

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q
Amendment No. 1

☒ 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 November 30, 1996 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 December 31, 1996
-----	-----
Common Stock, \$.33-1/3 Par Value	13,712,500

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
FORM 10-Q
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APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)

	November 30, 1996	March 2, 1996
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents (including restricted funds of \$61 and \$885, respectively)	\$ 4,109	\$ 7,389
Receivables, net of allowance for doubtful accounts	198,705	158,368
Inventories	61,584	54,484
Costs and earnings in excess of billings on uncompleted contracts	23,072	26,276
Deferred tax assets	5,253	6,689
Other current assets	6,115	5,353
	-----	-----
Total current assets	298,838	258,559
	-----	-----
Property, plant and equipment, net	110,947	78,485
Marketable securities - insurance subsidiary	17,172	12,231
Investments in and advances to affiliated companies	-	15,821
Investments	868	612
Intangible assets, at cost less accumulated amortization	24,077	10,332
Deferred tax assets	8,220	6,970
Other assets	2,344	3,126
	-----	-----
Total assets	\$462,466	\$386,136
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable	\$ 63,046	\$ 57,678
Accrued expenses	83,577	52,430
Billings in excess of costs and earnings on uncompleted contracts	42,517	19,470
Accrued income taxes	10,840	7,634
Current installments of long-term debt	5,254	5,265
	-----	-----
Total current liabilities	205,234	142,477
	-----	-----
Long-term debt	72,413	79,102
Other long-term liabilities	28,010	24,180
Minority interest	-	1,456
Shareholders' equity		
Common stock, \$.33-1/3 par value; authorized 50,000,000 shares; issued and outstanding 13,683,000 and 13,517,000 shares, respectively	4,561	4,506
Additional paid-in capital	23,671	20,445
Retained earnings	129,662	113,970
Unamortized deferred compensation	(1,500)	-
Unrealized gain on marketable securities	45	-
Foreign currency translation	370	-
	-----	-----
Total shareholders' equity	156,809	138,921
	-----	-----
Total liabilities and shareholders' equity	\$462,466	\$386,136
	=====	=====

See accompanying notes to consolidated financial statements.

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APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED RESULTS OF OPERATIONS
FOR THE THREE MONTHS AND NINE MONTHS ENDED
NOVEMBER 30, 1996 AND DECEMBER 2, 1995
(Thousands of Dollars Except Share and Per Share Amounts)

	Three Months Ended		Nine Months Ended	
	November 30, 1996	December 2, 1995	November 30, 1996	December 2, 1995
	-----	-----	-----	-----
Net sales	\$ 228,781	\$ 215,487	\$ 710,543	\$ 656,705
Cost of sales	188,664	187,223	591,723	564,692
	-----	-----	-----	-----
Gross profit	40,117	28,264	118,820	92,013
Selling, general and administrative expenses	27,634	20,027	81,456	65,280
	-----	-----	-----	-----
Operating income	12,483	8,237	37,364	26,733
Interest expense, net	1,912	1,145	6,168	4,608
Other income, net	-	-	-	(161)
	-----	-----	-----	-----
Earnings before income taxes and other items below	10,571	7,092	31,196	22,286
Income taxes	3,667	2,509	11,250	8,207
Equity in net (earnings) loss of affiliated companies	-	(305)	60	(156)
Minority interest	(698)	(284)	(672)	(64)
	-----	-----	-----	-----
Net earnings	\$ 7,602	\$ 5,172	\$ 20,558	\$ 14,299
	=====	=====	=====	=====
Earnings per share	\$ 0.54	\$ 0.38	\$ 1.47	\$ 1.05
	=====	=====	=====	=====
Weighted average number of common shares and common share equivalents outstanding	14,027,000	13,599,000	13,955,000	13,620,000
	=====	=====	=====	=====
Cash dividends per common				

share	\$.090	\$.085	\$.260	\$.245
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

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APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED NOVEMBER 30, 1996 AND DECEMBER 2, 1995
(Thousands of Dollars)

