UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 29, 2019
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________
Commission file number 1-1370

BRIGGS & STRATTON CORPORATION
(Exact name of registrant as specified in its charter)

Wisconsin	**39-0182330**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

12301 West Wirth Street, Wauwatosa, Wisconsin 53222
(Address of Principal Executive Offices) (Zip Code)

(414) 259-5333
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (par value $0.01 per share)	BGG	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 24, 2020
COMMON STOCK, par value $0.01 per share	**42,478,165 Shares**

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

ASSETS

	December 29, 2019	June 30, 2019
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 42,230	$ 29,569
Accounts Receivable, Net	219,351	198,498
Inventories -		
Finished Products	419,702	344,277
Work in Process	173,919	145,182
Raw Materials	18,498	12,547
Total Inventories	612,119	502,006
Prepaid Expenses and Other Current Assets	34,141	32,404
Total Current Assets	907,841	762,477
OTHER ASSETS:		
Goodwill	169,451	169,682
Investments	46,698	49,641
Other Intangible Assets, Net	94,915	96,738
Long-Term Deferred Income Tax Asset	56,022	43,172
Other Long-Term Assets, Net	21,438	18,676
Right of Use Asset	107,605	—
Total Other Assets	496,129	377,909
PLANT AND EQUIPMENT:		
Cost	1,231,874	1,220,339
Less - Accumulated Depreciation	834,968	809,294
Total Plant and Equipment, Net	396,906	411,045
TOTAL ASSETS	$ 1,800,876	$ 1,551,431

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)
(In thousands, except per share data)
(Unaudited)

LIABILITIES & SHAREHOLDERS' INVESTMENT

	December 29, 2019	June 30, 2019
CURRENT LIABILITIES:		
Accounts Payable	$ 215,295	$ 287,620
Short-Term Debt	195,175	160,540
Accrued Liabilities	134,463	129,585
Short-Term Lease Obligations	12,368	—
Total Current Liabilities	557,301	577,745
OTHER LIABILITIES:		
Accrued Pension Cost	213,268	221,033
Accrued Employee Benefits	21,174	21,311
Accrued Postretirement Health Care Obligation	22,752	25,929
Accrued Warranty	19,280	19,572
Other Long-Term Liabilities	46,326	44,152
Long-Term Lease Obligations	92,945	—
Long-Term Debt	428,300	194,969
Total Other Liabilities	844,045	526,966
SHAREHOLDERS' INVESTMENT:		
Common Stock - Authorized 120,000 shares, $.01 par value, issued 57,854 shares	579	579
Additional Paid-In Capital	70,901	78,902
Retained Earnings	940,616	993,873
Accumulated Other Comprehensive Loss	(288,983)	(292,550)
Treasury Stock at cost, 15,374 and 15,772 shares, respectively	(323,583)	(334,084)
Total Shareholders' Investment	399,530	446,720
TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT	$ 1,800,876	$ 1,551,431

The accompanying notes are an integral part of these statements.

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 29, 2019	December 30, 2018	December 29, 2019	December 30, 2018
NET SALES	$ 437,941	$ 505,462	$ 751,660	$ 784,459
COST OF GOODS SOLD	369,916	413,005	640,389	648,248
Gross Profit	68,025	92,457	111,271	136,211
ENGINEERING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	79,124	87,139	157,861	187,998
EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATES	946	3,017	2,209	5,990
Income (Loss) from Operations	(10,153)	8,335	(44,381)	(45,797)
INTEREST EXPENSE	(8,965)	(7,482)	(15,869)	(12,643)
OTHER INCOME (EXPENSE), Net	(388)	(946)	(1,131)	(603)
Loss Before Income Taxes	(19,506)	(93)	(61,381)	(59,043)
PROVISION (CREDIT) FOR INCOME TAXES	(4,162)	2,511	(12,400)	(15,452)
NET LOSS	$ (15,344)	$ (2,604)	$ (48,981)	$ (43,591)
EARNINGS (LOSS) PER SHARE				
Basic	$ (0.37)	$ (0.07)	$ (1.18)	$ (1.05)
Diluted	(0.37)	(0.07)	(1.18)	(1.05)
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	41,725	41,689	41,664	41,773
Diluted	41,725	41,689	41,664	41,773
DIVIDENDS PER SHARE	$ 0.05	$ 0.14	$ 0.10	$ 0.28

The accompanying notes are an integral part of these statements.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 29, 2019	December 30, 2018	December 29, 2019	December 30, 2018
Net Loss	$ (15,344)	$ (2,604)	$ (48,981)	$ (43,591)
Other Comprehensive Income (Loss):				
Cumulative Translation Adjustments	3,331	264	(2,257)	(3,426)
Unrealized Gain (Loss) on Derivative Instruments, Net of Tax	1,450	(3,780)	(1,388)	(4,478)
Unrecognized Pension & Postretirement Obligation, Net of Tax	3,599	2,682	7,212	5,408
Other Comprehensive Income (Loss)	8,380	(834)	3,567	(2,496)
Total Comprehensive Loss	$ (6,964)	$ (3,438)	$ (45,414)	$ (46,087)

The accompanying notes are an integral part of these statements.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT

(In thousands)
(Unaudited)

FOR THE THREE MONTHS ENDED DECEMBER 29, 2019	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Investment
BALANCES, SEPTEMBER 29, 2019	$ 579	$ 69,873	$ 958,222	$ (297,363)	$ (323,486)	407,825
Net Loss	—	—	(15,344)	—	—	(15,344)
Total Other Comprehensive Income, Net of Tax	—	—	—	8,380	—	8,380
Cash Dividends Declared ($0.05 per share)	—	—	(2,124)	—	—	(2,124)
Stock Option Activity, Net of Tax	—	346	—	—	—	346
Restricted Stock	—	29	—	—	(97)	(68)
Amortization of Unearned Compensation	—	631	—	—	—	631
Deferred Stock	—	—	—	—	—	—
Deferred Stock - Directors	—	22	(138)	—	—	(116)
Treasury Stock Purchases	—	—	—	—	—	—
BALANCES, DECEMBER 29, 2019	$ 579	$ 70,901	$ 940,616	$ (288,983)	$ (323,583)	$ 399,530

FOR THE THREE MONTHS ENDED DECEMBER 30, 2018	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Investment
BALANCES, SEPTEMBER 30, 2018	$ 579	$ 75,437	$ 1,024,875	$ (253,934)	$ (327,619)	519,338
Net Loss	—	—	(2,604)	—	—	(2,604)
Total Other Comprehensive Loss, Net of Tax	—	—	—	(834)	—	(834)
Cash Dividends Declared ($0.14 per share)	—	—	(5,891)	—	—	(5,891)
Stock Option Activity, Net of Tax	—	472	—	—	—	472
Restricted Stock	—	46	—	—	15	61
Amortization of Unearned Compensation	—	1,410	—	—	—	1,410
Deferred Stock	—	(69)	—	—	43	(26)
Deferred Stock - Directors	—	14	(175)	—	—	(161)
Treasury Stock Purchases	—	—	—	—	(6,346)	(6,346)
BALANCES, DECEMBER 30, 2018	$ 579	$ 77,310	$ 1,016,205	$ (254,768)	$ (333,907)	$ 505,419

The accompanying notes are an integral part of these statements.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT

(In thousands)
(Unaudited)

FOR THE SIX MONTHS ENDED DECEMBER 29, 2019	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Investment
BALANCES, JUNE 30, 2019	$ 579	$ 78,902	$ 993,873	$ (292,550)	$ (334,084)	446,720
Net Loss	—	—	(48,981)	—	—	(48,981)
Total Other Comprehensive Income, Net of Tax	—	—	—	3,567	—	3,567
Cash Dividends Declared ($0.10 per share)	—	—	(4,248)	—	—	(4,248)
Stock Option Activity, Net of Tax	—	758	—	—	—	758
Restricted Stock	—	(10,035)	—	—	9,611	(424)
Amortization of Unearned Compensation	—	1,281	—	—	—	1,281
Deferred Stock	—	(597)	—	—	542	(55)
Deferred Stock - Directors	—	592	(28)	—	348	912
Treasury Stock Purchases	—	—	—	—	—	—
BALANCES, DECEMBER 29, 2019	$ 579	$ 70,901	$ 940,616	$ (288,983)	$ (323,583)	$ 399,530

FOR THE SIX MONTHS ENDED DECEMBER 30, 2018	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Investment
BALANCES, JULY 1, 2018	$ 579	$ 76,408	$ 1,071,480	$ (252,272)	$ (325,771)	570,424
Net Loss	—	—	(43,591)	—	—	(43,591)
Total Other Comprehensive Loss, Net of Tax	—	—	—	(2,496)	—	(2,496)
Cash Dividends Declared ($0.28 per share)	—	—	(11,840)	—	—	(11,840)
Stock Option Activity, Net of Tax	—	1,027	—	—	1,863	2,890
Restricted Stock	—	(2,667)	—	—	910	(1,757)
Amortization of Unearned Compensation	—	2,315	—	—	—	2,315
Deferred Stock	—	(776)	—	—	520	(256)
Deferred Stock - Directors	—	1,003	156	—	—	1,159
Treasury Stock Purchases	—	—	—	—	(11,429)	(11,429)
BALANCES, DECEMBER 30, 2018	$ 579	$ 77,310	$ 1,016,205	$ (254,768)	$ (333,907)	$ 505,419

The accompanying notes are an integral part of these statements.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	December 29, 2019	December 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (48,981)	$ (43,591)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization	37,491	32,263
Stock Compensation Expense	2,694	3,177
Loss on Disposition of Plant and Equipment	1,421	66
Credit for Deferred Income Taxes	(15,551)	(19,550)
Equity in Earnings of Unconsolidated Affiliates	(2,730)	(7,854)
Dividends Received from Unconsolidated Affiliates	4,300	10,510
Change in Operating Assets and Liabilities:		
Accounts Receivable	(21,092)	(59,838)
Inventories	(111,404)	(157,401)
Other Current Assets	852	1,947
Accounts Payable, Accrued Liabilities and Income Taxes	(54,464)	22,382
Other, Net	(397)	1,862
Net Cash Used in Operating Activities	(207,861)	(216,027)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Expenditures (3)	(34,431)	(34,234)
Proceeds Received on Disposition of Plant and Equipment	15	12
Cash Paid for Acquisition, Net of Cash Acquired	—	(8,865)
Net Cash Used in Investing Activities	(34,416)	(43,087)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Borrowings on Credit Facilities	267,757	266,038
Repayments on Long-Term Debt	—	(4,875)
Debt Issuance Costs	(4,800)	—
Treasury Stock Purchases	—	(11,429)
Stock Option Exercise Proceeds and Tax Benefits	—	1,823
Cash Dividends Paid	(7,936)	(5,948)
Payments Related to Shares Withheld for Taxes for Stock Compensation	(55)	(257)
Net Cash Provided by Financing Activities	254,966	245,352
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(74)	(336)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,615	(14,098)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, Beginning (1)	30,342	49,218
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, Ending (2)	$ 42,957	$ 35,120

(1) Included within Beginning Cash, Cash Equivalents, and Restricted Cash is approximately $0.8 million and $4.3 of restricted cash as of June 30, 2019 and July 1, 2018, respectively.
(2) Included within Ending Cash, Cash Equivalents, and Restricted Cash is approximately $0.7 million and $1.2 million of restricted cash as of December 29, 2019 and December 30, 2018, respectively.
(3) Non-cash investing activity: The change in the balance of unpaid purchases of property, plant, and equipment included in accounts payable is $5.7 million for the six months ended December 29, 2019 and is $2.8 million for the six months ended December 30, 2018.

