

STRATTEC

**FORGING AHEAD IN A
GLOBAL ENVIRONMENT**

When STRATTEC produced its first ignition lock back in 1915, the idea of a truly international marketplace for automotive technology would have seemed far-fetched. But the Company kept pace with the development of the American automobile industry through decades of growth; as technology advanced, STRATTEC was in the vanguard. And as markets expanded and diversified, STRATTEC evolved with the industry. Today, the Company is positioned for global growth with new technologies, new partnerships, new markets ... these are the elements from which our success is forged.

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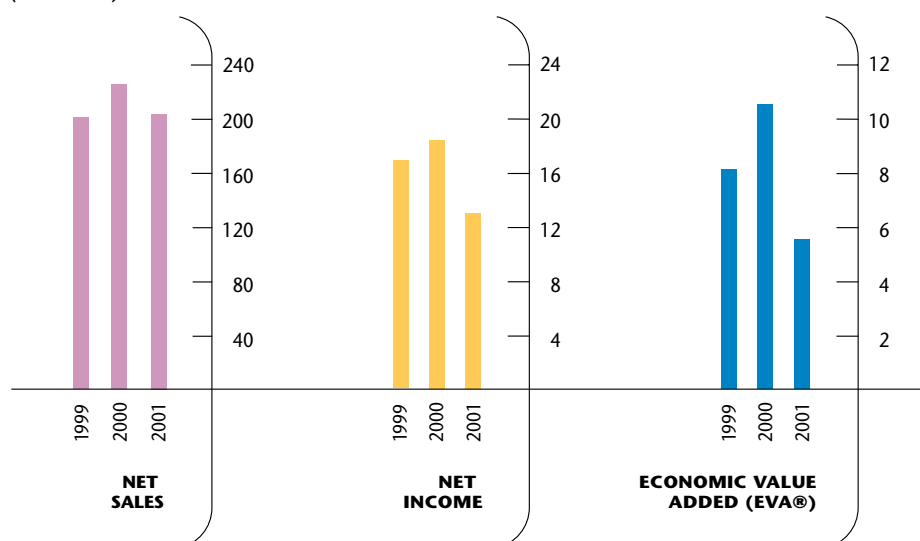
STRATTEC SECURITY CORPORATION

STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets mechanical locks, electro-mechanical locks, latches and related access control products for global automotive manufacturers. Our products are shipped to customer locations in the United States, Canada, Mexico, Europe and South America, and we provide full service and aftermarket support. We also supply products for the heavy truck, recreational vehicle, marine and industrial markets, as well as precision die castings for the transportation, security and recreational products industries.

(In Millions)

	2001	2000	1999
Net Sales	\$203.0	\$224.8	\$202.6
Gross Profit	40.2	49.4	46.8
Income from Operations	20.6	29.1	26.6
Net Income	13.0	18.5	17.0
Total Assets	101.6	109.0	128.2
Total Debt	—	—	—
Shareholders' Equity	60.0	60.4	82.3

(In Millions)

**ECONOMIC VALUE ADDED (EVA®)**

All U.S. associates and many of our Mexico-based salaried associates participate in incentive plans that are based upon our ability to add economic value to the enterprise. During 2001, \$5.6 million of positive economic value was generated, a decrease of \$5.0 million compared to the economic value the business generated in 2000. We continue to believe that EVA® represents STRATTEC's ultimate measure of success and shareholder value.

Net Operating Profit After Cash-Based Taxes	\$12.9
Average Net Capital Employed	\$61.0
Capital Cost	<u>12%</u>
	<u>7.3</u>
Economic Value Added	<u>\$5.6</u>

Fellow Shareholders:

Fiscal 2001 was one of those years a business would rather not experience, but comes along every once in a while anyway during the existence of a corporation. After a record production and sales year in fiscal 2000, we started fiscal 2001 at a fast pace. By late fall, however, the slumping economy significantly affected new-vehicle sales, and by mid-November, our customers responded by cutting their production. The reductions in vehicle production in November, December, January and February had the obvious effect on us, resulting in reduced production at both our manufacturing locations and temporary layoffs of our operations associates.

While the economic slowdown has been an unpleasant experience for us as well as most businesses in North America, it was not entirely unexpected. Some forecasts had predicted a slowdown, and the incredible vigor of the auto industry in the preceding several years made some kind of adjustment likely. We therefore made it one of our missions for the fiscal year to optimize our processes and eliminate costs in a more organized and focused manner. The resulting cost-reduction teams made significant progress during the year, identifying and implementing cost cutting amounting to an annualized \$8 million. These reductions came from finding and eliminating waste, revising operating methods, and reducing employment levels. Had we not achieved these cost reductions, the effects of the economic slowdown on our business would have been more dramatic.

In late December, one of our major customers abruptly announced that it was unilaterally reducing all of its material purchase orders by 5%, effective January 1st. We viewed this action as an arbitrary and unreasonable attempt to mitigate that customer's negative financial condition resulting from its own internal issues. Our position on this action is that we should not and cannot allow our shareholders to suffer as a result of our customers' self-induced problems. Nevertheless, that customer's partial success in forcing this action on its supply base has encouraged other customers suffering under the economic slowdown to increase pressure for price reductions as well. While we recognize our customers' rationale for this price reduction pressure, we are looking, and will continue to look, at solutions that are strategically fair and equitable for STRATTEC, its shareholders and its customers.

In March, we began negotiations with PACE Local 7-0232, the union representing our hourly operations associates in Milwaukee. These negotiations were conducted in anticipation of the expiration of our then existing labor contract on May 31, 2001. On that date, both sides reached a tentative agreement for a new contract which included an extension of the current contract until June 6, 2001 to allow the union time to organize and call a ratification meeting of its members. Despite the endorsement of the tentative agreement by both the union Bargaining Committee and Executive Committee, the membership rejected the proposed contract by a narrow margin, and a strike against the company began.

The strike lasted 16 days, during which time we operated the Milwaukee facility under a Strike Contingency Plan devised several months earlier. This plan included the build-up of certain component and finished goods inventories prior to May 31st, as well as an operating plan that used our salaried work force to produce parts. Thanks to this plan and the dedication and enthusiasm of our salaried employees, we were able to support our major customers' requirements without interrupting their production processes.

On June 22nd, after mediated negotiations, the union took another tentative agreement before the membership. This agreement was again endorsed by both the union Bargaining Committee and Executive Committee, and this time was ratified by the members. Despite the strike and its effects on our fourth quarter results, we believe the resulting 4-year contract is fair to both the Company and its hourly represented associates, and should provide us opportunities to continue to make changes for more efficient operations in our Milwaukee facility.

The pricing pressure we are receiving from our customers is a continuation of prior years' experience, but is now heightened by the need for these customers to reduce costs in the face of a very competitive but stagnate market, and reduced automotive production at some of our their

assembly plants. To this end, we are seeing some attempts to reduce vehicle cost by de-contenting – a tactic which reduces the overall amount of standard and/or optional equipment on a vehicle. This is having an effect on our product by reducing the number of locks per vehicle on certain models. While this does cut cost for our customers, it reduces volume for us, on top of the already reduced volumes resulting from the current market conditions.

De-contenting of our lock set packages is a trend that is likely to continue, as electronic remote key device usage increases as standard equipment on new vehicles. We have been anticipating this potential, and the actions we have taken to broaden our vehicle access product line were put in place partially as a defense against this slow erosion of our traditional product line.

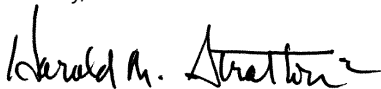
Expansion of our product line with additional access control products is an important part of our Alliance with WITTE. The Alliance was formalized with the signing of legal agreements on November 28, 2000. To date, we have several Alliance programs under way, including a lockset program with Saab in Sweden and a hood latch program for Volkswagen in Mexico. Additionally, our WITTE-STRATTEC LLC joint venture has signed letters of intent with intended partners in Brazil and China, and we are proceeding to formalize these relationships. We have one committed vehicle program for Brazil, and four committed programs for China. In addition, we are receiving quote requests for “global” vehicle programs. With these developments, we are encouraged that our globalization strategy is working for our customers and us.

