Notes to Consolidated Financial Statements

FOR THE FISCAL YEARS ENDED JUNE 30, 2002, JULY 1, 2001 AND JULY 2, 2000

(1) Nature of Operations:

Briggs & Stratton ("the Company") is a U.S. based producer of air cooled gasoline engines. These engines are sold worldwide, primarily to original equipment manufacturers of lawn and garden equipment and other gasoline engine powered equipment. Additionally, through the Company's wholly owned subsidiary, Generac Portable Products, LLC (GPP), the company is a designer, manufacturer and marketer of portable and standby generators, pressure washers and related accessories. GPP's products are sold throughout the United States, Canada and Europe.

(2) Summary of Significant Accounting Policies:

Fiscal Year: The Company's fiscal year consists of 52 or 53 weeks, ending on the Sunday nearest the last day of June in each year. Therefore, the 2002 and 2001 fiscal years were 52 weeks long, and the 2000 fiscal year was 53 weeks long. All references to years relate to fiscal years rather than calendar years.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned domestic and foreign subsidiaries after elimination of intercompany accounts and transactions.

Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents: This caption includes cash, commercial paper and certificates of deposit. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

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 approximately 68% of total inventories at June 30, 2002 and 77% of total inventories at July 1, 2001. The cost for the remaining portion of the inventories was determined using the first-in, first-out (FIFO) method. During 2002, a reduction in inventory quantities resulted in a liquidation of LIFO inventories carried at lower costs prevailing in prior years. The liquidation of these inventories has reduced cost of sales by $2.6 million in 2002. If the FIFO inventory valuation method had been used exclusively, inventories would have been $44.8 million and $51.2 million higher in the respective years. The LIFO inventory adjustment was determined on an overall basis, and accordingly, each class of inventory reflects an allocation based on the FIFO amounts.

Investments: This caption represents the Company's investments in three 50%-owned joint ventures, preferred stock in a privately held iron castings business and common stock in a publicly traded software company. The common stock in the publicly traded company is being classified as available-for-sale and is reported at a fair market value. Unrealized losses incurred on this stock are recorded as a component of Accumulated Other Comprehensive Loss in the Shareholders' Investment section of the balance sheet. The investments in the joint ventures and the privately held business are accounted for under the equity method.

Deferred Loan Costs: Expenses associated with the issuance of debt instruments are capitalized and are being amortized over the terms of the respective financing arrangement using the straight-line method over periods ranging from five to ten years. Accumulated amortization amounted to $1.6 million as of June 30, 2002 and $.1 million as of July 1, 2001.

Other Long-Term Assets: This caption primarily represents costs of software used in the Company's business. Amortization of capitalized software is computed on an item-by-item basis over a period of three to ten years, depending on the estimated useful life of the software. Accumulated amortization amounted to $8.4 million as of June 30, 2002 and $7.4 million as of July 1, 2001.

Goodwill: This caption represents goodwill related to the acquisition of GPP in fiscal 2001 (See Note 3). Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. The carrying value of goodwill was

$161.0 million and $166.7 million at June 30, 2002 and July 1, 2001, respectively. In accordance with SFAS 142, no goodwill amortization was recorded in fiscal year 2002, $1.1 million was reported in fiscal year 2001. The Company performed the required impairment test of goodwill in fiscal 2002 and found no impairment of the asset.

Plant and Equipment and Depreciation: Plant and equipment are stated at cost and depreciation is computed using the straight-line method at rates based upon the estimated useful lives of the assets (20–30 years for land improvements, 20–50 years for buildings and 8–16 years for machinery and equipment).

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 other income.

Impairment of Long-Lived Assets: Property, plant and equipment and other long-term assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. There were no adjustments to the carrying value of long-lived assets in fiscal 2002, 2001 and 2000.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30, related to the disposal of a segment of a business. The Company adopted SFAS No. 144 on July 1, 2002. Management does not expect SFAS No. 144 to have a material impact on the Company's consolidated financial statements.

Revenue Recognition: Revenue is recognized when title to the products being sold transfers to the customer, which is upon shipment.

Deferred Revenue on Sale of Plant and Equipment: In fiscal 1997, the Company sold its Menomonee Falls, Wisconsin facility for approximately $16.0 million. The provisions of the contract state that the Company will continue to own and occupy the warehouse portion of the facility for a period of up to ten years (the Reservation Period). The contract also contains a buyout clause, at the buyer's option and under certain circumstances, of the remaining Reservation Period. Under the provisions of SFAS No. 66, "Accounting for Sales of Real Estate," the Company is required to account for this as a financing transaction as long as it continues to have substantial involvement with the facility during the Reservation Period or until the buyout option is exercised. Under this method, the cash received is reflected as deferred revenue and the assets and the accumulated depreciation remain on the Company's books. Depreciation expense continues to be recorded each period and imputed interest expense is also recorded and added to deferred revenue. Offsetting this is the imputed fair value lease income on the non-Briggs & Stratton occupied portion of the building. A pretax gain, which will be recognized at the earlier of the exercise of the buyout option or the expiration of the Reservation Period, is estimated to be $10 – $12 million. The annual cost of operating the warehouse portion of the facility is not material.

Income Taxes: The Provision for Income Taxes includes Federal, state and foreign income taxes currently payable and those deferred or prepaid because of temporary differences between the financial statement and tax basis of assets and liabilities. The Future Income Tax Benefits represent temporary differences relating to current assets and current liabilities and the Deferred Income Tax Assets/Liabilities represent temporary differences relating to noncurrent assets and liabilities.

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. The amounts charged against income were $23.7 million in fiscal 2002, $21.5 million in fiscal 2001 and $24.3 million in fiscal 2000.

Advertising Costs: Advertising costs, included in Engineering, Selling, General and Administrative Expenses on the accompanying Consolidated Statements of Earnings, are expensed as incurred. These expenses totaled $8.3 million in fiscal 2002, $7.8 million in fiscal 2001 and $6.8 million in fiscal 2000.

