



Apogee 2nd Quarter Earnings Exceed Expectations On Lower Revenues; Maintains Fiscal 2003 Guidance Despite Stalled Construction Industry

September 18, 2002

MINNEAPOLIS, Sept 18, 2002 (BUSINESS WIRE) -- Apogee Enterprises, Inc. (Nasdaq:APOG), which develops and delivers value-added glass products and services for the architectural, automotive and large-scale optical industries, today announced that second quarter fiscal 2003 earnings were \$0.30 per share, or \$8.6 million, versus \$0.36 per share, or \$10.3 million, in the fiscal 2002 second period. Fiscal 2003 results include one-time charges of \$0.03 cents per share primarily from the auto glass segment, while the prior-year period included a one-time gain of \$0.04 cents per share in the auto glass segment due to changes in pricing amendments related to the PPG Auto Glass joint venture. All earnings per share figures refer to diluted earnings per share.

Revenues for the second quarter totaled \$200.3 million, down 5 percent from revenues of \$210.2 million in the same period last year.

"I am encouraged that our ongoing focus on operational improvements enabled us to exceed our guidance of \$0.28 cents per share in this challenging economy," said Russell Huffer, Apogee chairman, president and chief executive officer. "Despite the tough construction market, our architectural segment revenues declined only 4 percent and operating income decreased slightly as major project delays were offset by continuing operational improvements. In addition, the large-scale optical segment has returned to operating profitability after being impacted by slowed retail markets for five quarters. Auto glass remains a challenge, with revenue and unit volume down due to the mild weather, a soft industry and a loss of market share.

"In the second quarter, we continued to strengthen our balance sheet as we reduced long-term debt to \$51.7 million, for total debt reduction so far this year of approximately \$17 million," Huffer said. "At the same time we repurchased 820,000 shares during the second quarter, bringing the total for the year to 927,000 at an average price of \$13.14."

Architectural products and services

Second quarter revenues for Apogee's largest segment, architectural products and services, declined due to further softening in the commercial construction industry, especially in the office building sector. Revenues decreased 4 percent to \$115.7 million, compared to \$120.0 million in the prior-year quarter. Operating income totaled \$8.4 million and was only slightly below the \$9.0 million reported a year ago; the modest decline was largely the result of timing of glass installation projects. The segment has maintained its operating margin on lower revenues (7.3 percent in the second quarter, versus 7.5 percent in the previous-year period) as a result of operational improvements and cost reduction initiatives, which include Six Sigma efforts.

The architectural segment backlog dropped to \$163.2 million, compared to \$183.4 million at the end of the first quarter, which is consistent with the continuing economic uncertainty and related slowdown in commercial construction discussed later in the outlook section. Overall, the backlog continues to reflect the segment's focus on complex, value-added projects which have longer lead times from project approval to production and less predictable schedules.

Automotive replacement glass and services

Automotive segment revenues for the second quarter were \$64.4 million, down from \$75.2 million in the prior-year period. The unusually mild weather, weaker industry conditions resulting from a decrease in the number of windshields replaced and price erosion, and continued market share loss within Apogee led to lower unit volume in what is historically the strongest quarter for this segment. The segment reported operating income of \$5.2 million, compared to \$8.9 million in the same period last year. The current-year quarter included one-time charges of \$0.6 million net of tax related to management changes and downsizing, which are expected to deliver annual savings of \$1.3 million. Last year's period included a one-time gain of \$1.2 million net of tax from the amendments made to the supply agreements related to the PPG Auto Glass joint venture, owned 34 percent by Apogee.

Large-scale optical technologies

In the second quarter, revenues increased 34 percent to \$20.1 million, from \$15.0 million in the prior-year period, due to improvements in key consumer electronics and retail framing markets. The segment reported operating income of \$0.4 million, versus an operating loss of \$1.5 million in the same period last year. Operational improvements, successful new product introductions and continued conversion to value-added picture framing glass positively impacted segment earnings, offset by a one-time charge of \$0.2 million net of tax from consolidating pre-framed art facilities, which is expected to yield annual savings of more than \$0.5 million.

Equity in affiliates

Apogee reported a slight loss from investments in affiliated companies of \$0.1 million in the second quarter, versus income of \$0.3 million in the prior-year period. This decrease was due to a decline in the performance of the PPG Auto Glass wholesale distribution joint venture as a result of the weaker industry conditions and loss of market share. Last year's results included \$0.8 million net of tax in funding for the TerraSun joint venture, which has since been shut down.

Financial condition

Apogee employed its strong cash flow during the quarter to reduce long-term debt and continue its 1.5 million share repurchase program. Long-term debt was reduced by \$4.8 million to \$51.7 million at the end of the second quarter, from \$56.5 million at the end of the first quarter and \$86.5 million at the end of the prior-year period. The company's debt-to-total-capital ratio declined to 23 percent, a significant improvement from 35 percent at the end of the prior-year period.

