

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549

FORM 10-K

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended July 2, 2000.
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 0-25150

STRATTEC SECURITY CORPORATION  
 (Exact name of registrant as specified in its charter)

WISCONSIN  
 -----

39-1804239  
 -----

(State of Incorporation)

(I.R.S. Employer Identification No.)

3333 WEST GOOD HOPE ROAD, MILWAUKEE, WI 53209  
 -----

(Address of principal executive offices)

(414) 247-3333  
 -----

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of exchange on which registered -----
N/A	N/A

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.01 par value  
 -----

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K.

The aggregate market value of the voting Common Stock held by non-affiliates of the registrant as of August 18, 2000 was approximately \$149,340,000 (based upon the last reported sale price of the Common Stock at August 18, 2000 on the NASDAQ National Market). On August 18, 2000, there were outstanding 4,458,043 shares of \$.01 par value Common Stock.

Documents Incorporated by Reference

Document -----	Part of the Form 10-K into which incorporated -----
Portions of the Annual Report to Shareholders for the fiscal year ended July 2, 2000.	I, II, IV
Portions of the Proxy Statement dated September 15, 2000, for the Annual Meeting of Shareholders to be held on October 24, 2000.	III

## PART I

### ITEM 1. BUSINESS

The information set forth under "Company Description" which appears on pages 4 through 8 of the Company's 2000 Annual Report to Shareholders is incorporated herein by reference. For information as to export sales, see the information set forth under "Export Sales" included on page 21 of the Company's 2000 Annual Report to Shareholders, which is incorporated herein by reference.

#### EMERGING TECHNOLOGIES

Automotive vehicle access systems, which are both theft deterrent and end user friendly, are being developed as mechanical-electrical devices. Electronic companies are developing user identification systems such as bio-systems, card holder (transmitter) systems, etc., while locks and door latches are metamorphosing to accommodate the electronics. This will result in more secure vehicles and eventually passive entry.

Innovations in coatings, which could potentially eliminate the need for grease and innovative product redesign, offer potential cost reductions for manufacturing and original equipment manufacturers.

These technologies benefit the Company by increasing the potential customer base as a tier 2 supplier while attaining tier 1 status on some product lines and adding additional product line availability.

#### SOURCES AND AVAILABILITY OF RAW MATERIALS

The primary raw materials used by the Company are high-grade zinc and brass. These materials are generally available from a number of suppliers, but the Company has chosen to concentrate its sourcing with one primary vendor for each commodity. The Company believes its sources for raw materials are very reliable and adequate for its needs. The Company has not experienced any significant long term supply problems in its operations and does not anticipate any significant supply problems in the foreseeable future.

#### PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY

The Company believes that the success of its business will not only result from the technical competence, creativity and marketing abilities of its employees but also from the protection of its intellectual property through patents, trademarks and copyrights. As part of its ongoing research, development and manufacturing activities, the Company has a policy of seeking patents on new products, processes and improvements when appropriate. The Company owns 25 issued United States patents, with expirations occurring between 2010 and 2018.

Although, in the aggregate, the patents discussed above are of considerable importance to the manufacturing and marketing of many of its products, the Company does not consider any single patent or trademark or group of patents or trademarks to be material to its business as a whole, except for the STRATTEC and STRATTEC with logo trademarks.

The Company also relies upon trade secret protection for its confidential and proprietary information. The Company maintains confidentiality agreements with its key executives. In addition, the Company enters into confidentiality agreements with selected suppliers, consultants and associates as appropriate to evaluate new products or business relationships pertinent to the success of the Company. However, there can be no assurance that others will not independently obtain similar information and techniques or otherwise gain access to the Company's trade secrets or that the Company can effectively protect its trade secrets.

#### DEPENDENCE UPON SIGNIFICANT CUSTOMERS

A very significant portion of the Company's annual sales are to General Motors Corporation, Delphi Automotive Corporation, Ford Motor Company, and DaimlerChrysler Corporation. These four customers accounted for approximately 85% of the Company's total net sales in each fiscal year 1998 through 2000. Further information regarding sales to the Company's largest customers is set forth under "Sales to Largest Customers" included on page 21 of the Company's 2000 Annual Report to Shareholders, which is incorporated herein by reference.

The products sold to these customers are model specific, fitting only certain defined applications. Consequently, the Company is highly dependent on its major customers for their business, and on these customers' ability to produce and sell vehicles which utilize the Company's products. The Company has enjoyed relationships with General Motors Corporation, DaimlerChrysler Corporation, Ford Motor Company, and Delphi Automotive Corporation in the past, and expects to do so in the future. However, a significant change in the purchasing practices of, or a significant loss of volume from, one or more of these customers could have a detrimental effect on the Company's financial performance.

#### SALES AND MARKETING

The Company provides its customers with engineered locksets, which are unique to specific vehicles. Any given vehicle will typically take 1 to 3 years of development and engineering design time prior to being offered to the public. The locksets are designed concurrently with the vehicle. Therefore, commitment to the Company as the production source occurs 1 to 3 years prior to the start of production.

The typical process used by automotive manufacturers in selecting a lock supplier is to offer the business opportunity to the Company and various of the Company's competitors. Each competitor will pursue the opportunity, doing its best to provide the customer with the most attractive proposal. Price pressure is strong during this process but once an agreement is reached, the price is fixed for each year of the product program. Typically, price reductions resulting from productivity improvement by the Company are included in the contract and are estimated in evaluating each of these opportunities by the Company. A blanket purchase order, a contract indicating a specified part will be supplied at a specified price during a defined time period, is issued by customers for each model year and releases, quantity commitments, are made to that purchase order for weekly deliveries to the customer. As a consequence and because the Company is a "Just-in-Time" supplier to the automotive industry, it does not maintain a backlog of orders in the classic sense for future production and shipment.

#### COMPETITION

The Company competes with domestic and foreign-based competitors on the basis of custom product design, engineering support, quality, delivery and price. While the number of direct competitors is currently relatively small, the auto manufacturers actively encourage competition between potential suppliers. Although the Company may not be the lowest cost producer, it has a dominant share of the North American market because of its ability to provide a beneficial combination of price, quality and technical support. In order to reduce lockset production costs while still offering a wide range of technical support, the Company utilizes assembly operations in Mexico, which results in lower assembly labor costs as compared to the United States.

