

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 June 1, 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 June 28, 1996 -----
Common Stock, \$.33 1/3 Par Value	13,679,101

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

	June 1, 1996	March 2, 1996
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents (including restricted funds of \$208 and \$208, respectively)	\$ 14,652	\$ 7,389
Receivables, net of allowance for doubtful accounts	168,866	158,368
Inventories	61,060	54,484
Costs and earnings in excess of billings on uncompleted contracts	22,420	26,276
Deferred tax assets	5,958	6,689
Other current assets	6,619	5,353
	-----	-----
Total current assets	279,575	258,559
	-----	-----
Property, plant and equipment, net	106,670	78,485
Marketable securities - insurance subsidiary	12,992	12,231
Investments in and advances to affiliated companies	-	15,821
Investments	940	612
Intangible assets, at cost less accumulated amortization	16,548	10,332
Deferred tax assets	7,720	6,970
Other assets	2,638	3,126
	-----	-----
Total assets	\$427,083	\$386,136
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable	\$ 56,880	\$ 57,678
Accrued expenses	78,801	52,430
Billings in excess of costs and earnings on uncompleted contracts	25,341	19,470
Accrued income taxes	9,891	7,634
Current installments of long-term debt	5,265	5,265
	-----	-----
Total current liabilities	176,178	142,477
	-----	-----
Long-term debt	83,014	79,102
Other long-term liabilities	22,124	24,180
Minority interest	463	1,456
Shareholders' equity		
Common stock, \$.33 1/3 par value; authorized 50,000,000 shares; issued and outstanding 13,664,000 and 13,517,000 shares, respectively	4,551	4,506
Additional paid-in capital	22,896	20,445
Retained earnings	117,857	113,970
	-----	-----
Total shareholders' equity	145,304	138,921
	-----	-----
Total liabilities and shareholders' equity	\$427,083	\$386,136
	=====	=====

See accompanying notes to consolidated financial statements.

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APOGEE ENTERPRISES, INC. AND SUBSIDIARIES CONSOLIDATED RESULTS OF OPERATIONS FOR THE QUARTERS ENDED JUNE 1, 1996 AND JUNE 3, 1995 (Thousands of Dollars Except Share and Per Share Amounts)

	Quarter Ended	
	June 1, 1996	June 3, 1995
	-----	-----
Net sales	\$ 228,608	\$ 219,032
Cost of sales	192,221	187,107
	-----	-----
Gross profit	36,387	31,925
Selling, general and administrative expenses	26,030	24,127
	-----	-----
Operating income	10,357	7,798
	-----	-----
Interest expense, net	2,355	1,752
	-----	-----
Earnings before income taxes and other items below	8,002	6,046
Income taxes	2,954	2,397
Equity in net loss (earnings) of affiliated companies	60	(77)
Minority interest	12	245
	-----	-----
Net earnings	\$ 4,976	\$ 3,481
	=====	=====
Earnings per share:	\$.36	\$.26
	=====	=====

Weighted average number of

common shares and common share equivalents outstanding	13,831,000 =====	13,623,000 =====
Cash dividends per common share	\$.085 =====	\$.080 =====

See accompanying notes to consolidated financial statements.

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APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED JUNE 1 1996 AND JUNE 3, 1995
(Thousands of Dollars)

	1996 -----	1995 -----
OPERATING ACTIVITIES		
Net earnings	\$ 4,976	\$ 3,481
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	6,135	4,509
Provision for losses on accounts receivable	485	537
Deferred income tax expense	281	(400)
Minority interest	13	245
Equity in net earnings of affiliated companies	60	(77)
Other, net	(403)	(158)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Receivables	(6,090)	2,142
Inventories	(4,039)	(5,423)
Costs and earnings in excess of billings on uncompleted contracts	3,856	658
Other current assets	(860)	1,238
Accounts payable and accrued expenses (1)	19,173	(4,784)
Billings in excess of costs and earnings on uncompleted contracts	5,871	1,661
Accrued income taxes	1,948	(3,115)
Other long-term liabilities	(2,056)	877
Net cash provided by operating activities	29,350 -----	1,391 -----
INVESTING ACTIVITIES		
Capital expenditures	(6,743)	(4,682)
Acquisition of businesses, net of cash acquired (1)	(21,186)	-
Increase in marketable securities	(761)	-
Investments in and advances to affiliated companies	-	(633)
Proceeds from sale of property and equipment	1,826	123
Other, net	(483)	(29)
Net cash used in investing activities	(27,347) -----	(5,221) -----
FINANCING ACTIVITIES		
Increase in notes payable	-	18,385
Payments on long-term debt	(688)	(1,048)
Proceeds from issuance of long-term debt	4,600	-
Proceeds from issuance of common stock	2,506	314
Dividends paid	(1,158)	(1,086)
Net cash provided by financing activities	5,260 -----	16,565 -----
Increase in cash	7,263	12,735
Cash at beginning of period	7,389	2,894
Cash at end of period	\$ 14,652 =====	\$15,629 =====

(1) The estimated cost of the Marcon and Viratec acquisition, subject to the determination of the Court as described on page 8, included in investing

activities is offset by an increase in accrued expenses 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 June 1, 1996 and March 2, 1996, and the results of operations and cash flows for the thirteen weeks ended June 1, 1996 and the fourteen weeks ended June 3, 1995. Certain prior year amounts have been reclassified to conform to the current period presentation.

