

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 September 30, 2018
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
(State or other jurisdiction of
incorporation or organization)

39-0182330
(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)

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 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. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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
COMMON STOCK, par value \$0.01 per share

Outstanding at October 26, 2018
42,388,681 Shares

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

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BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTSCONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)ASSETS

	September 30, 2018	July 1, 2018
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 29,012	\$ 44,923
Accounts Receivable, Net	185,188	182,801
Inventories -		
Finished Products	385,624	290,108
Work in Process	148,702	111,409
Raw Materials	10,522	10,314
Total Inventories	544,848	411,831
Prepaid Expenses and Other Current Assets	34,811	39,651
Total Current Assets	793,859	679,206
OTHER ASSETS:		
Goodwill	169,162	163,200
Investments	44,324	50,960
Other Intangible Assets, Net	99,263	95,864
Long-Term Deferred Income Tax Asset	31,463	12,149
Other Long-Term Assets, Net	22,166	20,507
Total Other Assets	366,378	342,680
PLANT AND EQUIPMENT:		
Cost	1,183,485	1,175,165
Less - Accumulated Depreciation	766,515	753,085
Total Plant and Equipment, Net	416,970	422,080
TOTAL ASSETS	\$ 1,577,207	\$ 1,443,966

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)
(In thousands, except per share data)
(Unaudited)

LIABILITIES & SHAREHOLDERS' INVESTMENT

	September 30, 2018	July 1, 2018
CURRENT LIABILITIES:		
Accounts Payable	\$ 240,489	\$ 204,173
Short-Term Debt	201,406	48,036
Accrued Liabilities	128,265	131,897
Total Current Liabilities	<u>570,160</u>	<u>384,106</u>
OTHER LIABILITIES:		
Accrued Pension Cost	186,455	189,872
Accrued Employee Benefits	20,138	20,196
Accrued Postretirement Health Care Obligation	28,705	30,186
Accrued Warranty	15,428	15,781
Other Long-Term Liabilities	36,095	33,447
Long-Term Debt	200,888	199,954
Total Other Liabilities	<u>487,709</u>	<u>489,436</u>
SHAREHOLDERS' INVESTMENT:		
Common Stock - Authorized 120,000 shares, \$.01 par value, issued 57,854 shares	579	579
Additional Paid-In Capital	75,437	76,408
Retained Earnings	1,024,875	1,071,480
Accumulated Other Comprehensive Loss	(253,934)	(252,272)
Treasury Stock at cost, 15,400 and 15,237 shares, respectively	(327,619)	(325,771)
Total Shareholders' Investment	<u>519,338</u>	<u>570,424</u>
TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT	<u><u>\$ 1,577,207</u></u>	<u><u>\$ 1,443,966</u></u>

The accompanying notes are an integral part of these statements.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended	
	September 30, 2018	October 1, 2017
NET SALES	\$ 278,997	\$ 329,094
COST OF GOODS SOLD	235,243	262,829
Gross Profit	43,754	66,265
ENGINEERING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	100,858	86,471
EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATES	2,973	3,613
Loss from Operations	(54,131)	(16,593)
INTEREST EXPENSE	(5,161)	(4,957)
OTHER INCOME, Net	343	476
Loss Before Income Taxes	(58,949)	(21,074)
CREDIT FOR INCOME TAXES	(17,963)	(6,036)
NET LOSS	\$ (40,986)	\$ (15,038)
EARNINGS (LOSS) PER SHARE		
Basic	\$ (0.98)	\$ (0.36)
Diluted	(0.98)	(0.36)
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	41,858	42,105
Diluted	41,858	42,105
DIVIDENDS PER SHARE	\$ 0.14	\$ 0.14

The accompanying notes are an integral part of these statements.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended	
	September 30, 2018	October 1, 2017
Net Loss	\$ (40,986)	\$ (15,038)
Other Comprehensive Income (Loss):		
Cumulative Translation Adjustments	(3,690)	3,928
Unrealized Gain (Loss) on Derivative Instruments, Net of Tax	(698)	(532)
Unrecognized Pension & Postretirement Obligation, Net of Tax	2,726	2,720
Other Comprehensive Income (Loss)	(1,662)	6,116
Total Comprehensive Loss	<u>\$ (42,648)</u>	<u>\$ (8,922)</u>

The accompanying notes are an integral part of these statements.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended	
	September 30, 2018	October 1, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (40,986)	\$ (15,038)
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities:		
Depreciation and Amortization	16,003	14,871
Stock Compensation Expense	2,632	2,306
Loss on Disposition of Plant and Equipment	—	1,103
Provision for Deferred Income Taxes	(20,482)	(1,040)
Equity in Earnings of Unconsolidated Affiliates	(3,910)	(3,613)
Dividends Received from Unconsolidated Affiliates	3,101	3,231
Change in Operating Assets and Liabilities:		
Accounts Receivable	(1,465)	52,608
Inventories	(127,597)	(84,958)
Other Current Assets	8,014	(8,817)
Accounts Payable, Accrued Liabilities and Income Taxes	27,374	14,138
Other, Net	629	(4,298)
Net Cash Used in Operating Activities	(136,687)	(29,507)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Expenditures	(21,246)	(27,117)
Proceeds Received on Disposition of Plant and Equipment	—	374
Cash Paid for Acquisition, Net of Cash Acquired	(8,865)	—
Net Cash Used in Investing Activities	(30,111)	(26,743)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Borrowings on Revolver	153,371	64,500
Long Term Note Payable	—	7,685
Debt Issuance Costs	—	(1,154)
Treasury Stock Purchases	(5,082)	(2,105)
Stock Option Exercise Proceeds and Tax Benefits	1,823	520
Payments Related to Shares Withheld for Taxes for Stock Compensation	(232)	(1,126)
Net Cash Provided by Financing Activities	149,880	68,320
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(940)	1,092
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,858)	13,162
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH, Beginning (1)	49,218	61,707
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH, Ending (2)	\$ 31,360	\$ 74,869

(1) Included within Beginning Cash, Cash Equivalents, and Restricted Cash is approximately \$4.3 million and \$0 of restricted cash as of July 1, 2018 and July 2, 2017, respectively.

(2) Included within Ending Cash, Cash Equivalents, and Restricted Cash is approximately \$2.3 million and \$17.8 million of restricted cash as of September 30, 2018 and October 1, 2017, respectively.

The accompanying notes are an integral part of these statements.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES
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 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 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, with early adoption permitted. The Company is currently assessing the impact of this new accounting pronouncement on its financial position.

In March 2017, the FASB issued ASU No. 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which requires an employer to disaggregate the service cost component from the other components of net periodic pension costs within the statement of income. The guidance is applied on a retrospective basis, and became effective for the Company in fiscal 2019. Accordingly, the Company adopted this ASU effective July 2, 2018. Non-service cost components of net periodic pensions costs in the amount of \$0.5 million and \$0.2 million have been included in Other Income in the Statement of Operations for the three months ended September 30, 2018 and October 1, 2017, respectively.

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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 is currently assessing the impact of this new accounting pronouncement on its results of operations and financial position.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance is effective, on a retrospective basis, beginning fiscal year 2019. Accordingly, the Company has adopted this ASU effective July 2, 2018. The following table provides a reconciliation of the amount of cash and cash equivalents reported on the Condensed Consolidated Balance Sheets to the total of cash and cash equivalents and restricted cash shown on the Condensed Consolidated Statements of Cash Flows (in thousands):

	September 30, 2018	July 1, 2018
Cash and cash equivalents	\$ 29,012	\$ 44,923
Restricted cash	2,348	4,295
Cash, cash equivalents and restricted cash	<u>\$ 31,360</u>	<u>\$ 49,218</u>

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 guidance is effective beginning fiscal year 2020, with early adoption permitted. The Company is currently assessing the impact of this new accounting pronouncement on its results of operations, financial position, and cash flows.

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). 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 May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Topic 606 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. This guidance is effective beginning fiscal year 2019 under either full or modified retrospective adoption. The Company has adopted this ASU effective July 2, 2018 using the modified retrospective approach and this standard did not have a material impact on the Company's Condensed Consolidated Financial Statements. Additional disclosures related to adoption of this ASU have been included at Note 4.

3. Accumulated Other Comprehensive Income (Loss)

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

	Three Months Ended September 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	(3,690)	252	—	(3,438)
Income Tax Benefit (Expense)	—	(61)	—	(61)
Net Other Comprehensive Income (Loss) Before Reclassifications	(3,690)	191	—	(3,499)
Reclassifications:				
Realized (Gains) Losses - Foreign Currency Contracts (1)	—	(951)	—	(951)
Realized (Gains) Losses - Commodity Contracts (1)	—	(4)	—	(4)
Realized (Gains) Losses - Interest Rate Swaps (1)	—	(216)	—	(216)
Amortization of Prior Service Costs (Credits) (2)	—	—	(137)	(137)
Amortization of Actuarial Losses (2)	—	—	3,728	3,728
Total Reclassifications Before Tax	—	(1,171)	3,591	2,420
Income Tax Expense (Benefit)	—	282	(865)	(583)
Net Reclassifications	—	(889)	2,726	1,837
Other Comprehensive Income (Loss)	(3,690)	(698)	2,726	(1,662)
Ending Balance	\$ (32,618)	\$ 5,788	\$ (227,104)	\$ (253,934)

(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.

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	Three Months Ended October 1, 2017			
	Cumulative Translation Adjustments	Derivative Financial Instruments	Pension and Postretirement Benefit Plans	Total
Beginning Balance	\$ (24,744)	\$ (76)	\$ (275,206)	\$ (300,026)
Other Comprehensive Income (Loss) Before Reclassification	3,928	(3,206)	—	722
Income Tax Benefit (Expense)	—	1,202	—	1,202
Net Other Comprehensive Income (Loss) Before Reclassifications	3,928	(2,004)	—	1,924
Reclassifications:				
Realized (Gains) Losses - Foreign Currency Contracts (1)	—	2,349	—	2,349
Realized (Gains) Losses - Commodity Contracts (1)	—	5	—	5
Realized (Gains) Losses - Interest Rate Swaps (1)	—	2	—	2
Amortization of Prior Service Costs (Credits) (2)	—	—	(314)	(314)
Amortization of Actuarial Losses (2)	—	—	4,665	4,665
Total Reclassifications Before Tax	—	2,356	4,351	6,707
Income Tax Expense (Benefit)	—	(884)	(1,631)	(2,515)
Net Reclassifications	—	1,472	2,720	4,192
Other Comprehensive Income (Loss)	3,928	(532)	2,720	6,116
Ending Balance	\$ (20,816)	\$ (608)	\$ (272,486)	\$ (293,910)

(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 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 all 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 US mass retail channel, and the rental channel. These channels primarily serve

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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 customized for each customer; therefore, there is an alternative use for all 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 months ended September 30, 2018 were reductions for tiered volume discounts of \$1.2 million. 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 September 30, 2018 were reductions for rebates of \$0.8 million.