The accompanying notes are an integral part of these statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business and General Information

Briggs & Stratton Corporation (the "Company") is focused on providing power to get work done and make people's lives better. The Company is a U.S. based producer of gasoline engines and outdoor power equipment. The Company's Engines segment sells engines worldwide, primarily to original equipment manufacturers ("OEMs") of lawn and garden equipment and other gasoline engine powered equipment. The Company also sells related service parts and accessories for its engines. The Company's Products segment designs, manufactures and markets a wide range of outdoor power equipment, job site products, and related accessories.

The majority of lawn and garden equipment is sold during the spring and summer months when most lawn care and gardening activities are performed. Engine sales in the Company's third fiscal quarter have historically been the highest, while engine sales in the first fiscal quarter have historically been the lowest. Sales of pressure washers and lawn and garden powered equipment are typically higher during the third and fourth fiscal quarters than at other times of the year. Sales of portable generators and snowthrowers are typically higher during the first and second fiscal quarters.

Inventory levels generally increase during the first and second fiscal quarters in anticipation of customer demand. Inventory levels begin to decrease as sales increase in the third fiscal quarter. This seasonal pattern results in high inventories and low cash flow for the Company in the first, second and the beginning of the third fiscal quarters. The pattern generally results in 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.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and therefore do not include all information and footnotes necessary for a fair statement of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but also does not include all disclosures required by accounting principles generally accepted in the United States. However, in the opinion of the Company, adequate disclosures have been presented to prevent the information from being misleading, and all adjustments necessary to fairly present the Company's results of operations and financial position have been included. All of these adjustments are of a normal recurring nature, except as otherwise noted.

Interim results are not necessarily indicative of results for a full year. The information included in these condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto that were included in the Company's latest Annual Report on Form 10-K.

2. New Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-02, Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. ASU No. 2018-02 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The guidance is effective beginning fiscal year 2020. The Company has assessed this ASU and has determined that the Company will not make the permitted reclassification.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting and Hedging Activities. ASU No. 2017-12 better aligns a Company's risk management activities and financial reporting for hedging relationships, in addition to simplifying certain aspects of ASC Topic 815. The guidance is effective beginning fiscal year 2020, with early adoption permitted. The Company adopted this ASU prospectively effective July 1, 2019 and this standard did not have a material impact on the Company's Condensed Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment, which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. Under the amendments in ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The updated guidance requires a prospective adoption. The guidance is effective beginning fiscal year 2021. Early adoption is permitted. The Company adopted this ASU prospectively effective July 1, 2019 and this standard will not have a material impact on the Company's Condensed Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Certain qualitative and quantitative disclosures are required, as well as a modified retrospective recognition and measurement of impacted leases. The Company adopted the guidance beginning fiscal year 2020. The Company's project plan involved identifying and implementing appropriate changes to its business processes, systems and controls as well as compiling and evaluating lease arrangements to support lease accounting and disclosures under Topic 842. Upon adoption, the Company recorded $93.0 million of right of use assets and lease obligation liabilities on the consolidated balance sheet. The Company elected the practical expedient package which allows the Company to maintain historical lease classification and not reassess initial direct costs. The standard did not have a significant impact on the Company's condensed consolidated financial statements. There was no impact on existing debt covenants. See footnote 15 for additional information on lease accounting.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU No. 2016-01 enhances the existing financial instruments reporting model by modifying fair value measurement tools, simplifying impairment assessments for certain equity instruments, and modifying overall presentation and disclosure requirements. The guidance is effective beginning fiscal year 2019, with early adoption permitted. The Company adopted this standard effective July 1, 2018 and it did not have a material impact on the Company’s results of operations, financial position, and cash flows.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), which requires the measurement of expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable forecasts. The objective of ASU No. 2016-01 is to provide financial statement users with additional information about expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently assessing the impact of this ASU.

3. Accumulated Other Comprehensive Income (Loss)

The following tables set forth the changes in accumulated other comprehensive income (loss) (in thousands):

	Three Months Ended December 29, 2019			
	Cumulative Translation Adjustments	Derivative Financial Instruments	Pension and Postretirement Benefit Plans	Total
Beginning Balance	$ (37,355)	$ (9,904)	$ (250,104)	$ (297,363)
Other Comprehensive Income (Loss) Before Reclassification	3,331	1,999	(35)	5,295
Income Tax Benefit (Expense)	—	(480)	8	(472)
Net Other Comprehensive Income (Loss) Before Reclassifications	3,331	1,519	(27)	4,823
Reclassifications:				
Realized (Gains) Losses - Foreign Currency Contracts (1)	—	(291)	—	(291)
Realized (Gains) Losses - Commodity Contracts (1)	—	64	—	64
Realized (Gains) Losses - Interest Rate Swaps (1)	—	136	—	136
Amortization of Prior Service Costs (Credits) (2)	—	—	19	19
Amortization of Actuarial Losses (2)	—	—	4,752	4,752
Total Reclassifications Before Tax	—	(91)	4,771	4,680
Income Tax Expense (Benefit)	—	22	(1,145)	(1,123)
Net Reclassifications	—	(69)	3,626	3,557
Other Comprehensive Income	3,331	1,450	3,599	8,380
Ending Balance	$ (34,024)	$ (8,454)	$ (246,505)	$ (288,983)

(1) Amounts reclassified to net income (loss) are included in net sales or cost of goods sold. See Note 9 for information related to derivative financial instruments.
(2) Amounts reclassified to net income (loss) are included in the computation of net periodic expense, which is presented in cost of goods sold or engineering, selling, general and administrative expenses. See Note 7 for information related to pension and postretirement benefit plans.

	Three Months Ended December 30, 2018			
	Cumulative Translation Adjustments	Derivative Financial Instruments	Pension and Postretirement Benefit Plans	Total
Beginning Balance	$ (32,618)	$ 5,788	$ (227,104)	$ (253,934)
Other Comprehensive Income (Loss) Before Reclassification	264	(3,050)		(2,786)
Income Tax Benefit (Expense)	—	732		732
Net Other Comprehensive Income (Loss) Before Reclassifications	264	(2,318)	—	(2,054)
Reclassifications:				
Realized (Gains) Losses - Foreign Currency Contracts (1)	—	(1,757)	—	(1,757)
Realized (Gains) Losses - Commodity Contracts (1)	—	(6)	—	(6)
Realized (Gains) Losses - Interest Rate Swaps (1)	—	(160)	—	(160)
Amortization of Prior Service Costs (Credits) (2)	—	—	(137)	(137)
Amortization of Actuarial Losses (2)	—	—	3,671	3,671
Total Reclassifications Before Tax	—	(1,923)	3,534	1,611
Income Tax Expense (Benefit)	—	461	(852)	(391)
Net Reclassifications	—	(1,462)	2,682	1,220
Other Comprehensive Income (Loss)	264	(3,780)	2,682	(834)
Ending Balance	$ (32,354)	$ 2,008	$ (224,422)	$ (254,768)

(1) Amounts reclassified to net income (loss) are included in net sales or cost of goods sold. See Note 9 for information related to derivative financial instruments.
(2) Amounts reclassified to net income (loss) are included in the computation of net periodic expense, which is presented in cost of goods sold or engineering, selling, general and administrative expenses. See Note 7 for information related to pension and postretirement benefit plans.

	Six Months Ended December 29, 2019			
	Cumulative Translation Adjustments	Derivative Financial Instruments	Pension and Postretirement Benefit Plans	Total
Beginning Balance	$ (31,767)	$ (7,066)	$ (253,717)	$ (292,550)
Other Comprehensive Income (Loss) Before Reclassification	(2,257)	(1,495)	(27)	(3,779)
Income Tax Benefit (Expense)		359	6	365
Net Other Comprehensive Income (Loss) Before Reclassifications	(2,257)	(1,136)	(21)	(3,414)
Reclassifications:				
Realized (Gains) Losses - Foreign Currency Contracts (1)	—	(861)		(861)
Realized (Gains) Losses - Commodity Contracts (1)	—	145		145
Realized (Gains) Losses - Interest Rate Swaps (1)	—	384		384
Amortization of Prior Service Costs (Credits) (2)	—		39	39
Amortization of Actuarial Losses (2)	—		9,478	9,478
Total Reclassifications Before Tax	—	(332)	9,517	9,185
Income Tax Expense (Benefit)	—	80	(2,284)	(2,204)
Net Reclassifications	—	(252)	7,233	6,981
Other Comprehensive Income (Loss)	(2,257)	(1,388)	7,212	3,567
Ending Balance	$ (34,024)	$ (8,454)	$ (246,505)	$ (288,983)

(1) Amounts reclassified to net income (loss) are included in net sales or cost of goods sold. See Note 9 for information related to derivative financial instruments.
(2) Amounts reclassified to net income (loss) are included in the computation of net periodic expense, which is presented in cost of goods sold or engineering, selling, general and administrative expenses. See Note 7 for information related to pension and postretirement benefit plans.

	Six Months Ended December 30, 2018			
	Cumulative Translation Adjustments	Derivative Financial Instruments	Pension and Postretirement Benefit Plans	Total
Beginning Balance	$ (28,928)	$ 6,486	$ (229,830)	$ (252,272)
Other Comprehensive Income (Loss) Before Reclassification	(3,426)	(1,115)	—	(4,541)
Income Tax Benefit (Expense)	—	267	—	267
Net Other Comprehensive Income (Loss) Before Reclassifications	(3,426)	(848)	—	(4,274)
Reclassifications:				
Realized (Gains) Losses - Foreign Currency Contracts (1)	—	(2,708)	—	(2,708)
Realized (Gains) Losses - Commodity Contracts (1)	—	(4)	—	(4)
Realized (Gains) Losses - Interest Rate Swaps (1)	—	(216)	—	(216)
Amortization of Prior Service Costs (Credits) (2)	—	—	(275)	(275)
Amortization of Actuarial Losses (2)	—	—	7,399	7,399
Total Reclassifications Before Tax	—	(2,928)	7,124	4,196
Income Tax Expense (Benefit)	—	(702)	(1,716)	(2,418)
Net Reclassifications	—	(3,630)	5,408	1,778
Other Comprehensive Income (Loss)	(3,426)	(4,478)	5,408	(2,496)
Ending Balance	$ (32,354)	$ 2,008	$ (224,422)	$ (254,768)

(1) Amounts reclassified to net income (loss) are included in net sales or cost of goods sold. See Note 9 for information related to derivative financial instruments.
(2) Amounts reclassified to net income (loss) are included in the computation of net periodic expense, which is presented in cost of goods sold or engineering, selling, general and administrative expenses. See Note 7 for information related to pension and postretirement benefit plans.

