cash (used in) provided by investing activities	$ (51.9)	$ 127.7	$ (25.7)

Net cash used in investing activities in 2007 includes the purchase of short-term investments in auction rate securities during Q4. During 2006 we converted all of our short-term investments in auction rate securities back to investments in commercial paper.

We continue to closely scrutinize capital spending to ensure we are making the right investments to sustain our business and to preserve our ability to introduce innovative, new products. Capital expenditures continued to be less than depreciation, which represented a source of cash.

Capital expenditures decreased in 2007 compared to 2006 primarily due to $18.0 and $6.0 in payments for the replacement of a corporate aircraft that were made in 2006 and 2005, respectively. Capital expenditures during 2007 included upgrades to our information technology systems, modernization of our manufacturing facilities and capital improvements to certain office and showroom facilities.

Proceeds from the disposal of fixed assets in 2007 included $11.4 related to the sale of domestic and international manufacturing facilities and $7.5 related to fixture and equipment sales. Proceeds from the disposal of fixed assets in 2006 included $14.8 in proceeds from the sale of the aircraft that we replaced and $9.8 from the sale of a manufacturing facility in Kentwood, Michigan. Proceeds from the disposal of fixed assets in 2005 primarily related to the sale of domestic and international manufacturing facilities and related equipment.

Acquisitions, net of cash acquired and business divestitures related to the purchase of Softcare offset by the sale of a small subsidiary of PolyVision in 2007. The 2006 amount relates to investments in three small dealerships acquired by our International segment and a small technology services company that was acquired by a company-owned dealer within our North America segment.

We have an outstanding commitment to purchase a corporate aircraft that is intended to replace an existing aircraft. We currently have $1.7 on deposit toward this purchase. We expect to take delivery of the new aircraft in 2009 with a total remaining commitment of $33.0. We expect to sell an existing aircraft at near the same time.

Cash used in financing activities

	Year Ended		
Cash Flow Data Financing Activities	**February 23, 2007**	**February 24, 2006**	**February 25, 2005**
Repayments of short-term and long-term debt, net	$ (9.8)	$ (61.2)	$ (28.8)
Excess tax benefit from exercise of stock options and vesting of restricted stock	3.9		
Common stock issuance, net of repurchases	(54.0)	8.8	4.1
Dividends paid	(67.2)	(49.2)	(35.6)
Net cash used in financing activities	$ (127.1)	$ (101.6)	$ (60.3)

We used cash in financing activities in 2007 primarily to return value to shareholders through common stock repurchases and dividend payments. We declared and paid common stock dividends of $0.45 per share in 2007, $0.33 per share in 2006 and $0.24 per share in 2005. The dividend declared by the Board of Directors was $0.13, $0.12, $0.10 and $0.10 in Q4, Q3, Q2 and Q1 2007, respectively. During Q1 2008, we announced an increase in the dividend to $0.15 per share, payable in Q1 2008. This increase is expected to use additional cash of approximately $2.9 in Q1 2008 compared to Q4 2007. We believe this dividend level can be supported throughout 2008 by our existing cash balances and projected operating performance.

The Board of Directors previously authorized share repurchases of up to 11 million shares. During 2007, the Board of Directors authorized additional share repurchases aggregating $100.0. During 2007, we repurchased 2.2 million shares of our Class A and 2.3 million shares of our Class B common stock for a total of $77.3, fulfilling the remainder of the 11 million share authorization and using $15.4 of the $100.0 authorization. See *Item 5: Market for Registrant s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities* and Note 10 to the consolidated financial statements for additional information.

We issued 1.8 million shares of Class A common stock in 2007 for proceeds of $23.3 related to the exercise of employee stock options. See Note 12 to the consolidated financial statements for further discussion regarding our stock-based incentive plans.

Capital Resources

Off-Balance Sheet Arrangements

We are contingently liable under loan and lease guarantees for certain Steelcase dealers and joint ventures in the event of default or non-performance of the financial repayment of the liability. In certain cases, we also guarantee completion of contracts for our dealers. Due to the contingent nature of guarantees, the full value of the guarantees are not recorded on our consolidated balance sheets;

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however, we have reserves recorded to cover potential losses. See Note 13 to the consolidated financial statements for more information regarding financial instruments, concentrations of credit risk, commitments, guarantees and contingencies.

Contractual Obligations

Our contractual obligations as of February 23, 2007 are as follows:

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**After 5 Years**
Long-term debt and short-term borrowings	$ 255.1	$ 5.1	$ 0.4	$ 249.6	$
Estimated interest on debt obligations	73.2	16.4	32.5	24.3	
Operating leases	246.6	50.2	81.3	58.0	57.1
Committed capital expenditures	36.3	13.7	22.6		
Purchase obligations	4.4	4.4			
Other long-term liabilities	243.2	54.2	60.7	35.9	92.4
Total	$ 858.8	$ 144.0	$ 197.5	$ 367.8	$ 149.5

Total consolidated debt as of February 23, 2007 was $255.1. Our debt to total capital ratio was 17.4% at year-end. Of our total debt, $249.4 is in the form of term notes due in 2012.

We have commitments related to certain sales offices, showrooms, and equipment under non-cancelable operating leases that expire at various dates through 2018. Minimum payments under operating leases having initial or remaining non-cancelable terms in excess of one year are presented in the contractual obligations table above.

Committed capital expenditures represent obligations we have related to property, plant and equipment purchases and include an outstanding commitment to purchase a new corporate aircraft that is intended to replace an existing aircraft.

We define purchase obligations as non-cancelable signed contracts to purchase goods or services beyond the needs of meeting current backlog or production.

Other long-term liabilities represent contributions and benefit payments expected to be made for our post-retirement, pension, deferred compensation, defined contribution and variable compensation plans. It should be noted that our obligations related to post-retirement benefit plans are not contractual and the plans could be amended at the discretion of the Compensation Committee of the Board of Directors. We limited our disclosure of contributions and benefit payments to 10 years as information beyond this time period was not available. See Note 9 to the consolidated financial statements for further discussion regarding these plans.

The contractual obligations table above is current as of February 23, 2007. The amounts of these obligations could change materially over time as new contracts or obligations are initiated and existing contracts or obligations are terminated or modified.