The Company adopted EITF No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of Vendor's Products)," in the third quarter of fiscal 2002. Pursuant to EITF No. 01-09, the Company was required to reclassify co-op advertising expense previously reported as selling expense as a reduction in net sales. The impact of adopting EITF 01-09 was to reduce net sales by $7.2 million, $2.3 million and $1.3 million in fiscal 2002, 2001 and 2000, respectively.

Shipping and Handling Fees and Costs: Revenue received from shipping and handling fees is reflected in net sales. Shipping fee revenue for fiscal 2002, 2001 and 2000 was $1.6 million, $1.7 million and $2.0 million, respectively. Shipping and handling costs are included in cost of goods sold.

Foreign Currency Translation: Foreign currency balance sheet accounts are translated into United States dollars at the rates of exchange in effect at fiscal year end. Income and expenses are translated at the average rates of exchange in effect during the year. The related translation adjustments are made directly to a separate component of Shareholders' Investment.

Earnings Per Share: The Company's earnings per share were computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share, for each period presented, were computed on the assumption that stock options were exercised at the beginning of the periods reported. The difference between weighted average shares outstanding and diluted average shares outstanding reflects the dilutive effects of stock options and the convertible senior notes.

The shares outstanding used to compute diluted earnings per share for fiscal 2002, 2001 and 2000 excluded outstanding options to purchase 1,841,640, 1,679,564 and 1,079,564 shares of common stock, respectively, with weighted-average exercise prices of $55.14, $56.33 and $61.95, respectively. The options were excluded because their exercise prices were greater than the average market price of the common shares and their inclusion in the computation would have been antidilutive.

Information on earnings per share is as follows (in thousands of dollars, except per share data):

	Fiscal Year Ended		
	June 30, 2002	July 1, 2001	July 2, 2000
Net income used in basic earnings per share	**$ 53,120**	$ 48,013	$ 136,473
Adjustment to net income to add after-tax interest expense on convertible notes	**4,620**	576	–
Adjusted net income used in diluted earnings per share	**$ 57,740**	$ 48,589	$ 136,473
Average shares of common stock outstanding	**21,615**	21,598	22,788
Incremental common shares applicable to common stock options based on the common stock average market price during the period	**6**	10	52
Incremental common shares applicable to restricted common stock based on the common stock average market price during the period	**5**	5	2
Incremental common shares applicable to convertible notes based on the conversion provisions of the convertible notes	**2,826**	353	–
Diluted average common shares outstanding	**24,452**	21,966	22,842

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Comprehensive Income: SFAS No. 130, “Reporting Comprehensive Income,” requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting method that includes disclosure of financial information that historically has not been recognized in the calculation of net income. The Company has chosen to report Comprehensive Income and Accumulated Other Comprehensive Income (Loss) which encompasses net income, unrealized gain (loss) on marketable securities, foreign currency translation, and unrealized gain on derivatives in the Consolidated Statements of Shareholders’ Investment. Information on accumulated other comprehensive income (loss) is as follows (in thousands of dollars):

	Unrealized Gain (Loss) on Marketable Securities	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Derivatives	Accumulated Other Comprehensive Loss
Balance at June 27, 1999	$ 577	$ (2,309)	$ –	$ (1,732)
Fiscal year change	(383)	(1,816)	–	(2,199)
Balance at July 2, 2000	194	(4,125)	–	(3,931)
Fiscal year change	(947)	(2,530)	1,226	(2,251)
Balance at July 1, 2001	**(753)**	**(6,655)**	**1,226**	**(6,182)**
Fiscal year change	**(148)**	**4,017**	**(4,313)**	**(444)**
Balance at June 30, 2002	**$ (901)**	**$ (2,638)**	**$ (3,087)**	**$ (6,626)**

Derivatives: The Company enters into derivative contracts designated as cash flow hedges to manage its foreign currency exposures. These instruments generally do not have a maturity of more than twelve months. SFAS No. 133 “Accounting for Derivative Instruments and Hedging Activities” requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Any changes in fair value of these instruments are recorded in the income statement or other comprehensive income. On July 2, 2000, the impact of adopting SFAS No. 133 on Accumulated Other Comprehensive Loss resulted in a loss of $15 thousand. The Company reclassified immaterial amounts to the income statement during fiscal 2002 and 2001. The cumulative effect of adopting SFAS No. 133 on the results of operations was immaterial.

During the fiscal year, there were no derivative instruments that were deemed to be ineffective. The amounts included in Accumulated Other Comprehensive Loss will be reclassified into income when the forecasted transaction occurs, generally within the next twelve months. These forecasted transactions represent the exporting of products for which the Company will receive foreign currency and the importing of products for which the Company will be required to pay in a foreign currency.

Reclassification: Certain amounts in prior year financial statements have been reclassified to conform to current year presentation.

Business Combinations: In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, “Business Combinations” and SFAS No. 142, “Goodwill and Other Intangible Assets” having a required effective date for fiscal years beginning after December 31, 2001. Under the new rules, goodwill and other intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company adopted the new rules on accounting for goodwill and other intangible assets in the first quarter of fiscal 2002. The Company performed the required impairment test of goodwill and indefinite lived intangible assets in fiscal 2002 and found no impairment of the assets as of June 30, 2002. Had the provisions of SFAS No. 142 been applied in fiscal 2001, the Company’s fiscal 2001 net income would have increased $.7 million, or $.03 per basic and diluted earnings per share.

Future Accounting Pronouncement: In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” SFAS No. 146 nullifies Emerging Issues Task Force Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)” and requires that a liability for a cost

associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect that the adoption of this statement will have a material impact on the Company's results of operations or financial position.

(3) Acquisition:

On May 15, 2001, the Company acquired Generac Portable Products, Inc. Generac Portable Products, Inc. was merged with, and into Generac Portable Products, LLC (GPP) on June 30, 2002. GPP is a designer, manufacturer and marketer of portable and standby generators, pressure washers and related accessories. The aggregate purchase price of $288.1 million included $267.6 million of cash and $20.5 million of liabilities assumed. The cash paid included $.5 million of cash acquired and $4.5 million of direct acquisition costs, and was funded through the issuance of the 8.875% senior notes as more fully described in Note 6.

