

Notes to Consolidated Financial Statements

FOR THE FISCAL YEARS ENDED JUNE 29, 2008, JULY 1, 2007 AND JULY 2, 2006

(1) Nature of Operations:

Briggs & Stratton (the "Company") is a U.S. based producer of air cooled gasoline engines and engine powered outdoor equipment. The engines are sold worldwide, primarily to original equipment manufacturers of lawn and garden equipment and other gasoline engine powered equipment. The Company's wholly owned subsidiary, Briggs & Stratton Power Products Group, LLC ("BSPPG"), is a designer, manufacturer and marketer of a wide range of outdoor power equipment and related accessories. BSPPG's products are sold primarily in the U.S.

(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. Fiscal years 2008, 2007 and 2006 were all 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. Bank overdrafts of \$2.2 million and \$16.2 million are included in accounts payable at June 29, 2008 and July 2, 2007, respectively.

Receivables: Receivables are recorded at their original carrying value less reserves for estimated uncollectible accounts.

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 53% of total inventories at June 29, 2008 and 50% of total inventories at July 1, 2007. The cost for the remaining inventories was determined using the first-in, first-out (FIFO) method. If the FIFO inventory valuation method had been used exclusively, inventories would have been \$72.1 million and \$63.3 million higher in fiscal 2008 and 2007, 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 and Other Intangible Assets: Goodwill reflects the cost of acquisitions in excess of the fair values assigned to identifiable net assets acquired. Goodwill is assigned to reporting units based upon the expected benefit of the synergies of the acquisition. The reporting units are Engine Power Products, Home Power Products and Yard Power Products and have goodwill at June 29, 2008 of \$129.0 million, \$86.9 million, and \$32.4 million, respectively. Other Intangible Assets reflect identifiable intangible assets that arose from purchase acquisitions. Other Intangible Assets are comprised of trademarks, patents and customer relationships. Goodwill and trademarks, which are considered to have indefinite lives are not amortized; however, both must be tested for impairment annually. Amortization is recorded on a straight-line basis for other intangible assets with finite lives. Patents have been assigned an estimated weighted average useful life of thirteen years. The customer relationships have been assigned an estimated useful life of twenty-five years. The Company is subject to financial statement risk in the event that goodwill and intangible assets become impaired. The Company performed the required impairment tests in fiscal 2008, 2007 and 2006, and found no impairment of the assets.

Investments: This caption represents the Company's investment in its 30% and 50% owned joint ventures. Until the second quarter of fiscal 2008, investments also included preferred stock in privately held Metal

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Technologies Holding Company, Inc. (MTHC). The investments in the joint ventures are accounted for under the equity method. During the second quarter of fiscal 2008, the Company and MTHC entered into a Class B Preferred Share Redemption Agreement that provided for MTHC to pay all dividends in arrears on the 45,000 MTHC Class B preferred shares held by the Company and redeem the shares in exchange for a payment to the Company. The shares were received as part of the payment from MTHC when it acquired certain foundry operations of the Company in 1999. The Company received \$66.0 million, resulting in a \$37.0 million gain (\$29.0 million after tax) on this sale of preferred stock and final dividend payment.

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 three to ten years. Accumulated amortization related to outstanding debt instruments amounted to \$14.0 million as of June 29, 2008 and \$12.3 million as of July 1, 2007.

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, as follows:

	<u>Useful Life Range (In Years)</u>
Software	3 - 10
Land Improvements	20 - 40
Buildings	20 - 50
Machinery & Equipment	3 - 20

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 cost of goods sold.

Impairment of Property, Plant and Equipment: Property, plant and equipment 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 property, plant and equipment in fiscal 2006 or 2008. Refer to Note 17 of the Notes to Consolidated Financial Statements for impairment charges recognized in fiscal 2007.

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. In fiscal 2008 and 2007, the Company incurred \$19.8 million and \$5.0 million, respectively, of expenses to accrue for current and future warranty claims related to a snow thrower engine recall. The snow thrower engines were recalled due to a potential risk of fire. The amounts accrued were to repair the units to reduce or eliminate the potential fire hazard. As of June 29, 2008, the Consolidated Balance Sheet includes \$3.8 million of reserves for this specific engine warranty matter. Product liability reserves totaling less than \$50,000 have been accrued for product liability matters related to this recall as the Company has had minimal product liability claims asserted for nominal amounts related to the snow engine recall. The following is a reconciliation of the changes in accrued warranty costs for the reporting period (in thousands):

	<u>2008</u>	<u>2007</u>
Balance, Beginning of Period	\$ 54,566	\$ 53,233
Payments	(50,263)	(34,046)
Provision for Current Year Warranties	47,402	35,372
Credit for Prior Years Warranties	(2,157)	7
Balance, End of Period	<u>\$ 49,548</u>	<u>\$ 54,566</u>

Deferred Revenue on Sale of Plant and Equipment: During fiscal 2006, a pretax gain of \$6.1 million was recorded as the Company ceased its involvement in its Menomonee Falls, Wisconsin facility sold in 1997. The

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terms and conditions of the sales contract were such that the Company continued to own and occupy a portion of the warehouse until the fourth quarter of fiscal 2006. Under the provisions of SFAS No. 66, "Accounting for Sales of Real Estate," the Company accounted for the agreement as a financing transaction while it remained involved with the facility. Under this method, the cash received in fiscal 1997 was reflected as deferred revenue and the assets and the accumulated depreciation remained on the Company's books until its involvement in the facility ceased. Depreciation expense, imputed interest expense, and imputed fair value lease income on the non-Briggs & Stratton occupied portion of the building were recorded and added to deferred revenue up until the fourth quarter of fiscal 2006.

Revenue Recognition: Net sales include sales of engines, power products, and related service parts and accessories, net of allowances for cash discounts, customer volume rebates and discounts, and advertising allowances. In accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition," as amended, the Company recognizes revenue when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectibility is reasonably assured. This is generally upon shipment, except for certain international shipments, where revenue is recognized when the customer receives the product.

Included in net sales are costs associated with programs under which Briggs & Stratton shares the expense of financing certain dealer and distributor inventories, referred to as floor plan expense. This represents interest for a pre-established length of time based on a variable rate from a contract with a third party financing source for dealer and distributor inventory purchases. Sharing the cost of these financing arrangements is used by Briggs & Stratton as a marketing incentive for customers to buy inventory. The financing costs included in net sales in fiscal 2008, 2007 and 2006 were \$9.1 million, \$13.1 million and \$12.7 million, respectively.

The Company also offers a variety of customer rebates and sales incentives. The Company records estimates for rebates and incentives at the time of sale, as a reduction in net sales.

Income Taxes: The Provision (Credit) 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 bases of assets and liabilities. The Deferred Income 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. 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 14 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 \$26.5 million in fiscal 2008, \$25.7 million in fiscal 2007 and \$28.8 million in fiscal 2006.

Advertising Costs: Advertising costs, included in Engineering, Selling, General and Administrative Expenses in the accompanying Consolidated Statements of Earnings, are expensed as incurred. These expenses totaled \$34.0 million in fiscal 2008, \$31.5 million in fiscal 2007 and \$33.4 million in fiscal 2006.

The Company reports co-op advertising expense as a reduction in net sales. Co-op advertising expense reported as a reduction in net sales totaled \$10.2 million in fiscal 2008, \$11.4 million in fiscal 2007 and \$20.2 million in fiscal 2006.

Shipping and Handling Fees and Costs: Revenue received from shipping and handling fees is reflected in net sales. Shipping fee revenue for fiscal 2008, 2007 and 2006 was \$4.8 million, \$4.3 million and \$4.5 million, respectively. Shipping and handling costs are included in cost of goods sold.

Foreign Currency Translation: Foreign currency balance sheet accounts are translated into dollars at the rates of exchange in effect at fiscal year-end. Income and expenses incurred in a foreign currency are translated at

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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 2008, 2007 and 2006 excludes outstanding options to purchase 3,885,321, 2,722,091 and 1,434,193 shares of common stock, respectively, with weighted average exercise prices of \$31.96, \$35.64 and \$37.21, respectively. These options are excluded because their exercise prices are greater than the average market price of the common shares, and their inclusion in the computation would be antidilutive.

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

	Fiscal Year Ended		
	June 29, 2008	Restated July 1, 2007	Restated July 2, 2006
Net Income Used in Basic and Diluted Earnings Per Share	\$ 22,600	\$ 6,701	\$ 105,981
Average Shares of Common Stock Outstanding	49,549	49,715	51,479
Incremental Common Shares Applicable to Common Stock Options Based on the Common Stock Average Market Price During the Period	1	16	42
Incremental Common Shares Applicable to Deferred and Restricted Common Stock Based on the Common Stock Average Market Price During the Period	102	96	73
Diluted Average Common Shares Outstanding	<u>49,652</u>	<u>49,827</u>	<u>51,594</u>

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 Income (Loss) which encompasses net income, cumulative translation adjustments, unrealized gain (loss) on derivatives, minimum pension liability adjustments and unrecognized pension and postretirement obligations in the Consolidated Statements of Shareholders' Investment. The Company's implementation of SFAS No. 158 on July 1, 2007 affected Accumulated Other Comprehensive Income by recognizing the funded status of the Company's defined benefit pension and other postretirement plans. Information on Accumulated Other Comprehensive Income (Loss) is as follows (in thousands):

	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Derivatives	Minimum Pension Liability Adjustment	Unrecognized Pension and Postretirement Obligation	Restated Accumulated Other Comprehensive Income (Loss)
Balance at July 3, 2005	\$ 5,739	\$ 919	\$ (54,989)	\$ -	\$ (48,331)
Fiscal Year Change	1,785	(1,255)	52,761	-	53,291
Balance at July 2, 2006	7,524	(336)	(2,228)	-	4,960
Fiscal Year Change	4,275	(765)	2,228	(139,649)	(133,911)
Balance at July 1, 2007	11,799	(1,101)	-	(139,649)	(128,951)
Fiscal Year Change	10,846	5,550	-	2,321	18,717
Balance at June 29, 2008	\$ 22,645	\$ 4,449	\$ -	\$(137,328)	\$(110,234)

Derivatives: Derivatives are recorded on the Balance Sheets as assets or liabilities, measured at fair value. Briggs & Stratton enters into derivative contracts designated as cash flow hedges to manage currency and certain raw material exposures. These instruments generally do not have a maturity of more than twelve months.

