

## Performance Measurement

Management subscribes to the premise that the value of the Company is enhanced if the capital invested in the Company's 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 divisional 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>1997</u>	<u>1996</u>	<u>1995</u>
<u>Return on Operations</u>			
Income from operations .....	\$ 103,719	\$ 153,409	\$ 169,766
Adjust for:			
Cost of providing early retirement window .....	37,101	(3,477)	19,059
Other income without interest .....	1,485	1,235	2,350
Increase (decrease) in:			
Bad debt reserves .....	(22)	7	(41)
LIFO reserves .....	769	4,543	4,281
Warranty accrual .....	760	(4,096)	554
Adjusted operating profit .....	<u>143,812</u>	151,621	195,969
Cash taxes (1) .....	<u>56,146</u>	58,051	79,451
Net adjusted cash operating profit after taxes .....	<u>\$ 87,666</u>	<u>\$ 93,570</u>	<u>\$ 116,518</u>
<u>Weighted Average Capital Employed (2)</u> .....	<u>\$ 748,005</u>	<u>\$ 712,594</u>	<u>\$ 660,914</u>
<u>Economic Return on Capital</u> .....	<b>11.7%</b>	13.1%	17.6%
<u>Cost of Capital (3)</u> .....	<b>10.9%</b>	12.4%	11.7%

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

(2) Total assets less non-interest bearing current liabilities plus the bad debt, LIFO and warranty reserves, minus future tax benefits.

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