



Apogee Enterprises, Inc. Reports Second Quarter Results

September 16, 1999

Apogee Enterprises, Inc. today reported net earnings from continuing operations for its second quarter of fiscal 2000 ended August 28, 1999.

MINNEAPOLIS, MN, September 16, 1999 -- Apogee Enterprises, Inc. (Nasdaq: APOG) today reported net earnings from continuing operations for its second quarter of fiscal 2000 ended August 28, 1999, of \$4.9 million or \$0.18 per diluted share, compared with \$7.6 million or \$0.27 per diluted share for the second quarter of fiscal 1999.

Net earnings were \$14.0 million or \$0.50 per diluted share in fiscal 2000's second quarter, up from \$9.2 million or \$0.33 per diluted share a year ago. This year's second quarter included \$9.1 million after-tax or \$0.33 per diluted share in earnings from discontinued operations, which were cash collections related to the completion of certain projects from its discontinued Asian curtainwall operations. Apogee announced its exit from curtainwall operations in Asia in late 1997 and is in the closing stages of its exit activities.

The second quarter performance was in line with Apogee's July 20 announcement, in which it revised its outlook for the second quarter and fiscal 2000. Second quarter net sales increased 5% to \$218.5 million, led by double-digit growth in Glass Technologies. However, operating income decreased 25% to \$11.2 million, mainly due to weakness in the Glass Services segment's auto glass operations.

"Apogee's second quarter performance was very disappointing, and was primarily due to difficult industry pressures in auto glass," said Russell Huffer, Apogee's President and Chief Executive Officer. "Glass Technologies sales increased at a double-digit pace during the quarter and order backlogs are very strong. However, our ramp-ups are proceeding at a slower pace than we had planned— it's mainly a matter of getting our equipment and people up to speed to handle all the demand. By contrast, the challenge at auto glass is more of a long-term nature, and these businesses now have new management and new energy."

Huffer noted, "At Glass Technologies, despite very strong orders, due to the slower than expected ramp-up of production capacity, we are reducing our fiscal 2000 estimate of earnings from continuing operations to a range of \$0.40 to \$0.45 per diluted share."

Glass Technologies

Net sales rose 12% to \$88.3 million in the second quarter, led by 20+% growth at both Viratec and Viracon. However, operating income decreased 8% to \$4.5 million from \$4.9 million a year ago, as lower profits at Wausau and a larger operating loss at Viratec more than offset double-digit improvements at both Viracon and Tru Vue. A major factor in the operating income decrease was the incremental depreciation expense associated with the segment's recent capacity expansions, which amounted to \$1.9 million for this year's second quarter.

"The ramp-up in volumes at Glass Technologies continues to show good progress, although we are not quite where we would like to be," Huffer said. "Each expansion is showing great promise. Viracon's expansion should be profitable in the fourth quarter and Tru Vue is exceeding our expectations. Viratec's dip in second quarter profitability was due to two temporary factors occurring late in the quarter: 1) A technology change-over to accommodate a new product in its CRT coating operation in San Diego; and 2) Fine-tuning the production of our vertical coater to bring it up to nameplate capacity. The CRT technology changeover will be completed in the third quarter and the vertical coater should resume production later in this fiscal year."

Huffer continued, "We really like how the future is shaping up at Glass Technologies. Tru Vue is already gaining significant profit leverage with its expansion, and had record sales and profits in the second quarter, its first full quarter of operation.

"Viracon continues to enjoy strong demand for its high-performance architectural glass. While Viracon's backlog is so strong we haven't had the capacity available to tap mid-market opportunities, we are now well-positioned to do so. Beginning in the third quarter, we have chosen to reduce production at our Owatonna plant in order to create efficiencies that will double our production velocity. As a result of this decision, our ability to return to full production will be delayed until late in the third quarter. We believe this move was warranted — the mid-market effectively triples our market potential and will support increasingly higher levels of plant utilization at both Owatonna and Statesboro.

"At Viracon's new Statesboro facility, we continue to make good progress, but the facility is not on a path to meet our previous

earnings forecasts for the next two quarters. The ramp-up in physical capacity is on track; now the challenge is to get the ramp-up in the skills and capabilities of our people.

“At Viratec, the company recently completed its first architectural project with the vertical coater, a shipment of anti-reflective glass used in the construction of the new Enron Field ballpark for the Houston Astros baseball team. The vertical coater has the potential to triple our flat glass production capacity and will bring us into a number of emerging markets, particularly in electronics. In addition, the third quarter should begin a series of positive trends for our San Diego plant, with much higher volumes and margins. Bottom line: Viratec is the technology leader in niche markets that are seeking new technologies to differentiate its product.”

Huffer concluded, “Overall, Glass Technologies sales and profits should increase in the second half of the fiscal year compared with the first six months of the year. Looking ahead, by this time next year, the year-to-year sales and profit increases at Glass Technologies could be substantial.”

Glass Services

Glass Services sales increased 2% to \$132.5 million. Despite a strong performance by Harmon, Inc., operating income decreased 44% to \$6.0 million, as the segment’s auto glass businesses continued to experience distribution price pressures and soft retail demand. Management noted the weakness in its auto glass operations in a July 20 release after identifying deteriorating trends in its June results.