Changes in the fair value of cash flow hedges to manage its foreign currency exposure are recorded on the Consolidated Statements of Earnings or as a component of Accumulated Other Comprehensive Income

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(Loss). The amounts included in Accumulated Other Comprehensive Income (Loss) will be reclassified into income when the forecasted transactions occur. 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 all derivatives deemed to be ineffective would be recorded as either income or expense in the accompanying Consolidated Statements of Earnings.

Briggs & Stratton manages its exposure to fluctuation in the cost of natural gas used by its operating facilities through participation in a third party managed dollar cost averaging program linked to NYMEX futures. As a participant in the program, Briggs & Stratton hedges approximately 50-100% of its anticipated monthly natural gas usage along with a pool of other companies. Briggs & Stratton does not hold any actual futures contracts, and actual delivery of natural gas is not required of the participants in the program. Cash settlements occur on a monthly basis based on the difference between the average dollar price of the underlying NYMEX futures held by the third party and the actual price of natural gas paid by Briggs & Stratton in the period. The fair value of the underlying NYMEX futures is reflected as an asset or liability on the accompanying Consolidated Condensed Balance Sheets. Changes in fair value are reflected as a Component of Accumulated Other Comprehensive Income (Loss), which are reclassified into the income statement as the monthly cash settlements occur and actual natural gas is consumed.

Briggs & Stratton manages its exposure to fluctuations in the cost of copper to be used in manufacturing by entering into forward purchase contracts designated as cash flow hedges. Briggs & Stratton hedges approximately 50-60% of its anticipated copper usage, and the fair value of outstanding futures contracts is reflected as an asset or liability on the accompanying Consolidated Balance Sheets based on NYMEX prices. Changes in fair value are reflected as a component of Accumulated Other Comprehensive Income (Loss) if the forward purchase contracts are deemed to be effective. Changes in the fair value of all derivatives deemed to be ineffective would be recorded as either income or expense in the accompanying Consolidated Statements of Earnings. Unrealized gains or losses associated with the forward purchase contracts are captured in inventory costs and are realized in the income statement when sales of inventory are made.

New Accounting Pronouncements: In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 is intended to help investors better understand how derivative instruments and hedging activities affect an entity's financial position, financial performance and cash flows through enhanced disclosure requirements. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. At this time, the impact of adoption of SFAS 161 on our consolidated financial position is being assessed.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51," (SFAS 160). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. At this time, the impact of adoption of SFAS 160 on our consolidated financial position is being assessed.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS No. 141R). SFAS No. 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, in-process research and development, and restructuring costs. In addition, under SFAS No. 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income taxes. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008, and will impact the accounting for any business combinations entered into after the effective date.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115," (SFAS 159). This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. The fair value

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option permits a company to choose to measure eligible items at fair value at specified election dates. A company will report unrealized gains and losses on items for which the fair value option has been elected in earnings after adoption. Statement 159 is effective for fiscal years beginning after November 15, 2007. At this time, the impact of adoption of SFAS 159 on our consolidated financial position is being assessed.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," (SFAS 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued a final Staff Position to allow a one-year deferral adoption of SFAS 157 for non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The FASB also decided to amend SFAS 157 to exclude FASB Statement No. 13 and its related interpretive accounting pronouncements that address leasing transactions. At this time, the impact of adoption of SFAS 157 on our consolidated financial position is being assessed.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)," (SFAS 158). SFAS 158 requires recognition of the overfunded or underfunded status of a postretirement benefit plan in the statement of financial position, as well as recognition of changes in that funded status through comprehensive income in the year in which they occur. SFAS 158 also requires a change in the measurement of a plan's assets and benefit obligations as of the end date of the employer's fiscal year. SFAS 158 is effective for fiscal years ending after December 15, 2006, except for the measurement date provisions, which are effective for fiscal years ending after December 15, 2008. Briggs & Stratton adopted SFAS 158 on July 1, 2007. See Note 14 – Employee Benefit Costs in the Notes to Consolidated Financial Statements for further discussion regarding the Company's pension and other postretirement benefit plans.

In June 2006, the FASB issued FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48) an interpretation of FASB Statement No. 109 (SFAS 109). This interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS 109. FIN 48 details how companies should recognize, measure, present and disclose uncertain tax positions that have been or expect to be taken. As such, the financial statements reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts. FIN 48 is effective for public companies for annual periods that begin after December 15, 2006. See Note 5 – Income Taxes in the Notes to Consolidated Financial Statements for further discussion regarding the Company's adoption of FIN 48 in its 2008 fiscal year.

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

(3) Change in Accounting Principle and Correction of Errors:

Effective July 2, 2007, the Company changed the method it uses to compute the market-related value of the assets within its qualified defined benefit pension plan. The market-related value of pension assets (MRVA) is used to calculate the expected return on plan assets. Previously, the Company computed the market-related value of plan assets by adding actual dividends and interest to the MRVA balance and amortizing unrealized and realized gains and losses on assets on a straight line basis over five years. Under the new method, the expected return on plan assets will be added to the MRVA balance and any differences between the expected and actual returns on plan assets will be deferred and amortized on a straight line basis over five years. The Company believes that the former and new methods of computing the market-related value of plan assets both recognize changes in fair value in a systematic and rational manner. However, the Company believes that the new method is preferable because the new method has the effect of deferring less investment gains and losses during periods of volatile investment markets and therefore more closely approximates the fair market value of the plan assets. Generally accepted accounting principles require that the impact of this change in accounting be applied retrospectively to all periods presented. As a result, all prior period financial statements have been adjusted to give effect to the cumulative impact of this change.

During the quarter ended March 30, 2008, the Company identified errors in its previously filed financial statements on Form 10-K for the fiscal years ended July 1, 2007 and July 2, 2006. First, the Company did not

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properly expense rebates to certain customers in each year. Second, the Company identified that certain inter-company receivable and payable accounts were out of balance, primarily related to transactions in fiscal 2004. Third, the Company has historically incorrectly capitalized warranty costs into inventory. The impact to the Company's previously reported net income and earnings per diluted share is an increase of \$0.3 million (\$.01 per diluted share) for fiscal 2007 and a reduction of \$2.4 million (\$.05 per diluted share) for fiscal 2006. The cumulative effect of correcting these errors for periods prior to fiscal 2006 reduced retained earnings by \$5.5 million. The Company does not believe that the adjustments necessary to correct the errors described above are material, individually or in the aggregate, to the Company's results of operations, financial position or cash flows for any of the Company's previously filed annual financial statements.

The financial statement items affected by the change in accounting principle and correction of errors are shown in the following tables (in thousands, except per share data):

Consolidated Balance Sheets:

	July 1, 2007			
	As Reported	Pension Accounting Change	Error Correction	As Restated
Finished Products and Parts	\$ 345,763	\$ -	\$ (1,689)	\$ 344,074
Work in Process	199,215	-	(973)	198,242
Raw Materials	7,804	-	(38)	7,766
Total Inventories	552,782	-	(2,700)	550,082
Total Current Assets	995,793	-	(2,700)	993,093
TOTAL ASSETS	1,887,168	-	(2,700)	1,884,468
Accounts Payable	179,476	-	8,300	187,776
Other	67,797	-	(3,400)	64,397
Total Accrued Liabilities	170,555	-	(3,400)	167,155
Total Current Liabilities	469,170	-	4,900	474,070
Retained Earnings	1,042,673	72,441	(7,600)	1,107,514
Accumulated Other Comprehensive Income (Loss)	(56,510)	(72,441)	-	(128,951)
Total Shareholders' Investment	846,054	-	(7,600)	838,454
TOTAL LIABILITIES & SHAREHOLDERS' INVESTMENT	1,887,168	-	(2,700)	1,884,468

Consolidated Statements of Earnings:

	Fiscal Year Ended July 1, 2007			
	As Reported	Pension Accounting Change	Error Correction	As Restated
Net Sales	\$ 2,157,233	\$ -	\$ (400)	\$ 2,156,833
Cost of Goods Sold	1,827,013	(7,666)	(800)	1,818,547
Gross Profit	287,132	7,666	400	295,198
ESG&A	265,596	(2,555)	-	263,041
Income from Operations	21,536	10,221	400	32,157
(Loss) Income before Credit for Income Taxes	(7,319)	10,221	400	3,302
Credit for Income Taxes	(7,465)	3,986	80	(3,399)
Net Income	146	6,235	320	6,701
Basic EPS	0.00	0.12	0.01	0.13
Diluted EPS	0.00	0.12	0.01	0.13

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	Fiscal Year Ended July 2, 2006			
	As Reported	Pension Accounting Change	Error Correction	As Restated
Net Sales	\$ 2,542,171	\$ -	\$ (2,500)	\$ 2,539,671
Cost of Goods Sold	2,050,487	(7,461)	1,300	2,044,326
Gross Profit	491,684	7,461	(3,800)	495,345
ESG&A	315,718	(2,487)	-	313,231
Income from Operations	175,966	9,948	(3,800)	182,114
Income before Provision for Income Taxes	152,366	9,948	(3,800)	158,514
Provision for Income Taxes	50,020	3,880	(1,367)	52,533
Net Income	102,346	6,068	(2,433)	105,981
Basic EPS	1.99	0.12	(0.05)	2.06
Diluted EPS	1.98	0.12	(0.05)	2.05

