



## **BRIGGS & STRATTON CORPORATION**

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August 26, 2004

Dear Shareholder:

By any measure, fiscal 2004 was an outstanding year for Briggs & Stratton. On behalf of the Company, I would like to thank our shareholders, customers, employees, suppliers, alliance partners, the communities in which we operate, and all our other stakeholders for the success we have achieved. It is this cooperative effort, that we call our Briggs & Stratton "big tent" concept, which is the key element of our strategy.

Overall, net income for the full fiscal year improved 69% to \$136 million. This represents the third year in a row we have achieved double-digit earnings increases—a financial "three-peat." We earned record Economic Value Added (EVA®) for the fiscal year of \$72 million and, just as important, our Power Products Group achieved positive EVA on schedule, justifying the price we paid for it three years ago.

In the process of achieving these financial accomplishments, we met a number of significant challenges this year. In a year where all areas of the business demanded a record level of product from us, we continued to carry out our role as a market leader and delivered the product the market demanded. Our market leadership position and the need to assure delivery of product caused us to increase our level of finished goods inventory at year-end because we anticipate an even stronger fiscal 2005. Manufacturing and operating cost increases tested our cost leadership discipline, but we overcame them with productivity and cost reduction programs in addition to efficient production of greater volumes of product. In addition, we will obtain future cost and capacity benefits from a new China production facility that we began constructing in fiscal 2004 and which will start production during fiscal 2005. In our efforts to remain at the forefront of product innovation, our Engine Products Group successfully introduced our updated low-cost Classic™ engine which meets the emissions requirements in all U.S. jurisdictions, and at the same time substantially increased capacity in response to strong market demand. Our Large Engine Division (riding mower and larger utility engines) reassumed its position as a strong EVA producer for the Company. Finally, our engineers and product development people successfully introduced exciting new products, like the "Fresh Start™" automatic fuel stabilizer and the 4-cycle micro engine.

We are pleased to report continued progress in the execution of our strategy to integrate more effectively with our customers. Recall that our approach is a shared strategy with our customers intended to meet the primary industry challenge of retail commoditization pressures. It 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.

During the fiscal year, we began an important initiative in the service element of our strategy with the rationalization of our distributor network and the cooperative development with our key distributors of a superior low-cost retail service and product return solution. We continued to expand the range of products carrying the Briggs & Stratton Power Products brand, and we made remarkable strides in bringing our cost leadership operating discipline to our Power Products Group operations. We recently concluded a strategic alliance with The Toro Company to cooperatively produce 2-cycle, single-stage snow thrower engines. Toro is an important strategic partner, and we welcome this opportunity to extend our reach into the snow thrower market with them. Finally, we extended our power play strategy to the lawn and garden market with the Simplicity/Snapper acquisition, which was completed shortly after the end of the fiscal year.

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The Simplicity/Snapper acquisition is worthy of more extensive comment, as it represents our Company's first attempt to serve the lawn and garden industry directly. The most frequent question we receive is: Does this initiative place us at cross-purposes with our extensive lawn and garden customer base? In addressing this, we should first respond to the ultimate question: Why did Briggs & Stratton acquire Simplicity/Snapper? First, Snapper has been shown by our consumer research to be one of the top five brands of both rider and walk-behind mowers in the minds of consumers. We believe we can mine that value through cooperative arrangements with our traditional OEM customers. Simplicity is a solid regional premium brand with a strong dealer sales network. We believe this represents an important channel for the marketing of our Power Products Group offerings, including gensets, pressure washers, outboard motors and other end products. Simplicity is a quality producer and one of the leading innovators in the category. We can bring these high value innovations to our products and those of our key customers for mutual benefit. Finally, the Ferris division of Simplicity is a leading player in the commercial turf industry, which we have found to be a very compelling business.

So what does this all say to our traditional OEM power products customers? If important consumer brands become available in the market place, we will invest in acquiring those brands on behalf of our key customers and ourselves. If our customers are interested in cooperative product development initiatives, we are prepared to make the required investments. If our customers wish to pursue investments in efficient capacity of high value consumer products, we are an interested partner. If our customers see integrating efficiencies in a merger of complementary industry players, we are prepared to support such business combinations as a co-investor and, if our customers are so disposed, we will invest in cooperative marketing initiatives that have a high probability of producing a positive economic value.


We have a major stake in the success of our traditional OEM power products customers, and we are committed to developing high-value relationships with them for mutual benefit.

#### Outlook for 2005

We maintain a very positive outlook for the upcoming year. It is our belief that both the domestic and international lawn and garden markets had a good retail selling season which left inventories at levels which should benefit us next year. At this time we believe we will retain our market leadership position in all segments of our existing businesses and the Simplicity acquisition will be accretive immediately. We will maintain our focus on cost leadership and anticipate that a combination of cost reduction programs and price increases will offset the higher costs of raw material that we expect to experience in fiscal 2005.

We will strive to meet the improved top and bottom line results we have projected, and we plan on doing it with that same level of cooperative spirit that I recounted in describing our success in fiscal 2004.

Once again, thanks to all the stakeholders who have made this year a great success.



John S. Shiely  
Chairman, President and Chief Executive Officer