

Consolidated Balance Sheets

AS OF JUNE 29, 1997 AND JUNE 30, 1996

(in thousands)

ASSETS	<u>1997</u>	<u>1996</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 112,859	\$ 150,639
Receivables, Less Reserves of \$1,522 and \$1,544, Respectively	129,877	119,346
Inventories –		
Finished Products and Parts	83,361	96,078
Work in Process	37,922	36,932
Raw Materials	4,674	4,393
Total Inventories	<u>125,957</u>	<u>137,403</u>
Future Income Tax Benefits	31,602	29,589
Prepaid Expenses	18,121	15,725
Total Current Assets	<u>418,416</u>	<u>452,702</u>
PREPAID PENSION COST	–	4,682
DEFERRED INCOME TAX ASSETS	16,975	2,883
CAPITALIZED SOFTWARE	10,532	3,685
PLANT AND EQUIPMENT:		
Land and Land Improvements	15,548	15,603
Buildings	146,769	147,670
Machinery and Equipment	584,834	594,608
Construction in Progress	49,563	18,757
	<u>796,714</u>	<u>776,638</u>
Less – Accumulated Depreciation	400,448	402,426
Total Plant and Equipment, Net	<u>396,266</u>	<u>374,212</u>
	<u>\$ 842,189</u>	<u>\$ 838,164</u>

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

AS OF JUNE 29, 1997 AND JUNE 30, 1996

(in thousands)

LIABILITIES AND SHAREHOLDERS' INVESTMENT	<u>1997</u>	<u>1996</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 82,166	\$ 65,642
Domestic Notes Payable	5,000	5,000
Foreign Loans	13,359	14,922
Current Maturities on Long-Term Debt	15,000	15,000
Accrued Liabilities –		
Wages and Salaries	25,767	25,488
Warranty	27,017	26,257
Other	34,769	31,187
Total Accrued Liabilities	<u>87,553</u>	<u>82,932</u>
Federal and State Income Taxes	10,916	6,683
Total Current Liabilities	<u>213,994</u>	<u>190,179</u>
DEFERRED REVENUE ON SALE OF PLANT AND EQUIPMENT	15,966	–
ACCRUED PENSION COST	31,891	6,734
ACCRUED EMPLOYEE BENEFITS	12,324	11,697
ACCRUED POSTRETIREMENT HEALTH CARE OBLIGATION	74,020	69,049
LONG-TERM DEBT	142,897	60,000
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' INVESTMENT:		
Common Stock –		
Authorized 60,000 shares \$.01 Par Value,		
Issued 28,927 in 1997 and 1996	289	289
Additional Paid-In Capital	40,533	40,898
Retained Earnings	490,682	459,666
Cumulative Translation Adjustments	(1,033)	(348)
Treasury Stock at cost,		
3,513 shares in 1997 and none in 1996	<u>(179,374)</u>	<u>–</u>
Total Shareholders' Investment	<u>351,097</u>	<u>500,505</u>
	<u>\$ 842,189</u>	<u>\$ 838,164</u>

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

Consolidated Statements of Earnings

FOR THE YEARS ENDED JUNE 29, 1997, JUNE 30, 1996 AND JULY 2, 1995

(in thousands, except per share data)

	<u>1997</u>	<u>1996</u>	<u>1995</u>
NET SALES	\$ 1,316,413	\$ 1,287,029	\$ 1,339,677
COST OF GOODS SOLD	1,095,197	<u>1,025,281</u>	<u>1,068,059</u>
Gross Profit on Sales	221,216	261,748	271,618
ENGINEERING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	117,497	<u>108,339</u>	<u>101,852</u>
Income from Operations	103,719	153,409	169,766
INTEREST EXPENSE	(9,880)	(10,069)	(8,580)
OTHER INCOME, Net	5,466	<u>5,712</u>	<u>9,189</u>
Income Before Provision for Income Taxes	99,305	149,052	170,375
PROVISION FOR INCOME TAXES	37,740	<u>56,640</u>	<u>65,570</u>
NET INCOME	\$ 61,565	<u>\$ 92,412</u>	<u>\$ 104,805</u>
NET INCOME PER SHARE	\$ 2.16	<u>\$ 3.19</u>	<u>\$ 3.62</u>
Weighted Average Number of Shares Outstanding	28,551	<u>28,927</u>	<u>28,927</u>

