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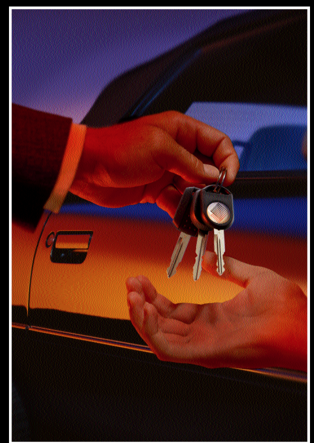
1999 STRATTEC ANNUAL REPORT



Keys function as a central metaphor in our language: The keys to success. The keys to wisdom. Key points. Key issues. It goes beyond metaphor. Keys quite literally provide access to those things that are integral to our daily lives and well-being.

Nowhere is that more evident than a set of vehicle keys, where they provide access to power, mobility, and personal freedom. Receiving that access is a responsibility as well as a privilege. Ultimately, the handing of keys from one person to another is an act of permission, and trust.

The North American auto and truck industry has trusted STRATTEC for 85 years. And we've responded with generations of innovation, and enhanced security and reliability. Each generation passes along the traditions of quality and service that have made our locks and keys the standard of the industry.

STRATTEC continues to grow – to provide efficient, effective access control for vehicles worldwide. And more and more people are a little more secure because they've got us in their pockets.

CONTENTS

STRATTEC SECURITY CORPORATION

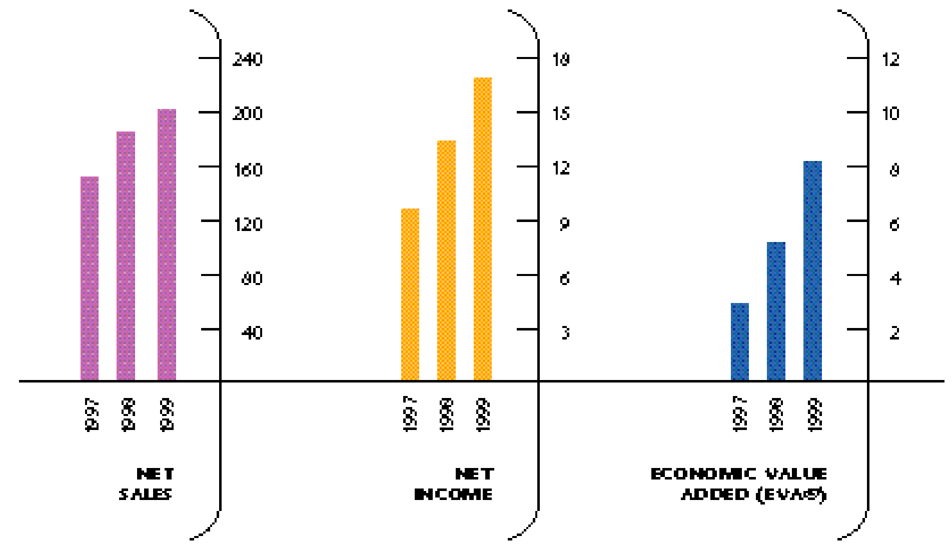
STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets mechanical locks, electro-mechanical locks and related security products for major automotive manufacturers. Our products are shipped to customer locations in the United States, Canada, Mexico, Europe and South America, and we 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.

FINANCIAL HIGHLIGHTS

(In Millions)

	1999	1998	1997
Net Sales	$202.6	$186.8	$159.1
Gross Profit	46.8	39.9	33.3
Income from Operations	26.6	21.0	15.6
Net Income	17.0	13.5	9.8
Total Assets	128.2	108.0	95.7
Total Debt	–	–	5.0
Shareholders' Equity	82.3	70.4	56.1

(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 1999, $8.1 million of positive economic value was generated, an increase of $2.9 million compared to 1998. We continue to believe that EVA® represents STRATTEC's ultimate measure of success and shareholder value.

Net Operating Profit after cash-based taxes		$16.1
Average capital	$66.8	
Capital Cost	12%	
		8.0
Economic value added		$ 8.1

EVA is a registered trademark of Stern, Stewart & Co.

A LETTER TO OUR SHAREHOLDERS

It's a pleasure for us to be able to report to you that fiscal 1999 was a very good year for our company. We achieved record sales and earnings, with net sales of $202.6 million, an 8% increase over fiscal 1998, and net income of $17.0 million, a nearly 26% increase over last fiscal year.

As we reported throughout the year, the sales increase was primarily due to a more favorable product mix and the incredible strength of the automotive market, which kept production levels high for most of the year. Sales to General Motors, our largest customer, were 3% ahead for the year. The magnitude of this gain was negatively impacted to some degree by GM's labor disruptions in the early part of our first quarter. However, sales were positively affected by new steering column lock housing products sold to GM's Delphi unit. This unit was spun off as an independent entity on May 28th of this year, and will be counted as a separate customer in fiscal 2000. Sales to the Ford Motor Company and DaimlerChrysler Corporation were 13% and 18% ahead, respectively. Fiscal 1999 represented our first full year with Mitsubishi Motors Manufacturing of America as a customer, and we welcome their contribution to our sales totals.

Our fiscal 1999 gross profit margins of 23.1% showed improvement over the prior year as a result of the healthy production volume, improved efficiencies in our operations, and raw material costs that were stable at levels below the previous year. Engineering, Selling & Administrative expenses were slightly higher compared to fiscal 1998, but declined slightly as a percentage of net sales. The result of this good news is that we generated earnings per share on a diluted basis of $2.94, compared to $2.30 per share last fiscal year, an increase of 28%. More importantly, we created $8.1 million of economic value in excess of our cost of capital. This represents a $2.9 million improvement over our previous fiscal year's positive EVA®.

