BRIGGS & STRATTON CORPORATION

August 28, 2002

Dear Shareholder:

Fiscal 2002 was a year of mixed results. Overall, net income for the full fiscal year improved 10% over fiscal 2001 to $53 million. Coming into the fiscal year with excessive engine inventory, we cut back engine production early in the year and absorbed a greater than normal first quarter loss. By year-end, however, engine profitability returned sharply, and we left the year with less than half the units we had in inventory at the beginning of the year. Although we are pleased with the long-term promise and strategic fit of our power products business (Generac), its financial performance was well below expectations. While the performance of our pressure washer business was about on plan, the performance of generator sets, which we call gensets, was disappointing.

Engine Business

Income from operations of our engine business for this fiscal year was $117 million, or 18% greater than last fiscal year. The improvement was attributable to several factors. Engine unit sales volume increased 8% and we achieved a very modest price increase. However, a product mix tending toward lower-margin engines reduced a portion of the revenue improvement. Our cost reduction and efficiency initiatives in our plants began paying off, as we achieved significantly lower production costs.

We have very solid plans for improved performance in our engine business for fiscal 2003. We anticipate revenue improvement in the engine business due to a modest price increase. We are also projecting margin improvements on two fronts: first, we believe we will have greater capacity utilization, in that engine production levels are planned to increase 8% to 10%, as we enter the year with reduced inventory levels; second, we will continue our productivity and expense control initiatives, including the consolidation of engine models in comparable horsepower ranges.

We go into fiscal 2003 with the wind at our backs. Once again we have proven our superior ability to manage the concentrated demand cycle in our industry, while at the same time getting our working capital position under control. Delivery is job #1 in serving the needs of the major mass retailers, and we have sustained our position as the leading supplier to the industry by meeting the high expectations of our customers. Recent investments in additional capacity close to our major markets are paying off handsomely. With the excess inventory issue behind us, and with projections for reasonable demand in the outdoor power products business, we expect to see significant improvement in the financial performance of our engine business for fiscal 2003.

Power Products Business

Our power products business (gensets and pressure washers) earned $2 million of income from operations in fiscal 2002. While this represents a substantial improvement from the $7 million loss from operations in fiscal 2001, it is nonetheless an unacceptable financial performance for the business.

We experienced a double-digit increase in net sales, with the increase in pressure washer sales attributable to market growth, and the increase in genset sales attributable to market share gains. However, the shortcoming in operating income is largely attributable to the genset business. In a business driven significantly by power-interrupting events such as hurricanes and ice storms, there were no major events. The bottom line is that the generator business has not yet recovered to the point that its economic performance meets our expectations.

That said, we are not content to wait for that recovery. We have aggressive plans to drive it. Earlier this summer, we had a very successful cooperative merchandising initiative with the leading retailer of portable generators, which benefited not only our business, but that of another genset producer which is a very important and committed engine customer. We are planning similar programs for fiscal 2003, the purpose of which is to drive demand in anticipation of, or despite the absence of, significant weather events. We also have very aggressive plans on the cost side, including significant productivity improvements, product redesigns to substantially reduce the cost of genset components, and a program to reduce raw materials and work-in-progress inventories.

While the acquisition of the power products business has fallen far short of expectations in terms of short-term financial performance, it has proven that we can achieve some very important strategic goals by leveraging our core manufacturing strengths and brand name into other markets. We have significantly increased our share in the power products category. We have also dramatically increased our engine market share in the category by proving that we can be a reliable and supportive supplier of engines to those genset producers that choose to work with us.

Building Blocks for Future Success: Our Brand, Operating Model, Value Proposition, Economic Discipline and Superior Customer Support

Our future success depends on our ability to cultivate high value relationships with outdoor power products producers and retailers that will make them more profitable in the category. The outdoor power products category is one that has traditionally been under-developed and under-merchandised. We believe we are uniquely positioned to improve that environment to the benefit of our customers, and in fact have achieved some notable successes along those lines. We do not have a competitor that can deliver to their customers what we can, and we believe this strategy is right in line with what major retail customers are demanding from their product suppliers. Our competitive advantage has been built over the years on the following fronts:

The Briggs & Stratton Brand

The death knell for any company is to have its product reduced to commodity status. On the other hand, the hallmark of perennially strong firms is the development and maintenance of a strong brand. At Briggs & Stratton we are blessed with a very powerful brand, built over decades, engine-by-engine, delivering products of consistent quality and supporting our customers. Our research and market experience shows that not only do we have the most powerful brand in engines for power products by a huge factor, but also our brand strength extends to the power products on which our engines are used. Accordingly, we can offer our customers the opportunity to enhance their own brands by working with us to exploit our brand. In recent years, we have developed a number of very successful branding initiatives with our customers, with clear market and financial benefits for those customers.

Cost Leadership Operating Model

We are the broad-scope cost leader in our industry, a distinction achieved by development of highly efficient, high volume focused factories supported by a powerful culture of cost reduction and elimination of waste. It is a common misconception that our industry is a cyclical one. In fact, we have experienced only a handful of down years in the last quarter century. Grass grows every year (absent drought), needs to be cut, and the average life of the end products using our engines is seven years, driven to some extent by product innovation, but largely by demand for replacement models.

