Notes to Consolidated Financial Statements

FOR THE FISCAL YEARS ENDED JUNE 29, 2003, JUNE 30, 2002 AND JULY 1, 2001

(1) Nature of Operations:

Briggs & Stratton ("the Company") is a U.S. based producer of air cooled gasoline engines. These engines are sold worldwide, primarily to original equipment manufacturers of lawn and garden equipment and other gasoline engine powered equipment. Additionally, through the Company's wholly owned subsidiary, Briggs & Stratton Power Products Group, LLC (BSPPG), the company is a designer, manufacturer and marketer of portable and standby generators, pressure washers and related accessories. BSPPG's products are sold throughout the United States, Canada and Europe.

(2) Summary of Significant Accounting Policies:

Fiscal Year: The Company's fiscal year consists of 52 or 53 weeks, ending on the Sunday nearest the last day of June in each year. Therefore, the 2003, 2002 and 2001 fiscal years were 52 weeks long. All references to years relate to fiscal years rather than calendar years.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its majority owned domestic and foreign subsidiaries after elimination of intercompany accounts and transactions.

Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents: This caption includes cash, commercial paper and certificates of deposit. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories: Inventories are stated at cost, which does not exceed market. The last-in, first-out (LIFO) method was used for determining the cost of approximately 60% of total inventories at June 29, 2003 and 68% of total inventories at June 30, 2002. The cost for the remaining portion of the inventories was determined using the first-in, first-out (FIFO) method. During fiscal 2003 and 2002, a reduction in inventory quantities resulted in a liquidation of LIFO inventories carried at lower costs prevailing in prior years. The liquidation of these inventories has reduced cost of sales by $0.2 million in 2003 and $2.6 million in 2002. If the FIFO inventory valuation method had been used exclusively, inventories would have been $47.3 million and $44.8 million higher in 2003 and 2002, respectively. The LIFO inventory adjustment was determined on an overall basis, and accordingly, each class of inventory reflects an allocation based on the FIFO amounts.

Goodwill: This caption represents goodwill related to the acquisition of BSPPG in fiscal 2001 (See Note 3). Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. In accordance with SFAS 142, no goodwill amortization was recorded in fiscal year 2003 or 2002. Prior to the adoption of SFAS 142, $1.1 million of amortization was reported in fiscal year 2001. Had goodwill not been amortized in fiscal 2001, the Company's fiscal 2001 net income would have increased $0.7 million or $0.03 per basic and diluted earnings per share. The Company performed the required impairment test of goodwill in fiscal 2003 and fiscal 2002 and found no impairment of the asset.

Investments: This caption represents the Company's investments in its 50%-owned joint ventures, preferred stock in a privately held iron castings business and common stock in a publicly traded software company. The investments in the joint ventures and the privately held business are accounted for under the equity method. The common stock in the publicly traded company is being classified as available-for-sale and is reported at fair market value. Unrealized losses incurred on this stock are recorded as a component of Accumulated Other Comprehensive Loss in the Shareholders' Investment section of the Consolidated Balance Sheets. In fiscal 2003, these losses were determined to be "other than temporary" and as a result, the Company reclassified the pretax unrealized loss of $1.8 million to earnings.

Deferred Loan Costs: Expenses associated with the issuance of debt instruments are capitalized and are being amortized over the terms of the respective financing arrangement using the straight-line

method over periods ranging from five to ten years. Accumulated amortization amounted to $5.1 million as of June 29, 2003 and $2.9 million as of June 30, 2002.

Other Long-Term Assets: This caption includes a long-term asset associated with interest rate swaps designated as effective fair value hedges. See discussion in Note 7. This caption also includes costs of software used in the Company's business. Amortization of capitalized software is computed on an item-by-item basis over a period of three to ten years, depending on the estimated useful life of the software. Accumulated amortization amounted to $6.0 million as of June 29, 2003 and $8.4 million as of June 30, 2002.

Plant and Equipment and Depreciation: Plant and equipment are stated at cost and depreciation is computed using the straight-line method at rates based upon the estimated useful lives of the assets (20-30 years for land improvements, 20-50 years for buildings and 8-16 years for machinery and equipment).

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments, which significantly extend the useful lives of existing plant and equipment, are capitalized and depreciated. Upon retirement or disposition of plant and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in other income.

Impairment of Long-Lived Assets: Property, plant and equipment and other long-term assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. There were no adjustments to the carrying value of long-lived assets in fiscal 2003, 2002 or 2001.

Warranty: The Company recognizes the cost associated with its standard warranty on engines and power products at the time of sale. The amount recognized is based on historical failure rates and current claim cost experience. The following is a reconciliation of the changes in accrued warranty costs for fiscal year 2003 and 2002 (in thousands):

	2003	2002
Balance, Beginning of Period	$ **46,346**	$ 47,480
Payments	**(30,613)**	(26,968)
Provision for Current Year Warranties	**27,605**	20,621
Provision for Prior Years Warranties	**4,252**	5,213
Balance, End of Period	$ **47,590**	$ 46,346

Deferred Revenue on Sale of Plant and Equipment: In fiscal 1997, the Company sold its Menomonee Falls, Wisconsin facility for approximately $16.0 million. The provisions of the contract state that the Company will continue to own and occupy the warehouse portion of the facility for a period of up to ten years (the Reservation Period). The contract also contains a buyout clause, at the buyer's option and under certain circumstances, of the remaining Reservation Period. Under the provisions of SFAS No. 66, "Accounting for Sales of Real Estate," the Company is required to account for this as a financing transaction as long as it continues to have substantial involvement with the facility during the Reservation Period or until the buyout option is exercised. Under this method, the cash received is reflected as deferred revenue and the assets and the accumulated depreciation remain on the Company's books. Depreciation expense continues to be recorded each period and imputed interest expense is also recorded and added to deferred revenue. Offsetting this is the imputed fair value lease income on the non-Briggs & Stratton occupied portion of the building. A pretax gain, which will be recognized at the earlier of the exercise of the buyout option or the expiration of the Reservation Period, is estimated to be $5 million. The annual cost of operating the warehouse portion of the facility is not material.

Revenue Recognition: Revenue, net of estimated returns and allowances, is recognized upon shipment or when title passes, at which time the customer is obligated to pay and the Company has no further obligations.

Income Taxes: The Provision for Income Taxes includes Federal, state and foreign income taxes currently payable and those deferred because of temporary differences between the financial statement and tax basis of assets and liabilities. The Deferred Tax Asset represents temporary differences relating to current assets and current

liabilities and the Deferred Income Tax Liability represents temporary differences relating to noncurrent assets and liabilities.

Retirement Plans: The Company has noncontributory, defined benefit retirement plans and postretirement benefit plans covering certain employees. These plans are accounted for in accordance with SFAS 87 "Employers' Accounting for Pensions" and SFAS 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions". Retirement benefits represent a form of deferred compensation, which are subject to change due to changes in assumptions. Management reviews underlying assumptions on an annual basis. Refer to Note 13 of the Notes to Consolidated Financial Statements.

