

Methode Electronics, Inc.



Annual Report 2002

WE ARE MOVING FORWARD...



Company Profile Methode Electronics, Inc. is a global manufacturer of component and subsystem devices. The Company designs, manufactures and markets devices employing electrical, electronic, wireless, sensing and optical technologies.

Methode's components are found in the primary end markets of the automotive, communications (including information processing and storage, networking equipment, wireless and terrestrial voice/data systems), aerospace, rail and other transportation industries; and the consumer and industrial equipment markets.



BY ENHANCING PERFORMANCE

> INCREASE OUR CASH POSITION TO

\$49.9 MILLION

> DIVIDENDS PAID

\$0.20 PER SHARE

Pictured on the front cover (left to right) are Mia Riley—Trace East, Tom DeWitt—Automotive Electronic Controls, Staci Williams—Automotive Electronic Controls and Harley Ko—Network Bus.

Pictured on the back cover (left to right) John Jackson—Connector Products, Darlene Wietholder—Automotive Electronic Controls, Jimmy Barry—Methode Electronics Ireland, Nikki Eaves—Automotive Electronic Controls, Frank Bugeja—Methode Electronics Malta, Mary Hicks—Methode Development Company, Leon McClellan—Automotive Electronic Controls, and Dominic Scicluna—Methode Electronics Malta

METHODE AT A GLANCE

Methode Electronics, Inc. is made up of nine domestic and six international business units serving a diverse global customer base.



UNITED STATES

Automotive Electronic Controls	Connectivity Technologies	Connector Products	dataMate Products	Duel Systems	Magna-lastic Devices	Methode Development Company	Network Bus Products	Trace Laboratories • Central • East
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PRODUCTS AND SERVICES

Automotive electronic and electromechanical controls, sensors and switch devices.	Design, installation and manufacturing of physical layer cabling infrastructure solutions and products for data centers and co-locations.	Broad range of advanced interconnect products and systems for printed circuit boards and cable.	Custom computer I/O terminators, interconnect circuits, computer peripheral adapters, SCSI testers and signal repeaters.	Sonically welded packages for PCMCIA, wireless, compact flash and miniature card applications.	Non-contact torque sensing technology.	Automotive, Networking, control and sensor applications; EMC shielding solutions.	Power distribution solutions utilizing laminated bus bars, custom power distribution assemblies and flexible braided cables.	Internationally accredited diversified testing capabilities, training and recognition services.
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INTERNATIONAL

Automotive Electronic Controls • Malta • Scotland • Germany • Mexico • UK	Methode Electronics Far East	Methode Electronics Ireland	Methode Automotive Safety Technologies	Methode Fibre Optics Europe	Optokon
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PRODUCTS AND SERVICES

Automotive electronic and electromechanical controls, sensors and switch devices.	A wide range of standard and custom interconnect solutions.	A comprehensive range of high speed interconnect cables and system components, including SCSI, FC, SFP and Infiniband.	Weight-based Passenger Occupant Detection sensors used in automobile seats to control airbag deployment.	Design, installation and manufacturing of physical layer cabling infrastructure solutions and products for data centers and co-locations.	Active and passive fibre optic components. Calibration services for optical test equipment.
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Despite the challenges of the past year, we have continued to strengthen our financial position.

