



## Apogee 3rd Quarter Earnings Increase; Current Year Guidance Reduced

December 18, 2002

MINNEAPOLIS--(BUSINESS WIRE)--Dec. 18, 2002--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 third quarter fiscal 2003 earnings increased 35 percent to \$0.27 per share, or \$7.6 million, versus \$0.20 per share, or \$5.8 million, in the fiscal 2002 third period. All earnings per share figures refer to diluted earnings per share.

Revenues for the third quarter totaled \$199.2 million, compared to revenues of \$200.3 million in the same period last year. Apogee's operating margin improved to 5.3 percent in the third quarter, versus

- 5.0 percent in the prior-year period, despite pricing pressures, the ongoing slowdown in the construction industry, the challenging auto glass market and increased insurance costs.

"Performance in our architectural and large-scale optical segments was strong, as anticipated," said Russell Huffer, Apogee chairman, president and chief executive officer. "However, in our auto glass segment, unit volume and pricing were below expectations, leading to lower overall earnings than we had anticipated. As we complete fiscal 2003, the continuing tough auto glass replacement market and uncertainty in construction project timing present challenges, and will make it difficult to grow in fiscal 2004.

"In the third quarter, we generated earnings before interest, taxes, depreciation and amortization (EBITDA) of \$16.4 million," Huffer said. "This strong cash flow allowed us to continue to pay down debt while repurchasing stock. We reduced long-term debt to \$48.5 million at the end of the quarter, and we repurchased 217,000 shares during the third quarter, bringing the total for the year to 1.1 million shares."

### Architectural products and services

Third quarter revenues for Apogee's largest segment, architectural products and services, declined slightly as the company continues to outperform the slowed commercial construction market. Revenues decreased 2 percent to \$121.9 million, compared to \$124.6 million in the prior-year quarter. Operating income, however, grew 20 percent to \$10.8 million from \$9.1 million a year ago, and the operating margin improved to 8.9 percent, from 7.3 percent in last year's third quarter, reflecting the focus on operational improvements and cost reduction initiatives, which include Six Sigma efforts.

The architectural segment backlog dropped to \$151.3 million, compared to \$163.2 million at the end of the second quarter of fiscal 2003, and \$191.5 million for the third quarter of last year. This is consistent with the continuing economic uncertainty and related slowdown in commercial construction, which are causing delays in project commitments and scheduling for the segment. Improved lead times in the company's architectural businesses also contributed to the backlog drop.

### Automotive replacement glass and services

Automotive segment revenues for the third quarter were \$55.7 million, down 7 percent from \$59.6 million in the prior-year period. The segment reported an operating loss of \$1.4 million, compared to operating income of \$2.6 million in the same period last year as industry conditions continued to be challenging. Although Apogee's retail unit volume was slightly above last year, unit growth did not meet expectations and the business experienced greater than anticipated margin erosion due to competitive pricing. The segment's manufacturing business was also negatively impacted, as pricing continued to deteriorate as a result of slow retail demand and import pressures, and volume was lower than anticipated.

### Large-scale optical technologies

In the third quarter, revenues increased 34 percent to \$21.6 million, from \$16.1 million in the prior-year period, due to continued improvements in key consumer electronics and retail framing markets. The segment reported operating income of \$1.8 million, versus an operating loss of \$1.5 million in the same period last year. Segment earnings were positively impacted by operational improvements, successful new product introductions, continued conversion of value-added picture framing glass and a \$0.4 million gain on sale of equipment.

### Equity in affiliates

Apogee reported operating income from investments in affiliated companies of \$0.3 million in the third quarter, versus a loss of \$0.6 million in the prior-year period. This improvement reflects improved operating performance by the PPG Auto Glass wholesale distribution joint venture, despite challenging market conditions.

