

APOGEE ENTERPRISES, INC.  
Form 10-K  
April 30, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K

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ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 1, 2014

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 0-6365

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APOGEE ENTERPRISES, INC.  
(Exact name of registrant as specified in its charter)

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Minnesota (State or other jurisdiction of incorporation or organization)	41-0919654 (I.R.S. Employer Identification No.)
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4400 West 78 <sup>th</sup> Street – Suite 520, Minneapolis, MN (Address of principal executive offices)	55435 (Zip Code)
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Registrant's telephone number, including area code: (952) 835-1874

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.33 1/3 Par Value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.





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 Annual Report on Form 10-K  
 For the fiscal year ended March 1, 2014

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### PART I

#### ITEM 1. BUSINESS

##### The Company

Apogee Enterprises, Inc. was incorporated under the laws of the State of Minnesota in 1949. The Company believes it is a world leader in certain technologies involving the design and development of value-added glass solutions for enclosing commercial buildings and framing art. Unless the context otherwise requires, the terms "Company," "Apogee," "we," "us" and "our" as used herein refer to Apogee Enterprises, Inc. and its subsidiaries.

The Company is comprised of four reporting segments:

The Architectural Glass segment fabricates glass used in customized window and curtainwall systems comprising the outside skin of commercial and institutional buildings. For fiscal 2014, our Architectural Glass segment accounted for approximately 35 percent of our net sales.

The Architectural Services segment primarily installs and renovates customized aluminum and glass window and curtainwall systems comprising the outside skin and entrances of commercial and institutional buildings.

It also designs, engineers and fabricates a majority of the metal systems it installs. For fiscal 2014, our Architectural Services segment accounted for approximately 26 percent of our net sales.

The Architectural Framing Systems segment designs, engineers and fabricates the aluminum frames used in customized aluminum and glass window, curtainwall, storefront and entrance systems comprising the outside skin and entrances of commercial and institutional buildings. For fiscal 2014, our Architectural Framing Systems segment accounted for approximately 28 percent of our net sales.

The Large-Scale Optical Technologies segment manufactures value-added glass and acrylic products primarily for the custom picture framing market. For fiscal 2014, our Large-Scale Optical Technologies segment accounted for approximately 11 percent of our net sales.

Financial information about the Company's segments and geographic regions can be found in Item 8, Note 15 to the Consolidated Financial Statements of the Company contained elsewhere in this report.

On November 5, 2013, the Company acquired all of the shares of Alumicor Limited (Alumicor). Alumicor's results of operations have been included in the consolidated financial statements and within the Architectural Framing Systems segment since the date of acquisition. For further information, see "Acquisition of Alumicor" below.

##### Products and Services

Apogee provides distinctive value-added glass solutions for enclosing commercial buildings and framing art. We operate in four segments as described in the following paragraphs.

##### Architectural Glass, Architectural Services and Architectural Framing Systems Segments

All of these segments participate in various phases of the value chain to design, engineer, manufacture and install customized aluminum and glass window, curtainwall, and storefront and entrance systems for commercial buildings in the non-residential and high-end multi-family construction markets. Through complex processes, we add ultra-thin coatings to uncoated architectural glass to create a variety of aesthetic characteristics and different levels of solar energy management, especially important with the industry trend of increasingly energy-efficient buildings. We also laminate layers of glass and vinyl to create glass that helps protect against hurricanes and bomb blasts. Glass can also be tempered to provide additional strength. In addition, we have the ability to design and build windows, curtainwall, storefront and entrances using our customized aluminum and glass, or glass supplied by others. We also provide finishing services for the metal and plastic components used to frame architectural glass windows and walls and other products. Our installation services allow our customers to meet the timing and cost requirements of their jobs by providing efficiently designed quality window and wall systems and effectively managing the installation of the

façade on their building projects.

Our product choices allow architects to create distinctive looks for office towers, hotels, education facilities and dormitories, health care facilities, government buildings, retail centers and multi-family buildings, while meeting functional requirements such as energy efficiency, impact resistance or sound control.

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The following table describes the products provided by these segments.

Products	Product Attributes	Participating Segment	Description
High-Performance Glass	Custom Manufactured-to-Order	Architectural Glass	We offer a wide range of glass colors and high-performance coatings that allow us to create unique designs, achieve specific light transmission levels and provide solar control options for energy efficiency. Additional value-added processes, such as digital printing, silk-screening and heat soaking, can be incorporated into the glass. High-performance glass is typically fabricated into custom insulating units and/or laminated units to allow for installation into window frames, curtainwall, storefront or entrance systems. We install curtainwall, window, storefront and entrance systems for non-monumental, new commercial and institutional buildings as well as for renovation of existing buildings. By integrating technical capabilities, project management skills and shop and field installation services, we provide design, engineering, fabrication and installation expertise for the building envelope to owners, architects and general contractors. Varying degrees of customization of our window, curtainwall, storefront and entrance systems are available depending on the customer's project requirements.
Installation	New Construction and Renovation Services	Architectural Services	In-house engineering capabilities allow us to meet the architect's design requirements. Our window systems can be operable or non-operable. Our curtainwall systems may be unitized (shop fabricated) or field fabricated. Depending on the requirements, we paint or anodize the aluminum components. Our capabilities also allow us to apply paint to polyvinyl chloride parts, such as interior shutters.
Aluminum Framing	Standard, Custom and Engineered-to-Order	Architectural Framing Systems and Architectural Services	

All of the businesses within the Architectural Glass, Architectural Services and Architectural Framing Systems segments manufacture their products to order. Products are shipped to the job site or other location where further assembly or installation may be required by the respective segment's customers.

Large-Scale Optical Technologies (LSO) Segment

The LSO segment provides coated glass and acrylic for use in custom picture framing and fine art applications. The variables in the glass and acrylic used for picture framing products are the size and coatings to give the product UV protection, anti-reflective properties and/or security features. The following table describes the products provided by the LSO segment.

Products and Services	Product Attributes	Description
Value-Added Picture Framing Glass and Acrylic	UV, Anti-Reflective and/ or Security Features	Our coatings reduce the reflectivity of picture framing glass and protect pictures and art from the sun's damaging UV rays. Anti-reflective coatings on acrylic reduce glare and static charge on the surface.

#### Markets and Distribution Channels

##### Architectural Glass, Architectural Services and Architectural Framing Systems Segments

The market for architectural products and services is a subset of the construction industry and is differentiated by building type, level of customization required, customers, geographic location and project size. Published market data are not readily available for the market segments that we serve; however, we estimate market size by analyzing overall construction industry data.

**Building type** - The construction industry is typically segmented into residential construction and non-residential construction, which includes commercial, industrial and institutional construction. Apogee is a leading supplier of architectural glass and metal framing products as well as installation services to the non-residential construction industry. Our products and services are primarily used in commercial buildings (office towers, hotels and retail centers) and institutional buildings (education facilities and dormitories, health care facilities and government buildings), as well as high-end multi-family buildings (a subset of residential construction).

