



Apogee Enterprises, Inc. Revises Third Quarter and FY2000 Outlook

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Production ramp-ups are slower than expected in Glass Technologies Auto Glass remains a longer-term challenge; cost reductions are being implemented.

MINNEAPOLIS, Nov. 23 /PRNewswire/ -- Apogee Enterprises, Inc. (Nasdaq: APOG - news) today announced that it has revised its expectations for the third quarter ending November 27, 1999 and the fiscal year ending February 26, 2000. Citing the impact of continued weak conditions in the auto glass operations of Glass Services and a slower than expected production ramp-up by some businesses in Glass Technologies, Apogee expects a third quarter loss from continuing operations in the range of \$0.15 to \$0.20 per share (diluted) compared with earnings from continuing operations of \$0.20 per share in last year's third quarter. In addition, Apogee expects a slight loss in the fourth quarter and fiscal 2000 diluted earnings from continuing operations ranging between \$0.10 and \$0.16 per share, compared with diluted earnings of \$0.71 per share in fiscal 1999.

"Our reduced earnings expectations are especially disappointing given the strong demand in our Glass Technologies businesses," said Russell Huffer, Apogee's Chairman, President and Chief Executive Officer. "While we believe auto glass' operations and weak industry conditions are longer-term challenges, Glass Technologies faces difficulties with a definable time horizon and has opportunities for substantial improvement in the year ahead."

Huffer emphasized, "Demand is strong in Glass Technologies, but our execution at Viracon and Viratec has not met our expectations. Therefore, we are sharpening the focus of our senior management team. Larry Stordahl, Executive Vice President, will concentrate on Viracon and Viratec, with Bob Barbieri, Vice President-Finance and Chief Financial Officer, taking responsibility for Wausau and Tru Vue. At both Glass Technologies and Glass Services, we have brought in new segment CFOs to more closely monitor progress and improve financial performance. We are very determined to produce bottom-line results that better reflect our top-line strength."

Looking ahead, Huffer commented, "We expect significantly improved results next year in fiscal 2001. Auto glass industry conditions may still be a dampening factor, but substantial cost reductions currently in process of being implemented should diminish the impact. In Glass Technologies, the next two quarters will be a transition process, as certain operations continue along their growth track and others resolve previous challenges and ramp-up their production rates. By the second half of fiscal 2001, we believe our Glass Technologies operations should be running on all cylinders, with solid ramp-ups, improving profitability and continuing demand supporting further growth."

Reduction in Earnings Expectations

Huffer noted that Apogee's reduced third and fourth quarter earnings expectations were mainly due to a continuation of difficult industry conditions in auto glass and slower ramp-ups than anticipated at Glass Technologies' Viratec and Viracon businesses.

In auto glass, lower prices industry-wide continue to severely reduce margins in retail and distribution, and conditions remain weak as the fourth quarter approaches, which is generally a seasonal low point for the auto glass market.

"We are taking aggressive actions to significantly reduce annual operating costs in our auto glass operations," Huffer said. "Information technology expenditures will be reduced, certain general administrative functions will be consolidated, and we are closely evaluating our retail and distribution locations for performance. We already closed some under performing locations during the third quarter, and this will have a modest impact on results in future quarters. Auto glass remains a longer-term challenge and we continue to consider all strategic alternatives for these businesses, certain of which could possibly require additional investment or expense, or both."

In Glass Technologies, Huffer noted that the reduction in third quarter results reflected certain operations that are performing below expectations. "Our most important ongoing issue is Viratec's vertical coater, which is currently running at low rates of operation as we progress through this start-up phase. It is encouraging that the output issues are related to minor start-up problems, not the actual coating process, and the impact has been magnified by short production runs to serve urgent customer needs. We are making progress on this and we believe we can triple our current vertical coater production rates relatively quickly -- probably by the first half of fiscal 2001. The vertical coater ramp-up is very important to the success of Viratec: it will enable us to run the older coater levels that at more efficient and with a more productive mix, and begin to capitalize on our strong demand."

Huffer added, "Demand continues to be very strong at Viracon as well, with our two plants producing as much product as possible. In fact, attempts to accelerate production at Owatonna resulted in production difficulties during the third quarter that are now largely resolved, and this plant will continue to ramp-up its production rate further through the first quarter of fiscal 2001. On a positive note, Viracon's new Statesboro plant remains on track to be profitable by the end of the current fiscal year. In addition to the improvements expected at Owatonna, we believe Viracon's fiscal 2001 performance will be bolstered by a substantial ramp-up in run rates and increasing profitability at Statesboro."

The rest of Glass Technologies' operations are on an upswing, Huffer said. "Tru Vue continues to exceed our plans, Wausau is on track, and Viratec's CRT coating operation should return to profitability by the first quarter of fiscal 2001, after resolving a previously reported technology changeover late in the third quarter. Additionally, inside Glass Services, Harmon Inc.'s performance remains very strong, exceeding its targets."

Fourth Quarter Expectations

For the fourth quarter of fiscal 2000, Huffer commented, "We expect a slight loss based on our expectations that industry conditions will further reduce our auto glass results in a seasonally weak quarter, Viratec's vertical coater will still be running at low operating levels and Viracon's Owatonna plant will continue to ramp-up at levels that are still a bit behind our previous expectations. While auto glass is a longer-term challenge, we believe the outlook for Glass Technologies will be substantially clearer and brighter by the second half of fiscal 2001."

Huffer concluded, "We are currently in the latter stages of refining a comprehensive turnaround plan for Apogee and its businesses. This plan and its impact on Apogee's future outlook will be finalized in January and we look forward to sharing the details of this plan with investors soon thereafter."

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 the auto glass' businesses and management team will lead to successful operating results for those companies now or in the future, the proposed cost reductions for the auto glass businesses will be accomplished successfully or in a timely manner, or that the strategic alternatives proposed for such businesses will be available on terms acceptable to Apogee. In addition, the realignment of senior management responsibilities over the Glass Technologies businesses may not produce successful operating results for those companies, nor can any assurances be given that the production ramp-ups at Viracon and Viratec will occur in a timely manner or will produce improved profitability. 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.

SOURCE: Apogee Enterprises, Inc.