Our balance sheet continues to be conservatively strong, including a good cash position with which to pursue strategic initiatives. We repurchased 230,000 shares of the company's common stock during the year at a cost of approximately $6.4 million. In June, we announced an expansion of our stock repurchase program. The Board of Directors took this action as a result of the company's strong financial condition, and its belief that the stock was undervalued at the then current market prices. With this latest expansion of the repurchase program, we have the flexibility of repurchasing up to an additional 500,000 shares.

Organizationally, we made a number of changes to the officer group during the year. In November, Mr. Donald J. Harrod joined us as Vice President, Engineering, replacing Andrew G. Lechtenberg who left the company at the beginning of the fiscal year. In February, Harry Stratton became Chairman of the Board, while retaining his responsibilities as Chief Executive Officer. John Cahill was elevated from his position as Executive Vice President & Chief Financial Officer to President & Chief Operating Officer. Patrick J. Hansen, previously our Corporate Controller, was elected Vice President & CFO, taking over Mr. Cahill's former financial responsibilities.

At the same time, Mike Elliott was elected to the newly created position of Vice President, Global Market Development. In this role, Mr. Elliott will continue many of the responsibilities he had as our Vice President, Sales & Marketing, but will shift his focus to the development of our business outside North America. With these changes, we have aligned responsibilities among the officer group so as to allow us to bring more focus and attention to strategic initiatives, while continuing our drive toward excellence in operational effectiveness.

All in all, we accomplished quite a bit during the fiscal year, as evidenced by the strong financial results we were able to deliver and our continuing strong presence in the North American market. But we also took some steps to maximize our opportunities for the future. The organizational changes just described represented one of those steps. But we would like to briefly describe some of the other activities in which we are engaged on the strategic front.

For the past several years, we have written about the two main strategic challenges facing our business: the globalization of the auto industry, and the emergence of electronics in automotive security. Over the past year, we stepped up our actions to capitalize on the opportunities inherent in these challenges. Actions we have taken include increased research and development activities through our Advance Development Group; direct discussions with targeted potential strategic partners; and further investigation of electronic technologies. As a result, we are getting much closer to realizing a plan that will give us global marketing and manufacturing reach, expand our product offerings, and put us in a position to align ourselves with emerging electronic technologies.

In the long term, these actions will take us from being a business that is essentially one-product/one market, and allow us to globally compete in multiple markets with multiple products. This will be a significant change for our company, representing a new era for our business; one that will result in a broader based company that will be better able to respond to the pace of change in the industry we serve.

During the second quarter of this fiscal year, we realized the initial step in our expanding universe by supplying lock sets for the S-Type Jaguar through our collaboration partner in England, C. E. Marshall (Wolverhampton) Ltd. In addition, we are supplying steering column lock housings for this vehicle directly from our North American facilities to the Jaguar plant in Castle Bromwich, England.

As a next step, we are pleased to report that through an association with another European automotive supplier, we will be supplying non-lock components to Volkswagen de Mexico before the end of the third quarter of fiscal 2000. This will be followed by another non-lock product for Volkswagon de Mexico coming in late fiscal 2000.

This new direction for our company will be significant to our future success. Fiscal 1998 and 1999 marked a high point in our North American market share, with nearly two-thirds of all the vehicles produced in Canada, the United States and Mexico during those years utilizing STRATTEC lock sets. While this is good news, continued growth in our traditionally largest market with our traditional product will be difficult. It is therefore important to move forward with our globalization and product initiatives if we are to continue the positive momentum we have developed over the past three years. We expect that the associations we are developing with European partners will allow us to do just that, leveraging our strong position in North America to gain business with new products and new markets. We look forward to reporting progress in this regard during fiscal 2000.

As we close this record year, we want to thank you again for your continued support of our company. The Board of Directors, our fellow officers and all of our associates look forward to your continued support as we move forward with new initiatives to secure our mutual goals for the future.

Sincerely,

Harold M. Stratton II	John G. Cahill
Chairman and Chief Executive Officer	President and Chief Operating Officer
August, 1999	August, 1999

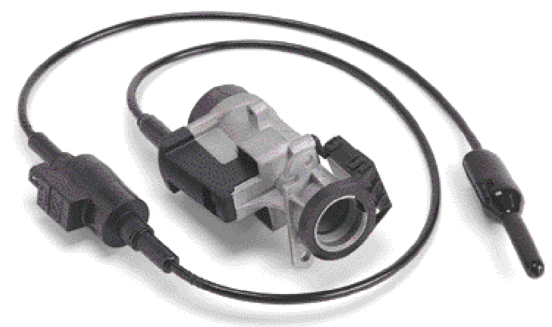
BASIC BUSINESS

STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets mechanical locks, electro-mechanical locks and related security products for major 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.

HISTORY

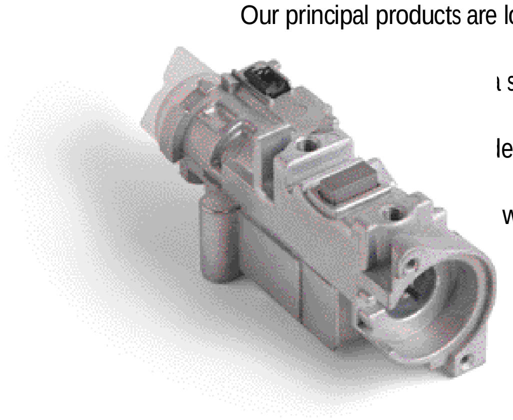
STRATTEC formerly was a division of Briggs & Stratton Corporation. On February 27, 1995, STRATTEC was spun-off from Briggs & Stratton through a tax-free distribution to the then existing Briggs shareholders. STRATTEC received substantially all of the assets related to the lock and key business owned 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 more than 80 years. We have also been in the zinc die casting business for approximately 70 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.