**Level of customization** - Most projects have some degree of customization, as the end product or service is based on customer-specified requirements for aesthetics and performance, and designed to satisfy local building codes. All of our Architectural Glass, Architectural Services and Architectural Framing Systems businesses are involved in transforming glass, aluminum and other materials to create customized window, curtainwall, storefront and/or entrance systems that meet customer specifications. The only constant is the base materials of the products and the processes we utilize to fabricate, manufacture and/or install the products.



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Customers and distribution channels - Our customers and those that influence the projects include architects, building owners, general contractors and glazing subcontractors in the non-residential construction market. Our high-performance architectural glass is marketed using a direct sales force and independent sales representatives. Our installation and renovation services are marketed by a direct sales force, primarily in the metropolitan areas we serve in the United States and also where we have the ability to work with our customers in other U.S. markets. We market our custom and standard windows, curtainwall, storefront and entrance systems using a combination of a direct sales force, independent sales representatives and directly to distributors.

Geographic location - From our domestic glass fabrication locations, we supply products primarily to the U.S. market, with some international distribution of our high-performance architectural glass. We estimate the U.S. market for architectural glass fabrication in non-residential buildings is approximately \$1.1 billion in annual sales. From our Brazilian glass fabrication facility, we primarily supply architectural glass to the Brazilian market, which we estimate to be approximately \$0.4 billion in annual sales. Our aluminum framing systems, including windows, curtainwall, storefront and entrances, are marketed in North America, where we estimate the market size is approximately \$2.5 billion in annual sales.

We estimate the U.S. market for installation services is approximately \$7.5 billion in annual sales. Within the installation services market, Apogee is one of only a few companies to have a national presence, with 11 offices and satellite offices serving multiple U.S. markets. We estimate that we are able to serve, from our existing locations and our ability to travel to other markets where we do not have a local presence, approximately 60 percent of the total installation market. Although installation of building glass in new commercial and institutional construction projects is the primary focus of our business, we also offer installation retrofits or renovations for the outside skin of older commercial and institutional buildings.

Project size - The projects on which our Architectural Glass, Architectural Services and Architectural Framing Systems segments bid and work vary in size. Our high-performance architectural glass fabrication products serve mid-size to monumental high-profile projects. Our Architectural Services and Architectural Framing Systems segments target mid-size projects.

### LSO Segment

The Company's Tru Vue brand is the largest domestically manufactured brand for value-added glass and acrylic for the custom picture framing market. Under this brand, products are distributed primarily in North America through independent distributors, which supply national and regional chains and local picture framing shops, as well as through national retailers. The Company has also been successful in supplying products to museums and public and private galleries. We also have distribution in Europe and selected other international markets through independent distributors; we view this as a focus area for future growth of this segment.

Through the Company's leadership, the custom picture framing industry continues to convert from clear glass to value-added picture framing glass and acrylic, a trend that is expected to continue and has helped the Company offset market softness over the past several years. We believe that we have a majority share of demand for the U.S. value-added custom picture framing glass market segment.

### Warranties

We offer product and service warranties which we believe are competitive for the markets in which our products and services are sold. The nature and extent of these warranties depend upon the product or service, the market and, in some cases, the customer being served. Our standard warranties are generally from two to 10 years for our architectural glass, curtainwall and window system products, while we generally offer warranties of two years or less on our other products and installation services. In the event of a claim against a product for which we have received a warranty from the supplier, we pass the claim back to our supplier. Although we carry liability insurance with very

high deductibles for product failures, we reserve for warranty exposures, as our insurance does not cover warranty claims. There can be no assurance that our insurance will be sufficient to cover all product failure claims in the future; that the costs of this insurance and the related deductibles will not increase materially; or that liability insurance for product failures will be available on terms acceptable to the Company in the future.

#### Sources and Availability of Raw Materials

Materials used within the Architectural Glass and Architectural Framing Systems segments include raw glass, aluminum billet and extrusions, vinyl, metal targets, insulated glass spacer frames, silicone, plastic extrusions, desiccant, chemicals, paints, lumber and urethane. Within the Architectural Services segment, materials used include fabricated glass, aluminum extrusions, silicone, plastic extrusions and fabricated metal panels. The LSO segment uses glass, hard-coated acrylic, acrylic substrates, coating materials and chemicals.

Glass manufacturers have applied surcharges to the cost of glass over the past several years to help offset increases in energy and fuel costs, which we are generally able to pass on to our customers through surcharges. We have also seen recent volatility in the

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cost and supply of aluminum that is used in our window, storefront, entrance and curtainwall systems. Where applicable, we have passed the changes in cost of materials on to our customers in the form of pricing adjustments and/or surcharges.

A majority of our raw materials are readily available from a variety of domestic and international sources, and no supplier delays or shortages are anticipated. While certain glass products may only be available at certain times of the year, all standard glass types and colors are available throughout the year in reasonable quantities from multiple suppliers.

### Trademarks and Patents

The Company has several trademarks and trade names that we believe have significant value in the marketing of our products, including APOGEE®. Trademark registrations in the United States are generally for a term of 10 years, renewable every 10 years as long as the trademark is used in the regular course of trade.

Within the Architectural Glass segment, VIRACON®, VIRACON VUE-50® and STORMGUARD® are registered trademarks. DIGITALDISTINCTIONS™, ROOMSIDE™, EXTREMEDGE™, GLASS IS EVERYTHING™, BUILDING DESIGN™, VIRASPAN™, CLEAR POINT™ and CYBERSHIELD™ are unregistered trademarks. In addition, GLASSEC INSULATTO® and BLINDATTO® are registered trademarks in Brazil.

Within the Architectural Services segment, HARMON GLASS®, HI - 5000® and HI - 7000® are registered trademarks. HARMON™ and INNOVATIVE FACADES SOLUTIONS™ are unregistered trademarks.

Within the Architectural Framing Systems segment, LINETEC®, WAUSAU WINDOW AND WALL SYSTEMS®, TUBELITE®, ADVANTAGE BY WAUSAU®, FINISHER OF CHOICE®, THERML=BLOCK®, MAXBLOCK®, DFG®, ECOLUMINUM®, ALUMINATE®, GET THE POINT!® and FORCEFRONT® are registered trademarks. ALUMICOR™ and BUILDING EXCELLENCE™ are unregistered trademarks in Canada.

Within the LSO segment, TRU VUE®, CONSERVATION CLEAR®, CONSERVATION MASTERPIECE ACRYLIC®, CONSERVATION REFLECTION CONTROL®, ULTRAVUE®, MUSEUM GLASS®, OPTIUM®, PREMIUM CLEAN®, REFLECTION CONTROL®, AR REFLECTION - FREE®, TRU VUE AR®, OPTIUM ACRYLIC®, OPTIUM MUSEUM ACRYLIC® and CONSERVATION MASTERPIECE® are registered trademarks. STATICSHIELD™ is an unregistered trademark.

The Company has several patents pertaining to our glass coating methods and products, including our UV coating and etch processes for anti-reflective glass for the picture framing industry. Despite being a point of differentiation from its competitors, no single patent is considered to be material to the Company.