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 months ended September 30, 2018 were financing costs, net of the related gain or loss on interest rate swaps, of \$0.7 million.

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 is immaterial at as of September 30, 2018 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 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 three month period ended September 30, 2018, the Company recorded \$4.1 million of bad debt expense related to a trade customer declaring bankruptcy.

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 September 30, 2018.

	Engines	Products	Eliminations	Total
Commercial	\$ 36,017	\$ 71,583	\$ (1,466)	\$ 106,134
Residential	83,073	101,459	(11,669)	172,863
Total	\$ 119,090	\$ 173,042	\$ (13,135)	\$ 278,997

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

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

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	
	September 30, 2018	October 1, 2017
Net Loss	\$ (40,986)	\$ (15,038)
Less: Allocation to Participating Securities	(154)	(151)
Net Loss Available to Common Shareholders	\$ (41,140)	\$ (15,189)
Average Shares of Common Stock Outstanding	41,858	42,105
Shares Used in Calculating Diluted Earnings (Loss) Per Share	41,858	42,105
Basic Earnings (Loss) Per Share	\$ (0.98)	\$ (0.36)
Diluted Earnings (Loss) Per Share	\$ (0.98)	\$ (0.36)

The dilutive effect of the potential exercise of outstanding stock-based awards to acquire common shares is calculated using the treasury stock method. The following options to purchase shares of common stock were excluded from the calculation of diluted earnings per share as the exercise prices were greater than the average market price of the common shares:

	Three Months Ended	
	September 30, 2018	October 1, 2017
Options to Purchase Shares of Common Stock (in thousands)	2,286	—
Weighted Average Exercise Price of Options Excluded	\$ 19.76	\$ —

On April 25, 2018, the Board of Directors authorized \$50 million in funds for use in the common share repurchase program expiring June 30, 2020. As of September 30, 2018, the total remaining authorization was approximately \$44.9 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 three months ended September 30, 2018, the Company repurchased 282,126 shares on the open market at an average price of \$18.02 per share, as compared to 99,281 shares purchased on the open market at an average price of \$21.20 per share during the three months ended October 1, 2017.

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	
	September 30, 2018	October 1, 2017	September 30, 2018	October 1, 2017
Components of Net Periodic (Income) Expense:				
Service Cost	\$ 1,132	\$ 1,501	\$ 34	\$ 43
Interest Cost on Projected Benefit Obligation	9,937	10,774	580	595
Expected Return on Plan Assets	(13,589)	(15,474)	—	—
Amortization of:				
Prior Service Cost (Credit)	45	45	(182)	(359)
Actuarial Loss	2,926	3,795	802	870
Net Periodic (Income) Expense	\$ 451	\$ 641	\$ 1,234	\$ 1,149

The Company expects to make benefit payments of \$3.5 million attributable to its non-qualified pension plans for the full year of fiscal 2019. During the first three months of fiscal 2019, the Company made payments of approximately \$0.9 million for its non-qualified pension plans. The Company anticipates making benefit payments of approximately \$8.4 million for its other postretirement benefit plans for the full year of fiscal 2019. During the first three months of fiscal 2019, the Company made payments of \$2.1 million for its other postretirement benefit plans.

During the first three months of fiscal 2019, 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 2019. During fiscal 2018, the Company made \$30 million in voluntary cash contributions to the qualified pension plan. 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 periods. Stock based compensation expense was \$2.6 million for the three months ended September 30, 2018. For the three months ended October 1, 2017, stock based compensation expense was \$2.3 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

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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 de-designated 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 2.00% for a notional principal amount of \$110.0 million with expiration dates ranging from May 2019 through December 2021.

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. Our 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 its interest rate, foreign currency, and commodity derivative contracts and does not deem any counterparty credit risk material at this time.

As of September 30, 2018 and July 1, 2018, the Company had the following outstanding derivative contracts (in thousands):

Contract	Notional Amount		
	September 30, 2018	July 1, 2018	
Interest Rate:			
LIBOR Interest Rate (U.S. Dollars)	Fixed	110,000	110,000
Foreign Currency:			
Australian Dollar	Sell	39,330	35,833
Brazilian Real	Sell	16,708	28,822
Canadian Dollar	Sell	20,675	14,430
Chinese Renminbi	Buy	102,195	62,209
Euro	Sell	17,105	32,592
Japanese Yen	Buy	1,712,500	587,500
Commodity:			
Natural Gas (Therms)	Buy	10,505	10,553

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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	
	September 30, 2018	July 1, 2018
Interest rate contracts		
Other Current Assets	\$ 135	\$ 161
Other Long-Term Assets	4,009	3,844
Foreign currency contracts		
Other Current Assets	3,188	3,881
Other Long-Term Assets	—	31
Accrued Liabilities	(579)	(195)
Other Long-Term Liabilities	(9)	—
Commodity contracts		
Other Current Assets	21	16
Other Long-Term Assets	2	5
Accrued Liabilities	(22)	(7)
Other Long-Term Liabilities	(38)	(29)
	<u>\$ 6,707</u>	<u>\$ 7,707</u>

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

	Three Months Ended September 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	\$ 106	Net Sales	\$ 216	\$ —
Foreign currency contracts - sell	(331)	Net Sales	1,116	—
Foreign currency contracts - buy	(457)	Cost of Goods Sold	(165)	—
Commodity contracts	(16)	Cost of Goods Sold	4	—
	<u>\$ (698)</u>		<u>\$ 1,171</u>	<u>\$ —</u>
	Three Months Ended October 1, 2017			
	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	\$ 61	Net Sales	\$ (2)	\$ —
Foreign currency contracts - sell	(476)	Net Sales	(1,720)	—
Foreign currency contracts - buy	(129)	Cost of Goods Sold	(629)	—
Commodity contracts	12	Cost of Goods Sold	(5)	—
	<u>\$ (532)</u>		<u>\$ (2,356)</u>	<u>\$ —</u>

During the next twelve months, the estimated net amount of losses on cash flow hedges as of September 30, 2018 expected to be reclassified out of AOCI into earnings is \$2.9 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 September 30, 2018 and July 1, 2018 (in thousands):

	September 30, 2018	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Assets:				
Derivatives	\$ 7,355	\$ —	\$ 7,355	\$ —
Liabilities:				
Derivatives	\$ 648	\$ —	\$ 648	\$ —
	July 1, 2018	Level 1	Level 2	Level 3
Assets:				
Derivatives	\$ 7,938	\$ —	\$ 7,938	\$ —
Liabilities:				
Derivatives	\$ 231	\$ —	\$ 231	\$ —

The fair value 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 15) at September 30, 2018 and July 1, 2018 was \$212.8 million and \$214.0 million, respectively, compared to the carrying value of \$200.9 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 Revolver (as defined in Note 15) 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 September 30, 2018 and July 1, 2018 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 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):

	Three Months Ended	
	September 30, 2018	October 1, 2017
Beginning Balance	\$ 45,327	\$ 43,108
Payments	(6,479)	(7,715)
Provision for Current Year Warranties	2,678	4,895
Changes in Estimates	33	(675)
Ending Balance	<u>\$ 41,559</u>	<u>\$ 39,613</u>

12. Income Taxes

On December 22, 2017 the U.S. government enacted the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code that will impact the Company's financial statements, including but not limited to a permanent decrease in the corporate federal statutory income tax rate and a one-time charge from the inclusion of foreign earnings that the Company can elect to pay over eight years.

The SEC staff issued Staff Accounting Bulletin 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

In connection with the Company's analysis of the impact of the Tax Act, a tax expense of approximately \$21.1 million was recorded in fiscal 2018. This amount consists of an expense resulting from the re-measurement of deferred tax assets and liabilities for the corporate tax rate reduction of approximately \$13.8 million and an expense related to the inclusion of foreign earnings of approximately \$7.3 million. The Company has not completed its accounting for the income tax effects of certain elements of the Tax Act; however, reasonable estimates were made in order to record provisional adjustments for areas where analysis is not yet complete. For instance, the tax expense of approximately \$13.8 million related to the re-measurement of the Company's deferred tax assets and liabilities from the enacted corporate tax rate reduction may be affected by other analyses related to the Tax Act, including but not limited to the transition tax, expenditures that qualify for immediate expensing and the state tax effect of adjustments made to federal temporary differences. Additionally, in calculating the approximate tax expense of \$7.3 million related to the inclusion of foreign earnings, the Company is required to determine various components including the amount of accumulated and current earnings and profits of its foreign subsidiaries, the amount of foreign income taxes paid on these earnings, and the cash and equivalents held by its foreign subsidiaries at various prescribed measurement dates. The Company has made a reasonable estimate of this expense and will continue to gather additional information to more precisely compute the expense.

The Company is also in the process of evaluating its permanent reinvestment assertions since the Tax Act may provide opportunity to repatriate overseas cash to the U.S. at a lower tax cost. There is a dividends received deduction available for certain foreign distributions under the Tax Act, but certain foreign earnings remain subject to withholding taxes upon repatriation. As of September 30, 2018, the Company has analyzed its global working capital and cash requirements and the potential tax liabilities attributable to repatriation in regards to its permanent reinvestment assertion. During fiscal 2018, the Company removed its permanent reinvestment assertion on approximately \$33 million of its foreign earnings and made distributions from its foreign earnings related to the

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assertion removal in the second quarter of approximately \$18 million. The Company expects to repatriate approximately an additional \$15 million of foreign earnings in fiscal 2019. The Company continues to evaluate its cash needs and strategic opportunities to repatriate cash. The Company was able to make a reasonable estimate of the tax effects of the planned repatriation, and the provisional estimate has been recorded in the financials including withholding taxes and currency gain and loss. The Company will continue to gather additional information to more precisely compute the tax impact. For the remainder of its foreign earnings, the Company has yet to determine whether it intends to change its prior assertion and repatriate earnings. Accordingly, deferred taxes attributable to its investments in its foreign subsidiaries have not yet been recorded. The tax effects of any change in the Company's prior assertion will be recorded in the period that analysis is completed and a reasonable estimate is able to be calculated, and any unrecognized deferred tax liability for temporary differences related to its foreign investments will be disclosed if practicable.

When calculating the income tax provision, the Company uses an estimate of the annual effective tax rate based upon information known at each interim period. The actual effective tax rate is adjusted each quarter based upon changes to the forecast as compared to the beginning of the fiscal year and each following interim period.

The effective tax rate for the first quarter of fiscal 2019 was 30.5%, compared to 28.6% for the same period last year. As a result of the Tax Act, the Company is subject to a U.S. federal statutory corporate income tax rate of 28% for the fiscal year ending July 1, 2018 and a U.S. federal statutory corporate income tax rate of 21% for the fiscal year ending June 30, 2019 and future fiscal years. The tax rates for the first quarters of fiscal 2019 and 2018 were primarily driven by the federal research and development credit.

