



Apogee Enterprises 3rd Quarter Earnings Increase Significantly, Company Maintains Guidance for Fiscal 2002, 2003

December 19, 2001

MINNEAPOLIS, Dec 19, 2001 (BUSINESS WIRE) -- Apogee Enterprises, Inc. (Nasdaq:APOG), which develops and delivers value-added glass products and services for the architectural, large-scale optical and automotive industries, today announced that third quarter fiscal 2002 net earnings increased more than 90 percent compared to the prior-year period.

Third quarter earnings were \$0.20 per share, or \$5.8 million, versus \$0.11 per share, or \$3.0 million, in the fiscal 2001 period. All earnings per share figures refer to diluted earnings per share. Revenues for the third quarter totaled \$200.3 million, up slightly from revenues of \$197.3 million in the same period last year. The company's operating margin was 5.0 percent in the third quarter, up from 2.7 percent in the prior-year period.

"Throughout fiscal 2002 we've continued to increase earnings and improve operations, demonstrating our focus on these two key objectives," said Russell Huffer, Apogee chairman, president and chief executive officer. "And, we again achieved strong revenue and earnings growth in our architectural segment, our largest, as the construction industry continues to expand its use of our value-added glass and window products and services. At the same time, performance in our auto replacement glass and large-scale optical segments was in line with our modest expectations."

Architectural products and services

Revenues for Apogee's largest segment grew 16 percent to \$124.6 million, compared to \$107.2 million in the prior-year quarter. Operating income increased 60 percent to \$9.1 million, from \$5.7 million a year ago. The segment's strong performance continues to be the result of increased revenue, more efficient and effective operations, and a higher-margin product mix. The operating margin increased to 7.3 percent from 5.3 percent in the previous-year period. The architectural segment backlog is up slightly from the second quarter to \$191.5 million and consistent with the levels reported since the end of fiscal 2001, despite the slowdown and uncertainty in the construction industry. Although the level is consistent with the past three quarters, we are seeing delays, rather than cancellations, in the backlog which leads to less predictability in short-term projects and related staffing, planning and operations.

Large-scale optical technologies

In the third quarter, revenues were \$16.1 million, compared to \$24.9 million in the prior-year period. The segment reported an operating loss of \$1.5 million, compared to operating income of \$3.3 million in the same period last year. The severe downturn in the PC industry and the slowdown in retail framing markets, along with the closure of the San Diego facility earlier this year, continue to significantly impact the segment's performance.

Automotive replacement glass and services

Automotive segment revenues for the third quarter were \$59.6 million, down 9 percent compared to \$65.3 million in the prior-year period as revenues were impacted by reduced volume and competitive pricing pressures. The segment reported operating income of \$2.6 million, compared to a loss of \$3.0 million in the same period last year due to a combination of operational improvements and cost reductions implemented late last year in the retail business and increased manufacturing income as a result of changes in PPG Auto Glass, LLC supply agreements. Approximately half of the operating income improvement resulted from second quarter amendments made to the supply agreements related to the PPG Auto Glass joint venture, owned 34 percent by Apogee and 66 percent by PPG Industries. These amendments permanently adjusted pricing agreements for Apogee's windshield manufacturing business, resulting in higher income for the segment.

Equity in affiliates

Apogee's loss from investments in affiliated companies was \$0.6 million in the third quarter versus income of \$2.6 million in the prior-year period. This decline was due primarily to the amendments made to the supply agreements related to the PPG Auto Glass joint venture, somewhat offset by lower costs at the TerraSun joint venture which was shut down during the third quarter.

Financial condition

Apogee continued to employ its strong cash flow during the quarter to reduce its long-term debt by \$6.2 million to \$80.3 million, from \$86.5 million at the end of the second quarter. The company's debt-to-total-capital ratio continues to improve and was 33 percent at the end of the quarter, compared to 48 percent at the end of last year's third quarter.

Apogee's EBITDA was \$16.7 million for the third quarter, up from \$13.5 million in the same period last year. In the third quarter, depreciation and amortization totaled \$6.7 million, compared with \$8.1 million in the year-ago quarter. Working capital increased to \$50.4 million at the end of the

quarter, versus \$46.5 million at the end of the second quarter, driven by tax payment timing. Capital expenditures were \$1.7 million in the quarter, up slightly from \$1.2 million in last year's third quarter.