Consolidated Statements of Cash Flows:

	Fiscal Year Ended July 1, 2007			
	As Reported	Pension Accounting Change	Error Correction	As Restated
Net Income	\$ 146	\$ 6,235	\$ 320	\$ 6,701
Provision for Deferred Income Taxes	(21,513)	3,986	80	(17,447)
Decrease in Inventory	7,732	-	(600)	7,132
Increase In Accounts Payable, Accrued Liabilities and Income Taxes	16,418	-	200	16,618
Change in Accrued/Prepaid Pension	1,830	(10,221)	-	(8,391)

	Fiscal Year Ended July 2, 2006			
	As Reported	Pension Accounting Change	Error Correction	As Restated
Net Income	\$ 102,346	\$ 6,068	\$ (2,433)	\$ 105,981
Provision for Deferred Income Taxes	(10,438)	3,880	(1,367)	(7,925)
Increase in Inventory	(92,350)	-	900	(91,450)
Decrease In Accounts Payable, Accrued Liabilities and Income Taxes	(7,695)	-	2,900	(4,795)
Change in Accrued/Prepaid Pension	10,847	(9,948)	-	899

All adjustments are in cash flows from operating activities and consequently the total cash flows from operating activities remains unchanged.

(4) Goodwill and Other Intangible Assets:

Goodwill reflects the cost of acquisitions in excess of the fair values assigned to identifiable net assets acquired. Goodwill is assigned to reporting units based upon the expected benefit of the synergies of the acquisition. The reporting units are Engine Power Products, Home Power Products and Yard Power Products and have goodwill at June 29, 2008 of \$129.0 million, \$86.9 million, and \$32.4 million, respectively.

The changes in the carrying amount of goodwill for the fiscal years ended June 29, 2008 and July 1, 2007 are as follows (in thousands):

	2008	2007
Beginning Goodwill Balance	\$ 250,107	\$251,885
Tax Benefit on Amortization	(1,779)	(1,778)
Ending Goodwill Balance	\$ 248,328	\$ 250,107

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The Company's other intangible assets for the years ended June 29, 2008 and July 1, 2007 are as follows (in thousands):

	2008			2007		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
<u>Amortized Intangible Assets:</u>						
Patents	\$ 13,281	\$ (4,638)	\$ 8,643	\$ 13,281	\$ (3,488)	\$ 9,793
Customer Relationships	17,910	(2,866)	15,044	17,910	(2,149)	15,761
Miscellaneous	279	(279)	-	279	(277)	2
Total Amortized Intangible Assets	<u>31,470</u>	<u>(7,783)</u>	<u>23,687</u>	<u>31,470</u>	<u>(5,914)</u>	<u>25,556</u>
<u>Unamortized Intangible Assets:</u>						
Trademarks/Brand Names	67,000	-	67,000	67,000	-	67,000
Total Unamortized Intangible Assets	<u>67,000</u>	<u>-</u>	<u>67,000</u>	<u>67,000</u>	<u>-</u>	<u>67,000</u>
Total Intangible Assets	<u>\$ 98,470</u>	<u>\$ (7,783)</u>	<u>\$ 90,687</u>	<u>\$ 98,470</u>	<u>\$ (5,914)</u>	<u>\$ 92,556</u>

Amortization expense of other intangible assets amounts to approximately \$1,869,100, \$2,039,200 and \$1,850,000 in 2008, 2007, and 2006, respectively.

The estimated amortization expense of other intangible assets for the next five years is (in thousands):

2009	\$ 1,860
2010	1,860
2011	1,860
2012	1,860
2013	1,860
	<u>\$ 9,300</u>

(5) Income Taxes:

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

	2008	Restated 2007	Restated 2006
Current			
Federal	\$ (5,800)	\$ 11,861	\$ 51,743
State	3	961	7,796
Foreign	2,300	1,226	919
	<u>(3,497)</u>	<u>14,048</u>	<u>60,458</u>
Deferred	10,506	(17,447)	(7,925)
	<u>\$ 7,009</u>	<u>\$ (3,399)</u>	<u>\$ 52,533</u>

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

	2008	Restated 2007	Restated 2006
U.S. Statutory Rate	35.0%	35.0%	35.0%
State Taxes, Net of Federal Tax Benefit	2.4%	14.4%	2.6%
Foreign Tax Benefits	3.4%	(6.0%)	(0.1%)
Resolution of Prior Period Tax Matters	-	-	(1.7%)
Benefit on Dividends Received	(22.3%)	48.7%	(2.9%)
Other	5.2%	10.8%	0.2%
Effective Tax Rate	<u>23.7%</u>	<u>102.9%</u>	<u>33.1%</u>

Notes . . .

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

Current Asset:	<u>2008</u>	<u>2007</u>
Difference Between Book and Tax Related to:		
Inventory	\$ 16,674	\$ 15,153
Payroll Related Accruals	3,279	3,110
Warranty Reserves	14,010	14,670
Workers Compensation Accruals	2,976	2,971
Other Accrued Liabilities	22,508	23,765
Pension Cost	1,022	977
Miscellaneous	<u>(6,973)</u>	<u>(5,126)</u>
Deferred Income Tax Asset	<u>\$ 53,496</u>	<u>\$ 55,520</u>
 Long-Term Liability:	 <u>2008</u>	 <u>2007</u>
Difference Between Book and Tax Related to:		
Pension Cost	\$ 31,270	\$ 34,114
Accumulated Depreciation	50,606	48,198
Intangibles	68,358	64,952
Accrued Employee Benefits	(25,836)	(24,165)
Postretirement Health Care Obligation	(62,736)	(72,558)
Warranty	(5,707)	(6,712)
Miscellaneous	<u>(8,689)</u>	<u>(6,529)</u>
Deferred Income Tax Liability	<u>\$ 47,266</u>	<u>\$ 37,300</u>

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 \$14.4 million at June 29, 2008. If these earnings were remitted to the U.S., they would be subject to U.S. income tax. However, this tax would be less than the U.S. statutory income tax because of available foreign tax credits.

The Company adopted FIN 48 at the beginning of fiscal year 2008. As a result of the implementation, the Company recognized a \$4.0 million increase in the net liability for unrecognized tax benefits. This increase was accounted for as a decrease to the July 1, 2007 balance of retained earnings.

The change to the total unrecognized tax benefits of the Company during the fiscal year ended June 29, 2008 is reconciled as follows:

Uncertain Tax Positions:

(in thousands)

Beginning Balance	\$ 15,949
Changes based on tax positions related to prior year	1,112
Additions based on tax positions related to current year	3,566
Settlements with taxing authorities	(1,398)
Lapse of statute of limitations	(1,116)
Impact of changes in foreign exchange rates and interest accruals	1,092
Balance at June 29, 2008	<u>\$ 19,205</u>

As of June 29, 2008, the Company had \$27.8 million of gross unrecognized tax benefits. Of this amount, \$19.2 million represents the portion that, if recognized, would impact the effective tax rate. As of June 29, 2008, the Company had \$6.8 million accrued for the payment of interest and penalties. The Company anticipates that a resolution on audits will result in a reduction of the FIN 48 reserve. The range of potential positive change is \$2.2 to \$2.5 million and is anticipated to occur within the next twelve months.

The Company is regularly audited by federal, state and foreign tax authorities. The Company's taxable years 2004 and 2005 are currently under IRS audit.

Notes . . .

(6) 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):

	<u>2008</u>	Restated <u>2007</u>	Restated <u>2006</u>
NET SALES:			
Engines	\$ 1,459,882	\$ 1,447,051	\$ 1,648,224
Power Products	870,403	889,976	1,183,525
Eliminations	<u>(178,892)</u>	<u>(180,194)</u>	<u>(292,078)</u>
	<u>\$ 2,151,393</u>	<u>\$ 2,156,833</u>	<u>\$ 2,539,671</u>
GROSS PROFIT ON SALES:			
Engines	\$ 270,961	\$ 216,910	\$ 388,093
Power Products	39,376	80,359	110,666
Eliminations	<u>(3,021)</u>	<u>(2,071)</u>	<u>(3,414)</u>
	<u>\$ 307,316</u>	<u>\$ 295,198</u>	<u>\$ 495,345</u>
INCOME (LOSS) FROM OPERATIONS:			
Engines	\$ 69,455	\$ 26,514	\$ 158,408
Power Products	(40,094)	5,958	27,120
Eliminations	<u>(3,021)</u>	<u>(315)</u>	<u>(3,414)</u>
	<u>\$ 26,340</u>	<u>\$ 32,157</u>	<u>\$ 182,114</u>
ASSETS:			
Engines	\$ 1,302,986	\$ 1,310,020	\$ 1,408,805
Power Products	1,150,040	1,051,992	1,019,279
Eliminations	<u>(619,732)</u>	<u>(477,544)</u>	<u>(378,648)</u>
	<u>\$ 1,833,294</u>	<u>\$ 1,884,468</u>	<u>\$ 2,049,436</u>
CAPITAL EXPENDITURES:			
Engines	\$ 36,998	\$ 45,848	\$ 54,208
Power Products	28,515	22,152	15,310
	<u>\$ 65,513</u>	<u>\$ 68,000</u>	<u>\$ 69,518</u>
DEPRECIATION & AMORTIZATION:			
Engines	\$ 48,922	\$ 54,757	\$ 59,053
Power Products	19,964	19,557	18,181
	<u>\$ 68,886</u>	<u>\$ 74,314</u>	<u>\$ 77,234</u>

Information regarding the Company's geographic sales based on product shipment destination (in thousands):

	<u>2008</u>	Restated <u>2007</u>	Restated <u>2006</u>
United States	\$ 1,584,635	\$ 1,685,050	\$ 2,088,627
All Other Countries	566,758	471,783	451,044
Total	<u>\$ 2,151,393</u>	<u>\$ 2,156,833</u>	<u>\$ 2,539,671</u>

Notes . . .

