

Performance Measurement

Management subscribes to the premise that the value of Briggs & Stratton is enhanced if the capital invested in its operations yields a cash return that is greater than that expected by the providers of capital.

Conventional financial statements and measurements, such as earnings per share and return on shareholders' investment, are of less interest to the providers of capital than indicators of cash flow generation and effective capital management. Consequently, we adhere to a measurement of performance that guides operational and corporate management in evaluating current decisions and long-term planning strategies toward the goal of maximizing cash operating returns in excess of the cost of capital. The following table summarizes the results for the three most recent fiscal years (in thousands):

	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>Return on Operations</u>			
Income from operations	\$ 234,209	\$ 149,922	\$ 116,252
Adjust for:			
Other income without interest	5,490	6,545	6,502
Increase (decrease) in:			
Bad debt reserves	(196)	77	104
LIFO reserves	4,103	2,551	(6,372)
Warranty accrual	(4,442)	1,244	(1,134)
Adjusted operating profit	239,164	160,339	115,352
Cash taxes (1)	69,065	27,833	22,903
Net adjusted cash operating profit after taxes	<u>\$ 170,099</u>	<u>\$ 132,506</u>	<u>\$ 92,449</u>
<u>Weighted Average Capital Employed (2)</u>	<u>\$ 1,278,586</u>	<u>\$ 1,164,605</u>	<u>\$ 1,176,483</u>
<u>Economic Return on Capital</u>	13.3%	11.4%	7.9%
<u>Cost of Capital (3)</u>	7.7%	8.4%	8.7%
<u>Economic Value Added (Lost)</u>	<u>\$ 71,648</u>	<u>\$ 34,679</u>	<u>\$ (9,905)</u>

(1) The reported current tax provision is adjusted for the statutory tax impact of interest income and expense.

(2) Twelve month weighted average of total assets less non-interest bearing current liabilities plus the bad debt, LIFO and warranty reserves, minus deferred taxes.

(3) Management's estimate of the weighted average of the minimum equity and debt returns required by the providers of capital.