OPERATING ACTIVITIES	1996	1995
	-----	-----
Net earnings	\$ 20,558	\$ 14,299
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	17,395	12,615
Provision for losses on accounts receivable	1,492	421
Deferred income tax	486	(1,800)
Gain on sale of Nanik Window Covering Group	-	(4,709)
Equity in loss net (earnings) of affiliated companies	60	(156)
Minority interest	(672)	(64)
Other, net	1,071	(1,172)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Receivables	(36,936)	(8,336)
Inventories	(4,563)	(3,223)
Costs and earnings in excess of billings on uncompleted contracts	3,204	(7,144)
Other current assets	(356)	1,506
Accounts payable and accrued expenses (1)	28,615	4,018
Billings in excess of costs and earnings on uncompleted contracts	23,047	1,273
Accrued income taxes	2,897	(552)
Other long-term liabilities	3,830	709
	-----	-----
Net cash provided by operating activities	60,128	7,685
	-----	-----
INVESTING ACTIVITIES		
Capital expenditures	(22,512)	(16,677)
Acquisition of businesses, net of cash acquired (1)	(28,969)	(446)
Investments in and advances to affiliated companies	-	(1,318)
Increase in marketable securities	(4,896)	-
Proceeds from sale of Nanik Window Coverings Group	-	18,250
Proceeds from sale of property and equipment	1,889	313
Other, net	(649)	(65)
	-----	-----
Net cash (used in) provided by investing activities	(55,137)	57
	-----	-----
FINANCING ACTIVITIES		
Increase in notes payable	-	5,485
Payments on long-term debt	(6,700)	(5,280)
Proceeds from issuance of common stock	3,380	1,015
Purchase and retirement of common stock	(1,396)	(240)
Dividends paid	(3,555)	(3,304)
	-----	-----
Net cash (used in) financing activities	(8,271)	(2,324)
	-----	-----
(Decrease)/increase in cash	(3,280)	5,418
Cash and cash equivalents at beginning of period	7,389	2,894
	-----	-----
Cash and cash equivalents at end of period	\$ 4,109	\$ 8,312
	=====	=====

- (1) The estimated cost, as of November 30, 1996, for the Marcon and Viratec acquisition included in investing activities is offset by an increase in accrued expenses included in operating activities.

See accompanying notes to consolidated financial statements.

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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 November 30, 1996 and March 2, 1996, and the results of operations for the three months and nine months ended November 30, 1996 and December 2, 1995 and cash flows for the nine months ended November 30, 1996 and December 2, 1995.

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 notes.

The results of operations for the nine-month period ended November 30, 1996 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 1997 consisted of 13 weeks, while the first quarter of fiscal 1996 had 14 weeks. Consequently, fiscal 1997 is a 52 week year while fiscal 1996 is a 52 week year.

2. Inventories

Inventories consist of the following:

	November 30, 1996 -----	March 2, 1996 -----
Raw materials and supplies	\$13,154	\$10,402
In process	5,243	3,964
Finished goods	43,187 -----	40,118 -----
	\$61,584 =====	\$54,484 =====

3. Subsequent events

On January 13, 1997, the Company and Marvin Lumber and Cedar Company announced that they agreed to a comprehensive settlement of all claims with respect to the Marcon Coatings and Viratec Thin Films transaction as discussed on pages 7 and 8.

Also on January 13, 1997, the Company announced a 2 for 1 stock split in the form of an 100% Common Stock dividend payable February 14, 1997, to shareholders of record on January 28, 1997.

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AND RESULTS OF OPERATIONS

SALES AND EARNINGS

Net earnings for the third quarter rose 47 percent to \$7.6 million, or 54 cents per share, from \$5.2 million, or 38 cents per share, a year earlier. Sales for the period rose 6 percent to \$228.8 million, up from \$215.5 million a year ago. Year-to-date net earnings and sales have risen by 44 percent and 8 percent, respectively. Earnings per share grew to \$1.47, compared to \$1.05 a year ago.

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

	THREE MONTHS ENDED			NINE MONTHS ENDED		
	NOV. 30, 1996	DEC. 2, 1995	% Change	NOV. 30, 1996	DEC. 2, 1995	% Change
SALES						
Building products & services	107,347	116,353	(8)%	338,549	343,398	(1)%
Glass technologies	50,133	39,797	26 %	143,876	113,429	27 %
Auto glass	73,553	62,774	17 %	236,400	210,306	12 %
Eliminations	(2,252)	(3,437)	(34)%	(8,282)	(10,428)	(21)%
Total	228,781	215,487	6 %	710,543	656,705	8 %
OPERATING INCOME						
Building products & services	677	(1,044)	N/M	3,363	(3,347)	N/M
Glass technologies	6,535	5,598	17 %	14,462	12,565	15 %
Auto glass	3,891	3,343	16 %	18,865	17,006	11 %
Corporate and other	1,380	340	N/M	674	509	(32)%
Total	12,483	8,237	52 %	37,364	26,733	40 %