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Liquidity facilities

Our total liquidity facilities as of February 23, 2007 were:

	Amount
Global committed bank facility	$ 200.0
Various uncommitted lines	87.5
Total credit lines available	287.5
Less: borrowings outstanding	3.5
Available capacity (subject to covenant constraints)	$ 284.0

We have the option of increasing the global committed bank facility from $200 to $300, subject to customary conditions. Borrowings under this facility are unsecured and unsubordinated. There are currently no borrowings outstanding under the facility. The facility requires us to satisfy financial covenants including a maximum debt ratio covenant and a minimum interest coverage ratio covenant. We were in compliance with all covenants under our financing facilities as of February 23, 2007, and they are fully available for our use, although the various uncommitted lines are subject to change or cancellation by the banks at any time.

Total consolidated debt as of February 23, 2007 was $255.1. Our debt primarily consists of $249.4 in term notes due in 2012 with an effective interest rate of 6.3% See Note 8 to the consolidated financial statements for additional information.

Our long-term debt rating is BBB- with a positive outlook from Standard & Poor s and Ba1 with a positive outlook from Moody s Investor Service.

Critical accounting policies

Management s Discussion and Analysis of Results of Operations and Financial Condition is based upon our consolidated financial statements and accompanying notes. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require the use of estimates and assumptions that affect amounts reported and disclosed in the consolidated financial statements and accompanying notes. Although these estimates are based on historical data and management s knowledge of current events and actions it may undertake in the future, actual results may differ from the estimates if different conditions occur. The accounting policies that typically involve a higher degree of judgment, estimates and complexity are listed and explained below. These policies were discussed with the Audit Committee of the Board of Directors and affect all segments of the Company.

Impairment of Goodwill, Other Intangible Assets and Long-Lived Assets

Goodwill represents the difference between the purchase price and the related underlying tangible and identifiable intangible net asset values resulting from business acquisitions. Annually, or if conditions indicate an earlier review is necessary, the carrying value of the reporting unit is compared to an estimate of its fair value. If the estimated fair value is less than the carrying value, goodwill is impaired and will be written down to its estimated fair value. Goodwill is assigned to and the fair value is tested at the reporting unit level. During the third and fourth quarters of

2007, we made a number of changes in our organizational structure and certain key leadership positions, which resulted in changes to our segment reporting. Based on these changes, we changed our reporting units used to test goodwill for impairment. We evaluated goodwill using the following ten reporting units where the goodwill is recorded Brayton, Designtex, Financial Services, IDEO, International, Metro, North America excluding consolidated dealers, North America dealers, PolyVision and Softcare.

During Q4 2007, we performed our annual impairment assessment of goodwill in our reporting units. In the first step to test for potential impairment, we measured the estimated fair value of our reporting units using a combination of two methods based upon a discounted cash flow valuation (DCF) and a market value approach (MVA). The first method used a 100% weighting factor based on DCF while the second valuation was based upon 50% of DCF and 50% of MVA. The MVA was only calculated for International and North America excluding consolidated dealers because these are the two reporting units where we could obtain comparable market data.

The DCF analysis was based on the present value of projected cash flows and a residual value and used the following assumptions:

a business is worth today what it can generate in future cash to its owners,

cash received today is worth more than an equal amount of cash received in the future, and

future cash flows can be reasonably estimated.

The MVA used a set of four comparable companies to derive a range of market multiples for the last twelve months revenue and earnings before interest, taxes, depreciation and amortization.

Considerable management judgment is necessary to evaluate the impact of operating changes and to estimate future cash flows in measuring fair value. Assumptions used in our impairment valuations, such as forecasted growth rates and cost of capital, are consistent with our current internal projections and operating plans. However, these assumptions could change over time, which may result in future impairment charges.

As of the valuation date, the enterprise value available for goodwill determined by each method described above is in excess of (below) the underlying reported value of the goodwill as follows:

Available Enterprise Value in Excess of (Below) Reported Goodwill

Reporting Unit	Discount Rate Used	Discounted Cash Flow Valuation	Market Value Approach
Brayton	12.5%	$ 52.8	n/a(1)
Designtex	12.5%	41.2	n/a(1)
Financial Services	9.5%	3.0	n/a(1)
IDEO	12.5%	32.6	n/a(1)
International	10.0%	495.0	442.0
Metro	12.5%	18.8	n/a(1)
North America, excluding consolidated dealers	10.0%	1,629.2	1,507.2
North America dealers	9.5%	29.2	n/a(1)
PolyVision	12.0%	(8.3)	n/a(1)
Softcare	12.5%	40.2	n/a(1)

(1) The MVA was not calculated for these reporting units as there is no comparable market data available to make these calculations meaningful.

The available enterprise value for PolyVision was less than reported goodwill in the first step of our impairment testing which indicated an impairment and required us to perform the second step of the goodwill impairment test. The second step required us to determine the implied fair value of PolyVision to compare it to the reported value. Based on this analysis, we recorded a total impairment charge of $10.7, of which $3.3 related to goodwill and $7.4 related to intangible assets.

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For each reporting unit other than PolyVision, the available enterprise value in excess of goodwill is primarily driven by the residual value of future years. Thus, increasing the discount rate by 1%, leaving all other assumptions unchanged, would reduce the excess amounts above to the following amounts:

Available Enterprise Value in Excess of Reported Goodwill
Using a 1.0% Increase in the Discount Rate

Reporting Unit	Discounted Cash Flow Valuation	Market Value Approach
Brayton	$ 44.8	n/a(1)
Designtex	32.2	n/a(1)
Financial Services	1.5	n/a(1)
IDEO	28.6	n/a(1)
International	406.0	397.0
Metro	15.8	n/a(1)
North America, excluding consolidated dealers	1,382.2	1,383.2
North America dealers	14.2	n/a(1)
Softcare	35.2	n/a(1)

(1) The MVA was not calculated for these reporting units as there is no comparable market data available to make these calculations meaningful.

As of February 23, 2007, we had $213.4 of goodwill recorded on our consolidated balance sheet as follows:

Reporting Unit	Recorded Goodwill
Brayton	$ 22.2
Designtex	38.3
Financial Services	2.3
IDEO	6.0
International	42.7
Metro	2.6
North America, excluding consolidated dealers	8.2
North America dealers	33.9
PolyVision	49.7
Softcare	7.5
Total	$ 213.4

We also performed an impairment analysis on our other intangible assets not subject to amortization using an income approach based on the cash flows attributable to the related products. Our intangible assets not subject to amortization consist of trademarks within the PolyVision reporting unit. As of the valuation date, the fair value of these intangible assets was $5.8 less than the recorded value. The $5.8 impairment charge was part of the $10.7 total impairment charge described above.