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

Consolidated Statements of Shareholders' Investment

FOR THE YEARS ENDED JUNE 29, 1997, JUNE 30, 1996 AND JULY 2, 1995

(in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Cumulative Translation Adjustments	Treasury Stock
BALANCES, JULY 3, 1994	\$ 145	\$ 42,358	\$ 362,136	\$ (847)	\$ -
Net Income	-	-	104,805	-	-
Cash Dividends Paid (\$.98 per share)	-	-	(28,348)	-	-
Distribution of Shares of STRATTEC SECURITY CORPORATION	-	-	(40,966)	1,226	-
Two-for-One Stock Split	144	(144)	-	-	-
Purchase of Common Stock for Treasury	-	-	-	-	(915)
Exercise of Stock Options	-	(516)	-	-	915
Currency Translation Adjustments	-	-	-	(515)	-
BALANCES, JULY 2, 1995	289	41,698	397,627	(136)	-
Net Income	-	-	92,412	-	-
Cash Dividends Paid (\$1.05 per share)	-	-	(30,373)	-	-
Purchase of Common Stock for Treasury	-	-	-	-	(1,185)
Exercise of Stock Options	-	(800)	-	-	1,185
Currency Translation Adjustments	-	-	-	(212)	-
BALANCES, JUNE 30, 1996	289	40,898	459,666	(348)	-
Net Income	-	-	61,565	-	-
Cash Dividends Paid (\$1.09 per share)	-	-	(30,549)	-	-
Purchase of Common Stock for Treasury	-	-	-	-	(179,924)
Exercise of Stock Options	-	(365)	-	-	550
Currency Translation Adjustments	-	-	-	(685)	-
BALANCES, JUNE 29, 1997	<u>\$ 289</u>	<u>\$ 40,533</u>	<u>\$ 490,682</u>	<u>\$ (1,033)</u>	<u>\$ (179,374)</u>

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

Consolidated Statements of Cash Flow

FOR THE YEARS ENDED JUNE 29, 1997, JUNE 30, 1996 AND JULY 2, 1995

(in thousands)

	<u>1997</u>	<u>1996</u>	<u>1995</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 61,565	\$ 92,412	\$ 104,805
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities –			
Depreciation	43,345	43,032	44,445
Amortization of Discount on 7.25% Notes Due 2007	17	–	–
Loss on Disposition of Plant and Equipment	1,608	2,692	1,452
Change in Operating Assets and Liabilities –			
(Increase) Decrease in Receivables	(10,531)	(25,230)	11,125
(Increase) Decrease in Inventories	11,446	3,271	(62,753)
(Increase) in Other Current Assets	(4,409)	(1,107)	(4,720)
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Income Taxes	25,378	(15,595)	(8,220)
Other, Net	14,498	(4,979)	9,633
Net Cash Provided by Operating Activities	<u>142,917</u>	<u>94,496</u>	<u>95,767</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to Plant and Equipment	(71,262)	(77,746)	(131,034)
Proceeds Received on Sale of Plant and Equipment	4,133	1,069	2,055
Proceeds Received on Sale of Menomonee Falls, Wisconsin Facility	15,966	–	–
Decrease in Cash Due to Spin-Off of Lock Business	–	–	(174)
Net Cash Used in Investing Activities	<u>(51,163)</u>	<u>(76,677)</u>	<u>(129,153)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net Borrowings (Repayments) on Loans and Notes Payable	(1,563)	(6,481)	12,080
Net Borrowings on 7.25% Notes Due 2007	97,880	–	–
Repayment on 9.21% Senior Notes Due 2001	(15,000)	–	–
Cash Dividends Paid	(30,549)	(30,373)	(28,348)
Purchase of Common Stock for Treasury	(179,924)	(1,185)	(915)
Proceeds from Exercise of Stock Options	185	385	399
Net Cash Used in Financing Activities	<u>(128,971)</u>	<u>(37,654)</u>	<u>(16,784)</u>
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	<u>(563)</u>	<u>(174)</u>	<u>(283)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,780)	(20,009)	(50,453)
CASH AND CASH EQUIVALENTS:			
Beginning of Year	<u>150,639</u>	<u>170,648</u>	<u>221,101</u>
End of Year	<u>\$ 112,859</u>	<u>\$ 150,639</u>	<u>\$ 170,648</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest Paid	<u>\$ 9,298</u>	<u>\$ 10,137</u>	<u>\$ 8,501</u>
Income Taxes Paid	<u>\$ 49,707</u>	<u>\$ 48,865</u>	<u>\$ 88,935</u>

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