### Seasonality

The North American businesses in our Architectural Glass, Architectural Services and Architectural Framing Systems segments experience a slight seasonal effect following the domestic commercial construction industry, with higher demand from May through December. Our Brazilian Architectural Glass segment business does not have a significant seasonal trend. A bigger impact to net sales is the fact that the construction industry is highly cyclical in nature and can be influenced differently by the effects of the localized economy in geographic markets.

Within the LSO segment, picture framing glass sales tend to increase in the September to December timeframe. However, the timing of customer promotional activities may offset some of this seasonal impact.

### Working Capital Requirements

Trade accounts receivable is the largest component of working capital for the Company, including receivables relating to contractual retention amounts that can be outstanding throughout the project duration within the Architectural Services segment. Payment terms offered to our customers are similar to those offered by others in the industry. For the Architectural Glass and Architectural Framing Systems segments, inventory requirements are not significant since these businesses make-to-order rather than build-to-stock for the majority of their products. As a result, inventory levels follow customer demand for the products produced.

Since the LSO segment builds-to-stock for the majority of its products, it requires greater inventory levels to meet the demands of its customers.

#### Dependence on a Single Customer

We do not have any one customer that exceeds 10 percent of the Company's consolidated net sales. However, there are important customers within each of our segments; the loss of one or more customers could have an adverse effect on the Company.

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## Backlog

Backlog represents the dollar amount of revenues we expect to recognize in the future from firm contracts or orders received, as well as those that are in progress. Backlog is not a term defined under generally accepted accounting principles and is not a measure of contract profitability. We include a project within our backlog at the time a signed contract or a firm purchase order is received, generally as a result of a competitive bidding process. Backlog by reporting segment at March 1, 2014 and March 2, 2013 was as follows:

	March 1, 2014	March 2, 2013
Architectural Glass	\$ 73,206	\$ 68,618
Architectural Services	187,471	191,386
Architectural Framing Systems	72,634	39,758
Large-Scale Optical	870	1,272
Intersegment eliminations	(4,546	) (2,742
Total Backlog	\$ 329,635	\$ 298,292

We expect approximately \$314.5 million, or 95 percent, of our March 1, 2014 backlog to be recognized in fiscal 2015, with the balance to be recognized in fiscal 2016 and beyond. We view backlog as an important statistic in evaluating the level of sales activity and short-term sales trends in our business. However, as backlog is only one indicator, and is not an effective indicator of our ultimate profitability, we do not believe that backlog should be used as the sole indicator of future earnings of the Company.

## Competitive Conditions

Architectural Glass, Architectural Services and Architectural Framing Systems segments

The markets served by the Architectural Glass, Architectural Services and Architectural Framing Systems segments are very competitive, are price and lead-time sensitive, and are primarily affected by changes in the North American commercial construction industry as well as changes in general economic conditions. Additionally, due to the Architectural Glass segment's operations in Brazil, it is impacted by the commercial construction industry and general economic conditions found in Brazil and the immediate region.

Interest rates, credit availability for commercial construction projects, material costs, employment rates, office vacancy rates, building construction starts and office absorption rates are key indicators to the commercial construction market conditions. As each of these economic indicators moves favorably, our businesses typically experience sales growth, and vice-versa.

These segments primarily serve the custom portion of the commercial construction market, which is generally highly fragmented. The primary competitive factors are price, product quality, reliable service, on-time delivery, warranty and the ability to provide technical engineering and design services. There is potential to offset some competitive pressures through increased renovation of the exteriors of commercial and institutional buildings using some of our segments' products and services due to their premium energy-efficiency properties.

We believe that our competition does not provide the same level of custom coatings to the market as our Architectural Glass segment, but regional glass fabricators can provide somewhat similar products with similar attributes. Regional glass fabricators incorporate high performance, post-temperable glass products, procured from primary glass suppliers, into their insulated glass products. The availability of these products has enabled regional glass fabricators in some cases to bid on more complex projects than in the past. Since we typically target the more complex projects, we have encountered increased competition from these regional glass fabricators. In certain regions of the U.S., we encounter competition from international competitors on complex projects.

When providing glass installation and services, our Architectural Services segment largely competes against regional and local construction companies and installation contractors, and periodically against other larger national companies.

The commercial window and storefront manufacturing market is highly fragmented and our Architectural Framing Systems segment competes against several major aluminum window and storefront manufacturers in various market niches. With window products at the high-end of the performance scale and one of the industry's best standard window warranties for repair or replacement of defective product, we effectively leverage a reputation for engineering quality and delivery dependability into a position as a preferred provider for high-performance products. Within the architectural finishing market, we compete against regional paint and anodizing companies.

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Our businesses in the Architectural Glass, Architectural Services and Architectural Framing Systems segments maintain significant relationships with architects, who influence the selection of products and services on a project. Additionally, throughout a construction project, the Architectural Services segment must maintain significant relationships with general contractors, who are the segment's direct customers. This is due to the high degree of dependence on general contractors and architects for project initiation and development of specifications. Additionally, the timing of a project depends on the schedule established by the general contractors and their ability to maintain this schedule. If a general contractor fails to keep a construction project on its established timeline, the timing and profitability of the project could be negatively impacted.

### LSO Segment

Product attributes, pricing, quality, marketing, and marketing services and support are the primary competitive factors in the markets within the LSO segment. The Company's competitive strengths include our excellent relationships with customers and the performance provided by our unique value-added products. While there is significant price sensitivity in regard to sales of clear glass to picture framers, there is somewhat less price sensitivity on certain of our value-added glass products due to their unique attributes. There is competition in North America with European imports of certain valued-added products for picture framing.

### Research and Development

The amount spent on research and development activities was \$7.8 million, \$6.8 million and \$7.2 million in fiscal 2014, 2013 and 2012, respectively. Of this amount, \$2.1 million, \$1.6 million and \$0.8 million, respectively, was focused primarily upon design of custom window and curtainwall systems in accordance with customer specifications and is included in cost of sales in the accompanying consolidated financial statements.

### Environment

We use hazardous materials in our manufacturing operations, and have air and water emissions that require controls. As a result, we are subject to stringent federal, state and local regulations governing the storage, use and disposal of wastes. We contract with outside vendors to collect and dispose of waste at our production facilities in compliance with applicable environmental laws. In addition, we have procedures in place that we believe enable us to properly manage the regulated materials used in our manufacturing processes and wastes created by the production processes, and we have implemented a program to monitor our compliance with environmental laws and regulations. Although we believe we are currently in material compliance with such laws and regulations, current or future laws and regulations could require us to make substantial expenditures for compliance with chemical exposure, waste treatment or disposal regulations. We spent approximately \$0.5 million, \$0.1 million and \$0.2 million in fiscal 2014, 2013 and 2012, respectively, to reduce wastewater solids and hazardous air emissions at our facilities. We expect to incur costs to continue to comply with laws and regulations in the future for our ongoing manufacturing operations but do not expect these to be material to our financial statements.