As locks become more sophisticated and involve additional electronics, competitors with specific electronic expertise may emerge to challenge the Company.

#### RESEARCH AND DEVELOPMENT

The Company engages in research and development activities pertinent to automotive access control. A major area of focus for research is the expanding role of vehicle access via electronic interlocks and modes of communicating authorization data between consumers and vehicles. Development activities include new products, applications and product performance improvement. In addition, specialized data collection equipment is developed to facilitate increased product development efficiency and continuous quality improvements. For fiscal years 2000, 1999, and 1998, the Company spent \$2,800,000, \$2,383,000, and \$2,469,000, respectively, on research and development. The Company believes that, historically, it has committed sufficient resources to research and development and anticipates increasing such expenditures in the future as required to support additional product programs associated with both existing and new customers. Patents are pursued and will continue to be pursued as appropriate to protect the Company's interests resulting from these activities.

## CUSTOMER TOOLING

An important aspect of the Company's production processes is customer program specific assembly lines and production tooling. In general, capital equipment acquired by the Company for customer product programs is recognized as a long-term asset and depreciated. Ownership of tooling for these same programs is determined through negotiations with the customer. For products in which the customer maintains ownership of the tooling, costs are accumulated as a current asset on the Company's balance sheet and rebilled to the customer upon formal product approval from the customer. Recovery of tooling costs for which the Company retains ownership occurs over the life of the program through the piece price. See Notes to Consolidated Financial Statements included in the Company's 2000 Annual Report to Shareholders, which is incorporated herein by reference.

## ENVIRONMENTAL COMPLIANCE

As is the case with other manufacturers, the Company is subject to federal, state, local and foreign laws and other legal requirements relating to the generation, storage, transport, treatment and disposal of materials as a result of its lock and key manufacturing and assembly operations. These laws include the Resource Conservation and Recovery Act (as amended), the Clean Air Act (as amended), the Clean Water Act of 1990 (as amended) and the Comprehensive Environmental Response, Compensation and Liability Act (as amended). The Company believes that its existing environmental management policies and procedures are adequate and it has no current plans for substantial capital expenditures in the environmental area.

Contamination existing at the Company's Milwaukee site from an underground waste coolant storage tank and a former above-ground solvent storage tank, located on the east side of the facility, will be remediated in accordance with federal, state and local requirements.

The Company does not currently anticipate any materially adverse impact on its results of operations, financial condition or competitive position as a result of compliance with federal, state, local and foreign environmental laws or other legal requirements. However, risk of environmental liability and charges associated with maintaining compliance with environmental laws is inherent in the nature of the Company's business and there is no assurance that material liabilities or charges could not arise.

## EMPLOYEES

At July 2, 2000, the Company had approximately 2,940 full-time employees, of which approximately 485 or 16 percent, were represented by a labor union.

## ITEM 2. PROPERTIES

The Company has two manufacturing plants, one warehouse, and a sales office. These facilities are described as follows:

LOCATION -----	TYPE ----	SQ. FT. -----	OWNED OR LEASED -----
Milwaukee, Wisconsin	Headquarters and General Offices; Component		
	Manufacturing, Assembly and Service Parts Distribution...	352,000	Owned
Juarez, Chihuahua Mexico	Subsidiary Offices and Assembly.....	97,000	Owned
El Paso, Texas	Finished Goods Warehouse.....	22,800	Leased**
Troy, Michigan	Sales and Engineering Office for Detroit Area.....	3,000	Leased**

\*\*\*\*\*  
\*\* Leased unit within a complex.

The Company believes that both of its production facilities are adequate for the foreseeable future as they relate to the Company's current products. As the Company evaluates and expands into other products, consideration of further production facilities will be necessary.

## ITEM 3. LEGAL PROCEEDINGS

In the normal course of business the Company may be involved in various

legal proceedings from time to time. The Company does not believe it is currently involved in any claim or action the ultimate disposition of which would have a material adverse effect on the Company or its financial condition.

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#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of shareholders during the fourth quarter of fiscal 2000.

#### EXECUTIVE OFFICERS OF REGISTRANT

The names, ages and positions of all executive officers of the Company as of the date of this filing are listed below, together with their business experience during the past five years. Executive officers are appointed annually by the Board of Directors at the meeting of directors immediately following the annual meeting of shareholders. There are no family relationships among any of the executive officers of the Company, nor any arrangements or understanding between any such officer and another person pursuant to which he was appointed as an executive officer.

NAME AND AGE -----	POSITION AND BUSINESS EXPERIENCE -----
Harold M. Stratton II, 52	Chairman and Chief Executive Officer of the Company since 1999. President and Chief Executive Officer of the Company 1994 to 1999. Vice President of Briggs & Stratton Corporation and General Manager of the Technologies Division of Briggs & Stratton Corporation since 1989.
John G. Cahill, 43	President and Chief Operating Officer of the Company since 1999. Executive Vice President, Chief Financial Officer, Treasurer and Secretary of the Company 1994 to 1999. Vice President, Chief Financial Officer, Secretary and Treasurer, Johnson Worldwide Associates, Inc. (manufacturer and marketer of recreational and marking systems products) 1992 to 1994 and Corporate Controller from 1989 to 1992.
Michael R. Elliott, 44	Vice President - Global Market Development since 1999. Vice President - Sales and Marketing of the Company 1994 to 1999. Vice President - Marketing and Sales of the Technologies Division since 1993. Vice President - Corporate Development of Iverness Casting Group (a producer of castings and injection molded products) from 1991 to 1992. Vice President - Sales and Marketing of Iverness Casting Group from 1990 to 1991. Sales, Marketing and Planning Manager of the AC Rochester Division of General Motors Corporation (an automotive manufacturer) from 1988 to 1990.
Patrick J. Hansen, 41	Vice President, Chief Financial Officer, Secretary and Treasurer of the Company since 1999. Corporate Controller of the Company 1995 to 1999. Controller, Schwarz Pharma (manufacturer and distributor of pharmaceutical drugs) 1993 to 1995. Corporate Controller, ASAA Inc. (manufacturer of automotive parts) 1989 to 1993.
Donald J. Harrod, 56	Vice President - Engineering of the Company since 1998. Product Engineering Manager, Mertior/Rockwell (manufacturer of automotive parts) 1997 to 1998. Vice President - Engineering, Coltec Farnem Holley (manufacturer of automotive parts) 1986 to 1997.
Donald P. Klick, 48	Vice President - Business Operations of the Company since 1999. Vice President - Engineering, Erie Controls (manufacturer of HVAC control components) 1998 to 1999. Engineering Program Director, Tower Automotive/A.O. Smith (manufacturer of automotive parts) 1994 to 1998.
Gerald L. Peebles, 57	Vice President and General Manager of STRATTEC de Mexico - since 1997. Vice President - Operations of the Company 1995 - 1997. Vice President - Operations of the Technologies Division since 1994. Operations Manager - Juarez Plant of the Technologies Division from 1990 to 1994. Plant Manager - Juarez Plant of the Technologies Division from 1988 to 1990.