It is clear that the strategic challenges we have discussed in previous annual reports are still before us. But we believe we have put into place the necessary foundation upon which to build our future. In addition to the Alliance structure we have created with Witte, we are actively seeking relationships with other strategic partners that can further our interests and strengthen our position as a global provider of vehicle access control components and systems. We continue to develop our own in-house capabilities for designing, testing and producing these products. And we continue to emphasize cost reduction and efficiency enhancements in our existing processes to support our traditional product business.

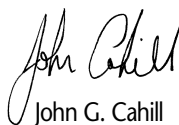
As the ultimate measure of our performance, our goal was to deliver a fifth consecutive year of increased EVA. Although we did not attain that goal, we still created \$5.6 million positive EVA in fiscal 2001, our third best year. And we were able to deliver our second best year of earnings per share. We are pleased to be able to continue adding value to your investment in STRATTEC. For a more detailed discussion of financial operating results, please read the Management’s Discussion and Analysis of operating results on pages 10, 11 and 12 of this report.

Despite fiscal 2001 being a difficult year for a number of reasons, we have weathered the storm reasonably well, and look to the future with optimism. We believe we are doing the right things to position our Company for additional economic value creation in the immediate and long-term future. Your support during this past year has been quite heartening, and we appreciate your confidence in us. We look forward to justifying that confidence.

Sincerely,



Harold M. Stratton II
Chairman and Chief Executive Officer



John G. Cahill
President and Chief Operating Officer

August, 2001

BASIC BUSINESS

STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets mechanical locks, electro-mechanical locks, latches and related access control products for major North American and global automotive manufacturers. We also supply these products for the heavy truck, recreational vehicle, marine and industrial markets. Through our alliance partner, WITTE-Velbert GmbH in Germany, both companies' access control products are manufactured and marketed globally. We also provide full service and aftermarket support.



HISTORY

STRATTEC formerly was a division of Briggs & Stratton Corporation. On February 27, 1995, STRATTEC was spun off from Briggs & Stratton through a tax-free distribution to the then-existing Briggs shareholders. STRATTEC received substantially all of the assets and liabilities related to the lock and key business owned by Briggs & Stratton.

Starting as a division of Briggs & Stratton, and continuing today as a totally separate and independent company, we have a history in the automotive lock manufacturing business spanning over 85 years. We also have been in the zinc die-casting business for more than 75 years. STRATTEC has been the world's largest producer of automotive locks and keys since the late 1920s, and we currently maintain a dominant share of the North American markets for these products.

PRODUCTS

Our principal products are locks and keys for cars and trucks. A typical automobile contains a set of five locks: a steering column/ignition lock, a glove box lock, two front door locks and a deck lid (trunk) lock. Pickup trucks typically use three to four locks, while sport utility vehicles and vans use five to seven locks. Some vehicles have additional locks for under-floor compartments or folding rear seat latches. T-top locks, spare tire locks and burglar alarm locks also are offered as options. Usually two keys are provided with each vehicle lockset. Additional products include zinc die cast steering column lock housings, and an electronic Vehicle Access Control System (VACS).



VACS is a passive security system for commercial delivery vehicles. It's an example of our ability to effectively integrate mechanical and electronic components such as Radio Frequency Identification (RFID) and Hall Effect sensors.

Through our alliance with WITTE-Velbert in Germany, we are expanding our automotive access control product offerings to include hood latches, trunk or liftgate latches, door latches, door handles, and vehicle access modules that contain some or all of these components.

MARKETS

We are a direct supplier to OEM auto and light truck manufacturers, to over-the-road heavy truck manufacturers and recreational vehicle manufacturers, as well as to other transportation-related manufacturers. For the 2001 model year, we enjoyed a 62% market share in the North American automotive industry, supplying locks and keys for approximately 84% of General Motors' production, 63% of Ford's, 97% of DaimlerChrysler's and 100% of Mitsubishi's production. We also are an OEM components supplier to other "Tier 1" automotive suppliers and a wide array of smaller industrial manufacturers.

Direct sales to various OEMs represent approximately 82% of our total sales. The remainder of the company's revenue is received primarily through sales to the OEM service channels, and the locksmith aftermarket.

Sales to our major automotive customers are coordinated through our direct sales personnel located in our Detroit-area



office. Sales also are partially facilitated through daily interaction between our application engineers located in Detroit and customer engineering departments. Sales to other OEM customers are accomplished through a combination of our own sales personnel and manufacturer representative agencies.

STRATTEC's products are supported by an extensive staff of experienced lock and latch engineers. This staff, which includes product design, quality and manufacturing engineers, is capable of providing complete design, development and testing services of new products for our customers. This staff also is available for customer problem solving, warranty analysis and other activities that arise during a product's life cycle. Our customers receive aftersales support in the form of special field service kits, service manuals, and specific in-plant production repair programs.

The majority of our OEM products are sold in North America. However, our dominance in the North American market translates into a world market share of around 20%, making STRATTEC the largest producer of automotive locks and keys in the world. While a modest amount of exporting is done to automotive assembly plants in Europe and South America, we are in the process of expanding our presence in these markets and elsewhere through our alliance with WITTE-Velbert GmbH.

OEM service and replacement parts are sold to the OEM's own service operations. In addition, we distribute our components and security products to the automotive aftermarket through approximately 60 authorized wholesale distributors, as well as other marketers and users of component parts, including export customers. These aftermarket activities are serviced through a warehousing operation integral to our Milwaukee headquarters and manufacturing facility.

CUSTOMER FOCUS

Since the majority of the company's sales are to the "Big Three" North American automotive manufacturers, STRATTEC is organized to assure that our activities are focused on these major customers and their associated entities. We have customer-focused teams for General Motors, for Ford, for

DaimlerChrysler/Mitsubishi and for Delphi Automotive Systems. A fifth team deals with programs and new products associated with our alliance partner, WITTE-Velbert, while a sixth team handles our industrial and service customers, including such heavy truck manufacturers as Peterbilt, Kenworth, Mack, Freightliner, Navistar and Volvo.

Each of the six teams possesses all of the necessary disciplines required to meet their customers' needs. Leading each team's efforts are Product Business

Managers who handle the overall coordination of various product programs. The

Product Business Managers work closely with their team's quality engineers, cost engineers, purchasing agents, internal and external customer service representatives, service manager, and engineering manager. The engineering manager in turn helps coordinate the efforts of design engineers, product and process engineers, component engineers, and electrical engineers.

STRATTEC uses a formalized product development process to identify and meet customer needs in the shortest possible time. By creating and following this streamlined development system, we shorten product lead times, tighten our response to market changes, and provide our customers with the optimum value solution to their security requirements. STRATTEC also is QS-9000/ISO 9001 certified. This means we embrace the philosophy that quality should exist not only in the finished product, but in every step of our process as well.

OPERATIONS

Most of the components that go into our products are manufactured at our main facility and headquarters in Milwaukee, Wisconsin. This facility



also makes zinc die cast components for other manufacturers. Assembly is performed at the Milwaukee location and at our primary assembly facility, located in Juarez, Mexico.