Research and Development Costs: Expenditures relating to the development of new products and processes, including significant improvements and refinements to existing products, are expensed as incurred. The amounts charged against income were $26.4 million in fiscal 2003, $23.7 million in fiscal 2002 and $21.5 million in fiscal 2001.

Advertising Costs: Advertising costs, included in Engineering, Selling, General and Administrative Expenses on the accompanying Consolidated Statements of Earnings, are expensed as incurred. These expenses totaled $13.2 million in fiscal 2003, $8.3 million in fiscal 2002 and $7.8 million in fiscal 2001.

The Company adopted EITF No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of Vendor's Products)," in the third quarter of fiscal 2002. Pursuant to EITF No. 01-09, the Company was required to reclassify co-op advertising expense previously reported as selling expense as a reduction in net sales. Co-op advertising expense reported as a reduction in net sales totaled $9.5 million in fiscal 2003, $7.2 million in fiscal 2002 and $2.3 million in fiscal 2001.

Shipping and Handling Fees and Costs: Revenue received from shipping and handling fees is reflected in net sales. Shipping fee revenue for fiscal 2003, 2002 and 2001 was $1.6 million, $1.6 million and $1.7 million, respectively. Shipping and handling costs are included in cost of goods sold.

Foreign Currency Translation: Foreign currency balance sheet accounts are translated into United States dollars at the rates of exchange in effect at fiscal year end. Income and expenses are translated at the average rates of exchange in effect during the year. The related translation adjustments are made directly to a separate component of Shareholders' Investment.

Earnings Per Share: Basic earnings per share, for each period presented, is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share, for each period presented, is computed reflecting the potential dilution that would occur if options or other contracts to issue common stock were exercised or converted into common stock at the beginning of the period.

The shares outstanding used to compute diluted earnings per share for fiscal 2003, 2002 and 2001 excluded outstanding options to purchase 1,675,790, 1,886,640 and 1,724,564 shares of common stock, respectively, with weighted-average exercise prices of $53.40, $55.20 and $56.36, respectively. The options were excluded because their exercise prices were greater than the average market price of the common shares and their inclusion in the computation would have been antidilutive.

Information on earnings per share is as follows (in thousands, except per share data):

	Fiscal Year Ended		
	June 29, 2003	June 30, 2002	July 1, 2001
Net Income Used in Basic Earnings Per Share	**$ 80,638**	$ 53,120	$ 48,013
Adjustment to Net Income to Add After-tax Interest Expense on Convertible Notes	**4,760**	4,620	576
Adjusted Net Income Used in Diluted Earnings Per Share	**$ 85,398**	$ 57,740	$ 48,589
Average Shares of Common Stock Outstanding	**21,639**	21,615	21,598
Incremental Common Shares Applicable to Common Stock Options Based on the Common Stock Average Market Price During the Period	**–**	6	10
Incremental Common Shares Applicable to Restricted Common Stock Based on the Common Stock Average Market Price During the Period	**15**	5	5
Incremental Common Shares Applicable to Convertible Notes Based on the Conversion Provisions of the Convertible Notes	**2,826**	2,826	353
Diluted Average Common Shares Outstanding	**24,480**	24,452	21,966

Comprehensive Income: Comprehensive income is a more inclusive financial reporting method that includes disclosure of financial information that historically has not been recognized in the calculation of net income. The Company has chosen to report Comprehensive Income and Accumulated Other Comprehensive Loss which encompasses net income, unrealized gain (loss) on marketable securities, cumulative translation adjustments, unrealized gain (loss) on derivatives and minimum pension liability adjustment in the Consolidated Statements of Shareholders' Investment. Information on Accumulated Other Comprehensive Loss is as follows (in thousands):

	Unrealized Gain (Loss) on Marketable Securities	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Derivatives	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Loss
Balance at July 2, 2000	$ 194	$ (4,125)	$ –	$ –	$ (3,931)
Fiscal Year Change	(947)	(2,530)	1,226	–	(2,251)
Balance at July 1, 2001	(753)	(6,655)	1,226	–	(6,182)
Fiscal Year Change	(148)	4,017	(4,313)	–	(444)
Balance at June 30, 2002	**(901)**	**(2,638)**	**(3,087)**	**–**	**(6,626)**
Fiscal Year Change	**901**	**4,454**	**3,100**	**(2,563)**	**5,892**
Balance at June 29, 2003	**$ –**	**$ 1,816**	**$ 13**	**$ (2,563)**	**$ (734)**

Derivatives: Derivatives are recorded on the balance sheet as assets or liabilities, measured at fair value. Briggs & Stratton enters into derivative contracts designated as cash flow hedges to manage its foreign currency exposures. These instruments generally do not have a maturity of more than twelve months. Briggs & Stratton uses interest rate swaps designated as fair value hedges to manage its debt portfolio. These instruments generally have maturities and terms consistent with the underlying debt instrument.

Changes in the fair value of cash flow hedges are recorded on the income statement or as a

component of Accumulated Other Comprehensive Loss. The amounts included in Accumulated Other Comprehensive Loss will be reclassified into income when the forecasted transactions occur, generally within the next twelve months. These forecasted transactions represent the exporting of products for which Briggs & Stratton will receive foreign currency and the importing of products for which it will be required to pay in a foreign currency. Changes in the fair value of fair value hedges related to interest rate swaps are recorded as an increase/decrease to long-term debt. Changes in the fair value of all derivatives deemed to be ineffective are recorded as either income or expense in the accompanying Consolidated Statements of Earnings. There were no material ineffective hedges during fiscal 2003, 2002 or 2001.

Reclassification: Certain amounts in prior year financial statements have been reclassified to conform to current year presentation.

New Accounting Pronouncements: In June 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" which requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of this statement did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 requires that the guarantor recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing such guarantee. FIN 45 also requires additional disclosure requirements about the guarantor's obligations under certain guarantees that it has issued. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of this interpretation are effective for financial statement periods ending after December 15, 2002. Briggs & Stratton adopted the requirements of this interpretation in the current year. The adoption did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure". SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation as originally provided by SFAS No. 123, "Accounting for Stock-Based Compensation". Additionally, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in both the annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The transitional requirements of SFAS No. 148 are effective for all financial statements for fiscal years ending after December 15, 2002. Briggs & Stratton adopted this statement in the current year. The adoption of this statement did not have a material impact on its consolidated financial position, results of operations or cash flows.

(3) Acquisition:

The Company acquired Generac Portable Products, Inc. on May 15, 2001. Generac Portable Products, Inc. was merged with, and into Generac Portable Products, LLC on June 30, 2002, and changed its name to Briggs & Stratton Power Products Group, LLC (BSPPG) effective December 31, 2002. BSPPG is a designer, manufacturer and marketer of portable and standby generators, pressure washers and related accessories. The aggregate purchase price of $288.1 million included $267.6 million of cash and $20.5 million of liabilities assumed. The cash paid included $0.5 million of cash acquired and $4.5 million of direct acquisition costs, and was funded through the issuance of 8.875% Senior Notes.