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 financial statements and notes.

The results of operations for the thirteen-week and fourteen-week periods ended June 1, 1996 and June 3, 1995, respectively, 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.

2. Inventories

Inventories consist of the following:

	June 1, 1996 -----	March 2, 1996 -----
Raw materials and supplies	\$12,085	\$10,402
In process	4,798	3,964
Finished goods	44,177	40,118
	-----	-----
	\$61,060	\$54,484
	=====	=====

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

SALES AND EARNINGS
- - - - -

First quarter earnings rose 43% to \$5.0 million, or 38 cents per share, from \$3.5 million, or 26 cents per share, a year ago. Sales for the quarter were \$228.6 million, a 4% increase over last year's first quarter figure of \$219.0 million. Sale comparisons were affected by a thirteen-week quarter compared with last year's fourteen-week quarter, the absence of the Nanik Window Coverings

Group, which was sold last July, and the consolidation of Viratec Thin Films and Marcon Coatings in the Company's financial statements. Adjusting for last year's fourteen-week quarter, consolidated net sales would have been up approximately 12% from a year ago.

The following table presents sales and operating income data for the Company's three segments and on a consolidated basis for the first quarter, when compared to the corresponding period a year ago. Operating results are discussed below.

	QUARTER ENDED		
	JUNE 1, 1996	JUNE 3, 1995	PERCENTAGE CHANGE
	=====	=====	=====
SALES			
Building products & services	\$ 109,190	\$ 111,159	(2)%
Glass technologies	44,269	38,897	14%
Auto glass	78,418	72,501	8%
Eliminations	(3,269)	(3,525)	(7)%
Total	\$ 228,608	\$ 219,032	4%
	=====	=====	=====
OPERATING INCOME (LOSS)			
Building products & services	\$ 561	\$ (999)	NM
Glass technologies	4,023	3,484	15%
Auto glass	6,205	5,573	11%
Corporate and other	(432)	(260)	66%
Total	\$ 10,357	\$ 7,798	33%
	=====	=====	=====

Building Products & Services (BPS)

BPS's continuing efforts to focus on profitability produced another quarter of improved results. Sales were slightly behind last year's first quarter figure, but were up 5% when adjusting for the absence of the divested Nanik group. When also adjusting for the additional week contained in last year's first quarter, BPS's sales were up approximately 14%.

The segment made a nominal profit compared to a small loss for the same period a year ago. The profit was primarily due to the Wausau Architectural Products group. The segment's Harmon Contract curtainwall and full service glazing groups made small operating profits for the period, while the detention and security unit suffered a loss for the quarter. The benefits of cost reductions and operating improvements, along with better project selection and management, continue to be reflected in the segment's quarter-to-quarter earnings comparisons, which again showed steady, if modest, improvement.

BPS anticipates reporting favorable earnings comparisons for the remainder of the fiscal year as newer, higher-margin projects move out of backlog, replacing lower-margin projects reaching completion.

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 the first quarter of fiscal 1997, 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 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 shareholder and directors were terminated as of the effective date of the order and the fair value for the shares is to be determined by the Court after further proceedings. The Court has not yet scheduled a trial or hearing to determine fair value. In April 1996, the court ordered Apogee to post security of \$50 million for the ultimate payment of the purchase price for the JV Partner's shares. Accordingly, Apogee posted a letter of credit in the amount of \$50 million in May 1996. The amount of the letter of credit is intended as security and is not intended to reflect the Court's view on the fair value for the shares. The Court has taken under advisement certain motions brought by the parties, including a motion by the JV Partner for reconsideration of the March 4, 1996 order termination its rights and status as a shareholder.

GT had another solid first quarter, reporting double-digit sales and earnings growth when compared to the same period a year ago. After adjusting for first-time inclusion of Marcon/Viratec and the additional week contained in last year's first quarter, sales were up 7%.

Viracon, GT's architectural glass fabrication unit, experienced some shipping delays during the quarter, but was still able to deliver improved results when compared to last year. Viracon continues to add capacity as it works on various manufacturing expansion projects. The unit believes the additional capacity will allow it to penetrate the mid-performance architectural glass market.