4. Revenue

The Company has adopted ASC 606, Revenue from Contracts with Customers, using the modified retrospective approach. Revenue is measured based on consideration expected to be received from a customer, and excludes any cash discounts, volume rebates and discounts, floor plan interest, advertising allowances, and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a product to a customer, which is generally upon shipment.

Nature of Revenue

The Company's revenues primarily consist of sales of engines and products to its customers. The Company considers the purchase orders, which may also be governed by purchasing agreements, to be the contracts with customers. For each contract, the Company considers delivery of the engines and products to be the identified performance obligations. The following is a description of principal activities, separated by reportable segments, from which the Company generates its revenue. For more detailed information about reportable segments, see Note 14.

The Engines segment principally generates revenue by providing gasoline engines and power solutions to OEMs which serve commercial and residential markets primarily for lawn and garden equipment applications. The Company typically enters into annual purchasing plans with its engine customers. In certain cases, the Company has entered into longer supply arrangements of two to three years; however, these longer term supply agreements do not generally create unfulfilled performance obligations. The sale of products to OEMs represents a single performance obligation. Revenue is recognized at a point in time when the product is shipped as substantially all engines are not customized for each customer and there is an alternative use for such inventory. The amount of revenue recognized is adjusted for variable consideration such as tiered volume discounts and rebates. Revenue recognized is also adjusted based on an estimate of future returns.

The Products segment generates revenue through the sale of end user products through retail distribution, independent dealer networks, the mass retail channel, and the rental channel. These channels primarily serve commercial and residential end users. The sale of products to the various distribution networks represents a single performance obligation. Revenue is recognized at a point in time when the product is shipped as the products are not typically customized for each customer; therefore, there is an alternative use for such inventory. The amount of revenue recognized is adjusted for variable consideration such as tiered volume discounts, rebates, and floor plan interest. Revenue recognized is also adjusted based on an estimate of future returns.

Both the Engines and Products segments account for variable consideration and estimated returns according to the same accounting policies. The Company offers a variable discount if certain customers reach established volume goals in the form of tiered volume discounts. The Company applies the expected value approach to estimate the value of the discount which is then applied as a reduction to the transaction price. Included in net sales for the three and six months ended December 29, 2019 were reductions for tiered volume discounts of $3.7 million and $5.9 million, respectively. Included in net sales for the three and six months ended December 30, 2018 were reductions for tiered volume discounts of $1.2 million and $2.4 million, respectively. The Company offers rebates in the form of promotional allowances to incentivize certain customers to make purchases. The expected value approach is used to estimate the rebate value relative to these allowances which is then applied as a reduction of the transaction price. Included in net sales for the three months ended December 29, 2019 was an increase for rebates of $0.4 million and included in net sales for the six months ended December 29, 2019 were reductions for rebates of $2.1 million. Included in net sales for the three and six months ended December 30, 2018 were reductions for rebates of $1.1 million and $1.9 million, respectively.

Included in net sales are costs associated with programs under which the Company 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 (LIBOR) plus a fixed percentage 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 the Company as a marketing incentive for customers to purchase the Company's products to have floor stock for end users to purchase. The Company enters into interest rate swaps to hedge cash flows for a portion of its interest rate risk. The financing costs, net of the related gain or loss on interest rate swaps, are recorded at the time of sale as a reduction of net sales. Included in net sales for the three and six months ended December 29, 2019 were financing costs, net of the related gain or loss on interest rate swaps, of $4.2 million and $5.4 million, respectively. Included in net sales for the three and six months ended December 30, 2018 were financing costs, net of the related gain or loss on interest rate swaps, of $0.9 million and $1.6 million, respectively.

The Company estimates the expected number of returns based on historical return rates and reduces revenue by the amount of expected returns.

The Company requires prepayment on sales in limited circumstances, but the contract liability related to prepayments was immaterial as of December 29, 2019 and represents less than 1% of total sales.

The Company offers a standard warranty that is not sold separately on substantially all products that the Company sells which is accounted for as an assurance warranty. Accordingly, no component of the transaction price is allocated to the standard warranty. The Company records a liability for product warranty obligations at the time of sale to a customer based upon historical warranty experience.

During the six month period ended December 30, 2018, the Company recorded $4.1 million of bad debt expense related to a trade customer declaring bankruptcy. No material bad debt expense was recorded during the three month period ended December 30, 2018. No material bad debt expense was recorded during the three and six month periods ended December 29, 2019.

Disaggregation of Revenue

In the following table, revenue is disaggregated by primary product application. The table also includes a reconciliation of the disaggregated revenue with the reportable segments for the three months ended December 29, 2019 and September 30, 2018, as follows (in thousands):

	Three Months Ended December 29, 2019			
	Engines	Products	Eliminations	Total
Commercial	$ 49,626	$ 102,487	$ (7,910)	$ 144,203
Residential	169,564	139,497	(15,323)	293,738
Total	$ 219,190	$ 241,984	$ (23,233)	$ 437,941

	Three Months Ended December 30, 2018			
	Engines	Products	Eliminations	Total
Commercial	$ 58,188	$ 99,766	$ (7,460)	$ 150,494
Residential	213,830	154,861	(13,723)	354,968
Total	$ 272,018	$ 254,627	$ (21,183)	$ 505,462

	Six Months Ended December 29, 2019			
	Engines	Products	Eliminations	Total
Commercial	$ 89,279	$ 175,907	$ (12,974)	$ 252,212
Residential	263,265	261,718	(25,535)	499,448
Total	$ 352,544	$ 437,625	$ (38,509)	$ 751,660

	Six Months Ended December 30, 2018			
	Engines	Products	Eliminations	Total
Commercial	$ 94,205	$ 171,349	$ (8,926)	$ 256,628
Residential	296,903	256,321	(25,393)	527,831
Total	$ 391,108	$ 427,670	$ (34,319)	$ 784,459

5. Earnings (Loss) Per Share

The Company computes earnings (loss) per share using the two-class method, an earnings allocation formula that determines earnings (loss) per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. The Company’s unvested grants of restricted stock, restricted stock units, and deferred stock awards contain non-forfeitable rights to dividends (whether paid or unpaid), which are required to be treated as participating securities and included in the computation of basic earnings (loss) per share.

Information on earnings (loss) per share is as follows (in thousands, except per share data):

	Three Months Ended		Six Months Ended	
	December 29, 2019	December 30, 2018	December 29, 2019	December 30, 2018
Net Loss	$ (15,344)	$ (2,604)	$ (48,981)	$ (43,591)
Less: Allocation to Participating Securities	(63)	(154)	(127)	(305)
Net Loss Available to Common Shareholders	$ (15,407)	$ (2,758)	$ (49,108)	$ (43,896)
Average Shares of Common Stock Outstanding	41,725	41,689	41,664	41,773
Shares Used in Calculating Diluted Earnings (Loss) Per Share	41,725	41,689	41,664	41,773
Basic Earnings (Loss) Per Share	$ (0.37)	$ (0.07)	$ (1.18)	$ (1.05)
Diluted Earnings (Loss) Per Share	$ (0.37)	$ (0.07)	$ (1.18)	$ (1.05)

The dilutive effect of the potential exercise of outstanding stock-based awards to acquire common shares is calculated using the treasury stock method.

As a result of the Company incurring a net loss for the three and six months ended December 29, 2019, potential incremental common shares of 618,063 and 547,400, respectively, were excluded from the calculation of diluted earnings (loss) per share because the effect would have been anti-dilutive.

On April 25, 2018, the Board of Directors authorized up to $50 million in funds for use in the common share repurchase program with an expiration date of June 30, 2020. As of December 29, 2019, the total remaining authorization was approximately $38.1 million. The common share repurchase program authorizes the purchase of shares of the Company's common stock on the open market or in private transactions from time to time, depending on market conditions and certain governing debt covenants. During the six months ended December 29, 2019, the Company repurchased no shares on the open market, as compared to 684,822 shares purchased on the open market at an average price of $16.69 per share during the six months ended December 30, 2018. The Company does not intend to repurchase shares through the conclusion of this authorization to support its efforts to deleverage.

6. Investments

Investments represent the Company’s investments in unconsolidated affiliated companies.

The Company concluded that its equity method investments are integral to its business. The equity method investments provide manufacturing and distribution functions, which are important parts of its operations. The Company classifies its equity in earnings of unconsolidated affiliates as a separate line item within Income from Operations.

7. Pension and Postretirement Benefits

The Company has noncontributory defined benefit retirement plans and postretirement plans covering certain employees. The following tables summarize the plans’ income and expense for the periods indicated (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	Three Months Ended		Three Months Ended	
	December 29, 2019	December 30, 2018	December 29, 2019	December 30, 2018
Components of Net Periodic (Income) Expense:				
Service Cost (Credit)	$ 1,193	$ 1,138	$ 10	$ 19
Interest Cost on Projected Benefit Obligation	8,656	9,923	453	586
Expected Return on Plan Assets	(12,818)	(13,574)	—	—
Amortization of:				
Prior Service Cost (Credit)	19	45	—	(182)
Actuarial Loss	3,998	2,893	754	778
Net Periodic Expense	$ 1,048	$ 425	$ 1,217	$ 1,201

	Pension Benefits		Other Postretirement Benefits	
	Six Months Ended		Six Months Ended	
	December 29, 2019	December 30, 2018	December 29, 2019	December 30, 2018
Components of Net Periodic (Income) Expense:				
Service Cost (Credit)	$ 2,447	$ 2,270	$ 41	$ 53
Interest Cost on Projected Benefit Obligation	17,319	19,860	902	1,166
Expected Return on Plan Assets	(25,641)	(27,164)	—	—
Amortization of:				
Prior Service Cost (Credit)	39	90	—	(365)
Actuarial Loss	7,974	5,819	1,504	1,580
Net Periodic Expense	$ 2,138	$ 875	$ 2,447	$ 2,434

The Company expects to make benefit payments of $3.5 million attributable to its non-qualified pension plans for the full year of fiscal 2020. During the first six months of fiscal year 2020, the Company made payments of approximately $1.8 million for its non-qualified pension plans. The Company anticipates making benefit payments of approximately $6.3 million for its other postretirement benefit plans for the full year of fiscal 2020. During the first six months of fiscal year 2020, the Company made payments of $4.3 million for its other postretirement benefit plans.

During the first six months of fiscal year 2020, the Company made no cash contributions to the qualified pension plan. Based upon current regulations and actuarial studies the Company is required to make no minimum contributions to the qualified pension plan in fiscal year 2020. The Company may be required to make further required contributions in future years or the future expected funding requirements may change depending on a variety of factors including the actual return on plan assets, the funded status of the plan in future periods, and changes in actuarial assumptions or regulations.

8. Stock Incentives

Stock based compensation expense is calculated by estimating the fair value of incentive stock awards granted and amortizing the estimated value over the awards' vesting period. Stock based compensation expense was $0.4 million and $2.7 million for the three and six month periods ended December 29, 2019. For the three and six months ended December 30, 2018, stock based compensation expense was $1.0 million and $3.2 million.

9. Derivative Instruments & Hedging Activities

The Company enters into derivative contracts designated as cash flow hedges to manage certain interest rate, foreign currency and commodity exposures. Company policy allows derivatives to be used only for identifiable exposures and, therefore, the Company does not enter into derivative instruments for trading purposes where the sole objective is to generate profits.