Apogee's earnings before interest, taxes, depreciation and amortization (EBITDA) were \$19.3 million for the second quarter, compared to \$22.4 million in the same period last year. In the second quarter, depreciation and amortization totaled \$6.0 million, compared with \$6.5 million in the year-ago quarter. Working capital decreased to \$44.8 million at the end of the quarter, versus \$46.5 million in last year's second quarter. Capital expenditures were \$2.7 million in the quarter, compared to \$2.8 million in last year's second quarter.

Outlook

"We continue to have a line of sight to earnings of \$1.00 per share in fiscal 2003," Huffer said. "We are seeing expected improvement in large-scale optical markets, but are disappointed by the slower than anticipated rebound in the commercial construction industry which lags the general economy. At the same time, the auto glass segment continues to be impacted by weak industry conditions and continued share erosion, which is being addressed.

"Our continued focus on cost control and operational improvements, including our Six Sigma efforts, is contributing to our fiscal 2003 earnings outlook and should help us further improve operating margins, competitiveness and return on investment. The Six Sigma program is on track to provide \$12 million in one-time cash and ongoing expense savings this year.

"Based on industry forecasts, we had expected a second half recovery in construction, which is not materializing," said Huffer. "In fact, the calendar 2002 outlook for U.S. office buildings, Apogee's largest market, has declined further since our first quarter earnings release in June. The office construction market is now forecasted to be down 20 percent over 2001, according to the August 2002 outlook from F.W. Dodge, a leading provider of construction industry analysis, forecasts and trends. In addition, Apogee's role in building projects - glass and its installation - is a later step in the construction process, which is reflected in our backlog decline. A bright spot in this outlook is estimated growth in office construction of 15 percent in calendar 2003 and 26 percent in 2004.

"Our other target construction markets - education, healthcare and other institutional, which includes courthouses, sports arenas and airport terminals - are expected to be essentially flat or up slightly from 2001 through 2004," Huffer said.

"Looking ahead, we remain committed to our stated long-term goals of 10 to 15 percent annual earnings growth and 7 to 10 percent revenue growth. This outlook is based on a rebound in the overall economy, the projected improvement in construction markets next year, a more normalized auto glass replacement market environment, and an ongoing turnaround in our large-scale optical segment," he said. "Due to economic and market timing uncertainties, though, we are not ready to provide detailed fiscal 2004 earnings guidance."

The following statements are based on current expectations for Fiscal 2003. These statements are forward-looking, and actual results may differ materially.

-- Overall revenues have been adjusted to flat to a low single-digit decline, but with year-on-year growth in the second half of the year. -- Architectural segment revenues outlook has been revised to flat to slightly below fiscal 2002, with the balance of the year flat to slightly above prior-year quarters. The delay in new construction recovery is impacting Apogee as evidenced by the backlog decline. The slow new construction market is somewhat offset by value-added energy-efficient, protective glazing, and renovation products and services. -- Automotive replacement glass segment revenues are expected to be down 5 to 10 percent for the year. -- Large-scale optical technologies segment revenues are expected to grow in excess of 25 percent in the second half compared to fiscal 2002, barring any unforeseen changes in the economy. Growth is expected to result from market improvements, new product introductions and national account penetration. -- Operating margins will likely remain at just over 6 percent of sales for the balance of the year, as cost savings and operating efficiencies continue to offset higher wages, insurance and health care costs. -- Equity in affiliates will likely show a loss for the year, as the wholesale auto glass market served by the auto glass distribution joint venture has been impacted by the competitive pricing environment and soft industry trends. -- Capital expenditures remain targeted at \$20 million, and Apogee expects to continue with its current share repurchase program. -- Debt is expected to be reduced to below \$50 million by year-end. -- Earnings per share are expected to reach \$1.00 per share. The elimination of amortization under the new method of accounting for goodwill is contributing approximately \$0.05 of the anticipated full-year earnings improvement. The internal quarterly EPS targets are: Q3, \$0.32; and Q4, \$0.20.

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 that Harmon AutoGlass will recapture market share and increase sales in the soft auto replacement glass market. 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 slowed economy. There also can be no assurances that the large-scale optical segment businesses will continue to increase revenues year over year. 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 2, 2002.

Teleconference and simultaneous webcast

Analysts, investors and media are invited to listen to Apogee's live teleconference or webcast at 10 a.m. Central Daylight Time tomorrow, September 19. To participate in the teleconference, call 1-877-679-9051 toll free or 952-556-2804 local, and reference "Apogee Enterprises." The replay will be available from 1 p.m. Central Daylight Time on Thursday, September 19, through midnight Central Daylight Time on Thursday, September 26, by calling 1-800-615-3210 toll free, access code 6200247. 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, install and renovate the walls of glass

and windows comprising the outside skin of commercial and

institutional buildings. Businesses in this segment are:

Viracon, the leading fabricator of coated, high-performance

architectural glass for global markets; Harmon, Inc., the

largest U.S. full-service building glass installation,

maintenance and renovation company; Wausau Window and Wall

Systems, a manufacturer of custom aluminum window systems and

curtainwall; and Linetec, a paint and anodizing finisher of

window frames and PVC shutters.

