UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended August 27, 2011

¨ **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

APOGEE ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Minnesota	**41-0919654**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4400 West 78th Street Suite 520, Minneapolis, MN	**55435**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (952) 835-1874

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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. x 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). x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

As of September 29, 2011, 28,322,815 shares of the registrant s common stock, par value $0.33 1/3 per share, were outstanding.

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APOGEE ENTERPRISES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
CONSOLIDATED BALANCE SHEETS

(unaudited)

(In thousands, except per share data)	August 27, 2011	February 26, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 24,611	$ 24,302
Short-term marketable securities available for sale	5,256	11,163
Restricted short-term investments	15,389	25,086
Receivables, net of allowance for doubtful accounts	111,444	100,967
Inventories	40,039	32,608
Refundable income taxes	12,864	11,567
Deferred tax assets	4,247	5,180
Other current assets	2,691	3,050
Total current assets	216,541	213,923
Property, plant and equipment, net	167,103	179,201
Marketable securities available for sale	12,008	15,709
Restricted investments	9,593	10,717
Goodwill	66,749	66,273
Intangible assets	18,739	19,655
Other assets	12,136	9,889
Total assets	$ 502,869	$ 515,367
Liabilities and Shareholders Equity		
Current liabilities		
Accounts payable	$ 39,381	$ 34,943
Accrued payroll and related benefits	19,306	20,140
Accrued self-insurance reserves	3,927	6,330
Other accrued expenses	21,434	24,117
Current liabilities of discontinued operations	805	4,023
Billings in excess of costs and earnings on uncompleted contracts	18,091	23,406
Current portion long-term debt	133	987
Total current liabilities	103,077	113,946
Long-term debt	21,117	21,442
Unrecognized tax benefits	12,251	13,848
Long-term self-insurance reserves	9,543	9,270
Deferred tax liabilities	9,632	9,132
Other long-term liabilities	24,797	19,410
Liabilities of discontinued operations	597	642
Commitments and contingent liabilities (Note 13)		

Shareholders equity				
Common stock of $0.33-1/3 par value; authorized 50,000,000 shares; issued and outstanding 28,318,832 and 28,104,627, respectively		9,440		9,368
Additional paid-in capital		110,862		108,991
Retained earnings		201,103		210,203
Common stock held in trust		(764)		(751)
Deferred compensation obligations		764		751
Accumulated other comprehensive income (loss)		450		(885)
Total shareholders equity		321,855		327,677
Total liabilities and shareholders equity	$	502,869	$	515,367

See accompanying notes to consolidated financial statements.

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CONSOLIDATED RESULTS OF OPERATIONS

(unaudited)

(In thousands, except per share data)	**Three Months Ended August 27, 2011**	**Three Months Ended August 28, 2010**	**Six Months Ended August 27, 2011**	**Six Months Ended August 28, 2010**
Net sales	$ 165,557	$ 144,651	$ 318,895	$ 287,679
Cost of sales	139,605	126,649	269,257	250,840
Gross profit	25,952	18,002	49,638	36,839
Selling, general and administrative expenses	28,629	25,365	55,743	50,342
Operating loss	(2,677)	(7,363)	(6,105)	(13,503)
Interest income	277	110	554	429
Interest expense	300	151	609	293
Other income, net	91	105	94	145
Loss from continuing operations before income taxes	(2,609)	(7,299)	(6,066)	(13,222)
Income tax benefit	(932)	(2,308)	(2,212)	(4,752)
Loss from continuing operations	(1,677)	(4,991)	(3,854)	(8,470)
Earnings from discontinued operations, net of income taxes		4,869		4,870
Net loss	$ (1,677)	$ (122)	$ (3,854)	$ (3,600)
Earnings per share basic				
Loss from continuing operations	$ (0.06)	$ (0.18)	$ (0.14)	$ (0.31)
Earnings from discontinued operations		0.18		0.18
Net loss	$ (0.06)	$	$ (0.14)	$ (0.13)
Earnings per share diluted				
Loss from continuing operations	$ (0.06)	$ (0.18)	$ (0.14)	$ (0.31)
Earnings from discontinued operations		0.18		0.18
Net loss	$ (0.06)	$	$ (0.14)	$ (0.13)
Weighted average basic shares outstanding	27,796	27,602	27,829	27,620
Weighted average diluted shares outstanding	27,796	27,602	27,829	27,620
Cash dividends declared per common share	$ 0.0815	$ 0.0815	$ 0.1630	$ 0.1630

