

## 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>2006</u>	<u>2005</u>	<u>2004</u>
<u>Return on Operations</u>			
Income from operations . . . . .	\$ 175,966	\$ 190,768	\$ 234,209
Adjust for:			
Other income without interest . . . . .	15,635	19,275	5,490
(Decrease) Increase in:			
Bad debt reserves . . . . .	(610)	299	(196)
LIFO reserves . . . . .	4,310	1,056	4,103
Warranty accrual . . . . .	(6,392)	5,376	(4,442)
Adjusted operating profit . . . . .	<u>188,909</u>	216,774	239,164
Cash taxes (1) . . . . .	(75,132)	(74,886)	(69,065)
Extraordinary Gain - net of taxes (2) . . . . .	-	19,800	-
Net adjusted cash operating profit after taxes . . . . .	<u>\$ 113,777</u>	<u>\$ 161,688</u>	<u>\$ 170,099</u>
<u>Weighted Average Capital Employed (3)</u> . . . . .	<u>\$ 1,666,469</u>	<u>\$ 1,612,977</u>	<u>\$ 1,278,586</u>
<u>Economic Return on Capital</u> . . . . .	6.8%	10.0%	13.3%
<u>Cost of Capital (4)</u> . . . . .	9.7%	8.6%	7.7%
<u>Economic Value Added</u> . . . . .	<u>\$ (47,870)</u>	<u>\$ 22,972</u>	<u>\$ 71,648</u>

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

(2) Represents the difference between the fair market value of the assets acquired from Murray, Inc. (and Murray Canada Co.) and the cash paid, net of taxes. See Note 3 of the Notes to Consolidated Financial Statements for additional information.

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

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