

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Statements of Earnings

FOR THE FISCAL YEARS ENDED JULY 1, 2001, JULY 2, 2000 AND JUNE 27, 1999

(in thousands, except per share data)

| | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|--|---------------------|-------------------|-------------------|
| NET SALES | \$ 1,312,446 | \$ 1,592,564 | \$ 1,503,964 |
| COST OF GOODS SOLD | 1,073,383 | <u>1,253,110</u> | <u>1,198,609</u> |
| Gross Profit on Sales | 239,063 | 339,454 | 305,355 |
| ENGINEERING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 139,957 | <u>134,225</u> | <u>125,219</u> |
| Income from Operations | 99,106 | 205,229 | 180,136 |
| INTEREST EXPENSE | (30,665) | (21,267) | (17,024) |
| GAIN ON DISPOSITION OF FOUNDRY ASSETS | - | 16,545 | - |
| OTHER INCOME, Net | 3,432 | <u>16,116</u> | <u>6,659</u> |
| Income Before Provision for Income Taxes | 71,873 | 216,623 | 169,771 |
| PROVISION FOR INCOME TAXES | 23,860 | <u>80,150</u> | <u>63,670</u> |
| NET INCOME | \$ 48,013 | <u>\$ 136,473</u> | <u>\$ 106,101</u> |
| Weighted Average Shares Outstanding | 21,598 | 22,788 | 23,344 |
| BASIC EARNINGS PER SHARE | \$ 2.22 | <u>\$ 5.99</u> | <u>\$ 4.55</u> |
| Diluted Average Shares Outstanding | 21,966 | 22,842 | 23,459 |
| DILUTED EARNINGS PER SHARE | \$ 2.21 | <u>\$ 5.97</u> | <u>\$ 4.52</u> |

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

Consolidated Balance Sheets

AS OF JULY 1, 2001 AND JULY 2, 2000

(in thousands)

| ASSETS | <u>2001</u> | <u>2000</u> |
|---|--------------------|-------------------|
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | \$ 88,743 | \$ 16,989 |
| Receivables, Less Reserves of \$1,599 and \$1,544, Respectively | 145,138 | 140,097 |
| Inventories – | | |
| Finished Products and Parts | 218,671 | 181,800 |
| Work in Process | 99,247 | 70,908 |
| Raw Materials | 3,782 | 5,066 |
| Total Inventories | <u>321,700</u> | <u>257,774</u> |
| Future Income Tax Benefits | 38,434 | 39,138 |
| Prepaid Expenses and Other Current Assets | 19,415 | 17,296 |
| Total Current Assets | <u>613,430</u> | <u>471,294</u> |
| INVESTMENTS | 46,071 | 50,228 |
| PREPAID PENSION | 36,275 | 5,506 |
| DEFERRED LOAN COSTS | 10,429 | 703 |
| CAPITALIZED SOFTWARE | 6,552 | 6,934 |
| INTANGIBLE ASSETS | 167,077 | – |
| PLANT AND EQUIPMENT: | | |
| Land and Land Improvements | 16,308 | 15,087 |
| Buildings | 150,396 | 139,588 |
| Machinery and Equipment | 694,416 | 651,740 |
| Construction in Progress | 29,071 | 32,240 |
| | <u>890,191</u> | <u>838,655</u> |
| Less – Accumulated Depreciation | 473,830 | 443,075 |
| Total Plant and Equipment, Net | <u>416,361</u> | <u>395,580</u> |
| | <u>\$1,296,195</u> | <u>\$ 930,245</u> |

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

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| AS OF JULY 1, 2001 AND JULY 2, 2000 |
|-------------------------------------|

(in thousands)

