

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 December 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 December 29, 1995
-----	-----
Common Stock, \$.33-1/3 Par Value	13,504,618

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

	December 2, 1995	February 25, 1995
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents (including restricted funds of \$208 and \$885, respectively)	\$ 8,312	\$ 2,894
Receivables, net of allowance for doubtful accounts	170,050	165,099
Inventories	53,186	54,559
Costs and earnings in excess of billings on uncompleted contracts	26,750	19,606
Deferred tax assets	11,284	10,384
Other current assets	2,627	4,278
	-----	-----
Total current assets	272,209	256,820
	-----	-----
Property, plant and equipment, net	74,434	75,028

Investments in and advances to affiliated companies	16,914	15,016
Intangible assets, at cost less accumulated amortization	8,457	8,383
Deferred tax assets	5,982	5,082
Other assets	2,543	1,599
	-----	-----
Total assets	\$380,539	\$361,928
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable	\$ 49,630	\$ 53,793
Accrued expenses	50,110	41,168
Billings in excess of costs and earnings on uncompleted contracts	18,990	17,717
Accrued income taxes	9,902	10,454
Notes payable	12,550	7,065
	-----	-----
Current installments of long-term debt	5,369	5,522
	-----	-----
Total current liabilities	146,551	135,719
	-----	-----
Long-term debt	75,439	80,566
Other long-term liabilities	20,296	21,014
Minority interest	1,787	-
Shareholders' equity		
Common stock, \$.33-1/3 par value; authorized 50,000,000 shares; issued and outstanding 13,505,000 and 13,443,000 shares, respectively	4,501	4,481
Additional paid-in capital	20,315	19,345
Retained earnings	111,650	100,803
	-----	-----
Total shareholders' equity	136,466	124,629
	-----	-----
Total liabilities and shareholders' equity	\$380,539	\$361,928
	=====	=====

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
DECEMBER 2, 1995 AND NOVEMBER 26, 1994
(Thousands of Dollars Except Share and Per Share Amounts)

	Three Months Ended		Nine Months Ended	
	December 2, 1995	November 26, 1994	December 2, 1995	November 26, 1994
	-----	-----	-----	-----
Net sales	\$ 215,487	\$ 186,253	\$ 656,705	\$ 551,151
Cost of sales	187,223	160,049	564,692	470,319
	-----	-----	-----	-----
Gross profit	28,264	26,204	92,013	80,832
Selling, general and administrative expenses	20,027	19,831	65,280	62,266
	-----	-----	-----	-----
Operating income	8,237	6,373	26,733	18,566
Interest expense, net	1,145	1,134	4,608	2,517
Other income, net	-	-	(161)	-

Earnings before income taxes and other items below	7,092	5,239	22,286	16,049
Income taxes	2,509	1,823	8,207	6,335
Equity in net earnings of affiliated companies	(305)	(153)	(156)	(624)
Minority interest	(284)	(194)	(64)	(319)
Net earnings	\$ 5,172	\$ 3,763	\$ 14,299	\$ 10,657
Earnings per share	\$.38	\$.28	\$ 1.05	\$.79
Weighted average number of common shares and common share equivalents outstanding	13,599,000	13,587,000	13,620,000	13,470,000
Cash dividends per common share	\$.085	\$.080	\$.245	\$.230

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 DECEMBER 2, 1995 AND NOVEMBER 26, 1994
(Thousands of Dollars)

	1995	1994
OPERATING ACTIVITIES		
Net earnings	\$ 14,299	\$ 10,657
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,615	11,446
Provision for losses on accounts receivable	421	797
Noncurrent deferred income taxes	(1,800)	(900)
Gain on sale of Nanik Window Covering Group	(4,709)	-
Equity in net earnings of affiliated companies	(156)	(624)
Minority interest in net earnings	(64)	(319)
Other, net	(1,172)	375
Changes in operating assets and liabilities, net of effect of acquisitions:		
Receivables	(8,336)	(2,132)
Inventories	(3,223)	(8,493)
Costs and earnings in excess of billings on uncompleted contracts	(7,144)	(3,362)
Other current assets	1,506	649
Accounts payable and accrued expenses	4,018	(14,826)
Billings in excess of costs and earnings on uncompleted contracts	1,273	4,176
Accrued and current deferred tax assets	(552)	2,179
Other long-term liabilities	709	1,579
Net cash provided by operating activities	7,685	1,202
INVESTING ACTIVITIES		
Capital expenditures	(16,677)	(17,746)
Acquisition of businesses, net of cash acquired	(446)	(272)
Investments in and advances to affiliated companies	(1,318)	1,057
Proceeds from sale of Nanik Window Coverings Group	18,250	-
Other, net	248	(143)
Net cash provided (used in) investing activities	57	(17,104)

