



ABOUT BRIGGS & STRATTON

BRIGGS & STRATTON

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General

Briggs & Stratton Corporation is the world's largest producer of air cooled gasoline engines for outdoor power equipment. The Company designs, manufactures, markets and services these products for original equipment manufacturers (OEMs) worldwide. These engines are aluminum alloy gasoline engines ranging from 3 through 22 horsepower.

The Company's engines are used primarily by the lawn and garden equipment industry, which accounted for 81% of fiscal 1997 OEM engine sales. The major lawn and garden equipment applications include walk-behind lawn mowers, riding lawn mowers and garden tillers. The remaining 19% of OEM sales in fiscal 1997 were for use on many products for industrial, agricultural and consumer applications, including generators, pumps and pressure washers. Many retailers specify the Company's engines on the powered equipment they sell, and the Briggs & Stratton name is often featured prominently on a product despite the fact that its engine is just a component. Briggs & Stratton engines are marketed under various brand names including Classic™, Sprint™, Quattro™, Quantum®, INTEK™, I/C®, Diamond I/C®, Industrial Plus™ and Vanguard™.



Our operations are focused on the production of specific engine products. Poplar Bluff, Missouri is the site of component manufacturing and assembly of small vertical shaft engines including the INTEK Edge™.

In fiscal 1997, approximately 23% of the Company's net sales were derived from sales in international markets, primarily to customers in Europe. Briggs & Stratton serves its international markets through its European regional office in Switzerland, its distribution center in the Netherlands and sales and service subsidiaries in Australia, Canada, France, Germany, New Zealand, Sweden, the United Kingdom and Mexico. The Company is a leading supplier of gasoline engines in developed countries where there is an established lawn and garden equipment market. The Company also exports to developing nations where its engines are used in agricultural, marine and other applications.

Briggs & Stratton engines are sold primarily by its worldwide sales force through direct calls on customers. The Company's marketing staff and engineers provide support and technical assistance to its sales force.



High-flow OHV design provides more power, longer engine life and improved fuel economy for the INTEK Edge™ engine. This product is primarily used on walk-behind lawn mowers.

Briggs & Stratton also manufactures replacement engines and service parts and sells them to sales and service distributors. The Company owns its principal international distributors. In the United States the distributors are independently owned and operated. These distributors supply service parts and replacement engines directly to approximately 30,000 independently owned authorized service dealers throughout the world. These distributors and service dealers implement Briggs & Stratton's commitment to reliability and service.

Customers

The Company's sales are primarily made directly to original equipment manufacturers. The Company's three largest customers, MTD Products Inc., AB Electrolux (including its Frigidaire Home Products group) and Tomkins PLC (including its Murray



**INTEK'S HORIZONTAL
SHAFT ENGINES SERVE
THE CONSUMER AND
LIGHT INDUSTRIAL
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product line), accounted for approximately 45% of net sales in recent years. Under purchasing plans available to all of its gasoline engine customers, the Company typically enters into annual engine supply arrangements with these customers.



At the Rolla, Missouri facility, the focus is on producing horizontal shaft engines. Engines are tuned in the run tunnel by setting the governor and engine speed.

Over the past several years, sales in the United States of lawn and garden equipment by mass merchandisers have increased significantly, while sales by independent distributors and dealers have declined. The Company believes that in 1997 more than 75% of all lawn and garden equipment sold in the United States was sold through mass merchandisers such as Sears, Wal-Mart, Kmart, Home Depot and Lowe's.

Competition

The small gasoline engine industry is highly competitive. The Company believes the major areas of competition from all engine manufacturers include product quality, brand strength, price, timely delivery and service. Other factors affecting competition are short-term market share objectives, short-term profit objectives, exchange rate fluctuations, technology and product support and distribution strength. Briggs & Stratton believes its product quality and service reputation have given it

strong brand name recognition and enhance its competitive position.

Seasonality of Demand

Sales of engines to lawn and garden equipment manufacturers are highly seasonal because of the buying patterns of retail customers. The majority of lawn and garden equipment is sold during the spring and summer months when most lawn care and gardening activities are performed. Sales of lawn and garden equipment are also influenced by weather conditions. Sales in the Company's fiscal third quarter have historically been the highest, while sales in the first fiscal quarter have historically been the lowest.

The sale of lawn and garden equipment has shifted from smaller dealers to larger mass merchandisers, who do not wish to carry large inventories of lawn and garden equipment. In order to efficiently use its capital investments and meet seasonal demand for engines, the Company pursues a balanced production schedule throughout the year, subject to ongoing adjustment to reflect changes in estimated demand, customer inventory levels and other matters outside the control of the Company. Accordingly, inventory levels are generally higher during the first and second fiscal quarters in anticipation of increased customer demand in the third fiscal quarter, at which time inventory levels begin to decrease as sales increase.

In recent years, lawn and garden equipment manufacturers have tended to place orders with engine manufacturers and to take deliveries later in



The INTEK Pro™ offers the features and durability to perform on a variety of light industrial applications such as generators and pressure washers.

the selling season, specifically later in the Company's third fiscal quarter and in the Company's fourth fiscal quarter. This seasonal pattern results in high inventories and receivables and low cash for the



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SUPPLIES ENGINES TO
EVERY SEGMENT OF
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Company in the second and the beginning of the third fiscal quarters, with a rapid shift to lower inventories and receivables and ultimately higher cash in the latter portion of the third fiscal quarter and in the fourth fiscal quarter.

Manufacturing

Briggs & Stratton manufactures engines and parts at the following locations in the United States: Wauwatosa, Wisconsin; Murray, Kentucky; Poplar Bluff and Rolla, Missouri; Auburn, Alabama; and Statesboro, Georgia. The Company has a parts distribution center in Menomonee Falls, Wisconsin. Parts and components are manufactured at foundries located in West Allis, Wisconsin and Ravenna, Michigan. The Company believes that it



Murray, Kentucky produces small vertical shaft engines. The Quattro™ 40, part of Briggs & Stratton's export line-up, is quality inspected during the production process.

has adequate capacity to meet its currently anticipated production needs.

Briggs & Stratton manufactures a majority of the structural components used in its engines, including ductile iron castings, aluminum die castings and a high percentage of other major components, such as carburetors and ignition systems. The



The Quattro™ engine is value engineered for walk-behind mowers around the world.

The Company purchases certain finished standard commercial parts such as piston rings, spark plugs, valves, grey iron castings, zinc die castings and plastic components, some stampings and screw machine parts and smaller quantities of other components. Raw material purchases are principally for aluminum and steel.

The Company has joint ventures with Daihatsu Motor Company for the manufacture of engines in a plant near Osaka, Japan; with Puling Machinery Works and Yimin Machinery Plant for the production of engines in a plant in Chongqing, China; and with Starting Industrial of Japan for the production of rewind starters in a plant located in Poplar Bluff, Missouri. The Company also has a strategic relationship with Mitsubishi Heavy Industries (MHI) for the international distribution of engines for outdoor power equipment manufactured by MHI in Japan.