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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☑ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934**

for the quarterly period ended July 31, 2002

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

Commission file number 0-2816

METHODE ELECTRONICS, INC.

(Exact name of registrant as specified in its charter.)

Delaware (State or other jurisdiction of incorporation or organization)	**36-2090085** (I.R.S. Employer Identification No.)
7401 West Wilson Avenue, Harwood Heights, Illinois (Address of principal executive offices)	**60706-4548** (Zip Code)

(Registrant's telephone number, including area code) **(708) 867-6777**

None
(Former name, former address, former fiscal year, if changed since last report)

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 ☐

At September 6, 2002, Registrant had 35,084,416 shares of Class A Common Stock and 1,087,317 shares of Class B Common Stock outstanding.

INDEX

METHODE ELECTRONICS, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

METHODE ELECTRONICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	July 31, 2002 (Unaudited)	April 30, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 64,553	$ 49,902
Accounts receivable, net	52,714	64,061
Inventories:		
Finished products	9,546	6,870
Work in process	20,911	19,902
Materials	8,186	10,188
	38,643	36,960
Current deferred income taxes	7,530	7,590
Prepaid expenses	7,189	6,904
TOTAL CURRENT ASSETS	170,629	165,417
PROPERTY, PLANT AND EQUIPMENT	210,408	201,938
Less allowance for depreciation	137,873	131,950
	72,535	69,988
GOODWILL, net	18,200	18,200
INTANGIBLE ASSETS, net	14,748	15,013
OTHER ASSETS	23,885	23,308
	$ 299,997	$ 291,926

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts and notes payable	$ 24,666	$ 27,344
Other current liabilities	26,616	22,852
TOTAL CURRENT LIABILITIES	51,282	50,196
OTHER LIABILITIES	6,645	6,743
DEFERRED COMPENSATION	4,426	5,148
SHAREHOLDERS' EQUITY		
Common Stock	18,298	18,277
Paid in capital	36,357	36,102
Retained earnings	189,984	187,210
Other shareholders' equity	(6,995)	(11,750)
	237,644	229,839
	$ 299,997	$ 291,926

See note to condensed consolidated financial statements.

METHODE ELECTRONICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(in thousands, except per share data)

	Three Months Ended July 31,	
	2002	2001
INCOME:		
Net sales	$ 80,041	$ 79,596
Other	408	521
Total	80,449	80,117
COSTS AND EXPENSES:		
Cost of products sold	62,350	64,604
Selling and administrative expenses	10,211	9,775
Total	72,561	74,379
Income from operations	7,888	5,738
Interest, net	283	367
Other, net	(1,438)	284
Income before income taxes	6,733	6,389
Income taxes	2,150	2,135
NET INCOME	$ 4,583	$ 4,254
Basic and diluted earnings per common share	$ 0.13	$ 0.12
Cash dividends per common share	$ 0.05	$ 0.05
Weighted average number of common shares outstanding:		
Basic	36,142	35,775
Diluted	36,442	35,946

See notes to condensed consolidated financial statements.

METHODE ELECTRONICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

	Three Months Ended July 31,	
	2002	2001
OPERATING ACTIVITIES		
Income from continuing operations	$ 4,583	$ 4,254
Provision for depreciation and amortization	3,919	3,804
Changes in operating assets and liabilities	11,003	2,793
Other	6	192
NET CASH PROVIDED BY OPERATING ACTIVITIES	19,511	11,043
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(4,463)	(2,260)
Other	(699)	(2,218)
NET CASH USED IN INVESTING ACTIVITIES	(5,162)	(4,478)
FINANCING ACTIVITIES		
Options exercised	275	473
Dividends	(1,809)	(1,789)
Other	—	1,076
NET CASH USED IN FINANCING ACTIVITIES	(1,534)	(240)
Effect of foreign exchange rate changes on cash	1,836	(74)
INCREASE IN CASH AND CASH EQUIVALENTS	14,651	6,251
Cash and cash equivalents at beginning of period	49,902	42,788
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 64,553	$ 49,039

See note to condensed consolidated financial statements.

METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

July 31, 2002

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended July 31, 2002 are not necessarily indicative of the results that may be expected for the year ending April 30, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended April 30, 2002.

Comprehensive income consists of income from continuing operations and foreign currency translation adjustments and totaled

$9.3 million and $3.5 million for the first quarters of fiscal 2003 and 2002.