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(In thousands)	Six Months Ended August 27, 2011	Six Months Ended August 28, 2010
Operating Activities		
Net loss	$ (3,854)	$ (3,600)
Adjustments to reconcile net earnings to net cash used in operating activities:		
Net earnings from discontinued operations		(4,870)
Depreciation and amortization	13,876	13,775
Stock-based compensation	2,012	2,632
Deferred income taxes	1,190	(2,677)
Gain on disposal of assets	(492)	(190)
Other, net	98	104
Changes in operating assets and liabilities:		
Receivables	(10,198)	(4,741)
Inventories	(7,326)	(3,875)
Accounts payable and accrued expenses	(2,059)	(16,449)
Billings in excess of costs and earnings on uncompleted contracts	(5,315)	(1,892)
Refundable and accrued income taxes	(2,991)	(5,540)
Other, net	342	488
Net cash used in continuing operating activities	(14,717)	(26,835)
Investing Activities		
Capital expenditures	(3,577)	(5,019)
Proceeds from sales of property, plant and equipment	10,313	169
Acquisition of intangibles	(58)	(10)
Purchases of restricted investments	(12,329)	(12,000)
Sales/maturities of restricted investments	23,190	161
Purchases of marketable securities	(9,462)	(23,576)
Sales/maturities of marketable securities	18,284	42,833
Investments in corporate-owned life insurance policies	(1,435)	
Net cash provided by investing activities	24,926	2,558
Financing Activities		
Net proceeds from issuance of debt		12,000
Payments on debt	(1,250)	
Payments on debt issue costs	(66)	(262)
Shares withheld for taxes, net of stock issued to employees	(752)	(893)
Dividends paid	(4,579)	(4,577)
Net cash (used in) provided by financing activities	(6,647)	6,268
Cash Flows of Discontinued Operations		
Net cash used in operating activities	(3,263)	(62)
Net cash used in discontinued operations	(3,263)	(62)
Increase (decrease) in cash and cash equivalents	299	(18,071)
Effect of exchange rates on cash	10	

Cash and cash equivalents at beginning of year	24,302	46,929
Cash and cash equivalents at end of period	$ 24,611	$ 28,858
Noncash Activity		
Capital expenditures in accounts payable	$ 340	$ 570

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Basis of Presentation

The consolidated financial statements of Apogee Enterprises, Inc. (we, us, our or the Company) included herein have been prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements and notes are presented as permitted by the regulations of the Securities and Exchange Commission (Form 10-Q) and do not contain certain information included in the Company s annual financial statements and notes. The information included in this Form 10-Q should be read in conjunction with the Management s Discussion and Analysis of Financial Condition and Results of Operations and financial statements and notes thereto included in the Company s Form 10-K for the year ended February 26, 2011. The results of operations for the three and six-month periods ended August 27, 2011 are not necessarily indicative of the results to be expected for the full year.

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position as of August 27, 2011 and February 26, 2011, and the results of operations for the three and six-month periods ended August 27, 2011 and August 28, 2010 and cash flows for the six-month periods ended August 27, 2011 and August 28, 2010.

The Company s fiscal year ends on the Saturday closest to the last day of February. Each interim quarter ends on the Saturday closest to the end of the months of May, August and November.

The results of GlassecViracon are reported on a two-month lag. There were no significant intervening events which would have materially affected our consolidated financial statements had they been recorded during the six months ended August 27, 2011.

In connection with preparing the unaudited consolidated financial statements for the six months ended August 27, 2011, the Company has evaluated subsequent events for potential recognition and disclosure through the date of this filing and determined that there were no subsequent events which required recognition or disclosure in the consolidated financial statements.

2. New Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) amended U.S. GAAP with respect to disclosures about fair value measurements. The amendments add new requirements for disclosures about transfers into and out of Levels 1 and 2, and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. The amendments were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010. The adoption of the additional disclosures required for Level 3 fair value measurements in the first quarter of fiscal 2012 had no impact on the Company s fair value disclosures (see Note 7).

In June 2011, the FASB amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new guidance allows an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011, Apogee s fiscal year 2013. The adoption of the new guidance in the first quarter of fiscal 2013 will not have an impact on our consolidated financial position, results of operations or cash flows.

No other new accounting pronouncements issued or effective during the first six months of fiscal 2012 have had or are expected to have a material impact on the consolidated financial statements.