-- Automotive replacement glass and services companies fabricate,

repair and replace automobile windshields and windows.

Businesses in this segment are: Harmon AutoGlass, a U.S. chain

of retail auto glass replacement and repair shops; and

Viracon/Curvlite, a 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 North

American value-added glass and matboard manufacturer for the

custom framing and pre-framed art markets; and Viratec, a

producer of optical thin film coatings for the global display

and imaging markets.

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

	Thirteen Weeks Ended August 31, 2002	Thirteen Weeks Ended Sept. 1, 2001	%
Dollar amounts in thousands, except for per share amounts			Change
Net sales	\$200,282	\$210,233	-5%
Cost of goods sold	148,487	158,833	-7%
Gross profit	51,795	51,400	1%
Selling, general and administrative expenses	38,431	35,476	8%
Operating income	13,364	15,924	-16%
Interest expense, net	834	1,234	-32%
Equity in (loss) income of affiliated companies	(112)	297	N/M
Earnings before income taxes	12,418	14,987	-17%
Income taxes	3,850	4,646	-17%
Net earnings	\$8,568	\$10,341	-17%
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Earnings per share - basic:	\$0.31	\$0.37	-16%
Average common shares outstanding	27,739,929	27,956,245	-1%
Earnings per share - diluted:	\$0.30	\$0.36	-17%
Average common and common			

equivalent shares outstanding	28,636,506	28,889,019	-1%
Cash dividends per common share	\$0.055	\$0.053	5%

Dollar amounts in thousands, except for per share amounts	Twenty-six Weeks Ended August 31, 2002	Twenty-six Weeks Ended Sept. 1, 2001	% Change
Net sales	\$384,991	\$413,839	-7%
Cost of goods sold	287,243	317,135	-9%
Gross profit	97,748	96,704	1%
Selling, general and administrative expenses	74,682	72,807	3%
Operating income	23,066	23,897	-3%
Interest expense, net	1,826	3,156	-42%
Equity in (loss) income of affiliated companies	(1,230)	2,365	N/M
Earnings before income taxes	20,010	23,106	-13%
Income taxes	6,203	7,163	-13%
Net earnings	\$13,807	\$15,943	-13%
Earnings per share - basic:	\$0.49	\$0.57	-14%
Average common shares outstanding	27,900,155	27,814,970	0%
Earnings per share - diluted:	\$0.48	\$0.56	-14%
Average common and common equivalent shares outstanding	28,863,282	28,603,867	1%
Cash dividends per common share	\$0.110	\$0.105	5%

Business Segments Information
(Unaudited)

	Thirteen Weeks Ended Aug. 31, 2002	Thirteen Weeks Ended Sept. 1, 2001	% Change
Sales			
Architectural	\$115,739	\$120,059	-4%
Auto Glass	64,439	75,197	-14%
Large-Scale Optical	20,105	14,980	34%
Eliminations	(1)	(3)	67%
Total	\$200,282	\$210,233	-5%

Operating income (loss)			
Architectural	\$8,409	\$9,000	-7%
Auto Glass	5,153	8,919	-42%
Large-Scale Optical	424	(1,475)	N/M
Corporate and other	(622)	(520)	-20%
Total	\$13,364	\$15,924	-16%

	Twenty- six Weeks Ended Aug. 31, 2002	Twenty- six Weeks Ended Sept. 1, 2001	% Change
Sales			
Architectural	\$223,732	\$236,285	-5%
Auto Glass	124,800	142,073	-12%
Large-Scale Optical	36,460	35,487	3%
Eliminations	(1)	(6)	83%
Total	\$384,991	\$413,839	-7%

Operating income (loss)			
Architectural	\$14,835	\$16,021	-7%
Auto Glass	9,837	10,381	-5%
Large-Scale Optical	(494)	(1,491)	67%

Corporate and other	(1,112)	(1,014)	-10%
Total	\$23,066	\$23,897	-3%

Consolidated Condensed Balance Sheets
(Unaudited)

Assets	Aug. 31, 2002	March 2, 2002
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Current assets	\$164,240	\$175,084
Net property, plant and equipment	121,040	128,515
Other assets	98,365	105,517
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Total assets	\$383,645	\$409,116
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Liabilities and shareholders' equity		

Current liabilities	\$119,450	\$127,239
Long-term debt	51,736	69,098
Other liabilities	41,355	41,845
Shareholders' equity	171,104	170,934
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Total liabilities and shareholders' equity	\$383,645	\$409,116
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Apogee Enterprises, Inc.

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