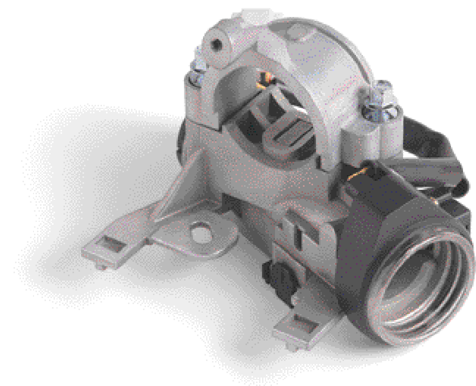


PRODUCTS

Our principal products are locks and keys for cars and trucks. A typical automobile contains a set



ι steering column/ignition lock, a glove box lock, two front door locks łeck 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, burglar alarm



ɖ door locks with illuminated faces are also offered as options. Usually two eys are provided with each vehicle lockset.

STRATTEC produces locks with simple electrical switch devices and more sophisticated devices, such as resistive elements, radio frequency identification (RFID) elements and Hall Effect sensors. The primary focus f these added electronics i security and reliability. Electronics will play an important and ever-increasing role in the future of our security-related products.

MARKETS

We are a direct supplier to OEM auto and light truck manufacturers, over-the-road heavy truck manufacturers and recreational vehicle manufacturers, as well as other transportation-related manufacturers. For the 1999 model year, we enjoyed a 66.4% market share in the North American automotive industry, supplying locks and keys for approximately 90% of General Motor's production, 65% of Ford's, and 99% of DaimlerChrysler's production. We also are an OEM components supplier to 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.

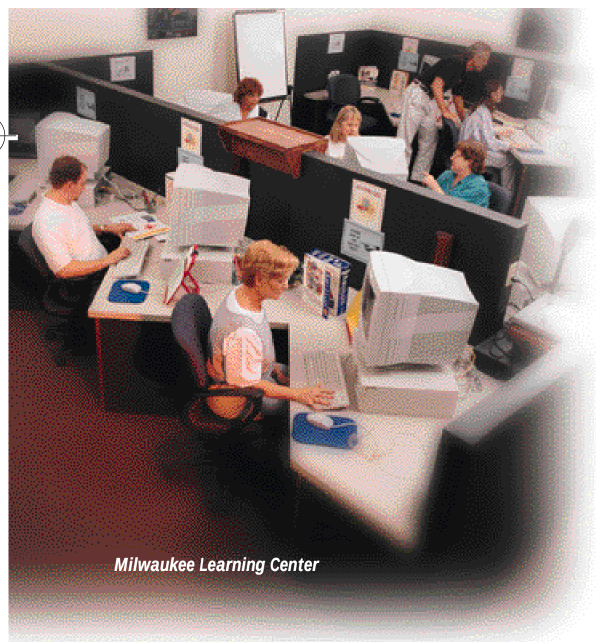
Milwaukee Distribution Service Warehouse

Sales to General Motors, Ford and DaimlerChrysler are coordinated through our direct sales personnel located in our Detroit-area office. Sales are also 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 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 is also available for customer problem solving, warranty analysis and other activities that arise during a product's life cycle. Our customers receive after-sales support in the form of special field service kits, service manuals, and specific in-plant production repair programs.


Milwaukee Training Center

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 21%, 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 through collaborative agreements with lock manufacturers in those regions.


Milwaukee Learning Center

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 75 authorized wholesale distributors, as well as other marketers and users of component parts, including export customers. These aftermarket activities are serviced through a new 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/Delphi, for Ford, and for Daimler Chrysler/Mitsubishi. A fourth team handles our industrial and service customers, including such heavy truck manufacturers as Peterbilt, Kenworth, Mack, Freightliner, Navistar, and GM Volvo.

Each of the four 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 is also 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


Milwaukee Headquarters and Manufacturing Facility

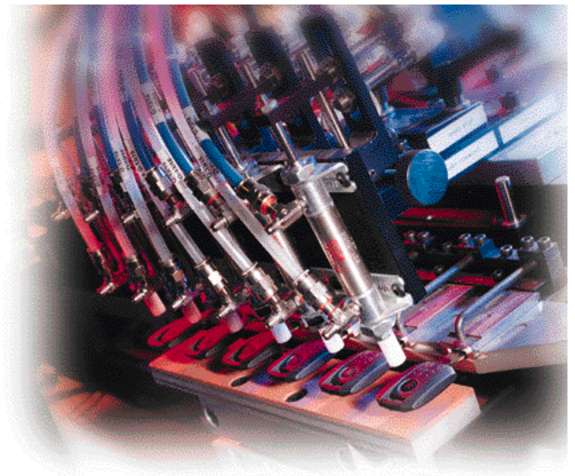
The majority of the components that go into our lock products are manufactured at our main facility and headquarters in Milwaukee, Wisconsin. This facility also makes zinc die cast components for other manufacturers. Lock assembly is performed at the Milwaukee location and at our primary assembly facility, located in Juarez, Mexico.


STRATTEC de Mexico Assembly Facility

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. Among other things, we are pursuing mechanical as well as electronic products to increase security, modularization of related components, and new manufacturing processes to reduce costs for ourselves and our customers.



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 while summer vacation shut-downs 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.