As part of the acquisition of Tubelite Inc. (Tubelite) on December 21, 2007, we acquired a manufacturing facility which has historical environmental conditions. We believe that Tubelite is a "responsible party" for certain of these historical environmental conditions, and the Company intends to remediate those conditions. The Company believes the remediation activities can be conducted without significant disruption to manufacturing operations at this facility. As of March 1, 2014, the environmental reserve balance was \$1.5 million.

### Employees

The Company employed 4,266 and 3,871 persons on March 1, 2014 and March 2, 2013, respectively. At March 1, 2014, 432 of these employees were represented by U.S. labor unions and 336 of these employees were represented by labor unions in Brazil.

### Acquisition of Alumicor

On November 5, 2013, the Company acquired all of the shares of Alumicor Limited, a privately held business, for \$52.9 million, including cash acquired of \$1.6 million. Alumicor is a window, storefront, entrance and curtainwall company primarily serving the Canadian commercial construction market. Alumicor's results of operations have been included in the consolidated financial statements and within the Architectural Framing Systems segment since the date of acquisition. Item 8, Note 6 of the Notes to the Consolidated Financial Statements contains further information regarding this acquisition.



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Foreign Operations and Export Sales

During the years ended March 1, 2014, March 2, 2013 and March 3, 2012, the Company's export sales from domestic operations, principally from sales of architectural glass, amounted to approximately \$52.5 million, \$63.5 million and \$75.7 million, respectively, or 7 percent of net sales in fiscal 2014, 9 percent of net sales in fiscal 2013, and 11 percent of net sales in fiscal 2012. Consolidated net sales for fiscal 2014, 2013 and 2012 include GlassecViracon sales of \$36.7 million, \$32.0 million and \$34.1 million, respectively, or five percent of net sales in each of fiscal 2014, 2013 and 2012, all of which were non-U.S. sales. Consolidated net sales for fiscal 2014 included Alumicor sales of \$15.9 million or 2 percent of net sales in fiscal 2014, all of which were non-U.S. sales.

Available Information

The Company maintains a website at [www.apogee.com](http://www.apogee.com). Through a link to a third-party content provider, this corporate website provides free access to the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as soon as reasonably practicable after electronic filing such material with, or furnishing it to, the Securities and Exchange Commission. Also available on our website are various corporate governance documents, including our Code of Business Ethics and Conduct, Corporate Governance Guidelines, and charters for the Audit, Compensation and Nominating and Corporate Governance Committees of the Board of Directors.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Positions with Apogee Enterprises and Five-Year Employment History
Joseph F. Puishys	55	Chief Executive Officer and President of the Company since August 2011. President of Honeywell's Environmental and Combustion Controls division from 2008 through 2011, President of Honeywell's Building Solutions from 2005 through 2008 and President of Honeywell Building Solutions, America from 2004 to 2005.
James S. Porter	53	Chief Financial Officer since October 2005. Vice President of Strategy and Planning from 2002 through 2005. Various management positions within the Company since 1997.
Patricia A. Beithon	60	General Counsel and Secretary since September 1999.
Gary R. Johnson	52	Vice President, Treasurer since January 2001. Various management positions within the Company since 1995.
John A. Klein	58	Senior Vice President, Operations and Supply Chain Management of the Company since April 2012. Director of Operations at Cooper Industries' Power Systems Division from 2008 through 2012, Vice President of Operations at Rexnord Industries' Bearing Division from 2005 through 2007.

Executive officers are elected annually by the Board of Directors and serve for a one-year period. There are no family relationships between any of the executive officers or directors of the Company.

ITEM 1A. RISK FACTORS

Our business faces many risks. Any of the risks discussed below, or elsewhere in the Form 10-K or our other filings with the Securities and Exchange Commission, could have a material adverse impact on our business, financial condition or results of operations.

Operational Risks

General global economic and business conditions could negatively affect our results.

Our Architectural Glass, Architectural Services and Architectural Framing Systems segments are dependent on global economic conditions and the cyclical nature of the North American commercial construction industry. The commercial construction market is impacted negatively by volatility in global financial markets, including, among other things, volatility in securities prices, availability of credit, unemployment rates, consumer confidence, interest rates and commodity prices. To the extent changes in these factors negatively impact the overall commercial construction market, our revenue and profits could be significantly reduced.

Our Architectural Glass segment's operation located in Brazil is subject to the economic, political and tax conditions prevalent in the region. The economic conditions in this region are subject to different growth expectations, market weaknesses and business practices than seen in the U.S. market. We cannot predict how changing market conditions in this region will impact our financial results.

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Our LSO segment depends on the strength of the retail picture framing market. This market is highly dependent on consumer confidence and the conditions of the U.S. economy. If consumer confidence declines, whether as a result of an economic slowdown, uncertainty regarding the future or other factors, our use of these strategies may not be as successful in the future, resulting in a potential decrease in net sales and operating income.

New market entrants or specific actions of our competitors could adversely impact our market position and future results.

All of our operating segments operate in competitive markets where the actions of competitors or new market entrants could result in a loss of customers or share of customers' purchases. Additionally, changes in our competitors' products, prices or services could negatively impact our market share, net sales or margins.

Our Architectural Glass and Architectural Framing Systems segments have seen an increase in imports of competitive products from lower-cost, international suppliers that, if this were to continue, could negatively impact our net sales and margins. Our LSO segment competes with several international specialty glass manufacturers that have traditionally not penetrated the domestic core markets served. Although these LSO competitors have not been able to meet the specification level of our products, upgrades to our competitor's products could have a negative impact on net sales or margins.

Our ability to effectively utilize our manufacturing capacity could adversely impact future results.

Near-term performance depends, to a significant degree, on our ability to utilize available production capacity. The failure to successfully utilize or manage capacity, the impact of closing a facility in the future, or re-opening a currently closed facility, could adversely affect our operating results. Additionally, advances in product or process technologies on the part of existing or prospective competitors could have a significant impact on our ability to utilize our capacity and, therefore, have an adverse impact on our net sales and operating results.

Product quality issues could negatively impact demand for our products and future profitability.

We manufacture and/or install a significant portion of our products based on specific requirements of each customer. We believe that future orders of our products or services will depend on our ability to maintain the performance, reliability and quality standards required by our customers. If our products or services have performance, reliability or quality problems, or products are installed using incompatible glazing materials or installed improperly, we may experience additional warranty and service expense; reduced or canceled orders; diminished pricing power; higher manufacturing or installation costs; or delays in the collection of accounts receivable. Additionally, performance, reliability or quality claims from our customers, with or without merit, could result in costly and time-consuming litigation that could require significant time and attention of management and involve significant monetary damages that could negatively impact our financial results.

Project management and installation issues could negatively impact future results.

The Architectural Services segment is typically awarded fixed-price contracts for installation services. Often, bids are required before all aspects of a construction project are known. An underestimate in the amount of labor required and/or cost of materials for a project; a change in the timing of the delivery of product; difficulties or errors in execution; use of incompatible glazing materials; or significant project delays, caused by us or other trades, could result in failure to achieve the expected results. Any such issues could result in losses on individual contracts that could impact our operating results.