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

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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 disagrees 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. The new trial has been scheduled to begin on December 10, 2018. Each of the Company and Exmark filed several pre-trial motions in the Nebraska district court. On October 12, 2018, as part of the pretrial ruling, the court reaffirmed the validity of Exmark's patent. The court has yet to issue its opinion on willfulness. The issues of damages and potentially willfulness will be addressed at the new trial.

In assessing whether the Company should accrue a liability in its financial statements as a result of the May 11, 2016 post-trial rulings and related matters, the Company considered various factors, including the legal and factual circumstances of the case, the trial record, the post-trial orders, the current status of the proceedings, applicable law, the views of legal counsel, the decision of the appellate court and the Nebraska district court's October 12, 2018 ruling. 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 September 30, 2018.

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.

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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	
	September 30, 2018	October 1, 2017
NET SALES:		
Engines	\$ 119,090	\$ 162,746
Products	173,042	186,597
Inter-Segment Eliminations	(13,135)	(20,249)
Total*	<u>\$ 278,997</u>	<u>\$ 329,094</u>
* International sales included in net sales based on product shipment destination		
GROSS PROFIT:		
Engines	\$ 16,042	\$ 31,219
Products	27,556	35,707
Inter-Segment Eliminations	156	(661)
Total	<u>\$ 43,754</u>	<u>\$ 66,265</u>
SEGMENT INCOME (LOSS):		
Engines	\$ (44,408)	\$ (19,590)
Products	(9,880)	3,658
Inter-Segment Eliminations	156	(661)
Total	<u>\$ (54,132)</u>	<u>\$ (16,593)</u>

Pre-tax business optimization charges, bad debt expense related to a major retailer bankruptcy, litigation settlement charge, and acquisition integration activities included in gross profit were as follows (in thousands):

	Three Months Ended	
	September 30, 2018	October 1, 2017
Engines	\$ 423	\$ 425
Products	2,880	768
Total	<u>\$ 3,303</u>	<u>\$ 1,193</u>

Pre-tax business optimization 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	
	September 30, 2018	October 1, 2017
Engines	\$ 14,488	\$ 2,331
Products	11,641	2,906
Total	<u>\$ 26,129</u>	<u>\$ 5,237</u>

15. Debt

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

	September 30, 2018	July 1, 2018
Multicurrency Credit Agreement	\$ 201,406	\$ 48,036
Total Short-Term Debt	<u>\$ 201,406</u>	<u>\$ 48,036</u>
Note Payable (NMTC transaction)	\$ 7,685	\$ 7,685
Unamortized Debt Issuance Costs associated with Note Payable	968	1,009
	<u>\$ 6,717</u>	<u>\$ 6,676</u>
6.875% Senior Notes	\$ 200,888	\$ 200,888
Unamortized Debt Issuance Costs associated with 6.875% Senior Notes	750	934
	<u>\$ 200,138</u>	<u>\$ 199,954</u>
Total Long-Term Debt	<u>\$ 206,855</u>	<u>\$ 206,630</u>

On December 20, 2010, the Company issued \$225 million of 6.875% Senior Notes ("Senior Notes") due December 15, 2020. The Company has repurchased \$24 million of Senior Notes after receiving unsolicited offers from bondholders since issuance of the Senior Notes. There were no repurchases during the three month periods ended September 30, 2018 or October 1, 2017.

On March 25, 2016, the Company entered into a \$500 million amended and restated multicurrency credit agreement (the "Revolver") that matures on March 25, 2021. The Revolver amended and restated the Company's \$500 million multicurrency credit agreement dated as of October 13, 2011 (as previously amended), which would have matured on October 21, 2018. The initial maximum availability under the Revolver is \$500 million. Availability under the Revolver is reduced by outstanding letters of credit. The Company may from time to time increase the maximum availability under the revolving credit facility by up to \$250 million if certain conditions are satisfied. As of September 30, 2018 and July 1, 2018, \$201.4 million and \$48.0 million was outstanding under the Revolver, respectively. The Company classifies debt issuance costs related to the Revolver as an asset, regardless of whether it has any outstanding borrowings on the line of credit arrangements.

The Senior Notes and the Revolver contain restrictive covenants. These covenants include restrictions on the ability of the Company and/or certain subsidiaries to pay dividends, repurchase equity interests of the Company and certain subsidiaries, incur indebtedness, create liens, consolidate and merge and dispose of assets, and enter into transactions with the Company's affiliates. The Revolver contains financial covenants that require the Company to maintain a minimum interest coverage ratio and impose on the Company a maximum average leverage ratio.

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 ("QLICs").

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 \$2.3 million held by the Company at September 30, 2018 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.

16. Acquisitions

On July 31, 2018 the Company completed a cash acquisition of certain assets of Hurricane Inc., a designer and manufacturer of commercial stand-on leaf and debris blowers. The purchase price is comprised of \$8.7 million of cash consideration and \$2.0 million of contingent cash consideration. The Company has accounted for the acquisition in accordance with ASC 805 and it has been included in the Products segment. At September 30, 2018, the preliminary purchase price allocation resulted in the recognition of \$6.2 million of goodwill, and \$4.6 million of intangible assets.

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

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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 charges, bad debt expense related to a major retailer bankruptcy, litigation settlement charge, and acquisition integration activities for the three months ended fiscal September 2019 and 2018 (in thousands, except per share data):

	Three Months Ended Fiscal September					
	2019 Reported	Adjustments ⁽¹⁾	2019 Adjusted ⁽³⁾	2018 Reported	Adjustments ⁽²⁾	2018 Adjusted ⁽³⁾
Gross Profit:						
Engines	\$ 16,042	\$ 423	\$ 16,465	\$ 31,219	\$ 425	\$ 31,644
Products	27,556	2,880	30,436	35,707	768	36,475
Inter-Segment Eliminations	156	—	156	(661)	—	(661)
Total	\$ 43,754	\$ 3,303	\$ 47,057	\$ 66,265	\$ 1,193	\$ 67,458
Engineering, Selling, General and Administrative Expenses:						
Engines	\$ 62,189	\$ 13,128	\$ 49,061	\$ 53,091	\$ 1,906	\$ 51,185
Products	38,670	8,761	29,909	33,380	2,138	31,242
Total	\$ 100,859	\$ 21,889	\$ 78,970	\$ 86,471	\$ 4,044	\$ 82,427
Equity in Earnings of Unconsolidated Affiliates						
Engines	\$ 1,739	\$ 937	\$ 2,676	\$ 2,282	\$ —	\$ 2,282
Products	1,234	—	1,234	1,331	—	1,331
Total	\$ 2,973	\$ 937	\$ 3,910	\$ 3,613	\$ —	\$ 3,613
Segment Income (Loss):						
Engines	\$ (44,408)	\$ 14,488	\$ (29,920)	\$ (19,590)	\$ 2,331	\$ (17,259)
Products	(9,880)	11,641	1,761	3,658	2,906	6,564
Inter-Segment Eliminations	156	—	156	(661)	—	(661)
Total	\$ (54,132)	\$ 26,129	\$ (28,003)	\$ (16,593)	\$ 5,237	\$ (11,356)
Income (Loss) Before Income Taxes	(58,949)	26,129	(32,820)	(21,074)	5,237	(15,837)
Provision (Credit) for Income Taxes	(17,963)	6,154	(11,809)	(6,036)	1,509	(4,527)
Net Income (Loss)	\$ (40,986)	\$ 19,975	\$ (21,011)	\$ (15,038)	\$ 3,728	\$ (11,310)
Earnings (Loss) Per Share						
Basic	\$ (0.98)	\$ 0.47	\$ (0.51)	\$ (0.36)	\$ 0.09	\$ (0.27)
Diluted	(0.98)	0.47	(0.51)	(0.36)	0.09	(0.27)

(1) For the first quarter of fiscal 2019, business optimization expenses include \$763 (\$598 after tax) of non-cash charges related to accelerated depreciation, and \$19,168 (\$14,598 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 \$4,132 (\$3,199 after tax) after a major retailer announced that it had filed for bankruptcy protection. The Company recognized \$2,000 (\$1,529 after tax) for amounts accrued related to a litigation settlement charge and \$65 (\$50 after tax) related to acquisition integration activities.

(2) For the first quarter of fiscal 2018, business optimization expenses include \$2,249 (\$1,697 after tax) of non-cash charges related primarily to plant & equipment impairment and accelerated depreciation, and \$2,988 (\$2,032 after tax) of cash charges related primarily to employee termination benefits, lease terminations, professional services and plant rearrangement activities.

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(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 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 quarter of fiscal 2019 were \$279.0 million, a decrease of \$50.1 million, or 15.2%, from the first quarter of fiscal 2018.

Engines Segment net sales in the first quarter of fiscal 2019 decreased \$43.6 million, or 26.8%, from the prior year. Engine sales unit volumes decreased by 25%, or approximately 260,000 engines, in the first quarter of fiscal 2019 compared to the same period last year. Engine and service part sales were lower primarily due to timing of shipments. Sales of approximately \$15 million had been accelerated into the fourth quarter of fiscal 2018 to support customers during the go-live of the Company's upgraded ERP system in early July. In addition, shipments are expected to occur later this year compared to last year due to lower shipping throughput this year associated with the go-live of the Company's upgraded ERP system in the first quarter. Certain engine customers were shut down for longer maintenance periods in the first quarter this year. Sales into Europe and Australia were also lower due to unseasonably dry weather conditions which began to improve subsequent to the end of the first quarter.

Products Segment net sales in the first quarter of fiscal 2019 decreased \$13.6 million, or 7.3%, from the prior year. The decrease was due to lower generator sales due to less hurricane related activity compared to last year, prolonged drought conditions in Australia and lower service parts sales due to timing. Offsetting these decreases were higher commercial sales of job site products and Ferris mowers.

GROSS PROFIT

The consolidated gross profit percentage was 15.7% in the first quarter of fiscal 2019, a decrease from 20.1% in the same period last year. Adjusted gross profit percentage was 16.9% in the first quarter this year compared to adjusted gross profit margin of 20.5% in the prior year.

The Engines Segment gross profit percentage was 13.5% in the first quarter of fiscal 2019, down from 19.2% in the first quarter of fiscal 2018. Adjusted gross profit percentage was 13.8% in the first quarter this year compared to 19.4% in the prior year primarily due to unfavorable sales mix, including a lower proportion of service parts sales. Manufacturing volumes were lower compared to last year by over 15% due to the cut-over to the Company's upgraded ERP system.

The Products Segment gross profit percentage was 15.9% for the first quarter of fiscal 2019, down from 19.1% in the first quarter of fiscal 2018. Adjusted gross profit percentage was 17.6% in the first quarter this year compared to 19.5% in the prior year primarily due to unfavorable sales mix of proportionately lower service parts sales and a lower contribution margin from less hurricane related sales. Manufacturing throughput was slightly lower year over year related to the cut-over to the upgraded ERP system in the first quarter.

ENGINEERING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Engineering, selling, general and administrative expenses were \$100.9 million in the first quarter of fiscal 2019, an increase of \$14.4 million, or 16.6%, from the first quarter of fiscal 2018.