### Financial condition

Apogee's cash flow during the quarter was strong, as EBITDA totaled \$16.4 million compared to \$16.7 million in the same period last year, which included \$0.6 million in amortization expense. Long-term debt was reduced by \$3.2 million to \$48.5 million at the end of the third quarter, from \$51.7 million at the end of the second quarter and \$80.3 million at the end of the prior-year period. The company's debt-to-total-capital ratio declined to 22 percent, a significant improvement from 33 percent at the end of the prior-year period.

In the third quarter, depreciation and amortization totaled \$5.8 million, compared with \$6.7 million in the year-ago quarter. Apogee benefited from \$0.8 million in realized gains on the sale of investments held for its self-insurance program that reduced the amount classified as interest/other; interest also was positively impacted by reduced debt levels and interest rates. Total non-cash working capital decreased to \$39.6 million at the end of the quarter, versus \$46.1 million in last year's third quarter. Capital expenditures were \$2.8 million in the quarter, compared to \$1.7 million in last year's third quarter.

## Outlook

"We don't expect to be able to make up the shortfall from the poor auto glass performance this quarter and are reducing the guidance for fiscal 2003 to \$0.93 to \$0.95 per share, versus our prior guidance of \$1.00," Huffer said. "We remain confident in our ability to deliver \$0.18 to \$0.20 per share in the fourth quarter, which ends March 1, 2003.

"We expect that share gains in our architectural segment in the fourth quarter will continue to somewhat offset the significant weakness in office construction. We also are anticipating that unit growth in auto glass retail will help offset price erosion in that business," said Huffer. "In addition, our continued focus on cost control and operational improvements, including our Six Sigma efforts, should help offset the effects of the soft economy. The Six Sigma program is on track to provide \$10 to \$12 million in one-time cash and ongoing expense savings this year.

"We are pleased that the large-scale optical segment continues to perform well," said Huffer. "For fiscal 2003, we anticipate strong EBITDA of approximately \$68 million, and we will continue to strengthen our balance sheet, pay down debt and complete our share repurchase program.

"Looking to fiscal 2004, because of the uncertainty in the commercial construction markets, we are anticipating earnings in the range of \$0.85 to \$0.93 per share. However, we still anticipate strong free cash flow, with EBITDA totaling \$65 to \$70 million," Huffer said. "In order for us to match the projected earnings for fiscal 2003 in fiscal 2004, we will need improvement in the commercial construction market above expected levels, or faster growth of the hurricane and protective glazing markets."

The late October outlook from F.W. Dodge, a leading independent provider of construction industry analysis, forecasts and trends, calls for total non-residential construction to be down 6 percent in calendar 2002 and flat in 2003, which will impact the majority of Apogee's fiscal 2004. "Over the past several months, the expected construction recovery has been pushed back to the end of calendar 2003," said Huffer, "and, the outlook for our largest market, office construction, has also declined. Dodge expects a 3 percent decline in office construction for calendar 2003.

"Due to this uncertainty, we expect flat to slightly lower revenues for the fiscal year that ends February 28, 2004, with weakness in the architectural markets and competitive conditions in the auto glass industry somewhat offset by share gain and new product penetration in our large-scale optical segment," he said. "As seen in our current backlog, the first quarter of next year looks especially challenging due to the soft conditions in our key markets.

"We believe we have developed the right products for the current market opportunities, and in this challenging year will focus on both expanding the markets for value-added products and increasing our market share by driving renovation, hurricane and protective glazing products and services, where we have already seen success," said Huffer. "We continue to see growth in our large-scale optical businesses, and expect that our retail auto glass business will continue to grow market share in fiscal 2004. These initiatives along with our ongoing cost control and operational improvements, including our Six Sigma efforts, should benefit us in fiscal 2004 and help offset the impact of the soft construction markets.

"We remain committed to our stated long-term goals of 10 to 15 percent annual earnings growth and 7 to 10 percent annual revenue growth," he said.