Our future profitability and cash flow are dependent on realizing expected government incentives.

We have made commitments to expand certain manufacturing facilities and make investments in new manufacturing capabilities. Contributing to the decision to make such investments was the availability of federal, state and local incentives including tax credits, tax increment financing and grants. If the Company is not able to realize the benefits of planned incentive packages, future operating results could be negatively impacted.

A shift in consumer preferences could negatively impact the demand for our products. Any change in customer preference, architectural trends or building codes that reduces window-to-wall ratios in non-residential construction would negatively impact net sales and operating income in our Architectural Glass, Architectural Services and Architectural Framing Systems segments. The LSO segment depends on U.S. consumers framing art and other decorative items. Any shift in customer preference away from framed art to other forms of decorative media could negatively impact future net sales and operating income in the LSO segment.

The loss of a significant customer in the LSO segment could adversely affect our results. The LSO segment is highly dependent on a relatively small number of customers for its sales. We expect to continue deriving a significant portion of our net sales from a small number of customers. Accordingly, loss of a significant customer or a significant reduction in pricing, or a shift to a less favorable mix of value-added picture framing glass or acrylic products for one of those customers could materially reduce LSO net sales and operating results.

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The Architectural Framing Systems results could be adversely impacted by integration and other uncertainties associated with the acquisition of an operation outside of the United States.

The Architectural Framing Systems segment's near-term performance is influenced by its ability to successfully integrate the recently acquired business in Canada. If we are unable to successfully integrate the business into our current business model, or do not realize projected efficiencies and cost-savings from the business we acquired, we may be unable to meet our growth or profit objectives. Additionally, our increased presence outside the U.S. makes our revenues and net income subject to the volatility of exchange rates and the economic, political and tax conditions prevalent in the region.

Our results can be volatile and differ significantly from our expectations and the expectations of analysts. Our net sales and operating results may differ from Company-provided guidance and the expectations of securities analysts or investors in future periods. Our annual net sales and operating results may vary depending on a number of factors, including, but not limited to, fluctuating customer demand, delay or timing of shipments, construction delays or cancellations due to lack of financing for construction projects, changes in product and project mix or market acceptance of new products. Manufacturing or operational difficulties that may arise due to quality control, capacity utilization of our production equipment or staffing requirements may also adversely impact our annual net sales and operating results. In addition, competition, including new entrants into our markets, the introduction of new products by competitors, adoption of competitive technologies by our customers, or competitive pressures on prices of our products and services, could adversely impact our annual net sales and operating results. Finally, our annual net sales and operating results may vary depending on raw material pricing and the potential for disruption of supply, or changes in legislation that could have an adverse impact on our labor or other costs. Our failure to meet net sales and operating result expectations would likely adversely affect the market price of our common stock.

We retain significant risk through self-insurance programs.

We obtain third-party insurance for potential losses from general liability, employment practices, workers' compensation and automobile liability risk. However, a high amount of risk is retained on a self-insured basis through a wholly-owned insurance subsidiary. Therefore, a material product liability event, such as a material rework event, could have a material adverse effect on our operating results.

We use hazardous chemicals in the production of our products and are thus subjected to changes in environmental legislation.

We use hazardous chemicals in producing our products. One of our facilities has certain historical environmental conditions that we believe require remediation. Our inability to remediate the historical environmental conditions at the facility at or below the amounts reserved, therefore, could have a material adverse impact on future financial results. Additionally, we are subject to a variety of local, state and federal governmental regulations relating to storage, discharge, handling, emission, generation and disposal of toxic or other hazardous substances used to manufacture our products, compliance with which is expensive. Our failure to comply with current or future environmental regulations could result in the imposition of substantial fines on us, suspension of production, alteration of our manufacturing processes or increased costs. Our financial results could also be adversely impacted by rising energy and material costs associated with environmental regulations.

A loss of key personnel could negatively impact near-term results.

Our success depends on the skills, experience and efforts of our executive management and other key personnel. If, for any reason, one or more senior executives or key personnel were not to remain active in our Company, our financial results could be adversely affected.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None



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## ITEM 2. PROPERTIES

The following table lists, by segment, the Company's major facilities as of March 1, 2014, the general use of the facility and whether it is owned or leased by the Company.

Facility	Location	Owned/ Leased	Size (sq. ft.)	Function
<b>Architectural Glass Segment</b>				
Viracon	Owatonna, MN	Owned	868,500	Mfg/Admin
Viracon	Owatonna, MN	Owned	136,050	Mfg/Admin
Viracon	Owatonna, MN	Leased	160,000	Warehouse
Viracon	Statesboro, GA	Owned	397,200	Mfg/Warehouse
Viracon	St. George, UT	Owned <sup>(1)</sup>	236,000	Mfg/Warehouse
GlasseCViracon	Nazaré Paulista, Brazil	Owned <sup>(2)</sup>	100,000	Mfg/Admin
<b>Architectural Services Segment</b>				
Harmon, Inc. Headquarters	Minneapolis, MN	Leased	12,954	Admin
Harmon, Inc.	West Chester, OH	Leased	156,000	Mfg
Harmon, Inc.	Garland, TX	Leased	66,554	Mfg
<b>Architectural Framing Systems Segment</b>				
Wausau Window and Wall Systems	Wausau, WI	Owned	370,400	Mfg/Admin
Wausau Window and Wall Systems	Englewood, CO	Leased	122,981	Mfg/Admin
Wausau Window and Wall Systems	Stratford, WI	Owned	67,000	Mfg
Linetec	Wausau, WI	Owned	430,000	Mfg/Admin
Tubelite	Reed City, MI	Owned	245,000	Mfg
Tubelite	Walker, MI	Leased	123,125	Mfg/Admin
Tubelite	Dallas, TX	Leased	47,500	Mfg
Alumicor	Ontario, Canada	Leased	180,329	Mfg/Warehouse/Admin
Alumicor	Ontario, Canada	Owned	55,000	Mfg
<b>LSO Segment</b>				
Tru Vue	McCook, IL	Owned	300,000	Mfg/Admin
Tru Vue	Faribault, MN	Owned	274,600	Mfg/Admin
<b>Other</b>				
Apogee Headquarters	Minneapolis, MN	Leased	16,873	Admin

(1) As previously announced, this facility was closed in fiscal 2014 and is anticipated to remain closed for approximately two years.

(2) This is an owned facility; however, the land is leased from the city.

In addition to the locations listed above, the Architectural Services segment business operates 11 leased locations, serving multiple markets.

One of the Viracon facilities, a portion of the Wausau Window and Wall Systems facility, a portion of the Linetec facility and the Tru Vue facilities were constructed with the use of proceeds from industrial revenue bonds issued by their applicable cities. These properties are considered owned since, at the end of the bond term, title reverts to the Company.