Outlook

"We are maintaining our guidance of \$0.85 to \$0.90 per share for this fiscal year which ends March 2, 2002, and \$1 per share for fiscal 2003, despite the construction industry slowdown reported by F.W. Dodge that is impacting our architectural business," said Huffer. "Although we are seeing some softening due to declining new construction trends, we anticipate that our focus on higher-end Class A office, educational and institutional markets, Apogee's leadership in value-added energy-efficient, hurricane and protective glazing products, and our focus on glazing renovation will somewhat offset these uncertainties. We expect that any improvement in the economy could lead to increased business for the architectural segment.

"As the auto glass segment faces ongoing tough industry conditions, we are focused on further operational improvements and leveraging our expertise in quality installations to increase sales," said Huffer. "We expect that the retail downturn impacting our large-scale optical segment will bottom out in the upcoming period and rebound mid-fiscal year as consumer spending improves.

"Despite the economic downturn, we expect that our Six Sigma initiatives will continue to help us improve operations and margins next year," Huffer said. "We will also keep using our strong cash flow to pay down debt in fiscal 2003."

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially.

- Fiscal 2002 fourth quarter
 - Overall revenues are expected to decrease slightly compared to the prior-year period as the large-scale optical technologies segment maintains third quarter levels and full-year trends continue for the automotive replacement glass segment. At the same time, revenues for the architectural segment are expected to be flat compared to last year's strong fourth quarter.
 - Overall operating margins are expected to be down slightly due to competitive pricing and product mix.
 - EPS is expected to be consistent with the full-year guidance of \$0.85 to \$0.90 per share.
 - Debt is anticipated to decline to approximately \$75 million by year end.
- Fiscal 2003
 - Overall revenue growth is anticipated to be in the low single digits.
 - Architectural revenues are expected to be flat. We anticipate that the new construction slowdown will be offset by sales of value-added energy-efficient, hurricane and protective glazing products and by our glazing renovation initiative.
 - Large-scale optical revenues are expected to grow in the single digits for the full year. Strong fiscal year second half growth is expected following anticipated improvement in consumer spending in the second quarter of the fiscal year.
 - Automotive segment revenues are anticipated to be flat to slightly up as volume growth is somewhat offset by lower unit pricing.
 - Gross margins are expected to improve slightly, with operating efficiencies due largely to Six Sigma initiatives offsetting increases in wages, health care and insurance costs. Margin pressure is expected in all segments with the economic slowdown.
 - Capital expenditures are expected to total \$20 to \$25 million.

The discussion above, including all of the statements in this outlook section, 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 ongoing reorganization and realignment of Harmon AutoGlass will lead to successful operating results now or in the future. There can be no assurances that PPG Auto Glass, Apogee's automotive replacement glass distribution joint venture with PPG Industries, will achieve favorable long-term operating results. In addition, there can be no assurances that Apogee's architectural segment, which serves high-end markets with value-added products, will not be further impacted by the slowing economy. There also can be no assurances that there will not be additional erosion in

large-scale optical segment revenues due to the severe downturn in the PC industry and a slowdown in retail markets. 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 March 3, 2001.

Teleconference and simultaneous webcast

Analysts, investors and media are invited to listen to Apogee's live teleconference or webcast at 10 a.m. Central Standard Time tomorrow, December 20. To participate in the teleconference, call 1-877-679-9045 toll free or 952-556-2802 local, and reference "Apogee Enterprises." The replay will be available from 1 p.m. Central Standard Time on Thursday, December 20, through midnight Central Standard Time on Thursday, January 3, by calling 1-800-615-3210 toll free, access code 5723617. To listen to the live conference call over the internet, go to the Apogee web site at <http://www.apog.com> and click on "investor relations" and then the webcast link at the top of that page. The webcast also will be archived on the company's web site.

Apogee Enterprises, Inc., headquartered in Minneapolis, is a world leader in technologies involving the design and development of value-added glass products, services and systems. The company is organized in three segments:

- Architectural products and services companies design, engineer, fabricate and install the walls of glass and windows comprising the outside skin of commercial and institutional buildings. Businesses in this segment are: Viracon, a leading global fabricator of coated, high-performance architectural glass; Harmon, Inc., the largest U.S. full-service building glass installation and maintenance company; Wausau Window & Wall Systems, a manufacturer of custom, non-residential aluminum window systems and curtainwall; and Linetec, one of the largest U.S. architectural paint and anodizing finishers.
- Automotive replacement glass and services companies fabricate, repair and replace automobile windshields and windows. Businesses in this segment are: Harmon AutoGlass, a leading U.S. chain of retail auto glass replacement and repair stores; and Viracon/CurvLite, a leading U.S. fabricator of aftermarket foreign and domestic car windshields.
- Large-scale optical technologies companies develop and produce high technology glass that enhances the visual performance of products for the display, imaging and picture framing industries. Businesses in this segment are: Tru Vue, a leading U.S. value-added glass and matboard manufacturer for the art and framing industry; and Viratec, a leading global producer of optical thin film coatings for the display and imaging markets.