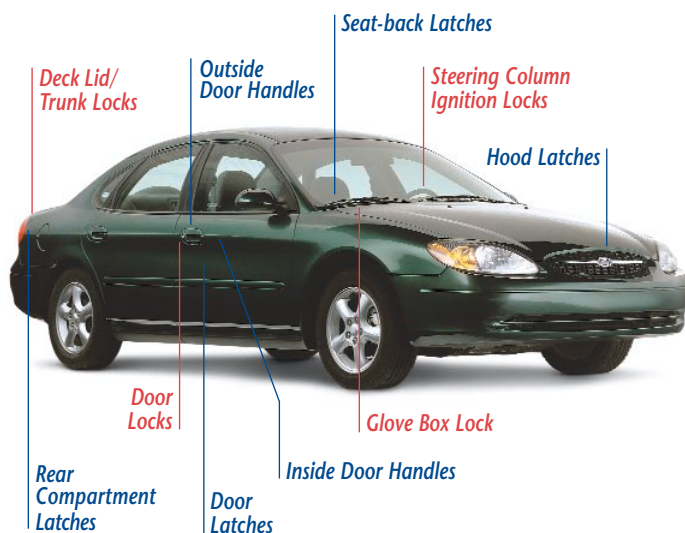


ADVANCED DEVELOPMENT

Research and development activities are centered around a dedicated research engineering staff we call our Advanced Development Group. This Group has the responsibility for developing future products and processes that will keep us in the forefront of the markets we serve. Projects we are pursuing focus on electronic and mechanical access control products, modularization of related access control components, and new manufacturing processes to reduce costs for ourselves and our customers.

ALLIANCE

Our alliance with WITTE-Velbert GmbH consists of two main initiatives. The first is a set of cross-licensing agreements which allows STRATTEC to manufacture, market and sell WITTE products in North



America, and allows WITTE to manufacture, market and sell STRATTEC products in Europe. In this way, both STRATTEC and WITTE have established international reach for their respective products and services, while sharing the potential profits of those products sold outside of their respective home markets.

The second initiative is a 50-50 joint venture company, WITTE-STRATTEC LLC, which is the corporate entity through which we and WITTE are pursuing emerging markets outside of Europe and North America.



Additionally, through WITTE-STRATTEC LLC, the two companies will jointly own the intellectual property rights for any products that result from the coordinated activities of their respective research and development resources.

CYCLICAL NATURE OF THE BUSINESS

The manufacturing of components used in automobiles is driven by the normal peaks and valleys associated with the automotive industry. Typically, the months of July and August are relatively slow as summer vacation shutdowns and model year changeover occur at the automotive assembly plants. September volumes increase rapidly as the new model year begins. This volume strength continues through October and into early November. As the holiday and winter seasons approach, the demand for automobiles slows. March usually brings a major sales and production increase, which then continues through most of June. This results in our first fiscal quarter (ending in September) sales and operating results typically being our weakest, with the remaining quarters being more consistent.

ECONOMIC VALUE COMMITMENT

The underlying philosophy of our business, and the means by which we measure our performance, is Economic Value Added (EVA®). Simply stated, economic value is created when our business enterprise yields a return greater than the cost of capital we and our shareholders have invested in STRATTEC. The amount by which our return exceeds the cost of our capital is EVA®. In line with this philosophy, EVA® bonus plans are in effect for our associates and our outside directors as an incentive to help positively drive the business.

STRATTEC's significant market share is the result of an eight-decade-long commitment to creating quality products and systems that are responsive to changing needs. As technologies advance and markets grow, STRATTEC retains that commitment to meeting and exceeding the expectations of our customers, and providing economic value to our shareholders.

GLOBAL PARTNERS



1. STRATTEC – Milwaukee, Wisconsin
2. STRATTEC de Mexico – Juarez, Mexico
3. WITTE – Velbert, Germany

4. WITTE – Nejdek, Czech Republic
5. IFER – Sao Paulo, Brazil
6. ZU YIH – Fuzhou, China

2002 VEHICLES

We're proud of the quality vehicles that use STRATTEC components. They include over-the-road trucks like Peterbilt, Kenworth, Mack, Freightliner, Navistar and Volvo. And recreational vehicles such as Winnebago. Also, the following model year 2002 cars and light trucks:

CARS

Buick Century	Chrysler Concorde	Jaguar S-Type
Buick La Sabre	Chrysler 300M	Lincoln Continental
Buick Park Avenue	Chrysler LHS	Lincoln LS
Buick Regal	Chrysler Prowler	Mercury Sable
Cadillac Deville	Chrysler PT Cruiser	Mitsubishi Eclipse
Cadillac Eldorado	Chrysler Sebring	Mitsubishi Galant
Chevrolet Camaro	Dodge Intrepid	Oldsmobile Alero
Chevrolet Cavalier	Dodge Neon	Oldsmobile Intrigue
Chevrolet Corvette	Dodge Stratus	Pontiac Firebird
Chevrolet Impala	Dodge Viper	Pontiac Grand Am
Chevrolet Lumina	Ford Taurus	Pontiac Grand Prix
Chevrolet Malibu	Ford Thunderbird	Pontiac Sunfire
Chevrolet Monte Carlo	GM Impact EV1	Saturn L Series

LIGHT TRUCKS, VANS AND SPORT UTILITY VEHICLES

Cadillac Escalade	Dodge Ramcharger	GMC Sonoma Pickup
Cadillac EXT	Dodge Ram Pickup	GMC Yukon
Chevrolet Astro	Dodge Ram Van/Wagon	GMC Yukon XL
Chevrolet Avalanche	Ford Excursion	Isuzu Hombre Pickup
Chevrolet Silverado Pickup	Ford Expedition	Jeep Grand Cherokee
Chevrolet Express	Ford Explorer	Jeep Liberty
Chevrolet S-10 Pickup	Ford Explorer Sport	Jeep Wrangler
Chevrolet Suburban	Ford Explorer Sport Trac	Lincoln Blackwood
Chevrolet Tahoe	Ford F-Series Pickup	Lincoln Navigator
Chevrolet Trailblazer	Ford Ranger Pickup	Mazda B-Series Pickup
Chevrolet Venture	GMC Envoy	Mercury Mountaineer
Chrysler Town & Country	GMC Denali	Mercury Villager
Chrysler Voyager	GMC Jimmy	Nissan Quest
Dodge Caravan/Grand Caravan	GMC Safari	Oldsmobile Bravada
Dodge Dakota Pickup	GMC Savana	Oldsmobile Silhouette
Dodge Durango	GMC Sierra Pickup	Pontiac Montana

The following Discussion and Analysis should be read in conjunction with the Company's Financial Statements and Notes thereto. Unless otherwise indicated, all references to years refer to fiscal years.

RESULTS OF OPERATIONS 2001 COMPARED TO 2000

Net sales were \$203.0 million in 2001 compared to \$224.8 million in 2000. The prior year included one additional shipping week, which contributed to the overall sales reduction. Sales to the Company's largest customers overall decreased in the current year compared to the record prior year levels, with General Motors at \$60.2 million compared to \$69.0 million, Delphi Automotive Systems Corporation at \$26.9 million compared to \$31.5 million, DaimlerChrysler Corporation at \$33.9 million compared to \$35.1 million, and Ford Motor Company at \$45.3 million compared to \$54.5 million. Sales to Mitsubishi Motor Manufacturing of America actually increased from \$9.4 million to \$11.8 million. The overall sales decrease is the result of reduced vehicle production at our customer's assembly plants.

Gross profit as a percentage of net sales was 19.8 percent in 2001 compared to 22.0 percent in 2000. The lower gross margin is the result of several factors, including a 16-day strike in June 2001 at the Company's Milwaukee facility which resulted in additional costs to support customer requirements; reduced efficiencies at the Company's Mexican facility; and reduced sales due to delayed shipments. Also negatively impacting the current year margin was less favorable absorption of manufacturing costs due to reduced production volumes resulting from customer plant shutdowns, an overall decline in automotive production, and a reduction in the Company's inventory levels in comparison to the prior year. Additional items impacting the gross margin include an increase in the cost of zinc, and increased U.S. dollar costs at the Company's Mexico assembly facility. The average cost of zinc per pound, which the Company uses at a rate of approximately 1 million pounds per month, increased to approximately \$.57 in 2001, from approximately \$.55 in 2000. The increased U.S. dollar costs at the Company's Mexico assembly facility are the result of the appreciation of the Mexican peso and overall inflation in Mexico in the current year. The inflation rate in Mexico for the 12 months ended June 2001 was approximately 7

percent while the U.S. dollar/Mexican peso exchange rate fell to approximately 9.4 in 2001, from approximately 9.5 in 2000.