For our intangible assets subject to amortization and our other long-lived assets including property, plant and equipment, an impairment analysis is performed at least annually. In accordance with SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets,* an impairment loss is recognized if the carrying amount of a long-lived asset is not recoverable and its carrying amount exceeds its fair value. In testing for impairment, we first determined if the asset was recoverable. We then compared the undiscounted cash flows over the asset s remaining life to the carrying value. As of the valuation date, the fair value of PolyVision s intangible assets subject to amortization was $1.6 less than the recorded value. The $1.6 impairment charge was part of the $10.7 total impairment charge described above.

See Notes 2, 5 and 7 to the consolidated financial statements for more information regarding goodwill, other intangible assets and property, plant and equipment.

Pension and Other Post-Retirement Benefits

The determination of the obligation and expense for pension and other post-retirement benefits is dependent on the selection of certain actuarial assumptions used in calculating such amounts. These assumptions include, among others, the discount rate, expected long-term rate of return on plan assets and rates of increase in compensation and healthcare costs. These assumptions are reviewed and updated annually based on relevant external and internal factors and information, including but not limited to, long-term expected fund returns, expenses paid from the fund, rates of termination, medical inflation, technology and quality care changes, regulatory requirements, plan changes and governmental coverage changes. See Note 9 to the consolidated financial statements for more information regarding employee benefit plan obligations including a sensitivity analysis.

Allowances for Credit Losses

The allowances for credit losses related to accounts receivable, notes receivable and our investments in leases is maintained at a level considered by management to be adequate to absorb an estimate of probable future losses existing at the balance sheet date. In estimating probable losses, we review accounts that are past due or in bankruptcy. We review accounts that may have higher credit risk using information available about the customer or dealer, such as financial statements, news reports and published credit ratings. We also use general information regarding industry trends, the general economic environment and information gathered through our network of field based employees. Using an estimate of current fair market value of any applicable collateral and other credit enhancements, such as third party guarantees, we arrive at an estimated loss for specific accounts and estimate an additional amount for the remainder of the trade balance based on historical trends. This process is based on estimates, and ultimate losses may differ from those estimates. Receivable balances are written off when we determine that the balance is uncollectible. Subsequent recoveries, if any, are credited to the allowance when received. We consider an accounts receivable balance past due when payment has not been received within the stated terms. We consider a note receivable past due when any installment of the note is unpaid for more than 30 days. See further discussion regarding concentrations of credit risk in Note 13 to the consolidated financial statements.

Income Taxes

Our annual effective tax rate is based on income, statutory tax rates and tax planning strategies available in various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating tax positions. Tax positions are reviewed quarterly and balances are adjusted as new information becomes available.

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse.

Future tax benefits for these carryforwards are recognized to the extent that realization of these benefits is considered more likely than not. We estimate a tax benefit from the operating loss carryforwards before valuation allowance of $101.5, but we have recorded a valuation allowance of $27.1 which reduces our estimated tax benefit to $74.4. Additionally, we have recorded a valuation allowance of $1.7 against our tax credit carryforwards which reduces our estimated tax benefit to $22.5. It is considered more likely than not that a combined benefit of $96.9 will be realized on these carryforwards. This determination is based on the expectation that related operations will be sufficiently profitable or various tax, business and

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other planning strategies will enable us to utilize the carryforwards. To the extent that available evidence raises doubt about the realization of a deferred income tax asset, a valuation allowance is established. We cannot be assured that we will be able to realize these future tax benefits or that future valuation allowances will not be required. A 10% decrease in the expected amount of benefit to be realized on the carryforwards would result in a decrease in net income of approximately $9.7.

February 23, 2007	Operating Loss Carryforwards (tax effected)	Tax Credit Carryforwards
Total carryforwards	$ 101.5	$ 24.2
Valuation allowance	(27.1)	(1.7)
Net benefit	$ 74.4	$ 22.5

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 generally are accompanied by words such as anticipate, believe, could, estimate, expect, forecast, intend, may, possible, potential, predict, words, phrases or expressions. 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; our restructuring activities; currency fluctuations; changes in customer demand; and the other risks and contingencies detailed in this Report 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.

Recently Issued Accounting Standards

See Note 3 to the consolidated financial statements for information regarding recently issued accounting standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk:

The principal market risks (i.e., the risk of loss arising from adverse changes in market rates and prices) to which we are exposed include foreign exchange risk, interest rate risk and fixed income and equity price risk.

Foreign Exchange Risk

Operating in international markets involves exposure to the possibility of volatile movements in foreign exchange rates. These exposures may impact future earnings or cash flows. Revenue from foreign locations (primarily Europe and Canada) represented approximately 27% of our consolidated revenue in 2007 and 25% in 2006. We actively manage the foreign currency exposures that are associated with committed foreign currency purchases and sales created in the normal course of business at the local entity level. Exposures that cannot be naturally offset within a local entity to an immaterial amount are often hedged with foreign currency derivatives or netted with offsetting exposures at other entities.

Changes in foreign exchange rates that had the largest impact on translating our international operating profit for 2007 related to the Euro and the Canadian dollar versus the U.S. dollar. We estimate that a 10% devaluation of the U.S. dollar against the local currencies would have increased our operating income by approximately $8.7 in 2007 and $1.6 in 2006, assuming no changes other than the exchange rate itself. However, this quantitative measure has inherent limitations. The sensitivity analysis disregards the possibility that rates can move in opposite directions and that gains from one currency may or may not be offset by losses from another currency.

The translation of the assets and liabilities of our International subsidiaries is made using the foreign exchange rates as of the end of the year. Translation adjustments are not included in determining net income but are disclosed and accumulated in Other Comprehensive Income within shareholders equity until a sale or substantially complete liquidation of the net investment in the International subsidiary takes place. In certain markets, we could recognize a significant gain or loss related to unrealized cumulative translation adjustments if we were to exit the market and liquidate our net investment. As of February 23, 2007, the cumulative net foreign currency translation adjustments reduced shareholders equity by $24.6.