Apogee Enterprises, Inc. & Subsidiaries
Consolidated Condensed Statement of Income
(Unaudited)

	Thirteen Weeks Ended December 1, 2001	Thirteen Weeks Ended December 2, 2000	%
In thousands, except per share data	-----	-----	-----
Net sales	\$200,293	\$197,291	2%
Cost of goods sold	154,482	155,969	-1%
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Gross profit	45,811	41,322	11%
Selling, general and administrative expenses	35,881	35,951	0%
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Operating income	9,930	5,371	85%
Interest expense, net	856	2,919	-71%
Equity in income (loss) of affiliated companies	(605)	2,608	N/M
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Earnings from continuing operations before income taxes and other items below	8,469	5,060	67%

Income taxes	2,625	2,098	25%

Earnings from continuing operations	5,844	2,962	97%
Earnings from discontinued operations	-	-	-

Net earnings	\$5,844	\$2,962	97%
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Earnings per share - basic:			
Earnings from continuing operations	\$0.21	\$0.11	91%
Earnings from discontinued operations	\$-	\$-	-
Net earnings	\$0.21	\$0.11	91%
Average common shares outstanding	27,977,771	27,842,418	0%
Earnings per share - diluted:			
Earnings from continuing operations	\$0.20	\$0.11	82%
Earnings from discontinued operations	\$-	\$-	-
Net earnings	\$0.20	\$0.11	82%
Average common and common equivalent shares outstanding	28,959,984	27,923,636	4%
Cash dividends per common share	\$0.055	\$0.053	5%

Apogee Enterprises, Inc. & Subsidiaries
Consolidated Condensed Statement of Income
(Unaudited)

	Thirty-nine Weeks Ended December 1, 2001	Forty Weeks Ended December 2, 2000	%
In thousands, except per share data	-----	-----	-----
Net sales	\$614,132	\$670,908	-8%
Cost of goods sold	471,617	534,616	-12%

Gross profit	142,515	136,292	5%
Selling, general and administrative expenses	108,688	113,302	-4%

Operating income	33,827	22,990	47%
Interest expense, net	4,012	8,881	-55%
Equity in income (loss) of affiliated companies	1,760	1,252	41%

Earnings from continuing operations before income taxes and other items below	31,575	15,361	106%
Income taxes	9,788	6,178	58%

Earnings from continuing operations	21,787	9,183	137%
Earnings from discontinued operations	-	-	-

Net earnings	\$21,787	\$9,183	137%
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Earnings per share - basic:			
Earnings from continuing operations	\$0.78	\$0.33	136%
Earnings from discontinued operations	\$-	\$-	-

Net earnings	\$0.78	\$0.33	136%
Average common shares outstanding	27,869,237	27,831,830	0%
Earnings per share - diluted:			
Earnings from continuing operations	\$0.76	\$0.33	130%
Earnings from discontinued operations	\$-	\$-	-
Net earnings	\$0.76	\$0.33	130%
Average common and common equivalent shares outstanding	28,722,573	27,859,285	3%
Cash dividends per common share	\$0.160	\$0.158	2%

Business Segments Information

(Unaudited)

	Thirteen Weeks Ended December 1, 2001	Thirteen Weeks Ended December 2, 2000	% Change
Sales			
Architectural	\$124,619	\$107,168	16%
Large-Scale Optical	16,078	24,869	-35%
Auto Glass	59,597	65,308	-9%
Eliminations	(1)	(54)	98%
Total	\$200,293	\$197,291	2%
Operating income (loss)			
Architectural	\$9,056	\$5,661	60%
Large-Scale Optical	(1,469)	3,254	N/M
Auto Glass	2,616	(3,041)	N/M
Corporate and other	(273)	(503)	46%
Total	\$9,930	\$5,371	85%

Business Segments Information

(Unaudited)

	Thirty-nine Weeks Ended December 1, 2001	Forty Weeks Ended December 2, 2000	% Change
Sales			
Architectural	\$360,904	\$331,285	9%
Large-Scale Optical	51,565	66,148	-22%
Auto Glass	201,670	273,799	-26%
Eliminations	(7)	(324)	98%
Total	\$614,132	\$670,908	-8%
Operating income (loss)			
Architectural	\$25,076	\$17,988	39%
Large-Scale Optical	(2,961)	3,573	N/M
Auto Glass	12,998	3,177	309%
Corporate and other	(1,286)	(1,748)	26%
Total	\$33,827	\$22,990	47%

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