2. ACQUISITION AND INTANGIBLE ASSETS

On August 1, 2001 the Company purchased for $12.6 million in cash, including costs of acquisition, the automotive safety business of American Components, Inc. and formed a new business unit, Automotive Safety Technologies (AST). Additional contingent consideration will be due beginning in fiscal 2004 based on the attainment of certain sales targets, up to a maximum additional consideration of $11.5 million. Included in this asset purchase are the manufacturing operations and patented intellectual property for a sensor pad currently used by a tier-one automotive supplier in its passenger occupant detection system. Also included in this purchase was patented intellectual property for a rollover airbag curtain that the Company intends to further develop. The fair values assigned to intangible assets acquired were $6.9 million for a customer supply agreement, $5.5 million for patents and $2.0 million for covenants not to compete and are being amortized over 10 years, 18 years and 5 years, respectively. In accordance with SFAS No. 141, the excess of fair value of assets acquired over the cash purchase price was recorded as a liability at the date of acquisition. The pro forma results of operations for the three months ended July 31, 2001 assuming the purchase occurred at the beginning of the period would not differ materially from reported amounts.

The following tables present details of the Company's total intangible assets (in thousands):

	July 31, 2002		
	Gross	Accumulated Amortization	Net
Customer supply agreement	$ 6,930	$ 153	$ 6,777
Patents	7,215	811	6,404
Covenants not to compete	2,000	433	1,567
Total	$ 16,145	$ 1,397	$ 14,748

	April 30, 2002		
	Gross	Accumulated Amortization	Net
Customer supply agreement	$ 6,930	$ 79	$ 6,851
Patents	7,215	720	6,495
Covenants not to compete	2,000	333	1,667
Total	$ 16,145	$ 1,132	$ 15,013

The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows (in thousands):

2003	$ 1,131
2004	1,433
2005	1,707
2006	1,739
2007	1,504

3. Recent Accounting Pronouncements

In October 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 144, *Accounting for the Impairment and Disposal of Long Lived Assets.* The Company adopted these standards beginning in the first quarter of fiscal 2003. The adoption of this statement did not have a material effect on the Company's financial statements.

In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets.* This statement changes the accounting for intangible assets and goodwill, which are no longer amortized unless, in the case of intangible assets, the asset has a finite life. Goodwill and intangible assets with indefinite lives are now subject to an annual impairment test. The Company began applying the new rules on accounting for goodwill and other intangibles beginning in the first quarter of 2003. The Company will complete the first of the required impairment tests of goodwill and indefinite lived intangible assets during the second quarter of fiscal 2003. The Company does not expect that the results of the impairment tests will have a material effect on the Company's financial statements.

Comparative information for the prior period as if goodwill had not been amortized in that period is as follows:

	Three Months Ended July 31,	
	2002	2001
	(in thousands, except per share amounts)	
Reported net income	$ 4,583	$ 4,254
Add back goodwill amortization	—	232
Adjusted net income	$ 4,583	$ 4,486
Basic and diluted earnings per share:		
Reported net income	$ 0.13	$ 0.12
Goodwill amortization	—	0.01
Adjusted net income	$ 0.13	$ 0.13

4. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended July 31,	
	2002	2001
	(in thousands, except per share amounts)	
Numerator — net income	$ 4,583	$ 4,254
Denominator:		
Denominator for basic earnings per Share — weighted-average shares	36,142	35,775
Dilutive potential common shares — employee stock awards/options	300	171
Denominator for diluted earnings per Share — adjusted weighted-average shares and assumed conversions	36,442	35,946
Basic and diluted earnings per share	$ 0.13	$ 0.12

Options to purchase 724,912 shares of Class A common stock at a weighted average option price of $13.08 per share were outstanding at July 31, 2002, but were not included in the computation of diluted earnings per share because the exercise prices were greater than the average market price of the Class A common stock and, therefore, the effect would be antidilutive.

5. SEGMENT INFORMATION

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.

The Company reports three business segments: Electronic, Optical and Other. The business units whose results are identified in the Electronic segment principally employ electronic processes to control and convey signals. The business units whose results are identified in the Optical segment principally employ light to control and convey signals. The Company's business that manufactures bus systems as well as its independent laboratories, which provide services for qualification testing and certification of electronic and

optical components are included in the Other segment.

The Company allocates resources to and evaluates performance of its technology segments based on operating income. Transfers between technology segments are recorded using internal transfer prices set by the Company.