Sales to the following customers in the Company's Engines Segment amount to greater than or equal to 10% of consolidated net sales, respectively:

Customer:	2008		2007		2006	
	Net Sales	%	Net Sales	%	Net Sales	%
HOP	\$ 336,271	16%	\$ 443,393	21%	\$ 407,964	16%
MTD	183,554	9%	206,291	10%	230,123	9%
	<u>\$ 519,825</u>	<u>25%</u>	<u>\$ 649,684</u>	<u>31%</u>	<u>\$ 638,087</u>	<u>25%</u>

(7) Leases:

The Company leases certain facilities, vehicles, and equipment under both capital and operating leases. Assets held under capital leases are included in Plant and Equipment and are charged to depreciation and interest over the life of the lease. Related liabilities are included in Other Accrued Liabilities and Other Long-Term Liabilities. Operating leases are not capitalized and lease payments are expensed over the life of the lease. Terms of the leases, including purchase options, renewals, and maintenance costs, vary by lease. Rental expense for fiscal 2008, 2007 and 2006 was \$25.0 million, \$22.5 million and \$18.9 million, respectively.

Future minimum lease commitments for all non-cancelable leases as of June 29, 2008 are as follows (in thousands):

Fiscal Year	Operating	Capital
2009	\$ 14,981	\$ 524
2010	13,432	530
2011	10,138	462
2012	7,459	395
2013	5,307	166
Thereafter	7,986	-
Total future minimum lease commitments	<u>\$ 59,303</u>	<u>2,077</u>
Less: Interest		400
Present value of minimum capital lease payments		<u>\$ 1,677</u>

(8) Indebtedness:

On August 8, 2006, the Company amended its unsecured five-year \$350 million revolving credit facility (the credit facility) that was to expire in May 2009 to allow a repurchase of its common stock for aggregate consideration not to exceed \$120 million during the period from August 10, 2006 through February 8, 2008. There were no borrowings under the credit facility as of July 1, 2007.

On July 12, 2007, the Company entered into a \$500 million amended and restated multicurrency credit agreement. See further discussion in Note 16 of the Notes to the Consolidated Financial Statements. As of June 29, 2008, borrowings under the credit facility totaled \$99.1 million.

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 1.00%, 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.

In addition, the Company is subject to a 0.10% to 0.20% commitment fee and a 0.50% to 1.00% letter of credit fee, depending on the Company's long-term credit ratings.

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 \$16.7 million, expire at various times throughout fiscal 2009 and are renewable. None of these arrangements had material

Notes . . .

commitment fees or compensating balance requirements. Borrowings using these lines of credit are included in short-term debt. Outstanding balances are as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Balance at Fiscal Year-End	\$ 3,000	\$ 3,000
Weighted Average Interest Rate at Fiscal Year-End	5.11%	7.05%

The Long-Term Debt and Current Maturities on Long-Term Debt captions consist of the following (in thousands):

	<u>2008</u>	<u>2007</u>
7.25% Senior Notes Due 2007, Net of Unamortized Discount of \$36 in 2007	\$ -	\$ 81,139
8.875% Senior Notes Due 2011, Net of Unamortized Discount of \$1,522 in 2008 and \$2,091 in 2007	266,478	267,909
Variable Rate Term Notes Due 2008	-	35,000
Borrowings on Revolving Credit Facility	99,077	-
Total Long-Term Debt	<u>\$ 365,555</u>	<u>\$ 384,048</u>

On August 8, 2006, the Company amended its unsecured three-year \$125 million term loan agreement (the term loan) that was to expire on February 11, 2008 to allow a repurchase of its common stock for aggregate consideration not to exceed \$120 million during the period from August 10, 2006 through February 8, 2008. The Company prepaid \$90 million of the term loan in the fourth quarter of fiscal 2006. The Company prepaid the remaining \$35 million of the term loan in the first quarter of fiscal 2008.

In May 2001, the Company issued \$275 million of 8.875% Senior Notes due March 15, 2011. No principal payments are due before the maturity date; however, the Company repurchased \$5.0 million of the bonds in the second quarter of fiscal year 2006 and \$2.0 million in the second quarter of fiscal 2008 after receiving unsolicited offers from bondholders.

In May 1997, the Company issued \$100 million of 7.25% Senior Notes due September 15, 2007. No principal payments were due before the maturity date; however, the Company repurchased \$10.0 million of the bonds in the fourth quarter of fiscal year 2002 and \$8.825 million in the fourth quarter of fiscal year 2006 after receiving unsolicited offers from bondholders. The notes matured in the first quarter of fiscal 2008 and were paid in full.

The separate indenture provided for the 8.875% Senior Notes and the Credit Agreement for the 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; repurchase shares; 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 impose a maximum leverage ratio. As of June 29, 2008, the Company was in compliance with these covenants.

Additionally, under the terms of the indentures and Credit Agreements governing the Domestic Indebtedness, BSPPG became a joint and several guarantor of amounts outstanding under the Domestic Indebtedness. Refer to Note 16 of the Notes to Consolidated Financial Statements for subsidiary guarantor financial information.

Notes . . .

(9) Other Income:

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Interest Income	\$ 1,506	\$ 1,916	\$ 2,856
Income on Preferred Stock	28,346	10,000	12,000
Equity in Earnings from Unconsolidated Affiliates	3,588	3,303	4,174
Deferred Financing Costs	(1,414)	(1,173)	(1,708)
Gain on Share Redemption	8,622	-	-
Other Items	744	790	1,169
Total	<u>\$ 41,392</u>	<u>\$ 14,836</u>	<u>\$ 18,491</u>

(10) 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, 2008 and July 1, 2007 the reserve for product and general liability claims (which includes asbestos-related liabilities) was \$6.3 million and \$7.2 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 November 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.

Certain independent dealers and distributors finance inventory purchases through a third party financing company. Briggs & Stratton has indemnified the third party finance company against credit default. The Company's maximum exposure under this agreement due to customer credit default in a fiscal year is \$1.85 million. In fiscal 2008 and fiscal 2007, the third party financing company provided financing for \$232.3 million and \$289.1 million of Briggs & Stratton product, respectively. As of June 29, 2008 and July 1, 2007 there were \$179.3 million and \$184.7 million, respectively, in receivables outstanding under this arrangement. Briggs & Stratton made no payments under this indemnity agreement in fiscal 2008 and fiscal 2007.

Certain of the Company's vendors in Asia require their customers to obtain letters of credit, payable upon shipment of the product. At the end of fiscal 2008, the Company had four letters of credit issued by Comerica Bank, totaling \$4.7 million. At July 1, 2007, the Company held three letters of credit from Bank of America, totaling \$14.1 million. The products ordered typically arrive in partial shipments spanning several months, with payment initiated at the time the vendor provides documentation to the bank of the quantity and occurrence of shipment.

On June 3, 2004, eight individuals who claim to have purchased lawnmowers in Illinois and Minnesota filed a lawsuit (Ronnie Phillips et al. v. Sears Roebuck Corporation et al., No. 04-L-334 (20th Judicial Circuit, St. Clair County, IL)) against Briggs & Stratton and other defendants alleging that the horsepower labels on the products they purchased were inaccurate. The plaintiffs sought an injunction, compensatory and punitive damages, and attorneys' fees under various federal and state laws including the Racketeer Influenced and Corrupt Organization Act (RICO) on behalf of all persons in the United States who, beginning January 1, 1994

Notes . . .

through the present, purchased a lawnmower containing a two-stroke or four-stroke gasoline combustion engine up to 30 horsepower that was manufactured by the defendants. On May 31, 2006, the defendants removed the case to the U.S. District Court for the Southern District of Illinois (No. 06-412-DRH).

The defendants subsequently filed a motion to dismiss the amended complaint, and two defendants (MTD Products, Inc. and American Honda Motor Company) notified the Court that they reached a settlement with the plaintiff class. On March 30, 2007 the Court issued an order granting defendants' motion to dismiss, and on May 8, 2008 the Court issued an opinion that (i) dismissed all the RICO claims with prejudice, (ii) dismissed all claims of the 93 non-Illinois plaintiffs with instructions to refile amended claims in individual state Courts, (iii) ordered that any amended complaint for the three Illinois plaintiffs be refiled by May 30, 2008, and (iv) rejected the proposed class-wide settlement with MTD. The plaintiffs have filed new complaints in New Jersey and California federal Courts, and refiled an amended complaint in Illinois. Each of these complaints allege, among other things, breach of each state's consumer fraud laws and seek certification of a state-wide class.

On June 2, 2008, plaintiffs in the New Jersey action, the California action, and the Illinois action filed a motion with the Judicial Panel of Multidistrict Litigation seeking to transfer the three actions to the United States District Court for the District of New Jersey for coordinated pretrial proceedings. Counsel for plaintiffs have represented that they would be filing related actions across the country "and expect to have actions pending in all fifty states and the District of Columbia." On August 12, 2008 the Multidistrict Litigation Panel denied plaintiffs' request for centralization of these various state proceedings. Defendants' answers or responsive pleadings in each of the separate federal cases are currently due September 26, 2008. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss, Briggs & Stratton believes the unresolved legal actions will not have a material effect on its financial position.

