

PART I

ITEM 1. BUSINESS

Briggs & Stratton Corporation (the Company) 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 primarily aluminum alloy gasoline engines ranging from 3 through 25 horsepower.

Additionally, through the Company's wholly-owned subsidiary, Generac Portable Products, Inc. (Generac), acquired on May 15, 2001, the Company is a leading designer, manufacturer and marketer of portable generators, pressure washers and related accessories.

Since its acquisition of Generac, the Company conducts its operations in two reportable segments: engines and Generac Portable Products. Further information about the Company's business segments is contained in Note 5 of the Notes to Consolidated Financial Statements in Item 8 of this report.

Engines

General

The Company's engines are used primarily by the lawn and garden equipment industry, which accounted for 84% of fiscal 2001 OEM engine sales. Major lawn and garden equipment applications include walk-behind lawn mowers, riding lawn mowers and garden tillers. The remaining 16% of OEM sales in fiscal 2001 were for use on many products for industrial, construction, 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 the engine is just a component. Briggs & Stratton engines are marketed under various brand names including Classic™, Sprint™, Quattro™, Quantum®, INTEK™, I/C®, Industrial Plus™ and Vanguard™.

In fiscal 2001, approximately 25% of the Company's net sales were derived from sales in international markets, primarily to customers in Europe. Briggs & Stratton serves its key international markets through its European regional office in Switzerland, its distribution center in the Netherlands and sales and service subsidiaries in Australia, Austria, Canada, the Czech Republic, France, Germany, Mexico, New Zealand, South Africa, Sweden and the United Kingdom. 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 engines to developing nations where its engines are used in agricultural, marine, construction 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 in the United States provide support and technical assistance to its sales force.

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 34,000 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 engine sales are made primarily to original equipment manufacturers. The Company's three largest engine customers in each of the last three fiscal years were AB Electrolux (principally its Electrolux Home Products group), MTD Products Inc. and the Murray Group (owned by Summersong Investments, Inc.). Sales to each of these customers were more than 10% of net sales in fiscal 2001, 2000, and 1999. Sales to all three combined were 46% of net sales in fiscal 2001, 44% of net sales in fiscal 2000 and 42% of net sales in fiscal 1999. Under purchasing plans available

to all of its gasoline engine customers, the Company typically enters into annual engine supply arrangements with these large customers. The Company has no reason to anticipate a change in this practice.

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 fiscal 2001 more than 75% of all lawn and garden equipment sold in the United States was sold through mass merchandisers such as Sears, The Home Depot, Inc. (The Home Depot), Wal*Mart Stores, Inc. and Lowe's Home Centers, Inc. (Lowe's). Given the buying power of the mass merchandisers, the Company, through its customers, has continued to experience pricing pressure. The Company expects that this pricing trend will continue in the foreseeable future. The Company believes that a similar trend has developed for engine products for industrial and consumer applications outside of the lawn and garden market.

Competition

The small gasoline engine industry is highly competitive. The Company's major domestic competitors in engine manufacturing are Tecumseh Products Company (Tecumseh), Honda Motor Co., Ltd. (Honda), Kohler Co. and Kawasaki Heavy Industries, Ltd. (Kawasaki). Also, a domestic lawn mower manufacturer, Toro Co. under its Lawn-Boy brand, manufactures some of their own engines. Eight Japanese small engine manufacturers, of which Honda and Kawasaki are the largest, compete directly with the Company in world markets in the sale of engines to other OEMs and indirectly through their sale of end products. Tecumseh Europa S.p.A., located in Italy, is a major competitor in Europe.

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 value 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.

In order to efficiently use its capital investments and meet seasonal demand for engines, the Company pursues a relatively 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. This seasonal pattern, which results in high inventories and low cash flow for the Company in the second and the beginning of the third fiscal quarters, shifts ultimately to higher cash flow in the latter portion of the third fiscal quarter and in the fourth fiscal quarter as inventories are liquidated and receivables are collected.

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.

Briggs & Stratton manufactures a majority of the structural components used in its engines, including aluminum die castings and a high percentage of other major components, such as carburetors and ignition systems. The Company purchases certain parts such as piston rings, spark plugs, valves, ductile and 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 aluminum and steel. The Company believes its sources of supply are adequate.