The provisions of the acquisition included a contingent purchase price based on the operating results of BSPPG. The Company will not pay any additional purchase price pursuant to these provisions.

The provisions of the acquisition also provide for a potential purchase price refund based on the final valuation of the acquired inventory. The amount of this purchase price refund, if any, will be recorded as a reduction in goodwill when it is received.

The acquisition has been accounted for using the purchase method of accounting. The purchase price was allocated on a preliminary basis to identifiable assets acquired and liabilities assumed based upon their estimated fair values, with the excess purchase price recorded as goodwill. This initial purchase price allocation resulted in approximately $167.7 million of goodwill which was amortized on a straight-line basis over twenty years until the Company adopted SFAS No. 142 on July 2, 2001. Under SFAS No. 142, goodwill is no longer amortized, but is subject to periodic impairment tests.

In 2003, the Company reduced goodwill by approximately $1.3 million, reflecting the tax benefit associated with the amortization of acquired goodwill for tax purposes.

In 2002, the Company reduced goodwill by approximately $5.7 million related to the finalization of the purchase price allocation. This decrease was primarily the result of recording $16.0 million of deferred taxes related to differences in BSPPG's financial reporting versus tax reporting, offset by approximately $10.3 million of additional inventory and fixed asset reserves.

The following table sets forth the unaudited pro forma information for the Company as if the acquisition of BSPPG had occurred on July 2, 2000 (in millions, except per share data):

	2001
Net Sales	$ 1,465.3
Net Income	$ 26.6
Basic Earnings Per Share	$ 1.23
Diluted Earnings Per Share	$ 1.21

(4) Income Taxes:

The provision for income taxes consists of the following (in thousands):

	2003	2002	2001
Current			
Federal	**$ 11,404**	$ 4,950	$ 4,042
State	**291**	587	594
Foreign	**1,967**	1,567	1,251
	13,662	7,104	5,887
Deferred	**24,278**	20,286	17,973
	$ 37,940	$ 27,390	$ 23,860

A reconciliation of the U.S. statutory tax rates to the effective tax rates follows:

	2003	2002	2001
U.S. Statutory Rate	**35.0%**	35.0%	35.0%
State Taxes, Net of Federal Tax Benefit	**1.8%**	2.4%	2.5%
Foreign Tax Benefits	**(3.3%)**	(1.2%)	(3.3%)
Other	**(1.5%)**	(2.2%)	(1.0%)
Effective Tax Rate	**32.0%**	34.0%	33.2%

The Company received a refund of Foreign Sales Corporation tax benefits in fiscal 2002 and 2001. No refunds were received in fiscal 2003.

The components of deferred income taxes were as follows (in thousands):

	2003	2002
Deferred Income Tax Asset:		
Difference Between Book and Tax Methods Applied to Inventory	**$ 13,145**	$ 16,296
Payroll Related Accruals	**2,483**	4,880
Warranty Reserves	**18,140**	17,780
Other Accrued Liabilities	**15,950**	15,501
Miscellaneous	**(1,044)**	(3,749)
	$ 48,674	$ 50,708
Deferred Income Tax Liability:		
Difference Between Book and Tax Methods Applied to Pension Cost	**$ (28,862)**	$ (22,532)
Accumulated Depreciation	**(58,806)**	(56,025)
Accrued Employee Benefits	**11,545**	10,570
Postretirement Health Care Obligation	**18,745**	24,474
Deferred Revenue on Sale of Plant & Equipment	**5,914**	5,992
Miscellaneous	**(6,453)**	791
	$ (57,917)	$ (36,730)

The Company has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. These undistributed earnings amounted to approximately $13.7 million at June 29, 2003. If these earnings were remitted to the U.S., they would be subject to U.S. income tax. However, this tax would be substantially less than the U.S. statutory income tax because of available foreign tax credits.

(5) Segment and Geographic Information and Significant Customers:

The Company has concluded that it operates two reportable business segments that are managed separately based on fundamental differences in their operations. Summarized segment data is as follows (in thousands):

	2003	2002	2001
NET SALES:			
Engines	**$ 1,432,964**	$ 1,363,529	$ 1,286,323
Power Products	**323,016**	218,084	29,587
Eliminations	**(98,347)**	(52,313)	(9,272)
	$ 1,657,633	$ 1,529,300	$ 1,306,638
INCOME FROM OPERATIONS:			
Engines	**$ 135,284**	$ 115,603	$ 95,621
Power Products	**19,211**	3,274	1,118
Eliminations	**(2,091)**	(591)	(1,168)
	$ 152,404	$ 118,286	$ 95,571
ASSETS:			
Engines	**$ 1,150,607**	$ 1,087,943	$ 1,022,584
Power Products	**339,970**	279,083	286,960
Eliminations	**(15,384)**	(10,425)	(3,301)
	$ 1,475,193	$ 1,356,601	$ 1,306,243
CAPITAL EXPENDITURES:			
Engines	**$ 35,903**	$ 42,086	$ 60,841
Power Products	**4,251**	1,842	481
	$ 40,154	$ 43,928	$ 61,322
DEPRECIATION & AMORTIZATION:			
Engines	**$ 60,875**	$ 63,157	$ 58,362
Power Products	**2,651**	2,811	1,349
	$ 63,526	$ 65,968	$ 59,711

Information regarding the Company's geographic sales by the location in which the sale originated is as follows (in thousands):

	2003	2002	2001
United States	**$ 1,546,520**	$ 1,437,667	$ 1,226,483
All Other Countries	**111,113**	91,633	80,155
Total	**$ 1,657,633**	$ 1,529,300	$ 1,306,638

The Company has no material long lived assets in an individual foreign country.

In fiscal years 2003, 2002 and 2001, there were sales to three major engine customers that individually exceeded 10% of total Company net sales. The sales to these customers are summarized below (in thousands of dollars and percent of total Company net sales):

	2003		2002		2001	
Customer	**Sales**	**%**	Sales	%	Sales	%
A	**$260,281**	**16%**	$255,119	17%	$187,001	14%
B	**253,066**	**15%**	299,785	19%	267,516	20%
C	**172,555**	**10%**	165,670	11%	150,682	12%
	$685,902	**41%**	$720,574	47%	$605,199	46%

(6) Leases:

The Company leases certain facilities, vehicles, and equipment under non-cancelable operating leases which expire at various dates. Terms of the leases, including purchase options, renewals, and maintenance costs, vary by lease. Rental expense for fiscal 2003, 2002, and 2001 was $8.1 million, $8.7 million, and $8.1 million, respectively.

Future minimum lease commitments for all non-cancelable operating leases as of June 29, 2003 are as follows (in thousands):

Fiscal Year	
2004	$ 5,797
2005	3,670
2006	2,170
2007	1,406
2008	933
Thereafter	454
	$ 14,430

(7) Indebtedness:

On November 15, 2001, the Company entered into a three-year $300 million revolving credit facility (the credit facility) that expires in September 2004. The Company also has access to domestic lines of credit (domestic lines) totaling $15.0 million that remain in effect until canceled by either party. The domestic lines provide amounts for short-term use at the then prevailing rate. There are no significant compensating balance requirements for any of these domestic lines. There were no borrowings using these domestic lines or the credit facility as of June 29, 2003 or June 30, 2002.