The Company formally designates the financial instrument as a hedge of a specific underlying exposure and documents both the risk management objectives and strategies for undertaking the hedge. The Company formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in the forecasted cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the forecasted cash flows of the underlying exposures being hedged. Derivative financial instruments are recorded within the Condensed Consolidated Balance Sheets as assets or liabilities, measured at fair value. The effective portion of gains or losses on derivatives designated as cash flow hedges are reported as a component of Accumulated Other Comprehensive Income (Loss) (AOCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings.

The Company discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting cash flows attributable to the hedged risk, the derivative expires or is sold, terminated, or exercised, the cash flow hedge is dedesignated because a forecasted transaction is not probable of occurring, or management determines to remove the designation of the cash flow hedge.

In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent changes in its fair value in earnings. When it is probable that a forecasted transaction will not occur, the Company discontinues hedge accounting and recognizes immediately in earnings gains and losses that were accumulated in other comprehensive income related to the hedging relationship.

The Company enters into interest rate swaps to manage a portion of its interest rate risk from financing certain dealer and distributor inventories through a third party financing source. The swaps are designated as cash flow hedges and are used to effectively fix the interest payments to third party financing sources, exclusive of lender spreads, ranging from 0.98% to 2.83% for a notional principal amount of $110.0 million with expiration dates ranging from July 2021 through June 2024.

In the second quarter of fiscal year 2019, the Company entered into interest rate swaps to manage a portion of its interest rate risk from anticipated floating rate, LIBOR based indebtedness, exclusive of lender spreads, ranging from 2.47% to 3.13%. The swaps are designated as cash flow hedges, in an aggregate amount of $120 million, with forward starting dates between June and December 2019 and termination dates between June 2023 and December 2029.

The Company periodically enters into foreign currency contracts to hedge the risk from forecasted third party and intercompany sales or payments denominated in foreign currencies. The Company's primary foreign currency exposures are the Australian Dollar, the Brazilian Real, the Canadian Dollar, the Chinese Renminbi, the Euro, and the Japanese Yen against the U.S. Dollar. These contracts generally do not have a maturity of more than twenty-four months.

The Company uses raw materials that are subject to price volatility. The Company hedges a portion of its exposure to the variability of cash flows associated with commodities used in the manufacturing process by entering into forward purchase contracts or commodity swaps. Derivative contracts designated as cash flow hedges are used by the Company to reduce exposure to variability in cash flows associated with future purchases of natural gas. These contracts generally do not have a maturity of more than thirty-six months.

The Company has considered the counterparty credit risk related to all of its interest rate, foreign currency, and commodity derivative contracts and does not deem any counterparty credit risk material at this time.

As of December 29, 2019 and June 30, 2019, the Company had the following outstanding derivative contracts (in thousands):

Contract		Notional Amount	
		December 29, 2019	June 30, 2019
Interest Rate:			
LIBOR Interest Rate (U.S. Dollars)	Fixed	230,000	230,000
Foreign Currency:			
Australian Dollar	Sell	14,243	17,611
Brazilian Real	Sell	26,897	13,436
Canadian Dollar	Sell	20,615	14,610
Chinese Renminbi	Buy	100,050	70,555
Euro	Sell	10,090	2,750
Commodity:			
Natural Gas (Therms)	Buy	4,074	7,627

The location and fair value of derivative instruments reported in the Condensed Consolidated Balance Sheets are as follows (in thousands):

Balance Sheet Location	Asset (Liability) Fair Value	
	December 29, 2019	June 30, 2019
Interest rate contracts		
Other Long-Term Assets	511	876
Other Long-Term Liabilities	(12,728)	(11,634)
Foreign currency contracts		
Other Current Assets	193	672
Other Long-Term Assets	38	16
Accrued Liabilities	(474)	(179)
Other Long-Term Liabilities	(13)	(11)
Commodity contracts		
Other Current Assets	2	—
Accrued Liabilities	(197)	(176)
Other Long-Term Liabilities	—	(15)
	$ (12,668)	$ (10,451)

The effect of derivative instruments on the Condensed Consolidated Statements of Operations and Comprehensive Loss is as follows (in thousands):

	Three Months Ended December 29, 2019			
	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives, Net of Taxes (Effective Portion)	Classification of Gain (Loss)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Recognized in Earnings (Ineffective Portion)
Interest rate contracts	$ 203	Net Sales	$ (136)	$ —
Foreign currency contracts - sell	(657)	Net Sales	345	—
Foreign currency contracts - buy	151	Cost of Goods Sold	(54)	—
Commodity contracts	(27)	Cost of Goods Sold	(64)	—
Interest rate contracts	1,780	Interest Expense	—	—
	$ 1,450		$ 91	$ —

	Three Months Ended December 30, 2018			
	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives, Net of Taxes (Effective Portion)	Classification of Gain (Loss)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Recognized in Earnings (Ineffective Portion)
Interest rate contracts	$ (58)	Net Sales	$ 216	$ —
Foreign currency contracts - sell	(1,509)	Net Sales	1,520	—
Foreign currency contracts - buy	(2,211)	Cost of Goods Sold	237	—
Commodity contracts	(2)	Cost of Goods Sold	4	—
	$ (3,780)		$ 1,977	$ —

	Six Months Ended December 29, 2019			
	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives, Net of Taxes (Effective Portion)	Classification of Gain (Loss)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Recognized in Earnings (Ineffective Portion)
Interest rate contracts	$ (309)	Net Sales	$ (384)	$ —
Foreign currency contracts - sell	(228)	Net Sales	980	—
Foreign currency contracts - buy	(25)	Cost of Goods Sold	(119)	—
Commodity contracts	(2)	Cost of Goods Sold	(145)	—
Interest rate contracts	$ (824)	Interest Expense	$ —	$ —
	$ (1,388)		$ 332	$ —

	Six Months Ended December 30, 2018			
	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives, Net of Taxes (Effective Portion)	Classification of Gain (Loss)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Recognized in Earnings (Ineffective Portion)
Interest rate contracts	$ 48	Net Sales	$ 216	$ —
Foreign currency contracts - sell	(1,840)	Net Sales	2,636	—
Foreign currency contracts - buy	(2,668)	Cost of Goods Sold	72	—
Commodity contracts	(18)	Cost of Goods Sold	4	—
	$ (4,478)		$ 2,928	$ —

During the next twelve months, the estimated net amount of gain on cash flow hedges as of December 29, 2019 expected to be reclassified out of AOCI into earnings is $0.4 million.

10. Fair Value Measurements

The following guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Significant inputs to the valuation model are unobservable.

The following table presents information about the Company’s financial assets and liabilities measured at fair value on a recurring basis as of December 29, 2019 and June 30, 2019 (in thousands):

		Fair Value Measurements Using		
	December 29, 2019	Level 1	Level 2	Level 3
Assets:				
Derivatives	$ 744	$ —	$ 744	$ —
Liabilities:				
Derivatives	$ (13,412)	$ —	$ (13,412)	$ —
	June 30, 2019	Level 1	Level 2	Level 3
Assets:				
Derivatives	$ 1,564	$ —	$ 1,564	$ —
Liabilities:				
Derivatives	$ 12,014	$ —	$ 12,014	$ —

The fair values for Level 2 measurements are based upon the respective quoted market prices for comparable instruments in active markets, which include current market pricing for forward purchases of commodities, foreign currency forwards, and current interest rates.

The Company has currently chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with accounting principles generally accepted in the United States.

The estimated fair value of the Company's Senior Notes (as defined in Note 16) at December 29, 2019 and June 30, 2019 was $194.7 million and $203.6 million, respectively, compared to the carrying value of $195.5 million and $195.5 million. The estimated fair value of the Senior Notes is based on quoted market prices for similar instruments and is, therefore, classified as Level 2 within the valuation hierarchy. The carrying value of the ABL Facility (as defined in Note 16) approximates fair value since the underlying rate of interest is variable based upon LIBOR rates.

The Company believes that the carrying values of cash and cash equivalents, trade receivables, and accounts payable are reasonable estimates of their fair values at December 29, 2019 and June 30, 2019 due to the short-term nature of these instruments.

11. Warranty

The Company recognizes the cost associated with its standard warranty on Engines and Products at the time of sale. The general warranty period begins at the time of retail sale and typically covers two years, but may vary due, in general, to product type and geographic location. The amount recognized is based on historical failure rates and current claim cost experience. The following is a reconciliation of the changes in accrued warranty costs for the reporting period (in thousands):

	Six Months Ended	
	December 29, 2019	December 30, 2018
Beginning Balance	$ 47,624	$ 45,327
Payments	(14,944)	(12,335)
Provision for Current Year Warranties	9,753	9,176
Changes in Estimates	(43)	60
Ending Balance	$ 42,390	$ 42,228

12. Income Taxes

When calculating the income tax provision, the Company used an actual effective tax rate calculation for the second quarter of fiscal year 2020. For the second quarter of fiscal year 2019, the Company used an estimate of the annual effective tax rate based upon information known at the interim period. The effective tax rate for the second quarter of fiscal year 2020 was 21.3% compared to (2,682.4)% for the same period last year. In the second quarter of fiscal year 2019, the Company recorded an income tax expense of approximately $1.1 million related to the inclusion of foreign earnings as a result of U.S. tax legislation despite incurring a loss before tax. The tax rate for the second quarter of fiscal year 2020 was driven by the pre-tax loss generated. The tax benefit generated was partially offset by foreign losses for which the Company does not receive a tax benefit.

13. Commitments and Contingencies

The Company is subject to various unresolved legal actions that arise in the normal course of its business. These actions typically relate to product liability (including asbestos-related liability), patent and trademark matters, and disputes with customers, suppliers, distributors and dealers, competitors and employees.

On May 12, 2010, Exmark Manufacturing Company, Inc. filed suit against Briggs & Stratton Power Products Group, LLC (“BSPPG”), a wholly owned subsidiary of the Company that was subsequently merged with and into the Company on January 1, 2017 (Case No. 8:10CV187, U.S. District Court for the District of Nebraska), alleging that certain Ferris® and Snapper Pro® mower decks infringed an Exmark mower deck patent. Exmark sought damages relating to sales since May 2004, attorneys’ fees, and enhanced damages. As a result of a reexamination proceeding in 2012, the United States Patent and Trademark Office (“USPTO”) initially rejected the asserted Exmark claims as invalid. However, in 2014, that decision was reversed by the USPTO on appeal by Exmark. Following discovery, each of BSPPG and Exmark filed several motions for summary judgment in the Nebraska district court, which were decided on July 28, 2015. The court concluded that older mower deck designs infringed Exmark’s patent, leaving for trial the issues of whether current designs infringed, the amount of damages, and whether any infringement was willful.

