Dear Fellow Shareholders,

Providing power to people to get work done and make their lives better is what we do at Briggs & Stratton. Our journey to achieve our mission has been exciting, empowering, motivating and, at times, disappointing. Fiscal 2017 included all of these things and more. Before I review the year, I would like to reflect on the journey we have been on to set the stage for what to expect from us in the future.

When I took over as CEO in 2010, we embarked on a strategy that focused on investing where we could generate a higher return, optimizing our infrastructure for operational efficiency and exiting businesses where we could not earn a reasonable profit. Accordingly, we withdrew from the mass market lawn and garden equipment business, as we could serve that market better as an OEM engine supplier. At the same time, we accelerated our investments in engine innovation and invested to grow our commercial business.

To execute on this strategy, we rationalized our manufacturing footprint and reduced our breakeven point across the entire company. We also introduced several product innovations, based on our "user-driven problem solving" methodology. These industry firsts have made our products easier to use, store and maintain to make our customers more productive, lower their operating costs and increase comfort in physically demanding jobs. We invested and worked closely with our North American distribution partner, Power Distributors, to evolve our network that provides superior support to users of the engines and products. Our acquisitions of Billy Goat and Allmand expanded our product offerings and distribution to serve attractive commercial end markets in which we had not historically participated, including construction, infrastructure and oil & gas. They helped to diversify our business and make us less dependent on the cyclicality of residential housing and seasonality of lawn care.

Our actions accomplished much. Financially, we have substantially improved our profitability, as adjusted gross margins grew from 18.7% for fiscal 2013 to 21.5% for fiscal 2017, from our operational excellence efforts and a richer mix of products from our diversification strategy. Adjusted earnings per share in fiscal 2013 were $0.93 per share compared with $1.31 per share in fiscal 2017 on lower sales. Fiscal 2017 earnings include about $0.20 per share for the upgrade of our ERP system, which we expect to go live at the end of fiscal 2018. I want to thank our team for their hard work on this project, which will deliver operating efficiencies and make it much easier for our customers to conduct business with Briggs & Stratton.

In addition, sales of commercial lawn and turf care products, commercial job site products and commercial engines increased from $272 million for fiscal 2013 to $434 million for fiscal 2017, equating to compound average annual growth of 12 percent. Our Ferris commercial lawn mower business achieved record sales in fiscal 2017. The last several years; however, have not been without challenges. Since fiscal 2013, our residential revenue decreased from $1.6 billion to $1.4 billion for fiscal 2017, which had consolidated sales of $1.79 billion, down slightly from $1.81 billion for fiscal 2016.

Even though we have maintained consistent industry leadership over this period, the dynamics of the U.S. housing market play a big role in the market for residential outdoor power equipment. Since the beginning of the economic recovery, new home construction has been focused on multi-family housing and bigger, more expensive single-family homes. These types of homes are apt to have a commercial landscaper perform yard maintenance, thereby increasing demand for commercial equipment. Construction of entry-level and "step-up" homes, the type where homeowners tend to perform their own yard maintenance, has lagged. We believe that this situation is beginning to change, as builders are now rotating toward more construction of starter and "step-up" homes, and potential first-time homebuyers are now in better financial condition to make their purchases.

Sales for fiscal 2017 were also affected by actions taken by mass retailers. Particularly in the fourth quarter, retailers looked to improve their return on investment by reducing inventories and, in some cases, their merchandising activities. As a result, retailers drove inventories of power equipment to abnormally low levels, which created stock-outs in some stores. Certain retailers also transitioned their floor space from outdoor power equipment to other seasonal goods earlier than normal. Equipment manufacturers reduced their inventories, in response to these retailer actions as well as uncertainty as to the future of certain retailers and the related brands that they carry.

We do not expect this type of inventory reduction to repeat in 2018, as inventory levels at the end of fiscal 2017 were too low to adequately serve the market. We are currently in discussions with retailers regarding 2018 product placements and merchandising plans to drive better performance of the category. We are also engaging with many of the major online retailers, as we believe it is important to offer certain products where end users want to shop. Our overall value proposition, including our product offerings and superior support network, works well for both online retailers and shoppers.

Looking to fiscal 2018 and beyond, we will continue to build on the strategies that have brought us success. In commercial, we will work to further expand our leading brands, and back them with superior support to help people who use our equipment to earn their livelihoods. With markets in which we participate generally growing at two times GDP, we are also focused on building a greater presence through more aggressive channel development. In residential, innovation will continue to be the foundation on which to grow margins and maintain industry leadership in a market that we estimate is growing at the rate of GDP.

We will also continue to evaluate potential acquisitions, strategic alliances and other investments that support our vision and deliver value to our customers and shareholders with high, risk-adjusted returns. Consistent with our focus on operational excellence, we recently announced a business optimization program, by which we expect to reduce annual costs by $30 million to $35 million. The program includes expanding capacity and moving our commercial turf equipment operation into a larger, more efficient facility close to our current facility in upstate New York and our outstanding workforce there. We also announced that we will be producing our larger commercial engines, which are currently sourced from overseas, in two of our U.S. plants. This move will enable us to take advantage of a great workforce in our existing factories and be closer to our customers to be more responsive to their needs. Finally, the program includes integration and go-live activities for our ERP upgrade, which will help drive more efficient business processes at Briggs & Stratton, as well as make it easier for our customers to do business with us.

One of Briggs & Stratton's core competencies is the application of power to equipment. I often get the question from investors about the effect of batteries on our industry. So far, the impact of the technology has been quite small relative to the entire market for walk and ride mowers. Most of the activity in battery technology has been in handheld equipment like string trimmers and blowers, where the power requirement is lower and therefore the product cost and performance can be more competitive with gasoline and corded power. We do see future opportunities to extend our product offerings as the technology continues to evolve. Rather than thinking of ourselves as an engine business, we now think of ourselves as a power application business.

The future for Briggs & Stratton is bright. I want to thank our channel partners, employees, suppliers and communities, all who play such an important role by helping us on our journey to achieve our goals. Also, thank you to the people who use our equipment. We appreciate the trust you put in us to provide you with the power to get the job done so you can improve your life, whether at home or on the job. Finally, thank you to you, our shareholders, for your continued trust and support as we build a stronger, more resilient and more profitable company.

Todd J. Teske

Chairman, President & Chief Executive Officer