The table below presents information about the Company's reportable segments (in thousands):

	Three Months Ended July 31, 2002				
	Electronic	Optical	Other	Eliminations	Consolidated
Net sales to unaffiliated customers	$ 72,156	$ 5,036	$ 2,849		$ 80,041
Transfers between technology segments	—	—	27	$ (27)	—
Total net sales	$ 72,156	$ 5,036	$ 2,876	$ (27)	$ 80,041
Income (loss) before income taxes	$ 9,335	$ (91)	$ (43)		$ 9,201
Corporate expenses, net					(2,468)
Total income before income taxes					$ 6,733

	Three Months Ended July 31, 2001				
	Electronic	Optical	Other	Eliminations	Consolidated
Net sales to unaffiliated customers	$ 66,475	$ 9,151	$ 3,970		$ 79,596
Transfers between technology segments	—	—	25	$ (25)	—
Total net sales	$ 66,475	$ 9,151	$ 3,995	$ (25)	$ 79,576
Income before income taxes	$ 6,857	$ 1,232	$ 478		$ 8,567
Corporate expenses, net					(2,178)
Total income before income taxes					$ 6,389

6. COMMITMENTS AND CONTINGENCIES

The Company is from time to time subject to various legal actions and claims incidental to its business, including those arising out of alleged defects, breach of contracts, product warranties, employment-related matters and environmental matters. Although the outcome of potential legal actions and claims cannot be determined, it is the opinion of the Company's management, based on the information available at the time, that it has adequate reserves for these liabilities and that the ultimate resolution of these matters will not have a significant effect on the consolidated financial position of the Company.

7. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's business is managed on a technology product basis, with those technology segments being Electronic, Optical and Other. The business units whose results are identified in the Electronic segment principally employ electronic processes to control and convey signals. The business units whose results are identified in the Optical segment principally employ light to control and convey signals. The Other segment includes a manufacturer of bus systems and independent laboratories that provide services for qualification testing and certification of electronic and optical components.

Results of Operations

The following table sets forth certain income statement data as a percentage of net sales for the periods indicated:

	Three Months Ended July 31,	
	2002	2001
Income:		
Net sales	100.0%	100.0%
Other	0.5	0.7
	100.5	100.7
Costs and expenses:		
Cost of products sold	77.9	81.2
Selling and administrative expenses	12.8	12.3
Income From Operations	9.8	7.2
Interest, net	0.4	0.5
Other, net	(1.8)	0.3
Income Before Income Taxes	8.4	8.0
Income taxes	2.7	2.7
Net Income	5.7%	5.3%

Net sales. First quarter consolidated net sales increased 1% to $80.0 million in fiscal 2003 from $79.6 million in fiscal 2002. Net sales of the Electronic segment, which represented 90% and 84% of consolidated net sales in fiscal 2003 and fiscal 2002, increased to $72.2 million in fiscal 2003 from $66.5 million in fiscal 2002. Product sales to the automotive industry, which represented 81% and 78% of Electronic segment net sales in 2003 and 2002 increased by 12% in fiscal 2003. While the acquisition of Automotive Safety Technologies (AST) was a factor, the increase was primarily the result of stable vehicle production schedules supported by the continued consumer demand and incentive programs offered by the OEMs. Net sales for the balance of the Electronic segment decreased 6% reflecting the continued weakness in the computer and telecommunication markets.

First quarter net sales of the Optical segment represented 6% of consolidated net sales in fiscal 2003 and 11% of consolidated net sales in fiscal 2002. Optical segment net sales decreased 45% to $5.0 million in the first quarter of fiscal 2003 from $9.2 million in the first quarter of fiscal 2002. All of the Company's Optical businesses experienced sharp sales declines as a result of the continued weakness in the computer and telecommunication markets.

First quarter net sales of the Other segment declined 28% to $2.8 million in fiscal 2003 from $3.9 million in fiscal 2002, due to the weakness in the computer and telecommunication markets.

Other income. Other income consisted primarily of earnings from the Company's automotive joint venture, license fees and royalties. The decrease in the first quarter of fiscal 2003 from the first quarter of 2002 was due to a reduction in earnings from the automotive joint venture.

Cost of products sold. Cost of products sold as a percentage of net sales was 78% in the first quarter of fiscal 2003 compared with 81% in the first quarter of fiscal 2002.