The trial began on September 8, 2015, and on September 18, 2015, the jury returned its verdict, finding that BSPPG’s current mower deck designs do not infringe the Exmark patent. As to the older designs, the jury awarded Exmark $24.3 million in damages and found that the infringement was willful, allowing the judge to enhance the jury’s damages award post-trial by up to three times. Also on September 18, 2015, the U.S. Court of Appeals for the Federal Circuit issued its decision in an unrelated case, SCA Hygiene Products Aktiebolag SCA Personal Care, Inc. v. First Quality Baby Products, LLC, et al. (Case No. 2013-1564) (“SCA”), confirming the availability of laches as a defense to patent infringement claims. Laches is an equitable doctrine that may bar a patent owner from obtaining damages prior to commencing suit, in circumstances in which the owner knows or should have known its patent was being infringed for more than six years. Although the court in the Exmark case ruled before trial that BSPPG could not rely on the defense of laches, as a result of the subsequent SCA decision, the court held a bench trial on that defense on October 21 and 22, 2015. On May 2, 2016, the United States Supreme Court agreed to review the SCA decision.

The parties submitted post-trial motions and briefing related to: damages; willfulness; laches; attorney fees; enhanced damages; and prejudgment/post-judgment interest and costs. All post-trial motions and briefing were completed on December 18, 2015. On May 11, 2016, the court ruled on those post-trial motions and entered judgment against BSPPG and in favor of Exmark in the amount of $24.3 million in compensatory damages, an additional $24.3 million in enhanced damages, and $1.5 million in pre-judgment interest along with post-judgment interest and costs to be determined. The Company strongly disagreed with the jury verdict, certain rulings made before and during trial, and the May 11, 2016 post-trial rulings. BSPPG appealed to the U.S. Court of Appeals for the Federal Circuit on several bases, including the issues of obviousness and invalidity of Exmark’s patent, the damages calculation, willfulness and laches.

Following briefing of the appeal and prior to oral argument, the United States Supreme Court overturned the SCA decision, ruling that laches is not available in a patent infringement case for damages. That ruling eliminated laches as one basis for BSPPG’s appeal of the Exmark case. The appellate court held a hearing on the remainder of BSPPG’s appeal on April 5, 2017 and issued its decision on January 12, 2018. The appellate court found that the district court erred in granting summary judgment concerning the patent’s validity and remanded that issue to the district court for reconsideration. The appellate court also vacated the jury’s damages award and the district court’s award of enhanced damages, remanding the case to the district court for a new trial on damages and reconsideration on willfulness. The appellate court affirmed the district court rulings in all other respects. In subsequent rulings, the district court reaffirmed the validity of Exmark's patent and its original ruling on willfulness. A new trial on the issue of damages commenced on December 10, 2018, resulting in a damages assessment by the jury of $14.4 million.

On December 20, 2018, the district court entered judgment against the Company and in favor of Exmark in the amount of $14.4 million in compensatory damages, an additional $14.4 million in enhanced damages, as well as pre-judgment interest, post-judgment interest and costs to be determined. On April 15, 2019, the district court entered an order denying the Company's post-trial motions related to modification of the jury's damages award, as well as seeking a new trial in light of certain evidentiary rulings. The district court awarded $6.0 million in pre-judgment interest, as well as post-judgment interest after December 19, 2018 and costs to be determined.

The Company strongly disagrees with the verdict and certain rulings made before, during and after the new trial and intends to vigorously pursue its rights on appeal. The Company filed its notice of appeal on May 14, 2019, and has appealed errors made by the district court in construing certain claims of Exmark's patent, granting summary judgment motions filed by Exmark, and altering the prejudgment interest rate following the second trial. The appeal has been fully briefed and the parties await oral argument and the decision of the Court of Appeals.

In assessing whether the Company should accrue a liability in its financial statements as a result of this lawsuit, the Company considered various factors, including the legal and factual circumstances of the case, the trial records and post-trial rulings of the district court, the decision of the appellate court, the current status of the proceedings, applicable law and the views of legal counsel. As a result of this review, the Company has concluded that a loss from this case is not probable and reasonably estimable at this time and, therefore, a liability has not been recorded with respect to this case as of December 29, 2019.

Although it is not possible to predict with certainty the outcome of this and other unresolved legal actions or the range of possible loss, the Company believes the unresolved legal actions will not have a material adverse effect on its results of operations, financial position or cash flows.

14. Segment Information

The Company aggregates operating segments that have similar economic characteristics, products, production processes, types or classes of customers and distribution methods into reportable segments. The Company concluded that it operates two reportable segments: Engines and Products. The Company uses "segment income (loss)" as the primary measure to evaluate operating performance and allocate capital resources for the Engines and Products segments. For all periods presented, segment income (loss) is equal to income (loss) from operations. Summarized segment data is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	December 29, 2019	December 30, 2018	December 29, 2019	December 30, 2018
NET SALES:				
Engines	$ 219,190	$ 272,018	$ 352,544	$ 391,108
Products	241,984	254,627	437,625	427,670
Inter-Segment Eliminations	(23,233)	(21,183)	(38,509)	(34,319)
Total*	$ 437,941	$ 505,462	$ 751,660	$ 784,459
* International sales included in net sales based on product shipment destination	$ 144,019	$ 148,125	$ 246,635	$ 236,651
GROSS PROFIT:				
Engines	$ 33,192	$ 55,614	$ 52,334	$ 71,551
Products	35,179	37,577	59,997	65,213
Inter-Segment Eliminations	(346)	(734)	(1,060)	(553)
Total	$ 68,025	$ 92,457	$ 111,271	$ 136,211
SEGMENT INCOME (LOSS):				
Engines	$ (14,248)	$ 4,658	$ (42,152)	$ (39,593)
Products	4,441	4,411	(1,169)	(5,651)
Inter-Segment Eliminations	(346)	(734)	(1,060)	(553)
Total	$ (10,153)	$ 8,335	$ (44,381)	$ (45,797)

The following supplemental data is presented for informational purposes.

Pre-tax business optimization and engine manufacturing consolidation project charges included in gross profit were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	December 29, 2019	December 30, 2018	December 29, 2019	December 30, 2018
Engines	$ 7,187	$ 665	$ 12,175	$ 1,088
Products	441	834	1,090	3,713
Total	$ 7,628	$ 1,499	$ 13,265	$ 4,801

Pre-tax business optimization charges, engine manufacturing consolidation project charges, bad debt expense related to a major retailer bankruptcy, litigation settlement charge, and acquisition integration activities included in segment income (loss) were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	December 29, 2019	December 30, 2018	December 29, 2019	December 30, 2018
Engines	$ 8,719	$ 7,508	$ 14,437	$ 21,871
Products	857	3,405	1,564	15,169
Total	$ 9,576	$ 10,913	$ 16,001	$ 37,040

15. Leases

The Company leases certain manufacturing facilities, warehouses/distribution centers, office space, land, vehicles, and equipment. At lease inception, the Company determines the lease term by assuming the exercise of those renewal options that are reasonably assured. The Company had operating lease costs of approximately $5 million and $11 million for the three and six months ended December 29, 2019.

Leases which include renewal options that can extend the lease term are reflected in the lease term when they are reasonably certain to be exercised. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Lease agreements containing lease and non-lease components are accounted for separately.

At December 29, 2019, the Company had $1 million of leases classified as financing leases and approximately $104 million of non-cancelable operating lease commitments, excluding variable consideration. The undiscounted annual future minimum lease payments are summarized by year in the table below (in thousands):

	Operating Lease Commitments
2020	$ 13,698
2021	12,156
2022	11,936
2023	11,954
2024	11,882
Thereafter	76,981
Total Lease Payments	138,607
Less: Interest	34,597
Total Lease Liabilities	$ 104,010

The Company's future minimum lease commitments, as of June 30, 2019, under Accounting Standard Codification Topic 840, the predecessor to Topic 842, are as follows (in thousands):

2020	$ 20,453
2021	18,179
2022	14,784
2023	10,345
2024	9,515
Thereafter	73,639
Total Lease Payments	$ 146,915

Supplemental balance sheet information related to leases as of December 29, 2019, is as follows (in thousands):

	December 29, 2019
Operating Leases:	
Right of Use Assets	$ 106,249
Short-Term Lease Obligations	12,368
Long-Term Lease Obligations	91,642
Total Operating Lease Obligations	104,010

At December 29, 2019, the weighted average remaining lease term and weighted average discount rate for operating leases was 11.3 years and 5.17%, respectively.

During the three and six months ended December 29, 2019 the cash paid for amounts included in the measurement of the liabilities and the operating cash flows was $5 million and $11 million, respectively. The Company incurred $21.7 million of new lease liabilities for leases entered into during the six months ended December 29, 2019. Adoption of the new lease standard was a non-cash transaction.

As the Company's lease agreements normally do not provide an implicit interest rate, The Company applies its incremental borrowing rate based on the information available at commencement date in determining the present value of future lease payments. Relevant information used in determining the Company's incremental borrowing rate includes the duration of the lease, currency of the lease, and the Company's credit risk relative to risk-free market rates.

16. Debt

The following is a summary of the Company’s indebtedness (in thousands):

	December 29, 2019	June 30, 2019
Multicurrency Credit Agreement	$ —	$ 160,540
6.875% Senior Notes	195,462	—
Unamortized Debt Issuance Costs associated with 6.875% Senior Notes	287	—
Total Short-Term Debt	$ 195,175	$ 160,540
Note Payable (NMTC transaction)	$ 7,685	$ 7,685
Unamortized Debt Issuance Costs associated with Note Payable	738	820
	$ 6,947	$ 6,865
6.875% Senior Notes	$ —	$ 195,464
Unamortized Debt Issuance Costs associated with 6.875% Senior Notes	—	495
ABL Facility	428,300	—
	$ 428,300	$ 194,969
Total Long-Term Debt	$ 435,247	$ 201,834

On December 20, 2010, the Company issued $225 million of 6.875% Senior Notes ("Senior Notes") due December 15, 2020. During the three and six months ended December 29, 2019 the Company made no repurchases of the Senior Notes. During the three and six months ended December 30, 2018 the Company repurchased $4.9 million of the Senior Notes.

On September 27, 2019 the Company entered into a $625 million revolving credit agreement ("ABL Facility") that matures on September 27, 2024, subject to a springing maturity if the Senior Notes are not refinanced or reserved under the ABL Facility 91 days prior to maturity. The ABL Facility replaces the $500 million amended and restated multicurrency credit agreement ("Revolver") dated March 25, 2016. The initial committed maximum borrowing capacity under the Credit Agreement is $625 million, subject to borrowing base capacity. Availability under the revolving credit facility is reduced by outstanding letters of credit. As of December 29, 2019, there were borrowings of $428.3 million and letters of credit of $37.8 million outstanding under the ABL Facility. There were outstanding borrowings of $160.5 million under the Revolver as of June 30, 2019. In connection with the ABL Facility, the Company incurred $4.8 million of fees in fiscal year 2020. The Company classifies debt issuance costs related to the ABL Facility as an asset, regardless of whether it has any outstanding borrowings on the line of credit arrangements. The ABL Facility is secured by first priority liens on substantially all of the Company's assets.

Borrowing under the ABL Facility by the Company bear interest at a rate per annum equal to 1, 2, 3 or 6 month LIBOR rate plus an applicable margin varying from 1.50% to 2.25% depending on the Consolidated Fixed Charge Coverage Ratio at the most recent determination date. In addition, the Company is subject to a 0.25% commitment fee and a 1.25% letter of credit fee.