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#### PART II

#### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information set forth in the "Quarterly Financial Data" section appearing on page 23 of the Company's 2000 Annual Report to Shareholders is

incorporated herein by reference.

The Company does not intend to pay cash dividends on the Company Common Stock in the foreseeable future; rather, it is currently anticipated that Company earnings will be retained for use in its business. The future payment of dividends will depend on business decisions that will be made by the Board of Directors from time to time based on the results of operations and financial condition of the Company and such other business considerations as the Board of Directors considers relevant. The Company's revolving credit agreement contains restrictions on the payment of dividends. See Notes to Consolidated Financial Statements included in the Company's 2000 Annual Report to Shareholders, which is incorporated herein by reference.

#### ITEM 6. SELECTED FINANCIAL DATA

The information set forth under "Five Year Financial Summary" which appears on page 23 of the Company's 2000 Annual Report to Shareholders is incorporated herein by reference.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The information set forth under "Management's Discussion and Analysis" which appears on pages 10 through 12 of the Company's 2000 Annual Report to Shareholders is incorporated herein by reference.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company did not hold any market risk sensitive instruments during the period covered by this report.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements, together with the report thereon of Arthur Andersen LLP dated August 2, 2000, which appear on pages 13 through 23 of the Company's 2000 Annual Report to Shareholders, are incorporated herein by reference.

The Quarterly Financial Data (unaudited) which appears on page 23 of the Company's 2000 Annual Report to Shareholders is incorporated herein by reference.

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information on pages 2 through 6 of the Company's Proxy Statement, dated September 15, 2000, under "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

#### ITEM 11. EXECUTIVE COMPENSATION

The information on pages 7 through 14 of the Company's Proxy Statement, dated September 15, 2000, under "Executive Compensation" and "Compensation of Directors" is incorporated herein by reference.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information on pages 3 through 6 of the Company's Proxy Statement, dated September 15, 2000, under "Security Ownership" is incorporated herein by reference.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information on pages 7 through 14 of the Company's Proxy Statement, dated September 15, 2000, under "Executive Compensation" is incorporated herein

by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents Filed as part of this Report

- (1) Financial Statements - The following financial statements of the Company, included on pages 13 through 22 of the Company's 2000 Annual Report to Shareholders, are incorporated by reference in Item 8.

Report of Independent Public Accountants

Balance Sheets - as of July 2, 2000 and June 27, 1999

Statements of Income - years ended July 2, 2000, June 27, 1999 and June 28, 1998

Statements of Changes in Equity - years ended July 2, 2000, June 27, 1999 and June 28, 1998

Statements of Cash Flows - years ended July 2, 2000, June 27, 1999 and June 28, 1998

Notes to Financial Statements

- (2) Financial Statement Schedules

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All other schedules have been omitted because they are not applicable or are not required, or because the required information has been included in the Financial Statements or Notes thereto.

- (3) Exhibits. See "Exhibit Index" beginning on page 11.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the fourth quarter of fiscal 2000.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited in accordance with generally accepted auditing standards the consolidated financial statements included in the STRATTEC SECURITY CORPORATION Annual Report to Shareholders incorporated by reference in this Form 10-K and have issued our report thereon dated August 2, 2000. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule

listed in the accompanying index is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin,  
August 2, 2000.

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SCHEDULE II  
VALUATION AND QUALIFYING ACCOUNTS  
(THOUSANDS OF DOLLARS)

	Balance, Beginning of Year -----	Provision Charged to Profit & Loss -----	Payments and Accounts Written Off -----	Balance, End of Year ----
Year ended July 2, 2000				
Allowance for doubtful accounts	\$250 =====	\$43 ===	\$43 ===	\$250 =====
Year ended June 27, 1999				
Allowance for doubtful accounts	\$250 =====	\$33 ===	\$33 ===	\$250 =====
Year ended June 28, 1998				
Allowance for doubtful accounts	\$250 =====	\$0 ==	\$0 ==	\$250 =====

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SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STRATTEC SECURITY CORPORATION

By: /s/ Harold M. Stratton II

-----  
 Harold M. Stratton II, Chairman and  
 Chief Executive Officer

Date: August 29, 2000

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ Harold M. Stratton II ----- Harold M. Stratton II	Chairman, Chief Executive Officer, and Director	August 29, 2000
/s/ John G. Cahill ----- John G. Cahill	President, Chief Operating Officer and Director	August 29, 2000
/s/ Frank J. Krejci ----- Frank J. Krejci	Director	August 29, 2000
/s/ Michael J. Koss ----- Michael J. Koss	Director	August 29, 2000
/s/ Robert Feitler ----- Robert Feitler	Director	August 29, 2000

EXHIBIT INDEX TO ANNUAL REPORT  
ON FORM 10-K

Exhibit -----		Page Number in Sequential Numbering of all Form 10-K and Exhibit Pages -----
3.1 (2)	Amended and Restated Articles of Incorporation of the Company	*
3.2 (2)	By-laws of the Company	*
4.1 (2)	Rights Agreement between the Company and Firststar Trust Company, as Rights Agent	*
4.2 (3)	Revolving Credit Agreement dated as of February 27, 1995 by and between the Company and M&I Bank, together with Revolving Credit Note	*
10.1 (5)	STRATTEC SECURITY CORPORATION Stock Incentive Plan	*
10.2 (6)	Employment Agreements between the Company and the identified executive officers	*
10.3 (1) (6)	Change In Control Agreement between the Company and the identified executive officers	*

10.15 (4)	STRATTEC SECURITY CORPORATION Economic Value Added Plan for Executive Officers and Senior Managers	*
13.1	Annual Report to Shareholders for the year ended July 2, 2000	12
21 (1)	Subsidiaries of the Company	*
23	Consent of Independent Public Accountants dated September 18, 2000	46
27	Financial Data Schedule	47

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- (1) Incorporated by reference from Amendment No. 1 to the Form 10 filed on January 20, 1995.
- (2) Incorporated by reference from Amendment No. 2 to the Form 10 filed on February 6, 1995.
- (3) Incorporated by reference from the April 2, 1995 Form 10-Q filed on May 17, 1995.
- (4) Incorporated by reference from the July 2, 1995 Form 10-K filed on September 14, 1995.
- (5) Incorporated by reference from the Proxy Statement for the 1997 Annual Meeting of Shareholders filed on September 10, 1997.
- (6) Incorporated by reference from the June 27, 1999 Form 10-K filed on September 17, 1999.

