

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>2008</u>	<u>Restated 2007</u>	<u>Restated 2006</u>
<u>Return on Operations</u>			
Income from operations	\$ 26,340	\$ 32,157	\$ 182,114
Adjust for:			
Other income without interest	39,887	12,919	15,635
Increase (Decrease) in:			
Bad debt reserves	1,505	(749)	(610)
LIFO reserves	8,746	6,531	4,310
Warranty accrual	(5,018)	1,332	(6,392)
Adjusted operating profit	71,460	52,190	195,057
Cash taxes (1)	(10,853)	(30,424)	(75,132)
Net adjusted cash operating profit after taxes	<u>\$ 60,607</u>	<u>\$ 21,766</u>	<u>\$ 119,925</u>
<u>Weighted Average Capital Employed (2)</u>	<u>\$ 1,687,082</u>	<u>\$ 1,652,321</u>	<u>\$ 1,663,246</u>
<u>Economic Return on Capital</u>	3.6%	1.3%	7.2%
<u>Cost of Capital (3)</u>	9.4%	9.9%	9.7%
<u>Economic Value Added (Lost)</u>	\$ (97,979)	\$ (141,814)	\$ (41,410)

(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.