Building Products & Services (BPS)

BPS reported its fourth consecutive quarter of operating income, versus an operating loss in the same period a year ago. The segment's operating profit was due to the solid operating results of the Detention/Security, Full Service and Architectural Products business units which produced nearly half of the segment's third quarter sales. The segment's results were offset by a \$2 million loss suffered by BPS's New Construction unit as its European operations reported disappointing results in the third quarter. Lower revenues were also experienced by the New Construction unit and resulted in a decrease when compared to a year ago. The lower revenues for New Construction reflect the strict bidding disciplines instituted during fiscal 1995. BPS believes this discipline and improved project management which has produced the segment's earnings improvement should enable it to report another favorable earnings comparisons in the fourth quarter.

Glass Technologies (GT)

As a result of the litigation and court proceedings described in the next paragraph, Marcon Coatings (Marcon) and Viratec Thin Films (Viratec) were consolidated in Apogee's financial statements beginning with this fiscal year, and are reflected in the GT segment. Through fiscal 1996, Marcon and Viratec were accounted by the equity method, with the 50% equity in Marcon's and Viratec's net earnings included in "Equity in net earnings of affiliated companies" in Apogee's Consolidated Results of Operations.

In November 1995, Apogee's 50% joint venture partner (JV Partner) in Marcon/Viratec commenced litigation against Apogee, alleging claims for damages and seeking to have the Minnesota State Court (Court) order Apogee to sell its 50% interest to the JV Partner. Apogee filed counterclaims seeking to have the JV Partner's 50% interest sold to Apogee. In March 1996, the Court ordered the JV partner to sell shares representing its 50% interest in Marcon/Viratec to Apogee upon payment by Apogee of fair value for those shares as determined by

the Court. The JV Partner's rights and status as a shareholder and its right to appoint directors, were terminated as of the effective date of the order.

On January 13, 1997, the parties announced that they agreed to a comprehensive settlement of all claims with respect to the Marcon/Viratec matter described above. Apogee agreed to pay \$41 million, in cash, to the JV Partner on or before

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January 27, 1997, in exchange for the JV Partner's 50% interest, and the parties agreed irrevocably to release each other from all outstanding claims, other than certain trade accounts payable.

GT demonstrated significant growth in operating income and sales for the third quarter when compared to a year ago. Driven by solid bookings at Viracon, GT's high-performance architectural glass fabricator, and the inclusion of Viratec sales, the segment reported another quarter of revenue growth. Strong demand for Viracon's architectural products and producing at near full capacity levels led to double-digit operating income growth for the quarter. Viracon increased production capacity by 20% this summer and plans to meet the continued demand for its products by expanding its existing production an additional 20% by March 1997 and also anticipates a new plant opening in the spring of 1998.

Viratec's flat glass business operated at capacity levels and plans to expand its product lines in fiscal 1998. The unit's direct coating business continued to experience soft product demand which led to low operating earnings for the unit. The segment's custom picture framing glass unit, Tru Vue, reported another quarter of operating growth.

GT anticipates strong product demand to lead to further profit growth for its Viracon and Tru Vue units through fiscal year end, while Viratec expects to face continued insufficient demand for its direct coated products at least through early 1997.

Auto Glass (AG)

- -----

AG recorded substantial operating income and revenue gains in the third quarter compared to a year ago. Same-store sales were up 7% compared to the same period a year ago. The gains were due to a combination of increased unit demand for automotive replacement glass and a firming in prices at both its automotive replacement glass manufacturing business and its distribution and installation units. The segment continues to invest in information technology to provide leading-edge claims processing systems to its insurance company customers while creating operating efficiencies for all of its businesses.

On January 3, 1997, AG's Harmon AutoGlass (Harmon) unit acquired Portland Glass in a stock-for-stock transaction. Portland Glass is a large regional auto glass retailer with 46 auto glass shops in the Northeast. The transaction will add four states to Harmon's geographic coverage.

As the segment heads into its seasonally slowest sales period, it anticipates lower earning levels than experienced in the first three quarters of the fiscal year.

Backlog

- -----

Apogee's consolidated backlog stood at \$362 million on November 30, 1996, down 12% from the \$413 million reported at fiscal year end. Disciplined project selection primarily in BPS's New Construction unit, has contributed to the lower order rate, although that unit was awarded \$50 million in new U.S. projects during the quarter.