2000 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 GM Volvo. Recreational vehicles like Winnebago, Coachmen, Jayco and Fleetwood. And the following model year 2000 cars and light trucks:

CARS

Buick Century
Buick Regal
Cadillac Eldorado
Chevrolet Camaro
Chevrolet Cavalier
Chevrolet Corvette
Chevrolet Impala
Chevrolet Lumina
Chevrolet Malibu
Chevrolet Monte Carlo
Chrysler Cirrus
Chrysler Concorde
Chrysler 300M
Chrysler LHS
Chrysler Sebring Convertible
Dodge Intrepid
Dodge Neon
Dodge Stratus
Dodge Viper
Ford Taurus
General Motors EV1
Jaguar S-Type
Lincoln Continental
Lincoln LS
Mercury Sable
Mitsubishi Eclipse
Mitsubishi Galant
Oldsmobile Alero
Oldsmobile Intrigue
Plymouth Breeze
Plymouth Neon
Plymouth Prowler
Pontiac Firebird
Pontiac Grand Am
Pontiac Grand Prix
Pontiac Sunfire
Saturn LS

LIGHT TRUCKS, VANS AND SPORT UTILITY VEHICLES

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

1999 Compared to 1998

Net sales were $202.6 million in 1999, an increase of 8 percent compared to net sales of $186.8 million in 1998. Sales to DaimlerChrysler Corporation increased $5.0 million or 19 percent. Sales to the Ford Motor Company increased $6.1 million or 13 percent. Sales to these customers increased primarily due to increased unit production by these customers and a more favorable product mix. Sales to General Motors Corporation were relatively consistent with the prior year levels. Labor disruptions at General Motors Corporation reduced sales to this customer by an estimated $3 million during both fiscal 1999 (first quarter) and 1998 (fourth quarter). General Motors Corporation completed its spin-off of Delphi Automotive Systems in May 1999. Sales to Delphi Automotive Systems totaled $2.8 million in the month of June 1999 and were previously reported as sales to General Motors Corporation. The Company also began production volume shipments totaling approximately $2.2 million to Mitsubishi Motor Manufacturing of America early in the current fiscal year in support of the launch of the 1999 Gallant. This is the Company's initial program with Mitsubishi.

Gross profit as a percentage of net sales was 23.1 percent in 1999 compared to 21.4 percent in 1998. Several factors contributed to the improvement in gross profit margins, including increased production volumes resulting in more favorable absorption of fixed overhead costs and a favorable mix of higher margin products. The prior year included a charge of $750,000 related to cash payments to the Company's represented employees upon ratification of a new collective bargaining agreement. Additional improvement in gross profit margins resulted from the cost of zinc, which the Company uses at a rate of approximately 1 million pounds per month, being substantially lower in the current year as compared to the prior year. The average price per pound was approximately $.52 in fiscal 1999 compared to approximately $.68 in fiscal 1998. Also contributing to the improved gross profit margin was the devaluation of the Mexican peso during the first quarter of the current fiscal year which resulted in lower U.S. dollar costs for the Mexican assembly operation. The rate of inflation in Mexico during the 12 months ended September 1998 was approximately 14 percent. However, the average U.S. dollar/Mexican peso exchange rate increased to approximately 9.50 in the first quarter of the current fiscal year from approximately 7.85 in the first quarter of the prior year.

Engineering, selling and administrative expenses were $20.2 million, or 10.0 percent of net sales in 1999, compared to $18.9 million, or 10.1 percent of net sales in 1998. The increase was primarily related to the addition of associates to support current and future programs and the related recruiting and relocation costs.

Income from operations was $26.6 million in 1999, compared to $21.0 million in 1998, reflecting the increased sales volume and improved gross margin as previously discussed above.

The effective income tax rate in fiscal 1999 was 38.1 percent compared to 37.0 percent in fiscal 1998. The increase is due to an increase in the federal statutory tax rate resulting from higher net income levels as well as 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.

RESULTS OF OPERATIONS

1998 Compared to 1997

Net sales were $186.8 million in 1998, an increase of 17 percent compared to net sales of $159.1 million in 1997. The sales increase is primarily due to increased sales to all three of the Company's largest customers in the current year compared to prior year levels, with General Motors Corporation increasing $16.4 million or 23 percent, DaimlerChrysler Corporation increasing $5.0 million or 24 percent, and Ford Motor Company increasing $2.5 million or 6 percent. Sales growth was primarily due to higher value mechanical and electro-mechanical content. Increased sales to DaimlerChrysler Corporation also reflect that company's higher vehicle production schedule in the last six months of fiscal 1998 compared to the prior year period. Labor disruptions at General Motors Corporation operations reduced sales to this customer by an estimated $3 million during the current year fourth quarter and by an estimated $2 million during the second quarter of fiscal 1997.

Gross profit as a percentage of net sales was 21.4 percent in 1998 compared to 20.9 percent in 1997. Gross profit margins improved compared to the prior year due to decreased scrap and premium freight costs. The gross profit margin was negatively impacted by a $750,000 charge during the current year as a result of cash payments to the Company's represented employees upon ratification of a new collective bargaining agreement. During the first six months of 1998, the cost of zinc, which the Company uses at a rate of approximately 1 million to 1.2 million pounds per month, remained significantly above prior year levels, increasing to an average of approximately $.74 per pound in the six months ended December 28, 1997, from an average of $.53 per pound in the six months ended December 29, 1996, resulting in a negative impact on gross profit margins. The cost of zinc declined in the second quarter of fiscal 1998 after increasing dramatically over the previous 12 months.

Gross profit margins were also negatively impacted as inflationary cost pressures in Mexico over the past 30 months have resulted in higher U.S. dollar costs. The rate of inflation in Mexico during the six months ended June 28, 1998, and during calendar 1997 and 1996 was approximately 8, 16 and 28 percent, respectively. The U.S. dollar/Mexican peso exchange rate remained relatively stable during this period with devaluation during the period September 1997 through June 1998. The exchange rate ranged from approximately 7.40 to 7.90 pesos to the dollar during the period January 1996 through September 1997, and from approximately 7.80 to 9.00 pesos to the dollar during the period October 1997 through June 28, 1998.

Engineering, selling and administrative expenses were $18.9 million, or 10.1 percent of net sales in 1998, compared to $17.7 million, or 11.1 percent of net sales in 1997. Engineering expenses increased approximately $700,000 primarily in support of new programs. Selling and marketing expenses increased approximately $200,000 primarily due to increased costs for commissions and promotional items. Administrative expenses increased approximately $300,000, primarily due to increased costs to recruit salaried employees.