Gross margins of the Electronic segment increased to 23% in the first quarter of fiscal 2003 from 19% in the first quarter of fiscal 2002. Gross margins on sales to the automotive industry improved from the prior year first quarter, as a result of productivity gains and aggressive cost control programs. Gross margins for the balance of the Electronic segment also improved primarily as a result of the restructuring and consolidation undertaken in the fourth quarter of fiscal 2002.

Gross margins of the Optical segment decreased to 19% in the fiscal 2003 first quarter from 22% in the fiscal 2002 first quarter. Slow sales due to the weakness in the computer and telecommunication industries was the primary reason that margins declined at all of the Company's Optical businesses.

Gross margins of the Other segment declined to 16% in the first quarter of fiscal 2003 from 24% in the first quarter of fiscal 2002.

The margin decline was the result of the previously described sales decline.

Selling and administrative expenses. Selling and administrative expenses as a percentage of net sales were 13% in the first quarter of fiscal 2003 and 12% in fiscal 2002.

Interest, net. Interest income, net of interest expense declined 23% in the first quarter of fiscal 2003 compared with the first quarter of fiscal 2002, primarily due to lower interest rates on short-term cash investments.

Other, net. Other, net was primarily currency exchange gains and losses at the Company's foreign locations in the first quarter of both fiscal 2003 and 2002. Currency exchange losses experienced in fiscal 2003 were the result of a weak U.S. dollar.

Income taxes. The effective income tax rate in the first quarter was 32% in fiscal 2003 and 33% in fiscal 2002. The effective rates for both fiscal 2003 and fiscal 2002 reflect the effect of lower tax rates on income from foreign operations.

Financial Condition, Liquidity and Capital Resources

Net cash provided by operations was $19.5 million and $11.0 million in the first quarter of fiscal 2003 and 2002, respectively. The increase in cash provided by operations was primarily due to collections on accounts receivables during the first quarter of fiscal 2003.

Net cash used in investing activities during the first quarter was $5.2 million for fiscal 2003 and $4.5 million for fiscal 2002. Purchases of plant and equipment increased by $2.2 million in fiscal 2003 over the first quarter of fiscal 2002 due to the production ramp-up at AST, and expansion at the Company's Malta manufacturing operation. Net cash used in investing activities in fiscal 2002 included a $2.0 million advance deposit on the acquisition of AST. An additional $10.5 million of cash consideration for this acquisition was paid upon closing and additional contingent consideration will be due beginning in fiscal 2004 based on the attainment of certain sales targets.

Net cash used in financing activities during the first quarter was $1.5 million in fiscal 2003 and $0.2 million in fiscal 2002. The Company paid cash dividends of $1.8 million in the first quarter of both fiscal 2003 and 2002 and received proceeds from the exercise of stock options of $0.3 million in fiscal 2003 and $0.5 million in fiscal 2002. In the first quarter of fiscal 2002, $1.1 million of cash was provided by a short-term borrowing arrangement at a foreign subsidiary.

Cautionary Statement

Certain statements in this report are forward-looking statements that are subject to certain risks and uncertainties. The Company's business is highly dependent upon two large automotive customers and specific makes and models of automobiles. Therefore, the Company's financial results will be subject to many of the same risks that apply to the automotive industry, such as general economic conditions, interest rates and consumer spending patterns. A significant portion of the balance of the Company's business relates to the computer and telecommunication industries which are subject to many of the same risks facing the automotive industry as well as fast-moving technological change. These industries are currently experiencing a severe economic downturn. Other factors which may result in materially different results for future periods include actual growth in the Company's various markets; operating costs; currency exchange rates and devaluations; delays in development, production and marketing of new products; and other factors set forth from time to time in the Company's reports filed with the Securities and Exchange Commission. Any of these factors could cause the Company's actual results to differ materially from those described in the forward-looking statements. The forward-looking statements in this report are intended to be subject to the safe harbor protection provided under the securities law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Although certain of the Company's subsidiaries enter into transactions in currencies other than their functional currency, foreign currency exposures arising from these transactions generally are not material to the Company. The primary foreign currency exposure arises from the translation of the Company's net equity investment in its foreign subsidiaries to U.S. dollars. The Company generally views as long-term its investments in foreign subsidiaries with functional currencies other than the U.S. dollar. The primary currencies to which the Company is exposed are the British pound, Czech koruna, Euro, Maltese lira, and Singapore dollar. A 10% change in foreign currency exchange rates from balance sheet dates levels could impact the Company's net foreign investments by $7.7 million and $7.2 million at July 31, 2002 and April 30, 2002, respectively.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits—See Index to Exhibits immediately following the certification pages.

b) Reports on Form 8-K

The Company did not file a report on Form 8-K during the three months ended July 31, 2002.