Borrowings under the credit facility by the Company bear interest at a rate per annum equal to, at its option, either:

(1) a 1, 2, 3 or 6 month LIBOR rate plus a margin varying from 0.50% to 1.75%, depending upon the rating of the Company's long-term debt by Standard & Poor's Rating group, a division of McGraw-Hill Companies (S&P) and Moody's Investors Service, Inc. (Moody's) or

(2) the higher of (a) the federal funds rate plus 0.50% or (b) the bank's prime rate plus a margin of up to 0.25%, also depending on the Company's long-term credit ratings.

In addition, the Company is subject to a 0.10% to 0.35% commitment fee and a 0.50% to 1.75% letter of credit fee, depending on the Company's long-term credit ratings.

The following data relates to domestic notes payable (in thousands):

	2003	2002
Balance at Fiscal Year End	$ **2,075**	$ 2,625
Weighted Average Interest Rate at Fiscal Year End	**2.86%**	4.00%

The lines of credit available to the Company in foreign countries are in connection with short-term borrowings and bank overdrafts used in the normal course of business. These amounts total $29.5 million, expire at various times through April 2004 and are renewable. Borrowings of $0.9 million at June 29, 2003 using these lines of credit are included in foreign loans. None of these arrangements had material commitment fees or compensating balance requirements.

The following information relates to foreign loans (in thousands):

	2003	2002
Balance at Fiscal Year End	$ **865**	$ 15,270
Weighted Average Interest Rate at Fiscal Year End	**5.73%**	5.41%

The Long-Term Debt caption consists of the following (in thousands):

	2003	2002
5.00% Convertible Senior Notes Due 2006	$ **140,000**	$ 140,000
7.25% Senior Notes Due 2007, Net of Unamortized Discount of $783 in 2003 and $969 in 2002	**89,217**	89,031
8.875% Senior Notes Due 2011, Net of Unamortized Discount of $4,413 in 2003 and $5,009 in 2002	**270,587**	269,991
Fair Value of Interest Rate Swaps	**3,593**	–
Total Long-Term Debt	$ **503,397**	$ 499,022

In October 2002, the Company began managing its debt portfolio using interest rate swaps to achieve the desired mix of fixed and floating rates. At June 29, 2003, the Company had interest rate swaps relating to its 8.875% Senior Notes due 2011. These swaps convert $50 million of notional amounts from a fixed rate to a floating rate (LIBOR-set-in-arrears), and mature in 2011. The floating rate on the swaps as of June 29, 2003 was 5.3%. These swaps are deemed to be effective fair value hedges. Accordingly, the fair value at June 29, 2003 of $3.6 million is recorded as an increase to long-term debt with a corresponding increase to long-term assets.

In May 2001, the Company issued $275.0 million of 8.875% Senior Notes due March 15, 2011 and $140.0 million of 5.00% Convertible Senior Notes due May 15, 2006. The convertible senior notes are convertible at the option of the holders into the Company's common stock at the conversion rate of 20.1846 shares per each $1,000 of convertible notes. Interest is paid semi-annually on both series of notes. No principal payments are due before the maturity dates.

The net proceeds from the sale of the 8.875% senior notes were used to fund the Company's acquisition of BSPPG and the proceeds of the 5.00% convertible senior notes were used to replace an existing revolving line of credit used for working capital.

The 7.25% senior notes are due September 15, 2007. The net proceeds were used to repay borrowings incurred under the Company's credit facility in connection with the repurchase of the Company's stock under a tender offer. In accordance with the agreement, no principal payments are due before the maturity date, however the Company repurchased $10 million of the bonds in the fourth quarter of fiscal year 2002 after receiving unsolicited offers from bondholders.

The separate indentures providing for the 7.25% senior notes, the 8.875% senior notes, the 5.00% convertible senior notes and the Company's credit facility (collectively, the Domestic Indebtedness) each include a number of financial and operating restrictions. These covenants include restrictions on the Company's ability to: pay dividends; incur indebtedness; create liens; enter into sale and leaseback transactions; consolidate, merge, sell or lease all or substantially all of its assets; and dispose of assets or the proceeds of sales of its assets. The credit facility contains financial covenants that require

the Company to maintain a minimum interest coverage ratio and net worth (for fiscal 2004 the Company is required to maintain a minimum net worth of $416.9 million), impose a maximum leverage ratio and total funded debt to EBITDA ratio and impose capital expenditure limits. In addition, the credit facility contains provisions that only apply if the Company's credit rating from S&P is BB or below or from Moody's is Ba2 or below. The most significant of these provisions is a springing lien on the assets of the Company. Currently all of the Domestic Indebtedness is unsecured. In the event that the ratings of certain of our debt is reduced, our Domestic Indebtedness, excluding the convertible notes, will be entitled to participate in a pledge of substantially all of our assets. As of June 29, 2003, the Company was in compliance with these covenants and its ratings were BB+ and Ba1.

Additionally, under the terms of the indentures governing the Domestic Indebtedness, BSPPG became a joint and several guarantor of amounts outstanding under the Domestic Indebtedness. Refer to Note 15 of the Notes to Consolidated Financial Statements for subsidiary guarantor financial information.

(8) Other Income:

The components of other income (expense) are as follows (in thousands):

	2003	2002	2001
Interest Income	**$ 2,500**	$ 2,189	$ 2,069
Loss on the Disposition of Plant and Equipment	**(3,850)**	(3,192)	(1,493)
Income from Investments	**8,961**	7,071	5,485
Deferred Financing Costs	**(1,519)**	(1,420)	(133)
Amortization of Intangibles	**(56)**	(56)	(1,052)
Other Items	**527**	2,065	2,091
Total	**$ 6,563**	$ 6,657	$ 6,967

(9) Commitments and Contingencies:

Product and general liability claims arise against the Company from time to time in the ordinary course of business. The Company is generally self-insured for claims up to $2.0 million per claim. Accordingly, a reserve is maintained for the estimated costs of such claims. On June 29, 2003 and June 30, 2002 the reserve for product and general liability claims (which includes asbestos-related liabilities) was $4.7 million and $2.8 million, respectively. Because there is inherent uncertainty as to the eventual resolution of unsettled claims, no reasonable range of possible losses can be determined. Management does not anticipate that these claims, excluding the impact of insurance proceeds and reserves, will have a material adverse effect on the financial condition or results of operations of the Company.

In October 1998, the Company joined seventeen other companies in guaranteeing a $17.9 million letter of credit issued as a guarantee of certain City of Milwaukee Revenue Bonds used to develop a residential rental property. The Revenue Bonds were issued on behalf of a not-for-profit organization established to manage the project and rental property post construction. The revenues from the rental property are used to fund operating expenses and all debt service requirements. The Company's share of the guarantee and the maximum exposure to the Company under the agreement is $1.8 million. The letter of credit and underlying guarantee expires August 15, 2008. Management believes the likelihood is remote that material payments will be required under this guarantee. Accordingly, no liability has been reflected in the accompanying Consolidated Balance Sheets related to this item.