Income from operations was $21.0 million in 1998, compared to $15.6 million in 1997, reflecting the increased sales volume and improved gross margin as previously discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash from operating activities of $27.5 million in 1999 compared to $26.0 million in 1998. The increased generation of cash is due to several factors, including increased sales and operating profit levels as previously discussed and increases in accounts payable and accrued liabilities in support of increased production activities. In addition, the Company's investment in accounts receivable increased by approximately $10.8 million at June 27, 1999, as compared to June 28, 1998, primarily due to an increase in outstanding billings for customer tooling and higher sales levels in the current quarter as compared to the fourth quarter of fiscal 1998. During June 1998, labor disruptions at General Motors Corporation reduced sales by approximately $3 million. Inventories decreased by approximately $1.2 million at June 27, 1999, as compared to June 28, 1998, due to decreased sales during June 1998 resulting from the labor disruptions at General Motors Corporation.

Capital expenditures in 1999 were $8.8 million, compared to $7.5 million in 1998. Expenditures were primarily in support of requirements for new product programs and the upgrade and replacement of equipment. The Company anticipates that capital expenditures will be approximately $9 million to $10 million in fiscal 2000, primarily in support of requirements for new product programs and the upgrade and replacement of equipment.

The Board of Directors of the Company has authorized a stock repurchase program to buy back up to 889,395 outstanding shares. A total of 383,000 shares have been repurchased as of June 27,1999, at a cost of approximately $9.2 million. Additional repurchases may occur from time to time. Funding for the repurchases was provided by cash flow from operations and borrowings under existing credit facilities.

The Company has a $25.0 million unsecured, revolving credit facility (the "Credit Facility"). There were no outstanding borrowings under the Credit Facility at June 27, 1999. 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 covenants 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.

CONSOLIDATED STATEMENTS OF INCOME (IN THOUSANDS)

OTHER

The Company's Year 2000 readiness project has been ongoing since late 1997. The project addresses operating systems, the manufacturing operations, customers and suppliers. As of June 27, 1999, the Company's operating systems have been fully updated to Year 2000 compliant versions. The Year 2000 compliant versions are currently in use throughout the Company. Tests have been performed in which transaction dates were set forward past January 1, 2000. These test transactions were accurately processed. The Company plans to continue testing and retesting throughout the remainder of the calendar year. Verification that all equipment used in the manufacturing operations is Year 2000 compliant has been completed. A Year 2000 readiness questionnaire has been distributed to all suppliers and a risk analysis has been prepared for each supplier based on the completed questionnaires. On-site assessments have been and continue to be performed for all high risk suppliers. Based on the results on on-site assessments, alternate sources will be identified as necessary.

The Company is instituting contingency planning. The Company will limit employee vacations during late 1999 and early 2000, and the information systems department will be staffed over the millennium weekend. A chain of command is being established to respond to unforeseen events and to ensure that personnel will be available to handle issues that may arise. Despite the Company's efforts, there is no guarantee or assurance that all Year 2000 problems will be uncovered.

The Company is participating in a program coordinated by the Automotive Industries Action Group ("AIAG"), a group sponsored and supported by General Motors Corporation, DaimlerChrysler Corporation and the Ford Motor Company. Based upon the guidelines of a Year 2000 Readiness Self-Assessment, developed by the AIAG, the Company is classified as a low risk supplier in relation to Year 2000 compliance.

The Company implemented a new business information system in February 1997. No significant modifications to the software to be compliant with the requirements to process transactions in the Year 2000 were required. Therefore, the Company's cost to become Year 2000 compliant was not material to its financial condition or results of operations.

MEXICAN OPERATIONS

The Company has assembly operations in Juarez, Mexico. Since December 28, 1998, and prior to December 30, 1996, 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." During the period December 30, 1996, to December 27, 1998, the functional currency of the Mexican operation was the U.S. dollar, as Mexico was then considered to be a highly inflationary economy in accordance with SFAS No. 52. The effect of currency fluctuations in the remeasurement process was included in the determination of income. The effect of the December 28, 1998 functional currency change was not material to the financial results of the company.

PROSPECTIVE INFORMATION

A number of the matters and subject areas discussed in this Annual Report that are not historical or current facts deal with potential future circumstances and developments. 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 and Letter to Our Shareholders. 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, relating to the automotive industry, consumer demand for the Company's and its customers products, competitive and technological developments, foreign currency fluctuations, Year 2000 compliance issues 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 publically update such forward-looking statements to reflect subsequent events or circumstances.

	Years Ended		
	June 27, 1999	June 28, 1998	June 29, 1997
NET SALES	$202,625	$186,805	$159,054
Cost of goods sold	155,821	146,865	125,735
GROSS PROFIT	46,804	39,940	33,319
Engineering, selling, and administrative expenses	20,191	18,925	17,684
INCOME FROM OPERATIONS	26,613	21,015	15,635
Interest income	1,132	351	4
Interest expense	-	(19)	(214)
Other income (expense), net	(239)	73	125
INCOME BEFORE PROVISION FOR INCOME TAXES	27,506	21,420	15,550
Provision for income taxes	10,491	7,931	5,730
NET INCOME	$17,015	$13,489	$9,820
EARNINGS PER SHARE:			
BASIC	$3.02	$2.36	$1.72
DILUTED	$2.94	$2.30	$1.70