[GRAPHIC IMAGE]

[GRAPHIC IMAGE]

DRIVING FORWARD INTO  
THE 21st CENTURY

STRATTEC has been a part of the auto industry since 1915, when we produced our first ignition lock. Through all the succeeding decades, our product enhancements and innovations have kept pace with the development of the American automobile. Now it's a whole new century for the industry; the pace of development is accelerating. And STRATTEC is moving forward with new technologies, new partnerships, and exciting new global markets that promise a bright road ahead.

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## STRATTEC SECURITY CORPORATION

STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets mechanical locks, electro-mechanical locks and related access control 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

[GRAPHIC IMAGE]

(In Millions)

	2000	1999	1998
Net Sales	\$ 224.8	\$ 202.6	\$ 186.8
Gross Profit	49.5	46.8	39.9
Income from Operations	29.2	26.6	21.0
Net Income	18.5	17.0	13.5
Total Assets	109.0	128.2	108.0
Total Debt	--	--	--
Shareholders' Equity	60.4	82.3	70.4

(In Millions)

[BAR GRAPH]

ECONOMIC VALUE ADDED (EVA(R))

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 2000, \$10.6 million of positive economic value was generated, an increase of \$2.5 million compared to 1999. We continue to believe that EVA(R) represents STRATTEC's ultimate measure of success and shareholder value.

Net Operating Profit After Cash-Based Taxes		\$18.0
Average Net Capital Employed	\$61.9	
Capital Cost	12%	
		7.4
		-----
Economic Value Added		\$10.6
		=====

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

A LETTER TO THE SHAREHOLDERS

[GRAPHIC IMAGE]

2000 STRATTEC Annual Report

Fellow Shareholders:

February 27, 2000 marked the 5th anniversary of our becoming an independent entity. It has been an interesting and exciting 5 1/2 years. In addition to the significant changes that have occurred within our company since that event, the industry in which we operate has undergone tremendous changes. Rapidly changing technology and economic forces have conspired to change the face of the automotive industry and the way it does business. This, too, has had its effect on our company, as well it should. To date, we have thrived in this dynamic climate of challenge and change, and we are in a strong position to continue to evolve successfully as we enter the 21st Century.

The numbers reflected in our Financial Highlights and Financial Statements show another record year in sales, profits and EVA for our shareholders. In fact, fiscal 2000 set a number of daily, weekly and monthly records for us in both quantity shipped and sales numbers. While some of the credit for these new records can be attributed to higher value mechanical and electro-mechanical content in our lock products, there is no doubt that we benefited from a very robust U.S. economy, and an extremely strong vehicle build.

Net sales were \$224.8 million, an increase of 11 percent over fiscal 1999. In addition to product content, mix and volume, our sales numbers benefited from an extra shipping week in fiscal 2000 compared to fiscal 1999. Net income rose to \$18.5 million compared to fiscal 1999's \$17 million. An inhibitor to income rising at a comparable rate to the sales figures was the very same activity that set records for both our customers and us. At times during the year, that activity level strained our available capacity, thus reducing the potential gains of scale. Nonetheless, our solid earnings, combined with our stock buy back program, allowed us to deliver diluted earnings per share of \$3.65 compared to \$2.94 for the prior year, an increase of 28 percent. And, we created \$10.6 million of economic value in excess of our cost of capital. This represents a

\$2.5 million improvement over our previous fiscal year's positive EVA!

During the fiscal year, we internally financed a number of activities intended to put us in a good position for the coming years. This includes significant rearrangement and enhancement of our production facilities and other initiatives within our operations to drive greater efficiency, flexibility and quality. In addition, we aggressively pursued our stock buy back program, purchasing 1,292,710 shares of company stock during the fiscal year at a cost of \$44.2 million. Even with these expenditures, our balance sheet remains conservatively strong, with a good cash position to continue pursuing our strategic initiatives.

In November, 1999 Mr. Donald Klick joined us as Vice President of Business Operations and an officer of the company with responsibility for our customer-focused teams. This completes the management realignment we began last fiscal year.

Last October, we announced an alliance with WITTE-Velbert GmbH, a German manufacturer of vehicle access-control products, including locks and keys. This alliance provides us an opportunity to simultaneously pursue our two main strategic opportunities-- globalization and technology advancement in vehicle access control. These are both subjects we have covered before in our previous reports to shareholders.

Our alliance with WITTE (pronounced VIT-uh) is structured with two main elements. The first is a cross-licensing arrangement which allows us to manufacture, market and sell WITTE products in North America, and allows WITTE to do the same thing with STRATTEC products in Europe. The second element is a joint venture company ("JV"), owned 50-50 by STRATTEC and WITTE. This JV, called WITTE-STRATTEC LLC, has two purposes. The first is to be the entity through which both WITTE and

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A LETTER TO THE SHAREHOLDERS

[GRAPHIC IMAGE]

STRATTEC make investments in markets outside Europe and North America, thereby sharing in the risk and reward of such investments. Second, STRATTEC and WITTE will combine their product development resources to maximize the efficiency and speed of our new product development. Any intellectual property which results from this combined development will become the property of the JV, and available for both companies to use.

For STRATTEC, the Alliance has several significant benefits. First, we can immediately expand the portfolio of access control products we offer our North American customers. In addition to our traditional lock products, these include WITTE's technology in hood latches, door latches, rear compartment latches, door handles, and seat-back latches. Second, it provides us immediate access to European customers, both affiliates of our existing customers, and new customers whom we have not been able to adequately service in the past. Third, it puts us in a position to be seriously considered by our customers as a potential supplier for their "global" programs.

