

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 2, 1995 Commission File Number 0-6365

APOGEE ENTERPRISES, INC.

(Exact Name of Registrant as Specified in Charter)

Minnesota	41-0919654
-----	-----
(State of Incorporation)	(IRS Employer ID No.)

7900 Xerxes Avenue South, Suite 1800, Minneapolis, Minnesota 55431

(Address of Principal Executive Offices)

Registrant's Telephone Number (612) 835-1874

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the latest practicable date.

Class	Outstanding at September 30, 1995
-----	-----
Common Stock, \$.33-1/3 Par Value	13,496,818

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
FORM 10-Q
TABLE OF CONTENTS
FOR THE QUARTER ENDED SEPTEMBER 2, 1995

Description -----	Page ----
PART I - - - - -	
Item 1. Financial Statements	
Consolidated Balance Sheets as of September 2, 1995 and February 25, 1995	3
Consolidated Results of Operations for the Three Months and Six Months Ended September 2, 1995 and August 27, 1994	4
Consolidated Statements of Cash Flows for the Six Months Ended September 2, 1995 and August 27, 1994	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	7-9

PART II Other Information
- - - - -

Item 6. Exhibits	10
Exhibit Index	12
Exhibit II	13

-2-

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)

	September 2, 1995 -----	February 25, 1995 -----
ASSETS		
Current assets		
Cash and cash equivalents (including restricted funds of \$874 and \$885, respectively)	\$ 14,686	\$ 2,894
Receivables, net of allowance for doubtful accounts	164,341	165,099
Inventories	55,243	54,559
Costs and earnings in excess of billings on uncompleted contracts	17,409	19,606
Deferred tax assets	10,984	10,384

Other current assets	2,174	4,278
	-----	-----
Total current assets	264,837	256,820
	-----	-----
Property, plant and equipment, net	72,349	75,028
Investments in and advances to affiliated companies	16,042	15,016
Intangible assets, at cost less accumulated amortization	8,515	8,383
Deferred tax assets	5,682	5,082
Other assets	2,121	1,599
	-----	-----
Total assets	\$369,546	\$361,928
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable	\$ 51,208	\$ 53,793
Accrued expenses	46,185	41,168
Billings in excess of costs and earnings on uncompleted contracts	16,729	17,717
Accrued income taxes	10,024	10,454
Notes payable	7,600	7,065
Current installments of long-term debt	5,369	5,522
	-----	-----
Total current liabilities	137,115	135,719
	-----	-----
Long-term debt	79,689	80,566
Other long-term liabilities	20,382	21,014
Shareholders' equity		
Common stock, \$.33-1/3 par value; authorized 50,000,000 shares; issued and outstanding 13,488,000 and 13,443,000 shares, respectively	4,496	4,481
Additional paid-in capital	20,124	19,345
Retained earnings	107,740	100,803
	-----	-----
Total shareholders' equity	132,360	124,629
	-----	-----
Total liabilities and shareholders' equity	\$369,546	\$361,928
	=====	=====

See accompanying notes to consolidated financial statements.

-3-

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED RESULTS OF OPERATIONS
FOR THE THREE MONTHS AND SIX MONTHS ENDED
SEPTEMBER 2, 1995 AND AUGUST 27, 1994
(Thousands of Dollars Except Share and Per Share Amounts)

	Three Months Ended		Six Months Ended	
	September 2, 1995	August 27, 1994	September 2, 1995	August 27, 1994
	-----	-----	-----	-----
Net sales	\$ 222,186	\$ 185,971	\$ 441,218	\$ 364,898
Cost of sales	190,362	156,731	377,469	310,270
	-----	-----	-----	-----
Gross profit	31,824	29,240	63,749	54,628
Selling, general and				