The Company has no material commitments for materials or capital expenditures as of June 29, 2003.

(10) Stock Options:

The Company has a Stock Incentive Plan under which 5,361,935 shares of common stock have been reserved for issuance. In accordance with the plan, the Company can issue to eligible employees stock options, stock appreciation rights, restricted stock, deferred stock, stock purchase rights and cash bonus awards. The plan also allows the Company to issue to directors non-qualified stock options and directors' fees in stock.

The Company has issued stock options to certain employees and directors in accordance with the plan, which are accounted for under Accounting Principles Board Opinion No. 25, and no compensation cost has been recognized. Had compensation cost for these plans been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net

income and earnings per share would have been reduced to the following pro forma amounts:

	2003	2002	2001
Net Income (in thousands):			
As Reported	**$ 80,638**	$ 53,120	$ 48,013
Compensation Cost	**(3,056)**	(3,626)	(3,199)
Pro Forma	**$ 77,582**	$ 49,494	$ 44,814
Basic Earnings Per Share:			
As Reported	**$ 3.73**	$ 2.46	$ 2.22
Pro Forma	**$ 3.59**	$ 2.29	$ 2.07
Diluted Earnings Per Share:			
As Reported	**$ 3.49**	$ 2.36	$ 2.21
Pro Forma	**$ 3.36**	$ 2.21	$ 2.07

Information on the options outstanding is as follows:

	Shares	Wtd. Avg. Ex. Price
Balance, July 2, 2000	1,327,028	$ 58.98
Granted During the Year	621,000	46.22
Exercised During the Year	(13,449)	20.45
Expired During the Year	(180,738)	49.08
Balance, July 1, 2001	1,753,841	$ 55.78
Granted During the Year	371,490	$ 49.19
Exercised During the Year	(39,597)	27.64
Expired During the Year	(199,094)	54.59
Balance, June 30, 2002	**1,886,640**	**$ 55.20**
Granted During the Year	**205,980**	**$ 46.69**
Exercised During the Year	**(122,060)**	**44.98**
Expired During the Year	**(294,770)**	**63.71**
Balance, June 29, 2003	**1,675,790**	**$ 53.40**

Grant Summary

Fiscal Year	Grant Date	Exercise Price	Date Exercisable	Options Outstanding	Expiration Date
1999	8-5-98	$ 44.98	8-5-01	157,180	8-29-03
2000	8-4-99	74.53	8-4-02	391,870	8-4-04
2001	8-3-00	46.22	8-3-03	580,910	8-3-07
2002	8-7-01	49.19	8-7-04	347,550	8-7-08
2003	8-13-02	46.69	8-13-05	198,280	8-13-09

The fair value of each option is estimated using the Black-Scholes option pricing model. The grant-date fair market value of the options and assumptions used to determine such value are:

Options Granted During	**2003**	2002	2001
Grant Date Fair Value	**$10.61**	$12.53	$11.47
Assumptions:			
Risk-free Interest Rate	**4.3%**	5.1%	6.0%
Expected Volatility	**38.4%**	40.3%	37.6%
Expected Dividend Yield	**3.3%**	3.1%	2.6%
Expected Term (In Years)	**7.0**	7.0	7.0

Under the Stock Incentive Plan, the Company has issued restricted stock to certain employees. During fiscal years 2003 and 2001, the Company issued 7,000 and 5,000 shares, respectively. No restricted shares were issued during fiscal year 2002. The restricted stock issued vests on the fifth anniversary date of issue provided that the recipient is still employed by the Company. The aggregate market value of the restricted stock at the dates of issue of $0.2 million in both fiscal years 2003 and 2001 has been recorded as unearned compensation, a separate component of the Shareholders' Investment section of the Consolidated Balance Sheets, and is being amortized over the five-year vesting period.

Under the Stock Incentive Plan the Company may also issue stock to its directors in lieu of directors fees upon election of the director. The Company has issued 1,317 shares, 800 shares and 800 shares in fiscal 2003, 2002 and 2001, respectively under this provision of the plan.

(11) Shareholder Rights Plan:

On August 6, 1996, the Board of Directors declared a dividend distribution of one common stock purchase right (a right) for each share of the Company's common stock outstanding on August 19, 1996. Each right would entitle shareowners to buy one-half of one share of the Company's common stock at an exercise price of $160.00 per full common share, subject to adjustment. The rights are not currently exercisable, but would become exercisable if events occurred relating to a person or group acquiring or attempting to acquire 15 percent or more of the outstanding shares of common stock. The rights expire on August 19, 2006, unless redeemed or exchanged by the Company earlier.

(12) Foreign Exchange Risk Management:

The Company enters into forward exchange contracts to hedge purchases and sales that are denominated in foreign currencies. The terms of these currency derivatives do not exceed twelve months and the purpose is to protect the Company from the risk that the eventual dollars being transferred will be adversely affected by changes in exchange rates.

The Company has forward foreign currency exchange contracts to purchase Japanese yen. These contracts are used to hedge the commitments to purchase engines from the Company's Japanese joint venture. The Company also has forward contracts to sell foreign currency. These contracts are used to hedge foreign currency collections on sales of inventory. The Company's foreign currency forward contracts are carried at fair value based on current exchange rates.

The Company has the following forward currency contracts outstanding at the end of fiscal 2003:

Hedge		In Millions					
Currency	Contract	Notional Value	Contract Value	Fair Market Value	(Gain)/Loss at Fair Value	Conversion Currency	Latest Expiration Date
Japanese Yen	Buy	410.0	3.5	3.4	0.1	U.S.	October 2003
Euro	Sell	46.0	51.0	52.4	1.4	U.S.	February 2004
Australian Dollar	Sell	1.5	0.9	1.0	0.1	U.S.	December 2003
Canadian Dollar	Sell	1.6	1.1	1.2	0.1	U.S.	November 2003

The Company continuously evaluates the effectiveness of its hedging program by evaluating its foreign exchange contracts compared to the anticipated underlying transactions.