Engineering, selling and administrative expenses were \$19.7 million, or 9.7 percent of net sales in 2001, compared to \$20.3 million, or 9.0 percent of net sales in 2000. The decreased operating expenses are attributed to one less week of operating expenses in the current year compared to the prior year and the impact of cost savings realized as a result of the human resources realignment, which took place in the third quarter of fiscal 2001.

Income from operations was \$20.6 million in 2001, compared to \$29.1 million in 2000, reflecting the decreased sales volume and reduced gross margin as discussed above.

The effective income tax rate in 2001 was 37.0 percent compared to 39.0 percent in 2000. The reduction is due to an increase in the foreign sales benefit. The overall effective rate differs from the federal statutory tax rate primarily due to the effects of state income taxes.

RESULTS OF OPERATIONS 2000 COMPARED TO 1999

Net sales were \$224.8 million in 2000, an increase of 11 percent compared to net sales of \$202.6 million in 1999. Fiscal 2000 included one additional shipping week, which contributed to the overall sales growth. Sales to General Motors Corporation and Delphi Automotive Corporation increased 10 percent to \$100.5 million as a result of increased unit production by these customers. In addition, labor disruptions at General Motors Corporation during July 1998 reduced sales to this customer by an estimated \$3 million during the fiscal 1999 September quarter. Sales to DaimlerChrysler Corporation increased 14 percent to \$35.1 million. The increase was due primarily to increased vehicle production schedules and higher value mechanical and electrical content in the locksets the Company supplies. Sales to Mitsubishi Motor Manufacturing of America increased to \$9.4 million in 2000 compared to \$2.2 million in 1999. This is due to an increase in the Company's share of this customer's production requirements with the launch of the 2000 Eclipse. Sales to the Ford Motor Company were comparable to 1999.

Gross profit as a percentage of net sales was 22.0 percent in 2000 compared to 23.1 percent in 1999. The lower gross margin is the result of several factors including higher production start-up costs relating to the launch of the new model year 2000 vehicles, investment

in process changes, facilities rearrangement and training associated with Lean Manufacturing initiatives, product mix, and increased U.S. dollar costs at the Company's Mexico assembly facility. The major portion of the facility's rearrangement was completed during the first three months of fiscal 2001, and benefits were being realized in the form of cost reduction, inventory reduction and the enhanced ability to meet continually increasing customer requirements for productivity and quality. The increased U.S. dollar costs at the Company's Mexico assembly facility are the result of the appreciation of the Mexican peso and higher wage inflation in comparison to 1999. The inflation rate in Mexico for the 12 months ended June 2000 was approximately 10 percent while the U.S. dollar/Mexican peso exchange rate fell to approximately 9.5 in 2000, from approximately 9.8 in 1999. In addition, the average cost of zinc per pound, which the Company uses at a rate of approximately 1 million pounds per month, increased to approximately \$.55 in 2000, from approximately \$.52 in 1999.

Engineering, selling and administrative expenses were \$20.3 million, or 9.0 percent of net sales in 2000, compared to \$20.2 million, or 10.0 percent of net sales in 1999. Fiscal 2000 expense levels reflect the favorable impact of moving the Company's service aftermarket warehouse and distribution to the Milwaukee facility in April 1999. Also, included in current year expenses are development activities associated with new products and the Company's globalization activities with its alliance partner, WITTE-Velbert GmbH & Co. KG.

Income from operations was \$29.1 million in 2000, compared to \$26.6 million in 1999, reflecting the increased sales volume as previously discussed.

The effective income tax rate in 2000 was 39.0 percent compared to 38.1 percent in 1999. This is due to an increase in the state effective tax rate. The overall effective rate differs from the federal statutory tax rate primarily due to the effects of state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash from operating activities of \$23.2 million in 2001 compared to \$36.0 million in 2000. The reduction in the generation of cash is due to several factors including decreased sales levels as previously discussed and a reduction in accounts payable and accrued liabilities in 2001 as opposed to an increase in 2000. The

changes in accounts payable and accrued liabilities each year were primarily in response to production levels and financial results. In addition, accounts receivable decreased by approximately \$1.5 million at July 1, 2001, as compared to July 2, 2000, primarily due to decreased sales. Inventory balances decreased by approximately \$5.7 million during the same period as a result of decreased customer vehicle production levels, company focused efforts and the 16-day strike during June 2001 at the Milwaukee facility.

Capital expenditures in 2001 were \$7.5 million, compared to \$9.4 million in 2000. Expenditures primarily were in support of requirements for new product programs and the upgrade and replacement of existing equipment. The Company anticipates that capital expenditures will be approximately \$8 million in fiscal 2002, primarily in support of requirements for new product programs and the upgrade and replacement of existing equipment.

The Board of Directors of the Company has authorized a stock repurchase program to buy back up to 2,639,395 outstanding shares. A total of 2,160,026 shares have been repurchased as of July 1, 2001, at a cost of approximately \$69.0 million. Additional repurchases may occur from time to time. Funding for the repurchases was provided primarily from cash flow from operations and to a lesser extent from borrowings under existing credit facilities.

The Company has a \$50.0 million unsecured, revolving credit facility (the "Credit Facility"), of which \$30 million expires October 31, 2001, and \$20 million expires October 31, 2003. There were no outstanding borrowings under the Credit Facility at July 1, 2001. Interest on borrowings under the Credit Facility are at varying rates based, at the Company's option, on the London Interbank offering rate, the Federal Funds Rate, or the bank's prime rate. The Credit Facility contains various restrictive covenants including those that require the Company to maintain minimum levels for certain financial ratios such as tangible net worth, ratio of indebtedness to tangible net worth and fixed charge coverage. The Company believes that the Credit Facility will be adequate, along with cash flow from operations, to meet its anticipated capital expenditure, working capital and operating expenditure requirements.

The Company has not been significantly impacted by inflationary pressures over the last several years, except for zinc and Mexican assembly operations as noted elsewhere in this Management's Discussion and Analysis.

MEXICAN OPERATIONS

The Company has assembly operations in Juarez, Mexico. Since December 28, 1998, the functional currency of the Mexican operation has been the Mexican peso. The effects of currency fluctuations result in adjustments to the U.S. dollar value of the Company's net assets and to the equity accounts in accordance with Statement of Financial Accounting Standard (SFAS) No. 52, "Foreign Currency Translation."

OTHER

On November 28, 2000, the Company signed certain alliance agreements with E. WITTE Verwaltungsgesellschaft GMBH, and its operating unit, WITTE-Velbert GmbH & Co. KG ("WITTE"). WITTE, of Velbert, Germany, is a privately held, QS 9000 and VDA 6.1 certified automotive supplier with sales of DM313 million in its last fiscal year. WITTE designs, manufactures and markets components including locks and keys, hood latches, rear compartment latches, seat back latches, door handles and specialty fasteners. WITTE's primary market for these products has been Europe. The WITTE-STRATTEC alliance provides a set of cross-licensing agreements for the manufacture, distribution and sale of WITTE products by the Company in North America, and the manufacture, distribution and sale of the Company's products by WITTE in Europe. Additionally, a joint venture company ("WITTE-STRATTEC LLC") in which each company holds a 50 percent interest has been established to seek opportunities to manufacture and sell both companies' products in other areas of the world outside of North America and Europe. These activities did not have a material impact on the July 1, 2001, financial statements.