The Company has joint ventures with Daihatsu Motor Company for the manufacture of engines in Japan, with Puling Machinery Works and Yimin Machinery Plant for the production of engines in China and with Starting Industrial of Japan for the production of rewind starters in the U.S. The Company also has a joint venture in India with Hero Motors, part of the Hero Group, for the manufacture of engines and transmissions for use in two wheel transportation vehicles.

The Company has a strategic relationship with Mitsubishi Heavy Industries (MHI) for the global distribution of air cooled gasoline engines manufactured by MHI in Japan under the Company's Vanguard™ brand.

Generac Portable Products

General

In May 2001, Briggs & Stratton Corporation acquired Generac (the company). Generac's two principal product lines are portable generators and pressure washers. The company sells its products through multiple channels of retail distribution, including the leading home center chains, mass merchants and warehouse clubs as well as independent dealers. Generac or its predecessor has been a major supplier of portable generators to Sears since 1961 and is a major supplier to Sears of pressure washers, both marketed under the Craftsman™ label. The company is also a core supplier of portable generators and pressure washers, both marketed under the Generac Portable Products label, to The Home Depot and Lowe's. In addition, the company is a core supplier for many of the leading retail home centers and do-it-yourself retailers throughout the United States, Canada and Europe.

The company sells its products to mass merchants, home centers and independent dealers who sell to consumers. Generac has assembled a comprehensive after-sales service network in North America for portable generators and pressure washers comprised of approximately 3,000 authorized independent dealers. Although most independent dealers do not generate the traffic to be competitive with mass merchants, home centers or warehouse clubs, Generac continues to maintain its independent dealer network for the express purpose of providing the after sales service capability that supports its products.

To support the company's European power generator business, local sales offices have been established in the United Kingdom, Germany and Spain.

Customers

The company sells to consumer home centers and warehouse clubs, as well as mass merchants, hardware stores and outdoor power equipment dealers. Historically, the major customers have been Costco, The Home Depot and Sears. Other U.S. retail customers include B.J.'s Wholesale Club, Lowe's, Sam's Club and Tru-Serv Incorporated.

Competition

The U.S. engine powered tools industry has experienced significant consolidation over the last 10 to 15 years. The number of competitors in its product categories has decreased from approximately 20 in 1985 to approximately 10 today, of which only four companies have national distribution capabilities. The principal competitive factors in the engine powered tools industry include price, service, product performance, technical innovation and delivery. In the manufacture and sale of

portable generators, Generac competes primarily with Coleman Powermate (a division of The Coleman Company, Inc.) and Honda. In the manufacture and sale of pressure washers, Generac competes primarily with DeVilbiss Air Power Company (an affiliate of Pentair, Inc.) and to a lesser extent, with The Coleman Company, Inc., Alfred Karcher GmbH & Co. and Campbell Hausfeld (an affiliate of Berkshire Hathaway, Inc.).

The company believes it has the largest North American market share of portable generators and a significant share of consumer pressure washers.

Seasonality of Demand

Sales of Generac's products are subject to seasonal patterns. Due to seasonal and regional weather factors, sales of pressure washers and related working capital requirements are typically higher during the fiscal third and fourth quarters than at other times of the year. Sales of generators are typically higher during the summer storm season. The residential and commercial construction markets are sensitive to cyclical changes in the economy.

Manufacturing

Generac's manufacturing location in the United States is in Jefferson, Wisconsin. In this facility the company primarily produces portable generators and pressure washers.

Generac manufactures core components for portable generators and pressure washers, including alternators and pressure washer pumps, where such integration improves operating profitability by providing lower costs.

Generac purchases engines from its parent, Briggs & Stratton Corporation, as well as from Generac Power Systems, Inc., Tecumseh and Honda. The company has not experienced any difficulty obtaining necessary purchased components.

To service Generac's European customer base more effectively, the company designs and assembles its European products in its Cheshire, England facility. This facility imports alternators, engines and other components and assembles portable generators to meet European product requirements.

Consolidated

General Information

The Company holds certain patents on features incorporated in its products; however, the success of the Company's business is not considered to be primarily dependent upon patent protection. Licenses, franchises and concessions are not a material factor in the Company's business.

For the years ending July 1, 2001, July 2, 2000 and June 27, 1999, the Company spent approximately \$21.5 million, \$24.3 million and \$17.9 million, respectively, on Company sponsored research activities relating to the development of new products or the improvement of existing products.