(13) Employee Benefit Costs:

Retirement Plan and Postretirement Benefits

The Company has noncontributory, defined benefit retirement plans and postretirement benefit plans covering certain employees. The following provides a reconciliation of obligations, plan assets and funded status of the plans for the two years indicated, (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2003	2002	**2003**	2002
Actuarial Assumptions:				
Discounted Rate Used to Determine Present Value of Projected Benefit Obligation	**6.00%**	7.25%	**6.00%**	7.25%
Expected Rate of Future Compensation Level Increases	**3.0-5.0%**	4.0-5.0%	**n/a**	n/a
Expected Long-Term Rate of Return on Plan Assets	**8.75%**	9.0%	**n/a**	n/a
Change in Benefit Obligations:				
Actuarial Present Value of Benefit Obligations at Beginning of Year	**$ 747,621**	$ 703,275	**$ 123,465**	$ 108,557
Service Cost	**11,263**	10,014	**1,594**	1,341
Interest Cost	**52,276**	51,203	**8,258**	8,028
Plan Amendments	**1,234**	–	**–**	–
Plan Participant Contributions	**–**	–	**3,464**	–
Special Termination Benefits	**–**	4,907	**–**	2,183
Actuarial Loss	**127,441**	30,692	**74,534**	12,337
Benefits Paid	**(60,247)**	(52,470)	**(20,905)**	(8,981)
Actuarial Present Value of Benefit Obligation at End of Year	**$ 879,588**	$ 747,621	**$ 190,410**	$ 123,465
Change in Plan Assets:				
Plan Assets at Fair Value at Beginning of Year	**$ 856,503**	$ 940,582	**$ –**	$ –
Actual Return on Plan Assets	**54,350**	(32,866)	**–**	–
Plan Participant Contributions	**–**	–	**3,464**	–
Employer Contributions	**1,312**	1,257	**17,441**	8,981
Benefits Paid	**(60,247)**	(52,470)	**(20,905)**	(8,981)
Plan Assets at Fair Value at End of Year	**$ 851,918**	$ 856,503	**$ –**	$ –
Funded Status:				
Plan Assets (Less Than) in Excess of Projected Benefit Obligation	**$ (27,670)**	$ 108,882	**$ (190,410)**	$ (123,465)
Remaining Unrecognized Net Obligation (Asset)	**82**	90	**228**	275
Unrecognized Net Loss (Gain)	**56,237**	(95,637)	**112,284**	40,177
Minimum Pension Liability	**(4,522)**	–	**–**	–
Unrecognized Prior Service Cost	**28,210**	29,942	**41**	71
Net Amount Recognized at End of Year	**$ 52,337**	$ 43,277	**$ (77,857)**	$ (82,942)
Amounts Recognized on the Balance Sheets:				
Prepaid Pension	**$ 74,005**	$ 60,343	**$ –**	$ –
Accrued Pension Cost	**(20,368)**	(15,750)	**–**	–
Accrued Wages and Salaries	**(1,300)**	(1,316)	**–**	–
Accrued Postretirement Health Care Obligation	**–**	–	**(48,065)**	(62,753)
Accrued Liabilities	**–**	–	**(17,000)**	(8,000)
Accrued Employee Benefits	**–**	–	**(12,792)**	(12,189)
Net Amount Recognized at End of Year	**$ 52,337**	$ 43,277	**$ (77,857)**	$ (82,942)

The following table summarizes the plans' income and expense for the three years indicated (in thousands):

	Pension Benefits			Other Postretirement Benefits		
	2003	2002	2001	**2003**	2002	2001
Components of Net Periodic Benefit Cost:						
Service Cost-Benefits Earned During the Year	**$ 11,263**	$ 10,014	$ 9,482	**$ 1,594**	$ 1,341	$ 1,215
Interest Cost on Projected Benefit Obligation	**52,276**	51,203	48,079	**8,258**	8,028	7,091
Expected Return on Plan Assets	**(76,403)**	(77,192)	(73,053)	**–**	–	–
Amortization of:						
Transition Obligation (Asset)	**8**	(4,517)	(5,306)	**46**	46	47
Prior Service Cost	**2,965**	2,797	242	**31**	31	31
Actuarial (Gain) Loss	**(2,398)**	(8,328)	(7,822)	**2,428**	1,834	583
Net Periodic Benefit Expense (Income)	**$ (12,289)**	$ (26,023)	$ (28,378)	**$ 12,357**	$ 11,280	$ 8,967

In the second quarter of fiscal 2002, the Company offered and finalized an early retirement incentive program. As a result, the Company recorded $4.9 million of expense offsetting pension income of $26 million and $2.2 million was added to postretirement health care expense. The impact for the full fiscal year of 2002 reduced net income on an after-tax basis by $2.5 million, after consideration of salary and related expenditures savings.

In July 2001, the Company extended its collective bargaining agreement with one of its unions. As part of this contract extension, the Company agreed to pay certain amounts to employees who were hired prior to January 1, 1980 upon their retirement. The impact of this plan amendment is included in the above tables.

The Company's supplemental pension plan has benefit obligations in excess of plan assets. The benefit obligation, accumulated benefit obligation and fair value of plan assets were $26.5 million, $21.7 million and $0.1 million respectively for fiscal year 2003 and $25.2 million, $17.9 million and $0.1 million respectively for fiscal year 2002. In fiscal 2003, the Company recorded an additional minimum pension liability for the supplemental pension plan as a result of the increase in its accumulated benefit obligation due to changes in the actuarial assumptions. This resulted in an increase in the accrued pension cost of $4.5 million, an increase in Accumulated Other Comprehensive Loss of $4.2 million and the recognition of an intangible asset of $0.3 million.

The postretirement benefit plans are essentially unfunded.

For measurement purposes a 9% annual rate of increase in the per capita cost of covered health care claims was assumed for the fiscal year 2004 decreasing gradually to 5% for the fiscal year 2008. The health care cost trend rate assumption has a significant effect on the amounts reported. An increase of one percentage point, would increase the accumulated postretirement benefit by $12.9 million and would increase the service and interest cost by $0.7 million for the year. A corresponding decrease of one percentage point, would decrease the accumulated postretirement benefit by $12.2 million and decrease the service and interest cost by $0.7 million for the fiscal year.

Defined Contribution Plans

The Company has a defined contribution retirement plan that includes most U.S. non-Wisconsin employees. Under the plan, the Company makes an annual contribution on behalf of covered employees equal to 2% of each participant's gross income, as defined. For the fiscal years 2002 and 2001, the net expense related to these plans was $1.6 million and $0.2 million, respectively. Effective July 1, 2002, this plan was frozen and no future employer contributions will be made.

Employees of the Company may participate in a salary reduction deferred compensation retirement plan. A maximum of 1-1/2% or 3% of each participant's salary, depending upon the participant's group, is matched by the Company. For certain employees, this Company matching contribution is discretionary. The Company contributions totaled $4.3 million in 2003, $4.1 million in 2002 and $4.7 million in 2001.

Postemployment Benefits

The Company accrues the expected cost of postemployment benefits over the years that the employees render service. These benefits are substantially smaller amounts because they apply

only to employees who permanently terminate employment prior to retirement. The items include disability payments, life insurance and medical benefits. These amounts are also discounted using an interest rate of 6.00% and 7.25% for fiscal year 2003 and 2002, respectively. Amounts are included in Accrued Employee Benefits in the Consolidated Balance Sheets.

(14) Disclosures About Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents, Receivables, Accounts Payable, Domestic Notes Payable, Foreign Loans, Accrued Liabilities and Income Taxes Payable: The carrying amounts approximate fair market value because of the short maturity of these instruments.

Long-Term Debt: The fair market value of the Company's long-term debt is estimated based on market quotations at year end.