The provisions of the acquisition included a contingent purchase price based on the operating results of GPP. The Company will not pay any additional purchase price pursuant to these provisions.

The provisions of the acquisition also provide for a potential purchase price refund based on the final valuation of the acquired inventory. The amount of this purchase price refund, if any, will be recorded as a reduction in goodwill when it is received.

The acquistion has been accounted for using the purchase method of accounting. The purchase price was allocated on a preliminary basis to identifiable assets acquired and liabilities assumed based upon their estimated fair values, with the excess purchase price recorded as goodwill. This initial purchase price allocation resulted in approximately $167.7 million of goodwill which was amortized on a straight-line basis over twenty years until the Company adopted SFAS No. 142 on July 2, 2001. Under SFAS No. 142, goodwill is no longer amortized, but is subject to periodic impairment tests.

In 2002 the Company reduced goodwill by approximately $5.7 million related to the finailization of the purchase price allocation. This decrease was primarily the result of recording $16.0 million of deferred taxes related to differences in GPP's financial reportring versus tax reporting, offset by approximately $10.3 million of additional inventory and fixed asset reserves.

The following table sets forth the unaudited pro forma information for the Company as if the acquisition of GPP had occurred on July 2, 2000 (in millions, except per share data):

	2001
Net Sales	$ 1,465.3
Net Income	$ 26.6
Basic Earnings Per Share	$ 1.23
Diluted Earnings Per Share	$ 1.21

(4) Income Taxes:

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

	2002	2001	2000
Current			
Federal	**$ 4,950**	$ 4,042	$ 66,169
State	**587**	594	10,425
Foreign	**1,567**	1,251	2,014
	7,104	5,887	78,608
Deferred	**20,286**	17,973	1,542
	$ 27,390	$ 23,860	$ 80,150

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

	2002	2001	2000
U.S. statutory rate	**35.0%**	35.0%	35.0%
State taxes, net of Federal tax benefit	**2.4%**	2.5%	3.2%
Foreign Sales Corporation tax benefit	**(1.5%)**	(3.5%)	(.5%)
Other	**(1.9%)**	(.8%)	(.7%)
Effective tax rate	**34.0%**	33.2%	37.0%

The Company received a refund of Foreign Sales Corporation tax benefits in fiscal 2002 and 2001.

The components of deferred income taxes at the end of the fiscal year were (in thousands of dollars):

	2002	2001
Future Income Tax Benefits:		
Inventory	**$ 6,971**	$ 3,424
Payroll related accruals	**4,880**	3,846
Warranty reserves	**17,780**	18,311
Other accrued liabilities	**15,501**	10,769
Miscellaneous	**(3,749)**	2,084
	$ 41,383	$ 38,434

Deferred Income Taxes:	**2002**	2001
Difference between book and tax methods applied to maintenance and supply inventories	**$ 9,325**	$ 10,723
Pension cost	**(22,532)**	(13,187)
Accumulated depreciation	**(56,025)**	(55,163)
Accrued employee benefits	**10,570**	10,060
Postretirement health care obligation	**24,474**	24,089
Deferred revenue on sale of plant & equipment	**5,992**	6,059
Miscellaneous	**791**	(932)
	$ (27,405)	$ (18,351)

The Company has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. These undistributed earnings amounted to approximately $8.0 million at June 30, 2002. If these earnings were remitted to the U.S., they would be subject to U.S. income tax.

However, this tax would be substantially less than the U.S. statutory income tax because of available foreign tax credits.

(5) Segment and Geographic Information and Significant Customers:

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" and subsequent to the May 15, 2001 acquisition described in Note 3, the Company has concluded that it operates two reportable business segments that are managed separately based on fundamental differences in their operations. Summarized segment data is as follows (in thousands of dollars):

	2002	2001	2000
NET SALES –			
Engines	**$ 1,366,947**	$ 1,289,858	$ 1,591,236
Power Products	**216,006**	29,587	–
Eliminations	**(53,581)**	(9,272)	–
	$ 1,529,372	$ 1,310,173	$ 1,591,236
INCOME FROM OPERATIONS –			
Engines	**$ 117,104**	$ 99,156	$ 205,229
Power Products	**2,052**	1,118	–
Eliminations	**(798)**	(1,168)	–
	$ 118,358	$ 99,106	$ 205,229
ASSETS –			
Engines	**$ 1,080,259**	$ 1,012,438	$ 930,245
Power Products	**279,199**	287,058	–
Eliminations	**(10,425)**	(3,301)	–
	$ 1,349,033	$ 1,296,195	$ 930,245
CAPITAL EXPENDITURES –			
Engines	**$ 42,086**	$ 60,841	$ 71,441
Power Products	**1,842**	481	–
	$ 43,928	$ 61,322	$ 71,441
DEPRECIATION & AMORTIZATION –			
Engines	**$ 63,157**	$ 58,362	$ 53,277
Power Products	**2,811**	1,349	–
	$ 65,968	$ 59,711	$ 53,277

Information regarding the Company's geographic sales by the location the sale originated is as follows (in thousands of dollars):

	2002	2001	2000
United States	**$ 1,437,739**	$ 1,226,034	$ 1,502,402
All Other Countries	**91,633**	84,139	88,834
Total	**$ 1,529,372**	$ 1,310,173	$ 1,591,236

The Company has no material long lived assets in an individual foreign country.

In the fiscal years 2002, 2001 and 2000, there were sales to three major engine customers that individually exceeded 10% of total Company net sales. The sales to these customers are summarized below (in thousands of dollars and percent of total Company net sales):

	2002		2001		2000	
Customer	**Sales**	**%**	Sales	%	Sales	%
A	**$299,785**	**19%**	$267,516	20%	$287,769	18%
B	**255,119**	**17%**	187,001	14%	229,873	15%
C	**165,670**	**11%**	150,682	12%	190,659	12%
	$720,754	**47%**	$605,199	46%	$708,301	45%

(6) Indebtedness:

As of November 15, 2001, the Company replaced its $250 million revolving credit facility that would have expired in April 2002, with a three-year $300 million revolving credit facility (the credit facility) that expires in September 2004. The Company also has access to domestic lines of credit (domestic lines) totaling $15.0 million that remain in effect until canceled by either party. The domestic lines provide amounts for short-term use at the then prevailing rate. There are no significant compensating balance requirements for any of these domestic lines. There were no borrowings using these domestic lines or the credit facility as of June 30, 2002 and July 1, 2001.