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

CONSOLIDATED BALANCE SHEETS *(IN THOUSANDS)*

	June 27, 1999	June 28, 1998
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 28,611	$ 14,754
Receivables, less allowance for doubtful accounts of $250 at June 27, 1999, and June 28, 1998	36,063	25,301
Inventories	13,804	14,962
Customer tooling in progress	3,758	8,692
Future income tax benefits	2,525	2,218
Other current assets	2,522	2,131
Total current assets	87,283	68,058
PROPERTY, PLANT, AND EQUIPMENT, NET	40,911	39,940
	$128,194	$107,998
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$17,386	$12,457
Accrued liabilities:		
Payroll and benefits	9,961	8,170
Environmental	2,820	2,873
Income taxes	201	307
Other	2,054	1,298
Total current liabilities	32,422	25,105
DEFERRED INCOME TAXES	512	357
BORROWINGS UNDER REVOLVING CREDIT FACILITY	-	-
ACCRUED PENSION OBLIGATIONS	8,669	8,289
ACCRUED POSTRETIREMENT OBLIGATIONS	4,246	3,849
SHAREHOLDERS' EQUITY		
Common stock, authorized 12,000,000 shares $.01 par value, issued 5,945,298 shares at June 27, 1999, and 5,877,150 shares at June 28, 1998	59	59
Capital in excess of par value	43,999	42,489
Retained earnings	49,451	32,436
Accumulated other comprehensive loss	(2,081)	(1,863)
Less: Treasury stock, at cost (378,788 shares at June 27, 1999 and 152,307 shares at June 28, 1998)	(9,083)	(2,723)
Total shareholders' equity	82,345	70,398
	$128,194	$107,998

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

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY *(IN THOUSANDS)*

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Comprehensive Income
BALANCE, JUNE 30, 1996	$58	$40,909	$9,127	$(1,796)	-	
Net income	-	-	9,820	-	-	$9,820
Translation adjustments	-	-	-	(67)	-	(67)
Comprehensive income						$9,753
Purchase of common stock	-	-	-	-	(2,143)	
Exercise of stock options, including tax benefit	-	185	-	-	-	
BALANCE, JUNE 29, 1997	58	41,094	18,947	(1,863)	(2,143)	
Net income	-	-	13,489	-	-	$13,489
Translation adjustments	-	-	-	-	-	-
Comprehensive income						$13,489
Purchase of common stock	-	-	-	-	(591)	
Exercise of stock options, including tax benefit	1	1,395	-	-	11	
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						$16,797
Purchase of common stock	-	-	-	-	(6,416)	
Exercise of stock options, including tax benefit	-	1,510	-	-	56	
BALANCE, JUNE 27, 1999	$59	$43,999	$49,451	$(2,081)	$(9,083)	

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

CONSOLIDATED STATEMENTS OF CASH FLOWS *(IN THOUSANDS)*

	Years Ended		
	June 27, 1999	June 28, 1998	June 29, 1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$17,015	$13,489	$9,820
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	7,107	6,776	5,639
Loss on disposition of property, plant and equipment	463	168	171
Change in operating assets and liabilities:			
(Increase) decrease in receivables	(10,788)	4,330	(10,897)
(Increase) decrease in inventories	1,158	(83)	(1,473)
(Increase) decrease in other assets	4,203	(1,891)	1,421
Increase in accounts payable and accrued liabilities	8,311	3,216	1,459
Other, net	54	(54)	(50)
Net cash provided by operating activities	27,523	25,951	6,090
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(8,831)	(7,450)	(7,972)
Proceeds received on sale of property, plant and equipment	15	70	196
Net cash used in investing activities	(8,816)	(7,380)	(7,776)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (payments of) borrowings under revolving credit facility	-	(5,037)	3,607
Purchase of common stock	(6,416)	(591)	(2,143)
Exercise of stock options	1,566	1,407	185
Net cash provided by (used in) financing activities	(4,850)	(4,221)	1,649
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,857	14,350	(37)
CASH AND CASH EQUIVALENTS			
Beginning of year	14,754	404	441
End of year	$28,611	$14,754	$ 404
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Income taxes paid	$ 9,882	$ 7,482	$4,984
Interest paid	-	19	227

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

NOTES TO FINANCIAL 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 security products for 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 generally accepted accounting principles.

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 June 27, 1999, 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.

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):

	June 27, 1999	June 28, 1998
Finished products	$ 4,439	$ 5,114
Work in process	11,145	11,204
Raw materials	774	1,179
LIFO adjustment	(2,554)	(2,535)
	$13,804	$14,962

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 then are 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):

	June 27, 1999	June 28, 1998
Land	$ 1,236	$ 855
Buildings and improvements	10,836	9,819
Machinery and equipment	69,447	64,523
	81,519	75,197
Less: accumulated depreciation	(40,608)	(35,257)
	$40,911	$39,940

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.

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, and prior to December 30, 1996, 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." During the period December 30 1996, to December 27, 1998, the functional currency of the Mexican operation was the U.S. dollar, as Mexico then was considered to be a highly inflationary economy in accordance with SFAS No. 52. The effect of currency fluctuations in the remeasurement process was included in the determination of net income during this period.

The effect of the December 28,1998 functional currency change was not material to the financial results of the company.

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."

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

Segment Reporting: SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," was issued in 1997. This statement establishes standards for the manner in which public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. Since the Company operates in a single business segment, this Statement has no impact on reporting requirements of the Company.

Derivative Instruments: SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued in 1998. The statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 is effective for financial statements for fiscal years beginning after June 15, 2000. The Company currently does not hold any such derivative instruments and does not expect this statement to have an impact on future financial statements.

REVOLVING CREDIT FACILITY

The Company has a $25 million unsecured, revolving credit facility (the "Credit Facility"), which expires October 31, 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. There were no outstanding borrowings at June 27, 1999, or June 28, 1998. The weighted average interest rate on the revolving credit borrowings was 6.2 percent for the year ended June 28, 1998. There were no borrowings under the credit facility during the year ended June 27, 1999.

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.

ENVIRONMENTAL MATTER

In 1995, the Company recorded a provision of $3.0 million for estimated costs to remediate a site at the Company's Milwaukee facility contaminated by a solvent spill, which occurred in 1985. The Company continues to monitor and evaluate the site and believes, based upon findings-to-date and known environmental regulations, that the environmental reserve at June 27, 1999, is adequate.