The estimated fair market values of the Company's Long-Term Debt is (in thousands):

	2003	
	Carrying Amount	**Fair Value**
Long-term Debt –		
5.00% Convertible Notes Due 2006	**$ 140,000**	**$ 168,725**
7.25% Notes Due 2007	**$ 89,217**	**$ 91,873**
8.875% Notes Due 2011	**$ 270,587**	**$ 324,237**

	2002	
	Carrying Amount	Fair Value
Long-term Debt –		
5.00% Convertible Notes Due 2006	$ 140,000	$ 150,865
7.25% Notes Due 2007	$ 89,031	$ 88,712
8.875% Notes Due 2011	$ 269,991	$ 288,562

(15) Separate Financial Information of Subsidiary Guarantors of Indebtedness

In June of 1997, Briggs & Stratton issued $100 million of 7.25% senior notes to finance the purchase of outstanding shares. In May 2001, the Company issued $275 million of 8.875% senior notes to fund the acquisition of BSPPG and $140 million of 5% convertible senior notes to replace an existing revolving line of credit. In addition, Briggs & Stratton has a $300 million revolving credit facility that expires in September 2004 used to finance seasonal working capital needs.

Under the terms of Briggs & Stratton's 8.875% senior notes, 5.00% convertible senior notes, 7.25% senior notes and revolving credit agreement, (collectively, the "Domestic Indebtedness"), BSPPG became a joint and several guarantor of the Domestic Indebtedness (the "Guarantor"). Additionally, if at any time a domestic subsidiary of Briggs & Stratton constitutes a significant domestic subsidiary, then such domestic subsidiary will also become a guarantor of the Domestic Indebtedness. Currently all of the Domestic Indebtedness is unsecured. In the event that the ratings of certain of our debt are reduced, our Domestic Indebtedness, excluding the convertible notes, will be entitled to participate in a pledge of substantially all of our assets. The Guarantor, at that time, is obligated to pay the outstanding Domestic Indebtedness if Briggs & Stratton were to fail to make a payment of interest or principal on its due date. Briggs & Stratton had the following outstanding amounts related to the guaranteed debt (in thousands):

	June 29, 2003 Carrying Amount	Maximum Guarantee
8.875% Senior Notes, due March 15, 2011	$ 270,587	$ 275,000
5.00% Convertible Senior Notes, due May 15, 2006	$ 140,000	$ 140,000
7.25% Senior Notes, due September 15, 2007	$ 89,217	$ 90,000
Revolving Credit Facility, expiring September 2004	$ –	$ 300,000

The following condensed supplemental consolidating financial information reflects the summarized financial information of Briggs & Stratton, its Guarantor, and Non-Guarantor Subsidiaries (in thousands):

BALANCE SHEET: As of June 29, 2003	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current Assets	$ 617,409	$ 159,067	$ 99,311	$ (68,640)	$ 807,147
Investment in Subsidiary	333,730	–	–	(333,730)	–
Noncurrent Assets	483,227	180,903	3,916	–	668,046
	$ 1,434,366	$ 339,970	$ 103,227	$ (402,370)	$ 1,475,193
Current Liabilities	$ 256,358	$ 51,610	$ 53,846	$ (60,419)	$ 301,395
Long-Term Debt	503,397	–	–	–	503,397
Other Long-Term Obligations	151,521	3,855	38	–	155,414
Shareholders' Equity	523,090	284,505	49,343	(341,951)	514,987
	$ 1,434,366	$ 339,970	$ 103,227	$ (402,370)	$ 1,475,193
As of June 30, 2002					
Current Assets	$ 532,790	$ 96,418	$ 70,387	$ (24,088)	$ 675,507
Investment in Subsidiary	312,679	–	–	(312,679)	–
Noncurrent Assets	496,057	182,665	2,372	–	681,094
	$ 1,341,526	$ 279,083	$ 72,759	$ (336,767)	$ 1,356,601
Current Liabilities	$ 242,856	$ 10,017	$ 30,327	$ (18,934)	$ 264,266
Long-Term Debt	499,022	–	–	–	499,022
Other Long-Term Obligations	144,517	(850)	–	–	143,667
Shareholders' Equity	455,131	269,916	42,432	(317,833)	449,646
	$ 1,341,526	$ 279,083	$ 72,759	$ (336,767)	$ 1,356,601

STATEMENT OF EARNINGS: For the Fiscal Year Ended June 29, 2003	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	$ 1,369,786	$ 318,707	$ 116,875	$ (147,735)	$ 1,657,633
Cost of Goods Sold	1,103,714	280,477	88,278	(145,262)	1,327,207
Gross Profit	266,072	38,230	28,597	(2,473)	330,426
Engineering, Selling, General and Administrative Expenses	141,296	20,795	15,931	–	178,022
Income from Operations	124,776	17,435	12,666	(2,473)	152,404
Interest Expense	(39,558)	(10)	(644)	(177)	(40,389)
Other (Expense) Income, Net	24,176	1,007	(8,775)	(9,845)	6,563
Income Before Provision for Income Taxes	109,394	18,432	3,247	(12,495)	118,578
Provision for Income Taxes	28,756	6,328	2,856	–	37,940
Net Income	$ 80,638	$ 12,104	$ 391	$ (12,495)	$ 80,638
For the Fiscal Year Ended June 30, 2002					
Net Sales	$ 1,334,921	$ 215,904	$ 80,976	$ (102,501)	$ 1,529,300
Cost of Goods Sold	1,102,548	195,533	62,416	(103,158)	1,257,339
Gross Profit	232,373	20,371	18,560	657	271,961
Engineering, Selling, General and Administrative Expenses	123,114	18,420	12,141	–	153,675
Income from Operations	109,259	1,951	6,419	657	118,286
Interest Expense	(43,600)	(50)	(889)	106	(44,433)
Other Income, Net	12,523	251	13,609	(19,726)	6,657
Income Before Provision for Income Taxes	78,182	2,152	19,139	(18,963)	80,510
Provision for Income Taxes	25,062	761	1,567	–	27,390
Net Income	$ 53,120	$ 1,391	$ 17,572	$ (18,963)	$ 53,120
For the Fiscal Year Ended July 1, 2001					
Net Sales	$ 1,247,927	$ 29,587	$ 80,701	$ (51,577)	$ 1,306,638
Cost of Goods Sold	1,037,817	25,814	61,159	(51,407)	1,073,383
Gross Profit	210,110	3,773	19,542	(170)	233,255
Engineering, Selling, General and Administrative Expenses	124,146	2,656	10,882	–	137,684
Income from Operations	85,964	1,117	8,660	(170)	95,571
Interest Expense	(28,024)	(23)	(2,642)	24	(30,665)
Other (Expense) Income, Net	12,109	(1,073)	8,841	(12,910)	6,967
Income Before Provision for Income Taxes	70,049	21	14,859	(13,056)	71,873
Provision for Income Taxes	22,036	7	1,817	–	23,860
Net Income	$ 48,013	$ 14	$ 13,042	$ (13,056)	$ 48,013