Additionally, WITTE's expertise in latches nicely dovetails with our own internal efforts to expand our product line into electro-mechanical devices that are uniquely suited to electronic access control systems. Our Advance Development Group has created a latch mechanism that works at electronic speeds, thus making it possible for truly seamless and transparent operation to the user. We believe this latch gives us a distinct competitive advantage which WITTE's expertise and experience will help us to pursue.

We are pleased to report that the response to the Alliance by both STRATTEC and WITTE customers has been very positive and encouraging.

Even as we prepare for a future which includes more diverse access control products with electrical/electronic content, we continue to see significant usage of our locks and key products well into the next decade. This usage includes more highly-styled, unique and electronically enhanced keys. As automotive manufacturers strive for greater brand identity and customer satisfaction, they are recognizing that keys provide a primary interface between

vehicle and driver, and therefore are an important part of the overall perception of that vehicle. We believe this is an opportunity we are well positioned to capture.

With the successful execution of our strategies before us, we look forward to additional exciting progress in our business. We are transitioning into another millennium, and another iteration of STRATTEC. We thank you for your past support, and look forward to your continued support and participation in our future.

Sincerely,

/s/ HAROLD M. STRATTON II

/s/ JOHN G. CAHILL

-----  
Harold M. Stratton II  
Chairman and Chief Executive Officer

-----  
John G. Cahill  
President and Chief Operating Officer

August, 2000

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#### COMPANY DESCRIPTION

[GRAPHIC IMAGE]

[STRATTEC LOGO]

2000 STRATTEC Annual Report

#### 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 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 have also 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.

[GRAPHIC IMAGE]

#### 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, burglar alarm locks and door locks with illuminated faces also are offered as options. Usually two keys are provided with each

[GRAPHIC IMAGE]

## COMPANY DESCRIPTION

[GRAPHIC IMAGE]

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, and is 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 modules that contain some or all of these components.

## 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 2000 model year, we enjoyed a 65% market share in the North American automotive industry, supplying locks and keys for approximately 86% of General Motors' production, 66% of Ford's, 98% of DaimlerChrysler's and 89% of Mitsubishi's production. We also are an OEM components supplier to a wide array of smaller industrial manufacturers.

Direct sales to various OEMs represent approximately 84% 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.

[GRAPHIC IMAGE]

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 also is 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.

## COMPANY DESCRIPTION

[GRAPHIC IMAGE]

## 2000 STRATTEC Annual Report

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.

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

[GRAPHIC IMAGE]

Each of the five 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.

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#### COMPANY DESCRIPTION

[GRAPHIC IMAGE]

#### OPERATIONS

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.

[GRAPHIC IMAGE]

Milwaukee Headquarters and Manufacturing 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 relate components, and new manufacturing processes to reduce costs for ourselves and our customers.

[GRAPHIC IMAGE]

STRATTEC de Mexico Assembly Facility

#### ALLIANCE

Our alliance with WitTE-Velbert 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.

{GRAPHIC IMAGE]  
[WITTE STRATTEC LOGO]

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#### COMPANY DESCRIPTION

[GRAPHIC IMAGE]

#### 2000 STRATTEC Annual Report

The second initiative is the creation of a 50-50 joint venture company, WitTE-STRATTEC LLC, which is the corporate entity through which we and WitTE will pursue emerging markets outside of Europe and North America. Additionally, through WitTE-STRATTEC LLC, the two companies will coordinate the activities of their respective research and development resources and jointly own the intellectual property rights for any products that result from the coordinated activities.

This alliance is operating under a Memorandum of Understanding signed by the two companies in October of 1999. Legal agreements defining the alliance relationships are expected to be signed in the fall of 2000.

#### 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 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(R)). 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(R). In line with this philosophy, EVA(R) 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.

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#### VEHICLE LIST

[GRAPHIC IMAGE]

#### 2001 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. Recreational vehicles like Winnebago, Coachmen, Jayco and Fleetwood. And the following model year 2001 cars and light trucks:

CARS

Buick Century	Chrysler LHS	Mercury Sable
Buick Regal	Chrysler/Plymouth Prowler	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	GM Impact EV1	Pontiac Sunfire
Chevrolet Monte Carlo	Jaguar S-Type	Saturn LS
Chrysler Concorde	Lincoln Continental	
Chrysler 300M	Lincoln LS	

LIGHT TRUCKS, VANS AND SPORT UTILITY VEHICLES

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

[GRAPHIC IMAGE]

2000 STRATTEC Annual Report

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

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. The current year 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 prior year September quarter. Sales to DaimlerChrysler Corporation increased 14 percent to \$35.1 million. The increase was primarily due 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 in 1999. This increase 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 the prior year.

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 facilities rearrangement will be completed over the next 3 months. Benefits are beginning to be 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 the prior year. 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. The Company believes the exchange rate will become more favorable in the last half of calendar 2000. 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. Current year 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 \$29.2 million in 2000, compared to \$26.6 million in 1999, reflecting the increased sales volume as previously discussed above.

The effective income tax rate in 2000 was 39 percent compared to 38.1 percent in 1999. The increase 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.

#### 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 spinoff 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

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#### MANAGEMENT'S DISCUSSION AND ANALYSIS

[GRAPHIC IMAGE]

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 the 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 the gross profit margin 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 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.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash from operating activities of \$34.9 million in 2000 compared to \$27.5 million in 1999. The increased generation of cash is due to several factors including increased sales levels as previously discussed and increases in inventories and accounts payable in support of increased production activities. In addition, the Company's investment in accounts receivable decreased by approximately \$7.3 million at July 2, 2000, as compared to June 27, 1999, primarily due to the timing of periodic payments received from OEM customers and a decrease in outstanding billings for customer tooling.

Capital expenditures in 2000 were \$9.4 million, compared to \$8.8 million in 1999. Expenditures were primarily 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 \$10 million in fiscal 2001, 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 2,389,395 outstanding shares. A total of 1,675,710 shares have been repurchased as of July 2, 2000, at a cost of approximately \$53.4 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 \$25.0 million unsecured, revolving credit facility (the "Credit Facility"). There were no outstanding borrowings under the Credit Facility at July 2, 2000. 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

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, 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.