SELECTED FINANCIAL DATA

METHODE ELECTRONICS, INC. AND SUBSIDIARIES

dollars in thousands, except per share data

	Years Ended April 30,	2002	2001	2000	1999	1998
Income Statement Data						
Net sales		\$319,660	\$359,710	\$357,624	\$362,082	\$358,743
Gross profit		52,086	61,345	81,770	85,624	93,668
Income from continuing operations						
before income taxes		2,605	19,204	40,938	45,037	54,994
Income taxes		(1,200)	6,440	13,840	15,720	18,870
Income from continuing operations		3,805	12,764	27,098	29,317	36,124
Discontinued operations (loss)		—	6,588	3,790	3,502	(858)
Net income		3,805	19,352	30,888	32,819	35,266
Balance Sheet Data						
Shareholders' equity		229,839	229,330	273,832	248,475	226,040
Capital expenditures		16,304	15,578	12,859	17,539	21,572
Working capital		115,221	123,326	105,222	101,945	88,920
Long-term debt		—	—	—	269	1,264
Fixed assets (net)		69,988	70,124	70,911	78,368	78,200
Total assets		291,926	294,930	332,798	311,268	285,016
Current ratio		3.3	3.3	3.2	3.0	2.9
Per Common Share:						
Net Income from continuing operations:						
Basic		\$0.11	\$0.36	\$0.77	\$0.83	\$1.02
Diluted		0.11	0.36	0.76	0.83	1.02
Net Income:						
Basic		0.11	0.54	0.87	0.93	1.00
Diluted		0.11	0.54	0.87	0.93	1.00
Dividends:						
Class A		0.20	0.20	0.20	0.20	0.20
Class B		0.20	0.20	0.20	0.20	0.20
Book value		6.36	6.41	7.69	7.03	6.37
From Continuing Operations:						
Return on equity		1.7%	5.1%	10.4%	12.4%	17.1%
Pre-tax income as a percentage of sales		0.8%	5.3%	11.4%	12.4%	15.3%
Income as a percentage of sales		1.2%	3.5%	7.6%	8.1%	10.1%
Employees		3,225	3,400	3,300	3,500	3,550

Fiscal year 2002 earnings include a restructuring charge of \$15.8 million (\$13.3 million after tax; \$0.37 per diluted share) and a foreign investment tax credit of \$3.7 million (\$0.11 per diluted share).

Fiscal year 2001 earnings include \$6.6 million tax-free income from life insurance proceeds (\$0.18 per diluted share), and a special charge of \$9.7 million for goodwill impairment and \$4.1 million to provide for the restructuring of two business units and the write-off of excess inventory and idle equipment (\$11.9 million after tax; \$0.33 per diluted share).

Fiscal year 2000 earnings include a \$3 million provision for a bad debt related to the bankruptcy of a large automotive safety system supplier (\$1.9 million after tax; \$0.06 per diluted share).



DEAR FELLOW SHAREHOLDERS

This past fiscal year has been unprecedented for our country, our customers, our shareholders and all the people who make up our company.

We faced many challenges as the electronics industry experienced the most severe downturn in its history and the overall weak economy hampered growth in our automotive businesses. However, in light of these factors, given our strong focus on adjusting our cost structure to the realities of the market, we still realized positive returns.

Sales were \$319.7 million, down 11 percent from \$359.7 million in fiscal 2001. Net earnings, excluding unusual items, were \$16.4 million, compared to \$18.6 million last year. Net earnings per share, excluding unusual items, were \$0.45 per share compared to \$0.52 per share in the prior year. However, fiscal 2002 fourth quarter earnings, at \$0.13 per share, excluding unusual items, represented the strongest quarter of the year as we began to benefit from cost reduction initiatives and increased sales. In the quarter, sales for our Electronics product group, including automotive, were up 14 percent and our Optical product group was up 38 percent compared to the fiscal 2002 third quarter. In addition, revenues increased \$11 million to \$85 million for the fourth quarter over the prior quarter of the fiscal year.

Given our aggressive focus in managing our balance sheet, we ended fiscal year 2002 with a solid financial position, increasing our cash by \$7.1 million to \$49.9 million and maintaining no debt. Our efforts also resulted in a reduction in inventories by \$14.4 million to \$37.0 million for the year.

We continue to conservatively manage the company and believe we have made significant progress in improving the overall health of Methode, and most importantly, have positioned the company for long-term growth and solid profitability.

There were a number of significant events during fiscal 2002 that occurred at our company. First, given the economic environment and severe decline in the telecommunications and computer markets, your management team made the tough, but prudent decision to restructure and consolidate certain business units. Consequently, we have effectively integrated Adam Technologies and Duel Systems into our domestic and foreign Interconnect products group and closed the

We continue to conservatively manage and position the Company for long-term growth and solid profitability.

associated East and West Coast distribution and manufacturing operations. Furthermore, we have reorganized our non-automotive electronic sales organization to provide a clear and uniform channel in our sales efforts.

