

BRIGGS & STRATTON CORPORATION REPORTS RESULTS FOR THE FIRST QUARTER OF FISCAL 2001

MILWAUKEE, October 16/PR Newswire/—Briggs & Stratton Corporation (NYSE:BGG)

Operations in the first quarter of fiscal 2001 produced a net loss of \$6.3 million or \$.29 per diluted share compared to net income of \$15.3 million or \$.66 per share for last year's first quarter. Total net income and earnings per diluted share for the first quarter of fiscal 2000 were \$25.7 million and \$1.10, respectively, when the impact of a gain on disposition of foundry assets is added to the operational results.

The operational decrease in first quarter net income was primarily the result of 39% lower engine unit shipments, a 5% reduction in engine production, a 13% increase in engineering, selling and administrative expenses, and increased interest expense.

The engine unit shipment decrease of 39% was responsible for the 40% drop in net sales. In fiscal 2001, for the first time, a portion of engine unit sales into Europe was denominated in Euros. The negative pretax impact of exchange rates in the first quarter was \$5 million. However, price increases experienced on a worldwide basis partially offset the Euro impact.

Gross profit as a percent of sales declined from 18.5% in first quarter fiscal 2000 to 14.3% in fiscal 2001. The Euro impact was a major part of the decrease. In addition, 5% fewer engines were produced, principally at plants that make engines for non-lawn and garden applications. Reduced manufacturing volume resulted in a smaller portion of fixed costs being assigned to product causing more costs to be expensed in the quarter. The above issues account for about two-thirds of the gross profit percentage decline. Higher spending in certain manufacturing categories, offset by a small increase in labor productivity accounts for the remainder of the decrease.

The 13% increase in engineering, selling and administrative expenses was due to planned expansions of staff and expenditures for business development and introduction of new products.

Interest expense was \$1.4 million or 46% higher than first quarter fiscal 2000. This was the result of higher first quarter working capital financing requirements in fiscal 2001. Inventories of finished engine units at the start of this fiscal year were higher than at the start of the last fiscal year so the average investment in inventory financed by borrowings is greater this year. Interest rates on the short-term lines are also slightly higher in fiscal 2001.

The gain on disposition of foundry assets of \$16.5 million in the first fiscal quarter of 2000 is the major difference between fiscal 2001 and fiscal 2000's other income and expense category.

Fiscal 2001 has reverted to the historical seasonal pattern of low engine unit shipments in the first quarter. As indicated in prior press releases, the engine shortage concerns of a year ago have disappeared providing little incentive for equipment manufacturers to purchase engines in the summer and early fall. At this time, lawn and garden equipment manufacturers and retailers still believe that fiscal 2001 markets will be on a par with the previous year. Currently the Company believes that engine unit shipments will be about the same for the full fiscal year. Second quarter engine unit shipments are expected to be lower than last year and the third and fourth quarters are expected to make up the unit shipment shortfall experienced in the first half of the year.

Revenues for the full year, however, in spite of comparable unit shipments, are now expected to be about 3% lower than fiscal 2000. The primary drivers of the decrease are the mix of engine units being shipped and the projected impact of the Euro if the exchange rate remains similar to its current level.

The planned mix of engines sold now appears to be weighted towards lower horsepower, lower priced units which will decrease the sales dollars. The negative Euro currency exchange impact for fiscal 2001 is projected to be approximately \$15-\$20 million.

Mix impact should be particularly evident in the second fiscal quarter when the Company expects engine unit volume to be down 7% compared to fiscal 2000 and lower sales dollars of approximately 15%. Large engine shipments for lawn and garden applications were high in fiscal 2000's second quarter but this year the Company anticipates those units returning to a third quarter shipping pattern.