However, our industry **is** acutely seasonal, with about two-thirds of all power products delivered to retailers in the months of March through June. Our operating model has been tailored to meet our customers’ seasonal demands to an extent none of our competitors can match. Flexibility, alternative work forces and geographical proximity all contribute to our competitive advantage. We have proven that we can transport our cost leadership model geographically through the success of our Japanese and Chinese joint venture facilities. And we will continue to extend the model wherever it contributes to the value proposition for our customers. But we will carefully match product, facilities and markets so as not to compromise our customers’ interests.

Customer Support

Our service and distribution network is the finest in the industry. Probably the biggest impediment to superior financial performance of the outdoor power products category at retail is the issue of product returns and service support. We are aggressively pursuing efforts to exploit our superior service network to solve this problem with our customers, including in-store product setup and service support.

Value Proposition

Our products are not the cheapest in the category, nor are they the most expensive. We sell value, and we deliver a superior mix of price, features, brand, horsepower, quality, delivery and customer support. We are well known for our ability to deliver reasonably priced but high value enhancements to basic engine designs. Recent high value product innovations to existing products include the “Touch-N-Mow®” engine self-starter and the “PowerLink™” integrated engine/generator which delivers 1500 watts of AC power on a lawn tractor for electric power tools and stand-by power for your home. Our cost position and engine expertise also enable us to tap into new distribution channels at a very low investment. For example, in fiscal 2003, we will introduce a 5 horsepower outboard motor designed to sell for approximately half the price of a conventional outboard. Finally, where appropriate, we will continue to seek investment opportunities that will enable us to leverage our competitive advantages in the outdoor power markets.

Economic Discipline

Our company has a remarkable track record of profitability. Since our listing on the New York Stock Exchange in 1929, we have reported a loss in only one year, and that was largely attributable to severe drought conditions. And in these days of corporate earnings credibility issues, we can proudly say our earnings are quality earnings. Our record for delivering strong cash flow and return on capital the last decade is the result of our relentless commitment to the EVA® (Economic Value Added) discipline. The EVA regimen requires cash adjusting earnings, eliminating distortions that can obscure a clear picture of whether value is being created. This discipline drives all our planning and decision-making, and underpins our incentive compensation programs. Our commitment to EVA supports growth with capital discipline and ensures the highest quality of reported financials that align with shareholder value, providing a quality investment in a difficult market.

Our Strategy – Where Are We Going?

We are often asked the question, “Why did you choose to get into the less profitable OEM power products business?” The answer to this question requires a little perspective, both offensive and defensive.

There have been two major developments in our industry that have convinced us that we need to take a new strategic posture, and that is the threat of competition from integrated (engine and power equipment) producers from low cost environments (primarily China), and the entry into the value (mass) market of several well known branded producers. We are convinced that any successful strategy in the future will require us to fully leverage our competitive position with the retailer and the consumer. So there is a strong incentive for us to work more closely with the large retailers that sell our products and our traditional OEM customer base in order to compete effectively.

At the same time, we recognize a unique opportunity for value creation in the current environment, precisely because the OEM power products business is “less profitable”.

As previously mentioned, we have a very strong engine brand that our research shows extends to the power products on which our engines are used. We believe that by working with our traditional power products customers to exploit our brand by pushing it forward to ultimate consumers, we can help lift the category from the near-commodity status which has impaired industry profitability. In other words, we believe we have a unique opportunity to create value not only for our customers, but our other corporate stakeholders, including our shareholders. We call this cooperative effort **with** our customers the “power play”.

Returning to the Generac acquisition, it should be apparent that the acquisition will have broader term financial benefits, as it is one element of much broader strategy. The genset/pressure washer category was one of immediate concern to us in 2001, as the two major players were suffering from post-Y2K syndrome, and were owned respectively by a bankrupt company and an unsuccessful leverage buyout by an investment fund that was being liquidated. We believed a direct intervention was necessary. Generac became available at a price that represented a significant discount from the value indicated in a previously planned initial public offering (and was justified by projected discounted cash flows), so we acquired it. Our goal was to both protect an important portion of our business and to pursue what we still believe is an excellent opportunity for value creation by leveraging our brand and otherwise applying the aforementioned competitive advantages to the Generac business, as well as the industry in general.

The current performance of Generac is not indicative of the long-term financial and strategic value of the business to Briggs & Stratton. This is a distance race and not a sprint. We are still very optimistic about value creation opportunities in the category; we are very well positioned strategically to capitalize on an industry recovery, and this initiative will represent an important element of our “power play” strategy in the long term.

Briggs & Stratton faced a head-on threat from Japanese power products producers in the 1980s and 1990s, and we not only retained our leadership position in the industry, but also successfully implemented a well-architected strategy to produce superior returns and cash flow for our shareholders. To all of our stakeholders, including equity holders, debt holders, customers and employees, we solicit your confidence that we will be similarly successful in the new millennium in exploiting the current opportunities in our industry for your benefit.

Chairman of the Board

President and
Chief Executive Officer

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