(11) Stock Incentives:

Effective July 2, 2007, Briggs & Stratton adopted a Powerful Solution Incentive Compensation Program. Briggs & Stratton previously adopted an Incentive Compensation Plan, effective October 20, 2004, under which 4,000,000 shares of common stock (8,000,000 shares as a result of the 2-for-1 stock split) were reserved for future issuance. Prior to October 20, 2004, Briggs & Stratton had a Stock Incentive Plan under which 5,361,935 shares of common stock were reserved for issuance. The adoption of the Incentive Compensation Plan reduced the number of shares available for future issuance under the Stock Incentive Plan to zero. However, as of June 29, 2008, there were 2,449,230 outstanding option and restricted stock awards granted under the Stock Incentive Plan that are or may become exercisable in the future. No additional shares of common stock were reserved for future issuance under the Powerful Solution Incentive Compensation Program. In accordance with the three plans, Briggs & Stratton can issue eligible employees stock options, stock appreciation rights, restricted stock, deferred stock and cash bonus awards subject to certain annual limitations. The plans also allow Briggs & Stratton to issue directors non-qualified stock options and directors' fees in stock.

During fiscal 2008, 2007 and 2006, Briggs & Stratton recognized stock based compensation expense of approximately \$4.6 million, \$8.5 million and \$10.0 million, respectively.

Notes . . .

On the grant date, the exercise price of each stock option issued exceeds the market value of the stock. The fair value of each option is estimated using the Black-Scholes option pricing model, and the assumptions are based on historical data and standard industry valuation practices and methodology. The assumptions used to determine fair value are as follows:

Options Granted During	2008	2007	2006
Grant Date Fair Value	\$5.31	\$5.46	\$7.37
(Since options are only granted once per year, the grant date fair value equals the weighted average grant date fair value.)			
Assumptions:			
Risk-free Interest Rate	4.5%	5.0%	4.3%
Expected Volatility	26.4%	27.4%	25.1%
Expected Dividend Yield	3.1%	3.2%	1.9%
Expected Term (In Years)	5.1	5.0	5.0

Information on the options outstanding is as follows:

	<u>Shares</u>	<u>Wtd. Avg. Ex. Price</u>	<u>Wtd. Avg. Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Balance, July 3, 2005	3,007,168	\$ 30.52		
Granted During the Year	355,123	38.83		
Exercised During the Year	(418,858)	26.92		
Expired During the Year	-	-		
Balance, July 2, 2006	2,943,433	\$ 32.05		
Granted During the Year	554,020	29.87		
Exercised During the Year	(143,332)	23.36		
Expired During the Year	(24,442)	33.26		
Balance, July 1, 2007	3,329,679	\$ 32.05		
Granted During the Year	596,590	30.81		
Exercised During the Year	(40,948)	23.11		
Expired During the Year	-	-		
Balance, June 29, 2008	3,885,321	\$ 31.96	4.05	\$ -
Exercisable, June 29, 2008	2,404,030	\$ 31.72	4.51	\$ -

The total intrinsic value of options exercised during the fiscal years ended 2008, 2007 and 2006, was \$0.3 million, \$0.8 million and \$3.4 million, respectively, and the total fair value of options exercised during fiscal 2008 was \$0.9 million. The exercise of options resulted in cash receipts of \$0.9 million, \$3.3 million and \$11.3 million in fiscal 2008, 2007 and 2006, respectively.

Grant Summary

<u>Fiscal Year</u>	<u>Grant Date</u>	<u>Date Exercisable</u>	<u>Expiration Date</u>	<u>Exercise Price</u>	<u>Options Outstanding</u>
2002	8-7-01	8-7-04	8-7-08	\$24.60	286,180
2003	8-13-02	8-13-05	8-13-09	23.35	280,460
2004	8-15-03	8-15-06	8-15-13	30.44	758,320
2005	8-13-04	8-13-07	8-13-14	36.68	1,079,070
2006	8-16-05	8-16-08	8-16-10	38.83	345,881
2007	8-15-06	8-15-09	8-15-11	29.87	538,820
2008	8-14-07	8-14-10	8-31-12	30.81	596,590

Notes . . .

Below is a summary of the status of the Company's nonvested shares as of June 29, 2008, and changes during the year then ended:

	Deferred Stock		Restricted Stock		Stock Options	
	Shares	Wtd. Avg. Grant Date Fair Value	Shares	Wtd. Avg. Grant Date Fair Value	Shares	Wtd. Avg. Grant Date Fair Value
Nonvested shares, July 1, 2007	29,640	\$ 35.26	132,227	\$ 32.08	1,963,771	\$ 32.90
Granted	2,207	27.93	32,550	27.52	596,590	27.93
Cancelled	(250)	27.93	(8,000)	33.44	-	-
Vested	-	-	(12,800)	22.12	(1,079,070)	34.90
Nonvested shares, June 29, 2008 . .	31,597	34.80	143,977	32.11	1,481,291	29.45

As of June 29, 2008, there was \$3.2 million of total unrecognized compensation cost related to nonvested share-based compensation. That cost is expected to be recognized over a weighted average period of 1.7 years. The total fair value of shares vested during fiscal 2008 was \$30.5 million.

Under the plans, the Company has issued restricted stock to certain employees. During fiscal years 2008, 2007 and 2006, the Company has issued 32,550, 21,425 and 42,574 shares, respectively. The restricted stock vests on the fifth anniversary date of the issue provided the recipient is still employed by the Company. The aggregate market value on the date of issue is approximately \$0.9 million, \$0.6 million and \$1.5 million in fiscal 2008, 2007 and 2006, respectively, and has been recorded within the Shareholders' Investment section of the Consolidated Balance Sheets, and is being amortized over the five-year vesting period.

Under the plans, the Company may also issue stock to its directors in lieu of directors fees. The Company has issued 3,521, 3,497 and 3,477 shares in fiscal 2008, 2007 and 2006, respectively, under this provision of the plans.

Under the Incentive Compensation Plan, the Company may also issue deferred stock to its officers and key employees. The Company has issued 2,207 and 735 shares in fiscal 2008 and 2007, respectively, under this provision. The aggregate market value on the date of issue was approximately \$62,000 and \$20,000, respectively. Expense is recognized ratably over the five-year vesting period.

The following table summarizes the components of the Company's stock-based compensation programs recorded as expense:

	2008	2007	2006
Stock Options:			
Pretax compensation expense	\$ 3,304	\$ 7,258	\$ 8,252
Tax benefit	(1,289)	(2,831)	(3,218)
Stock option expense, net of tax	\$ 2,015	\$ 4,427	\$ 5,034
Restricted Stock:			
Pretax compensation expense	\$ 1,117	\$ 900	\$ 1,142
Tax benefit	(436)	(351)	(445)
Restricted stock expense, net of tax	\$ 681	\$ 549	\$ 697
Deferred Stock:			
Pretax compensation expense	\$ 142	\$ 326	\$ 605
Tax benefit	(55)	(127)	(236)
Deferred stock expense, net of tax	\$ 87	\$ 199	\$ 369
Total Stock-Based Compensation:			
Pretax compensation expense	\$ 4,563	\$ 8,484	\$ 9,999
Tax benefit	(1,780)	(3,309)	(3,899)
Total stock-based compensation, net of tax	\$ 2,783	\$ 5,175	\$ 6,100

Notes . . .

(12) Shareholder Rights Agreement:

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 (\$80.00 per full common share after taking into consideration the effect of a 2-for-1 stock split effective October 29, 2004), subject to adjustment. The rights agreement relating to the rights was amended by the Board of Directors on August 9, 2006 to extend the term of the rights agreement by three years to October 18, 2009, to increase from 15 percent to 20 percent or more the percentage of outstanding shares that a person or group must acquire or attempt to acquire in order for the rights to become exercisable, and to add a qualifying offer clause that permits shareholders to vote to redeem the rights in certain circumstances. Shareholders ratified the amended rights agreement at their annual meeting on October 18, 2006.

(13) 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 2008:

Hedge		In Millions				Conversion	Latest
Currency	Contract	Notional Value	Contract Value	Fair Market Value	(Gain)/Loss at Fair Value	Currency	Expiration Date
Japanese Yen	Buy	1,200.0	11.3	11.4	(.1)	U.S.	December 2008
Australian Dollar	Sell	5.5	4.9	5.2	.3	U.S.	September 2008

The Company had the following forward currency contracts outstanding at the end of fiscal 2007:

Hedge		In Millions				Conversion	Latest
Currency	Contract	Notional Value	Contract Value	Fair Market Value	(Gain)/Loss at Fair Value	Currency	Expiration Date
Japanese Yen	Buy	2,300.0	19.2	19.0	.2	U.S.	March 2008
Euro	Sell	38.0	51.4	51.6	.2	U.S.	March 2008
Australian Dollar	Sell	4.5	3.6	3.8	.2	U.S.	October 2007

The Company continuously evaluates the effectiveness of its hedging program by evaluating its foreign exchange contracts compared to the anticipated underlying transactions. The Company did not have any ineffective hedges in fiscal 2008 or 2007.

(14) Employee Benefit Costs:

Retirement Plan and Other Postretirement Benefits

The Company adopted SFAS No. 158 on July 1, 2007. See Note 2 – Summary of Significant Accounting Policies for further discussion of SFAS No. 158.

Notes . . .