Gross profit as a percent of sales is projected to decline to 20.9% from the 21.3% in fiscal 2000. Major factors causing the decrease are the unfavorable Euro exchange rate as discussed above and the probable decrease in production levels from fiscal 2000 by approximately 9%. Even though unit shipment levels are expected to be similar between years, fiscal 2000 benefited from a restoration of depleted inventory levels which caused production to be up 14%. Fewer fixed cost dollars will be assigned to product causing more costs to be expensed in the fiscal year. Offsetting the negative Euro and production volume impacts are projected productivity gains and some improvement in margin due to the mix of units sold.

Engineering, selling and administrative expenses for fiscal 2001 are projected to be greater than last year by approximately 8%. The reasons for this planned increase are the same as those given for the first quarter increase.

Interest expense for fiscal 2001 is projected to be greater than last year by approximately 7%. A higher investment in inventory for the entire fiscal 2001 period along with a compression of the shipping cycle into the late second and third fiscal quarters, which delays conversion to cash until later in the year, are expected to cause greater borrowings for working capital in fiscal 2001.

Inventories of finished engine units are higher than last year and projected to peak late in the second quarter of fiscal 2001. These inventories were planned in order to satisfy anticipated equipment manufacturers' demand for engines in the peak season. Because of the later shipping cycle in fiscal 2001, accounts receivable will probably be lower than corresponding amounts from fiscal 2000. Additional lines of credit are expected to be added during the second fiscal quarter of 2001 to provide adequate funding needed for in-season working capital requirements.

Capital expenditures for fiscal 2001 are projected to be approximately \$76 million. This capital expenditure level provides for base replacement, new product, capacity and cost reduction requirements.

The projections above could result in an earnings level for fiscal 2001 that is 20% to 25% below the operating results experienced in fiscal 2000, excluding the gain on disposition of the foundry assets. This updated earnings projection for fiscal 2001 is significantly different than the earnings direction given in the previous press release because recent reassessments of demand have resulted in lower projected sales and production volumes and a less favorable sales mix.

Consolidated Statements of Earnings

(In Thousands)

	<u>Three Months Ended Fiscal September</u>	
	<u>2000</u>	<u>1999</u>
NET SALES	\$ 180,833	\$ 298,933
COST OF GOODS SOLD	<u>155,035</u>	<u>243,551</u>
Gross Profit on Sales	25,798	55,382
ENGINEERING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>33,612</u>	<u>29,640</u>
Income (Loss) from Operations	(7,814)	25,742
INTEREST EXPENSE	(4,568)	(3,127)
GAIN ON DISPOSITION OF FOUNDRY ASSETS	-	16,545
OTHER INCOME (EXPENSE), Net	<u>2,373</u>	<u>1,633</u>
Income (Loss) Before Provision for Income Taxes	(10,009)	40,793
PROVISION (CREDIT) FOR INCOME TAXES	<u>(3,705)</u>	<u>15,090</u>
Net Income (Loss)	<u>\$ (6,304)</u>	<u>\$ 25,703</u>
Average Shares Outstanding	<u>21,612</u>	<u>23,132</u>
BASIC EARNINGS PER SHARE	<u>\$ (0.29)</u>	<u>\$ 1.11</u>
Diluted Average Shares Outstanding	<u>21,629</u>	<u>23,281</u>
DILUTED EARNINGS PER SHARE	<u>\$ (0.29)</u>	<u>\$ 1.10</u>

This release contains certain forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. The words "anticipate", "believe", "estimate", "expect", "objective", and "think" or similar expressions are intended to identify forward-looking statements. The forward-looking statements are based on the Company's current views and assumptions and involve risks and uncertainties that include, among other things, the effects of weather on the purchasing patterns of the Company's customers and end use purchasers of the Company's engines; the seasonal nature of the Company's business; actions of competitors; changes in laws and regulations, including accounting standards; employee relations; customer demand; prices of purchased raw materials and parts; domestic economic conditions, including housing starts and changes in consumer disposable income; foreign economic conditions, including currency rate fluctuations; and other factors that may be disclosed from time to time in SEC filings or otherwise. Some or all of the factors may be beyond the Company's control.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets as of the End of Fiscal September 2000 and 1999
(In Thousands)