Foreign exchange gains and losses reflect transaction gains and losses. Transaction gains and losses arise from monetary assets and liabilities denominated in currencies other than a business unit s functional currency. For 2007, net transaction gains were $4.1.

See Notes 2 and 13 to the consolidated financial statements for further discussion of derivative instruments.

Interest Rate Risk

We are exposed to interest rate risk primarily on our cash and cash equivalents, short-term investments, notes receivable, and short-term borrowings. Substantially all of our interest rates on our borrowings were fixed during 2007; thus our interest rate risk was minimized on our debt.

Our cash and cash equivalents and short-term investments are primarily invested in short-dated instruments. We estimate that a 1.0 percentage point change in interest rates would have been immaterial to our results of operations for 2007 or 2006.

See Note 2 to the consolidated financial statements for further discussion of our cash and cash equivalents and short-term investments.

Fixed Income and Equity Price Risk

We are exposed to fixed income and equity price risk primarily on the cash surrender value associated with our investments in company-owned life insurance. We estimate that a 10% adverse change in the value of the underlying funds, which could be caused by changes in interest rates, yield curve, portfolio duration or equity prices, would have reduced our operating income by approximately $10.4 and $9.3 in 2007 and 2006, respectively. This quantitative measure has inherent limitations since not all of our investments are in similar asset classes. In addition, the investment managers actively manage certain fixed income and equity investments and their results could be better or worse than the market returns.

See Note 6 to the consolidated financial statements for further discussion of our investments in company-owned life insurance.

Item 8. Financial Statements and Supplementary Data:

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining effective internal control over financial reporting of the Company. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal control over financial reporting may vary over time.

Management assessed the effectiveness of the system of internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management determined that the Company s system of internal control over financial reporting was effective as of February 23, 2007.

BDO Seidman, LLP, the independent registered certified public accounting firm that audited our financial statements included in this Form 10-K, has also audited management s assessment of the effectiveness of the Company s internal control over financial reporting, as stated in their report which is included herein.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

STEELCASE INC.
GRAND RAPIDS, MICHIGAN

We have audited management s assessment, included in the accompanying Management s Report on Internal Control Over Financial Reporting, that Steelcase Inc. maintained effective internal control over financial reporting as of February 23, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Steelcase Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that Steelcase Inc. maintained effective internal control over financial reporting as of February 23, 2007, is fairly stated, in all material respects, based on the COSO criteria. Also in our opinion, Steelcase Inc. maintained, in all material respects, effective internal control over financial reporting as of February 23, 2007, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of Steelcase Inc. as of February 23, 2007 and February 24, 2006, and the related consolidated statements of income, changes in shareholders equity and cash flows for each of the three years in the period ended February 23, 2007 and our report dated April 19, 2007 expressed an unqualified opinion.

BDO SEIDMAN, LLP

Grand Rapids, Michigan
April 19, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

STEELCASE INC.
GRAND RAPIDS, MICHIGAN

We have audited the accompanying consolidated balance sheets of Steelcase Inc. as of February 23, 2007 and February 24, 2006 and the related consolidated statements of income, changes in shareholders equity, and cash flows for each of the three years in the period ended February 23, 2007. Our audits also included the financial statement schedule for the three years in the period ended February 23, 2007 as listed in Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Steelcase Inc. at February 23, 2007 and February 24, 2006 and the results of their operations and their cash flows for each of the three years in the period ended February 23, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule presents fairly, in all material respects, the information set forth therein.

As discussed in Note 3 to the Consolidated Financial Statements, the Company changed it s method of accounting for share-based compensation and it s method of accounting for defined benefit pension and other postretirement plans.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Steelcase Inc. s internal control over financial reporting as of February 23, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated April 19, 2007 expressed an unqualified opinion thereon.

BDO SEIDMAN, LLP

Grand Rapids, Michigan
April 19, 2007

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STEELCASE INC.

CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data)

	Year Ended		
	February 23, 2007	February 24, 2006	February 25, 2005
Revenue	$ 3,097.4	$ 2,868.9	$ 2,613.8
Cost of sales	2,128.2	1,989.4	1,859.9
Restructuring costs	21.3	33.2	8.2
Gross profit	947.9	846.3	745.7
Operating expenses	831.8	758.1	722.3
Restructuring costs	2.4	5.7	5.2
Operating income	113.7	82.5	18.2
Interest expense	(18.5)	(18.1)	(20.9)
Interest income	25.9	11.1	6.7
Other income, net	3.5	0.9	1.0
Income from continuing operations before income tax expense (benefit)	124.6	76.4	5.0
Income tax expense (benefit)	17.7	27.5	(6.7)
Income from continuing operations	106.9	48.9	11.7
Gain on sale of net assets of discontinued operations, net of income taxes			1.0
Net income	$ 106.9	$ 48.9	$ 12.7
Basic per share data:			
Income from continuing operations	$ 0.72	$ 0.33	$ 0.08
Gain on sale of discontinued operations			0.01
Earnings	$ 0.72	$ 0.33	$ 0.09
Diluted per share data:			
Income from continuing operations	$ 0.71	$ 0.33	$ 0.08
Gain on sale of discontinued operations			0.01
Earnings	$ 0.71	$ 0.33	$ 0.09

See accompanying notes to the consolidated financial statements.

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STEELCASE INC.

CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	February 23, 2007	February 24, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 527.2	$ 423.8
Short-term investments	33.1	
Accounts receivable, net of allowances of $23.7 and $32.1	352.6	366.3
Inventories	144.0	147.9
Deferred income taxes	60.8	80.3
Other current assets	111.9	109.8
Total current assets	1,229.6	1,128.1
Property and equipment, net of accumulated depreciation of $1,356.0 and $1,506.6	477.1	524.8
Company-owned life insurance	209.2	196.6
Deferred income taxes	151.7	154.6
Goodwill	213.4	211.1
Other intangible assets, net of accumulated amortization of $53.4 and $47.9	64.6	73.7
Other assets	53.8	55.6
Total assets	$ 2,399.4	$ 2,344.5

See accompanying notes to the consolidated financial statements.

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STEELCASE INC.