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

### Fiscal 2003 Fourth Quarter

- Overall revenue growth is anticipated in the mid-single digits.
- Architectural segment revenues are expected to be flat to slightly above the fiscal 2002 fourth quarter, with growth coming from the glass installation business which has a strong third-quarter backlog, offset by soft market conditions for the other businesses.
- Automotive replacement glass segment revenues are expected to be flat due to volume increases offset by lower prices and competitive industry conditions.
- Large-scale optical technologies segment revenues are expected to again show strong double-digit growth from expanded distribution of value-added picture framing glass and continued growth of new products introduced for the projection television industry.
- Operating margins are expected to be at 5 percent of sales, as cost savings and operating efficiencies offset higher wage, insurance and healthcare costs, and lower prices.
- Equity in affiliates will likely show a loss for the quarter, which is normal for the seasonal wholesale auto glass market served by our auto glass distribution joint venture. The loss, though, is expected to be less than that experienced in the prior-year quarter due to improved performance.
- Capital expenditures for the fiscal year will be less than \$20 million, and Apogee expects to continue with its current share repurchase program.
- Debt is expected to be reduced further by year-end.
- Earnings per share are expected to be from \$0.18 to \$0.20. The elimination of amortization under the new method of accounting for goodwill is contributing approximately \$0.01 per share of the anticipated fourth quarter earnings.

### Full-Year Fiscal 2004

- Overall revenues flat to slightly down, with a tough first quarter.
- Architectural segment revenues are expected to be flat to slightly down, due to declines in total non-residential new construction and the office building sector as forecast by F.W. Dodge. This softness should be offset by growing sales of value-added energy-efficient, protective glazing, and renovation products and services, along with international growth and new large building project contracts. Expected architectural revenues by quarter are: Q1, down 5 to 10 percent from fiscal 2003; Q2, flat; Q3, up 3 to 5 percent versus fiscal 2003; and Q4, up 3 to 5 percent.

- Automotive replacement glass segment revenues are expected to grow in the low single digits as the company continues to recapture retail market share in a continued competitive market.
- Large-scale optical revenues are anticipated to grow 8 to 10 percent through expanded distribution of value-added picture framing glass products and further penetration of the projection television and other consumer electronic industries with new products featuring anti-reflective coatings on glass and acrylic.
- Gross margin percentages are expected to decline slightly as productivity improvements and cost controls offset increases in material costs, insurance and wages. The architectural and auto glass segments are expected to face competitive pricing pressures due to soft market conditions.
- Our expected operating margins by segment are: architectural, 6 to 6.5 percent; auto glass, 4 to 5 percent; and large-scale optical, 5 to 6 percent.
- SG&A as a percent of sales is projected to be flat.
- Equity in affiliates will likely show a loss similar to fiscal 2003 levels.
- Capital expenditures are targeted at \$20 to \$25 million, largely for maintenance projects and for some IT requirements.
- Depreciation and amortization is estimated at \$27 million.
- Debt is expected to be reduced to \$30 to \$35 million.
- The tax rate is anticipated to be constant with fiscal 2003 at 31 percent.
- Earnings per share are expected to range from \$0.85 to \$0.93, with a year-over-year decline in the first quarter, followed by improvement in the balance of the year. Internal quarterly targets are: Q1, \$0.12 to \$0.14; Q2, \$0.26 to \$0.28; Q3, \$0.29 to \$0.31; Q4, \$0.18 to \$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 Apogee's architectural segment, which serves high-end markets with value-added products, will not be further impacted by the slowed economy. In addition, there can be no assurances that Harmon AutoGlass will grow revenues and increase profitability in the challenging 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. 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 Standard Time tomorrow, December 19. 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 19, through midnight Central Standard Time on Thursday, January 2, by calling 1-800-615-3210 toll free, access code 6345223. 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	Thirteen Weeks Ended	
	November 30,	December 1,	%
Dollar amounts in thousands, except for per share amounts	2002	2001	Change