INCOME TAXES

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

	1999	1998	1997
Currently payable:			
Federal	$ 8,106	$5,576	$4,469
State	1,976	1,323	1,037
Foreign	416	471	43
	10,498	7,370	5,549
Deferred taxes	(7)	561	181
	$10,491	$7,931	$5,730

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

	1999	1998	1997
U.S. statutory rate	35.0%	34.8%	34.4%
State taxes, net of federal tax benefit	4.7	4.4	4.4
Foreign rate differential	.3	.4	(.8)
Other	(1.9)	(2.6)	(1.2)
	38.1%	37.0%	36.8%

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

	June 27, 1999	June 28, 1998
Future income tax benefits:		
Customer tooling	$ 195	$ 156
Payroll-related accruals	499	410
Environmental reserve	1,100	1,121
Other	731	531
	$2,525	$2,218
Deferred income taxes:		
Accrued pension obligations	$3,381	$3,233
Accumulated depreciation	(5,549)	(5,091)
Postretirement obligations	1,656	1,501
	($ 512)	($ 357)

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 and life insurance benefits during the years that the associates render service. The postretirement health care and life insurance plans are unfunded.

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

	Pension Benefits		Postretirement Benefits	
	1999	1998	1999	1998
CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation at beginning of year	$26,189	$21,624	$3,882	$3,092
Service cost	1,380	1,206	206	169
Interest cost	1,948	1,664	289	238
Amendments	-	75	-	-
Actuarial loss	226	2,058	238	383
Benefits paid	(556)	(438)	(115)	-
Benefit obligation at end of year	$29,187	$26,189	$4,500	$3,882
CHANGE IN PLAN ASSETS:				
Fair value of plan assets at beginning of year	$26,364	$22,194	-	-
Actual return on plan assets	2,551	4,585	-	-
Employer contributions	818	23	115	53
Benefits paid	(556)	(438)	(115)	(53)
Fair value of plan assets at end of year	29,177	26,364	-	-
Funded status	(10)	175	(4,500)	(3,882)
Unrecognized net gain	(7,869)	(7,535)	(13)	(250)
Unrecognized prior service cost	7	18	260	275
Unrecognized net transition asset	(797)	(947)	7	8
Accrued benefit cost	$(8,669)	$(8,289)	$(4,246)	$(3,849)

	Pension Benefits		Postretirement Benefits	
	June 27, 1999	June 28, 1998	June 27, 1999	June 28, 1998
WEIGHTED-AVERAGE ASSUMPTIONS				
Discount rate	7.25%	7.5%	7.25%	7.5%
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 6 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 1999; the rate was assumed to remain at that level thereafter.

	Pension Benefits		Postretirement Benefits	
	1999	1998	1999	1998
COMPONENTS OF NET PERIODIC BENEFIT COST:				
Service cost	$1,380	$1,206	$206	$169
Interest cost	1,948	1,664	289	238
Expected return on plan assets	(1,905)	(1,705)	-	-
Amortization of prior service cost	12	7	16	-
Amortization of unrecognized net gain	(86)	(171)	-	(9)
Amortization of unrecognized net asset	(150)	(150)	1	1
Net periodic benefit cost	$1,199	$851	$512	$399

The health care cost trend assumption has a significant effect on the 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	$82	($68)
Effect on Postretirement benefit obligation	$632	($404)

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 $635,000 in 1999, $548,000 in 1998 and $487,000 in 1997.

SHAREHOLDERS' EQUITY

The Company has 12,000,000 shares of authorized common stock, par value $.01 per share, with 5,566,510 and 5,724,843 shares issued and outstanding at June 27, 1999, and June 28, 1998, 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 889,395 outstanding shares. As of June 27, 1999, 383,000 shares have been repurchased at a cost of $9,150,000.

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):

	1999		
	Net Income	Shares	Per-Share Amount
Basic EPS	$17,015	5,639	$3.02
Stock Options		152	
Diluted EPS	$17,015	5,791	$2.94

	1998		
	Net Income	Shares	Per-Share Amount
Basic EPS	$13,489	5,708	$2.36
Stock Options		155	
Diluted EPS	$13,489	5,863	$2.30

	1997		
	Net Income	Shares	Per-Share Amount
Basic EPS	$9,820	5,716	$1.72
Stock Options		69	
Diluted EPS	$9,820	5,785	$1.70

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
June 27, 1999	80,000	$37.88
	5,000	$32.13
	80,000	$31.98
	5,000	$30.81
June 28, 1998	80,000	$31.98
	5,000	$31.63
June 29, 1997	77,135	$19.68
	76,393	$19.28

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 as of June 30, 1996	471,393	$13.15
Granted	157,135	$18.17
Exercised	13,750	$11.75
Terminated	15,889	$15.01
Balance June 29, 1997	598,889	$14.45
Granted	95,000	$31.06
Exercised	78,000	$12.67
Balance at June 28, 1998	615,889	$17.23
Granted	110,070	$35.44
Exercised	68,148	$15.40
Terminated	20,303	$25.76
Balance at June 27, 1999	637,508	$20.30
Exercisable as of June 27, 1999	378,106	$13.16
Available for grant as of June 27, 1999	402,594	

During 1997, the Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by the statement, the Company will continue to account for its stock-based compensation plans in accordance with APB Opinion No. 25 and related Interpretations. Accordingly, no compensation cost related to these plans was charged against earnings in 1999, 1998, and 1997. 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):

	June 27, 1999	June 28, 1998	June 29, 1997
Net income			
As reported	$17,015	$13,489	$9,820
Pro forma	$16,464	$13,057	$9,655
Basic earnings per share			
As reported	$3.02	$2.36	$1.72
Pro forma	$2.92	$2.29	$1.69
Diluted earnings per share			
As reported	$2.94	$2.30	$1.70
Pro forma	$2.85	$2.24	$1.69

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

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

Options Granted During	1999	1998	1997
Weighted average grant date fair value	$35.44	$31.06	$18.17
Assumptions:			
Risk free interest rates	5.33%	6.07%	6.54%
Expected volatility	29.09%	30.10%	32.11%
Expected term (in years)	5.75	5.75	5.5

The range of options outstanding as of June 27, 1999, 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	310,900/310,900	$12.40/$12.40	5.9
$19.28-$23.63	142,251/67,206	$19.77/$19.60	2.2
Over $27.63	184,357/ -	$34.04/ -	4.4
	637,508/378,106	$20.30/$13.68	4.7

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. A total of 3,519 shares were issued from treasury stock under the plan at an average price of $28.79 during fiscal 1999. A total of 95,788 shares are available for purchase under the plan as of June 27, 1999.