PROSPECTIVE INFORMATION

A number of the matters and subject areas discussed in this Annual Report contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "intend," "may," "planned," "potential," "should," "will," and "could." These include expected future financial results, product offerings, global expansion, liquidity needs, financing ability, planned capital expenditures, management's or the Company's expectations and beliefs, and similar matters discussed in the Company's Management's Discussion and Analysis. The discussions of such matters and subject areas are qualified by the inherent risk and uncertainties surrounding future expectations generally, and also may materially differ from the Company's actual future experience.

The Company's business, operations and financial performance are subject to certain risks and uncertainties, which could result in material differences in actual results from the Company's current expectations. These risks and uncertainties include, but are not limited to, general economic conditions, in particular those relating to the automotive industry, customer demand for the Company's and its customers' products, competitive and technological developments, customer purchasing actions, foreign currency fluctuations and costs of operations.

Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date of this Annual Report and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances occurring after the date of this Annual Report.

	Fiscal Years Ended		
	July 1, 2001	July 2, 2000	June 27, 1999
NET SALES	\$202,973	\$224,817	\$202,625
Cost of goods sold	162,735	175,459	155,821
GROSS PROFIT	40,238	49,358	46,804
Engineering, selling and administrative expenses	19,676	20,254	20,191
INCOME FROM OPERATIONS	20,562	29,104	26,613
Interest income	628	1,056	1,132
Interest expense	-	-	-
Other income (expense), net	(514)	189	(239)
INCOME BEFORE PROVISION FOR INCOME TAXES	20,676	30,349	27,506
Provision for income taxes	7,650	11,836	10,491
NET INCOME	\$13,026	\$18,513	\$17,015
EARNINGS PER SHARE:			
BASIC	\$3.02	\$3.75	\$3.02
DILUTED	\$2.96	\$3.65	\$2.94

The accompanying notes are an integral part of these consolidated statements.

	July 1, 2001	July 2, 2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$15,298	\$13,915
Receivables, less allowance for doubtful accounts of \$250 at July 1, 2001, and July 2, 2000	27,189	28,731
Inventories	8,605	14,342
Customer tooling in progress	2,588	4,248
Future income tax benefits	1,880	2,092
Other current assets	4,107	3,273
Total current assets	59,667	66,601
DEFERRED INCOME TAXES	130	-
PROPERTY, PLANT, AND EQUIPMENT, NET	41,851	42,381
	<u>\$101,648</u>	<u>\$108,982</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$14,178	\$19,694
Accrued liabilities:		
Payroll and benefits	7,501	10,394
Environmental	2,749	2,770
Income taxes	354	47
Other	1,711	1,196
Total current liabilities	26,493	34,101
DEFERRED INCOME TAXES	-	299
BORROWINGS UNDER REVOLVING CREDIT FACILITY	-	-
ACCRUED PENSION OBLIGATIONS	10,617	9,839
ACCRUED POST-RETIREMENT OBLIGATIONS	4,528	4,293
SHAREHOLDERS' EQUITY		
Common stock, authorized 12,000,000 shares \$.01 par value, issued 6,195,889 shares at July 1, 2001, and 6,120,788 shares at July 2, 2000	62	61
Capital in excess of par value	49,545	47,924
Retained earnings	80,990	67,964
Accumulated other comprehensive loss	(1,749)	(2,239)
Less: Treasury stock, at cost (2,149,800 shares at July 1, 2001, and 1,668,179 shares at July 2, 2000)	(68,838)	(53,260)
Total shareholders' equity	60,010	60,450
	<u>\$101,648</u>	<u>\$108,982</u>

The accompanying notes are an integral part of these consolidated balance sheets.

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Comprehensive Income
BALANCE, JUNE 28, 1998	\$59	\$42,489	\$32,436	\$(1,863)	\$(2,723)	
Net income	-	-	17,015	-	-	\$17,015
Translation adjustments	-	-	-	(218)	-	(218)
Comprehensive income						<u>\$16,797</u>
Purchase of common stock	-	-	-	-	(6,416)	
Exercise of stock options, including tax benefit of \$415	-	1,510	-	-	56	
BALANCE, JUNE 27, 1999	<u>59</u>	<u>43,999</u>	<u>49,451</u>	<u>(2,081)</u>	<u>(9,083)</u>	
Net income	-	-	18,513	-	-	\$18,513
Translation adjustments	-	-	-	(158)	-	(158)
Comprehensive income						<u>\$18,355</u>
Purchase of common stock	-	-	-	-	(44,230)	
Exercise of stock options, including tax benefit of \$1,109	2	3,925	-	-	53	
BALANCE, JULY 2, 2000	<u>61</u>	<u>47,924</u>	<u>67,964</u>	<u>(2,239)</u>	<u>(53,260)</u>	
Net income	-	-	13,026	-	-	\$13,026
Translation adjustments	-	-	-	490	-	490
Comprehensive income						<u>\$13,516</u>
Purchase of common stock	-	-	-	-	(15,620)	
Exercise of stock options, including tax benefit of \$436	1	1,621	-	-	42	
BALANCE, JULY 1, 2001	<u>\$62</u>	<u>\$49,545</u>	<u>\$80,990</u>	<u>\$(1,749)</u>	<u>\$(68,838)</u>	

The accompanying notes are an integral part of these consolidated statements.

	Fiscal Years Ended		
	July 1, 2001	July 2, 2000	June 27, 1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$13,026	\$18,513	\$17,015
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	7,939	7,576	7,107
Loss on disposition of property, plant and equipment	201	254	463
Deferred taxes	(312)	392	(7)
Change in operating assets and liabilities:			
(Increase) decrease in receivables	1,639	7,294	(10,788)
(Increase) decrease in inventories	5,737	(538)	1,158
(Increase) decrease in other assets	960	(1,284)	4,510
Increase (decrease) in accounts payable and accrued liabilities	(6,830)	2,957	8,156
Tax benefit from options exercised	436	1,109	415
Other, net	439	(260)	(91)
Net cash provided by operating activities	23,235	36,013	27,938
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(7,548)	(9,357)	(8,831)
Proceeds received on sale of property, plant and equipment	88	7	15
Net cash used in investing activities	(7,460)	(9,350)	(8,816)
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of common stock	(15,620)	(44,230)	(6,416)
Exercise of stock options	1,228	2,871	1,151
Net cash used in financing activities	(14,392)	(41,359)	(5,265)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,383	(14,696)	13,857
CASH AND CASH EQUIVALENTS			
Beginning of year	13,915	28,611	14,754
End of year	\$15,298	\$13,915	\$28,611
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Income taxes paid	\$7,101	\$10,880	\$9,882
Interest paid	-	-	-

The accompanying notes are an integral part of these consolidated statements.

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

STRATTEC SECURITY CORPORATION (the "Company") designs, develops, manufactures and markets mechanical locks, electro-mechanical locks and related access-control products for North American and global automotive manufacturers.

The significant accounting policies followed by the Company in the preparation of these financial statements, as summarized in the following paragraphs, are in conformity with accounting principles generally accepted in the United States.

Principles of Consolidation and Presentation: The accompanying financial statements reflect the consolidated results of the Company, its wholly owned Mexican subsidiary, and its foreign sales corporation.

Certain amounts previously reported have been reclassified to conform to the July 1, 2001, presentation. These reclassifications have no effect on previously reported net income or retained earnings.

Fiscal Year: The Company's fiscal year ends on the Sunday nearest June 30. The years ended July 1, 2001, July 2, 2000, and June 27, 1999 are comprised of 52, 53 and 52 weeks, respectively.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value of Financial Instruments: The fair value of financial instruments does not materially differ from their carrying values.

Cash and Cash Equivalents: Cash and cash equivalents include all short-term investments with an original maturity of three months or less.