STATEMENT OF CASH FLOWS: For the Fiscal Year Ended June 29, 2003	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income	$ 80,638	$ 12,104	$ 391	$ (12,495)	$ 80,638
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	60,268	2,651	607	–	63,526
Equity in (Earnings) Loss of Unconsolidated Affiliates	(15,546)	–	178	10,144	(5,224)
Loss (Gain) on Disposition of Plant and Equipment	4,900	(1,005)	(45)	–	3,850
Provision for Deferred Income Taxes	17,569	6,709	–	–	24,278
Change in Operating Assets and Liabilities:					
(Increase) Decrease in Receivables	(1,122)	(29,141)	449	23,856	(5,958)
Decrease (Increase) in Inventories	9,542	(14,217)	(9,608)	2,351	(11,932)
(Increase) in Prepaid Expenses and Other Current Assets	(2,098)	(807)	(1,758)	–	(4,663)
Increase in Accounts Payable, Accrued Liabilities and Income Taxes	21,130	12,331	34,716	(23,856)	44,321
(Increase) Decrease in Prepaid Pension	(13,609)	43	–	–	(13,566)
Other, Net	(5,700)	42	(2,217)	–	(7,875)
Net Cash Provided by (Used by) Operating Activities	155,972	(11,290)	22,713	–	167,395
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to Plant and Equipment	(34,855)	(4,251)	(1,048)	–	(40,154)
Proceeds Received on Disposition of Plant and Equipment	255	3,135	74	–	3,464
Other, Net	6,080	–	3,781	–	9,861
Net Cash (Used by) Provided by Investing Activities	(28,520)	(1,116)	2,807	–	(26,829)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net (Repayments) Borrowings on Loans and Notes Payable	(12,741)	12,191	(14,405)	–	(14,955)
Cash Dividends Paid	(27,709)	–	–	–	(27,709)
Proceeds from Exercise of Stock Options	5,490	–	–	–	5,490
Net Cash (Used by) Provided by Financing Activities	(34,960)	12,191	(14,405)	–	(37,174)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	–	835	4,643	–	5,478
NET INCREASE IN CASH AND CASH EQUIVALENTS	92,492	620	15,758	–	108,870
Cash and Cash Equivalents, Beginning of Year	211,611	955	3,379	–	215,945
Cash and Cash Equivalents, End of Year	$ 304,103	$ 1,575	$ 19,137	$ –	$ 324,815

STATEMENT OF CASH FLOWS: For the Fiscal Year Ended June 30, 2002	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income	$ 53,120	$ 1,391	$ 17,572	$ (18,963)	$ 53,120
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	62,590	2,812	566	–	65,968
Equity in (Earnings) Loss of Unconsolidated Affiliates	(23,222)	–	189	16,852	(6,181)
Loss (Gain) on Disposition of Plant and Equipment	3,593	(387)	(14)	–	3,192
Provision for Deferred Income Taxes	12,103	8,183	–	–	20,286
Change in Operating Assets and Liabilities:					
(Increase) in Receivables	(44,711)	(1,343)	(15,942)	5,312	(56,684)
Decrease (Increase) in Inventories	126,271	(2,352)	(1,549)	(657)	121,713
(Increase) in Prepaid Expenses and Other Current Assets	(1,286)	(122)	(111)	–	(1,519)
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Income Taxes	31,650	(2,976)	1,617	(5,312)	24,979
(Increase) Decrease in Prepaid Pension	(23,101)	289	–	–	(22,812)
Other, Net	(1,494)	(751)	–	–	(2,245)
Net Cash Provided by (Used by) Operating Activities	195,513	4,744	2,328	(2,768)	199,817
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to Plant and Equipment	(41,048)	(1,824)	(1,056)	–	(43,928)
Proceeds Received on Disposition of Plant and Equipment	362	9	35	–	406
Other, Net	5,120	–	–	–	5,120
Net Cash (Used by) Investing Activities	(35,566)	(1,815)	(1,021)	–	(38,402)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net Borrowings (Repayments) on Loans and Notes Payable	3,022	(3,697)	(1,021)	–	(1,696)
Borrowings (Repayments) on Long-Term Debt	(10,393)	–	–	–	(10,393)
Cash Dividends Paid	(27,219)	–	(2,768)	2,768	(27,219)
Proceeds from Exercise of Stock Options	1,078	–	–	–	1,078
Net Cash (Used by) Financing Activities	(33,512)	(3,697)	(3,789)	2,768	(38,230)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(106)	1,040	3,083	–	4,017
NET INCREASE IN CASH AND CASH EQUIVALENTS	126,329	272	601	–	127,202
Cash and Cash Equivalents, Beginning of Year	85,282	683	2,778	–	88,743
Cash and Cash Equivalents, End of Year	$ 211,611	$ 955	$ 3,379	$ –	$ 215,945

Notes . . .

STATEMENT OF CASH FLOWS: For the Fiscal Year Ended July 1, 2001	Briggs & Stratton Corporation	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income	$ 48,013	$ 14	$ 13,042	$ (13,056)	$ 48,013
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	57,724	1,349	638	–	59,711
Equity in (Earnings) Loss of Unconsolidated Affiliates	(5,762)	–	159	562	(5,041)
(Gain) Loss on Disposition of Plant and Equipment	1,499	–	(6)	–	1,493
Provision for Deferred Income Taxes	17,691	282	–	–	17,973
Change in Operating Assets and Liabilities:					
Decrease in Receivables	36,807	1,966	5,375	(8,036)	36,112
(Increase) Decrease in Inventories	(7,800)	(2,811)	1,659	170	(8,782)
(Increase) Decrease in Prepaid Expenses and Other Current Assets	228	89	(161)	–	156
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Income Taxes	(47,225)	4,251	(11,753)	8,036	(46,691)
(Increase) Decrease in Prepaid Pension	(28,646)	268	–	–	(28,378)
Other, Net	(6,389)	(209)	–	–	(6,598)
Net Cash Provided by (Used by) Operating Activities	66,140	5,199	8,953	(12,324)	67,968
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to Plant and Equipment	(60,262)	(481)	(579)	–	(61,322)
Proceeds Received on Disposition of Plant and Equipment	4,113	–	39	–	4,152
Investments in Subsidiaries, Net of Cash Acquired	(270,632)	456	3,002	–	(267,174)
Other, Net	6,434	–	(138)	–	6,296
Net Cash Provided by (Used by) Investing Activities	(320,347)	(25)	2,324	–	(318,048)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net Borrowings (Repayments) on Loans and Notes Payable	(41,175)	(4,334)	2,935	–	(42,574)
Borrowings (Repayments) on Long-Term Debt	399,415	–	–	–	399,415
Cash Dividends Paid	(26,763)	–	(12,324)	12,324	(26,763)
Purchase of Common Stock for Treasury	(6,118)	–	–	–	(6,118)
Proceeds from Exercise of Stock Options	275	–	–	–	275
Net Cash Provided by (Used by) Financing Activities	325,634	(4,334)	(9,389)	12,324	324,235
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	–	(157)	(2,244)	–	(2,401)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	71,427	683	(356)	–	71,754
Cash and Cash Equivalents, Beginning of Year	13,855	–	3,134	–	16,989
Cash and Cash Equivalents, End of Year	$ 85,282	$ 683	$ 2,778	$ –	$ 88,743