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3. Stock-Based Compensation
Stock Incentive Plan

The 2009 Stock Incentive Plan, the 2009 Non-Employee Director Stock Incentive Plan, the 2002 Omnibus Stock Incentive Plan and the 1997 Omnibus Stock Incentive Plan (the Plans) provide for the issuance of 1,888,000; 250,000; 3,400,000; and 2,500,000 shares, respectively, for various forms of stock-based compensation to employees and non-employee directors. Awards under these Plans, either in the form of incentive stock options, nonstatutory options or stock-settled stock appreciation rights (SARs), are granted with an exercise price equal to the fair market value of the Company s stock at the date of award. Nonvested share awards and nonvested share unit awards are also included in these Plans. Outstanding options issued to employees generally vested over a four-year period, outstanding SARs vested over a three-year period and outstanding options issued to non-employee directors vested at the end of six months. Outstanding options and SARs have a 10-year term. Nonvested share awards and nonvested share unit awards generally vest over a two, three or four-year period.

The 2002 Omnibus Stock Incentive Plan was terminated in June 2009 and the 1997 Omnibus Stock Incentive Plan was terminated in January 2006; no new grants may be made under either of these plans, although exercises of SARs and options, and vesting of nonvested share awards previously granted thereunder will still occur in accordance with the terms of the various grants.

In August 2011, the Company granted 450,512 stock options and 155,875 nonvested share awards to its new President and Chief Executive Officer, resulting in an increase in the number of shares issued under stock option and nonvested share awards outstanding. In August 2011, the Company also granted 59,952 unrestricted shares to its new President and Chief Executive Officer that were fully expensed during the second quarter, which is included in our stock-based compensation expense noted below. These awards were granted as an inducement grant under applicable NASDAQ Stock Market Listing Rules and were made outside of the Company s existing equity plans.

Total stock-based compensation expense under all Plans and the inducement grant included in the results of operations for the six months ended August 27, 2011 and August 28, 2010, was $2.0 million and $2.6 million, respectively. At August 27, 2011, there was $1.3 million of total unrecognized compensation cost related to stock option awards, which is expected to be recognized over a weighted average period of approximately 36 months.

Cash proceeds from the exercise of stock options were $0.2 million for both the six months ended August 27, 2011 and August 28, 2010.

The weighted average fair value per option at the date of grant for options granted in fiscal 2012 was $2.89; which was for the stock option issued under the inducement grant noted above. There were no options or SARs issued in the first six months of fiscal 2011. The aggregate intrinsic value of these securities (the amount by which the stock price on the date of exercise exceeded the stock price of the award on the date of grant) exercised was minimal during the six months ended August 27, 2011 and was $0.1 million during the six months ended August 28, 2010.

The fair value of each award grant is estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions used for grants through the first six months of fiscal 2012.

	Six months ended August 27, 2011
Dividend yield	3.9%
Expected volatility	56.1%
Risk-free interest rate	0.8%
Expected lives	4.6 years

The expected stock price volatility is based on historical experience. The risk-free rate for periods that coincide with the expected life of the options is based on the U.S. Treasury Department yield curve in effect at the time of grant. The expected life, the average time an option grant is outstanding, and forfeiture rates are estimated based on historical experience.

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The following table summarizes the award transactions for the six months ended August 27, 2011:

	Options/SARs Outstanding			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at Feb. 26, 2011	1,477,324	$ 17.81		
Awards granted	450,512	8.34		
Awards exercised	(15,400)	10.23		
Awards canceled	(25,301)	19.83		
Outstanding at Aug. 27, 2011	1,887,135	$ 15.58	5.6 years	$ 256,792
Vested or expected to vest at Aug. 27, 2011	1,887,135	$ 15.58	5.6 years	$ 256,792
Exercisable at Aug. 27, 2011	1,436,623	$ 17.85	4.2 years	$

Partnership Plan

The Amended and Restated 1987 Partnership Plan (the Partnership Plan), a plan designed to increase the ownership of Apogee stock by key employees, allowed participants selected by the Compensation Committee of the Board of Directors to defer earned incentive compensation through the purchase of Apogee common stock. The purchased stock was then matched by an equal award of nonvested shares, which vested over a predetermined period. This program was eliminated for fiscal 2006 and beyond, although vesting of nonvested shares will still occur according to the vesting period of the grants made prior to fiscal 2006.

Executive Compensation Program

In fiscal 2006, the Company implemented an executive compensation program to provide for a greater portion of total compensation to be delivered to key employees selected by the Compensation Committee of the Board of Directors through long-term incentives using performance shares, SARs and nonvested shares. From fiscal 2006 through fiscal 2009, performance shares were issued at the beginning of each fiscal year in the form of nonvested share awards. Starting in fiscal 2010, the Company issued performance shares in the form of nonvested share unit awards, which give the recipient the right to receive shares earned at the vesting date. The number of shares or share units issued at grant is equal to the target number of performance shares and allows for the right to receive an additional number of, or fewer, shares based on meeting pre-determined Company three-year performance goals.

