



BRIGGS & STRATTON CORPORATION

August 23, 2001

Dear Shareholder:

The rapidly weakening U.S. economy and less favorable spring weather had an adverse effect on our business in fiscal 2001. Slower retail sales prompted retailers and equipment manufacturers to reduce the inventories they had built up in response to the engine shortages that developed in calendar 1999. As a result, demand for engines was weaker all year but particularly weak this spring, which caused us to reduce our production levels. Lower sales and lower production contributed to much lower earnings. Sales decreased 18%. Net income fell 65%.

The weakness in U.S. demand for lawn and garden equipment was to a great degree the result of less favorable weather. A cold spring got retail sales off to a slow start and they never fully recovered. The weakness was greater in more expensive equipment, likely a result of the slowing economy. International demand was less than robust, as Europe experienced a late, cold spring and our international sales decreased modestly. Continued Euro weakness reduced the profitability of our European business.

Demand for other powered products also was weaker in fiscal 2001. Modest growth in pressure washers was more than offset by continued weakness in generator sales. Retailers and manufacturers continued to reduce the inventories of standby portable generators for which they made commitments in 1999. It wasn't until late in the fiscal year that this business seemed to return to a normal pattern.

We continue to believe that the generator business has good growth potential. The increasing number of people working at home and the growing dependence on home computers and other electronic devices combined with the decreasing reliability of utility-delivered power should make this product increasingly attractive to consumers. Our belief in the potential of this business and our concern about the stability of ownership of our largest generator customers led to our acquisition of Generac Portable Products, Inc. late in fiscal 2001. Generac manufactures standby portable generators and pressure washers.

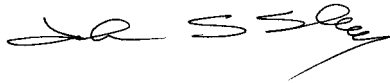
Engine unit shipments decreased 10% in fiscal 2001. Net sales decreased 18% to \$1.3 billion. Generac Portable Products contributed \$30 million from the date of its acquisition. Without the Generac acquisition, the sales decrease would have been 19%. Net income decreased 65% to \$48 million. Fiscal 2000 net income included a \$10 million gain on the disposition of foundry assets; excluding this gain, the decrease was 62%. Fully diluted net income per share decreased 63% to \$2.21. Dividends increased 3% to \$1.24 per share. Net adjusted cash operating earnings approximated the cost of capital. Return on average shareholders' investment decreased to 11.5%.

Operating activities generated \$68 million of cash in fiscal 2001. We used this cash flow plus \$357 million of net new debt and \$10 million from other sources to fund the \$267 million purchase of Generac (net of cash acquired), \$61 million of capital expenditures, \$27 million of dividends, and \$6 million of share repurchases.

For the usual reasons it is not possible to make a precise forecast for fiscal 2002. However we can say that results are likely to improve only modestly from fiscal 2001. We can say that because we believe that the emphasis on inventory reduction that began in fiscal 2001 will continue into fiscal 2002. Because of inventory reductions by equipment manufacturers and retailers, we believe sales will be postponed until later in the year, our first quarter sales will be very weak and second quarter sales will be lower than the prior year. We also intend to reduce inventory, so we will manufacture fewer engines than we sell in fiscal 2002. The major portion of this reduction will take place in the first quarter. We anticipate the combination of lower sales and lower production will cause a significantly greater loss in the first quarter and lower net income in the second quarter. The econometric forecasts we use indicate that U.S. retail sales of lawn and garden equipment should be higher next spring if weather is normal. Some major retailers have not completed the process of selecting their suppliers for the 2002 season, but we are not aware of any changes that would have a significant effect on our business. So we expect favorable comparisons in the second half of the year.



Chairman



President and
Chief Executive Officer