administrative expenses	21,126	21,765	45,253	42,435
	-----	-----	-----	-----
Operating income	10,698	7,475	18,496	12,193
Interest expense	1,711	821	3,463	1,383
Other income, net	(161)	-	(161)	-
	-----	-----	-----	-----
Earnings before income taxes and other items below	9,148	6,654	15,194	10,810
Income taxes	3,301	2,779	5,698	4,512
Equity in net earnings of affiliated companies	226	(294)	149	(471)
Minority interest	(25)	(125)	220	(125)
	-----	-----	-----	-----
Net earnings	\$ 5,646	\$ 4,294	\$ 9,127	\$ 6,894
	=====	=====	=====	=====
Earnings per share:	\$.41	\$.32	\$.67	\$.51
	=====	=====	=====	=====
Weighted average number of common shares and common share equivalents outstanding	13,637,000	13,447,000	13,630,000	13,412,000
	=====	=====	=====	=====
Cash dividends per common share	\$.08	\$.075	\$.16	\$.15
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

-4-

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 2, 1995 AND AUGUST 27, 1994
(Thousands of Dollars)

	1995	1994
	-----	-----
OPERATING ACTIVITIES		
Net earnings	\$ 9,127	\$ 6,894
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	8,283	7,649
Provision for losses on accounts receivable	632	1,037
Noncurrent deferred income taxes	(1,200)	(600)
Gain on sale of Nanik Window Coverings Group	(4,709)	-
Equity in net earnings of affiliated companies	149	(471)
Minority interest in net earnings	220	(125)
Other, net	(343)	315
Changes in operating assets and liabilities, net of effect of acquisitions:		
Receivables	(3,892)	1,406
Inventories	(5,280)	(5,796)
Costs and earnings in excess of billings on uncompleted contracts	2,197	(1,451)
Other current assets	1,959	480
Accounts payable and accrued expenses	1,671	(11,101)
Billings in excess of costs and earnings on uncompleted contracts	(988)	2,327
Accrued and current deferred income taxes	(430)	1,238

Other long-term liabilities	780	512
	-----	-----
Net cash provided by operating activities	8,176	2,314
	-----	-----
INVESTING ACTIVITIES		
Capital expenditures	(9,536)	(11,909)
Acquisition of businesses, net of cash acquired	(446)	(272)
Investments in and advances to affiliated companies	(2,807)	613
Proceeds on sale of Nanik Window Coverings Group	18,250	-
Other, net	231	(156)
	-----	-----
Net cash provided by (used in) investing activities	5,692	(11,724)
	-----	-----
FINANCING ACTIVITIES		
Increase/(decrease) in notes payable	535	(5,350)
Proceeds from issuance of long-term debt	-	15,000
Payments on long-term debt	(1,030)	(423)
Proceeds from issuance of common stock	819	1,356
Purchase and retirement of common stock	(240)	-
Dividends paid	(2,160)	(2,005)
	-----	-----
Net cash (used in) provided by financing activities	(2,076)	8,578
	-----	-----
Increase/decrease in cash	11,792	(832)
Cash and cash equivalents at beginning of period	2,894	10,824
	-----	-----
Cash and cash equivalents at end of period	\$14,686	\$ 9,992
	=====	=====

See accompanying notes to consolidated financial statements.

-5-

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Principles of Consolidation

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 2, 1995 and February 25, 1995, and the results of operations for the three months and six months ended September 2, 1995 and August 27, 1994 and cash flows for the six months ended September 2, 1995 and August 27, 1994.

The financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual consolidated financial statements and related notes.

The results of operations for the six-month period ended September 2, 1995 and August 27, 1994 are not necessarily indicative of the results to be expected for the full year.

Accounting period

The Company's fiscal year ends on the Saturday closest to February 28. Each interim quarter ends on the Saturday closest to the end of the months of May, August and November. The first quarter of fiscal 1996 consisted of 14 weeks while the first quarter of fiscal 1995 had 13 weeks. Consequently, Fiscal 1996 is a fifty-three week year while 1995 is a fifty-two week year.