CONSOLIDATED BALANCE SHEETS (Continued)
(in millions, except share data)

	February 23, 2007	February 24, 2006
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 222.0	$ 189.6
Short-term borrowings and current portion of long-term debt	5.1	261.8
Accrued expenses:		
Employee compensation	162.7	127.9
Employee benefit plan obligations	34.2	34.1
Workers compensation claims	25.1	28.5
Income taxes payable	24.7	28.9
Product warranties	22.9	21.4
Other	147.4	144.0
Total current liabilities	644.1	836.2
Long-term liabilities:		
Long-term debt less current maturities	250.0	2.2
Employee benefit plan obligations	191.1	239.7
Other long-term liabilities	76.3	61.5
Total long-term liabilities	517.4	303.4
Total liabilities	1,161.5	1,139.6
Shareholders equity:		
Preferred Stock-no par value; 50,000,000 shares authorized, none issued and outstanding		
Class A Common Stock-no par value; 475,000,000 shares authorized, 82,077,630 and 72,482,658 issued and outstanding	225.4	205.5
Class B Convertible Common Stock-no par value; 475,000,000 shares authorized, 64,768,219 and 77,007,160 issued and outstanding	34.0	104.4
Additional paid-in capital	6.3	3.4
Accumulated other comprehensive loss	(1.3)	(39.1)
Deferred compensation restricted stock		(3.1)
Retained earnings	973.5	933.8
Total shareholders equity	1,237.9	1,204.9
Total liabilities and shareholders equity	$ 2,399.4	$ 2,344.5

See accompanying notes to the consolidated financial statements.

STEELCASE INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
(in millions, except share data)

	Common Shares Outstanding	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation Restricted Stock	Retained Earnings	Total Shareholders Equity	Tota Comprehe Incom
ruary 27, 2004	147,979,587	$ 123.2	$ 166.6	$ 0.2	$ (40.8)	$ (1.4)	$ 957.0	$ 1,204.8	
nmon stock version		31.7	(31.7)						
nmon stock ance	336,668	4.1						4.1	
ance of ricted stock, net	258,900	3.5				(3.5)			
ortization of erred npensation						1.8		1.8	
formance share restricted units ense				1.1				1.1	
eign currency slation ustment					7.3			7.3	7
imum pension ility, net of 3 tax					(1.2)			(1.2)	(1
ivative ustments, net of) tax					1.6			1.6	1
idends paid 24 per share)							(35.6)	(35.6)	
income							12.7	12.7	12
ruary 25, 2005	148,575,155	162.5	134.9	1.3	(33.1)	(3.1)	934.1	1,196.6	$ 20
nmon stock version		30.5	(30.5)						
nmon stock ance	982,563	12.2						12.2	
ck repurchases	(250,000)	(3.4)						(3.4)	
effect of rcise of stock ons		1.2						1.2	
ance of ricted stock, net	182,100	2.5				(2.5)			

ortization of erred pensation						2.5		2.5	
formance share restricted units ense				2.1				2.1	
eign currency slation ustment					(8.1)			(8.1)	(8
imum pension ility, net of 7 tax					1.0			1.0	1
ivative ustments, net of 7 tax					1.1			1.1	1
idends paid 33 per share)							(49.2)	(49.2)	
income							48.9	48.9	48
ruary 24, 2006	149,489,818	205.5	104.4	3.4	(39.1)	(3.1)	933.8	1,204.9	$ 42
nmon stock version		28.8	(28.8)						
nmon stock ance	1,788,076	23.3						23.3	
ck repurchases	(4,499,895)	(35.7)	(41.6)					(77.3)	
effect of rcise of stock ons		3.9						3.9	
option of AS No. 123(R)		(3.1)				3.1			
tricted stock ense	36,850	2.4						2.4	
Us converted to nmon stock	31,000	0.3		(0.3)					
formance share restricted units ense				3.2				3.2	
eign currency slation ustment					9.9			9.9	9
imum pension ility, net of 5 tax					0.8			0.8	0
ivative ustments, net of 3 tax					1.3			1.3	1
ersal of imum pension ility under AS No. 158									0

ognition of r service & net loss er AS No. 158, net 15.8 tax					25.8			25.8	25
idends paid 45 per share)							(67.2)	(67.2)	
income							106.9	106.9	106
ruary 23, 2007	146,845,849	$ 225.4	$ 34.0	$ 6.3	$ (1.3)	$	$ 973.5	$ 1,237.9	$ 144

See accompanying notes to the consolidated financial statements.

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STEELCASE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended February 23, 2007	February 24, 2006	February 25, 2005
OPERATING ACTIVITIES			
Net income	$ 106.9	$ 48.9	$ 12.7
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	101.4	119.4	127.6
Goodwill and intangible asset impairment charges	10.7		
Loss on disposal and write-down of fixed assets, net	3.9	4.5	5.8
Deferred income taxes	30.9	0.2	(13.7)
Pension and post-retirement benefit cost	7.1	11.9	17.1
Restructuring payments, net of accrued charges	(3.9)	(2.8)	(7.6)
Excess tax benefit from exercise of stock options and vesting of restricted stock	(3.9)		
Other, net	4.3	2.3	(1.9)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	24.3	(1.4)	(5.7)
Inventories	5.4	(17.0)	(15.8)
Other assets	(47.2)	(24.7)	(21.1)
Accounts payable	23.4	16.9	7.9
Accrued expenses and other liabilities	17.2	17.3	9.4
Net cash provided by operating activities	280.5	175.5	114.7
INVESTING ACTIVITIES			
Capital expenditures	(58.2)	(71.9)	(49.2)
Purchases of short-term investments	(33.1)		(459.2)
Sales of short-term investments		131.6	407.8
Proceeds from disposal of fixed assets	18.9	39.3	19.8
Proceeds from repayments of lease fundings	9.7	17.7	32.3
Proceeds from repayments of notes receivable, net	17.5	15.3	15.1
Proceeds from sales of leased assets			4.7
Acquisitions, net of cash acquired and business divestitures	(9.9)	(8.6)	
Other, net	3.2	4.3	3.0
Net cash (used in) provided by investing activities	(51.9)	127.7	(25.7)
FINANCING ACTIVITIES			
Borrowings of long-term debt	257.4		
Repayments of long-term debt	(260.3)	(58.9)	(28.0)
Repayments of lines of credit, net	(6.9)	(2.3)	(0.8)
	3.9		

Excess tax benefit from exercise of stock options and vesting of restricted stock						
Common stock issuance		23.3		12.2		4.1
Common stock repurchases		(77.3)		(3.4)		
Dividends paid		(67.2)		(49.2)		(35.6)
Net cash used in financing activities		(127.1)		(101.6)		(60.3)
Effect of exchange rate changes on cash and cash equivalents		1.9		5.6		5.7
Net increase in cash and cash equivalents		103.4		207.2		34.4
Cash and cash equivalents, beginning of year		423.8		216.6		182.2
Cash and cash equivalents, end of year	$	527.2	$	423.8	$	216.6
Supplemental Cash Flow Information:						
Income taxes paid	$	36.2	$	14.7	$	16.2
Interest paid	$	21.4	$	18.5	$	21.6

See accompanying notes to the consolidated financial statements.