The average number of persons employed by the Company during the fiscal year was 7,160. Employment ranged from a low of 6,447 in May 2001 to a high of 7,489 in October 2000.

Export Sales

Export sales for fiscal 2001 were \$325.6 million (25% of total sales), for fiscal 2000 were \$358.1 million (23% of total sales) and for fiscal 1999 were \$316.1 million (21% of total sales). These sales were principally to customers in European countries. See Note 5 of Notes to Consolidated Financial Statements for financial information about geographic areas. Also, see Item 7A and Note 12 of Notes to Consolidated Financial Statements for information about the Company's foreign exchange risk management.

ITEM 2. PROPERTIES

The corporate offices and one of the Company's engine manufacturing facilities are located in a suburb of Milwaukee, Wisconsin. The Company also has engine manufacturing facilities in Murray, Kentucky; Poplar Bluff and Rolla, Missouri; Auburn, Alabama and Statesboro, Georgia. These are owned facilities containing 3.6 million square feet of office and production area. The Company occupies warehouse space totalling 400,000 square feet in a suburb of Milwaukee, Wisconsin under a reservation of interest agreement. The Company also leases 80,000 square feet of engine component manufacturing space in the Milwaukee area.

Generac's offices and one of its manufacturing facilities are located in Jefferson, Wisconsin. Generac also has a manufacturing facility in Cheshire, England. These are owned facilities containing 295,000 square feet of office and production area. Generac leases warehouse space totalling 270,000 square feet in 5 communities in Wisconsin.

The engine business with the OEMs is seasonal, with demand for engines at its height in the winter and early spring. Engine manufacturing operations run at capacity levels during the peak season, with many operations running three shifts. Engine operations generally run fewer shifts in the summer, when demand is weakest and production is considerably under capacity. During the winter, when finished goods inventories reach their highest levels, owned warehouse space may be insufficient and capacity may be expanded through rented space. Excess warehouse space exists in the spring and summer seasons.

The Company leases approximately 207,000 square feet of space to house its foreign sales and service operations in Australia, Austria, Canada, China, the Czech Republic, France, Germany, Mexico, the Netherlands, New Zealand, Russia, South Africa, Spain, Sweden, Switzerland, United Arab Emirates and the United Kingdom.

The Company's owned properties are well maintained. The Company believes that its owned and leased facilities are adequate to perform its operations in a reasonable manner.

ITEM 3. LEGAL PROCEEDINGS

There are no pending legal proceedings that are required to be reported under this item.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the three months ended July 1, 2001.

Executive Officers of the Registrant

<u>Name, Age, Position</u>	<u>Business Experience for Past Five Years</u>
FREDERICK P. STRATTON, JR., 62 Chairman (1)(2)	Mr. Stratton was elected to the position of Chairman in November 1986. Mr. Stratton also held the position of Chief Executive Officer from May 1977 through June 2001.
JOHN S. SHIELY, 49 President and Chief Executive Officer (1)(2)	Mr. Shiely was elected to his current position effective July 2001, after serving as President and Chief Operating Officer since August 1994.
MICHAEL D. HAMILTON, 59 Executive Vice President and President – Briggs & Stratton Asia	Mr. Hamilton was elected to his current position effective July 2001, after serving as Executive Vice President – Sales and Service since June 1989.
JAMES E. BRENN, 53 Senior Vice President and Chief Financial Officer	Mr. Brenn was elected to his current position in October 1998, after serving as Vice President and Controller since November 1988. He also served as Treasurer from November 1999 until January 2000.
RICHARD J. FOTSCH, 46 Senior Vice President and General Manager	Mr. Fotsch was elected to his current position in May 1999 after serving as Senior Vice President – Operations since January 1999. He had previously held the position Senior Vice President – Engine Group since July 1997 and prior to that Vice President; General Manager – Small Engine Division.
HUGO A. KELTZ, 53 Vice President and Managing Director – Briggs & Stratton Europe	Mr. Keltz was elected to his current position effective July 2001, after serving as Vice President – International since May 1992.
CURTIS E. LARSON, JR., 53 Vice President – Distribution Sales and Customer Support	Mr. Larson was elected to his current position in October 1995.
PAUL M. NEYLON, 54 Senior Vice President – Production	Mr. Neylon was elected to his current position in August 2000, after serving as Vice President – Production since May 1999. He previously served as Vice President – Operations Support since January 1999 and prior to that held the position of Vice President; General Manager – Spectrum Division.