Second, in August 2001, we acquired the automotive safety business of American Components, Inc. (ACI) and formed Methode's Automotive Safety Technologies business unit. With this acquisition, the company has obtained the manufacturing operations and patented intellectual property for a sensor, which is used by automotive suppliers in occupant detection systems. This product is a crucial component of an advanced airbag system, which vehicle makers will be required to employ to meet U.S. Federal Motor Vehicle Safety Standards.

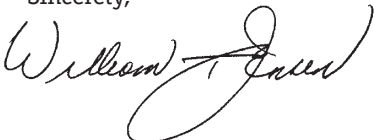
Strategically, we believe the integration of this acquisition was a good fit as it enabled Methode to expand its automotive manufacturing competencies, as well as further penetrate the automotive safety products market.

Third, we strengthened your company's management team in two very important areas. Thomas Reynolds joined Methode in the third quarter as Vice President and General Manager of our North American automotive businesses. Douglas Koman was promoted at the end of fiscal year 2001 to Vice President, Corporate Finance and has been instrumental in improving our cost and balance sheet management.

Fiscal 2002 was a year of significant change for Methode as we concentrated on developing a performance driven culture that can deliver steadily increasing earnings and cash flows to our shareholders. We are proud of our achievements and are excited about the future. We thank you, the shareholder, for the trust you have placed in us and remain deeply committed to providing you a solid return on your investment in Methode Electronics.

In closing, we wish to thank our loyal customers and suppliers, our board of directors and our employees who are the lifeblood of the company. With your continued support, we are truly *"moving forward."*

Sincerely,



William T. Jensen
Chairman



Donald W. Duda
President

July 22, 2002



Paul Marsh
*Methode Electronics
Europe*



Angela Brunetti
dataMate Products



Martina Connolly
*Methode Electronics
Ireland*



Clarissa Sapiano
*Methode Electronics
Malta*



Greg Sevcik
*Methode Development
Company*

MOVING FORWARD

with committed

The men and women of Methode Electronics have completed a year of hard work shaping a tighter, smarter company to enable margin expansion, development and delivery of new innovative products and research to provide unique solutions for our customers.

The instruments for balanced and scalable growth are now in place, and Methode Electronics is positioned to better serve the component and subsystem device markets in the electronic and automotive industries. We are focused on our core businesses and confident that cost controls implemented throughout this past fiscal year will provide efficiencies to help our customers, shareholders, suppliers and company prosper in the years ahead. Our strong balance sheet coupled with our experienced management team will allow us to focus on internal growth through innovative methods and increase market share through new products and good-fitting accretive acquisitions.

Strength of Employees

Methode's most valuable assets are its employees and their commitment and dedication to the Company. Their perseverance has enabled Methode to make great strides this past year in a very difficult economy and market. Attention to excellence, innovation, product quality and customer satisfaction remain our company culture, instilled by our founder and former Chairman, the late William J. McGinley. This culture remains intact because of the dedication of the trained and motivated men and women that make up Methode. Every individual who serves on our team takes great pride in doing an outstanding job for our customers and in preserving the strong values that are at the foundation of everything we do.



The Methode Malta team involved in the development and manufacture of the door switch for Ford includes: (from left to right) Robert Scerri, Trevor Galea, Alan Gatt, Marvin Abela, John Sultana, Robert Buttigieg, Soraya Baldacchino, Patrick Balluci, Samuel Sammut, Joe Pisani, Alessandro Fiot, Frankie Bugeja, Philip Farrugia, Michael Bonnici, and John Muscat.