| LIABILITIES AND SHAREHOLDERS' INVESTMENT | <u>2001</u> | <u>2000</u> |
|---|---------------------------|--------------------------|
| CURRENT LIABILITIES: | | |
| Accounts Payable | \$ 102,559 | \$ 117,556 |
| Domestic Notes Payable | 3,300 | 48,809 |
| Foreign Loans | 16,291 | 13,356 |
| Accrued Liabilities – | | |
| Wages and Salaries | 21,084 | 39,464 |
| Warranty | 47,480 | 46,352 |
| Other | 47,161 | 42,622 |
| Total Accrued Liabilities | <u>115,725</u> | <u>128,438</u> |
| Federal and State Income Taxes | 4,307 | 4,619 |
| Total Current Liabilities | <u>242,182</u> | <u>312,778</u> |
| DEFERRED REVENUE ON SALE OF PLANT AND EQUIPMENT | 15,536 | 15,679 |
| DEFERRED INCOME TAX LIABILITY | 18,351 | 4,011 |
| ACCRUED PENSION COST | 14,494 | 11,428 |
| ACCRUED EMPLOYEE BENEFITS | 12,979 | 12,607 |
| ACCRUED POSTRETIREMENT HEALTH CARE OBLIGATION | 61,767 | 65,765 |
| LONG-TERM DEBT | 508,134 | 98,512 |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS' INVESTMENT: | | |
| Common Stock – | | |
| Authorized 60,000 Shares \$.01 Par Value, | | |
| Issued 28,927 in 2001 and 2000 | 289 | 289 |
| Additional Paid-In Capital | 36,043 | 36,478 |
| Retained Earnings | 743,230 | 721,980 |
| Accumulated Other Comprehensive Loss | (6,182) | (3,931) |
| Unearned Compensation on Restricted Stock | (305) | (226) |
| Treasury Stock at cost, | | |
| 7,328 Shares in 2001 and 7,181 Shares in 2000 | <u>(350,323)</u> | <u>(345,125)</u> |
| Total Shareholders' Investment | <u>422,752</u> | <u>409,465</u> |
| | <u>\$1,296,195</u> | <u>\$ 930,245</u> |

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

Consolidated Statements of Shareholders' Investment

FOR THE FISCAL YEARS ENDED JULY 1, 2001, JULY 2, 2000 AND JUNE 27, 1999

(in thousands)

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Com- prehensive Income (Loss) | Unearned Compensation on Restricted Stock | Treasury Stock | Comprehensive Income |
|--|-----------------|----------------------------------|----------------------|--|--|-------------------|-------------------------|
| BALANCES, JUNE 28, 1998 | \$ 289 | \$ 37,776 | \$ 533,805 | \$ (2,110) | \$ - | \$ (253,272) | |
| Comprehensive Income - | | | | | | | |
| Net Income | - | - | 106,101 | - | - | - | \$ 106,101 |
| Foreign Currency Translation Adjustments | - | - | - | (199) | - | - | (199) |
| Unrealized Gain on Marketable Securities, net of tax of \$368 | - | - | - | 577 | - | - | 577 |
| Total Comprehensive Income | - | - | - | - | - | - | <u>\$ 106,479</u> |
| Cash Dividends Paid (\$1.16 per share) | - | - | (27,099) | - | - | - | |
| Purchase of Common Stock for Treasury | - | - | - | - | - | (75,141) | |
| Exercise of Stock Options | - | (13) | - | - | - | 45,143 | |
| Restricted Stock Issued | - | (106) | - | - | (288) | 394 | |
| Amortization of Unearned Compensation | - | - | - | - | 53 | - | |
| BALANCES, JUNE 27, 1999 | \$ 289 | \$ 37,657 | \$ 612,807 | \$ (1,732) | \$ (235) | \$ (282,876) | |
| Comprehensive Income - | | | | | | | |
| Net Income | - | - | 136,473 | - | - | - | \$ 136,473 |
| Foreign Currency Translation Adjustments | - | - | - | (1,816) | - | - | (1,816) |
| Unrealized Loss on Marketable Securities, net of tax of \$247 | - | - | - | (383) | - | - | (383) |
| Total Comprehensive Income | - | - | - | - | - | - | <u>\$ 134,274</u> |
| Cash Dividends Paid (\$1.20 per share) | - | - | (27,300) | - | - | - | |
| Purchase of Common Stock for Treasury | - | - | - | - | - | (69,083) | |
| Exercise of Stock Options | - | (1,194) | - | - | - | 6,755 | |
| Restricted Stock Issued | - | 10 | - | - | (60) | 50 | |
| Amortization of Unearned Compensation | - | - | - | - | 69 | - | |
| Shares Issued to Directors | - | 5 | - | - | - | 29 | |
| BALANCES, JULY 2, 2000 | \$ 289 | \$ 36,478 | \$ 721,980 | \$ (3,931) | \$ (226) | \$ (345,125) | |
| Comprehensive Income - | | | | | | | |
| Net Income | - | - | 48,013 | - | - | - | \$ 48,013 |
| Foreign Currency Translation Adjustments | - | - | - | (2,530) | - | - | (2,530) |
| Unrealized Loss on Marketable Securities, net of tax of \$607 | - | - | - | (947) | - | - | (947) |
| Unrealized Gain on Derivatives | - | - | - | 1,226 | - | - | 1,226 |
| Total Comprehensive Income | - | - | - | - | - | - | <u>\$ 45,762</u> |
| Cash Dividends Paid (\$1.24 per share) | - | - | (26,763) | - | - | - | |
| Purchase of Common Stock for Treasury | - | - | - | - | - | (6,118) | |
| Exercise of Stock Options | - | (368) | - | - | - | 643 | |
| Restricted Stock Issued | - | (58) | - | - | (181) | 239 | |
| Amortization of Unearned Compensation | - | - | - | - | 102 | - | |
| Shares Issued to Directors | - | (9) | - | - | - | 38 | |
| BALANCES, JULY 1, 2001 | \$ 289 | \$ 36,043 | \$ 743,230 | \$ (6,182) | \$ (305) | \$ (350,323) | |