Borrowings under the credit facility by the Company bear interest at a rate per annum equal to, at its option, either:

(1) a 1, 2, 3 or 6 month LIBOR rate plus a margin varying from 0.50% to 1.75%, depending upon the rating of the Company's long-term debt by Standard & Poor's Rating group, a division of McGraw-Hill Companies (S&P) and Moody's Investors Service, Inc. (Moody's) or

(2) the higher of (a) the federal funds rate plus 0.50% or (b) the bank's prime rate plus a margin of up to 0.25%, also depending on the Company's long-term credit ratings.

In addition, the Company is subject to a 0.10% to 0.35% commitment fee and a 0.50% to 1.75% letter of credit fee, depending on the Company's long-term credit ratings.

The following data relates to domestic notes payable (in thousands of dollars):

	2002	2001
Balance at Fiscal Year End	**$ 2,625**	$ 3,300
Weighted Average Interest Rate at Fiscal Year End	**4.00%**	5.18%

The lines of credit available to the Company in foreign countries are in connection with short-term borrowings and bank overdrafts used in the normal course of business. These amounts total $26.2 million, expire at various times through April, 2003 and are renewable. There were borrowings of $15.3 million at June 30, 2002 using these lines of credit and are included in foreign loans. None of these arrangements had material commitment fees or compensating balance requirements.

The following information relates to foreign loans (in thousands of dollars):

	2002	2001
Balance at Fiscal Year End	**$ 15,270**	$ 16,291
Weighted Average Interest Rate at Fiscal Year End	**5.41%**	5.80%

The Long-Term Debt caption consists of the following (in thousands of dollars):

	2002	2001
5.00% Convertible Senior Notes Due 2006	**$ 140,000**	$ 140,000
7.25% Senior Notes Due 2007, Net of Unamortized Discount of $969 in 2002 and $1,282 in 2001	**89,031**	98,718
8.875% Senior Notes Due 2011, Net of Unamortized Discount of $5,009 in 2002 and $5,584 in 2001	**269,991**	269,416
Total Long-Term Debt	**$ 499,022**	$ 508,134

In May 2001, the Company issued $275.0 million of 8.875% Senior Notes due March 15, 2011 and $140.0 million of 5.00% Convertible Senior Notes due May 15, 2006. The convertible senior notes are convertible at the option of the holders into the Company's common stock at the conversion rate of 20.1846 shares per each $1,000 of convertible notes. Interest is paid semi-annually on both series of notes. No principal payments are due before the maturity dates.

The net proceeds from the sale of the 8.875% senior notes and 5.00% convertible senior notes were used to fund the Company's acquisition of GPP, including the replacement of GPP's outstanding debt and to repay a portion of the Company's unrated commercial paper and short-term borrowings under its credit facilities.

The 7.25% senior notes are due September 15, 2007. In accordance with the agreement, no principal payments are due before the maturity date, however the Company repurchased $10 million of the bonds in the fourth quarter of fiscal year 2002 after receiving unsolicited offers from bondholders.

The separate indentures providing for the 7.25% senior notes, the 8.875% senior notes, the 5.00% convertible senior notes and the Company's credit

facility (collectively, the Domestic Indebtedness) each include a number of financial and operating restrictions. These covenants include restrictions on the Company's ability to: pay dividends; incur indebtedness; create liens; enter into sale and leaseback transactions; consolidate, merge, sell or lease all or substantially all of its assets; and dispose of assets or the proceeds of sales of its assets. The credit facility contains financial covenants that require the Company to maintain a minimum interest coverage ratio and net worth (for fiscal 2003 the Company is required to maintain a minimum net worth of $376.6 million), impose a maximum leverage ratio and total funded debt to EBITDA ratio and impose capital expenditure limits. In addition, the credit facility contains provisions that only apply if the Company's credit rating from S&P is BB or below or from Moody's is Ba2 or below. As of June 30, 2002, the Company was in compliance with these covenants.

Additionally, under the terms of the indentures governing the Domestic Indebtedness, GPP became a joint and several guarantor of amounts outstanding under the Domestic Indebtedness. Refer to Note 15 to the Consolidated Financial Statements for subsidiary guarantor financial information.

(7) Other Income:

The components of other income (expense) are (in thousands of dollars):

	2002	2001	2000
Interest income	**$ 2,189**	$ 2,069	$ 1,589
Loss on the disposition of plant and equipment	**(3,192)**	(1,493)	(2,378)
Income from investments	**7,071**	5,485	14,364
Transaction gain (loss)	**3,757**	(4,973)	206
Derivatives gain (loss)	**(3,829)**	1,438	–
Deferred financing costs	**(1,420)**	(133)	–
Amortization of intangibles	**(56)**	(1,052)	–
Other items	**2,065**	2,091	2,335
Total	**$ 6,585**	$ 3,432	$ 16,116

(8) Commitments and Contingencies:

Product and general liability claims arise against the Company from time to time in the ordinary course of business. The Company is generally self-insured for claims up to $1 million per claim. Accordingly, a reserve is maintained for the estimated costs of such claims. On June 30, 2002 and July 1, 2001 the reserve for product and general liability claims was $2.8 million and $3.6 million, respectively. Because there is inherent uncertainty as to the eventual resolution of unsettled claims, no reasonable range of possible losses can be determined. Management does not anticipate that these claims, excluding the impact of insurance proceeds and reserves, will have a material adverse effect on the financial condition or results of operations of the Company.

The Company has no material commitments for materials or capital expenditures as of June 30, 2002.