The Senior Notes and the ABL Facility contain covenants that are usual and customary for facilities and transactions of this type and that, among other things, restrict the ability of the Company and/or certain subsidiaries to pay dividends, repurchase equity interests of the Company and certain subsidiaries, make other restricted payments, incur or guarantee certain indebtedness, create liens, consolidate and merge and dispose of assets, and enter into transactions with the Company's affiliates. These covenants are subject to a number of other limitations and exceptions set forth in the agreements. The ABL Facility contains a springing financial covenant that would require the Company to maintain a Fixed Charge Coverage Ratio (as defined in the ABL Facility) of no less than 1.0 to 1.0 if Excess Availability is less than the greater of $50 million and 12.5% of the borrowing base. If Excess Availability were to fall below this level, the Company would be required to test the Fixed Charge Coverage Ratio.

On January 29, 2020, the Company entered into an Amendment to the ABL Facility (the “Amendment”). The Amendment, among other things, adds a new pricing level increasing the specified interest rate by 25 basis points to apply from January 29, 2020 until the Company delivers financial statements for the third fiscal quarter of 2020. The new pricing level will also be in effect thereafter when the Company’s Fixed Charge Coverage Ratio is less than or equal to 0.75 to 1.00. Additionally, the Amendment reduces the minimum aggregate availability required to trigger a liquidity event (as defined in the ABL Facility) between September 27, 2019 and the end of the Company’s third fiscal quarter of 2020 to the greater of $30 million and 7.5% of the line cap (as defined in the ABL Facility). Should availability fall below 7.5%, the Company would be required to test the Fixed Charge Coverage Ratio, and would not have complied as of December 29, 2019.

Additionally, the Amendment amends the financial covenant to reduce the minimum aggregate availability to avoid triggering the requirement to comply with the Fixed Charge Coverage Ratio from September 27, 2019 to the end of the Company’s third fiscal quarter of 2020. As amended, the Company must maintain a Fixed Charge Coverage Ratio of no less than 1.0 to 1.0 when aggregate availability is less than the greater of $30 million and 7.5% of the line cap. Thereafter, the aggregate availability threshold will revert back to the greater of $50 million and 12.5%.

The Company was in compliance with all financial covenants of the ABL Facility and Senior Notes as of December 29, 2019.

On August 16, 2017, the Company entered into a financing transaction with SunTrust Community Capital, LLC (“SunTrust”) related to the Company's business optimization program under the New Markets Tax Credit (“NMTC”) program. The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (the “Act”) and is intended to induce capital investment in qualified low-income communities. The Act permits taxpayers to claim credits against their Federal income taxes for qualified investments in the equity of community development entities (“CDEs”). CDEs are privately managed investment institutions that are certified to make qualified low-income community investments (“QLICIs”).

In connection with the financing, one of the Company’s subsidiaries loaned approximately $ 16 million to an investment fund, and simultaneously, SunTrust contributed approximately $8 million to the investment fund. SunTrust is entitled to substantially all of the benefits derived from the NMTCs. SunTrust’s contribution, net of syndication fees, is included in Other Long-Term Liabilities on the consolidated balance sheets. The Company incurred approximately $1.2 million in new debt issuance costs, which are being amortized over the life of the note payable. The investment fund contributed the proceeds to certain CDEs, which, in turn, loaned the funds to the Company, as partial financing for the business optimization program. The proceeds of the loans from the CDEs (including loans representing the capital contribution made by SunTrust, net of syndication fees) are restricted for use on the project. Restricted cash of $0.7 million held by the Company at December 29, 2019 is included in Prepaid Expenses and Other Current Assets in the accompanying consolidated balance sheet.

This financing also includes a put/call provision that can be exercised beginning in August 2024 whereby the Company may be obligated or entitled to repurchase SunTrust’s interest in the investment fund for a de minimis amount.

The Company has determined that the financing arrangement is a variable interest entity (“VIE”) and has consolidated the VIE in accordance with the accounting standard for consolidation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table is a reconciliation of financial results by segment, as reported, to adjusted financial results by segment, excluding business optimization and engine manufacturing consolidation charges for the three months ended December 29, 2019 and December 30, 2018 (in thousands, except per share data):

	Three Months Ended Fiscal December					
	2020 Reported	Adjustments(1)	2020 Adjusted(3)	2019 Reported	Adjustments(2)	2019 Adjusted(3)
Gross Profit:						
Engines	$ 33,192	$ 7,187	$ 40,379	$ 55,614	$ 665	$ 56,279
Products	35,179	441	35,620	37,577	834	38,411
Inter-Segment Eliminations	(346)	—	(346)	(734)	—	(734)
Total	$ 68,025	$ 7,628	$ 75,653	$ 92,457	$ 1,499	$ 93,956
Engineering, Selling, General and Administrative Expenses:						
Engines	$ 48,189	$ 1,493	$ 46,696	$ 52,769	$ 5,915	$ 46,854
Products	30,935	416	30,519	34,370	2,571	31,799
Total	$ 79,124	$ 1,909	$ 77,215	$ 87,139	$ 8,486	$ 78,653
Equity in Earnings of Unconsolidated Affiliates						
Engines	$ 749	$ 39	$ 788	$ 1,814	$ 927	$ 2,741
Products	197	—	197	1,203	—	1,203
Total	$ 946	$ 39	$ 985	$ 3,017	$ 927	$ 3,944
Segment Income (Loss):						
Engines	$ (14,248)	$ 8,719	$ (5,529)	$ 4,658	$ 7,508	$ 12,166
Products	4,441	857	5,298	4,411	3,405	7,816
Inter-Segment Eliminations	(346)	—	(346)	(734)	—	(734)
Total	$ (10,153)	$ 9,576	$ (577)	$ 8,335	$ 10,913	$ 19,248
Interest Expense	$ (8,965)	$ —	$ (8,965)	$ (7,482)	$ 248	$ (7,234)
Income Before Income Taxes	(19,506)	9,576	(9,930)	(93)	11,161	11,068
Provision for Income Taxes	(4,162)	2,358	(1,804)	2,511	143	2,654
Net Income (Loss)	$ (15,344)	$ 7,218	$ (8,126)	$ (2,604)	$ 11,018	$ 8,414
Earnings Per Share						
Basic	$ (0.37)	$ 0.17	$ (0.20)	$ (0.07)	$ 0.27	$ 0.20
Diluted	(0.37)	0.17	$ (0.20)	(0.07)	0.27	$ 0.20

(1) For the second quarter of fiscal 2020, engine manufacturing consolidation charges include $3.5 million ($2.6 million after tax) of cash charges and $3.6 million ($2.7 million after tax) of non-cash charges related to the closure of the engine plant in Murray, Kentucky. Business optimization expenses include $1.1 million ($0.7 million after tax) of cash charges and $1.4 million ($1.1 million after tax) of non-cash charges related to the warehouse optimization program and the plan to onshore Commercial engine production.

(2) For the second quarter of fiscal 2019, business optimization expenses include $0.7 million ($0.6 million after tax) of non-cash charges related to accelerated depreciation, and $10.0 million ($9.0 million after tax) of cash charges related primarily to activities associated with the Company's Q1 FY19 ERP go-live, professional services, employee termination benefits, and plant rearrangement activities. Interest expense includes $0.2 million ($0.2 million after tax) related to the early repurchase of bonds. The Company recognized $0.2 million ($0.1 million after tax) related to acquisition integration activities. Tax expense includes a $1.1 million charge associated with the Tax Cuts and Jobs Act of 2017 to record the impact of the inclusion of foreign earnings.

(3) Adjusted financial results are non-GAAP financial measures. The Company believes this information is meaningful to investors as it isolates the impact that business optimization charges, engine manufacturing consolidation charges, and certain other items have on reported financial results and facilitates comparisons between peer companies. The Company may utilize non-GAAP financial measures as a guide in the forecasting, budgeting, and long-term planning process. While the Company believes that adjusted financial results are useful supplemental information, such adjusted financial results are not intended to replace its GAAP financial results and should be read in conjunction with those GAAP results.

NET SALES

Consolidated net sales for the second quarter of fiscal year 2020 were $437.9 million, a decrease of $67.5 million, or 13.4%, from the second quarter of fiscal year 2019.

Engines segment net sales in the second quarter of fiscal year 2020 decreased $52.8 million, or 19.4%, from the prior year. Engine sales unit volumes decreased by 24%, or approximately 453,000 engines, in the second quarter of fiscal year 2020 compared to the same period last year principally on the timing of OEM mower builds, which began earlier in fiscal year 2019 to support brand transitions at retail. Revenue growth in service parts continued to benefit from improved throughput and order fulfillment rates.

Products segment net sales in the second quarter of fiscal year 2020 decreased $12.6 million, or 5.0%, from the prior year. The decrease was primarily due to lower sales of pressure washers relative to last year when brand transitions at retail accelerated product shipments. Storm-related sales of generators declined, as expected, from less storm activity compared with a year ago. Sales activities were also affected by a softer market for job site products. The decrease was partially offset by higher sales of standby generators and higher pricing.

GROSS PROFIT

The consolidated gross profit percentage was 15.5% in the second quarter of fiscal year 2020, a decrease from 18.3% in the same period last year. Adjusted gross profit percentage was 17.3% in the second quarter this year, a decrease from 18.6% in the same period last year.

The Engines segment gross profit percentage was 15.1% in the second quarter of fiscal year 2020, a decrease of 530 basis points from 20.4% in the second quarter of fiscal 2019. Adjusted gross profit margins also declined 230 basis points on a 19% decrease in production volumes and higher material costs, partially offset by business optimization program savings of $2 million and favorable sales mix on higher service parts sales.

The Products segment gross profit percentage was 14.5% for the second quarter of fiscal year 2020, down from 14.8% in the second quarter of fiscal 2019. Adjusted gross profit percentage was 14.7% for the second quarter of fiscal 2020, down from 15.1% in the second quarter of fiscal 2019. Reduced manufacturing volume was offset by higher pricing.

ENGINEERING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Engineering, selling, general and administrative expenses (ESG&A) were $79.1 million in the second quarter of fiscal year 2020, a decrease of $8.0 million, or 9.2%, from the second quarter of fiscal 2019.

The Engines segment ESG&A expenses for the second quarter of fiscal year 2020 decreased $4.6 million from the second quarter of fiscal year 2019. Adjusted ESG&A expenses decreased $0.2 million. GAAP ESG&A expense included more business optimization charges in the second quarter of fiscal year 2019 compared to the current year.

The Products segment ESG&A decreased by $3.4 million and adjusted ESG&A expenses decreased $1.3 million compared with the previous year, primarily related to timing of spending. GAAP ESG&A expense included more business optimization charges in the second quarter of fiscal year 2019 compared to the current year.

EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATES

Equity in earnings of unconsolidated affiliates decreased by $2.1 million during the second quarter of fiscal year 2020 compared to the same period in the previous year. Adjusted equity in earnings of unconsolidated affiliates decreased by $3.0 million during such time due to the ramp down of the Company's Japanese joint venture that formerly produced Vanguard engines and a decrease in the Company's service parts distributors' profitability. This was primarily due to higher shipping costs to refill channel inventory of service parts.