“While Harmon Inc. turned in an excellent quarter, we are very disappointed in the performance of our auto glass operations,” Huffer said. “In June, we realigned our auto glass management team around Joe Deckman, Executive Vice President of Glass Services. Since then, we have reorganized our operations into four regional teams that bring us closer to our customers.”

Six-Month Results

For the six-month period ended August 28, 1999, Apogee’s earnings from continuing operations were \$9.4 million or \$0.34 per diluted share, compared with \$11.8 million or \$0.43 per diluted share. Net earnings were \$18.6 million or \$0.67 per diluted share, compared with \$13.0 million or \$0.47 per diluted share for the first six months of fiscal 1999. The fiscal 2000 results include \$9.2 million or \$0.33 per diluted share of earnings from discontinued operations, from the completion of certain projects from its discontinued Asian curtainwall operations. Sales increased 8% to \$429.6 million, with improvements in both business segments. Operating income was \$21.4 million compared with \$24.4 million in last year’s six-month period. Most of the decrease in fiscal 2000 income was due to weak second quarter results in Glass Services.

Financial Condition

At August 28, 1999, long-term debt was \$169.7 million, down from \$187.1 million in the first quarter, but up from \$162.0 million in last year’s second quarter. The company’s long-term debt was reduced by the cash collected on contracts related to its discontinued Asian operations during the second quarter. Apogee’s long-term debt to total capital ratio at the end of fiscal 2000’s second quarter was 44%, compared with 49.0% in the first quarter and 49% a year ago.

Apogee’s EBITDA decreased 8% to \$19.6 million during the second quarter. In the second quarter, depreciation and amortization totaled \$8.3 million, compared with \$6.3 million in the year-ago quarter. Working capital was \$98.5 million, down from \$107.5 million in last year’s second quarter, as the company continued to focus on cash flow.

Capital expenditures were \$9.5 million in the second quarter, reflecting the closing stages of the expansion in Glass Technologies. Huffer said Apogee expects to incur total capital expenditures of approximately \$50 million in fiscal 2000, approximately half of which were expended in the first quarter.

CAUTIONARY STATEMENT

The discussion above contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect management’s current expectations or beliefs. There can be no assurances given that the reorganization and realignment of Auto Glass’ businesses and management team will lead to successful operating results for those companies now or in the future or that the strategic alternatives proposed for such businesses will be available on terms acceptable to Apogee. Also, there can be no assurances that the ramp-up of new plant capacity in the Glass Technologies businesses will proceed as anticipated and will lead to successful operating results for those companies now or in the future. The Company cautions readers that actual future results could differ materially from those described in the forward-looking statements depending upon the outcome of certain factors, including the risks and uncertainties identified in Exhibit 99 to the Company’s

Report on Form 10-K for the fiscal year ended February 27, 1999.

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.

Second quarter and six-month Fiscal 2000 and Fiscal 1999 comparisons.

Q2 diluted EPS from continuing operations was \$0.18 vs. \$0.27 a year ago.

-- Operating income decreased 25%, mainly due to Glass Services' auto glass operations.

-- Glass Technologies orders are very strong, but production ramp-up is slower than expected.

Management adjusts estimates for fiscal 2000.

-- Fiscal 2000: Diluted EPS from continuing operations estimate reduced to a range of \$0.40 to \$0.45.

second quarter & six-month fiscal 2000 & fiscal 1999 comparisons	(Amounts in thousands, except per share data and percentages)		
	Second Quarter Ended Aug. 28, 1999	Second Quarter Ended Aug. 29, 1998	% Change
Net sales (1)	218,450	208,167	5%
Net earnings per share - diluted	0.50	0.33	52%
Earnings from continuing oper.	0.18	0.27	(36)%
Earnings from discontinued oper.	0.33	0.05	497%
Avg. shs. outstanding - diluted	27,876	27,812	--
Operating income (loss)	11,225	14,891	(25)%
Glass Technologies	4,536	4,911	(8)%
Glass Services	5,952	10,562	(44)%
Corporate and other	737	(582)	N/A
EBITDA (2)	\$ 19,557	\$ 21,161	(8)%
	Six-Months Ended Aug. 28, 1999	Six-Months Ended Aug. 29, 1998	% Change
Net sales (1)	429,573	398,544	8%
Net earnings per share - diluted	0.67	0.47	43%
Earnings from continuing oper.	0.34	0.43	(21)%
Earnings from discontinued oper.	0.33	0.04	725%
Avg. shs. outstanding - diluted	27,811	27,797	--
Operating income (loss)	21,364	24,393	(12)%
Glass Technologies	8,555	9,027	(5)%
Glass Services	13,298	15,766	(16)%
Corporate and other	(489)	(400)	(22)%
EBITDA (2)	\$ 38,070	\$ 37,388	2%

(1) Net sales for fiscal 1999 were restated to reflect the reporting of discontinued operations. (2) EBITDA: Earnings before interest, taxes, depreciation and amortization.