Viratec Thin Films reported a slim operating profit as pricing pressures continue to affect its flat glass business. Tru Vue, the segment's picture framing products unit, produced a slightly lower operating profit than a year ago on flat sales in a seasonally slow portion of its year.

GT anticipates continued strong demand for fabricated architectural glass products and believes that additional fabrication capacity will allow it to report earnings improvement in future quarters.

Auto Glass (AG)

AG reported growth in both revenues and earnings for the first quarter of fiscal 1997. The gains were due to a combination of increased unit volume and a moderate price increase. The segment believes its efforts to meet customer needs through enhanced information systems and exemplary customer service has helped to improve market share. The costs of long-term business initiatives, including both marketing efforts and information systems development, dampened the benefit of the sales gains.

The segment opened 2 retail stores, while closing 1 locations, bringing the total number of retail stores to 265 in 36 states. AG also opened 3 new wholesale depots for a total 63 wholesale depots and 8 Midas Muffler franchises. Expansion opportunities continue to be explored.

Based on current industry trends, AG expects to produce a solid operating results for the year. However, fluctuating demand for automotive replacement glass and pricing pressures, along with

the added costs of its selling and administrative initiatives, may result in quarter-to-quarter variations in earnings comparisons.

Backlog

On June 1, 1996, Apogee's consolidated backlog was \$434.6 million, up 5% from fiscal year end and slightly more than \$430.3 million a year ago. For comparative purposes, a year ago numbers have been adjusted to include Viratec Thin Films backlog and also includes a correction to New Construction-

international backlog. Backlog growth came from Glass Technologies' architectural glass manufacturer and BPS's New Construction-Europe units which are both experiencing higher demand and growth.

Consolidated
- - - - -

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

	Percentage of Sales	

	1997	1996
	----	----
Net sales	100.0	100.0
Cost of sales	84.1	85.4
	-----	-----
Gross profit	15.9	14.6
Selling, general and administrative expenses	11.4	11.0
	-----	-----
Operating income	4.5	3.6
Interest expense, net	1.0	0.8
	-----	-----
Earnings before taxes	3.5	2.8
Income taxes	1.3	1.1
Equity in net loss (earnings) of affiliated companies	-	-
Minority interest	-	0.1
	-----	-----
Net earnings	2.2	1.6
	=====	=====
Effective tax rate	36.9%	39.6%

On a consolidated basis, cost of sales, as a percentage of net sales, fell due to better margins at BPS and AG's wholesale units. Selling, general and administrative (SG&A) expenses increased as a percentage of sales. Expenses relating to higher activity also rose -- commissions, marketing expenses, bonuses and profit sharing expense. Net interest expense increased due to higher interest rates and borrowing levels than experienced a year ago.

The effective income tax rate dropped as improved earnings and a shift towards greater export sales and international operations activity helped the overall rate fall slightly.

LIQUIDITY AND CAPITAL RESOURCES - - - - -

At quarter end, the Company's working capital decreased about \$13 million from the beginning of the quarter. The decrease was due to higher sales activity reflecting increases in accounts receivable (\$6 million), inventories (\$4 million) and cash (\$7 million). However, current bank debt decreased \$4 million. This substitution was caused primarily by higher overseas cash holdings.

Bank borrowings stood at \$78.0 million at June 1, 1996, slightly more than a \$17 million decrease in borrowings from a year ago. Apogee's long-term debt was 33% of total capitalization.

In May 1996, a five-year multi-currency, committed credit facility was obtained in the amount of \$150 million, replacing the previous credit agreements. The agreement requires Apogee to maintain minimum levels of net worth and certain financial ratios.

Additions to property, plant and equipment totaled approximately \$6.7 million. Major items included expenditures for data management, information processing

and facility expansions throughout the Company. For information relating to the purchase of Marcon and Viratec, please see the cash flow statement on page 5 and related footnote.

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 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) The Company did not file any reports on Form 8-K during the quarter for which this report is filed.

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CONFORMED COPY

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: July 16, 1996

- - - - -

/s/ Donald W. Goldfus

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

Date: July 16, 1996 /s/ Terry L. Hall

Terry L. Hall
Vice President Finance and
Chief Financial Officer

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EXHIBITS INDEX

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STATEMENT OF DETERMINATION OF COMMON SHARES AND COMMON SHARE EQUIVALENTS

	Average No. of Common Shares & Common Share Equivalents Assumed to be Outstanding During the Quarter Ended:	
	June 1, 1996	June 3, 1995
Weighted average number of common shares outstanding (a)	13,663,929	13,459,895
Common share equivalents resulting from the assumed exercise of stock options (b)	259,669	162,915
Total primary common shares and common share equivalents	13,831,179 =====	13,622,810 =====

- (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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