ITEM 3. LEGAL PROCEEDINGS

The Company has been a party to various legal proceedings incidental to its normal operating activities. In particular, like others in the construction supply and services industry, the Company's construction supply and services businesses are routinely involved in various disputes and claims arising out of construction projects, sometimes involving significant monetary damages or product replacement. The Company has also been subject to litigation arising out of employment practices, workers' compensation, general liability and automobile claims. Although it is very difficult to accurately predict the outcome of such proceedings, facts currently

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available indicate that no such claims will result in losses that would have a material adverse effect on the results of operations, cash flows or financial condition of the Company.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

## Market Information

Apogee common stock is traded on the NASDAQ Stock Market LLC (Nasdaq) under the ticker symbol APOG.

As of April 9, 2014, there were approximately 1,339 shareholders of record and 7,018 shareholders for whom securities firms acted as nominees.

The following chart shows the quarterly range and year-end closing prices for one share of the Company's common stock over the past five fiscal years.

	First		Second		Third		Fourth		Year-end
	Low	High	Low	High	Low	High	Low	High	Close
2014	\$23.06	\$30.26	\$22.20	\$29.41	\$27.25	\$36.09	\$30.97	\$37.73	\$34.23
2013	12.17	16.44	14.14	17.20	15.80	23.31	22.20	26.62	26.21
2012	12.42	14.82	8.21	13.45	7.79	11.54	9.42	15.05	12.60
2011	12.57	16.89	9.05	13.89	8.76	12.05	10.79	14.72	13.92
2010	8.12	14.61	11.17	15.14	12.50	16.48	12.91	16.35	14.29

## Dividends

The Board of Directors quarterly evaluates declaring dividends based on operating results, available funds and the Company's financial condition. Cash dividends have been paid each quarter since 1974. The chart below shows quarterly and annual cumulative cash dividends per share for the past five fiscal years.

	First	Second	Third	Fourth	Total
2014	\$0.0900	\$0.0900	\$0.0900	\$0.1000	\$0.3700
2013	0.0900	0.0900	0.0900	0.0900	0.3600
2012	0.0815	0.0815	0.0815	0.0815	0.3260
2011	0.0815	0.0815	0.0815	0.0815	0.3260
2010	0.0815	0.0815	0.0815	0.0815	0.3260

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## Purchases of Equity Securities by the Company

The following table provides information with respect to purchases made by the Company of its own stock during the fourth quarter of fiscal 2014:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs (b)
December 1, 2013 through December 28, 2013	9,923	\$36.40	—	970,877
December 29, 2013 through January 25, 2014	4,397	35.71	—	970,877
January 26, 2014 through March 1, 2014	433	34.23	—	970,877
Total	14,753	\$35.78	—	970,877

(a) The shares in this column represent shares that were surrendered to us by plan participants in order to satisfy stock-for-stock option exercises or withholding tax obligations related to stock-based compensation.

(b) In April 2003, the Board of Directors authorized the repurchase of 1,500,000 shares of Company stock, which was announced on April 10, 2003. In January 2008, the Board of Directors increased the authorization by 750,000 shares, which was announced on January 24, 2008. In October 2008, the Board of Directors increased the authorization by 1,000,000 shares, which was announced on October 8, 2008. The Company's repurchase program does not have an expiration date.

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## Comparative Stock Performance

The line graph below compares the cumulative total shareholder return on our common stock for the last five fiscal years with cumulative total return on the Standard & Poor's Small Cap 600 Growth Index and the Russell 2000 Index. This graph assumes a \$100 investment in each of Apogee, the Standard & Poor's Small Cap 600 Growth Index and the Russell 2000 Index at the close of trading on February 28, 2009, and also assumes the reinvestment of all dividends.

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Apogee	\$ 100.00	\$ 154.82	\$ 150.81	\$ 136.51	\$ 283.97	\$ 370.86
S&P Small Cap 600 Growth Index	100.00	161.14	215.73	226.20	258.30	338.92
Russell 2000 Index	100.00	161.58	211.29	206.27	235.14	304.11

For the fiscal year ended March 1, 2014, our primary business activities included architectural glass (approximately 35 percent of net sales), architectural services (approximately 26 percent of net sales), architectural framing systems (approximately 28 percent of net sales) and large-scale optical technologies (approximately 11 percent of net sales). We are not aware of any competitors, public or private, that are similar to us in size and scope of business activities. Most of our direct competitors are either privately owned or divisions of larger, publicly owned companies.

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## ITEM 6. SELECTED FINANCIAL DATA

The following information should be read in conjunction with Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8 - Financial Statements and Supplementary Data.

(In thousands, except per share data and percentages)	2014 <sup>(1)</sup>	2013	2012 <sup>(2)</sup>	2011 <sup>(3)</sup>	2010	2009	
<b>Results from Operations Data</b>							
Net sales	\$771,445	\$700,224	\$662,463	\$582,777	\$696,703	\$925,502	
Gross profit	165,252	145,733	117,120	83,120	162,095	200,748	
Operating income (loss)	40,285	27,419	3,816	(20,972)	45,430	77,655	
Net earnings (loss)	27,986	19,111	4,645	(10,332)	31,742	51,035	
Earnings (loss) per share - basic	0.98	0.68	0.17	(0.37)	1.16	1.84	
Earnings (loss) per share - diluted	0.95	0.67	0.17	(0.37)	1.15	1.81	
<b>Balance Sheet Data</b>							
Current assets	\$242,792	\$251,841	\$229,439	\$213,923	\$246,586	\$228,688	
Total assets	565,357	520,141	493,104	511,098	526,854	527,684	
Current liabilities	136,834	122,167	105,771	113,946	128,887	157,292	
Long-term debt	20,659	20,756	20,916	21,442	8,400	8,400	
Shareholders' equity	352,630	333,318	321,198	327,677	343,590	316,624	
<b>Cash Flow Data</b>							
Depreciation and amortization	\$26,550	\$26,529	\$27,246	\$28,218	\$29,601	\$29,307	
Net cash provided by (used in) operating activities	52,921	40,716	27,981	(7,985)	97,234	116,298	
Net cash used in investing activities	(43,974)	(57,132)	(18,498)	(14,391)	(53,245)	(40,239)	
Net cash (used in) provided by financing activities	(17,576)	232	(13,116)	209	(9,832)	(74,758)	
Capital expenditures	41,852	34,664	9,650	9,126	9,765	55,184	
Dividends <sup>(4)</sup>	10,764	10,316	9,153	9,161	9,112	8,800	
<b>Other Data</b>							
Gross margin - % of sales	21.4	%20.8	%17.7	%14.3	%23.3	%21.7	%
Operating margin - % of sales	5.2	%3.9	%0.6	%(3.6)	%6.5	%8.4	%
Effective tax rate - %	29.6	%29.0	%(29.2)	)%39.3	%31.7	%35.0	%
Non-cash working capital	\$77,338	\$54,153	\$44,374	\$39,426	\$15,064	\$44,336	
Debt as a % of total capital	5.5	%5.9	%6.1	%6.4	%2.4	%2.6	%
<b>Return on:</b>							
Average shareholders' equity - %	8.2	%5.8	%1.4	%(3.1)	)%9.6	%17.0	%
Average invested capital <sup>(5)</sup> - %	6.1	%4.3	%0.6	%(3.4)	)%7.5	%12.6	%
Dividend yield at year-end - %	1.1	%1.4	%2.6	%2.3	%2.3	%3.3	%
Book value per share	12.18	11.69	11.45	11.66	12.29	11.4	
Price/earnings ratio at year-end	36:1	39:1	76:1	NM	12:1	5:1	
Average monthly trading volume	5,098	3,381	2,830	4,790	5,900	8,400	

(1)Includes the acquisition of Alumicor in November 2013.

