August 30, 2007

Dear Shareholder:

Fiscal 2007 was marked by considerable headwinds for our company, including a lack of landed hurricanes and a third downturn year in a row for U.S. lawn and garden industry sales, unprecedented in recent memory. Revenues were down 15% to $2.16 billion. Our financial performance was poor, with accounting write-downs, including charges related to two plant closures, virtually eliminating our profits.

There were a few positive operating achievements. We did a good job managing expenses, maintaining market share, rationalizing our operations and cutting production to work our inventory levels down to a more manageable level than last year end.

The continued industry shakeout we predicted last year proved true, with the shutdown of all walk behind lawnmower engine production by our longtime leading competitor. But we see opportunity in difficult industry conditions, and we continue to make the investments required to emerge from this period stronger and more profitable than ever. Our confidence is grounded in our strong commitment to the cost leadership value discipline, our solid service support network, our superior capability in terms of producing quality products and timely delivery, and the strength of our brands.

The most notable developments for the year were related to advances we made in executing our “Powerful Solution” strategy. As described in prior letters to our shareholders, the primary thrust of this strategy is to achieve virtual integration of power products by engaging the traditional industry end product producers in a cooperative effort. The basis for the strategy is to effectively meet the two most critical challenges to our industry today: 1) the consolidation of power products retailers, and 2) the threat of competition from low cost countries (LCCs), particularly China.

What is the substance of these challenges? Retail consolidation creates an environment of ever more demanding thresholds of price, quality and attractive features. Competition from LCCs is primarily a cost dynamic, but also involves an integration challenge. Absent an effective strategy, the potential impact of these challenges is the commoditization of the power products industry and our position in it, with the predictably negative effect on operating margins. Successful implementation of the Powerful Solution will not only ensure our profitability, but also increase our presence in the category. We believe that this year’s progress in implementing our strategy will put us in a unique position to convert challenges into opportunities. Our progress for fiscal 2007 on various elements of the Powerful Solution strategy are as follows:

Integration

We are convinced that only integrated companies (those involved either on their own or through strategic alliances in the seamless production of complete power products, including the engine and end product) will survive and thrive in the face of modern retail demands and Chinese competition. Why is this so? Integration provides powerful economic and competitive benefits in purchasing, product development, operations and market development. In other words, the integrated player will produce the highest value, lowest relative cost product with a powerful brand proposition. We know this first hand, as we have proven the benefits through our integration of the generator and pressure washer businesses.

Moreover, we believe the current strategy of Chinese competitors of selling engines to U.S. and European power products producers is merely an interim one, designed to establish the credibility of their products in the market. We have little doubt that they will move quickly to market integrated product into these markets. Traditional firms in the power products markets who fail to integrate will find themselves at a disadvantage.

What have we done to support the integration element of our strategy this year? We have consolidated our Yard Power Products Group (producing Simplicity, Snapper, Murray and Ferris products) management and administrative functions at a discrete headquarters adjacent to our corporate headquarters in Milwaukee. Engineering functions for YPPG are conducted in the same facility and in concert with our engine engineers.

Along with our Home Power Products Group integration efforts, this creates the first major integrated product development capability in the mass retail power products industry. We continue to see the substantial advantages of operating this way.

Another major integration initiative is the development of a high volume walk mower factory in Newbern, Tennessee. Contiguous to our walk mower engine factories in Murray, Kentucky and Poplar Bluff, Missouri, (the two largest walk engine factories in the world), this facility will be able to deliver integrated product not only on delivery schedules unheard of in the past, it will achieve considerable economic benefits in terms of operating and purchasing synergies. It will also provide our retail customers an attractive alternative to non-Briggs & Stratton powered products.

And these internal integration initiatives are on top of the strategic alliances we maintain and build upon each year with major traditional power products producers. We continue to increase the number and range of integrated product we produce for our partners, some of the biggest name brands in the industry.