The Company has noncontributory, defined benefit retirement plans and other postretirement benefit plans covering certain employees. The Company uses a June 30 measurement date for all of its plans. 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	
	2008	Restated 2007	2008	2007
Actuarial Assumptions:				
Discounted Rate Used to Determine Present Value of Projected Benefit Obligation	7.0%	6.35%	6.40%	6.09%
Expected Rate of Future Compensation Level Increases	3.0-5.0%	3.0-5.0%	n/a	n/a
Expected Long-Term Rate of Return on Plan Assets	8.75%	8.75%	n/a	n/a
Change in Benefit Obligations:				
Projected Benefit Obligation at Beginning of Year	\$ 986,472	\$ 949,634	\$ 243,545	\$ 276,952
Service Cost	12,037	13,324	1,486	1,777
Interest Cost	60,326	57,940	13,760	16,007
Curtailment	-	-	(16,417)	-
Plan Participant Contributions	-	-	629	1,696
Actuarial (Gain) Loss	(74,125)	38,877	(2,597)	(17,830)
Benefits Paid	(72,717)	(73,303)	(30,492)	(35,057)
Projected Benefit Obligation at End of Year	\$ 911,993	\$ 986,472	\$ 209,914	\$ 243,545
Change in Plan Assets:				
Fair Value of Plan Assets at Beginning of Year	\$1,048,881	\$ 945,203	\$ -	\$ -
Actual Return on Plan Assets	(13,677)	167,244	-	-
Plan Participant Contributions	-	-	629	1,696
Employer Contributions	1,653	9,737	29,863	33,361
Benefits Paid	(72,717)	(73,303)	(30,492)	(35,057)
Fair Value of Plan Assets at End of Year	\$ 964,140	\$1,048,881	\$ -	\$ -
Funded Status:				
Plan Assets (Less Than) in Excess of Projected Benefit Obligation	\$ 52,147	\$ 62,409	\$ (209,914)	\$ (243,545)
Amounts Recognized on the Balance Sheets:				
Prepaid Pension	\$ 90,020	\$ 103,247	\$ -	\$ -
Accrued Pension Cost	(36,173)	(39,438)	-	-
Accrued Wages and Salaries	(1,700)	(1,400)	-	-
Accrued Postretirement Health Care Obligation	-	-	(161,684)	(186,868)
Accrued Liabilities	-	-	(30,621)	(37,504)
Accrued Employee Benefits	-	-	(17,609)	(19,173)
Net Amount Recognized at End of Year	\$ 52,147	\$ 62,409	\$ (209,914)	\$ (243,545)
Amounts Recognized in Accumulated Other Comprehensive Income (Loss):				
Transition Assets (Obligation)	\$ (24)	\$ (29)	\$ -	\$ (26)
Net Actuarial Gain (Loss)	(62,611)	(53,146)	(67,139)	(77,405)
Prior Service (Credit) Cost	(10,398)	(12,406)	2,844	3,363
Net Amount Recognized at End of Year	\$ (73,033)	\$ (65,581)	\$ (64,295)	\$ (74,068)

Notes . . .

The accumulated benefit obligation for all defined benefit pension plans was \$872 million and \$933 million at June 30, 2008 and 2007, respectively.

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

	Pension Benefits			Other Postretirement Benefits		
	2008	Restated 2007	Restated 2006	2008	2007	2006
Components of Net Periodic (Income) Expense:						
Service Cost-Benefits Earned During the Year	\$ 12,037	\$ 13,290	\$ 15,395	\$ 1,486	\$ 1,777	\$ 3,031
Interest Cost on Projected Benefit Obligation	60,326	57,940	52,596	13,760	16,007	15,025
Expected Return on Plan Assets	(81,344)	(78,250)	(78,368)	-	-	-
Amortization of:						
Transition Asset	8	8	8	42	46	46
Prior Service Cost (Credit)	3,290	3,290	3,292	(849)	(849)	(629)
Actuarial Loss	5,368	5,032	9,675	10,861	13,337	15,793
Net Periodic (Income) Expense	\$ (315)	\$ 1,310	\$ 2,598	\$ 25,300	\$ 30,318	\$ 33,266

Significant assumptions used in determining net periodic benefit cost for the fiscal years indicated are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2008	2007	2006	2008	2007	2006
Discount Rate	7.0%	6.35%	5.25%	6.40%	6.09%	5.25%
Expected Return on Plan Assets	8.75%	8.75%	8.75%	n/a	n/a	n/a
Compensation Increase Rate	3.0-5.0%	3.0-5.0%	3.0-5.0%	n/a	n/a	n/a

The amounts in Accumulated Other Comprehensive Income that are expected to be recognized as components of net periodic benefit cost during the next fiscal year are as follows (in thousands):

	Pension Plans	Other Postretirement Plans
Prior service credit (cost)	\$ (3,289)	\$ 876
Net actuarial loss	(753)	(11,511)

The "Other Postretirement Benefit" plans are unfunded.

For measurement purposes an 8% annual rate of increase in the per capita cost of covered health care claims was assumed for the Company for the fiscal year 2008 decreasing gradually to 5% for the fiscal year 2014. In fiscal 2005, the Company acquired the liabilities associated with the Simplicity Post-Retirement Benefit Plan covering certain Port Washington, Wisconsin employees. For measurement purposes this plan also assumes an 8% annual rate of increase in the per capita cost decreasing gradually to 5% for the fiscal year 2014. The health care cost trend rate assumptions have a significant effect on the amounts reported. An increase of one percentage point, would increase the accumulated postretirement benefit by \$10.0 million and would increase the service and interest cost by \$0.8 million for fiscal 2008. A corresponding decrease of one percentage point, would decrease the accumulated postretirement benefit by \$9.2 million and decrease the service and interest cost by \$0.7 million for the fiscal year 2008.

As discussed in Note 17 in the Notes to the Consolidated Financial Statements, the Company plans to close its Port Washington, WI production facility during the second quarter of fiscal 2009. The closure of this facility will result in termination of all Port Washington union and certain salaried employees. This employee reduction will reduce the Company's liability for postretirement healthcare benefits. Additionally, the closing agreement reduced the retiree health benefits for certain retirees. These combined changes resulted in a net curtailment gain of \$13.3 million in fiscal 2008.

Notes . . .

Plan Assets

A Board of Directors appointed Investment Committee (“Committee”) manages the investment of the pension plan assets. The Committee has established and operates under an Investment Policy. It determines the asset allocation and target ranges based upon periodic asset/liability studies and capital market projections. The Committee retains external investment managers to invest the assets. The Investment Policy prohibits certain investment transactions, such as lettered stock, commodity contracts, margin transactions and short selling, unless the Committee gives prior approval. Briggs & Stratton’s pension plans weighted-average asset allocations and target allocations at June 30, 2008, and 2007, by asset category are as follows:

Asset Category	Target %	Plan Assets at Year-end	
		2008	2007
Cash	0%-2%	1%	3%
Domestic Bonds	10%-30%	29%	21%
Non-Investment Grade Bonds	0%-15%	0%	0%
Non-US Bonds	0%-10%	0%	0%
Domestic Equities	20%-40%	20%	35%
Global & International Equities	10%-25%	16%	19%
Alternative & Absolute Return	20%-30%	30%	18%
Real Estate	4%-10%	4%	4%
		<u>100%</u>	<u>100%</u>

The plan’s investment strategy is based on an expectation that, over time, equity securities will provide higher total returns than debt securities. The plan primarily minimizes the risk of large losses through diversification of investments by asset class, by investing in different types of styles within the classes and by using a number of different managers. The Committee monitors the asset allocation and investment performance monthly, with a more comprehensive quarterly review with its consultant.

The plan’s expected return on assets is based on management’s and the Committee’s expectations of long-term average rates of return to be achieved by the plan’s investments. These expectations are based on the plan’s historical returns and expected returns for the asset classes in which the plan is invested.

Contributions

The Company is not required to, nor intends to, make any contributions to the pension plans in fiscal 2009.

Estimated Future Benefit Payments

Projected benefit payments from the plans as of June 29, 2008 are estimated as follows (in thousands):

Year Ending	Pension Benefits		Other Postretirement Benefits		
	Qualified	Non-Qualified	Retiree Medical	Retiree Life	LTD
2009	\$ 67,538	\$ 1,824	\$ 28,908	\$ 1,156	\$ 133
2010	67,978	1,818	25,861	1,188	137
2011	68,283	2,199	26,329	1,218	139
2012	68,864	2,180	24,742	1,156	142
2013	69,345	2,155	22,328	1,246	124
2014-2018	356,542	14,554	70,043	6,567	592

Defined Contribution Plans

Employees of the Company may participate in a defined contribution savings plan that allows participants to contribute a portion of their earnings in accordance with plan specifications. A maximum of 1-1/2% to 3-1/2% of each participant’s salary, depending upon the participant’s group, is matched by the Company. Additionally, certain employees may receive Company nonelective contributions equal to 2% of the employee’s salary. The Company contributions totaled \$6.6 million in 2008, \$6.1 million in 2007 and \$6.7 million in 2006.

Notes . . .

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 interest rates of 6.40% and 6.09% for fiscal years 2008 and 2007, respectively. Amounts are included in Accrued Employee Benefits in the Consolidated Balance Sheets.

(15) 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):

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term Debt -				
7.25% Notes Due 2007	\$ -	\$ -	\$ 81,139	\$ 83,124
8.875% Notes Due 2011	\$ 266,478	\$ 280,364	\$ 267,909	\$ 287,868
Variable Term Notes Due 2008	\$ -	\$ -	\$ 35,000	\$ 35,000
Borrowings on Revolving Credit Facility	\$ 99,077	\$ 99,077	\$ -	\$ -

(16) Separate Financial Information of Subsidiary Guarantors of Indebtedness

In June 1997, the Company issued \$100 million of 7.25% senior notes, in May 2001, the Company issued \$275 million of 8.875% senior notes and in February 2005, the Company issued \$125 million of variable rate term notes. In addition, the Company had a \$350 million revolving credit facility used to finance seasonal working capital needs that was to expire in May 2009.