(2)Fiscal 2012 included 53 weeks compared to 52 weeks in each of the other periods presented.

(3)Includes the acquisition of Glassec in November 2010.

(4) See Item 5 for dividend per share data.

(5)  $[(\text{Operating income} + \text{equity in earnings of affiliated companies}) \times (.65)] / \text{average invested capital}$

NM=Not meaningful

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

This discussion contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect our current views with respect to future events and financial performance. The words “believe,” “expect,” “anticipate,” “intend,” “estimate,” “forecast,” “project,” “should” and similar expressions are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All forecasts and projections in this document are “forward-looking statements,” and are based on management's current expectations or beliefs of the Company's near-term results, based on current information available pertaining to the Company, including the risk factors noted under Item 1A in this Form 10-K. From time to time, we also may provide oral and written forward-looking statements in other materials we

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release to the public such as press releases, presentations to securities analysts or investors, or other communications by the Company. Any or all of our forward-looking statements in this report and in any public statements we make could be materially different from actual results.

Accordingly, we wish to caution investors that any forward-looking statements made by or on behalf of the Company are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other risk factors include, but are not limited to, the risks and uncertainties set forth under Item 1A in this Form 10-K.

We wish to caution investors that other factors might in the future prove to be important in affecting the Company's results of operations. New factors emerge from time to time; it is not possible for management to predict all such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or a combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### Overview

We are a leader in certain technologies and distinctive solutions for enclosing commercial buildings and framing art. The Company's four reportable segments are: Architectural Glass, Architectural Services, Architectural Framing Systems and Large-Scale Optical (LSO). Our Architectural Glass segment consists of Viracon, a fabricator of coated, high-performance architectural glass for global markets. The Architectural Services segment consists of Harmon, one of the largest U.S. full-service building glass installation and renovation companies, which designs, engineers, fabricates and installs the walls of glass, windows and other curtainwall products making up the outside skin of commercial and institutional buildings. The Architectural Framing Systems segment companies design, engineer, fabricate and finish the aluminum frames used in customized aluminum and glass window, curtainwall, storefront and entrance systems comprising the outside skin and entrances of commercial and institutional buildings. We have aggregated four operating segments into the Architectural Framing Systems reporting segment based upon their similar products, customers, distribution methods, production processes and economic characteristics: Wausau Window and Wall Systems, a manufacturer of standard and custom aluminum window systems and curtainwall for the North American commercial construction and historical renovation markets; Tubelite, a fabricator of aluminum storefront, entrance and curtainwall products for the U.S. commercial construction industry; Alumicor, a fabricator of aluminum storefront, entrance, curtainwall and window products for the Canadian commercial construction industry; and Linetec, a paint and anodize finisher of architectural aluminum and PVC shutters for U.S. markets. Our LSO segment consists of Tru Vue, a manufacturer of value-added glass and acrylic for the custom picture framing and fine art markets.

The following highlights the results for fiscal 2014:

• Consolidated revenues increased 10 percent over fiscal 2013, or 8 percent excluding the impact of Alumicor, and operating income was up 47 percent over last year. All four segments grew at the top and bottom lines.

• Architectural Glass segment revenues improved by 10 percentage points over fiscal 2013 and operating results improved \$8.3 million.

• The Architectural Services segment revenues increased 9 percent over fiscal 2013 and operating income improved by \$5.5 million.

• The Architectural Framing Systems segment saw a 13 percent improvement in net sales compared to fiscal 2013, or 5 percent organic growth when adjusting out the impact of Alumicor, and operating results were up 2 percent.

• The LSO segment saw revenues and operating income grow slightly over fiscal 2013 levels.

• Consolidated backlog was \$329.6 million at March 1, 2014, up 11 percent over fiscal 2013 levels.

• We acquired Alumicor Limited (Alumicor) for \$52.9 million on November 5, 2013. Alumicor's results of operations have been included in the consolidated financial statements and within the Architectural Framing Systems segment

since the date of acquisition. Alumicor contributed \$15.9 million of sales to our Architectural Framing Systems segment for the period subsequent to acquisition.

### Strategy

#### Architectural Glass, Architectural Services and Architectural Framing Systems Segments

All of these segments serve the commercial construction market, which is highly cyclical. They participate in various phases of the value chain to design, engineer, manufacture and install customized aluminum and glass window, curtainwall, and storefront and entrance systems for commercial buildings - each with nationally recognized brands and leading positions in their target market segments.

The window, curtainwall and storefront systems manufactured by our Architectural Framing Systems segment, as well as the glass products fabricated by our Architectural Glass segment, are sold to installers who enclose commercial buildings, such as offices, hospitals, educational facilities, government facilities, high-end multi-family buildings and retail centers. We believe general

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contractors and architects value our ability to reliably deliver quality, customized window and curtainwall solutions. Their customers - building owners and developers - value the distinctive look, energy efficiency, and hurricane and blast protection features of our window and curtainwall systems. These attributes can contribute to higher lease rates, lower operating costs due to the energy efficiency of our value-added glass, a more comfortable environment for building occupants, and protection for buildings and occupants from hurricanes and blasts.

Our Architectural Services segment provides services to fabricate and install glass window and curtainwall systems on newly constructed commercial buildings as well as providing large-scale retrofit services for the window and curtainwall systems on existing commercial buildings. We collaborate closely with our customers, the general contractors, to complete installation projects on time and on budget in order to minimize costly job-site labor overruns.

We look at several market indicators, such as office space vacancy rates, architectural billing statistics, employment and other macroeconomic indicators, to gain insight into the commercial construction market. One of our primary indicators is U.S. non-residential construction market activity as documented by McGraw-Hill Construction (McGraw-Hill), a leading independent provider of construction industry analysis, forecasts and trends. We utilize the information for the building types that we typically serve (office towers, hotels, retail centers, education facilities and dormitories, health care facilities, government buildings and high-end multi-family buildings) and adjust this information (which is based on construction starts) to align with our fiscal year and the lag that is required to account for when our products and services typically are initiated in a construction project - approximately eight months after project start. From the McGraw-Hill data, we believe that our U.S. markets had a compound annual growth rate of 4 percent over our past three fiscal years, while our combined architectural segments' domestic compound annual growth rate was 11 percent over that same period.

Our overall strategy in these segments is to deliver organic growth faster than our commercial construction markets. This organic growth is accomplished through geographic expansion and entry into adjacent markets, while remaining focused on distinctive solutions for enclosing commercial buildings. We draw upon our leading brands, energy-efficient products and reputation for high quality and service in pursuit of our strategies. We also aspire to lead our markets in the development of practical, energy-efficient products for new construction and renovation. We have introduced products and services designed to meet the growing demand for energy-efficient building materials. These products have included new energy-efficient glass coatings, thermally enhanced aluminum framing systems, and systems with a high percentage of recycled content.