The Engines Segment engineering, selling, general and administrative expenses for the first quarter of fiscal 2019 increased \$8.9 million from the first quarter of fiscal 2018 due to increased business optimization charges. Adjusted Engines Segment engineering, selling, general and administrative expenses decreased \$2.3 million primarily due to reduced costs associated with lower employee compensation expense.

The Products Segment engineering, selling, general and administrative expenses were \$38.6 million for the first quarter of fiscal 2019, an increase of \$5.2 million from the first quarter of fiscal 2018 due to increased business optimization charges, bad debt expense related to a major retailer bankruptcy, a litigation settlement charge, and acquisition integration activities. Adjusted Products Segment engineering, selling, general and administrative expenses decreased \$1.4 million due to reduced costs associated with lower employee compensation expense.

INTEREST EXPENSE

Interest expense for the first three months of fiscal 2019 was \$0.2 million higher than the same period last year primarily due to increased average net borrowings and higher interest rates.

PROVISION FOR INCOME TAXES

As a result of the Tax Act, the Company was subject to a U.S. federal statutory corporate income tax rate of 28% for the fiscal year ended July 1, 2018 and is subject to a U.S. federal statutory corporate income tax rate of 21% in the fiscal year ending June 30, 2019 and future fiscal years. Overall, the Company anticipates the decrease in the U.S. federal statutory rate resulting from the enactment of the Tax Act will have a favorable impact on the Company's future consolidated tax expense and operating cash flows.

Within the calculation of the Company's tax rate, various assumptions and estimates have been used that may change as a result of future guidance, interpretation, and legislation from the Internal Revenue Service, the SEC, the Financial Accounting Standards Board ("FASB") and/or various other taxing jurisdictions. For example, the Company anticipates that U.S. state jurisdictions will continue to determine and announce their conformity to the Tax Act which could have an impact on the Company's tax rate. The Tax Act contains many significant changes to U.S. tax laws, the consequences of which have not yet been fully determined. The Company is also in the process of evaluating its permanent reinvestment assertions since the Tax Act may provide opportunity to repatriate overseas cash to the U.S. at a lower tax cost. There is a dividends received deduction available for certain foreign distributions under the Tax Act, but certain foreign earnings remain subject to withholding taxes upon repatriation. As of September 30, 2018, the Company has analyzed its global working capital and cash requirements and the potential tax liabilities attributable to repatriation. The Company removed its permanent reinvestment assertion on approximately \$33 million of its foreign earnings during fiscal 2018, recorded the estimated tax impact in its financial statements, and continues to evaluate its cash needs and strategic opportunities to repatriate cash.

The Tax Act also establishes new tax laws that come into effect for the Company in fiscal year 2019, including the creation of a new provision designed to tax global intangible low-taxed income (GILTI), which allows for the possibility of using foreign tax credits (FTCs), a deduction of up to 50 percent to offset the income tax liability, and a deduction for foreign derived intangible income (FDII) subject to certain limitations. During fiscal year 2019, the Company is estimating a current income tax expense from the new GILTI provisions of approximately \$850,000 with an offsetting foreign tax credit of approximately \$130,000.

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 progress on implementing its previously announced business optimization program in the first quarter of fiscal 2019. 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 successfully went live with the ERP upgrade at the beginning of the first quarter of fiscal 2019.

Production of Vanguard engines in the Company's U.S. plants began in the fourth quarter of fiscal 2018 and is expected to be phased in through the middle of fiscal 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 2018, and the exit from the existing plant and remote warehouse is planned for the third quarter of fiscal 2019 and remains on track.

For the first quarter of fiscal 2019, the Company recorded business optimization charges of \$19.9 million (\$15.2 million after tax or \$0.36 per diluted share). Pre-tax charges associated with the business optimization program

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were in line with expectations for the first quarter. Full year costs are expected to be approximately \$27 million to \$32 million in fiscal 2019. Total program cost estimate remains unchanged at \$50 million to \$55 million.

The business optimization program is projected to generate \$30 million to \$35 million of ongoing future annual pre-tax savings, in addition to supporting profitable commercial growth. The Company estimates the future annual savings will be achieved over a three-year period beginning in fiscal 2019.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows used in operating activities for the first three months of fiscal 2019 were \$136.7 million compared to \$29.5 million in the first three months of fiscal 2018. The increase in cash used in operating activities was primarily related to increased net loss and higher working capital.

Cash flows used in investing activities were \$30.1 million and \$26.7 million during the first three months of fiscal 2019 and fiscal 2018, respectively. The increase in cash used in investing activities was primarily related to cash paid for acquisitions, offset by lower capital expenditures.

Cash flows provided by financing activities were \$149.9 million and \$68.3 million during the first three months of fiscal 2019 and fiscal 2018, respectively. The \$81.6 million increase in cash provided by financing activities was attributable to higher borrowings on the Revolver (as defined below) in the first quarter of fiscal 2019 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 March 25, 2016, the Company entered into a \$500 million amended and restated multicurrency credit agreement (the "Revolver") that matures on March 25, 2021. The Revolver amended and restated the Company's \$500 million multicurrency credit agreement dated as of October 13, 2011 (as previously amended), which would have matured on October 21, 2018. The initial maximum availability under the Revolver is \$500 million. Availability under the revolving credit facility is reduced by outstanding letters of credit. The Company may from time to time increase the maximum availability under the revolving credit facility by up to \$250 million if certain conditions are satisfied. As of September 30, 2018 and July 1, 2018, \$201.4 million and \$48.0 million was outstanding under the Revolver, respectively. The Company classifies debt issuance costs related to the Revolver as an asset, regardless of whether it has any outstanding borrowings on the line of credit arrangements.

On April 25, 2018, the Board of Directors authorized \$50 million in funds for use in the common share repurchase program expiring June 30, 2020. As of September 30, 2018, the total remaining authorization was approximately \$44.9 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 three months ended September 30, 2018, the Company repurchased 282,126 shares on the open market at an average price of \$18.02 per share, as compared to 99,281 shares purchased on the open market at an average price of \$21.20 per share during the three months ended October 1, 2017.

The Company expects capital expenditures to be approximately \$65 million in fiscal 2019. 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.

The Senior Notes and the Revolver contain restrictive covenants. These covenants include restrictions on the ability of the Company and/or certain subsidiaries to pay dividends, repurchase equity interests of the Company and certain subsidiaries, incur indebtedness, create liens, consolidate and merge and dispose of assets, and enter into transactions with the Company's affiliates. The Revolver contains financial covenants that require the Company to

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maintain a minimum interest coverage ratio and impose on the Company a maximum average leverage ratio. As of September 30, 2018, the Company was in compliance with these covenants, and expects to be in compliance with all covenants during the remainder of fiscal 2019.

On October 15, 2018, Sears Holdings Corporation ("Sears") announced that it had filed for bankruptcy protection. Net sales in support of Sears represent less than 3% of the Company's outlook for fiscal year 2019. The Company expects that the Sears bankruptcy will have a limited impact on the Company's fiscal 2019 outlook and will not have any material impact on long-term results. The Company will work closely with channel partners to mitigate sales loss due to a potential acceleration in the reduction of Sears stores. The Company recorded bad debt expense of \$4.1 million for amounts due from Sears during the first quarter of fiscal year 2019.

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OFF-BALANCE SHEET ARRANGEMENTS

There have been no material changes since the August 28, 2018 filing of the Company's Annual Report on Form 10-K.

CONTRACTUAL OBLIGATIONS

There have been no material changes since the August 28, 2018 filing of the Company's Annual Report on Form 10-K.

CRITICAL ACCOUNTING POLICIES

There have been no material changes in the Company's critical accounting policies since the August 28, 2018 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; 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

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There have been no material changes since the August 28, 2018 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

In the first quarter of fiscal 2019, the Company went live with an upgraded ERP system. As a result of the ERP go-live, there was a material change to the Company's internal control framework. The Company's management believes it took the necessary steps to monitor and maintain appropriate internal controls during the cut over period of system change. The primary change to internal controls is the increase in automated controls and enhancement of role based security within the new ERP system, which will allow the Company to be more efficient and further enhance our internal controls over financial reporting.

Other than noted above, there have not been any changes in the Company's internal control over financial reporting during the first fiscal quarter that have 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 28, 2018 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 September 30, 2018.

2019 Fiscal Month	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (b)
July 2, 2018 to July 29, 2018	122,519	\$ 17.49	122,519	\$ 47,857,372
July 30, 2018 to August 26, 2018	212,976	18.98	119,218	45,739,975
August 27, 2018 to September 30, 2018	40,389	20.37	40,389	44,917,146
Total First Quarter	375,884	\$ 18.64	282,126	\$ 44,917,146

(a) During the three months ended September 30, 2018, the Company repurchased 93,00 shares that were surrendered by employees to satisfy tax withholding obligations upon vesting of restricted stock. These shares were not included in the authorized share repurchase program.

(b) 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.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
10.1	Amended and Restated Form of Officer Employment Agreement for new officers appointed on or after August 15, 2018 (Filed herewith)
10.2	Form of Performance Unit Award Agreement under the Briggs & Stratton Corporation 2017 Omnibus Incentive Plan for awards to be granted on or after August 15, 2018 (Filed herewith)
10.3	Form of CEO Performance Unit Award Agreement under the Briggs & Stratton Corporation 2017 Omnibus Incentive Plan for awards to be granted on or after August 15, 2018 (Filed herewith)
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	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) the Condensed Consolidated Statements of Cash Flows, and (v) related Notes to Condensed Consolidated Financial Statements

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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: November 6, 2018

/s/ Mark A. Schwertfeger

Mark A. Schwertfeger

Senior Vice President and Chief Financial Officer and
Duly Authorized Officer

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of the ___ day of _____, 20___, by and between _____ (the "Employee") and BRIGGS & STRATTON CORPORATION, a Wisconsin corporation with its corporate office in Wauwatosa, Wisconsin (the "Company").

WHEREAS, the Company desires to employ Employee in the business of manufacturing, selling and/or servicing gasoline powered engines and power generation, pressure washer, lawn and garden, turf care and job site products (together with such other businesses as the Company may from time to time conduct, the "Business"), and Employee desires to be employed by the Company for such purpose; and

WHEREAS, Employee shall have access to confidential financial information, trade secrets and other confidential and proprietary information of the Company;

NOW, THEREFORE, the parties agree as follows:

1. EMPLOYMENT

1.1 Duties. The Company shall employ Employee upon the terms and conditions set forth in this Agreement. Employee shall have such duties at such work locations as may be assigned to Employee from time to time by the Company.

1.2 Best Efforts. Employee agrees to devote the best efforts and full time and attention to the performance of Employee's duties under this Agreement, and to perform such duties in an efficient, trustworthy and businesslike manner.

1.3 Duty to Act in the Best Interest of the Company. Employee shall not act in any manner, directly or indirectly, which may damage the business of the Company or which would adversely affect the goodwill, reputation or business relations of the Company with its customers, the public generally or with any of its other employees.