SIGNATURES

Pursuant to the requirements 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.

METHODE ELECTRONICS, INC.

By: /s/ DOUGLAS A. KOMAN

Douglas A. Koman
Vice President, Corporate Finance
(principal financial officer)

Dated: September 12, 2002

CERTIFICATIONS

I, William T. Jensen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Methode Electronics, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Dated: September 12, 2002.

/s/ WILLIAM T. JENSEN

Chairman
(principal executive officer)

CERTIFICATIONS

I, Donald W. Duda, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Methode Electronics, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Dated: September 12, 2002.

/s/ DONALD W. DUDA

President
(principal operating officer)

CERTIFICATIONS

I, Douglas A. Koman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Methode Electronics, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Dated: September 12, 2002.

/s/ DOUGLAS A. KOMAN

Vice President, Corporate Finance
(principal financial officer)

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Certificate of Incorporation of Registrant, as amended and currently in effect (1)
3.2	Bylaws of Registrant, as amended and currently in effect (1)
4.1	Article Fourth of Certificate of Incorporation of Registrant, as amended and currently in effect (included in Exhibit 3.1)
4.2	Form of Rights Agreement between ChaseMellon Shareholder Services LLC and Registrant (7)
10.1	Methode Electronics, Inc. Incentive Stock Award Plan (2)*
10.2	Methode Electronics, Inc. Managerial Bonus and Matching Bonus Plan (also referred to as the Longevity Contingent Bonus Program) (3)*
10.3	Methode Electronics, Inc. Capital Accumulation Plan (3)*
10.4	Incentive Stock Award Plan for Non-Employee Directors (4)*
10.5	Methode Electronics, Inc. 401(k) Savings Plan (4)*
10.6	Methode Electronics, Inc. 401(k) Saving Trust (4)*
10.7	Methode Electronics, Inc. 1997 Stock Plan (5)*

10.8	Form of Master Separation Agreement between Stratos Lightwave, Inc. and Registrant (6)
10.9	Form of Initial Public Offering and Distribution Agreement between Stratos Lightwave, Inc. and Registrant (6)
10.10	Form of Tax Sharing Agreement between Stratos Lightwave, Inc. and Registrant (6)
10.11	Methode Electronics, Inc. 2000 Stock Plan (8)*
10.12	Form of Agreement between Kevin J. Hayes and Registrant (9)*
10.13	Form of Agreement between Horizon Farms, Inc. and Registrant (9)
10.14	Form of Agreement between William T. Jensen and Registrant (9)*
10.15	Form of Agreement between Donald W. Duda and Registrant (10)*
10.16	Form of Agreement between John R. Cannon and Registrant (10)*
10.17	Form of Agreement between Robert J. Kuehnau and Registrant (10)*
10.18	Form of Agreement between James F. McQuillen and Registrant (10)*
10.19	Form of Agreement between Douglas A. Koman and Registrant*
10.20	Agreement dated August 19, 2002 by and among Methode Electronics, Inc.; Marital Trust No. 1 and Marital Trust No. 2 each created under the William J. McGinley Trust; Jane R. McGinley; Margaret J. McGinley; James W. McGinley; and Robert R. McGinley (11)
99.1	Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350

(1) Previously filed with Registrant's Form S-3 Registration Statement No. 33-61940 filed April 30, 1993, and incorporated herein by reference.

(2) Previously filed with Registrant's Registration Statement No. 2-92902 filed August 23, 1984, and incorporated herein by reference.

(3) Previously filed with Registrant's Form 10-Q for the three months ended January 31, 1994, and incorporated herein by reference.

(4) Previously filed with Registrant's Form 10-K for the year ended April 30, 1994, and incorporated herein by reference.

(5) Previously filed with Registrant's Statement No. 333-49671 and incorporated herein by reference.

(6) Previously filed with Registrant's Form 10-K for the year ended April 30, 2000, and incorporated herein by reference.

(7) Previously filed with Registrant's Form 8-K filed July 7, 2000, and incorporated herein by reference.

(8) Previously filed with Registrant's Form 10-Q for the three months ended October 31, 2000, and incorporated herein by reference.

