



August 21, 2003

Dear Shareholder:

We are pleased to report a significant improvement in our financial performance for fiscal 2003. We posted record net sales of \$1.66 billion. Overall, net income for the full fiscal year improved 52% to \$80.6 million. A major contributor to this improved performance was the dramatic turnaround of our Briggs & Stratton Power Products Group ("Power Products"), which produces and sells such home power products as gas powered electric generators (gensets) and pressure washers.

Last year we reviewed with you our efforts to pursue a shared strategy with our customers which involves a mutually rewarding approach to the power equipment market, called the "power play", and the building blocks for success. You will recall that this strategy involves creating a very compelling value proposition for consumers of our products by more closely integrating with our retail and OEM customers on the operational, sales and marketing fronts, more effectively utilizing our strong brand by pushing it forward to ultimate consumers for your benefit and the benefit of our customers, engaging our industry leading service network in a more effective customer support effort, and extending our cost leadership value discipline to end product markets. We made significant progress in implementation of this powerful integration with our customers as demonstrated in our improved market position and overall profit improvement.

The most significant indication of our success on the strategic front is that, after a one-year break following nine consecutive years of earning the cost of capital and producing positive economic value added (EVA®), we are once again producing a solid economic profit. Our commitment to EVA continues to support 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.

Engine Business

Income from operations of our Engine business for the fiscal year was \$135 million, or 17% greater than last fiscal year. Sales of engines for mowers were basically even with a strong fiscal 2002, with a small percentage decrease in sales of walk mower engines and a small percentage increase in sales of rider mower engines.

The most significant contributor to the improved revenues and income in the Engine business was unit volume sales increases of engines for gensets and pressure washers that in both cases exceeded 40%. You will recall that one of our motivations in acquiring Generac Portable Products was to be able to make direct investments in products and promotion that would restore the health and growth profile of the category, and thus benefiting our Engine business. We are pleased to report that, since the acquisition, we are selling several hundred thousand more engines in this category, which sales we believe are directly attributable to this element of our strategy.

We also achieved improvement in this business through manufacturing cost reduction efforts. Operating margins improved a full percent. The favorable impact of our 11% production volume increase between years, and the benefit of a European price increase (primarily due to the strong Euro) were also significant contributors to the improved performance of the Engine business for fiscal 2003.

Power Products Business

The Power Products business staged a strong comeback, posting \$19.2 million in operating profit, a more than 500% increase over fiscal 2002 results. The full year revenue increase of \$105 million, almost 50% over fiscal 2002, was attributable not only to a sharp increase in pressure washer volume, but also strong generator sales that could be traced to a higher level of storm activity than was experienced in the prior year, better market placement with key retailers, and market growth attributable to cooperative promotional efforts with our retail customers to project the message of the benefits of genset ownership to a broader range of potential customers.

Our strategy of bringing our highly focused cost leadership operating discipline to Power Products was also successfully reflected in our fiscal 2003 performance. Gross profit margins in our Power Products business increased from 9.9% to 12.4%.

Sales in the category were boosted significantly with the introduction in fiscal 2003 of the compact and affordable "pony" versions of our pressure washer models. We continue to increase the percentage of power products that carry the Briggs & Stratton brand name, and market acceptance of that branding is very strong. Our commitment to quality and superior delivery in the category is evidenced by the fact that we received top supplier awards from two of our major retail customers. We hope to build on all these successes as we move into fiscal 2004.

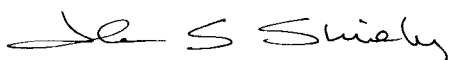
Outlook for 2004

Consistent with our strong cost leadership value discipline, our outlook for fiscal 2004 starts with aggressive plans for continued operating cost improvements and capital discipline. We estimate that our capital expenditures for 2004 will come in at about \$60 million, several million dollars less than depreciation. At the same time, we are projecting significant increases for product marketing programs to drive category growth and engineering expenditures for future product development.

Our current estimate for fiscal 2004 anticipates net income in the range of \$90 to \$95 million. Consolidated sales growth is estimated at 3%, with Engine business unit sales forecasted to grow 2-4%, and Power Products business sales forecasted to grow 4-6%, which represents our estimate of the market growth for next year assuming similar weather activity. It is anticipated that the stronger Euro will provide improved pricing on European sales.

As to our strong cash position and capitalization policy, we currently plan to use available cash to call the \$140 million of convertible debt outstanding. It is our goal to recapture and maintain an investment grade rating for our debt securities.

It is most always the case that there is a significant time increment between the making of strategic investments and the economic payoff. We thank you for your continued patience and support. Our #1 mission at Briggs & Stratton is to be superior stewards of the capital you provide us, and we take that responsibility very seriously.



Chairman, President and Chief Executive Officer