DORRANCE J. NOONAN, JR., 48
Senior Vice President and
President – Briggs & Stratton
Home Power Products

Mr. Noonan was elected to his current position effective upon completion of the Company's acquisition of Generac Portable Products, Inc. in May 2001. Prior to the acquisition, he held the position of President, Chief Executive Officer and Director of Generac Portable Products, LLC and Director of Generac Portable Products, Inc. since July 1998 and was Vice President of Generac Portable Products, Inc. since September 1999. He served in various management positions with Generac Corporation from 1990 to 1998, most recently as Chief Operating Officer of the Portable Products Division from 1997 to 1998.

KASANDRA K. PRESTON, 57
Vice President and Secretary

Ms. Preston was elected to her current position in July 2000, after serving as Director of Corporate Compliance and Shareholder Relations since June 1995.

WILLIAM H. REITMAN, 45
Vice President – Marketing

Mr. Reitman was elected an executive officer effective April 1998. He has served as Vice President – Marketing since November 1995.

STEPHEN H. RUGG, 54
Senior Vice President – Sales and Service

Mr. Rugg was elected to his current position in May 1999, after serving as Vice President – Sales since November 1995.

THOMAS R. SAVAGE, 53
Senior Vice President – Administration

Mr. Savage was elected to his current position effective July 1997, after serving as Vice President – Administration and General Counsel since November 1994. He also served as Secretary from November 1999 to June 2000.

MICHAEL D. SCHOEN, 41
Vice President – International

Mr. Schoen was elected to his current position effective July 2001. He was elected an executive officer in August 2000, after serving as Vice President – Operations Support since July 1999. He previously held the position of Vice President – International Operations since July 1996.

TODD J. TESKE, 36
Vice President – Corporate Development

Mr. Teske was elected to his current position effective March 2001 after serving as Controller since October 1998. He previously served as Assistant Controller.

CARITA R. TWINEM, 46
Treasurer

Ms. Twinem was elected to her current position in February 2000, after serving as Tax Director since July 1994.

(1) Officer is also a Director of the Company. (2) Member of Executive Committee.

Officers are elected annually and serve until they resign, die, are removed, or a different person is appointed to the office.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information required by this Item is incorporated by reference to "Quarterly Financial Data, Dividend and Market Information" on page 35.

Private Offering of Convertible Senior Notes. On May 14, 2001, Briggs & Stratton Corporation issued and sold, in a private placement, \$140 million aggregate principal amount of its 5.00% Convertible Senior Notes due May 15, 2006. The convertible notes are convertible at the option of the holders into shares of Briggs & Stratton common stock, at any time prior to their maturity or redemption, at the conversion rate of 20.1846 shares of common stock per \$1,000 principal amount of convertible notes, subject to adjustment in certain circumstances. This is equivalent to a conversion price of approximately \$49.54 per share.

The convertible notes were sold to Goldman, Sachs & Co. and Banc of America Securities LLC, as "accredited investors" within the meaning of Rule 501 under the Securities Act of 1933, in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act for transactions by an issuer not involving any public offering, and were offered and sold by the initial purchasers to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act. Pursuant to a registration rights agreement entered into in connection with the private offering, Briggs & Stratton has filed a shelf registration statement to permit the registered resale of the convertible notes and the common stock issuable upon conversion of the convertible notes.

The aggregate offering price of the convertible notes was \$140 million, 100% of the principal amount thereof. The purchase price paid to the Company by the initial purchasers was the initial offering price less an underwriting discount of \$3.675 million, 2.625% of the principal amount of the convertible notes.

Concurrently with the offering of the convertible notes, the Company offered and sold \$275 million aggregate principal amount of our 8.875% Senior Notes due March 15, 2011, which are not convertible, in a private placement to the same initial purchasers for offering to qualified institutional buyers in reliance on Rule 144A, with exchange and registration rights.

The net proceeds from the sale of the senior notes and convertible senior notes were used to fund the acquisition of Generac, including the replacement of Generac's outstanding debt, and to repay a portion of our unrated commercial paper and short-term borrowings under our credit facilities. The senior notes and the convertible senior notes are guaranteed by Generac and its subsidiaries.