While each of our operating segments has the ability to grow through geographic expansion and product line extension, we regularly evaluate business development opportunities in complementary markets. This strategy can take the form of acquisition or strategic alliances. Through our acquisitions completed in fiscal 2014, we have entered the Canadian market for storefront and entrance systems and expanded our product offerings for the historically accurate window renovation market.

In recent years, we have increased our focus on the window and curtainwall retrofit and renovation market. We have seen increased interest from all sectors of the non-residential and high-end multi-family building markets in upgrading the façades and improving the energy efficiency of their buildings. We consider this to be a significant opportunity for Apogee in the coming years.

Additionally, we are constantly working to improve the efficiency and productivity of our manufacturing and installation operations. During fiscal 2014, we completed the initial roll-out of lean manufacturing principles to all of our operating units and expect to continue to see gross margin expansion due to improved manufacturing productivity.



Lastly, we consistently evaluate capital investments to improve productivity and product development capabilities, as well as to provide appropriate manufacturing capacity to support growth.

#### LSO segment

Our basic strategy in this segment is to convert the custom picture framing market from clear uncoated glass and acrylic products to value-added products that protect art from UV damage while minimizing reflection from the glass, so that viewers see the art rather than the glass. We estimate that over 60 percent of the U.S. picture framing market has converted to value-added glass. Although we are finding it more difficult to convert the remaining U.S. market, we continue to see conversion in the market. We offer a variety of products with varying levels of reflection control and promote the benefits to consumers with point-of-purchase displays and other promotional materials.

We also participate in the global fine art market, which includes demand from museums and private art collections. This market appreciates the conservation and anti-reflective properties of our products, primarily our acrylic products. Acrylic is a preferred material in the fine art market because the product is light weight, which allows its use with art that is much larger and for which weight is an important consideration. We will continue to expand our presence in this market through international expansion and product line extensions.

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Additionally, we have continued to execute our strategy of expanding into custom picture framing markets outside the U.S. Over the past three years, we have focused on the European markets. In fiscal 2012, we opened up a warehouse in the Netherlands and began selling our custom picture framing glass and acrylic in Europe where, historically, we have had very little presence. We developed new products and marketing materials for this market and have distributors in over 10 countries. We believe our products and distribution will enable us to grow at a faster pace internationally than in the United States.

## Results of Operations

## Net Sales

(Dollars in thousands)	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Net sales	\$771,445	\$700,224	\$662,463	10.2	% 5.7

## Fiscal 2014 Compared to Fiscal 2013

Sales grew 10.2 percent in fiscal 2014 to \$771.4 million compared to \$700.2 million in fiscal 2013. The inclusion of Alumicor sales since the date of acquisition accounted for 2 percentage points of this increase. Improved product mix and pricing in the Architectural Glass segment drove approximately 4 percentage points of the increase. Volume growth in the Architectural Services segment favorably impacted the year by about 2 percentage points and the remainder of the increase resulted from improved volume in our Architectural Framing segment's U.S. storefront and finishing businesses.

## Fiscal 2013 Compared to Fiscal 2012

Sales increased 5.7 percent during fiscal 2013 largely due to share gains through domestic geographic expansion and increased penetration in target markets in the Architectural Services and Architectural Framing Systems segments, representing approximately 4 percentage points of the increase. Improved pricing in the Architectural Glass segment also had a favorable impact on fiscal 2013 revenues, representing another approximately 4 percentage points of the increase over fiscal 2012. Fiscal 2013 included 52 weeks compared to 53-weeks in fiscal 2012, which had a negative impact of approximately 2 percentage points on fiscal 2013 sales.

## Performance

The relationship between various components of operations, as a percentage of net sales, is illustrated below for the past three fiscal years.

(Percentage of net sales)	2014	2013	2012
Net sales	100.0	% 100.0	% 100.0
Cost of sales	78.6	79.2	82.3
Gross profit	21.4	20.8	17.7
Selling, general and administrative expenses	16.2	16.9	17.1
Operating income	5.2	3.9	0.6
Interest income	0.1	0.1	0.1
Interest expense	0.1	0.2	0.2
Other (expense) income, net	—	—	—
Earnings before income taxes	5.2	3.8	0.5
Income tax expense (benefit)	1.6	1.1	(0.2)
Net earnings	3.6	% 2.7	% 0.7
Effective income tax rate	29.6	% 29.0	% (29.2)

## Fiscal 2014 Compared to Fiscal 2013

Gross profit improved as a percent of sales to 21.4 percent in fiscal 2014 from 20.8 percent in fiscal 2013. The improvement in gross margins was due to the margin impact of improved mix and pricing in the Architectural Glass

segment, improved project margins in the Architectural Services segment and overall productivity improvements. These favorable items were partially offset by lower capacity utilization in the Architectural Framing System's window business related to an anticipated gap in the schedule for more complex projects.

Selling, general and administrative (SG&A) spending increased by \$6.7 million in fiscal 2014 over fiscal 2013, while SG&A as a percent of sales decreased to 16.2 percent in fiscal 2014 from 16.9 percent in fiscal 2013. The increase in spending was primarily due to increased salaries and related benefits to support sales growth and geographic expansion, as well as other costs related to geographic expansion and acquisitions.

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## Fiscal 2013 Compared to Fiscal 2012

Gross profit was up 3.1 percentage points in fiscal 2013 as compared to fiscal 2012 due to improved pricing in the Architectural Glass segment, productivity improvements across all segments, and the margin impact from the revenue growth in the Architectural Services and Architectural Framing Systems segments. In addition, fiscal 2013 benefited from completing higher margin work and positive project execution in the Architectural Services segment.

Selling, general and administrative expenses decreased as a percent of sales to 16.9 percent in fiscal 2013 from 17.1 percent in fiscal 2012, while spending was up \$5.0 million. The increase in spending was primarily due to increased expense for incentive compensation programs, as Company operating performance improved. This was partially offset by a decrease in costs related to the Chief Executive Officer transition that were included in fiscal 2012 SG&A expenses.

Fiscal 2013 income tax expense returned to normal levels as compared to fiscal 2012, which included tax benefits from credits and deductions on a low base of earnings and the impact of statute of limitation expirations for prior fiscal years.

## Segment Analysis

## Architectural Glass

(In thousands)

	2014	2013	2012
Net sales	\$293,810	\$266,456	\$278,087
Operating income (loss)	3,861	(4,391 )	(19,595 )
Operating income (loss) as a percent of sales	1.3	% (1.6 )	% (7.0 )%

Fiscal 2014 Compared to Fiscal 2013. Fiscal 2014 net sales increased \$27.4 million to \$293.8 million, or 10.3 percent over fiscal 2013. Improved mix and pricing in our U.S. and Brazilian businesses accounted for approximately 8 percentage points of the increase. The remainder was due to volume growth in both our U.S. and Brazilian businesses, partially offset by a decline in our export volume.