(9) Previously filed with Registrant's Form 10-K for the year ended April 30, 2001, and incorporated herein by reference.

(10) Previously filed with Registrant's Form 10-Q for the three months ended January 31, 2002, and incorporated herein by reference.

(11) Previously filed with Registrant's Form 8-K filed August 20, 2002, and incorporated herein by reference.

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 14(c) of Form 10-K.

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.19

EMPLOYMENT SECURITY AGREEMENT

This Employment Security Agreement is entered into this 21st day of December 2001, between Methode Electronics, Inc., a Delaware corporation (the "Company"), and Douglas A. Koman (the "Executive").

WITNESSETH:

WHEREAS, Executive is employed by the Company or one of its wholly-owned subsidiaries (referred to collectively as the "Company") and the Company desires to provide certain security to Executive in connection with any potential change in control of the Company; and

NOW, THEREFORE, it is hereby agreed by and between the parties, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, as follows:

1. *Payments and Benefits Upon a Change in Control.* If within three (3) years after a Change in Control (as defined below) or during the Period Pending a Change in Control (as defined below): (i) the Company shall terminate Executive's employment with the Company without Good Cause (as defined below), or (ii) Executive shall voluntarily terminate such employment with Good Reason (as defined below), the Company shall, within 30 days of Executive's Employment Termination (as defined below), make the payments and provide the benefits described below.

(a) *Salary Payment.* The Company shall make a lump sum cash payment to Executive equal to three times the Executive's Annual Salary (as defined below).

(b) *Bonuses.* The Company shall make a lump sum cash payment to Executive equal to the sum of the following amounts: (i) a bonus equal to 100% of Executive's Annual Salary (as defined below), plus (ii) a pro rata portion of a bonus equal to 100% of Executive's Annual Salary for the fiscal year in which Executive's Employment Termination occurs equal to any quarterly period(s) for which bonus was earned but not yet paid; plus (iii) all of Executive's unpaid, but accrued matching bonus pursuant to the Longevity Contingent Bonus Plan.

(c) *Welfare Benefit Plans.* With respect to each Welfare Benefit Plan (as defined below), for the period beginning on Executive's Employment Termination and ending on the earlier of: (i) thirty six (36) months following Executive's Employment Termination, or (ii) the date Executive becomes covered by a welfare benefit plan or program maintained by an entity other than the Company which provides coverage or benefits substantially equivalent to such Welfare Benefit Plan, Executive shall continue to participate in such Welfare Benefit Plan on the same basis and at the same cost to Executive as was the case immediately prior to the Change in Control (or, if more favorable to Executive, as was the case at any time hereafter), or, if any benefit or coverage cannot be provided under a Welfare Benefit Plan because of applicable law or contractual provisions, Executive shall be provided with substantially similar benefits and coverage for such period. Immediately following the expiration of the continuation period required by the preceding sentence, Executive shall be entitled to continued group health benefit plan coverage (so-called "COBRA coverage") in accordance with Section 498OB of the Internal Revenue Code of 1986, as amended (the "Code"), it being intended that COBRA coverage shall be consecutive to the benefit and coverage provided for in the preceding sentence.

(d) *Employment.* This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

2. *Definitions.* For purposes of this Agreement:

(a) "Annual Salary" shall mean Executive's salary at the greater of (i) Executive's annualized base salary (including Executive's monthly car allowance) in effect on the date of the Change in

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Control, or (ii) Executive's annualized base salary in effect on Executive's Employment Termination.

(b) "Change in Control" shall be deemed to have occurred if:

(i) Any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act except that a person shall be deemed to be the "beneficial owner" of

all shares that any such person has the right to acquire pursuant to any agreement or arrangement or upon exercise of conversion rights, warrants, options or otherwise, without regard to the sixty day period referred to in such Rule), directly or indirectly, of securities representing 25 percent or more of either the Company's then outstanding Class A Common Stock or Class B Common Stock; provided, however, that for this purpose, beneficial ownership shall not include shares acquired: (i) directly from the Company) (ii) in any merger or other business combination of the Company with one or more other corporations as a result of which the holders of the outstanding voting stock of the Company immediately prior to such merger or other business combination own 60 percent or more of the voting stock of the surviving or resulting corporation; or (iii) by any employee benefit plan (or related trust) sponsored or maintained by the Company;

(ii) At any time during any period of two consecutive 12-month periods (not including any period prior to October 1, 2001) individuals who at the beginning of such period constituted the Board (the "Incumbent Board') cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 or Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or

(iii) There is a merger or other business combination of the Company with one or more other corporations as a result of which the holders of the outstanding voting stock of the Company immediately prior to such merger or other business combination own less than 60 percent of the voting stock of the surviving or resulting corporation.