Inventories: Inventories are stated at cost, which does not exceed market. The last-in, first-out (LIFO) method was used for determining the cost of the inventories at the end of each period.

Inventories consist of the following (thousands of dollars):

	July 1, 2001	July 2, 2000
Finished products	\$1,737	\$3,630
Work in process	8,456	12,374
Raw materials	594	1,054
LIFO adjustment	(2,182)	(2,716)
	<u>\$8,605</u>	<u>\$14,342</u>

Customer Tooling in Progress: The Company accumulates its costs for development of certain tooling used in component production and assembly. The costs, which are primarily from third-party tool vendors, are accumulated on the Company's balance sheet. These amounts are then billed to the customer upon formal acceptance by the customer of products produced with the individual tool.

Property, Plant, and Equipment: Property, plant, and equipment are stated at cost, and depreciation is computed using the straight-line method over the following estimated useful lives:

Classification	Expected Useful Lives
Land improvements	20 years
Buildings and improvements	20 to 35 years
Machinery and equipment	3 to 10 years

Property, plant, and equipment consist of the following (thousands of dollars):

	July 1, 2001	July 2, 2000
Land	\$1,389	\$1,317
Buildings and improvements	11,780	11,205
Machinery and equipment	82,939	77,390
	<u>96,108</u>	<u>89,912</u>
Less: accumulated depreciation	<u>(54,257)</u>	<u>(47,531)</u>
	<u>\$41,851</u>	<u>\$42,381</u>

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments, which significantly extend the useful lives of existing plant and equipment, are capitalized and depreciated. Upon retirement or disposition of plant and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income.

Revenue Recognition: Revenue is recognized upon the shipment of products, net of estimated costs of returns and allowances.

Research and Development Costs: Expenditures relating to the development of new products and processes, including significant improvements and refinements to existing products, are expensed as incurred.

Foreign Currency Translation: Since December 28, 1998, the functional currency of the Mexican operation has been the Mexican peso. The effects of currency fluctuations result in adjustments to the U.S. dollar value of the Company's net assets and to the equity accounts in accordance with Statement of Financial Accounting Standard (SFAS) No. 52, "Foreign Currency Translation."

Accumulated Other Comprehensive

Loss: The only component of accumulated other comprehensive loss is cumulative translation adjustments. Deferred taxes have not been provided for the translation adjustments in accordance with SFAS No. 109, "Accounting for Income Taxes."

Derivative Instruments: SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," establishes accounting and reporting standards requiring that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at its fair value. The Company currently does not hold any such derivative instruments.

REVOLVING CREDIT FACILITY

The Company has a \$50 million unsecured, revolving credit facility (the "Credit Facility"), of which \$30 million expires October 31, 2001, and \$20 million expires October 31, 2003. Interest on borrowings under the Credit Facility are at varying rates based, at the Company's option, on the London Interbank Offering Rate, the Federal Funds Rate, or the bank's prime rate. There were no outstanding borrowings at July 1, 2001, or July 2, 2000. There were no borrowings under the credit facility during the years ended July 1, 2001, and July 2, 2000.

The Credit Facility contains various restrictive covenants that require the Company to maintain minimum levels for certain financial ratios, including tangible net worth, ratio of indebtedness to tangible net worth and fixed charge coverage.

COMMITMENTS AND CONTINGENCIES

In 1995, the Company recorded a provision of \$3.0 million for estimated costs to remediate a site at the Company's Milwaukee facility that was contaminated by a solvent spill, which occurred in 1985. The Company continues to monitor and evaluate the site and minimal activity has taken place since the provision was recorded in 1995. The ultimate resolution of this matter is still unknown. However, management believes, based upon findings-to-date and known environmental regulations, that the environmental reserve at July 1, 2001, is adequate to cover any future developments.

INCOME TAXES

The provision for income taxes consists of the following (thousands of dollars):

	2001	2000	1999
Currently payable:			
Federal	\$5,817	\$8,809	\$8,106
State	1,535	2,044	1,976
Foreign	610	591	416
	<u>7,962</u>	<u>11,444</u>	<u>10,498</u>
Deferred tax (benefit) provision	(312)	392	(7)
	<u>\$7,650</u>	<u>\$11,836</u>	<u>\$10,491</u>

A reconciliation of the U.S. statutory tax rates to the effective tax rates follows:

	2001	2000	1999
U.S. statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal tax benefit	4.6	4.5	4.7
Foreign sales benefit	(.9)	(.6)	(.5)
Other	(1.7)	.1	(1.1)
	<u>37.0%</u>	<u>39.0%</u>	<u>38.1%</u>

The components of deferred tax assets and (liabilities) are as follows (thousands of dollars):

	July 1, 2001	July 2, 2000
Future income tax benefits:		
Customer tooling	\$95	\$156
Payroll-related accruals	523	507
Environmental reserve	1,045	1,080
Other	217	349
	<u>\$1,880</u>	<u>\$2,092</u>
Deferred income taxes:		
Accrued pension obligations	\$4,034	\$3,837
Accumulated depreciation	(5,625)	(5,810)
Postretirement obligations	1,721	1,674
	<u>\$130</u>	<u>(\$299)</u>

Foreign income before the provision for income taxes was not significant for each of the years indicated.

RETIREMENT PLANS AND POSTRETIREMENT COSTS

The Company has a noncontributory defined benefit pension plan covering substantially all U.S. associates. Benefits are based on years of service and final average compensation. The Company's policy is to fund at least the minimum actuarially computed annual contribution required under the Employee Retirement Income Security Act of 1974 (ERISA). Plan assets consist primarily of listed equity and fixed income securities. The Company recognizes the expected cost of retiree health care benefits for substantially all U.S. associates during the years that the associates render service. Effective June 1, 2001, any new U.S. associates hired after the above date are no longer eligible for postretirement plan benefits. The postretirement health care plan is unfunded.

The following tables summarize the pension and postretirement plans' income and expense, funded status, and actuarial assumptions for the years indicated (thousands of dollars):

	Pension Benefits		Postretirement Benefits	
	2001	2000	2001	2000
CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation at beginning of year	\$31,320	\$29,187	\$3,729	\$4,500
Service cost	1,614	1,535	184	220
Interest cost	2,403	2,097	286	293
Settlement of postretirement Life benefit	-	-	-	(419)
Plan amendments	389	-	(78)	-
Actuarial (gain) loss	3,233	(830)	508	(711)
Benefits paid	(862)	(669)	(242)	(154)
Benefit obligation at end of year	<u>\$38,097</u>	<u>\$31,320</u>	<u>\$4,387</u>	<u>\$3,729</u>
CHANGE IN PLAN ASSETS:				
Fair value of plan assets at beginning of year	\$34,612	\$29,177	-	-
Actual return on plan assets	(2,753)	6,104	-	-
Employer contributions	306	-	242	154
Benefits paid	(862)	(669)	(242)	(154)
Fair value of plan assets at end of year	<u>31,303</u>	<u>34,612</u>	<u>-</u>	<u>-</u>
Funded status	(6,794)	3,292	(4,387)	(3,729)
Unrecognized net gain	(3,696)	(12,478)	(280)	(813)
Unrecognized prior service cost	372	(5)	139	249
Unrecognized net transition asset	(499)	(648)	-	-
Accrued benefit cost	<u>\$ (10,617)</u>	<u>\$ (9,839)</u>	<u>\$ (4,528)</u>	<u>\$ (4,293)</u>
	July 1, 2001	July 2, 2000	July 1, 2001	July 2, 2000
WEIGHTED-AVERAGE ASSUMPTIONS				
Discount rate	7.5%	7.75%	7.5%	7.75%
Expected return on plan assets	8.5%	8.5%	n/a	n/a
Rate of compensation increases	4.0%	4.0%	n/a	n/a

For measurement purposes, a 7 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001; the rate was assumed to remain at that level thereafter.