The following table summarizes the nonvested share award transactions, including performance shares and performance share units, for the six months ended August 27, 2011:

	Nonvested Shares and Units	
	Number of Shares and Units	Weighted Average Grant Date Fair Value
Nonvested at February 26, 2011	921,565	$ 14.54
Granted[(1)]	434,167	11.86
Vested	(156,882)	16.62
Canceled	(138,869)	17.91
Nonvested at August 27, 2011[(2)]	1,059,981	$ 12.69

(1) Includes 117,765 performance share units granted for the fiscal 2012-2014 performance period at target levels.

(2) Includes a total of 452,314 performance share units granted and outstanding at target level for fiscal 2010-2012, 2011-2013 and 2012-2014.

At August 27, 2011, there was $8.0 million of total unrecognized compensation cost related to nonvested share and performance share unit awards, which is expected to be recognized over a weighted average period of approximately 27 months. The total fair value of shares vested during the six months of fiscal 2012 was $2.2 million.

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4. Earnings per Share

The following table presents a reconciliation of the denominators used in the computation of basic and diluted earnings per share.

(In thousands, except per share data)	Three months ended Aug. 27, 2011	Three months ended Aug. 28, 2010	Six months ended Aug. 27, 2011	Six months ended Aug. 28, 2010
Basic earnings per share weighted common shares outstanding	27,796	27,602	27,829	27,620
Diluted earnings per share weighted common shares and potential common shares outstanding	27,796	27,602	27,829	27,620
Loss per share basic	$ (0.06)	$	$ (0.14)	$ (0.13)
Loss per share diluted	(0.06)		(0.14)	(0.13)
Stock options excluded from the calculation of earnings per share because the exercise price was greater than the average market price of the common shares	1,349	1,375	1,248	1,182

Due to the net loss, there was no dilutive impact from unvested shares in the second quarter or six-month period of fiscal 2012 or 2011.

5. Inventories

(In thousands)	Aug. 27, 2011	Feb. 26, 2011
Raw materials	$ 14,943	$ 12,244
Work-in-process	9,422	7,807
Finished goods	13,813	11,182
Costs and earnings in excess of billings on uncompleted contracts	1,861	1,375
Total inventories	$ 40,039	$ 32,608

6. Marketable Securities

The Company has investments in municipal bonds of $17.3 million; $5.3 million is current and $12.0 million is non-current. The Company s wholly owned insurance subsidiary, Prism Assurance, Ltd. (Prism), holds $10.6 million of the municipal bonds. Prism insures a portion of the Company s workers compensation, general liability and automobile liability risks using reinsurance agreements to meet statutory requirements. The reinsurance carrier requires Prism to maintain fixed-maturity investments, which are generally high-quality municipal bonds, for the purpose of providing collateral for Prism s obligations under the reinsurance agreement. All of the Company s fixed maturity investments are classified as available-for-sale, are carried at fair value and are reported as short-term marketable securities available for sale and marketable securities available for sale in the consolidated balance sheet.

The amortized cost, gross unrealized gains and losses, and estimated fair values of investments available for sale at August 27, 2011 and February 26, 2011, are as follows:

(In thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
August 27, 2011				
Municipal bonds	$ 17,323	$ 192	$ (251)	$ 17,264
Total investments	$ 17,323	$ 192	$ (251)	$ 17,264
February 26, 2011				
Variable rate demand notes	$ 7,300	$	$	$ 7,300
Municipal bonds	19,619	313	(360)	19,572
Total investments	$ 26,919	$ 313	$ (360)	$ 26,872

The Company tests for other than temporary losses on a quarterly basis and has considered the unrealized losses indicated above to be temporary in nature. The Company intends to hold the investments until it can recover the full principal amount and has the ability to do so based on other sources of liquidity. The Company expects such recoveries to occur prior to the contractual maturities.

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The following table presents the length of time that available-for-sale securities were in continuous unrealized loss positions, but were not deemed to be other than temporarily impaired, as of August 27, 2011:

	Less Than 12 Months		Greater Than or Equal to 12 Months		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Municipal bonds	$ 462	$ (1)	$ 1,100	$ (250)	$ 1,562	$ (251)
Total investments	$ 462	$ (1)	$ 1,100	$ (250)	$ 1,562	$ (251)

The amortized cost and estimated fair values of investments at August 27, 2011, by contractual maturity are shown below. Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)	Amortized Cost	Estimated Market Value
Due within one year	$ 5,247	$ 5,256
Due after one year through five years	3,784	3,830
Due after five years through 10 years	4,458	4,537
Due after 10 years through 15 years	2,239	2,284
Due beyond 15 years	1,595	