2. Inventories

Inventories consist of the following:

	September 2, 1995	February 25, 1995
	-----	-----
Raw materials and supplies	\$14,383	\$14,802
In process	2,708	3,232
Finished goods	38,152	36,525
	-----	-----
	\$55,243	\$54,559
	=====	=====

-6-

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SALES AND EARNINGS

Second quarter net earnings of \$5.6 million, or 41 cents per share, were 31% greater than last year's \$4.3 million, or 32 cents a share. Revenues rose 19%, to \$222 million, from \$186 million a year ago. Year-to-date net earnings were up 32% to \$9.1 million, or 67 cents per share, from \$6.9 million, or 51 cents per share, a year ago. Revenues for the first six months jumped 21%, to \$441 million, as both of the Company's segments reported double-digit increases in each of the two quarters.

The following table presents the percentage change in sales and operating income for the Company's two segments and on a consolidated basis, for three and six months when compared to the corresponding periods a year ago.

	THREE MONTHS ENDED			SIX MONTHS ENDED		
	SEPT. 2, 1995	AUG. 27, 1994	% CHANGE	SEPT. 2, 1995	AUG. 27, 1994	% CHANGE
	=====	=====	=====	=====	=====	=====
SALES						
Building products & Services	\$147,155	\$117,633	25	\$293,686	\$231,878	27
Automotive glass	75,031	68,338	10	147,532	133,020	11
	-----	-----	-----	-----	-----	-----
Total	\$222,186	\$185,971	19	\$441,218	\$364,898	21
	=====	=====	=====	=====	=====	=====
OPERATING INCOME						
Building products & Services	\$2,180	-\$623	NM	\$4,665	-\$22	NM
Automotive glass	8,090	8,199	-1	13,663	13,960	-2
Corporate and other	428	-101	NM	168	-1,745	NM

Total	\$10,698	\$7,475	43	\$18,496	\$12,193	52
-------	----------	---------	----	----------	----------	----

Building Products & Services (BPS)

BPS reported 25% revenue growth and produced a small operating profit for the quarter, versus a minor operating loss a year ago, building on similar results experienced in the first quarter. The segment's revenue gains primarily reflected strong activity levels at Harmon Contract and record sales of high-performance architectural glass by the Viracon unit, which benefitted from improving market conditions and the additional capacity placed in service last year. The segment's operating income gain was due to Viracon's improved profitability and modest margin improvements at Harmon Contract. Operating margins remained historically low, however, as both Harmon and Wausau, the segment's architectural metals group, continued to be hampered by sluggish market recoveries and very thin-margin projects entered into before improvements in project screening procedures were initiated last year.

On July 28, 1995, the Company sold selected assets and liabilities of the Nanik Window Coverings group for \$18.3 million cash, subject to post-closing audit adjustments, if any, which are being finalized pursuant to the sale agreement. The net gain on the sale was \$4.7 million and is included under the caption, "Other income" in the Consolidated Results of Operations.

On September 2, 1995, Apogee's consolidated backlog stood at \$353 million, slightly more than first quarter's backlog of \$349 million, but down 10% from the \$394 million reported a year ago. Most of Harmon's and Wausau's low-margin business referred to above is expected to be completed by fiscal year-end. With better-margin projects coming on stream and strong order levels at Viracon, the segment anticipates improved operating earnings during the second half of fiscal 1996.

-7-

Automotive Glass (AG)

AG increased sales by 10% for the quarter. Despite competitive pricing conditions and lower industry demand, AG's Harmon Glass and Glass Depot groups were able to improve same-location sales slightly. The National Call Center, formerly the Harmon Glass Network, reported 16% unit growth for the quarter. The segment's Curv-lite windshield fabricating unit generated slightly higher windshield sales, outpacing industry measures. Curv-lite's sales also grew due to a new program involving the redistribution of tempered automotive glass parts fabricated by another manufacturer.

Despite the improved sales, AG had essentially flat operating income compared to the year-ago period. Competitive pricing and rising costs associated with ongoing information systems and marketing initiatives and programs offset the benefit of the sales gains.