2. TERM OF EMPLOYMENT

2.1. Term. The term of Employee's employment with the Company under this Agreement shall commence as of _____, 20___ (the "Effective Date"), and shall expire January 1, 20___ (the "Expiration Date"). In the event that neither the Company nor Employee shall give written notice to the other party by December 1 of each year that this Agreement shall not be further extended, the Expiration Date shall be automatically extended by one additional year. If such notice is given, this Agreement shall expire on the last determined Expiration Date. By way of example, if the Effective Date was September 1, 2018, then the initial Expiration Date would be January 1, 2020 and notice of nonrenewal would need to be given by December 1, 2018 in order for the Agreement to expire on such Expiration Date. Absent such notice, the Expiration Date would be automatically extended to January 1, 2021. Notwithstanding the foregoing, this Agreement and Employee's employment may be terminated at any time as provided for in Sections 2.2, 2.3 or 2.4 of this Agreement.

2.2. Termination for Cause. The Company shall have the right to terminate this Agreement and Employee's employment for the following causes (each a "Termination for Cause"):

- (a) Conviction of Employee for, or entry of a plea of guilty or nolo contendere by Employee with respect to, any felony or any crime involving an act of moral turpitude;
- (b) Engaging in any act involving fraud or theft;
- (c) Conduct which is detrimental to the reputation, goodwill or business operations of the Company;
- (d) Neglect by Employee of Employee's duties or breach by Employee of such duties or intentional misconduct by Employee in discharging such duties;
- (e) Employee's continued absence from Employee's duties without the consent of Employee's supervisor after receipt of notification from the Company, other than absence due to bona fide illness or disability as defined herein;
- (f) Employee's failure or refusal to comply with the directions of Employee's supervisor or with the policies, standards and regulations of the Company, provided that such directions, policies, standards or regulations do not require Employee (i) to take any action which is illegal, immoral or unethical or (ii) to fail to take any action required by applicable law, regulations or licensing standards; or
- (g) Employee's breach of the restrictive covenants set forth in Section 5 of this Agreement;

provided, however, that termination of Employee for an act or omission described in subparagraphs (c) through (g) above shall not constitute a valid Termination for Cause unless Employee shall have received written notice on behalf of the Board of Directors of the Company by its Chairman or designee stating the nature of the conduct forming the basis for termination and affording Employee 10 days to correct the act or omission described. Unless Employee cures such act or omission to the satisfaction of the Company, such Termination for Cause shall be effective immediately upon the expiration of the 10 day period. Upon the effectiveness of any Termination for Cause by the Company, payment of all compensation to Employee under this Agreement shall cease immediately (except for any payment of compensation accrued but unpaid through the date of such Termination for Cause).

2.3. Termination by the Company Without Cause.

(a) The Company shall have the right to terminate this Agreement and Employee's employment without cause upon 10 days' written notice to Employee. If the Company terminates this Agreement and Employee's employment without cause pursuant to this Section 2.3, (a) Employee shall receive in a single lump sum within 60 (sixty) days after the date of termination an amount equal to the Base Compensation, as that term is defined in Section 3.1 of this Agreement, Employee would have received for the remainder of the then current term of this Agreement had Employee not been terminated, and (b) for the remainder of such term Employee shall be entitled to continue pre-existing coverage for Employee and any dependents under any applicable medical plans described in Section 3.4 of this Agreement as long as Employee continues to make the same monthly payments and copayments which would have been applicable if Employee's employment had not been terminated; provided that any payments or benefits under this Section 2.3(a) shall be contingent upon Employee executing a general release of all claims in favor of the Company in a form acceptable to the Company, which release shall be provided to Employee within ten (10) business days following Employee's termination of employment, and which must be executed by Employee and become effective (and no longer subject to revocation) within sixty (60) days following Employee's termination of employment (or such shorter period of time as the Company may determine). Following the date of termination of employment, Employee shall not receive any further compensation pursuant to Sections 3.2, 3.3 or the non-medical benefits described in Section 3.4 of this Agreement except as required by the terms of such benefit plans. In the event of termination without cause, Employee acknowledges that the Company shall have no liability to Employee whatsoever other than its obligation to make the

lump sum payment described above and to provide continuation of coverage under any applicable medical plans for the remainder of the then current term of this Agreement, and subsequently to provide Employee with medical benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985 as amended (“COBRA”) and other benefits to which Employee may be entitled under the terms of any benefit plan or arrangement in accordance with the terms thereof notwithstanding termination of Employee’s employment.

(b) It is intended that (i) each payment or installment of payments provided under this Agreement is a separate “payment” for purposes of Internal Revenue Code Section 409A and (ii) the payments satisfy, to the greatest extent possible, the exemptions from the application of Section 409A, including those provided under Treasury Regulation Sections 1.409A-1(b)(4) (regarding short-term deferrals), 1.409A-1(b)(9)(iii) (regarding the two-times, two year exception), and 1.409A-1(b)(9)(v) (regarding reimbursements and other separation pay). Any amounts which don’t meet the short term deferral exception but do meet the two-times/two year exception shall be paid no later than the last day of the second year following the year in which occurs the date of termination. Notwithstanding anything to the contrary in this Agreement, if any payments to be provided to Employee do not qualify under the exemptions from Section 409A described in the first sentence of this paragraph (b) and are not otherwise exempt from Section 409A, then such nonqualifying payments shall be delayed until the date that is six (6) months after the date of termination. Any delayed payments shall be made in a lump sum on the first day of the seventh month following the date of termination.

(c) Notwithstanding paragraph (a) above, if the provision of medical benefits coverage pursuant to paragraph (a) above would be discriminatory within the meaning of Section 105(h) of the Internal Revenue Code, then to the extent necessary to prevent such discrimination, Employee shall pay the full cost of such coverage (including both the normal Employee and Company share) and shall not be reimbursed by the Company for doing so.

(d) In order to facilitate compliance with Section 409(A) of the Internal Revenue Code and notwithstanding any other provision of this Agreement to the contrary:

(i) except for the 6 month delay described in paragraph (b) above, the Company and Employee shall neither accelerate nor defer or otherwise change the time at which any payment due under this Agreement is to be made, and

(ii) the date of termination of employment of Employee shall be determined in a manner consistent with the definition of “separation from service” within the meaning of Code Section 409A and regulations thereunder.

2.4. Termination Due to Disability or Death. If Employee is unable to perform Employee’s duties under this Agreement by reason of physical or mental disability, or if Employee should die during the term of this Agreement, this Agreement shall terminate and all payments to Employee under this Agreement shall cease immediately (except for any payment of compensation accrued but unpaid through the date of termination, COBRA benefits and other benefits to which Employee may be entitled notwithstanding termination of Employee’s employment). The term “disability” as used herein shall mean a condition which prohibits Employee from performing Employee’s duties substantially in the manner Employee is capable of performing them on the date of this Agreement, which cannot be removed by reasonable accommodations on the part of the Company, for 60 days or more during any one year period.

3. COMPENSATION

3.1. **Base Compensation.** Subject to Sections 2 and 5 of this Agreement, during the term of this Agreement the Company shall pay to Employee an annual salary ("Base Compensation"), which salary shall be reviewed annually by the Compensation Committee of the Board of Directors. Such Base Compensation shall in no event be lower than the salary of the previous year. Employee acknowledges that in addition to Employee's employment, access to Confidential Information and trade secrets and to its customers, that \$2,000 of each year's Base Compensation is consideration for the covenants made by Employee in Section 5 of this Agreement relating to restrictions on Employee's post-employment activities, and that the foregoing consideration is reasonable and adequate.

3.2. **Incentive Compensation.** Subject to Sections 2 and 5 of this Agreement, in addition to the Base Compensation referred to in Section 3.1 of this Agreement, Employee shall be eligible to participate in any incentive pay plan adopted by the Board of Directors for a group of employees that includes executive officers.

3.3. **Reimbursement of Business Expenses.** During the term of this Agreement, the Company shall reimburse Employee for all ordinary and necessary business expenses incurred by Employee in connection with the Business, upon submission by Employee to the Company of vouchers itemizing such expenses in a form satisfactory to the Company, properly identifying the nature and business purpose of any such expenditure.

3.4. **Benefits.** During the term of this Agreement, Employee shall be entitled to participate in such insurance, medical and retirement plans and to be provided such other fringe benefits as have been accorded other similarly-situated employees of the Company, as determined from time to time by the Company.

4. Disclosure and Assignment of Inventions.

4.1. "Inventions" means designs, discoveries, improvements, ideas (whether or not shown or described in writing or reduced to practice) and works of authorship, whether or not patentable, copyrightable or registerable, including, without limitation, novel or improved products, processes, machines, promotional and advertising materials, business data processing programs and systems, and other manufacturing and sales techniques, which either: (i) relate to the business of the Company or the Company's actual or demonstrably anticipated research or development; or (ii) result from any work performed by the undersigned for the Company.

4.2. Employee agrees: (i) to disclose to the Company and to assign, and hereby assigns, to the Company all of Employee's rights in any Inventions conceived or reduced to practice at any time during Employee's employment by the Company, either solely or jointly with others and whether or not developed on Employee's own time or with the Company's resources; and (ii) that such Inventions are and will remain the property of the Company. Employee agrees that Inventions first reduced to practice within one (1) year after Employee's employment by the Company ends will be treated as if conceived during Employee's employment by the Company unless Employee can establish specific events giving rise to the conception which occurred after Employee's employment by the Company has ended. Employee acknowledges that all original works of authorship made within the scope of Employee's employment and which are protectable by copyright are "works made for hire" as that term is defined in the United States Copyright Act (17 USCA § 101).

4.3. In the Addendum to this Agreement, Employee has identified all of Employee's Inventions that have been made or conceived or first reduced to practice, alone or jointly with others, prior to or outside of Employee's employment by the Company, which are not covered by this Agreement. Employee hereby disclaims and will not assert any rights in Inventions as having been made, conceived or acquired prior to Employee's employment by the Company except for those specifically listed in the Addendum to this Agreement.

4.4. Employee understands that the Company or its assignee will have the right to use the Inventions and obtain letters patents, copyrights or other statutory or common law protections for Inventions in any and all countries. Employee will cooperate with the Company and will execute and deliver such documents and do such other acts and things as the Company may request, at the Company's expense, to obtain and maintain letters patent or registrations covering any Inventions and to vest in the Company all rights therein free of all encumbrances and adverse claims. Employee further understands and agrees that the provisions of this Section 4.4 will apply even if Employee's employment by the Company has ended.

4.5. Any controversy or claim between the Company and Employee arising out of, or relating to, the obligations regarding Inventions under this Section 4, or the breach, termination or invalidity of those obligations, shall be settled by final and binding arbitration in Milwaukee, Wisconsin, under the rules of the American Arbitration Association in effect when this Agreement is signed, by a single arbitrator who shall be an attorney admitted to practice before the United States Patent and Trademark Office. Judgment upon any award issued by an arbitrator hereunder may be entered in any court having jurisdiction thereof. Upon a showing of potential for substantial and irreparable injury, the arbitrator or an appropriate court (at the party's election) shall have power to order protective or conservative measures to be taken to preserve the respective rights of either party.