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

Consolidated Statements of Cash Flow

FOR THE FISCAL YEARS ENDED JULY 1, 2001, JULY 2, 2000 AND JUNE 27, 1999

(in thousands)

| | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|--|------------------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net Income | \$ 48,013 | \$ 136,473 | \$ 106,101 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities – | | | |
| Depreciation and Amortization | 59,711 | 53,277 | 51,687 |
| Equity in Earnings of Unconsolidated Affiliates | (5,041) | (13,333) | (5,275) |
| (Gain) Loss on Disposition of Plant and Equipment | 1,493 | (14,167) | 2,355 |
| Provision for Deferred Income Taxes | 17,973 | 1,542 | 4,052 |
| Pension Income, Net | (28,378) | (10,509) | (8,389) |
| Change in Operating Assets and Liabilities, Net of Effects of Acquisition – | | | |
| (Increase) Decrease in Receivables | 34,686 | 51,837 | (58,738) |
| Increase in Inventories | (7,307) | (121,685) | (29,570) |
| Increase in Prepaid Expenses and Other Current Assets | (50) | (2,488) | (3,863) |
| Increase (Decrease) in Accounts Payable, Accrued Liabilities and Income Taxes | (46,740) | 1,519 | 61,890 |
| Other, Net | (6,392) | (4,984) | (4,538) |
| Net Cash Provided by Operating Activities | <u>67,968</u> | <u>77,482</u> | <u>115,712</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Additions to Plant and Equipment | (61,322) | (71,441) | (65,998) |
| Proceeds Received on Disposition of Plant and Equipment | 4,152 | 23,511 | 1,142 |
| Cash Paid for Acquisition, Net of Cash Acquired | (267,174) | – | – |
| Other, Net | 6,296 | 5,142 | (1,764) |
| Net Cash Used in Investing Activities | <u>(318,048)</u> | <u>(42,788)</u> | <u>(66,620)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Net Borrowings (Repayments) on Loans and Notes Payable | (42,574) | 44,005 | (401) |
| Proceeds from Issuance of Long-Term Debt | 399,415 | – | – |
| Repayment on 9.21% Senior Notes Due 2001 | – | (30,000) | (15,000) |
| Cash Dividends Paid | (26,763) | (27,300) | (27,099) |
| Purchase of Common Stock for Treasury | (6,118) | (69,083) | (75,141) |
| Proceeds from Exercise of Stock Options | 275 | 5,561 | 45,130 |
| Net Cash Provided by (Used in) Financing Activities | <u>324,235</u> | <u>(76,817)</u> | <u>(72,511)</u> |
| EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | | |
| | <u>(2,401)</u> | <u>(1,694)</u> | <u>(302)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| | <u>71,754</u> | <u>(43,817)</u> | <u>(23,721)</u> |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of Year | 16,989 | 60,806 | 84,527 |
| End of Year | <u>\$ 88,743</u> | <u>\$ 16,989</u> | <u>\$ 60,806</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Interest Paid | <u>\$ 26,339</u> | <u>\$ 21,202</u> | <u>\$ 16,820</u> |
| Income Taxes Paid | <u>\$ 7,831</u> | <u>\$ 84,535</u> | <u>\$ 54,491</u> |

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