FINANCING ACTIVITIES	-----	-----
Increase in notes payable	5,485	(23,850)
Payments on long-term debt	(5,280)	(4,051)
Proceeds from issuance of long-term debt	-	40,645
Proceeds from issuance of common stock	1,015	1,508
Repurchase and retirement of common stock	(240)	-
Dividends paid	(3,304)	(3,079)
	-----	-----
Net cash (used in) provided by financing activities	(2,324)	11,173
	-----	-----
Increase (decrease) in cash	5,418	(4,729)
Cash and cash equivalents at beginning of period	2,894	10,824
	-----	-----
Cash and cash equivalents at end of period	\$ 8,312	\$ 6,095
	=====	=====

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 December 2, 1995 and February 25, 1995, and the results of operations for the three months and nine months ended December 2, 1995 and November 26, 1994 and cash flows for the nine months ended December 2, 1995 and November 26, 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 notes.

The results of operations for the nine-month period ended December 2, 1995 and November 26, 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:

	December 2, 1995	February 25, 1995
	-----	-----
Raw materials and supplies	\$13,725	\$14,802
In process	2,464	3,232
Finished goods	36,997	36,525
	-----	-----
	\$53,186	\$54,559
	=====	=====

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

SALES AND EARNINGS

Earnings for the third quarter rose 37 percent to \$5.2 million, or 38 cents per share, from \$3.8 million, or 28 cents per share, a year earlier. Sales for the period rose 16 percent to \$215.5 million, up from \$186.3 million a year ago. Year-to-date earnings and sales climbed 33 percent and 19 percent, respectively. Earnings per share grew to \$1.05, compared to 79 cents a year ago.

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 nine months when compared to the corresponding periods a year ago.

	THREE MONTHS ENDED			SIX MONTHS ENDED		
	DEC. 2, 1995	NOV. 26, 1994	% CHANGE	DEC. 2, 1995	NOV. 26, 1994	% CHANGE
SALES						
Building products & Services	152,713	125,750	21	446,399	357,628	25
Automotive glass	62,774	60,503	4	210,306	193,523	9
Total	215,487	186,253	16	656,705	551,151	19
OPERATING INCOME						
Building products & Services	4,554	1,844	147	9,218	1,822	406
Automotive glass	3,343	3,368	-1	17,006	17,328	-2
Corporate and other	340	1,161	NM	509	-584	NM
Total	8,237	6,373	29	26,733	18,566	44

Building Products & Services (BPS)

Despite the absence of the Nanik Window Coverings Group, which was sold during the second quarter, BPS reported sharply higher sales and improved operating income. The sales increase reflected substantial revenue growth at Harmon Contract, the segment's curtainwall subcontractor and another record sales performance by Viracon, the segment's architectural glass fabricator. Operating income more than doubled from the figure earned in the year ago quarter. Viracon was the key driver of the improved earnings, leveraging its record sales into strong profits. The segment's Harmon Contract and Wausau architectural metals units continued to experience slim margins, with both operations posting small operating losses for the period. Strong order rates at Viracon, the reduction in the number of old, lower margin projects at Harmon Contract and Wausau and continued efforts to reduce costs throughout the segment should allow BPS to report further sales and operating income improvements for the last quarter of the year.

Apogee's consolidated backlog stood at \$363 million on December 2, 1995, down 5% from the \$381 million reported at the end of last year's third quarter, but was only slightly under the February 1995 year end total of \$366 million. More disciplined project selection, focusing on jobs with stronger margins, has contributed to the slightly lower order rate.

Automotive Glass (AG)

AG's revenues rose modestly in the third quarter, while operating income was essentially flat compared to a year ago. Demand for automotive replacement glass continued to be soft, with U.S. unit sales well below last year. The lower unit movement coincided with very competitive pricing. The segment reported earnings

nearly equal with a year ago by increasing market share, limiting the impact of thinning margins and higher costs associated with information systems and marketing programs initiatives.

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For the first nine months of the year, the segment has opened 4 wholesale depots and 17 retail stores, while closing 7 locations, bringing the quarter-end total to 266 retail units and 57 depots. Expansion opportunities continued to be actively explored.

During November, AG's Curv-lite operation, a manufacturer of automotive windshields and other transportation glass, broke ground on the National Distribution Center (NDC). The NDC is a wholesale distribution facility designed to improve inventory management for retail and wholesale units throughout the company as well as expand the units product offerings to outside customers. Total building and equipment costs are approximated at \$5 million.