#### OTHER

On October 19, 1999, the Company announced that it had signed a Memorandum of Understanding with E. WitTE Verwaltungsgesellschaft GMBH, and its operating unit, WitTE-Velbert GmbH & Co. KG ("WitTE"), which details the intent to form a strategic alliance and joint venture. WitTE, of Velbert, Germany, is a privately held, QS 9000 and VDA 6.1 certified automotive supplier with sales of over DM300 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 proposed WitTE-STRATTEC alliance provides 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 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. These activities do not have a material impact on the July 2, 2000, financial statements.

#### 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, 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, demand for the Company's products, competitive and technological developments, foreign currency fluctuations and costs of operations.

	Years Ended		
	July 2, 2000	June 27, 1999	June 28, 1998
NET SALES	\$ 224,817	\$ 202,625	\$ 186,805
Cost of goods sold	175,322	155,821	146,865
GROSS PROFIT	49,495	46,804	39,940
Engineering, selling, and administrative expenses	20,254	20,191	18,925
INCOME FROM OPERATIONS	29,241	26,613	21,015
Interest income	1,056	1,132	351
Interest expense	--	--	(19)
Other income (expense), net	52	(239)	73
INCOME BEFORE PROVISION FOR INCOME TAXES	30,349	27,506	21,420
Provision for income taxes	11,836	10,491	7,931
NET INCOME	\$ 18,513	\$ 17,015	\$ 13,489
EARNINGS PER SHARE:			
BASIC	\$ 3.75	\$ 3.02	\$ 2.36
DILUTED	\$ 3.65	\$ 2.94	\$ 2.30

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

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CONSOLIDATED BALANCE SHEETS (IN THOUSANDS)

[GRAPHIC IMAGE]

2000 STRATTEC Annual Report

	July 2, 2000	June 27, 1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,915	\$ 28,611
Receivables, less allowance for doubtful accounts of \$250 at July 2, 2000, and June 27, 1999	28,731	36,063
Inventories	14,342	13,804
Customer tooling in progress	4,248	3,758
Future income tax benefits	2,092	2,525
Other current assets	3,273	2,522
Total current assets	66,601	87,283
PROPERTY, PLANT, AND EQUIPMENT, NET	42,381	40,911
	\$ 108,982	\$ 128,194
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 19,694	\$ 17,386
Accrued liabilities:		



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

CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)

[GRAPHIC IMAGE]

2000 STRATTEC Annual Report

	Years Ended		
	July 2, 2000	June 27, 1999	June 28, 1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 18,513	\$ 17,015	\$ 13,489
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	7,576	7,107	6,776
Loss on disposition of property, plant and equipment	254	463	168
Deferred taxes	392	(7)	561
Change in operating assets and liabilities:			
(Increase) decrease in receivables	7,294	(10,788)	4,330
(Increase) decrease in inventories	(538)	1,158	(83)
(Increase) decrease in other assets	(1,284)	4,510	(1,727)
Increase in accounts payable and accrued liabilities	2,957	8,156	2,859
Other, net	(260)	(92)	(422)
Net cash provided by operating activities	34,904	27,522	25,951
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	(9,357)	(8,831)	(7,450)
Proceeds received on sale of property, plant and equipment	7	15	70
Net cash used in investing activities	(9,350)	(8,816)	(7,380)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net payments of borrowings under revolving credit facility	--	--	(5,037)
Purchase of common stock	(44,230)	(6,416)	(591)
Exercise of stock options	3,980	1,567	1,407
Net cash used in financing activities	(40,250)	(4,849)	(4,221)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(14,696)</b>	<b>13,857</b>	<b>14,350</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning of year	28,611	14,754	404
End of year	\$ 13,915	\$ 28,611	\$ 14,754
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Income taxes paid	\$ 10,880	\$ 9,882	\$ 7,482
Interest paid	--	--	19

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

## NOTES TO FINANCIAL STATEMENTS

[GRAPHIC IMAGE]

## 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 July 2, 2000, 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 2, 2000, June 27, 1999, and June 28, 1998 are comprised of 53, 52 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 2, 2000	June 27, 1999
	-----	-----
Finished products	\$ 3,630	\$ 4,439
Work in process	12,374	11,145
Raw materials	1,054	774
LIFO adjustment	(2,716)	(2,554)
	-----	-----
	\$ 14,342	\$ 13,804
	=====	=====

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):

	July 2, 2000	June 27, 1999
	-----	-----
Land	\$ 1,317	\$ 1,236
Buildings and improvements	11,205	10,836
Machinery and equipment	77,390	69,447
	-----	-----
	89,912	81,519
Less: accumulated depreciation	(47,531)	(40,608)
	-----	-----
	\$ 42,381	\$ 40,911
	=====	=====

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

NOTES TO FINANCIAL STATEMENTS

[GRAPHIC IMAGE]

2000 STRATTEC Annual Report

(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 net income during the 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.

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. Since the Company currently does not hold any such derivative instruments, this Statement has no impact on the financial results of the Company.

#### 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 July 2, 2000, or June 27, 1999. There were no borrowings under the credit facility during the years ended July 2, 2000, and 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 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 2, 2000, is adequate to cover any future developments.

#### INCOME TAXES

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

	2000 ----	1999 ----	1998 ----
Currently payable:			
Federal	\$ 8,809	\$ 8,106	\$ 5,576
State	2,044	1,976	1,323
Foreign	591	416	471
	-----	-----	-----
	11,444	10,498	7,370
Deferred taxes	392	(7)	561
	-----	-----	-----
	\$ 11,836	\$ 10,491	\$ 7,931
	=====	=====	=====

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

	2000 ----	1999 ----	1998 ----
U.S. statutory rate	35.0%	35.0%	34.8%
State taxes, net of federal tax benefit	4.5	4.7	4.4
Foreign rate differential	(.1)	.3	.4
Other	(.4)	(1.9)	(2.6)
	-----	-----	-----
	39.0%	38.1%	37.0%

=====

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

	July 2, 2000	June 27, 1999
	-----	-----
Future income tax benefits:		
Customer tooling	\$ 156	\$ 195
Payroll-related accruals	507	499
Environmental reserve	1,080	1,100
Other	349	731
	-----	-----
	\$ 2,092	\$ 2,525
	=====	=====
Deferred income taxes:		
Accrued pension obligations	\$ 3,837	\$ 3,381
Accumulated depreciation	(5,810)	(5,549)
Postretirement obligations	1,674	1,656
	-----	-----
	(\$299)	(\$512)
	=====	=====