Bob Husak
Connector Products



Lauren Fedor
Network Bus Products



Pavel Pospichal
Optokon



Helen Schultze
Automotive Electronic Controls



Oscar Guevara
Trace Laboratories Central

and dedicated people



The Performance Improvement Team in Carthage Illinois includes, from left to right: (back) Joni Roach, John Schuster, Nathan Fry, Kent Brotherton and John Marshall; (front) Mike Lee and Alma Finton



Employee focus and teamwork were witnessed recently when Ford Motor Company gave Methode's Malta subsidiary the opportunity to develop a new switch to be mounted on door latches in all Ford vehicles that will be sold in North America over the next five years. As designed, the switch sends a signal to the vehicle's on-board computer and operates various functions such as courtesy lights, and door-ajar and key-in warning signals. This program continues to provide the Malta subsidiary further exposure in this product group at Ford.

Malta won this business in the face of fierce competition due to a superior and more robust design, which was 60 percent lighter and utilized far less components. This proprietary product, assembled on an automated assembly line, was developed, designed, and tooled by Malta's highly skilled local workforce. The production process ensures reliability through a consistent assembly operation that incorporates a high level of quality control and fool-proofing features such as state-of-the-art vision systems.

Focused Product Groups

Within our Optical product group, the Connectivity Technologies subsidiary realized a 39.9 percent fiscal year-over-year increase and grew from 2.8 percent of Methode's overall sales to 4.4 percent. In the latter half of the 2002 fiscal year, this division saw a 70 percent increase in sequential growth from the third to the fourth quarter.

This group has also been a testament to the focus and innovation our employees bring to Methode. Connectivity is a highly specialized



James Burkholder
Trace Laboratories East



Lavonne Kase
Automotive Electronic Controls



Toby Cotter
dataMate Products



Rafaela Leyva
Methode Development Company



Jonathan Ferrito
Methode Electronics Malta

solution-based design, manufacturing and installation business unit. It is proficient in data center cabling infrastructure systems, and our professionals work to custom engineer and design the necessary solutions for companies looking to future-proof and expand their data center's life cycle. In other words, by using its ribbon-array cabling infrastructure, Connectivity future-proofs a company's data center, which is run by multiple hardware platforms and technologies such as mainframes, storage area networks and local area networks. The advantageous piece of this new and innovative product line features a 12-fiber ribbon-array connector that, most importantly, provides a universal point of connectivity.

Connectivity maintains the raw material inventory to provide client solutions in a fast and efficient process. As a result, Connectivity is able to design and install the switching and cabling cabinets and systems at any time to fit a client's specific needs and time frame — a month, a week or even a day.

This value-added and on-time design model has been so successful for this group that our optical businesses in England and the Czech Republic will also adopt it in the near future. Customers appreciate the individual solution-based approach along with our leading-edge technology and quick delivery methods.

Leading-Edge Development

Always a source of pride at Methode Electronics are our engineering and design expertise and capabilities. Throughout our history, we've been involved in leading-edge technologies. Most recently, we've been expanding our capabilities in the design and development of sensors.

Our engineers have designed a new patent-pending steering wheel position sensing system. Meeting in Detroit, Methode engineers from our German, U.K. and U.S. design centers presented and discussed their individual theories and product ideas to provide a value-added strategic engineering design for this new position sensing system. Beginning with six unique designs, they combined the best of



Trace Laboratories' semi-anechoic EMC chamber is used for radiated emission and immunity testing. (From left to right: Larry Brooks, Oscar Guevara, Mary Ann Wills, John Grimes and Mike Simms).



				
Fang Liang Yi <i>Methode Electronics Far East</i>	Eustolia Rodriguez <i>Automotive Safety Technologies</i>	Kim Logue <i>Methode Electronics Europe</i>	Carmen Long <i>Automotive Electronic Controls</i>	Aweke Mekonnen <i>Connectivity Technologies</i>



At Methode's Automotive Electronic Controls German Design Center, Roland Rügenberg (right) and Timo Ribbeck (left) review CAD product diagrams on a CATIA-Workstation.

each concept utilizing cost-benefit analysis and evaluation techniques to achieve the final configuration.

This product, used in automobiles, can be sold stand-alone or integrated into our existing clockspring products. These position-sensing units provide the ability to monitor driver input at the steering wheel. Applications for this product include vehicle chassis systems, traction control, four-wheel steering or electric power steering, electronic stability control, and may ultimately be used in drive-by-wire systems.