EXPORT SALES

Export sales are summarized below (thousands of dollars):

	Export Sales	Percent of Net Sales
1999	$27,233	13%
1998	$22,330	12%
1997	$17,179	11%

These sales were primarily to vehicle manufacturing 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):

	1999		1998		1997	
	Sales	%	Sales	%	Sales	%
General Motors Corporation	$ 88,938	44%	$ 86,721	46%	$ 70,347	44%
Ford Motor Company	52,241	26%	46,136	25%	43,617	27%
DaimlerChrysler Corporation	30,757	15%	25,966	14%	21,000	13%
	$171,936	85%	$158,823	85%	$134,964	85%

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 June 27, 1999, and June 28, 1998, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended June 27, 1999. 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 generally accepted auditing standards. 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 June 27, 1999, and June 28, 1998, and the results of their operations and their cash flows for each of the three years in the period ended June 27, 1999, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP
Milwaukee, Wisconsin
July 29, 1999

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

Patrick J. Hansen
Vice President and
Chief Financial Officer

FIVE-YEAR FINANCIAL SUMMARY

For all periods after February 26, 1995, the financial data reflect the consolidated results of the Company and its wholly owned subsidiaries. For all periods prior to February 27, 1995, the financial data reflect the combined results of the Technologies Business of Briggs & Stratton Corporation ("Briggs"). On February 27, 1995 Briggs transferred substantially all of the assets, related debt and liabilities of its Technologies Business to the Company, which was previously formed as a wholly owned subsidiary of Briggs in order to receive the distribution (the "Distribution"). 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				
	1999	1998	1997	1996	1995
INCOME STATEMENT DATA					
Net sales	$202,625	$186,805	$159,054	$139,745	$110,372
Gross profit	46,804	39,940	33,319	29,231	27,893
Engineering, selling, and administrative expenses	20,191	18,925	17,684	16,632	13,847
Environmental charges	-	-	-	-	3,000
Income from operations	26,613	21,015	15,635	12,599	11,046
Interest income	1,132	351	4	22	16
Interest expense	-	(19)	(214)	(363)	(12)
Other income (expense), net	(239)	73	125	286	83
Income before taxes	27,506	21,420	15,550	12,544	11,133
Provision for income taxes	10,491	7,931	5,730	4,830	4,657
Net income	$17,015	$13,489	$9,820	$7,714	$6,476
Earnings per share (a):					
Basic	$3.02	$2.36	$1.72	$1.33	-
Diluted	$2.94	$2.30	$1.70	$1.32	-
BALANCE SHEET DATA					
Net working capital	$54,861	$42,953	$32,399	$21,181	$18,978
Total assets	128,194	107,998	95,669	82,818	70,103
Long-term liabilities	12,915	12,138	16,000	10,937	8,198
Equity	82,345	70,398	56,093	48,298	40,943

(a)Earnings per share is presented for fiscal years subsequent to the Distribution.

QUARTERLY FINANCIAL DATA (UNAUDITED)

					Earnings Per Share		Market Price Per Share	
	Quarter	Net Sales	Gross Profit	Net Income	Basic	Diluted	High	Low
1999	First	$40,362	$8,835	$2,813	$.49	$.48	32 1/4	25 3/4
	Second	54,529	12,373	4,662	.83	.81	31 3/4	20
	Third	51,220	12,071	4,471	.79	.77	33 7/8	27 3/4
	Fourth	56,514	13,525	5,069	.91	.88	37 3/8	26
	TOTAL	$202,625	$46,804	$17,015	$3.02	$2.94		
1998	First	$ 42,868	$ 8,488	$ 2,398	$ .42	$ .41	28 1/4	19 1/2
	Second	49,722	10,142	3,433	.60	.59	30 1/4	23
	Third	47,420	10,623	3,835	.67	.65	29 1/4	25
	Fourth	46,795	10,687	3,823	.67	.65	33 1/4	27
	TOTAL	$186,805	$39,940	$13,489	$2.36	$2.30		

Shareholders of record at June 27, 1999, were 4,654.

BOARD OF DIRECTORS

HAROLD M. STRATTON II, 51

Chairman and Chief Executive Officer.

ROBERT FEITLER, 68

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, 45

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

FRANK J. KREJCI, 49

President and Chief Executive Officer of Wisconsin Furniture, LLC.

JOHN G. CAHILL, 42

President, and Chief Operating Officer

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

EXECUTIVE OFFICERS

HAROLD M. STRATTON II, 51

JOHN G. CAHILL, 42

PATRICK J. HANSEN, 40

Vice President-
Chief Financial Officer,
Treasurer and Secretary.

MICHAEL R. ELLIOTT, 43

Vice President-
Global Market Development.

GERALD L. PEEBLES, 56

Vice President-
General Manager
STRATTEC de Mexico.

DONALD J. HARROD, 55

Vice President-
Engineering

SHAREHOLDERS INFORMATION

ANNUAL MEETING

The Annual Meeting of Shareholders will convene at 2 p.m. (CST) on October 26, 1999, 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

Firstar Trust Company
P.O. Box 2077
Milwaukee, WI 53201
414-905-5000