STEELCASE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Steelcase Inc. is the world s leading designer, marketer, and manufacturer of office furniture. Founded in 1912, we are headquartered in Grand Rapids, Michigan, with approximately 13,000 permanent employees. We operate manufacturing and distribution center facilities in 29 principal locations. We distribute products through various channels, including independent and company-owned dealers in more than 800 locations throughout the world, and have led the global office furniture industry in revenue every year since 1974. We operate under two reportable segments: North America and International, plus an Other category. Additional information about our reportable segments is contained in Note 14.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Steelcase Inc. and its majority-owned subsidiaries. Our consolidation policy requires the consolidation of entities where a controlling financial interest is obtained as well as consolidation of variable interest entities in which we are designated as the primary beneficiary in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46(R)), as amended. All intercompany transactions and balances have been eliminated in consolidation.

In 2007 and 2006, we reported the operating results from our North America segment service activity on a gross basis in our income statement. In 2005, this activity was reported on a net cost recovery basis in operating expenses since activities such as asset management and related consulting were viewed as an extension of product sales support. The impact of this reporting change was an increase in revenue of $56.9 and $49.2, an increase in cost of sales of $50.1 and $44.0 and an increase in operating expenses of $6.8 and $5.2 in 2007 and 2006, respectively. The change had no impact on operating income, but it slightly reduced operating income as a percent of sales.

Fiscal Year

Our fiscal year ends on the last Friday in February with each fiscal quarter including 13 weeks. Each of the last three fiscal years being presented, February 23, 2007, February 24, 2006, and February 25, 2005, consisted of 52 weeks.

Unless the context otherwise indicates, reference to a year relates to a fiscal year 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 per share data, data presented as a percentage or as otherwise indicated.

Reclassifications

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

Foreign Currency Translation

For most international operations, local currencies are considered their functional currencies. We translate assets and liabilities to U.S. dollar equivalents at exchange rates in effect as of the balance sheet date. We translate Consolidated

Statements of Income accounts at average rates for the period. Translation adjustments are not included in determining net income, but are disclosed in *Accumulated other comprehensive income (loss)* within the Consolidated Statements of Changes in Shareholders

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STEELCASE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Equity until a sale or substantially complete liquidation of the net investment in the International subsidiary takes place. Foreign currency transaction gains and losses are recorded in *Other income, net* and included net gains of $4.1 and $1.9 in 2007 and 2006, respectively.

Revenue Recognition

Revenue consists substantially of product sales and related service revenues. Product sales are reported net of discounts and applicable returns and allowances and are recognized when title and risks associated with ownership have passed to the dealer or customer. Typically, this is when product is shipped to a dealer. When product is shipped directly to an end customer, revenue is recognized upon delivery or upon acceptance by the end customer. Revenue from services are recognized when the services have been rendered.

Cash Equivalents

Cash equivalents include demand bank deposits and highly liquid investment securities with an original maturity of three months or less. Cash equivalents are reported at cost, which approximates fair value, and were $478.3 as of February 23, 2007 and $379.6 as of February 24, 2006.

Short-term Investments

Short-term investments represent auction rate securities which are highly liquid, variable-rate debt securities. While the underlying securities have maturities in excess of one year, the interest rate is reset through auctions that are typically held every 7 to 28 days, creating short-term investments. The securities trade at par on the auction dates. Interest is paid at the end of each auction period. Because of the short interest rate reset period, the book value of the securities approximates fair value.

Allowances for Credit Losses

Allowances for credit losses related to accounts receivable, notes receivable and our investments in leases are maintained at a level considered by management to be adequate to absorb an estimate of probable future losses existing at the balance sheet date. In estimating probable losses, we review accounts that are past due or in bankruptcy. We review accounts that may have higher credit risk using information available about the customer or dealer, such as financial statements, news reports and published credit ratings. We also use general information regarding industry trends, the general economic environment and information gathered through our network of field based employees. Using an estimate of current fair market value of any applicable collateral and other credit enhancements, such as third party guarantees, we arrive at an estimated loss for specific accounts and estimate an additional amount for the remainder of the trade balance based on historical trends. This process is based on estimates, and ultimate losses may differ from those estimates. Receivable balances are written off when we determine that the balance is uncollectible. Subsequent recoveries, if any, are credited to the allowance when received. We consider an accounts receivable balance past due when payment has not been received within the stated terms. We consider a note receivable past due when any installment of the note is unpaid for more than 30 days. There were $1.5 of notes receivable on which we are receiving payments over 90 days past due and still accruing interest as of February 23, 2007.

Notes Receivable

Notes receivable includes project financing, asset-based lending and term financing with dealers. Notes receivable of \$27.1 and \$37.6 as of February 23, 2007 and February 24, 2006, respectively, are included within *Other current assets* and *Other assets* on the Consolidated Balance Sheets. The allowance for uncollectible notes receivable was \$3.1 and \$8.0 at February 23, 2007 and February 24,

STEELCASE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2006, respectively. Notes receivable from affiliates were $8.9 and $3.4 at February 23, 2007 and February 24, 2006, respectively. Affiliates include unconsolidated dealers and minority interests in unconsolidated joint ventures.

Inventories

Inventories are stated at the lower of cost or market. The North America segment primarily uses the last in, first out (LIFO) method to value its inventories. The International segment values inventories primarily using the first in, first out method. Companies within the Other category primarily use the first in, first out or the average cost inventory valuation methods.

Property, Equipment and Other Long-lived Assets

Property and equipment, including some internally-developed internal use software, is stated at cost. Major improvements that materially extend the useful life of the asset are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful life of the assets.

We review the carrying value of our long-lived assets held and used and assets to be disposed of using estimates of future undiscounted cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value.