By using their combined talents in developing this product, our engineers designed a way to enhance our existing steering column product offering. This position sensor includes software and communication technology based on CAN (Controller Area Network) bus protocol. This competitive advantage enables it, not only to monitor specific vehicle functions, but also to become an intelligent sensor able to communicate with all other vehicle electronic modules.

We have proactively begun to market these units to automobile manufacturers. They are currently scheduled to be included in the 2004 model year for a major automobile manufacturer. We are proud of our engineers and what they represent with their vision and focus toward innovation. We look forward to the future success of this product.

As the world and U.S. economies continue to evolve and adjust, we at Methode Electronics will remain diligent in our focus and innovation in all aspects of our business. We will survive this current economic downturn, as we have past downturns throughout our 56-year history. We will do this through our strong customer relationships, adhering to our values, our innovative solutions, and most importantly, the strength and focus of our dedicated employees.

*Methode's
most valuable
assets are its
employees and
their commitment
and dedication.*

UNITED STATES



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INTERNATIONAL



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Optokon Co. Ltd.
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Czech Republic
Jiri Stefl
Managing Director

BOARD OF DIRECTORS

William T. Jensen*Chairman***Donald W. Duda***President***James W. Ashley, Jr.***Secretary**Partner**Lord, Bissell & Brook***Warren L. Batts***Retired Chairman**and CEO**Premark Corporation and**Tupperware Corporation***William C. Croft***Chairman**Clements National Company***James W. McGinley***President and CEO**Stratos Lightwave, Inc.***Robert R. McGinley***Director***George C. Wright***Retired President**Piedmont Co., Inc.*

CORPORATE EXECUTIVES

William T. Jensen*Chairman***Donald W. Duda***President***Douglas A. Koman***Vice President,**Corporate Finance***Robert J. Kuehnau***Vice President,**Treasurer, Controller**and Assistant Secretary***John R. Cannon***Senior Executive Vice President***James F. McQuillen***Executive Vice President,**Interconnect Products***Stephen U. Harders***Vice President,**Administration***Charles A. Kozel***Vice President,**Advanced Engineering*

The Company has approximately 950 and 330 holders of record of its Class A and Class B Common Stock as of July 15, 2002. Both classes of shares are traded on the NASDAQ National Market System under the symbols METHA and METHB. The Company pays dividends quarterly and paid dividends on both Class A and Class B shares at an annual rate of \$0.20 in fiscal 2001 and 2002.

The following table sets forth the fiscal quarterly high and low sales prices for the last two fiscal years as reported on NASDAQ and the cash dividends paid.

In Dollars	Class A			Class B		
	High	Low	Div. Paid	High	Low	Div. Paid
Fiscal Year Ended						
April 30, 2002						
1st Quarter	\$ 9.50	\$ 5.56	\$0.05	\$13.70	\$ 6.75	\$0.05
2nd Quarter	9.69	6.29	0.05	10.10	6.01	0.05
3rd Quarter	9.79	6.81	0.05	10.25	7.00	0.05
4th Quarter	12.81	8.16	0.05	12.70	9.09	0.05
Fiscal Year Ended						
April 30, 2001						
1st Quarter	\$21.16	\$11.23	\$0.05	\$21.71	\$11.84	\$0.05
2nd Quarter	23.22	11.97	0.05	23.49	12.69	0.05
3rd Quarter	14.69	5.92	0.05	11.65	6.20	0.05
4th Quarter	9.03	4.68	0.05	8.72	5.07	0.05

Transfer Agent and Registrar

ChaseMellon Shareholder Services, L.L.C.

Overpeck Centre, 85 Challenger Road

Ridgefield Park, NJ 07660

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www.chasemellon.com

Annual Meeting

The Annual Meeting of Shareholders will be held at

3:30 p.m. on September 10, 2002 at the

Fountain Blue Conference Center

2300 South Mannheim Road

Des Plaines, IL 60018

Corporate Headquarters

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www.methode.com



*Methode's most
valuable assets
are its employees.*



WORLDWIDE LOCATIONS



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