(c) "Employment Termination" shall mean the effective date of: (i) Executive's voluntary termination of employment with the Company with Good Reason, or (ii) the termination of Executive's employment by the Company without Good Cause.

(d) "Good Cause" shall mean: (i) Executive's conviction of a felony; (ii) Executive's commission of any act or acts of personal dishonesty intended to result in substantial personal enrichment to Executive to the detriment of the Company; or (iii) repeated violations of Executive's responsibilities which are demonstrably willful and deliberate, provided that such violations have continued more than ten days after the Board of Directors of the Company has given written notice of such violations and of its intention to terminate Executive's employment because of such violations.

(e) "Good Reason" shall exist if, without Executive's express written consent:

(i) The Company shall materially reduce the nature, scope or level of Executive's responsibilities from the nature, scope or level of such responsibilities prior to the Change in Control (or prior to the Period Pending a Change in Control), or shall fail

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to provide Executive with adequate office facilities and support services to perform such responsibilities.

(ii) The Company shall require Executive to move Executive's principal business office more than 25 miles from Executive's principal business office at the time of this Agreement, or assign to Executive duties that would reasonably require such move.

(iii) The Company shall require Executive, or assign duties to Executive which would reasonably require Executive, to increase, by more than twenty-four, the number of normal working days (determined at the time of this Agreement) that Executive spends away from Executive's principal business office during any consecutive twelve-month period.

(iv) The Company shall reduce Executive's Annual Salary below that is in effect as of the date of this Agreement (or as of the Change in Control, if greater).

(v) The Company shall fail to continue in effect any cash or stock-based incentive or bonus plan, retirement plan, welfare benefit plan, or other benefit plan, program or arrangement, unless the aggregate value (as computed by an independent employee benefits consultant selected by the Company) of all such incentive, bonus, retirement and benefit plans, programs and arrangements provided to Executive is not materially less than their aggregate value as of the date of this Agreement (or as of the Change in Control, if greater).

(vi) If the Board of Directors fails to act in good faith with respect to the Company's obligations hereunder, or the Company breaches its obligations hereunder.

(f) "Period Pending a Change in Control" shall mean the period between the time an agreement is entered into by the Company with respect to a merger or other business combination of the Company, which would constitute a Change in Control, and the effective time of such merger or other business combination of the Company.

(g) "Welfare Benefit Plan" shall mean each welfare benefit plan maintained or contributed to by the Company, including, but not limited to a plan that provides health (including medical and dental), life, accident or disability benefits or insurance, or similar coverage, in which Executive was participating at the time of the Change in Control.

3. *Salary to Date of Employment Termination.* The Company shall pay to Executive any unpaid salary or other compensation of any kind earned with respect to any period prior to Executive's Employment Termination, including, but not limited to a lump sum cash payment for accumulated but unused vacation earned through such Employment Termination.

4. *Other Incentive Plans.* Nothing in this Agreement shall impair or impact the vesting of any restricted stock, stock options, cash incentives or other form of compensation or benefits provided under any other plan, program or arrangement.

5. *Certain Additional Payments by the Company.*

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that as a result, directly or indirectly, of any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), the Executive would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax), then the Executive shall be entitled to promptly receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up

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Payment, but excluding any income taxes on the Payment, the Executive is in the same after-tax position as if no Excise Tax had been imposed upon the Executive.

(b) Subject to the provisions of Section 5(c), all determinations required to be made under this Section 5, including whether or when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determinations, shall be made by the accounting firm of Ernst & Young LLP (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 5, shall be paid to the Executive within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that failure to report the Excise Tax on the Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 5(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive knows of such claim and shall apprise the company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in

writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order to effectively contest such claim, and,

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 5(c), the Company shall control all proceedings taken in connection with such contest and, at its sole

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option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(c) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

6. *Mitigation and Set-Off.* Executive shall not be required to mitigate Executive's damages by seeking other employment or otherwise. The Company's obligations under this Agreement shall not be reduced in any way by reason of any compensation or benefits received (or foregone) by Executive from sources other than the Company after Executive's Employment Termination, or any amounts that might have been received by Executive in other employment had Executive sought other employment, except for the termination of benefits under a Welfare Benefit Plan pursuant to Section 1(c)(ii) hereof. Except as expressly provided in section 1(c) of this Agreement, Executive's entitlement to benefits and coverage under this Agreement shall continue after, and shall not be affected by, Executive's obtaining other employment after his Employment Termination, provided that any such benefit or coverage shall not be furnished if Executive expressly waives the specific benefit or coverage by giving written notice of waiver to the Company.