5. COVENANTS OF NON-DISCLOSURE, NON-SOLICITATION AND NON-COMPETITION

5.1. Non-Competition During Employment. Employee agrees that during Employee's employment with the Company, Employee shall not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, consultant or in any other capacity, participate in, engage in or have a financial or other interest in any business which is competitive with the Company. This paragraph shall not apply to the passive ownership of less than 2% of the outstanding stock of a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Company

5.2. Non-Competition Following Termination of Employment. Employee agrees that during the period of two (2) years following Employee's termination of employment with the Company, for whatever reason and regardless of whether voluntary or involuntary, Employee will not accept a position or provide services to a competitor in a capacity in which it is reasonably likely that Employee would be called upon to use or disclose the Company's Confidential Information (as defined below) or trade secrets to the Company's disadvantage. Prior to accepting any position with or providing services to a competitor during the two (2) year period following Employee's termination with the Company, Employee shall notify the Company of such proposed employment or services and the Company agrees to provide Employee with timely notice of whether it considers such employment or services to violate Employee's obligations under this Agreement. The term "competitor" means any business or individual which is engaged in the sale of products and/or services of the type sold by the Company within any geographic area in which the Company engaged in the sale of such products or services during the twelve (12) month period preceding termination of Employee's employment. Employee specifically acknowledges and agrees that the global restriction in this paragraph is necessary given the portability of Employer's Confidential Information and trade secrets and the global reach of the Company's operations.

5.3. Non-Solicitation of Customers. The parties agree that the Company's relationship with its customers is a valuable asset of the Company. These relationships and the goodwill that the Company has developed with its customers are crucial to the Company's present and future success. The parties agree

that the Company's customer contacts and its relationships are established and maintained at great expense and that Employee, by virtue of employment with the Company and service as an officer of the Company and a member of senior management, has had and/or will have unique and extensive exposure to and personal contact directly with the Company's customers as well as significant information relative to the Company's business strategies as a whole. Therefore, Employee agrees that, for a period of two (2) years following Employee's termination of employment with the Company, for whatever reason and regardless of whether voluntary or involuntary, Employee will not, directly or indirectly, individually or as an employee, agent, partner, shareholder, consultant, or in any other capacity, canvass, contact, solicit, or accept any of the Company's restricted customers for the purpose of providing services or products that are substantially similar to the services or products which Employee or the Company were involved in providing to said customers. For purposes of this provision, "restricted customers" are limited to those customers: (1) with whom Employee had direct contact during the two (2) year period preceding Employee's termination; (2) for whom Employee had supervisory or managerial responsibility during the two (2) year period preceding Employee's termination; or (3) about whom Employee obtained special knowledge as a result of Employee's position with the Company ("special knowledge" is knowledge that would be helpful to another in competing for the customer's business provided the information could not easily be obtained from another source), during the two (2) year period preceding Employee's termination. It is agreed that the fluid customer list limitation contemplated by the parties closely approximates the area of the Company's vulnerability to unfair competition by Employee.

5.4. Non-Solicitation of Employees. The parties agree that the relationships that the Company has developed with its employees are also crucial to the Company's present and future success. The parties agree that assurance of reasonable protection against any interference by Employee with the Company's relationships with its employees in a manner inconsistent with the Company's best interests is warranted. Therefore, the parties agree as follows:

(a) Employee agrees that, while an employee of the Company, Employee will not interfere with or attempt to impair the relationship between the Company and any of its employees with whom Employee has/had direct business contact and/or over whom Employee has/had supervisory or managerial responsibility and/or about whom Employee obtained Confidential Information as a result of Employee's employment with the Company, by attempting, directly or indirectly, to solicit, entice, or otherwise induce any such employee to terminate his/her association with the Company to accept employment with a competitor of the Company or with any entity with which Employee is or intends to become an employee, officer, agent, independent contractor, consultant and/or representative (the "Entity"). For purposes of this Section 5.4, Entity shall include any affiliates of the Entity. The term "solicit, entice, or induce" shall mean any of the following: (i) communicating with an employee of the Company relating to possible employment with the Entity or a competitor of the Company; (ii) offering bonuses or additional compensation to encourage employees of the Company to terminate their employment to accept employment with the Entity or a competitor of the Company; (iii) referring employees of the Company to personnel or agents employed or engaged by the Entity or competitors of the Company; or (iv) referring personnel or agents employed or engaged by the Entity or competitors of the Company to employees of the Company. Employee understands this restriction does not prevent any competitor of the Company or Entity from hiring any Company employees without Employee's involvement.

(b) Employee agrees that for a period of two (2) years following Employee's termination of employment with the Company, for whatever reason and regardless of whether voluntary or involuntary, Employee will not interfere with or attempt to impair the relationship between the Company and any of its employees with whom Employee had direct business contact and/or over whom Employee had supervisory or managerial responsibility during the two (2) year period preceding Employee's termination and/or about whom Employee obtained Confidential Information as a result of Employee's employment with the Company, by attempting, directly or indirectly, to solicit, entice, or otherwise induce

any such employee to terminate his/her association with the Company to accept employment with a competitor of the Company or any Entity with which Employee is or becomes an employee, officer, agent, independent contractor, consultant, and/or representative. The term “solicit, entice or induce” shall have the same meaning as defined in Section 5.4(a). Employee understands this restriction does not prevent the Entity or a competitor of the Company from hiring any Company employees without Employee’s involvement.

5.5. Non-Disclosure of Information. The parties agree that Employee’s work requires access to Confidential Information of the Company, and that the Company’s Confidential Information is valuable proprietary information belonging to the Company. Maintaining the confidentiality of such information is crucial to the Company’s present and future success. The parties agree that protection of the Company’s Confidential Information constitutes a legitimate protectable interest of the Company and that the Company would not be willing to provide Employee access to this Confidential Information without the assurance of reasonable protection against any use of this information by Employee in a manner inconsistent with the Company’s best interests. Therefore, the parties agree as follows:

(a) Employee agrees to protect the Company’s Confidential Information consistent with the law. “Confidential Information” includes, but is not limited to, trade secrets, design documents, copyright material, inventions (whether patentable or not), processes, marketing data, business strategies, product information (including, without limitation, any product designs, specifications, capabilities, drawings, diagrams, blueprints, models and similar items), customer and prospective customer lists, supplier and vendor lists, manufacturing procedures, methods, equipment, compositions, technology, formulas, know-how, research and development programs, strategic marketing plans, company-developed sales methods, customer usages and requirements, computer programs, business plans, company policies, personnel-related information and Company employee Personal Data (defined as any individually identifiable information about a natural person or from which a natural person reasonably could be identified) obtained from the Company’s confidential personnel files or by virtue of employee’s performance of assigned job responsibilities, any information received from a third party under confidentiality obligations, pricing and nonpublic financial information and records, software and similar information, in any form (whether oral, electronic, written, graphic or other printed form or obtained from access to or observation of the Company’s (and/or any affiliate’s) facilities or operations), which is not generally known by or readily available to the public at the time of disclosure or use.

(b) Employee also agrees that, during Employee’s employment with the Company and for a period of two (2) years following Employee’s termination of employment with the Company, for whatever reason and regardless of whether voluntary or involuntary, Employee will not disclose to any third party or use, directly or indirectly, any Confidential Information of the Company, except as required by law or with the express written consent of the Company. Employee agrees that, in the event any person or entity seeks to legally compel Employee to disclose any such Confidential Information of the Company, Employee shall provide the Company with prompt written notice within three (3) calendar days so that the Company may, in its sole discretion, seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. In any event, Employee agrees to furnish only that portion of the Confidential Information of the Company which is legally required to be disclosed, and will exercise Employee’s best efforts to obtain commercially reasonable assurances that confidential treatment shall be accorded to such Confidential Information of the Company.

(c) The parties also acknowledge that certain of the Company’s Confidential Information is a “trade secret” as that term is defined in the federal Defend Trade Secrets Act of 2016 (18 U.S.C. §§ 1839(3) & 1890(b)(1)) and the equivalent and applicable state Uniform Trade Secrets Acts. Employee agrees that Employee shall never disclose to a third party or use any trade secrets of the

Company, whether during Employee's employment with the Company or at any time following the termination of Employee's employment with the Company, unless made in accordance with an express exception set forth in applicable federal, state, or local law(s). The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Company with broader protection than that provided in this Agreement.

(d) Pursuant to the Defend Trade Secrets Act of 2016 (18 U.S.C. §§ 1833(b)(1) & (2)): "(1) An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. (2) An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order." Any employee, contractor, or consultant who is found to have wrongfully misappropriated trade secrets may be liable for, among other things, exemplary damages and attorneys' fees.

(e) The Company has informed Employee that it has (and may have in the future) duties to third parties (including the Company's customers and vendors) to maintain information in confidence and secrecy. Employee agrees to be bound by (and to adhere to) the Company's duties of confidentiality to third parties and will treat such information with the same care as required under law and the Agreement. Employee also agrees not to disclose to the Company or induce the Company to use any trade secrets, proprietary or confidential information belonging to persons not affiliated with the Company, including any of Employee's former employers.

(f) Nothing contained in this Agreement shall be deemed to prohibit Employee and/or Employee's representatives from freely communicating with any federal or state governmental agency or commission, including but not limited to the Securities and Exchange Commission, regarding and/or from disclosing to any federal or state governmental agency or commission, Company Confidential Information in any manner subject to protection under any foreign, federal, state or local laws, including but not limited to whistleblower laws.

(g) Employee further agrees that Employee will carefully preserve, in accordance with the Company's policies and procedures, all documents, records, correspondence, prototypes, models and other written or tangible data relating to Inventions or Confidential Information in every form coming into Employee's possession (the "Records") during Employee's employment. Employee will return all such Records, along with any copies of them, to the Company when Employee's employment by the Company ends or when requested to do so by the Company.

5.6. Request for Review of Obligations Regarding Future Employment or Conduct. If during the term of this Agreement, Employee is uncertain as to whether Employee's employment, conduct, or business enterprise may interfere with the Company's protectable business interests in violation of this Agreement, Employee agrees to submit to the Company a written request to engage in said employment, conduct, or business enterprise, prior to commencing and/or engaging in any such employment, conduct, or business enterprise. Any such request must refer to this Agreement. The Company agrees that it will respond to the request with reasonable promptness and that it will not unreasonably withhold permission to engage in the employment, conduct, or business enterprise specified in the request, regardless of the terms of the Agreement, if the employment, conduct, or business enterprise sought to be engaged in does not interfere with the Company's protectable business interests. Any such permission granted by the Company must be in writing, shall extend only to the employment, conduct, or business enterprise specifically

identified in the written request, and shall not otherwise constitute a waiver of the Company's rights under the Agreement.