(9) Stock Options:

The Company has a Stock Incentive Plan under which 5,361,935 shares of common stock have been reserved for issuance. The Company accounts for the plan under Accounting Principles Board Opinion No. 25, and no compensation cost has been recognized. Had compensation cost for these plans been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

	2002	2001	2000
Net Income (in thousands):			
As Reported	**$53,120**	$48,013	$136,473
Pro Forma	**$49,494**	$44,814	$134,600
Basic Earnings Per Share:			
As Reported	**$2.46**	$2.22	$5.99
Pro Forma	**$2.29**	$2.07	$5.91
Diluted Earnings Per Share:			
As Reported	**$2.36**	$2.21	$5.97
Pro Forma	**$2.21**	$2.04	$5.89

Information on the options outstanding is as follows:

	Shares	Wtd. Avg. Ex. Price
Balance, June 27, 1999	1,042,011	$ 49.28
Granted during the year	471,020	74.53
Exercised during the year	(151,033)	38.49
Expired during the year	(58,970)	67.55
Balance, July 2, 2000	1,303,028	$ 58.83
Granted during the year	600,000	$ 46.22
Exercised during the year	(13,449)	20.45
Expired during the year	(180,738)	49.08
Balance, July 1, 2001	**1,708,841**	**$ 55.73**
Granted during the year	**371,490**	**$ 49.19**
Exercised during the year	**(39,597)**	**27.64**
Expired during the year	**(199,094)**	**54.59**
Balance, June 30, 2002	**1,841,640**	**$ 55.14**

Grant Summary					
Fiscal Year	Grant Date	Exercise Price	Date Exercisable	Options Outstanding	Expiration Date
1998	8-5-97	65.690	8-5-00	223,440	8-5-02
1999	8-5-98	44.980	8-5-01	307,070	8-5-03
2000	8-4-99	74.530	8-4-02	403,670	8-4-04
2001	8-3-00	46.220	8-3-03	559,910	8-3-07
2002	8-7-01	49.190	8-7-04	347,550	8-7-08

The fair value of each option is estimated using the Black-Scholes option pricing model. The grant-date fair market value of the options and assumptions used to determine such value are:

Options granted during	**2002**	2001	2000
Grant date fair value	**$12.53**	$11.47	$13.07
Assumptions:			
Risk-free interest rate	**5.1%**	6.0%	6.0%
Expected volatility	**40.3%**	37.6%	30.1%
Expected dividend yield	**3.1%**	2.6%	2.5%
Expected term (in years)	**7.0**	7.0	5.0

(10) Shareholder Rights Plan:

On August 6, 1996, the Board of Directors declared a dividend distribution of one common stock purchase right (a right) for each share of the Company's common stock outstanding on August 19, 1996. Each right would entitle shareowners to buy one-half of one share of the Company's common stock at an exercise price of $160.00 per full common share, subject to adjustment. The rights are not currently exercisable, but would become exercisable if events occurred relating to a person or group acquiring or attempting to acquire 15 percent or more of the outstanding shares of common stock. The rights expire on August 19, 2006, unless redeemed or exchanged by the Company earlier.

(11) Foreign Exchange Risk Management:

The Company enters into forward exchange contracts to hedge purchases and sales that are denominated in foreign currencies. The terms of these currency derivatives generally do not exceed twelve months and the purpose is to protect the Company from the risk that the eventual dollars being transferred will be adversely affected by changes in exchange rates.

The Company has forward foreign currency exchange contracts to purchase Japanese yen. These contracts are used to hedge the commitments to purchase engines from the Company's Japanese joint venture. The Company also has forward contracts to sell foreign currency. These contracts are used to hedge foreign currency collections on sales of inventory. The Company's foreign currency forward contracts are carried at fair value based on current exchange rates.

The Company has the following forward currency contracts outstanding at the end of fiscal 2002:

Hedge		In Millions					
Currency	Contract	Notional Value	Contract Value	Fair Market Value	(Gain)/Loss at Fair Value	Conversion Currency	Latest Expiration Date
Japanese Yen	Buy	239.5	1.8	2.0	(.2)	U.S.	September 2002
Euro	Sell	100.9	93.6	99.2	5.6	U.S.	April 2003
Australian Dollar	Sell	2.0	1.1	1.1	–	U.S.	December 2002
Canadian Dollar	Sell	.9	.6	.6	–	U.S.	November 2002

The Company's foreign subsidiaries have the following forward currency contracts outstanding at the end of fiscal 2002:

Hedge		In Millions					
Currency	Contract	Notional Value	Contract Value	Fair Market Value	(Gain)/Loss at Fair Value	Conversion Currency	Latest Expiration Date
Japanese Yen	Sell	26.9	.4	.4	–	Australian	August 2002
U.S. Dollars	Buy	.4	.8	.8	–	Australian	August 2002
British Pounds	Buy	.6	1.7	1.7	–	Australian	June 2003

The Company continuously evaluates the effectiveness of its hedging program by evaluating its foreign exchange contracts compared to the anticipated underlying transactions.

(12) Employee Benefit Costs:

Retirement Plan and Postretirement Benefits

The Company has noncontributory, defined benefit retirement plans and postretirement benefit plans covering most Wisconsin employees. The following provides a reconcilation of obligations, plan assets and funded status of the plans for the two years indicated, (dollars in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2002	2001	**2002**	2001
Actuarial Assumptions:				
Discounted Rate Used to Determine Present Value of Projected Benefit Obligation	**7.25%**	7.5%	**7.25%**	7.5%
Expected Rate of Future Compensation Level Increases	**4.0-5.0%**	4.0-5.0%	**n/a**	n/a
Expected Long-Term Rate of Return on Plan Assets	**9.0%**	9.0%	**n/a**	n/a
Change in Benefit Obligations:				
Actuarial Present Value of Benefit Obligations at Beginning of Year	**$ 703,275**	$ 666,392	**$ 108,557**	$ 99,793
Service Cost	**10,014**	9,482	**1,341**	1,215
Interest Cost	**51,203**	48,079	**8,028**	7,091
Plan Amendments	**–**	29,190	**–**	–
Acquisition	**–**	2,671	**–**	–
Special Termination Benefits	**4,907**	–	**2,183**	–
Actuarial (Gain) Loss	**30,692**	(10,478)	**12,337**	13,035
Benefits Paid	**(52,470)**	(42,061)	**(8,981)**	(12,577)
Actuarial Present Value of Benefit Obligation at End of Year	**$ 747,621**	$ 703,275	**$ 123,465**	$ 108,557
Change in Plan Assets:				
Plan Assets at Fair Value at Beginning of Year	**$ 940,582**	$ 951,757	**$ –**	$ –
Actual Return on Plan Assets	**(32,866)**	29,084	**–**	–
Acquisition	**–**	1,018	**–**	–
Employer Contributions	**1,257**	784	**8,981**	12,577
Benefits Paid	**(52,470)**	(42,061)	**(8,981)**	(12,577)
Plan Assets at Fair Value at End of Year	**$ 856,503**	$ 940,582	**$ –**	$ –
Plan Assets in Excess of (Less Than) Projected Benefit Obligation	**$ 108,882**	$ 237,307	**$ (123,465)**	$ (108,557)
Remaining Unrecognized Net Obligation (Asset)	**–**	(4,517)	**275**	321
Unrecognized Net Loss (Gain)	**(95,547)**	(244,579)	**40,177**	29,673
Unrecognized Prior Service Cost	**29,942**	32,739	**71**	103
Net Amount Recognized at End of Year	**$ 43,277**	$ 20,950	**$ (82,942)**	$ (78,460)
Amounts Recognized on the Balance Sheets:				
Prepaid Pension	**$ 60,343**	$ 36,275	**$ –**	$ –
Accrued Pension Cost	**(15,750)**	(14,494)	**–**	–
Accrued Wages and Salaries	**(1,316)**	(831)	**–**	–
Accrued Post Retirement Health Care Obligation	**–**	–	**(62,753)**	(61,767)
Other Accruals	**–**	–	**(8,000)**	(4,800)
Accrued Employee Benefits	**–**	–	**(12,189)**	(11,893)
Net Amount Recognized at End of Year	**$ 43,277**	$ 20,950	**$ (82,942)**	$ (78,460)

The following table summarizes the plans' income and expense for the three years indicated (dollars in thousands):

	Pension Benefits			Other Postretirement Benefits		
	2002	2001	2000	**2002**	2001	2000
Components of Net Periodic Benefit Cost:						
Service Cost-Benefits Earned During the Year	**$ 10,014**	$ 9,482	$ 10,622	**$ 1,341**	$ 1,215	$ 1,307
Interest Cost on Projected Benefit Obligation	**51,203**	48,079	47,475	**8,028**	7,091	7,343
Expected Return on Plan Assets	**(77,192)**	(73,053)	(63,845)	**–**	–	–
Amortization of:						
Transition Obligation (Asset)	**(4,517)**	(5,306)	(5,306)	**46**	47	46
Prior Service Cost	**2,797**	242	186	**31**	31	31
Actuarial (Gain) Loss	**(8,328)**	(7,822)	359	**1,834**	583	1,111
Net Periodic Benefit Expense (Income)	**$ (26,023)**	$ (28,378)	$ (10,509)	**$ 11,280**	$ 8,967	$ 9,838

In the second quarter of fiscal 2002, the Company offered and finalized an early retirement incentive program. As a result, the Company recorded $4.9 million of expense offsetting pension income of $26 million and $2.2 million was added to postretirement health care expense. The impact for the full fiscal year of 2002 reduced net income on an after-tax basis by $2.5 million, after consideration of salary and related expenditures savings.

In July 2001, the Company extended its collective bargaining agreement with one of its unions. As part of this contract extension, the Company agreed to pay certain amounts to employees who were hired prior to January 1, 1980 upon their retirement. The impact of this plan amendment is included in the above tables.

As described in Note 14, the Company contributed its two ductile iron foundries to Metal Technologies Holding Company, Inc. (MTHC). In connection with the contribution, MTHC agreed to assume pension and postretirement benefit obligations related to employees working at the foundries at the time of the transaction. The Company transferred to MTHC pension assets amounting to $11.3 million in fiscal 2001. The assumption of obligations by MTHC and transfer of pension assets did not result in a gain or loss to the Company.

The Company's supplemental pension plan has benefit obligations in excess of plan assets. The benefit obligation, accumulated benefit obligation and fair value of plan assets were $25.2 million, $17.9 million and $.1 million respectively for fiscal year 2002 and $19.0 million, $14.9 million and $0 respectively for fiscal year 2001. The postretirement benefit plans are essentially unfunded.

For measurement purposes a 9% annual rate of increase in the per capita cost of covered health care claims was assumed for the fiscal year 2003 decreasing gradually to 5% for the fiscal year 2008. The health care cost trend rate assumption has a significant effect on the amounts reported. An increase of one percentage point, would increase the accumulated postretirement benefit by $8.1 million and would increase the service and interest cost by $.8 million for the year. A corresponding decrease of one percentage point, would decrease the accumulated postretirement benefit by $7.5 million and decrease the service and interest cost by $.7 million for the fiscal year.

Defined Contribution Plans

The Company has a defined contribution retirement plan that includes most U.S. non-Wisconsin employees. Under the plan, the Company makes an annual contribution on behalf of covered employees equal to 2% of each participant's gross income, as defined. For the fiscal years 2002, 2001 and 2000, the net expense related to these plans was $1.6 million, $.2 million and $2.1 million, respectively.

Wisconsin employees of the Company may participate in a salary reduction deferred compensation retirement plan. A maximum of 1-1/2% or 3% of each participant's salary, depending upon the participant's group, is matched by the Company. The Company contributions totaled $4.1 million in 2002, $4.7 million in 2001 and $4.6 million in 2000.

Postemployment Benefits

The Company accrues the expected cost of postemployment benefits over the years that the employees render service. These benefits are substantially smaller amounts because they apply only to employees who permanently terminate employment prior to retirement. The items include disability payments, life insurance and medical benefits. These amounts are also discounted using an interest rate of 7.25% and 7.5% for fiscal year 2002 and 2001, respectively. Amounts are included in Accrued Employee Benefits in the balance sheet.