For the first six months, the segment has opened 3 wholesale depots and 16 retail stores, while closing 7 locations, bringing the quarter-end total to 265 retail units and 56 depots. Expansion opportunities, including both possible acquisitions and start-up operations, continued to be investigated.

AG continues to anticipate a solid operating profit for the year. However, weak demand for automotive replacement glass and softening prices, along with the added costs of its selling and administrative initiatives, may cause the segment to report lower operating earnings than a year ago.

Viratec Thin Films

Viratec Thin Films (Viratec), a 50%-owned joint venture and leading supplier of coated glass for computer anti-glare screens, reported stronger sales but lower operating income than a year ago. Profitability was affected by a decline in product pricing and higher research and development expenditures on future

products and process improvements. Viratec's order backlog almost doubled over a year ago and stood at \$20.6 million at quarter end.

Consolidated

The following table compares quarterly results with year-ago results, as a percentage of sales, for each caption.

	Three Months Ended		Six Months Ended	
	Sept. 2, 1995	Aug. 27, 1994	Sept. 2, 1995	Aug. 27, 1994
Net sales	100.0	100.0	100.0	100.0
Cost of sales	85.7	84.3	85.6	85.0
Gross profit	14.3	15.7	14.4	15.0
Selling, general and administrative expenses	9.5	11.7	10.3	11.6
Operating income	4.8	4.0	4.2	3.3
Interest expense, net	0.8	0.4	0.8	0.4
Other income, net	(0.1)	-	-	-
Earnings before income taxes and other items below	4.1	3.6	3.4	3.0
Income taxes	1.5	1.5	1.3	1.2
Equity in net (earnings) of affiliated companies	0.1	(0.2)	-	(0.1)
Minority interest	-	(0.1)	-	-
Net earnings	2.5	2.3	2.1	1.9
Income tax rate	36.1%	40.0%	37.5%	40.0%

-8-

On a consolidated basis for the three-month and six-month periods, gross profit, as a percentage of net sales, declined as lower margins at AG and a shift in revenues towards BPS, which has lower margins than AG, negatively affected gross profits. Selling, general and administrative expenses (SG & A) decreased slightly due to cost reduction programs, and the sale of the Nanik group. SG & A fell significantly as a percent of sales primarily due to the increase in net sales. Net interest expense rose with higher borrowing levels in the first five months of the year. Other income consisted of the \$4.7 million gain from the sale of the Nanik Window Coverings Group, reduced by charges totaling \$4.5 million. These charges related primarily to the write-down of a minority investment in a start-up venture and an adjustment to the Company's insurance reserves.

The effective income tax rate of 36.1% declined due to a change in the Company's jurisdictional mix.

LIQUIDITY AND CAPITAL RESOURCES

Cash balances were higher at quarter end due in large part to cash held by a captive insurance subsidiary. Receivables and inventories increased reflecting higher sales levels, though the Nanik sale offset the increases to reflect a net reduction. Accrued expenses and accounts payable also grew with the increased activity levels. Borrowing levels remained almost even with fiscal year end, with a total debt balance of \$92.7 million at September 2, 1995, which represented 34% of invested capital.

Additions to property, plant and equipment totaled \$9.5 million for the first half of the fiscal year. Major components of these additions included expenditures for information and communications systems throughout the company,

particularly at in the AG segment.

-9-

PART II

OTHER INFORMATION

ITEM 4. Submission of Matters to a Vote of Security Holders

- - - - -

Apogee Enterprises, Inc. Annual Meeting of Shareholders was held on June 20, 1995. The total number of outstanding shares on the record date for the Annual Meeting was 13,463,137. Eighty-four percent of the total outstanding shares were represented in person or by proxy at the meeting.