Due to the restructuring and plant consolidation activities over the past several years, we are currently holding for sale certain facilities that are no longer in use. These assets are stated at the lower of cost or net realizable value and are included within *Other current assets* on the Consolidated Balance Sheets since we expect them to be sold within one year.

See Note 5 for further information.

Operating Leases

Rent expense under operating leases is recorded on a straight-line basis over the lease term unless the lease contains an escalation clause which is not fixed and determinable. The lease term begins when we have the right to control the use of the leased property, which is typically before rent payments are due under the terms of the lease. If a lease has a fixed and determinable escalation clause, the difference between rent expense and rent paid is recorded as deferred rent and is included in the Consolidated Balance Sheets. Rent expense under operating leases that do not have an escalation clause or where escalation is based on an inflation index is expensed over the lease term as it is payable.

Long-Term Investments

Long-term investments primarily include privately-held equity securities. These investments are carried at the lower of cost or estimated fair value. For these non-quoted investments, we review the assumptions underlying the performance of the privately-held companies to determine if declines in fair value below our cost basis are other-than-temporary. Most recent historic and projected operating losses by investees are considered in the review. If a determination is made that a decline in fair value below the cost basis is other-than-temporary, the investment is written down to its estimated fair value. Gains on these investments are recorded when they are realized. At February 23, 2007 and February 24, 2006, the carrying value of these investments was $4.3 and $6.1, respectively, and was included within *Other assets* on the Consolidated Balance Sheets.

STEELCASE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Investment in Leases

Financial Services provides furniture leasing services to end-use customers and to dealers for showroom financing. Since 2004, we originate leases for customers and earn an origination fee for that service, but we use third parties to provide lease funding. Our net investment in leases was $7.3 and $17.0 at February 23, 2007 and February 24, 2006, respectively, and was included within *Other current assets* and *Other assets* on the Consolidated Balance Sheets. The balance in the investment in leases represents leases we funded before 2004, which continue to run-off.

Goodwill and Other Intangible Assets

Goodwill represents the difference between the purchase price for, and the related underlying tangible and identifiable intangible net asset values resulting from, business acquisitions. Annually, or more frequently if conditions indicate an earlier review is necessary, the carrying value of the goodwill of a reporting unit is compared to an estimate of its fair value. If the estimated fair value is less than the carrying value, goodwill is impaired and is written down to its estimated fair value. In Q4 2007, we recognized a goodwill impairment charge of $3.3 related to one of our subsidiaries in the Other category. See Note 7 for additional information.

Other intangible assets subject to amortization consist primarily of proprietary technology, trademarks and non-compete agreements and are amortized over their estimated useful economic lives using the straight-line or double declining balance method. Other intangible assets not subject to amortization, consisting of certain trademarks, are accounted for and evaluated for potential impairment in a manner consistent with goodwill. In Q4 2007, we recognized an intangible asset impairment charge of $7.4 related to one of our subsidiaries in the Other category. See Note 7 for additional information.

Self-Insurance

We are self-insured for certain losses relating to workers compensation claims and product liability claims. We have purchased insurance coverage to reduce our exposure to significant levels of these claims. Self-insured losses are accrued based upon estimates of the aggregate liability for uninsured claims incurred but not reported at the balance sheet date using certain actuarial assumptions followed in the insurance industry and our historical experience. Our accrual for workers compensation claims included in the accompanying Consolidated Balance Sheets was $25.1 and $28.5 at February 23, 2007 and February 24, 2006, respectively.

Other accrued expenses in the accompanying Consolidated Balance Sheets include a reserve for estimated future product liability costs of $8.3 and $8.5 incurred at February 23, 2007 and February 24, 2006, respectively.

We are also self-insured for a portion of domestic employee and retiree medical benefits. We pay self-insured claims directly from the general assets of the Company. At February 23, 2007 and February 24, 2006, the estimate for incurred but not reported employee medical, dental, and short-term disability claims was $1.8 and $2.1, respectively, and is recorded within *Accrued expenses: Other* in our Consolidated Balance Sheets.

Product Warranty

We offer a lifetime warranty on most Steelcase and Turnstone brand products delivered in the United States and Canada, subject to certain exceptions. For products delivered in the rest of the world, we offer a 15-year warranty for most Steelcase brand products and a 10-year warranty for most Turnstone brand products, subject to certain exceptions. These warranties provide for the free repair or replacement of any covered product, part or component that fails during normal use because of a defect

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STEELCASE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

in materials or workmanship. For all other brands, warranties range from one year to lifetime. The accrued liability for warranty costs is based on an estimated amount needed to cover future warranty obligations incurred as of the balance sheet date determined by historical product data and management s knowledge of current events and actions.

Product Warranty	February 23, 2007	February 24, 2006	February 25, 2005
Balance at beginning of period	$ 21.4	$ 20.9	$ 20.9
Accruals for warranty charges	14.1	11.8	5.9
Settlements and adjustments	(12.6)	(11.3)	(5.9)
Balance at end of period	$ 22.9	$ 21.4	$ 20.9

Environmental Matters

Environmental expenditures related to current operations are expensed or capitalized as appropriate. Expenditures related to an existing condition allegedly caused by past operations, that are not associated with current or future revenue generation, are expensed. Liabilities are recorded on an undiscounted basis unless site-specific plans indicate the amount and timing of cash payments are fixed or reliably determinable. Generally, the timing of these accruals coincides with completion of a feasibility study or our commitment to a formal plan of action. We have ongoing monitoring and identification processes to assess how the activities, with respect to the known exposures, are progressing against the accrued cost estimates, as well as to identify other potential remediation sites that are presently unknown. See Note 13 for additional information.

Asset Retirement Obligations

In 2006, we adopted FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations an Interpretation of FASB Statement No. 143* (FIN 47). FIN 47 clarifies the term conditional asset retirement obligation as used in SFAS No. 143 and requires a liability to be recorded if the fair value of the obligation can be reasonably estimated. Asset retirement obligations covered by FIN 47 include those for which an entity has a legal obligation to perform an asset retirement activity, however the timing or method of settling the obligation are conditional on a future event that may or may not be within the control of the entity. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation.

In accordance with FIN 47, we record all known asset retirement obligations for which the liability s fair value can be reasonably estimated, including certain asbestos removal, asset decommissioning and contractual lease restoration obligations. See Note 13 for additional information.