CURRENT ASSETS:	<u>2000</u>	<u>1999</u>	CURRENT LIABILITIES:	<u>2000</u>	<u>1999</u>
Cash and Cash Equivalents	\$ 11,939	\$ 12,970	Accounts Payable	\$ 92,348	\$ 110,531
Accounts Receivable	140,370	222,478	Domestic Notes Payable	198,126	43,746
Inventories	356,874	209,498	Foreign Loans	16,015	12,225
Other	57,377	52,720	Current Maturities on Long-Term Debt	-	15,000
Total Current Assets	<u>566,560</u>	<u>497,666</u>	Accrued Liabilities	125,534	150,807
			Total Current Liabilities	<u>432,023</u>	<u>332,309</u>
OTHER ASSETS:			OTHER LIABILITIES:		
Investments	51,308	43,339	Deferred Revenue on Sale of Plant & Equipment	15,649	15,773
Deferred Income Tax Asset	-	1,534	Deferred Income Tax Liability	5,031	-
Prepaid Pension	8,398	-	Accrued Pension Cost	11,671	15,456
Capitalized Software	6,673	7,156	Accrued Employee Benefits	12,831	13,421
Total Other Assets	<u>66,379</u>	<u>52,029</u>	Postretirement Health Care Obligation	64,971	66,281
			Long-Term Debt	98,564	113,359
			Total Other Liabilities	<u>208,717</u>	<u>224,290</u>
PLANT AND EQUIPMENT, at Cost	851,135	805,301	SHAREHOLDERS' INVESTMENT:		
Less - Accumulated Depreciation	<u>454,457</u>	<u>418,222</u>	Common Stock and Additional Paid-in Capital	36,367	38,018
Net Plant and Equipment	<u>396,678</u>	<u>387,079</u>	Retained Earnings	708,987	631,576
			Accumulated Other Comprehensive Income (Loss)	(5,684)	(928)
			Unearned Compensation on Restricted Stock	(384)	(279)
			Treasury Stock, at Cost	(350,409)	(288,212)
			Total Shareholders' Investment	<u>388,877</u>	<u>380,175</u>
	<u>\$ 1,029,617</u>	<u>\$ 936,774</u>		<u>\$ 1,029,617</u>	<u>\$ 936,774</u>

Consolidated Statements of Cash Flows
(In Thousands)

	<u>Three Months Ended Fiscal September</u>	
	<u>2000</u>	<u>1999</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (6,304)	\$ 25,703
Depreciation and Amortization	13,318	12,398
(Gain) Loss on Disposition of Plant and Equipment	54	(16,453)
Credit for Deferred Income Taxes	(3)	(1,914)
Increase in Accounts Receivable	(137)	(28,361)
Increase in Inventories	(99,100)	(73,409)
(Increase) Decrease in Other Current Assets	816	(884)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(32,731)	11,995
Other, Net	(4,451)	(4,095)
Net Cash Used in Operating Activities	<u>(128,538)</u>	<u>(75,020)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to Plant and Equipment	(15,326)	(21,661)
Proceeds Received on Disposition of Plant and Equipment	814	23,389
Net Cash Provided by (Used in) Investing Activities	<u>(14,512)</u>	<u>1,728</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Borrowings on Loans and Notes Payable	151,976	37,812
Dividends	(6,689)	(6,934)
Purchase of Common Stock for Treasury	(6,118)	(9,138)
Proceeds from Exercise of Stock Options	253	3,814
Net Cash Provided by Financing Activities	<u>139,422</u>	<u>25,554</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(1,422)</u>	<u>(98)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(5,050)</u>	<u>(47,836)</u>
CASH AND CASH EQUIVALENTS, Beginning	<u>16,989</u>	<u>60,806</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 11,939</u>	<u>\$ 12,970</u>