The candidates for election as Class III Directors listed in the proxy statement were elected to serve three-year terms, expiring at the 1998 annual meeting. The proposals to ratify the adoption of the proposed amendments to the 1987 Stock Option Plan and the appointment of KPMG Peat Marwick LLP as independent auditors for the Company were also approved. The results of these matters voted upon by shareholders are listed below.

	Number of Shares		
	In Favor	Withheld	Abstained
	-----	-----	-----
Election of Class III Directors:			
Paul B. Burke	11,335,961	16,743	
Donald W. Goldfus	11,333,558	19,145	
James L. Martineau	11,333,558	19,145	
Ratification of the adoption of the proposed amendment to the 1987 Stock Option Plan	10,567,745	106,928	60,416
Ratification of the appointment of KPMG Peat Marwick LLP as independent auditors	11,123,685	4	164,077

ITEM 6. Exhibits and Reports on Form 8-K

- - - - -

(a) Exhibits:

Exhibit 11. Statement of Determination of Common Shares and Common Share Equivalents.

Exhibit 27. Financial Data Schedule (EDGAR filing only).

(b) Registrant filed a Current Report on Form 8-K, dated July 26, 1995, in respect of amendments to the Rights Agreement between the Registrant and American Stock Transfer & Trust Company.

-10-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the

undersigned thereunto duly authorized.

APOGEE ENTERPRISES, INC.

Date: October 16, 1995

Donald W. Goldfus

Donald W. Goldfus
Chairman of the Board and
Chief Executive Officer

Date: October 16, 1995

Terry L. Hall

Terry L. Hall
Vice President of Finance and
Chief Financial Officer

-11-

EXHIBIT INDEX

Exhibit - - - - -	Page -----
Exhibit 11 Statement of Determination of Common Shares and Common Share Equivalents	13
Exhibit 27 Financial Data Schedule (EDGAR filing only)	14

STATEMENT OF DETERMINATION OF COMMON SHARES AND COMMON SHARE EQUIVALENTS

	Average No. of Common Shares & Common Share Equivalents Assumed to be Outstanding During the Three Months Ended		Average No. of Common Shares & Common Share Equivalents Assumed to be Outstanding During the Six Months Ended	
	September 2, 1995	August 27, 1994	September 2, 1995	August 27, 1994
Weighted average number of common shares outstanding (a)	13,482,119	13,364,988	13,450,941	13,339,016
Common share equivalents resulting from the assumed exercise of stock options (b)	154,499	82,408	158,707	72,551
Total primary common shares and common share equivalents	13,636,618	13,447,396	13,609,648	13,411,567

(a) Beginning balance of common stock adjusted for changes in amount outstanding, weighted by the elapsed portion of the period during which the shares were outstanding.

(b) Common share equivalents computed by the "treasury" method. Share amounts represent the dilutive effect of outstanding stock options which have an option value below the average market value for the current period.

<ARTICLE> 5
<MULTIPLIER> 1,000

<PERIOD-TYPE>	6-MOS	
<FISCAL-YEAR-END>		MAR-02-1996
<PERIOD-START>		FEB-26-1995
<PERIOD-END>		SEP-02-1995
<CASH>		14,686
<SECURITIES>		0
<RECEIVABLES>		172,195
<ALLOWANCES>		7,854
<INVENTORY>		55,243
<CURRENT-ASSETS>		264,837
<PP&E>		163,070
<DEPRECIATION>		90,721
<TOTAL-ASSETS>		369,546
<CURRENT-LIABILITIES>		137,115
<BONDS>		0
<COMMON>		4,496
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<OTHER-SE>		127,864
<TOTAL-LIABILITY-AND-EQUITY>		369,546
<SALES>		441,218
<TOTAL-REVENUES>		441,218
<CGS>		377,469
<TOTAL-COSTS>		63,749
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		632
<INTEREST-EXPENSE>		3,463
<INCOME-PRETAX>		15,194
<INCOME-TAX>		5,698
<INCOME-CONTINUING>		0
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		9,127
<EPS-PRIMARY>		0.67
<EPS-DILUTED>		0.67