We also have known conditional asset retirement obligations, such as certain asbestos remediation and asset decommissioning activities to be performed in the future, that are not reasonably estimable due to insufficient information about the timing and method of settlement of the obligation. Accordingly, these obligations have not been recorded in the consolidated financial statements. A liability for these obligations will be recorded in the period when sufficient information regarding timing and method of settlement becomes available to make a reasonable estimate of the liability s fair value. In addition, there may be conditional asset retirement obligations that we have not yet discovered, and therefore, these obligations also have not been included in the consolidated financial statements.

Shipping and Handling Expenses

We record shipping and handling related expenses in *Cost of sales* in our Consolidated Statements of Income.

STEELCASE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Product Related Expenses

Research and development expenses, which are expensed as incurred, were $44.2 for 2007, $47.4 for 2006 and $41.1 for 2005.

Income Taxes

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse.

We have net operating loss carryforwards available in certain jurisdictions to reduce future taxable income. Future tax benefits associated with net operating loss carryforwards are recognized to the extent that realization of these benefits is considered more likely than not. This determination is based on the expectation that related operations will be sufficiently profitable or various tax, business and other planning strategies will enable us to utilize the operating loss carryforwards. We cannot be assured that we will be able to realize these future tax benefits or that future valuation allowances will not be required. To the extent that available evidence raises doubt about the realization of a deferred income tax asset, a valuation allowance is established.

Tax liabilities are recognized when, despite our belief that our tax return positions are supportable, we believe that certain positions are likely to be challenged and may not be fully sustained upon review by the tax authorities. These liabilities are included within *Income taxes payable* in the Consolidated Balance Sheets. To the extent that the final tax outcome is different than the amounts recorded, such differences impact income tax expense in the period in which such determination is made. Interest and penalties, if any, related to potential tax assessments are included in income tax expense. See Note 11 for additional Information.

Earnings Per Share

Basic earnings per share is based on the weighted average number of shares of common stock outstanding during each period. It excludes the dilutive effects of additional common shares that would have been outstanding if the shares under our stock incentive plans had been issued and the dilutive effect of restricted shares to the extent those shares have not vested. See Note 12 for additional information.

Diluted earnings per share includes the effects of shares and potential shares issued under our stock incentive plans. However, diluted earnings per share does not reflect the effects of 1.1 million options for 2007, 1.3 million options for 2006, and 4.5 million options for 2005 because those potential shares were not dilutive.

STEELCASE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended February 23, 2007		February 24, 2006		February 25, 2005	
Net earnings	$	106.9	$	48.9	$	12.7
Weighted-average shares outstanding for basic net earnings per share		148.5		148.3		147.9
Effect of dilutive stock-based compensation		1.3		0.4		0.3
Adjusted weighted-average shares outstanding for diluted net earnings per share	$	149.8	$	148.7	$	148.2
Net earnings per share of common stock:						
Basic	$	0.72	$	0.33	$	0.09
Diluted	$	0.71	$	0.33	$	0.09

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) are as follows:

	Foreign Currency Translation Adjustments		Minimum Pension Liability (net of tax)		Derivative Adjustments (net of tax)		Accumulated Other Comprehensive Income (Loss)	
February 27, 2004	$	(33.7)	$	(4.4)	$	(2.7)	$	(40.8)
Other comprehensive income (loss)		7.3		(1.2)		1.6		7.7
February 25, 2005		(26.4)		(5.6)		(1.1)		(33.1)
Other comprehensive income (loss)		(8.1)		1.0		1.1		(6.0)
February 24, 2006		(34.5)		(4.6)				(39.1)
Other comprehensive income		9.9		26.6		1.3		37.8
February 23, 2007	$	(24.6)	$	22.0	$	1.3	$	(1.3)

Stock-Based Compensation

Our stock-based compensation consists of performance shares, performance units, restricted stock, restricted stock units and non-qualified stock options. In December 2004, the FASB issued SFAS No. 123(R) to expand and clarify SFAS No. 123, *Accounting for Stock-Based Compensation,* in several areas. The Statement requires companies to measure the cost of employee services received in exchange for an award of an equity instrument based on the grant-date fair value of the award and was effective for awards issued beginning in Q1 2007. Our policy is to expense stock-based compensation using the fair-value based method of accounting for all awards granted, modified or settled.

Restricted stock, restricted stock units, performance shares and performance units are credited to equity as they are expensed over their vesting periods based on the current market value of the shares to be granted. For stock options, fair value is measured on the grant date of the related equity instrument using the Black-Scholes option-pricing model and is recognized as compensation expense over the applicable vesting period. No stock options were granted in 2007, 2006 or 2005.

See Note 12 for additional information.

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STEELCASE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial Instruments

The carrying amount of our financial instruments, consisting of cash equivalents, short-term investments, 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. The carrying amount of our long-term debt approximates fair value since the stated rate of interest approximates a market rate of interest.

We periodically use derivative financial instruments to manage exposures to movements in interest rates and foreign exchange rates. The use of these financial instruments modifies the exposure of these risks with the intention to reduce the risk or cost to the Company. We do not use derivatives for speculative or trading purposes.

We recognize the fair value of all derivative instruments as either assets or liabilities on our Consolidated Balance Sheets. Fair value is based on market quotes because the instruments that we enter into are actively traded instruments. The accounting for changes in the fair value of a derivative depends on the use of the derivative. We formally document our hedging relationships, including identification of the hedging instruments and the hedged items, as well as our risk management objectives and strategies for undertaking hedge transactions. On the date that a derivative is entered into, we designate it as one of the following types of hedging instruments, and we account for the derivative as follows:

Cash Flow Hedge

A hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability is declared as a cash flow hedge. A cash flow hedge requires that the effective portion of the change in the fair value of a derivative instrument be recognized in *Other Comprehensive Income (Loss),* net of tax, and reclassified into earnings in the same line as the hedged item in the period or periods during which the hedged transaction affects earnings. Any ineffective portion of a derivative instrument s change in fair value is immediately recognized in earnings.

Fair Value Hedge

A hedge of a fixed rate asset, liability or an unrecognized firm commitment is declared as a fair value hedge. A fair value hedge requires that the gain or loss on the value of the hedge is recognized in earnings in the period of change, together with the offsetting gain or loss on the hedged item attributable to the risk being hedged. The impact of this is that the ineffective portion of the hedge will not offset and the net effect of that is immediately recognized in earnings.

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