Cost Leadership

Competing in the face of the previously described challenges requires an ever more firm commitment to our long held value discipline of cost leadership. We are executing a global strategy in which we will be the lowest cost producer of quality power products for each geographic region we serve. Our primary markets continue to be for mowing equipment where the selling season is compressed into three or four months. Accordingly, there is a clear competitive advantage in serving these markets with some modicum of domestic production, while maintaining the cost leadership value discipline.

We made substantial progress on the cost leadership front this year. We brought up our walk mower engine plant in Ostrava, Czech Republic on time and under budget. This will be the only high volume engine facility in Europe, and will be fed with components both from cost efficient domestic producers and our Asian sourcing capabilities. This facility will earn us a superior preference in the European market over non-domestic alternatives, and the recent increase in purchase interest of our European customers proves that.

An initiative of enormous import to our strategy was also begun this year, with the plan for the shutdown of two major production facilities and the further rationalization of our U.S operations.

The Rolla, Missouri engine plant will be closed, with the utility engine products produced there being moved to our most cost efficient plant in China. The balance of the production, basically higher-end walk mower engine products, will be transferred to our plant in Poplar Bluff, Missouri where they will accrue to the higher level of cost absorption and productivity which will be achieved in a higher volume environment.

On the Yard Power Products front, we have developed plans to shut down our Port Washington, Wisconsin plant to consolidate our rider mower and other non-walk mower products into a higher volume, more productive and cost efficient facility in McDonough, Georgia. This move will bring us closer geographically to the center of the relevant customer base.

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

With the completion of these initiatives, we will claim as a competitive advantage the most efficient and cost effective integrated manufacturing capability worldwide in our industry, achieving an unparalleled level of response to customer demands. This will make a huge contribution to the value creation calculus at Briggs & Stratton.

Brand Development

It is axiomatic that the perfect antidote to commoditization is strong brands. The Powerful Solution strategy approaches brand development at two levels: First, we are positioning the “Briggs & Stratton” brand as an umbrella brand which provides to customers a broad guarantee of meeting threshold demands for quality, affordability and consumer confidence. We have built this brand over generations of delivering preferred product across all channels and retailers. And market research confirms that this equity applies not only to engines, but also carries over to a broad range of power products. We continue to invest heavily in supporting the Briggs & Stratton brand with “The Power Within” initiative, to effectively distinguish our products from those of the commodity producers in both the consumer and commercial markets.

The second level involves trade brands. By that we mean brands that can be exploited by individual retailers to differentiate their products and drive sales. Recent acquisitions have brought us valuable trade brands: Simplicity, Snapper, Ferris, Giant Vac and Murray. We continue to build our brand portfolio through license agreements and by acquiring brands to provide for further differentiation.

Finally, we have introduced a new trade brand of our own, “Brute by Briggs & Stratton”, that captures much of the equity of our engine business for the power products side of our business. With the introduction of this brand on various lines of attractively priced and high quality power products, we have created a great deal of retail and consumer interest in the new brand.

Category Management

The outdoor power equipment category is one that has not traditionally been merchandized as effectively as others in home products retailing. The category is often represented by limited product offerings, which are 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. Our introduction this year of a solid selling line of compressors has made a significant contribution to our category management initiative. 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 and garden product categories 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 we 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 2008

Our outlook for 2008 assumes a modest recovery of the lawn and garden market. And we are well positioned to pick up the engine business that will be available due to the operational reversals of a major competitor. We will begin to see benefits from our U.S. plant rationalizations, which benefits will be fully realized in fiscal 2009. And we have adopted aggressive cost management plans to drive improved margins, and developed attractive new products for our customers.

As our projected outlook for 2008 assumes no hurricane activity, there is a real prospect for upside improvement. But perhaps the greatest prospect for recovery can be found by reference to our historical econometric model. The model, refined over the last couple of decades, projects the vast majority of demand for power products by applying a seven-year replacement cycle. When there is a significant gap between projected and actual demand, as there has been for the last three years, our experience is that this deferred demand ultimately exhibits itself in a solid selling season. There are a lot of power products in the hands of consumers that are overdue for replacement, and we have positioned ourselves well to capture the economic benefits of that recovery when it comes.

John S. Shiely
Chairman, President and Chief Executive Officer