5.7. Enforcement. Employee understands that irreparable injury will result to the Company and its business in the event of a breach of any of the obligations contained in this Agreement. Employee agrees that the damages or injuries which the Company may sustain as a result of such a breach are difficult to determine and money damages alone would not be an adequate remedy to the Company. Employee agrees that if a controversy arises concerning the rights or obligations contained in this Agreement or Employee breaches any of the covenants or obligations contained in this Agreement, the Company shall be entitled to any injunctive, or other relief necessary to enforce, prevent, or restrain any violation of the provisions of this Agreement (without posting a bond or other security). Such relief shall be cumulative and non-exclusive and shall be in addition to any other right or remedy to which the Company may be entitled. Employee agrees that any breach by Employee of any of the obligations in this Agreement shall entitle the Company to reimbursement of any and all attorneys' fees and costs incurred by the Company in enforcing this Agreement or taking action against Employee for breach of this Agreement.

6. INDEMNIFICATION

The Company shall indemnify and hold harmless Employee from and against any claim of liability or loss (including costs and reasonable attorneys' fees) arising as a result of Employee's proper performance within the scope of employment and of Employee's obligations under this Agreement in accordance with the provisions for indemnification of officers of the Company set forth in the Bylaws of the Company.

7. MISCELLANEOUS PROVISIONS

7.1. Assignment and Successors. The Company may assign its rights and obligations under this Agreement to any corporation or other entity which controls, is controlled by, or is under common control with, the Company, without Employee's consent. Further, if the Company sells all or substantially all of the assets of the Business, the rights and obligations of the Company under this Agreement may be assigned without Employee's consent. In all other circumstances, the rights and obligations of the Company under this Agreement may be assigned with Employee's consent (which shall not be unreasonably withheld). In all such cases, the rights and obligations of the Company shall inure to the benefit of and be binding upon the successors and assigns of the Company. Employee's obligation to provide services hereunder may not be assigned to or be assumed by any other person or entity.

7.2. Notices. All notices, requests, demands, or other communications under this Agreement shall be in writing and shall only be deemed to be duly given if to the Company c/o Corporate Secretary and to Employee at Employee's address as shown in the Company's records.

7.3. Severability. If any provision or portion of this Agreement shall be or become illegal, invalid or unenforceable in whole or in part for any reason, such provision shall be ineffective only to the extent of such illegality, invalidity or unenforceability, without invalidating the remainder of such provision or the remaining provisions of this Agreement. If any court of competent jurisdiction should deem any covenant herein to be invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

7.4. Integration, Amendment and Waiver. This Agreement constitutes the entire agreement between the Company and Employee, superseding all prior similar arrangements and agreements, and may be modified, amended or waived only by a written instrument signed by both of them. This Agreement does not supersede the separate employment agreement between Employee and the Company relating to a change in control of the Company.

7.5. Governing Law. This Agreement shall be construed in accordance with and governed for all purposes by the laws of the State of Wisconsin applicable to contracts executed and wholly performed within such state.

7.6. Interpretation. The headings contained in this Agreement are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement. The language in all parts of this Agreement shall in all cases be construed according to its fair meaning, and not strictly for or against any party. In this Agreement, unless the context otherwise requires, the masculine, feminine and neuter genders and the singular and the plural include one another.

7.7. Non-Waiver of Rights and Breaches. No failure or delay of any party in the exercise of any right given to such party hereunder shall constitute a waiver unless the time specified for the exercise of such right has expired, nor shall any single or partial exercise of any right preclude other or further exercise thereof or of any other right. The waiver by a party of any default of any other party shall not be deemed to be a waiver of any subsequent default or other default by such party.

7.8. Attorneys' Fees. In the event that Employee or the Company is required to bring an arbitration proceeding or any legal action to enforce the terms of this Agreement, the prevailing party shall, in addition to any other remedies available to it, be entitled to recover its reasonable attorneys' fees and costs from the losing party.

7.9. Dispute Resolution.

(a) Except as set forth in Section 4.5, any dispute, controversy or claim arising out of or relating to this Agreement or any term or provision of this Agreement or Employee's employment with the Company, including without limitation: (i) any claims of breach, termination or invalidity thereof, (ii) any matter subject to arbitration under any provision of this Agreement, (iii) any claims under federal, state or local laws regulating the employment relationship; and (iv) any other matter which the parties agree to submit to arbitration, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. By agreeing to submit claims covered by this Agreement to individual and confidential arbitration, Employee understands that, to the fullest extent permitted by law, Employee is waiving all right or ability to bring or participate in any such claims on a class, collective or representative basis and agrees that the decision and record of the arbitration will be kept private and confidential (and the arbitrator shall have the authority to make appropriate rulings to safeguard the privacy and confidentiality of the arbitration proceedings as allowed by law). Such arbitration proceedings shall be held in Milwaukee, Wisconsin. If a court or arbitrator determines in a final non-appealable ruling that the waiver of class or collective actions is unenforceable, then any claims brought as a putative collective or class action will be considered excluded claims that must be pursued (if at all) in court.

(b) Nothing herein shall prevent Employee from filing and/or participating in administrative proceedings before the United States Equal Opportunity Commission or an equivalent State agency, although Employee is waiving any right to pursue administrative litigation on Employee's own behalf before a governmental administrative agency as Employee is hereby bound to pursue such claims exclusively through individual arbitration.

(c) Notwithstanding the foregoing, the Company at all times shall have the right to bring an action to enforce the covenants and seek the remedies set forth in Section 5 of this Agreement through the courts as it deems necessary or desirable in order to protect its proprietary and other confidential information or to prevent the occurrence of any event which the Company believes will cause it to suffer immediate and irreparable harm or damage. The parties agree that any such action may be brought in a state or federal court located within Milwaukee, Wisconsin. The parties waive any and all objections to jurisdiction or venue. The parties further agree that service of process may be made by

registered mail to the addresses referred to in Section 7.2 of this Agreement, and that such service shall be deemed effective service of process.

7.10. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company and Employee have caused this Employment Agreement to be duly executed as of the date first written above.

EMPLOYEE

BRIGGS & STRATTON CORPORATION

(Employee)

By: _____
Todd J. Teske
Chairman, President and
Chief Executive Officer

ADDENDUM

Section 4.3 of Employee's Employment Agreement does not apply to an Invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on an employee's own time, unless: (a) the Invention relates (i) to the business of the Company, or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the Invention results from any work performed by an employee for the Company.

The following are Inventions not covered by Section 4.3, in which Employee has any right, title or interest, and, which were conceived or written either wholly or in part by Employee prior to or outside of employment by the Company, but neither published nor filed in any Patent Office:

NONE. [Strike if list of exceptions is provided.]

<i>Title of Document</i>	<i>Date of Document</i>	<i>Name of Witness on Document</i>

Description of such Inventions:

(Continue on separate page if necessary.)

BRIGGS & STRATTON CORPORATION
2017 OMNIBUS INCENTIVE PLAN
PERFORMANCE UNIT AWARD AGREEMENT
(PAYABLE IN CASH)

Participant:[*Insert name*]

Performance Units:_____

Performance Period:Plan Year ____ through Plan Year ____

Performance Measures:Core Operating Income (“Core OI”)

BRIGGS & STRATTON CORPORATION (the “Company”), a Wisconsin corporation, hereby awards to the above-named employee (the “Participant”) under the Briggs & Stratton Corporation 2017 Omnibus Incentive Plan (as the same may be amended from time to time, the “Plan”) the number of Performance Units set forth above, all in accordance with and subject to the attached Performance Unit Terms and Conditions.

If there is any inconsistency between this Agreement and the Plan, the Plan shall supersede the conflicting terms and conditions of this Agreement. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein.

IN WITNESS WHEREOF, this Performance Unit Award Agreement has been duly executed as of _____.

BRIGGS & STRATTON CORPORATION

By _____

Todd J. Teske
Chairman, President and CEO

PARTICIPANT

«Name»

Briggs & Stratton Corporation
Performance Unit Terms and Conditions

Section 1. Performance Period

The Performance Period commences on the first day of the three-year performance period stated on the first page of the award and ends on the last day of such period. As used herein, a “plan year” is the same as the Company’s fiscal year.

Section 2. Achievement of Performance Measures and Payout of Performance Units

(a) The amount payable pursuant to this Agreement shall be based upon the achievement of a level of Core OI as approved by the Compensation Committee (the “Committee”) of the Company’s Board of Directors for the last year of the Performance Period, in accordance with the following table:

<u>Performance Level</u>	<u>Core OI</u>	<u>Percentage of Target Earned</u>
Minimum	\$XXX million	25%
Target	\$YYY million	100%
Maximum	\$ZZZ million	200%

(b) “Core OI” is designed to measure the growth of the Company’s core operations during the Performance Period and is defined as the Company’s Income from Operations as reported in its consolidated financial statements filed with the SEC for the last year of the Performance Period as adjusted by the Committee for non-recurring, infrequent or non-operating items, net of any annual incentive plan impact.

(c) The amount earned shall be equal to the number of Performance Units subject to the award times the Percentage of Target Earned per the table above times \$1, provided that the Performance Units will have no value if Core OI for the last year of the Performance Period is less than the Minimum Performance Level and in no event will the Percentage of Target Earned exceed 200%. Straight line interpolation shall be used to determine the payout in the event the ranking does not fall directly on one of the ranks listed in such table. For example, if the award is for 50,000 Performance Units and the Percentage of Target Earned is 117.25%, the payout would be \$58,625 (i.e., 50,000 x 117.25% x \$1 = \$58,625).

Section 3. Restrictive Covenants

It shall be a condition to the effectiveness of this Agreement that the Participant shall have signed an employment or other agreement containing customary provisions relating to noncompetition during employment, nonsolicitation of employees and customers following employment, confidentiality and assignment of inventions to the Company, in the form proposed by the Company.

Section 4. Termination Provisions

(a) Except as provided below, the Participant shall be eligible for payment of the Performance Units as determined in Section 2 only if the Participant’s employment with the Company (or one of its affiliates) continues through the end of the Performance Period.

(b) If the Participant’s employment terminates prior to the end of the Performance Period by reason of the occurrence of such Participant’s Retirement, Disability or death, a pro-rated payment will be provided as follows:

(i) In the event of Retirement or Disability, the pro-rated payment will be computed as of the end of the Performance Period. The proration shall be based on the number of full months that the Participant was employed during the Performance Period prior to the Retirement or Disability.

(ii) In the event of death, then notwithstanding any other provision of this Agreement to the contrary, Core OI will be computed as of the end of the Company's fiscal year in which the death occurred and compared to a Target Core OI calculated for such fiscal year that assumes an 8% cumulative annual growth rate in Core OI from the beginning of the Performance Period through such fiscal year-end. The amount paid shall equal the amount that would be payable based on such comparison, using the same scaling and interpolation as described in Section 2 and prorated to reflect the number of full months that the Participant was employed during the Performance Period prior to death. Such amount shall be paid in cash to the estate of the Participant as soon as practicable after the computations described above.