(13) Disclosures About Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents, Receivables, Accounts Payable, Domestic Notes Payable, Foreign Loans and Accrued Liabilities: The carrying amounts approximate fair market value because of the short maturity of these instruments.

Long-Term Debt: The fair market value of the Company's long-term debt is estimated based on market quotations at year end.

The estimated fair market values of the Company's financial instruments are (in thousands of dollars):

	2002	
	Carrying Amount	**Fair Value**
Cash and cash equivalents	**$ 215,945**	**$ 215,945**
Receivables	**$ 201,910**	**$ 201,910**
Accounts payable	**$ 103,648**	**$ 103,648**
Domestic notes payable	**$ 2,625**	**$ 2,625**
Foreign loans	**$ 15,270**	**$ 15,270**
Accrued liabilities	**$ 131,582**	**$ 131,582**
Long-term debt –		
5.00% Convertible Notes due 2006	**$ 140,000**	**$ 150,865**
7.25% Notes due 2007	**$ 89,031**	**$ 88,712**
8.875% Notes due 2011	**$ 269,991**	**$ 288,562**

	2001	
	Carrying Amount	Fair Value
Cash and cash equivalents	$ 88,743	$ 88,743
Receivables	$ 145,138	$ 145,138
Accounts payable	$ 102,559	$ 102,559
Domestic notes payable	$ 3,300	$ 3,300
Foreign loans	$ 16,291	$ 16,291
Accrued liabilities	$ 115,725	$ 115,725
Long-term debt –		
5.00% Convertible Notes due 2006	$ 140,000	$ 150,066
7.25% Notes due 2007	$ 98,718	$ 96,237
8.875% Notes due 2011	$ 269,416	$ 277,608

(14) Disposition of Business:

At the end of August 1999, the Company contributed its two ductile iron foundries to MTHC in exchange for $23.6 million in cash and $45.0 million aggregate par value convertible preferred stock. The provisions of the preferred stock include a 15% cumulative dividend and conversion rights into a minimum of 31% of MTHC common stock. Pursuant to EITF Abstract No. 86-29, the Company considered this contribution to be a monetary transaction, given the significant amount of cash received and recorded the consideration received at fair value. The preferred stock received was determined to have a fair value of $21.6 million based on provisions of the stock and the prevailing market returns for similar investments, estimated to be 30%, as of the date of the transaction.

MTHC is the primary supplier to the Company for iron castings. There are no other material arrangements between the Company and MTHC.

Based on the above and the fair market value of all consideration received, the transaction resulted in a $16.5 million gain.

(15) Separate Financial Information of Subsidiary Guarantors of Indebtedness

Under the terms of the Company's Domestic Indebtedness (described in Note 6), GPP became a joint and several guarantor of the Domestic Indebtedness. Additionally, if at any time a domestic subsidiary of the Company constitutes a significant domestic subsidiary, then the domestic subsidiary will also become a guarantor of the Domestic Indebtedness. Each guarantee of the Domestic Indebtedness is the obligation of the guarantor and ranks equally and ratably with the existing and future senior unsecured obligations of that guarantor; accordingly, GPP has provided a full and unconditional guarantee of the Domestic Indebtedness. The condensed supplemental consolidating financial information reflects the operations of GPP (in thousands of dollars):

BALANCE SHEET: As of June 30, 2002	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current Assets	$ 527,111	$ 96,534	$ 70,387	$ (24,088)	$ 669,944
Investment in Subsidiary	312,679	–	–	(312,679)	
Noncurrent Assets	494,052	182,665	2,372	–	679,089
	$ 1,333,842	$ 279,199	$ 72,759	$ (336,767)	$ 1,349,033
Current Liabilities	$ 244,497	$ 10,133	$ 30,327	$ (18,934)	$ 266,023
Long-Term Debt	499,022	–	–	–	499,022
Other Long-Term Obligations	135,192	(850)	–	–	134,342
Stockholders' Equity	455,131	269,916	42,432	(317,833)	449,646
	$ 1,333,842	$ 279,199	$ 72,759	$ (336,767)	$ 1,349,033
STATEMENT OF EARNINGS: For the Fiscal Year Ended June 30, 2002					
Net Sales	$ 1,334,891	$ 216,006	$ 80,976	$ (102,501)	$ 1,529,372
Cost of Goods Sold	1,102,548	195,533	62,416	(103,158)	1,257,339
Gross Profit	232,343	20,473	18,560	657	272,033
Engineering, Selling, General and Administrative Expenses	123,114	18,420	12,141	–	153,675
Income from Operations	109,229	2,053	6,419	657	118,358
Interest Expense	(43,600)	(50)	(889)	106	(44,433)
Other (Expense) Income, Net	12,553	149	13,609	(19,726)	6,585
Income Before Provision for Income Taxes	78,182	2,152	19,139	(18,963)	80,510
Provision for Income Taxes	25,062	761	1,567	–	27,390
Net Income	$ 53,120	$ 1,391	$ 17,572	$ (18,963)	$ 53,120