On July 12, 2007, the Company entered into a \$500 million amended and restated multicurrency credit agreement. The Amended Credit Agreement ("Revolver") provides a revolving credit facility for up to \$500 million in revolving loans, including up to \$25 million in swing-line loans. The Company used the proceeds of the Revolver to, among other things, pay off the remaining amount outstanding under the Company's variable rate term notes issued in February 2005 and retire the 7.25% senior notes that were due in September 2007. The Revolver has a term of five years and all outstanding borrowings on the Revolver are due and payable on July 12, 2012. The Revolver contains covenants that the Company considers usual and customary for an agreement of this type, including a Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio. Certain of the Company's subsidiaries are required to be guarantors of the Company's obligations under the Revolver.

Under the terms of the Company's 8.875% senior notes and the Revolver (collectively, the "Domestic Indebtedness"), Briggs & Stratton Power Products Group, LLC is the joint and several guarantor of the Domestic Indebtedness (the "Guarantor"). The guarantees are full and unconditional guarantees. Additionally, if at any time a domestic subsidiary of the Company 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. If the Company were to fail to make a payment of interest or principal on its due

Notes . . .

date, the Guarantor is obligated to pay the outstanding Domestic Indebtedness. The Company had the following outstanding amounts related to the guaranteed debt (in thousands):

	June 29, 2008	
	Carrying Amount	Maximum Guarantee
8.875% Senior Notes, due March 15, 2011	\$ 266,478	\$ 268,000
Revolving Credit Facility, expiring July 2012	\$ 99,077	\$ 500,000

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

BALANCE SHEET: As of June 29, 2008	Briggs & Stratton Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current Assets	\$ 543,349	\$1,071,298	\$ 234,889	\$ (870,999)	\$ 978,537
Investment in Subsidiary	1,065,613	-	-	(1,065,613)	-
Noncurrent Assets	371,781	445,777	37,199	-	854,757
	<u>\$ 1,980,743</u>	<u>\$1,517,075</u>	<u>\$ 272,088</u>	<u>\$(1,936,612)</u>	<u>\$ 1,833,294</u>
Current Liabilities	\$ 574,795	\$ 462,968	\$ 166,838	\$ (870,999)	\$ 333,602
Long-Term Debt	365,555	-	-	-	365,555
Other Long-Term Obligations	202,870	93,218	526	-	296,614
Shareholders' Equity	837,523	960,889	104,724	(1,065,613)	837,523
	<u>\$ 1,980,743</u>	<u>\$1,517,075</u>	<u>\$ 272,088</u>	<u>\$(1,936,612)</u>	<u>\$ 1,833,294</u>
<u>Restated as of July 1, 2007</u>					
Current Assets	\$ 548,057	\$ 976,298	\$ 198,123	\$ (729,385)	\$ 993,093
Investment in Subsidiary	1,101,113	-	-	(1,101,113)	-
Noncurrent Assets	418,213	438,506	34,656	-	891,375
	<u>\$ 2,067,383</u>	<u>\$1,414,804</u>	<u>\$ 232,779</u>	<u>\$(1,830,498)</u>	<u>\$ 1,884,468</u>
Current Liabilities	\$ 756,954	\$ 304,958	\$ 141,543	\$ (729,385)	\$ 474,070
Long-Term Debt	267,909	-	-	-	267,909
Other Long-Term Obligations	204,066	99,571	398	-	304,035
Shareholders' Equity	838,454	1,010,275	90,838	(1,101,113)	838,454
	<u>\$ 2,067,383</u>	<u>\$1,414,804</u>	<u>\$ 232,779</u>	<u>\$(1,830,498)</u>	<u>\$ 1,884,468</u>

Notes . . .

STATEMENT OF EARNINGS: For the Fiscal Year Ended June 29, 2008	Briggs & Stratton Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	\$ 1,372,382	\$ 831,024	\$ 250,046	\$ (302,059)	\$ 2,151,393
Cost of Goods Sold	1,133,200	802,254	209,022	(300,399)	1,844,077
Gross Profit	239,182	28,770	41,024	(1,660)	307,316
Engineering, Selling, General and Administrative Expenses	165,625	79,946	35,405	-	280,976
Equity in Loss from Subsidiaries	25,265	-	-	(25,265)	-
Income (Loss) from Operations	48,292	(51,176)	5,619	23,605	26,340
Interest Expense	(37,615)	(219)	(289)	-	(38,123)
Other Income, Net	42,146	1,628	913	(3,295)	41,392
Income (Loss) Before Provision for Income Taxes . .	52,823	(49,767)	6,243	20,310	29,609
Provision (Credit) for Income Taxes	25,269	(20,561)	2,301	-	7,009
Net Income (Loss)	<u>\$ 27,554</u>	<u>\$ (29,206)</u>	<u>\$ 3,942</u>	<u>\$ 20,310</u>	<u>\$ 22,600</u>
 <u>Restated for the Fiscal Year Ended July 1, 2007</u>					
Net Sales	\$ 1,397,336	\$ 861,435	\$ 196,762	\$ (298,700)	\$ 2,156,833
Cost of Goods Sold	1,166,971	782,465	163,635	(294,524)	1,818,547
Impairment Charge	33,900	7,907	1,281	-	43,088
Gross Profit	196,465	71,063	31,846	(4,176)	295,198
Engineering, Selling, General and Administrative Expenses	163,553	74,676	26,742	(1,930)	263,041
Equity in Earnings from Subsidiaries	(2,531)	-	-	2,531	-
Income (Loss) from Operations	35,443	(3,613)	5,104	(4,777)	32,157
Interest Expense	(43,285)	(122)	(284)	-	(43,691)
Other Income (Expense), Net	10,440	3,143	(948)	2,201	14,836
Income (Loss) Before Provision for Income Taxes . .	2,598	(592)	3,872	(2,576)	3,302
Provision (Credit) for Income Taxes	(4,147)	(478)	1,226	-	(3,399)
Net Income (Loss)	<u>\$ 6,745</u>	<u>\$ (114)</u>	<u>\$ 2,646</u>	<u>\$ (2,576)</u>	<u>\$ 6,701</u>
 <u>Restated for the Fiscal Year Ended July 2, 2006</u>					
Net Sales	\$ 1,611,327	\$1,157,675	\$ 189,160	\$ (418,491)	\$ 2,539,671
Cost of Goods Sold	1,248,750	1,052,361	156,079	(412,864)	2,044,326
Gross Profit	362,577	105,314	33,081	(5,627)	495,345
Engineering, Selling, General and Administrative Expenses	199,439	81,852	31,940	-	313,231
Equity in Earnings from Subsidiaries	(18,149)	-	-	18,149	-
Income from Operations	181,287	23,462	1,141	(23,776)	182,114
Interest Expense	(41,833)	(52)	(206)	-	(42,091)
Other Income (Expense), Net	16,089	4,761	(919)	(1,440)	18,491
Income Before Provision for Income Taxes	155,543	28,171	16	(25,216)	158,514
Provision for Income Taxes	42,496	9,118	919	-	52,533
Net Income (Loss)	<u>\$ 113,047</u>	<u>\$ 19,053</u>	<u>\$ (903)</u>	<u>\$ (25,216)</u>	<u>\$ 105,981</u>

Notes . . .

STATEMENT OF CASH FLOWS: For the Fiscal Year Ended June 29, 2008	Briggs & Stratton Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income (Loss)	\$ 27,554	\$ (29,206)	\$ 3,942	\$ 20,310	\$ 22,600
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by					
Operating Activities:					
Depreciation and Amortization	45,308	19,809	3,769	-	68,886
Stock Compensation Expense	4,563	-	-	-	4,563
Earnings of Unconsolidated Affiliates, Net of Dividends	(758)	-	(30)	-	(788)
Equity in Loss from Subsidiaries	25,265	-	-	(25,265)	-
(Gain) Loss on Disposition of Plant and Equipment	1,010	1,728	(30)	-	2,708
Gain on Sale of Investment	(36,960)	-	-	-	(36,960)
Curtailed Gain	-	(13,288)	-	-	(13,288)
(Provision) Credit for Deferred Income Taxes . . .	25,628	(14,921)	(201)	-	10,506
Change in Operating Assets and Liabilities:					
(Increase) Decrease in Receivables	5,221	(113,597)	(26,155)	141,437	6,906
(Increase) Decrease in Inventories	1,466	19,745	(3,572)	751	18,390
Decrease in Prepaid Expenses and Other Current Assets	6,809	2,802	343	-	9,954
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Income Taxes	6,985	86,679	16,813	(132,634)	(22,157)
Change in Accrued/Prepaid Pension	(2,325)	38	29	-	(2,258)
Other, Net	(4,571)	(3,346)	(4,035)	4,179	(7,773)
Net Cash Provided (Used) by Operating Activities	<u>105,195</u>	<u>(43,557)</u>	<u>(9,127)</u>	<u>8,778</u>	<u>61,289</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to Plant and Equipment	(34,805)	(28,575)	(2,133)	-	(65,513)
Proceeds Received on Disposition of Plant and Equipment	434	120	126	-	680
Proceeds Received on Sale of Investment	66,011	-	-	-	66,011
Cash Investment in Subsidiary	(5,819)	-	(202)	6,021	-
Other, Net	(503)	-	-	-	(503)
Net Cash Provided (Used) by Investing Activities	<u>25,318</u>	<u>(28,455)</u>	<u>(2,209)</u>	<u>6,021</u>	<u>675</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net (Repayments) Borrowings on Loans, Notes Payable and Long-Term Debt	(92,883)	74,118	8,481	(8,778)	(19,062)
Issuance Cost of Amended Revolver	(1,286)	-	-	-	(1,286)
Cash Dividends Paid	(43,560)	-	-	-	(43,560)
Capital Contributions Received	-	383	5,638	(6,021)	-
Stock Option Exercise Proceeds and Tax Benefits . .	991	-	-	-	991
Net Cash Provided (Used) by Financing Activities	<u>(136,738)</u>	<u>74,501</u>	<u>14,119</u>	<u>(14,799)</u>	<u>(62,917)</u>
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS					
	-	-	3,952	-	3,952
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(6,225)	2,489	6,735	-	2,999
Cash and Cash Equivalents, Beginning of Year	8,785	(1,402)	22,086	-	29,469
Cash and Cash Equivalents, End of Year	<u>\$ 2,560</u>	<u>\$ 1,087</u>	<u>\$ 28,821</u>	<u>\$ -</u>	<u>\$ 32,468</u>

Notes . . .