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

NOTES TO FINANCIAL STATEMENTS

[GRAPHIC IMAGE]

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 during the years that the associates render service. 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	
	2000	1999	2000	1999
	-----	-----	-----	-----
CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation at beginning				
of year	\$ 29,187	\$ 26,189	\$ 4,500	\$ 3,882
Service cost	1,535	1,380	220	206
Interest cost	2,097	1,948	293	289
Settlement of postretirement life benefit	--	--	(419)	--
Actuarial (gain) loss	(830)	226	(711)	238
Benefits paid	(669)	(556)	(154)	(115)
	-----	-----	-----	-----

Benefit obligation at end of year	\$ 31,320	\$ 29,187	\$ 3,729	\$ 4,500
	-----	-----	-----	-----
CHANGE IN PLAN ASSETS:				
Fair value of plan assets at beginning of year	\$ 29,177	\$ 26,364	--	--
Actual return on plan assets	6,104	2,551	--	--
Employer contributions	--	818	154	115
Benefits paid	(669)	(556)	(154)	(115)
	-----	-----	-----	-----
Fair value of plan assets at end of year	34,612	29,177	--	--
	-----	-----	-----	-----
Funded status	3,292	(10)	(3,729)	(4,500)
Unrecognized net gain	(12,478)	(7,869)	(813)	(13)
Unrecognized prior service cost	(5)	7	249	260
Unrecognized net transition asset	(648)	(797)	--	7
	-----	-----	-----	-----
Accrued benefit cost	\$ (9,839)	\$ (8,669)	\$ (4,293)	\$ (4,246)
	=====	=====	=====	=====

Pension Benefits		Postretirement Benefits	
July 2, 2000	June 27, 1999	July 2, 2000	June 27, 1999
-----	-----	-----	-----

WEIGHTED-AVERAGE ASSUMPTIONS			
Pension Benefits		Postretirement Benefits	
July 2, 2000	June 27, 1999	July 2, 2000	June 27, 1999
-----	-----	-----	-----
Discount rate	7.75%	7.25%	7.25%
Expected return on plan assets	8.5%	8.5%	n/a
Rate of compensation increases	4.0%	4.0%	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 2000; the rate was assumed to remain at that level thereafter.

Pension Benefits		Postretirement Benefits	
2000	1999	2000	1999
-----	-----	-----	-----

COMPONENTS OF NET PERIODIC BENEFIT COST:			
Pension Benefits		Postretirement Benefits	
2000	1999	2000	1999
-----	-----	-----	-----
Service cost	\$ 1,535	\$ 1,380	\$ 220
Interest cost	2,097	1,948	293
Expected return on plan assets	(2,193)	(1,905)	--
Amortization of prior service cost	12	12	16
Amortization of unrecognized net gain	(132)	(86)	--
Amortization of net transition asset	(150)	(150)	1
	-----	-----	-----
Net periodic			

benefit cost	\$ 1,169	\$ 1,199	\$ 529	\$ 512
	=====	=====	=====	=====

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	\$ 76	(\$63)
Effect on Postretirement benefit obligation	\$513	(\$436)

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 2000, \$635,000 in 1999 and \$548,000 in 1998.

NOTES TO FINANCIAL STATEMENTS

[GRAPHIC IMAGE]

2000 STRATTEC Annual Report

SHAREHOLDERS' EQUITY

The Company has 12,000,000 shares of authorized common stock, par value \$.01 per share, with 4,452,609 and 5,566,510 shares issued and outstanding at July 2, 2000, and June 27, 1999, 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 2,389,395 outstanding shares. As of July 2, 2000, 1,675,710 shares have been repurchased at a cost of \$53,381,000.

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):

	2000		
	Net	Shares	Per-Share
	Income		Amount
	-----	-----	-----
Basic EPS	\$18,513	4,936	\$ 3.75
			=====
Stock Options		143	
		-----	

Diluted EPS	\$18,513	5,079	\$ 3.65
		=====	=====

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
		=====	=====

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 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
June 28, 1998	80,000	\$31.98
	5,000	\$31.63

#### 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 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	110,000	\$	35.44
Exercised	68,148	\$	15.40
Terminated	20,303	\$	25.76
	-----		
Balance at			
June 27, 1999	637,438	\$	20.30
	-----		
Granted	105,000	\$	43.01
Exercised	175,490	\$	15.72
Terminated	1,377	\$	37.88
	-----		
Balance at			
July 2, 2000	565,571	\$	25.89
	=====		
Exercisable as of			
July 2, 2000	277,661	\$	14.08
Available for grant as			
of July 2, 2000	299,041		

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NOTES TO FINANCIAL STATEMENTS

[GRAPHIC IMAGE]

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 2000, 1999 and 1998. 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 2, 2000	June 27, 1999	June 28, 1998
	-----	-----	-----
Net income			
As reported	\$18,513	\$17,015	\$13,489
Pro forma	\$17,961	\$16,464	\$13,057
Basic earnings			
per share			
As reported	\$3.75	\$3.02	\$2.36
Pro forma	\$3.64	\$2.92	\$2.29
Diluted earnings			
per share			
As reported	\$3.65	\$2.94	\$2.30
Pro forma	\$3.54	\$2.85	\$2.24

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 was amortized over the vesting period.

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

Options Granted During	2000	1999	1998
	-----	-----	-----
Weighted average grant date fair value	\$ 43.01	\$ 35.44	\$ 31.06
Assumptions:			
Risk free interest rates	6.18%	5.33%	6.07%
Expected volatility	25.39%	29.09%	30.10%
Expected term (in years)	5.67	5.75	5.75

The range of options outstanding as of July 2, 2000, 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	217,750/217,750	\$12.38/\$12.38	4.9
\$19.28-\$31.98	159,198/59,911	\$26.97/\$20.23	3.1
Over \$31.98	188,623/ -	\$40.58/ -	4.5
	-----	-----	-----
	565,571/277,661	\$25.89/\$14.08	4.3
	=====	=====	=====

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 3,317 at an average price of \$34.07 during fiscal 2000, 3,521 at an average price of \$28.79 during fiscal 1999, and 693 at an average price of \$29.93 during fiscal 1998. A total of 92,469 shares are available for purchase under the plan as of July 2, 2000.

