



## Apogee Enterprises, Inc. Announces Plans for Profit Improvement

January 28, 2000

**Auto glass operations has begun taking actions to reduce fixed costs, both in headcount and retail facilities, enabling the unit to improve performance in a broader range of industry conditions. Glass Technologies is now back on track to produce solid ramp-up in production and profits.**

MINNEAPOLIS, MN, January 28, 2000 -- Apogee Enterprises, Inc. (Nasdaq: APOG) today announced plans to improve performance in its auto glass operations and provided an update on the progress of its Glass Technologies businesses as well as earnings expectations.

The auto glass unit of the Glass Services business segment will retain its presence in all current markets, but will move to a flexible service structure. This will require a cut in fixed-cost overhead for both the headcount and facilities of its retail operation, a process that has already begun with headcount reductions of 2% of the auto glass field workforce and 13% at auto glass headquarters. This shift to a variable-cost model is expected to enable the auto glass unit to operate profitably in a wider range of industry conditions, including the very difficult environment that currently exists. In the Glass Technologies segment, management said all of its businesses are back on track and fully operational to meet demand, with sustainable ramp-ups in production volume and expectations of profitability in the upcoming fiscal year.

As noted in the third quarter earnings release, Apogee continues to expect a loss from continuing operations in fiscal 2000's fourth quarter, which ends February 26. Fiscal 2000 diluted earnings from continuing operations are expected to be approximately breakeven, compared with earnings of \$0.71 diluted per share in fiscal 1999. Including discontinued operations, fiscal 2000 earnings are expected to be approximately \$0.40 diluted per share. For fiscal 2001, Apogee expects earnings from continuing operations of \$0.25 to \$0.30 diluted per share, based on improving profits by Glass Technologies during the second half of the fiscal year and a conservative assessment of a flat performance by the auto glass unit of the Glass Services segment.

"Our expectations of \$0.25 to \$0.30 diluted earnings per share for fiscal 2001 earnings from continuing operations are very disappointing," said Russell Huffer, Apogee's Chairman, President and Chief Executive Officer. "On a continuing operations EBITDA basis, we expect our fiscal 2001 performance to approach the \$62.5 million level produced in fiscal 1997, when Apogee produced a record \$0.96 diluted per share in earnings from continuing operations."

With respect to Huffer's comment on EBITDA, he noted that the diluted earnings per share burden from depreciation, amortization and interest is expected to grow from \$0.53 in fiscal 1997 to approximately \$1.20 in fiscal 2001.

Huffer continued, "Our businesses are not performing as we would like nor as well as our shareholders deserve, but we believe the worst is behind us in both Glass Technologies and auto glass. Industry conditions in auto glass continue to be extremely weak, yet we expect to increase our unit volumes in fiscal 2000. To return to profitability and drive further improvement, we are reducing fixed-cost overhead and moving to a variable-cost structure that should enable us to operate profitably going forward.

"In Glass Technologies, all of our plants are operational and the production ramp-up is proceeding on a solid track, although slower than we originally anticipated. We expect all of our Glass Technologies businesses to be profitable in fiscal 2001, with increasing profitability building in the second half of the year as we move further above the breakeven points in our new operations."

### Auto Glass

In the Glass Services segment, Harmon Inc. and the auto glass manufacturing operation continue to perform well. While the retail auto glass operation is expected to increase its unit volume in fiscal 2000, losses are expected to continue through the fourth quarter due to the impact of unusually difficult industry conditions.

"Apogee's auto glass people have consistently taken the industry lead in quality and customer service; however, competitive price pressures industry-wide have exposed a weakness in our auto glass retail operating structure: our fixed costs are simply too high," said Huffer. "Therefore, we are reducing fixed-cost overhead - closing retail facilities and reducing headcount, mainly at auto glass headquarters - and moving to a more variable operating structure that will enable us to operate profitably in a broader range of industry conditions, even the extraordinarily weak environment we face today."

The retail auto glass business will close approximately 40 retail facilities by the end of fiscal 2001, in addition to the 13 facilities already closed during this fiscal year. In addition, employee headcount has been reduced by 2% of the field workforce and 13% at auto glass headquarters. In markets where retail facilities will be closed, retail coverage will be maintained by mobile vans and service centers operated from facilities shared with other businesses outside of Apogee. Therefore, Apogee will reduce its fixed costs, retain a presence in all of its current markets, and increase its total customer service facilities, with greater coverage in the markets it serves. This flexible service structure has been implemented in pilot programs in all four of the unit's regional sales territories, with modest increases in unit sales.

Huffer emphasized, "We would like to take even stronger actions, but we are limited right now by previous contracts and commitments. Nevertheless, rest assured, we will continue to take the most aggressive steps we can to drive shareholder value in auto glass. That includes plans to change the unit's retail leadership and ongoing activities on a number of fronts that could move us further and faster toward our goal of double-digit EBITDA margin. Either way, auto glass will be a changed operation, with new retail leadership, a lower overhead structure and much greater resiliency to industry conditions."

