August 24, 2006

Dear Shareholder:

Fiscal 2006 was an extraordinarily disappointing year for our Company and the industry as a whole. Our industry association reported a downturn in U.S. sales overall of about 7%, and that was consistent with our experience.

Our consolidated net sales for fiscal 2006 were $2.54 billion, down 4% from fiscal 2005; and consolidated net income was $102.3 million, down 25% from the previous year. Most of the reversal in sales and profits was attributable to decreased shipments due to the market downturn.

Pricing improvements in both of our operating segments were offset by decreased shipping volumes, increased legal and professional fees, stock option expensing and expenses associated with the termination of operations and liquidation of assets acquired from Murray, Inc.

But we did make substantial progress in execution of our corporate strategy, which will bode well for the future of our Company.

Recent developments in our industry have represented a challenge to our profitability and that of the industry as a whole: the bankruptcy of the third leading lawn and garden equipment producer, the continued consolidation of the retail customer base, the financial and operational problems of a major value engine producer, the decision of a commercial engine producer to compete in the value engine segment, and the introduction of Chinese engines of questionable quality into the category by a lawn mower producer. There is no doubt in our minds that a further shakeout in the category is inevitable. It has been said that in chaos there is opportunity. We believe we are uniquely positioned to emerge from this environment more successful than ever, due to our leadership position in engine power products, our global cost management initiatives, our strong service support network, and the strength of our brands.

Along those lines, I think it would be useful to reiterate the major elements of our “powerful solution” strategy, a strategy that we believe is not only a winning one for us as a corporation, but also for the industry. Those elements are as follows:

Integration

We are convinced that the shared strategy of integration of engine companies and traditional end product producers is best calculated to meet the primary industry challenges of retail commoditization pressures and the competition of integrated producers from countries with favorable labor economics.

We continue to develop solid integration initiatives with major power products equipment producers in lawn and garden products and snow throwers, and that is clearly our preference. We have an enormous 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.

On the other hand, in the case of those outdoor power equipment producers who have chosen to pursue an independent and less competitive approach to the marketplace utilizing competitive engines, we must be prepared to offer a higher value integrated alternative, and we are confident we have the capabilities to accomplish that.

Cost Leadership

In the current environment, it is imperative that our Company execute a global strategy in which the lowest cost power products are produced for each geographic region. The key factor on this front is that for markets with a mowing culture (America, Europe, Australasia, etc.), the selling season is compressed into 3 or 4 months. Accordingly, there is a clear cost advantage in serving such markets domestically.

For the U.S. market, we continue to produce the majority of our products in our highly productive and cost effective focus factories in the mid-south (the geographic center of the market). The key to economic competitiveness of domestic factories relative to those of low cost Asian copy producers is productivity. One of our U.S. focus factories is so productive that it turns out an engine with about one-half hour of labor. And the Asian producer must absorb the costs of transportation and logistics. The wild card then becomes whatever export credits or tax relief the Asian producer claims. But in any event, the supply lines of Asian producers are such that they cannot serve the brand product requirements and tight seasonal demands of the core lawn and garden market solely from facilities on the other side of the globe.

Our most recent low-cost engine facility initiative is our plant under construction in Ostrava, Czech Republic, designed to serve our traditional market in Western Europe and the rapidly growing lawn & garden market in Eastern Europe. The plant will be fed with components both from cost efficient domestic producers and our Asian sourcing capabilities. We believe this facility will earn us a clear preference in the European market over non-domestic alternatives.

For the global market for non-mower utility power products (generators, pumps and other commercial and agricultural products), our facilities in Chongqing and Shanghai, China are clearly the low-cost global solution, and these facilities continue to achieve significant improvements in quality and cost reduction.

Brand Development

Recent acquisitions have added the brands of Simplicity, Snapper, Ferris, Giant Vac and Murray to the perennially powerful Briggs & Stratton brand. While we have re-invigorated the Briggs & Stratton brand with our progressive “The Power Within” initiative, we continue to invest in our family of brands to effectively distinguish our products from those of the commodity producers in both consumer and commercial markets.

Category Management

Unfortunately, the outdoor power equipment category is one that has not traditionally been merchandized as effectively as others in home improvement retailing. The category is often represented by limited product offerings and displaced with other products outside of the core spring selling season. But, in fact, the retailers in the category claiming the greatest shares are those that sell the broadest range of products during an extended selling season.

One of the primary motivations for our aggressive acquisition and product development tactics has been to be able to achieve a position where we are able to offer our retail customers a full complement of product offerings for the category. We will continue to make the necessary investments in market research, product development and promotion to be the preferred provider for our retail customers for broad product and seasonal requirements.

Returns and Service Support

The key to success in the outdoor power equipment business is in managing returns and service support. Outdoor power equipment is a mechanical product that requires a certain modicum of knowledge and maintenance for proper operation. Accordingly, product return and service rates have been significantly higher than other products in the retail space. While we maintain the most capable service network in the industry, we have also invested heavily in human factor analysis and service technologies intended to significantly reduce return and service costs in the category. This is another example of the ways in which we distinguish ourselves from the commodity producer.

Logistics

In a business as seasonal as outdoor power products, the ability to deliver product of threshold quality, on time and in the right place is crucial to success. Our acquisitions in the generator/pressure washer and lawn & garden segments have provided us with the systems and insights required to support a superior approach to logistics in serving our customers, and we will continue to make investments in systems required to be the preferred provider from a logistical standpoint.

The outdoor power products business is an exceptionally competitive one, but for the reasons stated above, we believe our Company is well geared to continue our profitable leadership position in the industry, and we are committed to doing everything required to make that happen.

It bears repeating what I have said in the past regarding recent developments in our industry. 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.

Outlook for 2007

We are projecting a modest rebound in the outdoor power equipment market for fiscal 2007. The financial burden of the Murray, Inc. rationalization is behind us. We expect to claim our traditional share or better in the engine segment, despite our institution of a surcharge for extraordinary increases in the cost of aluminum, our primary commodity. We have refocused our efforts to drive down costs with our cost reduction initiatives in the manufacturing areas. Additionally, we have undertaken a targeted reduction of our operating expenses.

We have but one primary mission at Briggs & Stratton, and that is create economic value added for our investors; and the means by which we do that is to create value for all our key constituencies—customers, suppliers, employees, and the communities in which we operate.

John S. Shiely
Chairman, President and Chief Executive Officer