	Pension Benefits		Postretirement Benefits	
	2001	2000	2001	2000
COMPONENTS OF NET PERIODIC BENEFIT COST:				
Service cost	\$1,614	\$1,535	\$184	\$220
Interest cost	2,403	2,097	286	293
Expected return on plan assets	(2,491)	(2,193)	-	-
Amortization of prior service cost	12	12	16	16
Amortization of unrecognized net gain	(304)	(132)	(25)	-
Amortization of net transition asset	(150)	(150)	-	-
Net periodic benefit cost	<u>\$1,084</u>	<u>\$1,169</u>	<u>\$461</u>	<u>\$529</u>

The health care cost trend assumption has a significant effect on the postretirement benefit amounts reported. A 1% change in the health care cost trend rates would have the following effects (thousands of dollars):

	1% Increase	1% Decrease
Effect on total of service and interest cost components	\$94	(\$78)
Effect on postretirement benefit obligation	\$665	(\$564)

All U.S. associates of the Company may participate in a 401(k) Plan. The Company contributes a fixed percentage of up to the first 6 percent of eligible compensation that a participant contributes to the plan. The Company's contributions totaled approximately \$679,000 in 2001, \$679,000 in 2000, and \$635,000 in 1999.

SHAREHOLDERS' EQUITY

The Company has 12,000,000 shares of authorized common stock, par value \$.01 per share, with 4,046,089 and 4,452,609 shares issued and outstanding at July 1, 2001, and July 2, 2000, respectively. Holders of Company common stock are entitled to one vote for each share on all matters voted on by shareholders.

On February 27, 1995, one common stock purchase right (a "right") was distributed for each share of the Company's common stock outstanding. The rights are not currently exercisable, but would entitle shareholders to buy one-half of one share of the Company's common stock at an exercise price of \$30 per share if certain events occurred relating to the acquisition or attempted acquisition of 20 percent or more of the outstanding shares. The rights expire in the year 2005, unless redeemed or exchanged by the Company earlier.

The Board of Directors of the Company authorized a stock repurchase program to buy back up to 2,639,395 outstanding shares. As of July 1, 2001, 2,160,026 shares have been repurchased at a cost of approximately \$69.0 million.

EARNINGS PER SHARE (EPS)

A reconciliation of the components of the basic and diluted per share computations follows (thousands of dollars, except per share amounts):

	2001		
	Net Income	Shares	Per-Share Amount
Basic EPS	\$13,026	4,310	<u>\$3.02</u>
Stock Options		91	
Diluted EPS	\$13,026	<u>4,401</u>	<u>\$2.96</u>
	2000		
	Net Income	Shares	Per-Share Amount
Basic EPS	\$18,513	4,936	<u>\$3.75</u>
Stock Options		143	
Diluted EPS	\$18,513	<u>5,079</u>	<u>\$3.65</u>
	1999		
	Net Income	Shares	Per-Share Amount
Basic EPS	\$17,015	5,639	<u>\$3.02</u>
Stock Options		152	
Diluted EPS	\$17,015	<u>5,791</u>	<u>\$2.94</u>

Options to purchase the following shares of common stock were outstanding as of each date indicated but were not included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common shares:

	Shares	Exercise Price
July 1, 2001	80,000	\$45.79
	80,000	\$43.07
	78,623	\$37.88
	5,000	\$35.97
	20,000	\$33.63
July 2, 2000	80,000	\$45.79
	78,623	\$37.88
	5,000	\$35.97
June 27, 1999	80,000	\$37.88
	5,000	\$32.13
	80,000	\$31.98
	5,000	\$30.81

STOCK OPTION AND PURCHASE PLANS

The Company maintains an omnibus stock incentive plan, which provides for the granting of stock options. The Board of Directors has designated 1,200,000 shares of the Company's common stock available for grant under the plan at a price not less than the fair market value on the date the option is granted. Options become exercisable as determined at the date of grant by a committee of the Board of Directors and expire 5 to 10 years after the date of grant unless an earlier expiration date is set at the time of grant.

	Shares	Weighted Average Exercise Price
Balance at June 28, 1998	615,889	\$17.23
Granted	110,000	\$35.44
Exercised	68,148	\$15.40
Terminated	<u>20,303</u>	<u>\$25.76</u>
Balance at June 27, 1999	637,438	\$20.30
Granted	105,000	\$43.01
Exercised	175,490	\$15.72
Terminated	<u>1,377</u>	<u>\$37.88</u>
Balance at July 2, 2000	565,571	\$25.89
Granted	136,000	\$38.49
Exercised	75,101	\$15.18
Terminated	<u>2,500</u>	<u>\$30.81</u>
Balance at July 1, 2001	<u>623,970</u>	\$29.91
Exercisable as of July 1, 2001	316,847	\$20.07
Available for grant as of July 1, 2001	165,541	

The Company accounts for its stock-based compensation plans in accordance with APB Opinion No. 25 and related Interpretations as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost related to these plans was charged against earnings in 2001, 2000 and 1999. Had compensation cost for these plans been determined consistent with SFAS No. 123, the pro forma impact on earnings per share would have been as follows (thousands of dollars):

	July 1, 2001	July 2, 2000	June 27, 1999
Net income			
As reported	\$13,026	\$18,513	\$17,015
Pro forma	\$12,447	\$17,961	\$16,464
Basic earnings per share			
As reported	\$3.02	\$3.75	\$3.02
Pro forma	\$2.89	\$3.64	\$2.92
Diluted earnings per share			
As reported	\$2.96	\$3.65	\$2.94
Pro forma	\$2.84	\$3.54	\$2.85

The fair value of each option grant was estimated as of the date of grant using the Black-Scholes pricing model. The resulting pro-forma compensation cost is amortized over the vesting period.

The grant date fair values and assumptions used to determine such impact are as follows:

Options Granted During	2001	2000	1999
Weighted average grant date fair value	\$42.54	\$43.01	\$35.44
Assumptions:			
Risk free interest rates	5.38%	6.18%	5.33%
Expected volatility	24.97%	25.39%	29.09%
Expected term (in years)	5.50	5.67	5.75

The range of options outstanding as of July 1, 2001, is as follows:

Price Range per Share	Number of Options Outstanding/ Exercisable	Weighted Average Exercise Price Outstanding/ Exercisable	Weighted Average Remaining Contractual Life (in years)
\$11.75-\$17.05	167,300/167,300	\$12.36/\$12.36	3.9
\$19.68-\$31.98	188,047/132,047	\$29.22/\$28.06	4.5
Over \$31.98	268,623/17,500	\$41.32/\$33.54	3.7
	<u>623,970/316,847</u>	<u>\$29.91/\$20.07</u>	<u>4.0</u>

The Company has an Employee Stock Purchase plan to provide substantially all U.S. full-time associates an opportunity to purchase shares of its common stock through payroll deductions. A participant may contribute a maximum of \$5,200 per calendar year to the plan. On the last day of each month, participant account balances are used to purchase shares of stock at the average of the highest and lowest reported sales prices of a share of the Company's common stock on the NASDAQ National Market. A total of 100,000 shares may be issued under the plan. Shares issued from treasury stock under the plan totaled 2,695 at an average price of \$33.05 during fiscal 2001, 3,317 at an average price of \$34.07 during fiscal 2000, and 3,521 at an average price of \$28.79 during fiscal 1999. A total of 89,774 shares are available for purchase under the plan as of July 1, 2001.

EXPORT SALES

Export sales are summarized below (thousands of dollars):

	Export Sales	Percent of Net Sales
2001	\$29,013	14%
2000	\$31,745	14%
1999	\$27,233	13%

These sales were primarily to automotive manufacturing assembly plants in Canada and Mexico.