### Glass Technologies

"In Glass Technologies, the focus is on profitability, to return to the strong margins and returns on capital that we have produced in the past," said Huffer. "Although the ramp-up in production will be slower than we originally anticipated, it is now on a sustainable, upward track, and so is our ability to increase profitability and returns. Demand for our products remains strong, with backlog levels going into fiscal 2001 exceeding \$100 million. We expect all of our Glass Technologies businesses to be profitable in fiscal 2001, with increasing profitability building in the second half of the year as we move further above the breakeven points for production in our new operations."

Huffer said Tru Vue and Wausau, which represent approximately 40% of Glass Technologies' total sales in fiscal 2000, continue to exceed sales and profit expectations. The segment's decrease in operating profitability has been due to weaker than expected performance by Viratec, the segment's smallest unit, and Viracon, the largest unit in Glass Technologies. He reviewed each of the main operations within those two units:

-- "The start-up of Viracon's Statesboro plant is behind us and the ramp-up in production is solid. As expected, Statesboro lost money in fiscal 2000, but is nearing profitability in the fourth quarter. Breakeven for this operation is about \$40 million in annualized revenue, or 40% of capacity. For fiscal 2001, we expect Statesboro to cross the breakeven level early in the year and be profitable, with increasing profitability in the second half of the fiscal year.

-- "Viratec's Owatonna plant is expected to return to profitability in the fourth quarter and the ramp-up toward modestly higher production capacity is back on track. In fiscal 2001, we expect continued growth in revenue and profits at Owatonna, with solid prospects for further margin improvement.

-- "Viratec's flat glass operation had a difficult year in fiscal 2000, encountering significant downtime with its new vertical coater. Now, the vertical coater is fully operational and meeting customer demand in both the electronics and architectural markets. We intend to capitalize on growing segments of the electronics market - flat panel displays for large-screen televisions, privacy screens for computer monitors, and anti-reflective flat panels for computer monitors. Breakeven for our flat glass operation is about \$30 million in annualized revenue, and we expect to be near that level in fiscal 2001, up from about \$22 million this year. -- "After a solid performance in the first half of the year, Viratec's San Diego CRT coating operation lost significant production time during a technology changeover related to a change in customer product mix. We have returned to our previous technology, the operation is back on track and we expect to be profitable during fiscal 2001."

#### Financial

Huffer said cash flow from continuing operations, as indicated by EBITDA, earnings before interest, taxes, depreciation and amortization, is expected to be above the \$45 million level in fiscal 2000. Including discontinued operations, fiscal 2000 EBITDA is expected to be approximately \$60 million. In fiscal 2001, Apogee expects EBITDA from continuing operations to approach the \$62.5 million produced in fiscal 1997, when Apogee posted its record of \$0.96 diluted per share in earnings from continuing operations.

Depreciation and amortization are estimated to be approximately \$34 million in fiscal 2000, up from \$25.9 million in fiscal 1999, with about \$38 million expected in fiscal 2001. Interest expense is projected to be approximately \$11 million in fiscal 2000, compared with \$9.5 million in fiscal 1999. Long-term debt is expected to be about \$190 million at fiscal year-end 2000, up from \$165 million in fiscal 1999. Huffer said long-term debt is expected to begin to decrease in the second half of fiscal 2001.

With the conclusion of its \$100 million expansion program in Glass Technologies, Apogee's capital expenditures will be reduced significantly. Fiscal 2000 capital expenditures are expected to be about \$48 million, with plans for a greater than 50% reduction in fiscal 2001.

#### CAUTIONARY STATEMENT

The company desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and is making this cautionary statement in connection with such safe harbor legislation. This press release and any other written or oral statements made by or on behalf of the company may include forward-looking statements, which reflect the company's current views with respect to future events and financial performance. The words "believe," "expect," "anticipate," "intends," "estimate," "forecast," "project," "should" and similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All forecasts and projections in this press release are "forward-looking statements," and are based on management's current expectations of the company's near-term results, based on current information available pertaining to the company, including the risk factors noted below.

The company wishes to caution investors that any forward-looking statements made by or on behalf of the company are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other risk factors include, but are not limited to: whether the cost savings programs implemented at the Auto Glass businesses will lead to improved operating results, the continuation of unfavorable industry conditions in the Auto Glass businesses, whether the strategic alternatives being considered for the Auto Glass businesses will be available on terms favorable to Apogee, whether the production ramp-ups of new or expanded plant capacity in the Glass Technologies segment will proceed as anticipated and will lead to successful operating results for those companies now or in the future, whether demand for Glass Technologies products and services will continue at present rates and whether generally favorable economic conditions will continue. For a more detailed explanation of the foregoing and other risks; see exhibit 99 to the company's Annual Report on Form 10-K for the fiscal year ended February 27, 1999, which is filed with the Securities and Exchange Commission. The company wishes to caution investors that other factors may in the future prove to be important in affecting the company's results of operations. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or a combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Apogee Enterprises, Inc. is a world leader in technologies involving the design and development of value-added glass products, services, and systems. Organized in two business segments, the Glass Technologies businesses are leaders primarily in architectural glass and high-end glass coatings for the electronics markets, while the Glass Services businesses are leaders in replacement auto glass and building glass services. Headquartered in Minneapolis, the company's stock is traded on the Nasdaq Stock Market under the symbol APOG.