STATEMENT OF CASH FLOWS: Restated for the Fiscal Year Ended July 1, 2007	Briggs & Stratton Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income (Loss)	\$ 6,745	\$ (114)	\$ 2,646	\$ (2,576)	\$ 6,701
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	52,681	19,347	2,286	-	74,314
Stock Compensation Expense	8,484	-	-	-	8,484
Impairment Items	33,900	7,907	1,281	-	43,088
Earnings of Unconsolidated Affiliates, Net of Dividends	1,903	-	(327)	-	1,576
Equity in Earnings from Subsidiaries	(2,531)	-	-	2,531	-
Loss on Disposition of Plant and Equipment	2,783	75	81	-	2,939
Provision for Deferred Income Taxes	(16,717)	(672)	(58)	-	(17,447)
Change in Operating Assets and Liabilities:					
(Increase) Decrease in Receivables	(108,828)	(46,758)	4,970	96,644	(53,972)
(Increase) Decrease in Inventories	25,767	(21,983)	1,097	2,251	7,132
Decrease in Prepaid Expenses and Other Current Assets	1,959	9,081	518	-	11,558
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Income Taxes	20,311	88,901	(1,094)	(91,500)	16,618
Change in Accrued/Prepaid Pension	(8,426)	35	-	-	(8,391)
Other, Net	(3,958)	(358)	(445)	-	(4,761)
Net Cash Provided by Operating Activities	14,073	55,461	10,955	7,350	87,839
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to Plant and Equipment	(28,446)	(22,038)	(17,516)	-	(68,000)
Proceeds Received on Disposition of Plant and Equipment	487	52	60	-	599
Cash Investment in Subsidiary	8,619	-	181	(8,800)	-
Net Cash Used by Investing Activities	(19,340)	(21,986)	(17,275)	(8,800)	(67,401)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net (Repayments) Borrowings on Loans and Notes Payable	44,838	(42,071)	3,811	(7,051)	(473)
Cash Dividends Paid	(43,870)	-	(1,201)	1,201	(43,870)
Capital Contributions Received	-	382	(7,682)	7,300	-
Stock Option Exercise Proceeds and Tax Benefits	3,694	-	-	-	3,694
Treasury Stock Repurchases	(48,232)	-	-	-	(48,232)
Net Cash Used by Financing Activities	(43,570)	(41,689)	(5,072)	1,450	(88,881)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS					
	(1)	-	2,822	-	2,821
NET DECREASE IN CASH AND CASH EQUIVALENTS					
	(48,838)	(8,214)	(8,570)	-	(65,622)
Cash and Cash Equivalents, Beginning of Year	57,623	6,812	30,656	-	95,091
Cash and Cash Equivalents, End of Year	\$ 8,785	\$ (1,402)	\$ 22,086	\$ -	\$ 29,469

Notes . . .

STATEMENT OF CASH FLOWS: Restated for the Fiscal Year Ended July 2, 2006	Briggs & Stratton Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income (Loss)	\$ 113,047	\$ 19,053	\$ (903)	\$ (25,216)	\$ 105,981
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by					
Operating Activities:					
Depreciation and Amortization	57,437	18,030	1,767	-	77,234
Stock Compensation Expense	9,999	-	-	-	9,999
Earnings of Unconsolidated Affiliates, Net of Dividends	401	-	58	-	459
Equity in Earnings from Subsidiaries	(18,149)	-	-	18,149	-
(Gain) Loss on Disposition of Plant and Equipment	(12,059)	584	336	-	(11,139)
Provision for Deferred Income Taxes	(18,069)	9,371	773	-	(7,925)
Change in Operating Assets and Liabilities:					
(Increase) Decrease in Receivables	93,660	(225,177)	16,959	201,842	87,284
Increase in Inventories	(57,410)	(31,992)	(5,932)	3,884	(91,450)
(Increase) Decrease in Prepaid Expenses and Other Current Assets	3,161	(15,675)	212	-	(12,302)
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Income Taxes	(16,164)	205,460	887	(194,978)	(4,795)
Change in Accrued/Prepaid Pension	865	34	-	-	899
Other, Net	5,868	(5,370)	(136)	1	363
Net Cash Provided (Used) by Operating Activities	162,587	(25,682)	14,021	3,682	154,608
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to Plant and Equipment	(50,084)	(14,745)	(4,689)	-	(69,518)
Proceeds Received on Disposition of Plant and Equipment	11,420	51	47	-	11,518
Cash Investment in Subsidiary	(391)	-	9	382	-
Refund of Cash Paid for Acquisition	-	6,347	-	-	6,347
Other, Net	(3,400)	-	-	-	(3,400)
Net Cash Used by Investing Activities	(42,455)	(8,347)	(4,633)	382	(55,053)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net (Repayments) Borrowings on Loans and Notes Payable and Long-Term Debt	(137,803)	34,082	9,308	(6,382)	(100,795)
Cash Dividends Paid	(45,278)	-	(2,701)	2,701	(45,278)
Capital Contributions Received	-	383	-	(383)	-
Stock Option Exercise Proceeds and Tax Benefits	12,457	-	-	-	12,457
Treasury Stock Repurchases	(34,919)	-	-	-	(34,919)
Net Cash (Used) Provided by Financing Activities	(205,543)	34,465	6,607	(4,064)	(168,535)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS					
	-	-	2,498	-	2,498
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS					
	(85,411)	436	18,493	-	(66,482)
Cash and Cash Equivalents, Beginning of Year	143,034	6,376	12,163	-	161,573
Cash and Cash Equivalents, End of Year	\$ 57,623	\$ 6,812	\$ 30,656	\$ -	\$ 95,091

Notes . . .

(17) Impairment and Disposal Charges

Impairment charges were recognized in the Consolidated Statements of Earnings for \$43.1 million pretax (\$26.2 million after tax) during fiscal 2007, of which \$33.9 and \$9.2 million were recognized in the Engines and Power Products Segments, respectively. The Engines Segment \$33.9 million charge was primarily for the write-down of assets of the Rolla, MO (Rolla) engine manufacturing facility that closed in the second quarter of fiscal 2008. A decision was made to close the Rolla facility as a result of the Company's analysis to reduce its fixed manufacturing costs by consolidating production into its other existing engine plants in Poplar Bluff, MO and Chongqing, China. The related impaired machinery and equipment no longer used in production was sold in an auction or scrapped during the second quarter of fiscal 2008. The \$9.2 million recognized in the Power Products Segment primarily relates to the closure of the Port Washington, WI production facility expected to be completed in the second quarter of fiscal 2009. Management of the Company conducted an analysis of the Company's manufacturing facilities that had been acquired through acquisitions over the past several years. Management concluded to consolidate the lawn and garden manufacturing facilities into three focused factories. A new factory in Newbern, TN, located near the Company's high volume lawnmower engine plants, will build walk behind lawnmowers for the consumer market. An existing factory in McDonough, GA will build riding lawnmowers for the consumer market. A third factory in Munnsville, NY will build commercial riding lawnmowers and zero turn lawnmowers. The production from Port Washington, WI will primarily move to the McDonough, GA facility. For each segment, it was determined that the carrying value of the assets exceeded the undiscounted future cash flows. The impairment was computed as the difference between the estimated fair value and the carrying value of the assets. Fair value was determined based on market prices for comparable assets.

Additionally, an expense was recorded within cost of goods sold to accrue for severance payments to be paid to the employees of the Rolla facility. Accrued severance at July 1, 2007 was approximately \$1.1 million. Another approximately \$1.4 million was accrued in fiscal 2008 and approximately \$2.5 million was paid in fiscal 2008, resulting in no remaining accrued severance as of June 29, 2008.

An expense was also recorded within cost of goods sold to accrue for severance payments to be paid to employees of the Port Washington facility upon its close. Approximately \$1.9 million of severance expense is expected to be incurred related to the closure of this facility and of this \$1.9 million, approximately \$1.1 million has been incurred as of June 29, 2008. Severance payments are contingent upon an employee working through scheduled end dates, and will continue to accrue until the plant closes.

(18) Subsequent Events

On June 30, 2008 the Company, through its wholly owned subsidiary Briggs & Stratton Australia, Pty Limited, acquired Victa Lawncare Pty Ltd (Victa) of Sydney, Australia from GUD Holdings Limited for a total consideration of \$23.0 million in cash. The purchase price is subject to revision based on a review of changes in working capital from an interim balance sheet date until the transaction closing date. Victa is a leading designer, manufacturer and marketer of a broad range of outdoor power equipment used in consumer lawn and garden applications in Australia and New Zealand. Its products are sold at large retail stores and independent dealers. Victa had net sales of approximately \$57.3 million for the twelve months ending June 30, 2008. The Company financed the transaction from cash on hand and its existing credit facilities. The Company expects that the acquisition will have no material effect on earnings in fiscal 2009.