Net sales	\$199,166	\$200,293	-1%
Cost of goods sold	153,905	154,482	0%
Gross profit	45,261	45,811	-1%
Selling, general and administrative expenses	34,658	35,881	-3%
Operating income	10,603	9,930	7%
Interest (income) expense, net/other	(85)	856	N/M
Equity in income (loss) of affiliated companies	270	(605)	N/M
Earnings before income taxes	10,958	8,469	29%
Income taxes	3,397	2,625	29%
Net earnings	\$7,561	\$5,844	29%
Earnings per share - basic:	\$0.28	\$0.21	33%
Average common shares outstanding	27,255,371	27,977,771	-3%
Earnings per share - diluted:	\$0.27	\$0.20	35%
Average common and common equivalent shares outstanding	28,002,308	28,959,984	-3%
Cash dividends per common share	\$0.0575	\$0.0550	5%
	Thirty-nine	Thirty-nine	
	Weeks Ended	Weeks Ended	
Dollar amounts in thousands, except for per share amounts	November 30,	December 1,	%
	2002	2001	Change
Net sales	\$584,157	\$614,132	-5%
Cost of goods sold	441,148	471,617	-6%
Gross profit	143,009	142,515	0%
Selling, general and administrative expenses	109,340	108,688	1%
Operating income	33,669	33,827	0%
Interest (income) expense, net/other	1,741	4,012	-57%
Equity in income (loss) of affiliated companies	(960)	1,760	N/M
Earnings before income taxes	30,968	31,575	-2%
Income taxes	9,600	9,788	-2%
Net earnings	\$21,368	\$21,787	-2%
Earnings per share - basic:	\$0.77	\$0.78	-1%
Average common shares outstanding	27,685,227	27,869,237	-1%
Earnings per share - diluted:	\$0.75	\$0.76	-1%
Average common and common equivalent shares outstanding	28,576,291	28,722,573	-1%
Cash dividends per common share	\$0.1675	\$0.1600	5%

Business Segments Information  
(Unaudited)

	Thirteen Weeks Ended November 30, 2002	Thirteen Weeks Ended December 1, 2001	%
			Change
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Sales			
Architectural	\$121,901	\$124,619	-2%
Auto Glass	55,706	59,597	-7%
Large-Scale Optical	21,594	16,078	34%
Eliminations	(35)	(1)	-3400%
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Total	\$199,166	\$200,293	-1%
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Operating income (loss)			
Architectural	\$10,845	\$9,056	20%
Auto Glass	(1,410)	2,616	N/M
Large-Scale Optical	1,819	(1,469)	N/M
Corporate and other	(651)	(273)	-138%
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Total	\$10,603	\$9,930	7%
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	Thirty-nine Weeks Ended November 30, 2002	Thirty-nine Weeks Ended December 1, 2001	%
			Change
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Sales			
Architectural	\$345,633	\$360,904	-4%
Auto Glass	180,506	201,670	-10%
Large-Scale Optical	58,054	51,565	13%
Eliminations	(36)	(7)	-414%
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Total	\$584,157	\$614,132	-5%
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Operating income (loss)			
Architectural	\$25,680	\$25,076	2%
Auto Glass	8,427	12,998	-35%
Large-Scale Optical	1,324	(2,961)	N/M
Corporate and other	(1,762)	(1,286)	-37%
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Total	\$33,669	\$33,827	0%
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Consolidated Condensed Balance Sheets  
(Unaudited)

	November 30, 2002	December 1, 2001
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Assets		
Current assets	\$175,389	\$174,870
Net property, plant and equipment	117,477	133,714

Other assets	88,342	107,036
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Total assets	\$381,208	\$415,620
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Liabilities and shareholders' equity		
Current liabilities	\$117,760	\$124,408
Long-term debt	48,508	80,348
Other liabilities	40,661	45,167
Shareholders' equity	174,279	165,697
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Total liabilities and shareholders' equity	\$381,208	\$415,620
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