Viratec Thin Films

Viratec Thin Films (Viratec), a 50%-owned optical-grade glass coating joint venture, reported solid revenue and operating income gains for the period. Sales of Viratec's coated flat glass for anti-glare computer screens remained robust. The unit made improvements in the direct coating of cathode ray tubes during the period, helping to generate the positive earnings gains noted above. Although Viratec's backlog dropped from the prior quarter's level, order rates remained solid with the December 2, 1995 backlog standing at \$14.1 million, 5% ahead of a year ago.

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	
	Dec. 2, 1995	Nov. 26, 1994	Dec. 2, 1995	Nov. 26, 1994
Net sales	100.0	100.0	100.0	100.0
Cost of sales	86.9	85.9	86.0	85.3
Gross profit	13.1	14.1	14.0	14.7
Selling, general and administrative expenses	9.3	10.6	9.9	11.3
Operating income	3.8	3.4	4.1	3.4
Interest expense, net	0.5	0.6	0.7	0.5
Other income, net	-	-	-	-
Earnings before income taxes and other items below	3.3	2.8	3.4	2.9
Income taxes	1.2	1.0	1.2	1.1
Equity in net earnings of affiliated companies	(0.1)	(0.1)	-	(0.1)
Minority interest	(0.1)	(0.1)	-	(0.1)
Net earnings	2.4	2.0	2.2	1.9

	=====	=====	=====	=====
Income tax rate	35.4%	34.8%	36.8%	39.5%
	=====	=====	=====	=====

For the three and nine months ended December 2, 1995, gross profit, as a percentage of net sales, declined due to more competitive pricing at AG and a shift in revenue mix towards BPS, which has lower margins than AG. Selling, general and administrative expenses (SG & A) rose only marginally for the quarter, reflecting the benefits of cost reduction efforts and the absence of the sold Nanik group. SG & A fell as a percentage of sales as expenses have risen at a rate well short of the Company's sales growth.

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Year-to-date net interest expense rose due to higher borrowing levels during the first half of the fiscal year, but dropped slightly for the quarter as borrowing levels were lower during the quarter. The income tax rate was down sharply compared to a year ago as our year-to-date rate was lowered slightly to 36.8%. The lower rate was partially due to higher export sales which are not fully taxable for Federal income tax purposes.

Liquidity and Capital Resources

The November balance sheet and the statement of cash flows reflect the working capital needs associated with the higher sales levels. Accounts receivable have risen 3% from the beginning of the year compared to nine-month sales growth of 19%. Inventory levels are slightly under the previous year end levels largely due to the absence of the Nanik Window Coverings group. Costs in excess of billings and earnings on uncompleted contracts and Billings in excess of costs and earnings rose with Harmon Contract's higher level of construction activity.

Additions to property, plant and equipment totaled \$16.7 million for the first nine months of the fiscal year. Major components of these additions included expenditures for information and communications systems throughout the Company, most notably at AG.

During the quarter, the company raised its quarterly cash dividend 6%, to 8.5 cents a share.

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PART II

OTHER INFORMATION

ITEM 1. Legal Proceedings

Apogee Enterprises, Inc. and W.S.A., Inc., d/b/a Viracon, are defendants in a lawsuit entitled Marvin Lumber & Cedar Company v. Apogee Enterprises, Inc.; W.S.A., Inc., d/b/a Viracon; Marcon Coating, Inc.; and Viratec Thin Films, Inc., filed on November 3, 1995 in Rice County District Court, Third Judicial District, State of Minnesota. Viracon and Marvin are each 50% shareholders in Marcon and Viratec Thin Films is a wholly-owned subsidiary of Marcon. Marvin alleges in its complaint that the boards of Marcon and Viratec are deadlocked and that Marvin is entitled to court ordered relief, including dissolution or a judicially-ordered buy out of Marvin's interest in Marcon and Viratec by Apogee and Viracon. Marvin also is seeking damages based on Apogee and Viracon's management of Marcon and Viratec. Apogee and Viracon have filed an answer agreeing that the boards are deadlocked, but denying all claims by Marvin, and have counterclaimed against Marvin seeking a judicially-ordered buy out by Apogee and Viracon of Marvin's interest in Marcon and Viratec at a fair price to be judicially determined. The Company is unable to predict the outcome of the litigation at this point but does not currently believe the results would be materially adverse to the Company.

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.

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: January 15, 1996

Donald W. Goldfus

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

Date: January 15, 1996

Terry L. Hall

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

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	
	December 2, 1995	November 26, 1994	December 2, 1995	November 26, 1994
Weighted average number of common shares outstanding (a)	13,499,523	13,424,944	13,480,512	13,367,659
Common share equivalents resulting from the assumed exercise of stock options (b)	99,613	162,348	139,009	102,483
Total primary common shares and common share equivalents	<u>13,599,136</u>	<u>13,587,292</u>	<u>13,619,521</u>	<u>13,470,142</u>

- (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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