STATEMENT OF CASH FLOWS: For the Fiscal Year Ended June 30, 2002	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income	$ 53,120	$ 1,391	$ 17,572	$ (18,963)	$ 53,120
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities–					
Depreciation and Amortization	62,590	2,812	566	–	65,968
Equity in Earnings of Unconsolidated Affiliates	(23,222)	–	189	16,852	(6,181)
(Gain) Loss on Disposition of Plant and Equipment	3,593	(387)	(14)	–	3,192
Provision for Deferred Income Taxes	12,103	8,183	–	–	20,286
Change in Operating Assets and Liabilities–					
(Increase) Decrease in Receivables	(44,781)	(1,361)	(15,942)	5,312	(56,772)
(Increase) Decrease in Inventories	125,277	(2,352)	(1,549)	(657)	120,719
Increase in Prepaid Expenses and Other Current Assets	(2,763)	(122)	(111)	–	(2,996)
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Income Taxes	32,714	(2,958)	1,617	(5,312)	26,061
(Increase) Decrease in Prepaid Pension	(23,101)	289	–	–	(22,812)
Other, Net	(17)	(751)	–	–	(768)
Net Cash Provided by Operating Activities	$ 195,513	$ 4,744	$ 2,328	$ (2,768)	$ 199,817
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to Plant and Equipment	$ (41,048)	$ (1,824)	$ (1,056)	$ –	$ (43,928)
Proceeds Received on Disposition of Plant and Equipment	362	9	35	–	406
Other, Net	5,120	–	–	–	5,120
Net Cash Used by Investing Activities	$ (35,566)	$ (1,815)	$ (1,021)	$ –	$ (38,402)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net Borrowings (Repayments) on Loans and Notes Payable	$ 3,022	$ (3,697)	$ (1,021)	$ –	$ (1,696)
Borrowings (Repayments) on Long-Term Debt	(10,393)	–	–	–	(10,393)
Cash Dividends Paid	(27,219)	–	(2,768)	2,768	(27,219)
Proceeds from Exercise of Stock Options	1,078	–	–	–	1,078
Net Cash Provided by (Used by) Financing Activities	$ (33,512)	$ (3,697)	$ (3,789)	$ 2,768	$ (38,230)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	$ (106)	$ 1,040	$ 3,083	$ –	$ 4,017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 126,329	$ 272	$ 601	$ –	$ 127,202
Cash and Cash Equivalents, Beginning of Year	85,282	683	2,778	–	88,743
Cash and Cash Equivalents, End of Year	$ 211,611	$ 955	$ 3,379	$ –	$ 215,945

The condensed supplemental consolidating financial information reflects the operations of GPP for the 2001 fiscal year (in thousands of dollars):

BALANCE SHEET: As of July 1, 2001	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current Assets	$ 482,158	$ 98,523	$ 52,182	$ (19,433)	$ 613,430
Investment in Subsidiary	292,543	–	–	(292,543)	–
Noncurrent Assets	491,624	188,535	2,606	–	682,765
	$ 1,266,325	$ 287,058	$ 54,788	$ (311,976)	$ 1,296,195
Current Liabilities	$ 207,336	$ 18,737	$ 29,731	$ (13,622)	$ 242,182
Long-Term Debt	508,134	–	–	–	508,134
Other Long-Term Obligations	122,292	835	–	–	123,127
Stockholders' Equity	428,563	267,486	25,057	(298,354)	422,752
	$ 1,266,325	$ 287,058	$ 54,788	$ (311,976)	$ 1,296,195
STATEMENT OF EARNINGS: For the Fiscal Year Ended July 1, 2001					
Net Sales	$ 1,251,462	$ 29,587	$ 80,701	$ (51,577)	$ 1,310,173
Cost of Goods Sold	1,037,817	25,814	61,159	(51,407)	1,073,383
Gross Profit	213,645	3,773	19,542	(170)	236,790
Engineering, Selling, General and Administrative Expenses	124,146	2,656	10,882	–	137,684
Income from Operations	89,499	1,117	8,660	(170)	99,106
Interest Expense	(28,024)	(23)	(2,642)	24	(30,665)
Other (Expense) Income, Net	8,574	(1,073)	8,841	(12,910)	3,432
Income Before Provision for Income Taxes	70,049	21	14,859	(13,056)	71,873
Provision for Income Taxes	22,036	7	1,817	–	23,860
Net Income	$ 48,013	$ 14	$ 13,042	$ (13,056)	$ 48,013

STATEMENT OF CASH FLOWS: For the Fiscal Year Ended July 1, 2001	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income	$ 48,013	$ 14	$ 13,042	$ (13,056)	$ 48,013
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities–					
Depreciation and Amortization	57,724	1,349	638	–	59,711
Equity in Earnings of Unconsolidated Affiliates	(5,762)	–	159	562	(5,041)
(Gain) Loss on Disposition of Plant and Equipment	1,499	–	(6)	–	1,493
Provision for Deferred Income Taxes	17,691	282	–	–	17,973
Change in Operating Assets and Liabilities–					
Decrease in Receivables	35,479	1,868	5,375	(8,036)	34,686
(Increase) Decrease in Inventories	(6,325)	(2,811)	1,659	170	(7,307)
(Increase) Decrease in Prepaid Expenses and Other Current Assets	22	89	(161)	–	(50)
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Income Taxes	(47,372)	4,349	(11,753)	8,036	(46,740)
(Increase) Decrease in Prepaid Pension	(28,646)	268	–	–	(28,378)
Other, Net	(6,183)	(209)	–	–	(6,392)
Net Cash Provided by (Used in) Operating Activities	$ 66,140	$ 5,199	$ 8,953	$ (12,324)	$ 67,968
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to Plant and Equipment	$ (60,262)	$ (481)	$ (579)	$ –	$ (61,322)
Proceeds Received on Disposition of Plant and Equipment	4,113	–	39	–	4,152
Investments in Subsidiaries, Net of Cash Acquired	(270,632)	456	3,002	–	(267,174)
Other, Net	6,434	–	(138)	–	6,296
Net Cash Provided by (Used by) Investing Activities	$ (320,347)	$ (25)	$ 2,324	$ –	$ (318,048)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net Borrowings (Repayments) on Loans and Notes Payable	$ (41,175)	$ (4,334)	$ 2,935	$ –	$ (42,574)
Borrowings (Repayments) on Long-Term Debt	399,415	–	–	–	399,415
Cash Dividends Paid	(26,763)	–	(12,324)	12,324	(26,763)
Proceeds from Exercise of Stock Options	(5,843)	–	–	–	(5,843)
Net Cash Provided by (Used by) Financing Activities	$ 325,634	$ (4,334)	$ (9,389)	$ 12,324	$ 324,235
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	$ –	$ (157)	$ (2,244)	$ –	$ (2,401)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 71,427	$ 683	$ (356)	$ –	$ 71,754
Cash and Cash Equivalents, Beginning of Year	13,855	–	3,134	–	16,989
Cash and Cash Equivalents, End of Year	$ 85,282	$ 683	$ 2,778	$ –	$ 88,743