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Consolidated

- -----

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

Three Months
Ended

Nine Months
Ended

	Nov. 30, 1996	Dec. 2, 1995	Nov. 30, 1996	Dec. 2, 1995
Net sales	100.0	100.0	100.0	100.0
Cost of sales	82.5	86.9	83.3	86.0
Gross profit	17.5	13.1	16.7	14.0
Selling, general and administrative expenses	12.1	9.3	11.5	9.9
Operating income	5.5	3.8	5.3	4.1
Interest expense, net	0.8	0.5	0.9	0.7
Other income, net	-	-	-	-
Earnings before income taxes and other items below	4.6	3.3	4.4	3.4
Income taxes	1.6	1.2	1.6	1.2
Equity in (net earnings) loss of affiliated companies	-	(0.1)	-	-
Minority interest	(0.3)	(0.1)	(0.1)	-
Net earnings	3.3	2.4	2.9	2.2
Income tax rate	35%	35%	36%	37%

For the three months ended November 30, 1996, gross profit, as a percentage of net sales, improved over the year-ago figures due to firm margins experienced at GT and a shift in revenue mix at AG. In addition to the factors underlying the quarter's improvement, the nine month gross profit percentage increased as a result of margin improvement at BPS. Selling, general and administrative expenses (SG &A) rose reflecting the higher commissions and profit sharing expenses relating to higher sales activity and earnings growth and higher costs related to information systems upgrades and conversions throughout the Company. Year-to-date net interest expense rose despite a decline in borrowing levels. The increase reflects the accrual of interest connected with the Viratec and Marcon matter discussed on previous pages.

Liquidity and Capital Resources

The November 30, 1996 balance sheet and the statement of cash flows for the nine months ended reflect the working capital needs associated with the higher sales levels and the consolidation of Viratec and Marcon and related acquisition costs. Accounts receivable and billings in excess of costs and earnings increased from the beginning of the year due to higher business activity and some project payment delays experienced at BPS. Inventory levels were also affected by the higher sales level and rose during the quarter. The Company plans to fund the \$41 million purchase of Viratec and Marcon, as noted in previous discussion, by use of its currently available credit facilities.

Additions to property, plant and equipment totaled \$22.5 million for the first nine months of the fiscal year. Major components of these additions included expenditures for GT's capacity expansion and information and communications systems throughout the Company.

During the quarter, the Company raised its quarterly cash dividend 6%, to 9.0 cents per share on a presplit basis.

Cautionary Statements

A number of factors should be considered in conjunction with any discussion of operations or results by the Company or its representatives and any forward-looking discussion, as well as comments contained in press releases, presentations to securities analysts or investors, or other communications by the Company. These factors are set forth in the cautionary statements filed as Exhibit 99 to the Company's Form 10-K for the fiscal year ended March 2, 1996 and include, without limitation, cautionary statements regarding (i) industry conditions, including that the industries in which the business segments compete are cyclical in nature and sensitive to changes in general economic conditions, (ii) the

competitive environment in which the Company's business segments operate, including that the industries are highly competitive and fairly mature, and

(iii) the Company's international operations are subject to the general risks of doing business abroad and of entering new markets. The Company wishes to caution investors and other to review the statements set forth in Exhibit 99 and that other factors may prove to be important in affecting the Company's business or results of operations. These cautionary statements should be considered in connection with this Form 10-Q, including the forward looking statements contained in the Management's discussion and analysis of the Company's three business segments. These cautionary statements are intended to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

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PART II

OTHER INFORMATION

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 October 31, 1996, updating information on the litigation matter discussed on pages 7 and 8.

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: January 14, 1997

Terry L. Hall

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

Date: January 14, 1997

Percy C. Tomlinson Jr.

Percy C. Tomlinson Jr.
Treasurer and Secretary

EXHIBIT INDEX

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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 Nine Months Ended	
	November 30, 1996	December 2, 1995	November 30, 1996	December 2, 1995
Weighted average number of common shares outstanding (a)	13,672,132	13,499,523	13,640,858	13,480,512
Common share equivalents resulting from the assumed exercise of stock options (b)	354,615	99,613	314,274	139,009
Total primary common shares and common share equivalents	14,026,747	13,599,136	13,955,132	13,619,521

- (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.

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