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The following table is a reconciliation of financial results by segment, as reported, to adjusted financial results by segment, excluding business optimization and engine manufacturing consolidation charges for the six months ended December 29, 2019 and December 30, 2018 (in thousands, except per share data):

	Six Months Ended Fiscal December					
	2020 Reported	Adjustments(1)	2020 Adjusted(3)	2019 Reported	Adjustments(2)	2019 Adjusted(3)
Gross Profit:						
Engines	$ 52,334	$ 12,175	$ 64,509	$ 71,551	$ 1,088	$ 72,639
Products	59,997	1,090	61,087	65,213	3,713	68,926
Inter-Segment Eliminations	(1,060)	—	(1,060)	(553)	—	(553)
Total	$ 111,271	$ 13,265	$ 124,536	$ 136,211	$ 4,801	$ 141,012
Engineering, Selling, General and Administrative Expenses:						
Engines	$ 95,515	$ 1,741	$ 93,774	$ 114,697	$ 18,919	$ 95,778
Products	62,346	474	61,872	73,302	11,456	61,846
Total	$ 157,861	$ 2,215	$ 155,646	$ 187,998	$ 30,375	$ 157,623
Equity in Earnings of Unconsolidated Affiliates						
Engines	$ 1,029	$ 521	$ 1,550	$ 3,553	$ 1,864	$ 5,417
Products	1,180	—	1,180	2,437	—	2,437
Total	$ 2,209	$ 521	$ 2,730	$ 5,990	$ 1,864	$ 7,854
Segment Income (Loss):						
Engines	$ (42,152)	$ 14,437	$ (27,715)	$ (39,593)	$ 21,871	$ (17,722)
Products	(1,169)	1,564	395	(5,651)	15,169	9,518
Inter-Segment Eliminations	(1,060)	—	(1,060)	(553)	—	(553)
Total	$ (44,381)	$ 16,001	$ (28,380)	$ (45,797)	$ 37,040	$ (8,757)
Interest Expense	$ (15,869)	$ —	$ (15,869)	$ (12,643)	$ 248	$ (12,395)
Income (Loss) Before Income Taxes	(61,381)	16,001	(45,380)	(59,043)	37,288	(21,755)
Provision (Credit) for Income Taxes	(12,400)	2,779	(9,621)	(15,452)	6,308	(9,144)
Net Income (Loss)	$ (48,981)	$ 13,222	$ (35,759)	$ (43,591)	$ 30,980	$ (12,611)
Earnings (Loss) Per Share						
Basic	$ (1.18)	$ 0.32	$ (0.86)	$ (1.05)	$ 0.74	$ (0.31)
Diluted	(1.18)	0.32	$ (0.86)	(1.05)	0.74	$ (0.31)

(1) For the first six months of fiscal 2020, engine manufacturing consolidation charges include $5.6 million ($4.7 million after tax) of cash charges and $6.4 million ($5.3 million after tax) of non-cash charges related to the closure of the engine plant in Murray, Kentucky. Business optimization expenses include $2.2 million ($1.7 million after tax) of cash charges and $1.9 million ($1.4 million after tax) of non-cash charges related to the warehouse optimization program and the plan to onshore Commercial engine production.

(2) For the first six months of fiscal 2019, business optimization expenses include $1.4 million ($1.2 million after tax) of non-cash charges related to accelerated depreciation, and $29.2 million ($23.7 million after tax) of cash charges related primarily to activities associated with the Company's Q1 FY19 ERP go-live, professional services, employee termination benefits, and plant rearrangement activities. The Company recognized bad debt expense of $4.1 million ($3.1 million after tax) after a major retailer announced that it had filed for bankruptcy protection. The Company recognized $2.0 million ($1.5 million after tax) for amounts accrued related to a litigation settlement and $0.2 million ($0.1 million after tax) related to acquisition integration activities. Interest expense includes $0.2 million ($0.2 million after tax) related to the early repurchase of bonds. Tax expense includes a $1.1 million charge associated with the Tax Cuts and Jobs Act of 2017 to record the impact of the inclusion of foreign earnings.

(3) Adjusted financial results are non-GAAP financial measures. The Company believes this information is meaningful to investors as it isolates the impact that business optimization charges, engine manufacturing consolidation charges, and certain other items have on reported financial results and facilitates comparisons between peer companies. The Company may utilize non-GAAP financial measures as a guide in the forecasting, budgeting, and long-term planning process. While the Company believes that adjusted financial results are useful supplemental information, such adjusted financial results are not intended to replace its GAAP financial results and should be read in conjunction with those GAAP results.

NET SALES

Consolidated net sales for the first six months of fiscal year 2020 were $751.7 million, a decrease of $32.7 million, or 4.2%, from the first six months of fiscal year 2019.

Engines segment net sales for the first six months of fiscal year 2020 decreased $38.6 million, or 9.9%, from the prior year. Engine sales unit volumes decreased by 14%, or approximately 364,000 engines, for the first six months of fiscal 2020 compared to the same period last year principally due to the timing of OEM mower builds, which began earlier in fiscal year 2019 to support brand transitions at retail. In addition, Europe sales declined due to elevated channel inventories. Revenue growth in service parts continued to benefit from improved throughput and order fulfillment rates.

Products segment net sales for the first six months of fiscal year 2020 increased $10.0 million, or 2.3%, from the prior year. The increase was primarily due to higher shipments of Ferris commercial mowers, standby generators and higher service parts. This growth was partially offset by lower sales of pressure washers relative to last year when brand transitions at retail accelerated product shipments, job site products and storm-related generator sales. Price increases offset tariffs and other product inflation costs as well as unfavorable foreign currency impacts.

GROSS PROFIT

The consolidated gross profit percentage was 14.8% in the first six months of fiscal year 2020, a decrease from 17.4% in the same period last year. Adjusted gross profit percentage was 16.6% in the first six months of fiscal year 2020, a decrease from 18.0% in the same period last year.

The Engines segment gross profit percentage was 14.8% in the first six months of fiscal year 2020, a decrease of 350 basis points from 18.3% in the first six months of fiscal year 2019. Adjusted gross profit margins decreased 30 basis points on the lower sales and production volumes partially offset by business optimization savings and favorable sales mix driven largely by a higher proportion of service parts revenue.

The Products segment gross profit percentage was 13.7% for the first six months of fiscal year 2020, down from 15.2% in the first six months of fiscal year 2019. Adjusted gross profit percentage was 14.0% for the first six months of fiscal year 2020, down from 16.1% in the first six months of fiscal year 2019. The decrease in adjusted gross profit percentage was primarily due to residual inefficiencies from the business optimization program go-live and unfavorable sales mix primarily related to efforts to reduce inventories.

ENGINEERING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Engineering, selling, general and administrative expenses (ESG&A) were $157.9 million in the first six months of fiscal year 2020, a decrease of $30.1 million, or 16.0%, from the first six months of fiscal year 2019.

The Engines segment ESG&A expenses for the first six months of fiscal year 2020 decreased $19.2 million from the first six months of fiscal year 2019. Adjusted ESG&A expenses decreased $2.0 million from last year primarily related to timing of expenses. GAAP ESG&A expense included more business optimization charges in the first quarter of fiscal year 2019 compared to the current year.

The Products segment ESG&A during the first six months of fiscal year 2020 decreased by $11.0 million and adjusted ESG&A expenses were flat to the same period in the previous year. Fiscal year 2019 GAAP ESG&A expenses included $4.1 million of bad debt expense due to a major retailer announcing that it had filed for bankruptcy protection, $2.0 million for amounts accrued related to a litigation settlement, and higher business optimization charges.

EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATES

Equity in earnings of unconsolidated affiliates decreased by $3.8 million in the first six months of fiscal year 2020 compared to the same period in the previous year. Adjusted equity in earnings of unconsolidated affiliates decreased by $5.1 million due to the ramp down of the Company's Japanese joint venture that formerly produced Vanguard engines and a decrease in the Company's service parts distributors’ profitability. This was primarily due to higher shipping costs to refill channel inventory of service parts.

INTEREST EXPENSE

Interest expense for the three and six months ended December 29, 2019 was $1.4 million and $3.2 million higher than the same period last year due to higher borrowings on the ABL Facility.

PROVISION FOR INCOME TAXES

The effective tax rate for the second quarter of fiscal year 2020 was 21.3% compared to (2,682.4)% for the same period last year. The Company recorded an income tax expense of approximately $1.1 million related to the inclusion of foreign earnings as a result of U.S. tax legislation in the second quarter of fiscal year 2019. The tax rate for the second quarter of fiscal year 2020 was more significantly impacted by foreign losses for which the Company does not receive a tax benefit. Changes in corporate tax rates, the deferred tax assets and liabilities relating to the Company's U.S. operations, the taxation of foreign earnings, and the deductibility of expenses contained in the Tax Act or other future tax legislation could have a material impact on the Company's future consolidated tax expense.

BUSINESS OPTIMIZATION PROGRAM

The Company made significant progress on implementing its previously announced business optimization program in the first six months of fiscal year 2020. The program is designed to drive efficiencies and expand capacity in commercial engines and cutting equipment. The program entails expanding production of Vanguard commercial engines into the Company’s existing large engine plants, which are located in Georgia and Alabama, expanding Ferris commercial mower production capacity into a new, modern facility which is located close to the current manufacturing facility in New York, and the implementation of an ERP upgrade. The Company went live with the ERP upgrade at the beginning of the first quarter of fiscal year 2019.

Production of Vanguard engines in the Company’s U.S. plants began in the fourth quarter of fiscal year 2018 and additional lines were phased in by the end of the fourth quarter of fiscal year 2019. Previously, the majority of Vanguard engines were sourced from overseas. Production of Ferris commercial mowers began in the new facility in the fourth quarter of fiscal year 2018 and all remaining production was transitioned in the third quarter of fiscal year 2019.

During fiscal year 2020, the Company recorded business optimization charges of $4.1 million ($3.1 million after tax or $0.7 per diluted share). Remaining program costs to be incurred in fiscal year 2020 are expected to be $2 million. The business optimization program is expected to generate pre-tax savings of $35 million to $40 million of ongoing future annual pre-tax savings, in addition to supporting profitable commercial growth. The Company estimates $5 million of incremental savings to be realized in fiscal year 2020, and the future annual savings will be achieved by fiscal year 2022.

ENGINE MANUFACTURING CONSOLIDATION PROJECT

The Company made progress on the previously announced engine manufacturing consolidation project in the first six months of fiscal year 2020. In the second quarter, the Company ceased assembly on one of the two production lines at the Murray, Kentucky facility. The Company is on track to initiate assembly of new models at the Poplar Bluff, Missouri plant. Subsequent to the end of the second quarter of fiscal year 2020, the Company fully transitioned engine assembly to Poplar Bluff. Project costs remain on track, and the Company remains on target to recognize approximately $10 million in pre-tax cost savings in fiscal year 2021 and upwards of $14 million in savings by fiscal year 2022.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows used in operating activities for the first six months of fiscal year 2020 were $207.9 million compared to $216.0 million in the first six months of fiscal year 2019. The decrease in cash used in operating activities was related to changes in working capital, primarily due to improvement in accounts receivable during the first six months of fiscal year 2020.