SALES TO LARGEST CUSTOMERS

Sales to the Company's largest customers were as follows (thousands of dollars and percent of total net sales):

	2001		2000		1999	
	Sales	%	Sales	%	Sales	%
General Motors Corporation	\$60,216	30%	\$68,985	31%	\$88,938	44%
Ford Motor Company	45,341	22%	54,498	24%	52,241	26%
DaimlerChrysler Corporation	33,939	17%	35,055	16%	30,757	15%
Delphi Automotive Systems	26,913	13%	31,487	14%	2,788	1%
	<u>\$166,409</u>	<u>82%</u>	<u>\$190,025</u>	<u>85%</u>	<u>\$174,724</u>	<u>86%</u>

**TO THE BOARD OF DIRECTORS AND SHAREHOLDERS
OF STRATTEC SECURITY CORPORATION:**

We have audited the accompanying consolidated balance sheets of STRATTEC SECURITY CORPORATION and subsidiaries, as of July 1, 2001, and July 2, 2000, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended July 1, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of STRATTEC SECURITY CORPORATION and subsidiaries, as of July 1, 2001, and July 2, 2000, and the results of their operations and their cash flows for each of the three years in the period ended July 1, 2001, in conformity with accounting principles generally accepted in the United States.



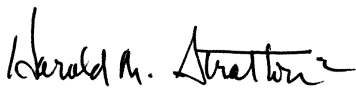
ARTHUR ANDERSEN LLP
Milwaukee, Wisconsin
July 30, 2001

REPORT OF MANAGEMENT

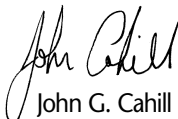
The management of STRATTEC SECURITY CORPORATION is responsible for the fair presentation and integrity of the financial statements and other information contained in this Annual Report. We rely on a system of internal financial controls to meet the responsibility of providing financial statements. The system provides reasonable assurances that assets are safeguarded, that transactions are executed in accordance with management's authorization, and that the financial statements are prepared in accordance with generally accepted accounting principles, including amounts based upon management's best estimates and judgments.

The financial statements for each of the years covered in this Annual Report have been audited by independent auditors, who have provided an independent assessment as to the fairness of the financial statements.

The Audit Committee of the Board of Directors meets with management and the independent auditors to review the results of their work and to satisfy itself that their responsibilities are being properly discharged. The independent auditors have full and free access to the Audit Committee and have discussions with the committee regarding appropriate matters, with and without management present.



Harold M. Stratton II
Chairman and
Chief Executive Officer



John G. Cahill
President and
Chief Operating Officer



Patrick J. Hansen
Vice President and
Chief Financial Officer

FIVE-YEAR FINANCIAL SUMMARY

The financial data for each period presented below reflects the consolidated results of the Company and its wholly owned subsidiaries. The information below should be read in conjunction with "Management's Discussion and Analysis," and the Financial Statements and Notes thereto included elsewhere herein. The following data are in thousands of dollars except per share amounts.

	Fiscal Years				
	2001	2000	1999	1998	1997
INCOME STATEMENT DATA					
Net sales	\$202,973	\$224,817	\$202,625	\$186,805	\$159,054
Gross profit	40,238	49,358	46,804	39,940	33,319
Engineering, selling, and administrative expenses	19,676	20,254	20,191	18,925	17,684
Income from operations	20,562	29,104	26,613	21,015	15,635
Interest income	628	1,056	1,132	351	4
Interest expense	-	-	-	(19)	(214)
Other income (expense), net	(514)	189	(239)	73	125
Income before taxes	20,676	30,349	27,506	21,420	15,550
Provision for income taxes	7,650	11,836	10,491	7,931	5,730
Net income	<u>\$13,026</u>	<u>\$18,513</u>	<u>\$17,015</u>	<u>\$13,489</u>	<u>\$9,820</u>
Earnings per share:					
Basic	\$3.02	\$3.75	\$3.02	\$2.36	\$1.72
Diluted	\$2.96	\$3.65	\$2.94	\$2.30	\$1.70
BALANCE SHEET DATA					
Net working capital	\$33,174	\$32,500	\$54,861	\$42,953	\$32,399
Total assets	101,648	108,982	128,194	107,998	95,669
Long-term liabilities	15,145	14,132	12,915	12,138	16,000
Shareholders' Equity	60,010	60,450	82,345	70,398	56,093

QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter	Net Sales	Gross Profit	Net Income	Earnings Per Share		Market Price Per Share	
					Basic	Diluted	High	Low
2001	First	\$52,421	\$11,303	\$3,881	\$.87	\$.85	\$39.500	\$32.250
	Second	49,988	9,922	3,429	.77	.76	35.250	30.500
	Third	48,179	9,337	2,611	.61	.60	33.500	29.000
	Fourth	52,385	9,676	3,105	.77	.75	35.745	31.200
	TOTAL	<u>\$202,973</u>	<u>\$40,238</u>	<u>\$13,026</u>	<u>\$3.02</u>	<u>\$2.96</u>		
2000	First	\$49,667	\$10,674	\$3,708	\$.67	\$.65	\$36.750	\$31.500
	Second	56,726	12,699	4,944	.98	.95	36.875	32.625
	Third	54,539	11,992	4,390	.94	.91	35.750	31.000
	Fourth	63,885	13,993	5,471	1.20	1.17	35.875	32.500
	TOTAL	<u>\$224,817</u>	<u>\$49,358</u>	<u>\$18,513</u>	<u>\$3.75</u>	<u>\$3.65</u>		

Registered shareholders of record at July 1, 2001, were 3,322.

BOARD OF DIRECTORS**HAROLD M. STRATTON II, 53**

Chairman and Chief Executive Officer.

JOHN G. CAHILL, 44

President and Chief Operating Officer

ROBERT FEITLER, 70

Former President and Chief Operating Officer of Weyco Group, Inc. Chairman of the Executive Committee and Director of Weyco Group, Inc. Trustee of ABN.AMRO Funds

MICHAEL J. KOSS, 47

President and Chief Executive Officer of Koss Corporation. Director of Koss Corporation.

FRANK J. KREJCI, 51

President and Chief Executive Officer of Wisconsin Furniture, LLC.



STRATTEC Board of Directors: (left to right) John G. Cahill, Michael J. Koss, Robert Feitler, Harold M. Stratton II, Frank J. Krejci

EXECUTIVE OFFICERS**HAROLD M. STRATTON II, 53****JOHN G. CAHILL, 44****PATRICK J. HANSEN, 42**

Vice President- Chief Financial Officer, Treasurer and Secretary.

MICHAEL R. ELLIOTT, 45

Vice President- Global Market Development.

GERALD L. PEEBLES, 58

Vice President- General Manager STRATTEC de Mexico.

DONALD J. HARROD, 57

Vice President- Engineering

DONALD P. KLINK, 49

Vice President- Business Operations

SHAREHOLDERS INFORMATION**ANNUAL MEETING**

The Annual Meeting of Shareholders will convene at 2 p.m. (CST) on October 23, 2001, at the Manchester East Hotel, 7065 North Port Washington Road, Milwaukee.

COMMON STOCK

STRATTEC SECURITY CORPORATION common stock is traded on the NASDAQ National Market under the symbol: STRT.

FORM 10-K

You may receive a copy of the STRATTEC SECURITY CORPORATION Form 10-K, filed with the Securities and Exchange Commission, by writing to the Secretary at STRATTEC SECURITY CORPORATION, 3333 West Good Hope Road, Milwaukee, WI 53209.

SHAREHOLDER INQUIRIES

Communications concerning the transfer of shares, lost certificates or changes of address should be directed to the Transfer Agent.

TRANSFER AGENT AND REGISTRAR

Wells Fargo Bank Minnesota, N.A.
Shareholder Services
P.O. Box 64854
St. Paul, MN 55164-0854
1-800-468-9716

STRATTEC SECURITY CORPORATION

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