7. *Litigation Expenses.* The Company shall pay to Executive all out-of-pocket expenses, including attorneys' fees, incurred by Executive in the event Executive successfully enforces any provision of this Agreement in any action, arbitration or lawsuit.

8. *Assignment, Successors.* This Agreement may not be assigned by the Company without the written consent of Executive but the obligations of the Company under this Agreement shall be the binding legal obligations of any successor to the Company by merger or other business combination, and in the event of any business combination or transaction that results in the transfer of substantially all of the assets or business of the Company, the Company will cause the transferee to assume the obligations of the Company under this Agreement. This Agreement may not be assigned by Executive during Executive's life, and upon Executive's death will inure to the benefit of Executive's heirs, legatees and legal representatives of Executive's estate.

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9. *Interpretation.* The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Illinois, without regard to the conflict of law principles thereof. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

10. *Withholding.* The Company may withhold from any payment that it is required to make under this Agreement amounts sufficient to satisfy applicable withholding requirements under any federal, state or local law.

11. *Amendment or Termination.* This Agreement may be amended at any time by written agreement between the Company and Executive. The Company may terminate this Agreement by written notice given to Executive at least two years prior to the effective date of such termination, provided that, if a Change in Control occurs prior to the effective date of such termination, the termination of this Agreement shall not be effective and Executive shall be entitled to the full benefits of this Agreement. Any such amendment or termination shall be made pursuant to a resolution of the Company's Board of Directors.

12. *Financing.* Cash and benefit payments under this Agreement shall constitute general obligations of the Company. Executive shall have only an unsecured right to payment thereof out of the general assets of the Company. Notwithstanding the foregoing, the Company may, by agreement with one or more trustees to be selected by the Company, create a trust on such terms, as the Company shall determine, to make payments to Executive in accordance with the terms of this Agreement.

13. *Severability.* In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

14. *Arbitration.* The parties initially shall attempt to resolve by direct negotiation any dispute, controversy or claim arising out of or relating to this Agreement or its breach or interpretation (each, a "Dispute"). For purposes of this negotiation, the Company shall be represented by one or more of its Class A Directors appointed by the Board of Directors so long as the Company has more than one class of Common Stock. If the parties are unable to resolve the Dispute by direct negotiation within 30 days after written notice by one party to the other of the Dispute, either party may initiate a confidential, binding arbitration to resolve the Dispute. All such Disputes shall be arbitrated in Chicago, Illinois pursuant to the arbitration rules of J.A.M.S. Endispute before a single arbitrator. (If, at the time of any Dispute, J.A.M.S. Endispute has ceased to exist, all such Disputes shall be arbitrated in Chicago, Illinois pursuant to the arbitration rules of the American Arbitration Association before a single arbitrator.) Judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction, and both parties consent and submit to the jurisdiction of such court for purposes of such action. Nothing in this Agreement shall preclude either party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches and similar doctrines, which would otherwise be applicable in any action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of an action for those purposes. The Federal Arbitration Act shall apply to the construction, interpretation and enforcement of this arbitration provision.

15. *Other Agreements.* This Agreement supersedes and cancels all prior written or oral agreements and understandings relating to the terms of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first written above.

METHODE ELECTRONICS, INC.

By: /s/ WILLIAM T. JENSEN

Its: Chairman of the Board

EMPLOYEE:

/s/ DOUGLAS A. KOMAN

Douglas A. Koman

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Exhibit 99.1

METHODE ELECTRONICS, INC.

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Methode Electronics, Inc. (the "Company") certifies that the Quarterly Report on Form 10-Q of the Company for the quarter ended July 31, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 12, 2002	By:	/s/ WILLIAM T. JENSEN William T. Jensen Chairman (chief executive officer)
Dated: September 12, 2002	By:	/s/ DONALD W. DUDA Donald W. Duda President (chief operating officer)
Dated: September 12, 2002	By:	/s/ DOUGLAS A. KOMAN Douglas A. Koman Vice President, Corporate Finance (chief financial officer)

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