Cash flows used in investing activities were $34.4 million and $43.1 million during the first six months of fiscal year 2020 and fiscal year 2019, respectively. The $8.7 million decrease in cash used in investing activities was primarily related to lower cash paid for acquisitions.

Cash flows provided by financing activities were $255.0 million and $245.4 million during the first six months of fiscal year 2020 and 2019, respectively. The $9.6 million increase in cash provided by financing activities was attributable to lower treasury stock purchases in the first six months of fiscal year 2020 compared to the same period last year.

FUTURE LIQUIDITY AND CAPITAL RESOURCES

On December 20, 2010, the Company issued $225 million of 6.875% Senior Notes ("Senior Notes") due December 15, 2020.

On September 27, 2019, the Company entered into a $625 million revolving credit agreement ("ABL Facility") that matures on September 27, 2024. The ABL Facility replaced the $500 million amended and restated multicurrency credit agreement ("Revolver") dated March 25, 2016. The initial maximum availability under the ABL Facility is $625 million. Availability under the ABL Facility is reduced by outstanding letters of credit. As of December 29, 2019, there were borrowings of $428.3 million and letters of credit of $37.8 million outstanding under the ABL Facility. There were outstanding borrowings of $160.5 million under the Revolver as of June 30, 2019. In connection with the ABL Facility agreement, the Company incurred $4.8 million of fees related to the issuance during the first six months of fiscal year 2020. The Company classifies debt issuance costs related to the ABL Facility as an asset, regardless of whether it has any outstanding borrowings on the line of credit arrangements. The ABL Facility is secured by first priority liens on substantially all of the Company's assets.

The Senior Notes and the ABL Facility contain covenants that are usual and customary for facilities and transactions of this type and that, among other things, restrict the ability of the Company and/or certain subsidiaries to pay dividends, repurchase equity interests of the Company and certain subsidiaries, make other restricted payments, incur or guarantee certain indebtedness, create liens, consolidate and merge and dispose of assets, and enter into transactions with the Company's affiliates. These covenants are subject to a number of other limitations and exceptions set forth in the agreements. The ABL Facility contains a springing financial covenant that would require the Company to maintain a Fixed Charge Coverage Ratio (as defined in the ABL Facility) of no less than 1.0 to 1.0 if Excess Availability is less than the greater of $50 million and 12.5% of the borrowing base. If Excess Availability were to fall below this level, the Company would be required to test the Fixed Charge Coverage Ratio.

On January 29, 2020, the Company entered into an Amendment to the ABL Facility (the “Amendment”). The Amendment, among other things, adds a new pricing level increasing the specified interest rate by 25 basis points to apply from January 29, 2020 until the Company delivers financial statements for the third fiscal quarter of 2020. The new pricing level will also be in effect thereafter when the Company’s Fixed Charge Coverage Ratio is less than or equal to 0.75 to 1.00. Additionally, the Amendment reduces the minimum aggregate availability required to trigger a liquidity event (as defined in the ABL Facility) between September 27, 2019 and the end of the Company’s third fiscal quarter of 2020 to the greater of $30 million and 7.5% of the line cap (as defined in the ABL Facility). Should availability fall below 7.5%, the Company would be required to test the Fixed Charge Coverage Ratio, and would not have complied as of December 29, 2019.

Additionally, the Amendment amends the financial covenant to reduce the minimum aggregate availability to avoid triggering the requirement to comply with the Fixed Charge Coverage Ratio from September 27, 2019 to the end of the Company’s third fiscal quarter of 2020. As amended, the Company must maintain a Fixed Charge Coverage Ratio of no less than 1.0 to 1.0 when aggregate availability is less than the greater of $30 million and 7.5% of the line cap. Thereafter, the aggregate availability threshold will revert back to the greater of $50 million and 12.5%.

The Company was in compliance with all financial covenants of the ABL Facility and Senior Notes as of December 29, 2019.

On April 25, 2018, the Board of Directors authorized up to $50 million in funds for use in the common share repurchase program with an expiration date of June 30, 2020. As of December 29, 2019, the total remaining authorization was approximately $38.1 million. The common share repurchase program authorizes the purchase of shares of the Company's common stock on the open market or in private transactions from time to time, depending on market conditions and certain governing debt covenants. During the six months ended December 29, 2019, the Company repurchased no shares on the open market, as compared to 684,822 shares purchased on the open market at an average price of $16.69 per share during the six months ended December 30, 2018. The Company does not intend to repurchase shares through the conclusion of this authorization to support its efforts to deleverage.

In each of the first two quarters of fiscal year 2020, the Company paid a $0.05 dividend per share. On January 30, 2020, the Company announced the quarterly dividend is being suspended to help support efforts to strengthen the balance sheet.

During the first half of the year, the Company devoted significant time to more fully analyzing the dynamics of our markets with outside assistance. The effort was very constructive and the Company firmly believes a sharp focus on our core strength of power application will better position the Company for more sustained growth and higher returns. The Company is currently finalizing the next steps forward which will likely include asset sales to drive focus and to improve our financial flexibility. The Company expects to announce and begin implementing plans in the third quarter.

The Company expects capital expenditures to be approximately $55 million in fiscal year 2020. These anticipated expenditures reflect the Company's business optimization program as well as continued reinvestment in efficient equipment and innovative new products.

Management believes that available cash, cash generated from operations, existing lines of credit and access to debt markets will be adequate to fund the Company’s capital requirements and operational needs for the foreseeable future.

OFF-BALANCE SHEET ARRANGEMENTS

There have been no material changes since the August 27, 2019 filing of the Company’s Annual Report on Form 10-K.

CONTRACTUAL OBLIGATIONS

There have been no material changes since the August 27, 2019 filing of the Company’s Annual Report on Form 10-K, except that subsequent to the filing of the Company's Annual Report on Form 10-K, on September 27, 2019, the Company entered into the $625 million ABL Facility which replaced the multicurrency credit agreement dated March 25, 2016. The ABL Facility matures on September 27, 2024. A discussion of the ABL Facility is included in the Notes to Condensed Consolidated Financial Statements of this Form 10-Q under the heading "Debt" and is incorporated herein by reference.

CRITICAL ACCOUNTING POLICIES

There have been no material changes in the Company’s critical accounting policies since the August 27, 2019 filing of its Annual Report on Form 10-K. As discussed in its annual report, the preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

The most significant accounting estimates inherent in the preparation of the Company's financial statements include a goodwill assessment, estimates as to the realizability of accounts receivable and inventory assets, as well as estimates used in the determination of liabilities related to customer rebates, pension obligations, postretirement benefits, warranty, product liability, group health insurance, litigation and taxation. Various assumptions and other factors underlie the determination of these significant estimates. The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions, product mix, and, in some instances, actuarial techniques. The Company re-evaluates these significant factors as facts and circumstances change.

NEW ACCOUNTING PRONOUNCEMENTS

A discussion of new accounting pronouncements is included in the Notes to Condensed Consolidated Financial Statements of this Form 10-Q under the heading "New Accounting Pronouncements" and is incorporated herein by reference.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. The words "anticipate", “believe”, “estimate”, “expect”, “forecast”, “intend”, “plan”, “project”, and similar expressions are intended to identify forward-looking statements. The forward-looking statements are based on the Company’s current views and assumptions and involve risks and uncertainties that include, among other things, the ability to successfully forecast demand for its products; changes in interest rates and foreign exchange rates; the effects of weather on the purchasing patterns of consumers and original equipment manufacturers (OEMs); actions of engine manufacturers and OEMs with whom the Company competes; changes in laws and regulations, including U.S. tax reform, changes in tax rates, laws and regulations as well as related guidance; imposition of new, or change in existing, duties, tariffs and trade agreements; changes in customer and OEM demand; changes in prices of raw materials and parts that the Company purchases; changes in domestic and foreign economic conditions (including effects from the U.K.’s decision to exit the European Union); the ability to bring new productive capacity on line efficiently and with good quality; outcomes of legal proceedings and claims; the ability to realize anticipated savings from the business optimization program and restructuring actions; the ability to maintain or obtain adequate sources of liquidity and access to debt markets; and other factors disclosed from time to time in the Company's SEC filings or otherwise, including the factors discussed in Item 1A, Risk Factors, of the Company’s Annual Report on Form 10-K and in its periodic reports on Form 10-Q. The Company undertakes no obligation to update forward-looking statements or other statements it may make even though these statements may be affected by events or circumstances occurring after the forward-looking statements or other statements were made.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes since the August 27, 2019 filing of the Company’s Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the quarter ended September 29, 2019, the Company adopted the new lease standard, Topic 842. The Company added additional controls over financial reporting by using a company-wide lease system to gather lease information required for financial statement presentation. There have been no other changes in the Company’s internal control over financial reporting during the second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A discussion of legal proceedings is included in the Notes to Condensed Consolidated Financial Statements of this Form 10-Q under the heading "Commitments and Contingencies" and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes since the August 27, 2019 filing of the Company’s Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth the information with respect to purchases made by or on behalf of the Company of its common stock during the quarterly period ended December 29, 2019.

2020 Fiscal Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (a)(b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (a)(b)
September 30, 2019 to October 27, 2019	—	$ —	—	$ 38,062,939
October 28, 2019 to November 24, 2019	—	—	—	38,062,939
November 25, 2019 to December 29, 2019	—	—	—	38,062,939
Total Second Quarter	—	$ —	—	$ 38,062,939

(a) On April 25, 2018, the Board of Directors authorized up to $50 million in funds for use in the common share repurchase program with an expiration date of June 30, 2020.
(b) The Company does not intend to repurchase shares through the conclusion of this authorization to support its efforts to deleverage.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished herewith)
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished herewith)
101.INS	Inline XBRL Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Inline XBRL data (contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BRIGGS & STRATTON CORPORATION
(Registrant)

Date:	February 4, 2020	/s/ Mark A. Schwertfeger
		Mark A. Schwertfeger Senior Vice President and Chief Financial Officer and Duly Authorized Officer

Exhibit 31.1

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

Form 10-Q for Quarterly Period Ended December 29, 2019

Certification of Principal Executive Officer

I, Todd J. Teske, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Briggs & Stratton Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2020

/s/ Todd J. Teske

Todd J. Teske
Chief Executive Officer

Exhibit 31.2

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

Form 10-Q for Quarterly Period Ended December 29, 2019

Certification of Principal Financial Officer

I, Mark A. Schwertfeger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Briggs & Stratton Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 4, 2020

/s/ Mark A. Schwertfeger

Mark A. Schwertfeger
Chief Financial Officer

Exhibit 32.1

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

Form 10-Q for Quarterly Period Ended December 29, 2019

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Briggs & Stratton Corporation (the "Company") on Form 10-Q for the quarter ended December 29, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd J. Teske, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Todd J. Teske

Todd J. Teske
Chief Executive Officer
February 4, 2020

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

Form 10-Q for Quarterly Period Ended December 29, 2019

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Briggs & Stratton Corporation (the “Company”) on Form 10-Q for the quarter ended December 29, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark A. Schwertfeger, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark A. Schwertfeger

Mark A. Schwertfeger

Chief Financial Officer

February 4, 2020

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.