#### EXPORT SALES

Export sales are summarized below (thousands of dollars):

	Export Sales	Percent of Net Sales
	-----	-----
2000	\$31,745	14%
1999	\$27,233	13%
1998	\$22,330	12%

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):

2000		1999		1998	
Sales	%	Sales	%	Sales	%
-----	-----	-----	-----	-----	-----

General Motors

Corporation	\$68,985	31%	\$ 88,938	44%	\$ 86,721	46%
Ford Motor						
Company	54,498	24%	52,241	26%	46,136	25%
DaimlerChrysler						
Corporation	35,055	16%	30,757	15%	25,966	14%
Delphi Automotive						
Systems	31,487	14%	2,788	1%	-	-
	-----		-----		-----	
	\$190,025	85%	\$174,724	86%	\$158,823	85%
	=====		=====		=====	

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ACCOUNTANTS AND MANAGEMENT REPORTS

[GRAPHIC IMAGE]

2000 STRATTEC Annual Report

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 2, 2000, and June 27, 1999, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended July 2, 2000. 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 2, 2000, and June 27, 1999, and the results of their operations and their cash flows for each of the three years in the period ended July 2, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

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ARTHUR ANDERSEN LLP  
Milwaukee, Wisconsin  
August 2, 2000

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.

/s/ Harold M. Stratton II	/s/ John G. Cahill	/s/ Patrick J. Hansen
-----	-----	-----
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

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FINANCIAL SUMMARY

[GRAPHIC IMAGE]

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				
	2000	1999	1998	1997	1996
INCOME STATEMENT DATA					
Net sales	\$ 224,817	\$ 202,625	\$ 186,805	\$ 159,054	\$ 139,745
Gross profit	49,495	46,804	39,940	33,319	29,231
Engineering, selling, and administrative expenses	20,254	20,191	18,925	17,684	16,632
Income from operations	29,241	26,613	21,015	15,635	12,599
Interest income	1,056	1,132	351	4	22
Interest expense	--	--	(19)	(214)	(363)
Other income (expense), net	52	(239)	73	125	286
Income before taxes	30,349	27,506	21,420	15,550	12,544
Provision for income taxes	11,836	10,491	7,931	5,730	4,830
Net income	\$ 18,513	\$ 17,015	\$ 13,489	\$ 9,820	\$ 7,714
Earnings per share:					
Basic	\$ 3.75	\$ 3.02	\$ 2.36	\$ 1.72	\$ 1.33
Diluted	\$ 3.65	\$ 2.94	\$ 2.30	\$ 1.70	\$ 1.32
BALANCE SHEET DATA					
Net working capital	\$ 32,500	\$ 54,861	\$ 42,953	\$ 32,399	\$ 21,181
Total assets	108,982	128,194	107,998	95,669	82,818
Long-term liabilities	14,132	12,915	12,138	16,000	10,937
Equity	60,450	82,345	70,398	56,093	48,298

QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarter	Net Sales	Gross Profit	Net Income	Earnings Per Share		Market Price Per Share		
				Basic	Diluted	High	Low	
2000	First	\$ 49,667	\$ 10,688	\$3,708	\$.67	\$.65	36 3/4	31 1/2
	Second	56,726	12,749	4,944	.98	.95	36 7/8	32 5/8
	Third	54,539	11,988	4,390	.94	.91	35 3/4	31
	Fourth	63,885	14,070	5,471	1.20	1.17	35 7/8	32 1/2

	-----	-----	-----	-----	-----		
TOTAL	\$224,817	\$ 49,495	\$18,513	\$3.75	\$3.65		
	=====	=====	=====	=====	=====		
1999	First	\$ 40,362	\$ 8,835	\$2,813	\$.49	\$.48	32 1/4
	Second	54,529	12,373	4,662	.83	.81	31 3/4
	Third	51,220	12,071	4,471	.79	.77	33 7/8
	Fourth	56,514	13,525	5,069	.91	.88	37 3/8
							26
		-----	-----	-----	-----	-----	
TOTAL	\$202,625	\$ 46,804	\$ 17,015	\$3.02	\$2.94		
	=====	=====	=====	=====	=====		

Registered shareholders of record at July 2, 2000, were 3,541.

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DIRECTORS/OFFICERS/SHAREHOLDERS INFORMATION

[GRAPHIC IMAGE]

2000 STRATTEC Annual Report

BOARD OF DIRECTORS

HAROLD M. STRATTON II, 52  
Chairman and Chief  
Executive Officer.

ROBERT FEITLER, 69  
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, 46  
President and Chief  
Executive Officer of  
Koss Corporation.  
Director of Koss Corporation.

FRANK J. KREJCI, 50  
President and Chief  
Executive Officer of  
Wisconsin Furniture, LLC.

JOHN G. CAHILL, 43  
President, and Chief  
Operating Officer

[PHOTO]

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, 52

JOHN G. CAHILL, 43

PATRICK J. HANSEN, 41  
Vice President-  
Chief Financial Officer,  
Treasurer and Secretary.

MICHAEL R. ELLIOTT, 44  
Vice President-  
Global Market Development.

GERALD L. PEEBLES, 57  
Vice President-  
General Manager  
STRATTEC de Mexico.

DONALD J. HARROD, 56  
Vice President-  
Engineering

DONALD P. KLICK, 48  
Vice President-  
Business Operations

#### SHAREHOLDERS INFORMATION

##### ANNUAL MEETING

The Annual Meeting of Shareholders will convene at 2 p.m. (CST) on October 24, 2000, 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

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

[GRAPHIC IMAGE]

STRATTEC SECURITY CORPORATION

3333 West Good Hope Road  
Milwaukee, WI 53209  
Phone: 414-247-3333 Fax: 414-247-3329  
[www.strattec.com](http://www.strattec.com)

## CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Form 10-K of our report dated August 2, 2000, included in the Company's Annual Report to Shareholders of STRATTEC SECURITY CORPORATION for the fiscal year ended July 2, 2000. It should be noted that we have not audited any financial statements of the Company subsequent to July 2, 2000 or performed any audit procedures subsequent to the date of our report.

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin,  
September 18, 2000.

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