(c) If the Committee determines that (i) the Participant has breached any of the obligations contained in the agreements referenced in Section 3 of this Agreement during the Performance Period or (ii) the Performance Units were awarded with respect to (A) a plan year for which there has been a material restatement of the Company's annual report to the SEC due to negligence or misconduct by one or more persons or (B) any subsequent plan year having awards materially affected by the restatement, the Company shall be entitled to declare all or any portion of the Performance Units awarded under this Agreement to be forfeited.

(d) As used in this Section of this Agreement, "Disability" shall have the meaning stated in Article 2.15 of the Plan and "Retirement" shall mean any termination of employment by the Employee or the Company for reason other than death after the Participant has achieved 30 years of service, age 62 with at least 10 years of service or age 65.

Section 5. Form and Timing of Payment of Performance Units

(a) The amount to be paid in respect of the Performance Units as finally calculated herein shall be paid to the Participant in cash no later than two and one-half months after the end of the Performance Period.

(b) The Participant may not receive a cash payment in any calendar year under the Performance Units of more than \$3,500,000. In the event that the maximum amount that may be paid under this Agreement, when combined with any other Performance Units payable to the Participant in cash for a calendar year, would cause the Participant to exceed the limit, the amount to be paid to the Participant shall be reduced so that the limit is met. The amount subject to such reduction shall be paid to the Participant in the following calendar year if the Participant continues in employment for 12 months, provided that any payment in the following calendar year shall also be subject to the foregoing limit and, if the limit would be exceeded, the same process shall be repeated until payment can be made without exceeding the limit or the Participant's employment is terminated.

Section 6. Nontransferability

The Performance Units may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in this Agreement, the Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by the Participant or the Participant's legal representative.

Section 7. Administration

This Agreement and the rights of the Participant hereunder are subject to all the terms and conditions of the Plan as amended from time to time, as well as such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Participant. Any inconsistency between this Agreement and the Plan shall be resolved in favor of the Plan.

Section 8. Miscellaneous

(a) This Agreement shall not give the Participant any right to be retained in the employ of the Company. The right and power of the Company to dismiss or discharge the Participant is specifically reserved. The Participant or any person claiming under or through the Participant shall not have any right or interest in the Plan or any award thereunder, unless and until all terms, conditions, and provisions of the Plan that affect the Participant have been complied with as specified herein.

(b) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. To the extent not preempted by federal law, this Agreement shall be governed by, and construed in accordance with, the laws of the State of Wisconsin.

(c) The Company shall have the power and right to deduct or withhold, or require the Participant to remit to the Company, the minimum statutory amount to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising under this Agreement.

(d) In the event of a Change in Control as defined in Article 2.8 of the Plan, all performance conditions shall be deemed satisfied as if target performance was achieved, and awards will be settled pro rata based on the proportion of the applicable Performance Period that lapsed through the date of the Change in Control in compliance with any payment limitations of Article 17(c) of the Plan. Such deemed earned Performance Units shall be paid out in cash as soon as practicable.

BRIGGS & STRATTON CORPORATION
2017 OMNIBUS INCENTIVE PLAN
CEO PERFORMANCE UNIT AWARD AGREEMENT
(PAYABLE IN CASH)

Participant:[*Insert name*]

Performance Units:_____

Performance Period:Plan Year ____ through Plan Year ____

Performance Measures:Core Operating Income (“Core OI”)

BRIGGS & STRATTON CORPORATION (the “Company”), a Wisconsin corporation, hereby awards to the above-named employee (the “Participant”) under the Briggs & Stratton Corporation 2017 Omnibus Incentive Plan (as the same may be amended from time to time, the “Plan”) the number of Performance Units set forth above, all in accordance with and subject to the attached Performance Unit Terms and Conditions.

If there is any inconsistency between this Agreement and the Plan, the Plan shall supersede the conflicting terms and conditions of this Agreement. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein.

IN WITNESS WHEREOF, this Performance Unit Award Agreement has been duly executed as of _____.

BRIGGS & STRATTON CORPORATION

By _____
Brian C. Walker
Compensation Committee Chair

PARTICIPANT

«Name»

Briggs & Stratton Corporation
Performance Unit Terms and Conditions

Section 1. Performance Period

The Performance Period commences on the first day of the three-year performance period stated on the first page of the award and ends on the last day of such period. As used herein, a “plan year” is the same as the Company’s fiscal year.

Section 2. Achievement of Performance Measures and Payout of Performance Units

(a) The amount payable pursuant to this Agreement shall be based upon the achievement of a level of Core OI as approved by the Compensation Committee (the “Committee”) of the Company’s Board of Directors for the last year of the Performance Period, in accordance with the following table:

<u>Performance Level</u>	<u>Core OI</u>	<u>Percentage of Target Earned</u>
Minimum	\$XXX million	25%
Target	\$YYY million	100%
Maximum	\$ZZZ million	200%

(b) “Core OI” is designed to measure the growth of the Company’s core operations during the Performance Period and is defined as the Company’s Income from Operations as reported in its consolidated financial statements filed with the SEC for the last year of the Performance Period as adjusted by the Committee for non-recurring, infrequent or non-operating items, net of any annual incentive plan impact.

(c) The amount earned shall be equal to the number of Performance Units subject to the award times the Percentage of Target Earned per the table above times \$1, provided that the Performance Units will have no value if Core OI for the last year of the Performance Period is less than the Minimum Performance Level and in no event will the Percentage of Target Earned exceed 200%. Straight line interpolation shall be used to determine the payout in the event the ranking does not fall directly on one of the ranks listed in such table. For example, if the award is for 50,000 Performance Units and the Percentage of Target Earned is 117.25%, the payout would be \$58,625 (i.e., 50,000 x 117.25% x \$1 = \$58,625).

Section 3. Restrictive Covenants

It shall be a condition to the effectiveness of this Agreement that the Participant shall have signed an employment or other agreement containing customary provisions relating to noncompetition during employment, nonsolicitation of employees and customers following employment, confidentiality and assignment of inventions to the Company, in the form proposed by the Company.

Section 4. Termination Provisions

(a) Except as provided below, the Participant shall be eligible for payment of the Performance Units as determined in Section 2 only if the Participant’s employment with the Company (or one of its affiliates) continues through the end of the Performance Period; provided, however, that in the event the Participant’s employment is terminated without Cause prior to the end of the Performance Period, the Participant shall be deemed to be continuously employed by the Company solely for purposes of this Section 4(a) until the date on which the Participant’s employment agreement with the Company would have expired had the Participant been provided a notice of nonrenewal of such employment agreement on the date of notice to the Participant of termination of his or her employment without Cause.

(b) If the Participant's employment terminates prior to the end of the Performance Period by reason of the occurrence of such Participant's Retirement, Disability or death, a pro-rated payment will be provided as follows:

(i) In the event of Retirement or Disability, the pro-rated payment will be computed as of the end of the Performance Period. The proration shall be based on the number of full months that the Participant was employed during the Performance Period prior to the Retirement or Disability.

(ii) In the event of death, then notwithstanding any other provision of this Agreement to the contrary, Core OI will be computed as of the end of the Company's fiscal year in which the death occurred and compared to a Target Core OI calculated for such fiscal year that assumes an 8% cumulative annual growth rate in Core OI from the beginning of the Performance Period through such fiscal year-end. The amount paid shall equal the amount that would be payable based on such comparison, using the same scaling and interpolation as described in Section 2 and prorated to reflect the number of full months that the Participant was employed during the Performance Period prior to death. Such amount shall be paid in cash to the estate of the Participant as soon as practicable after the computations described above.

(c) If the Committee determines that (i) the Participant has breached any of the obligations contained in the agreements referenced in Section 3 of this Agreement during the Performance Period or (ii) the Performance Units were awarded with respect to (A) a plan year for which there has been a material restatement of the Company's annual report to the SEC due to negligence or misconduct by one or more persons or (B) any subsequent plan year having awards materially affected by the restatement, the Company shall be entitled to declare all or any portion of the Performance Units awarded under this Agreement to be forfeited.

(d) As used in this Section of this Agreement, "Cause" shall have the meaning stated in Article 2.7 of the Plan, "Disability" shall have the meaning stated in Article 2.15 of the Plan and "Retirement" shall mean any termination of employment by the Employee or the Company for reason other than death after the Participant has achieved 30 years of service, age 62 with at least 10 years of service or age 65.

Section 5. Form and Timing of Payment of Performance Units

(a) The amount to be paid in respect of the Performance Units as finally calculated herein shall be paid to the Participant in cash no later than two and one-half months after the end of the Performance Period.

(b) The Participant may not receive a cash payment in any calendar year under the Performance Units of more than \$3,500,000. In the event that the maximum amount that may be paid under this Agreement, when combined with any other Performance Units payable to the Participant in cash for a calendar year, would cause the Participant to exceed the limit, the amount to be paid to the Participant shall be reduced so that the limit is met. The amount subject to such reduction shall be paid to the Participant in the following calendar year if the Participant continues in employment for 12 months, provided that any payment in the following calendar year shall also be subject to the foregoing limit and, if the limit would be exceeded, the same process shall be repeated until payment can be made without exceeding the limit or the Participant's employment is terminated.

Section 6. Nontransferability

The Performance Units may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise

provided in this Agreement, the Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by the Participant or the Participant's legal representative.

Section 7. Administration

This Agreement and the rights of the Participant hereunder are subject to all the terms and conditions of the Plan as amended from time to time, as well as such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Participant. Any inconsistency between this Agreement and the Plan shall be resolved in favor of the Plan.

Section 8. Miscellaneous

(a) This Agreement shall not give the Participant any right to be retained in the employ of the Company. The right and power of the Company to dismiss or discharge the Participant is specifically reserved. The Participant or any person claiming under or through the Participant shall not have any right or interest in the Plan or any award thereunder, unless and until all terms, conditions, and provisions of the Plan that affect the Participant have been complied with as specified herein.

(b) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. To the extent not preempted by federal law, this Agreement shall be governed by, and construed in accordance with, the laws of the State of Wisconsin.

(c) The Company shall have the power and right to deduct or withhold, or require the Participant to remit to the Company, the minimum statutory amount to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising under this Agreement.

(d) In the event of a Change in Control as defined in Article 2.8 of the Plan, all performance conditions shall be deemed satisfied as if target performance was achieved, and awards will be settled pro rata based on the proportion of the applicable Performance Period that lapsed through the date of the Change in Control in compliance with any payment limitations of Article 17(c) of the Plan. Such deemed earned Performance Units shall be paid out in cash as soon as practicable.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

Form 10-Q for Quarterly Period Ended September 30, 2018

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: November 6, 2018

/s/ Todd J. Teske

Todd J. Teske

Chief Executive Officer

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

Form 10-Q for Quarterly Period Ended September 30, 2018

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: November 6, 2018

/s/ Mark A. Schwertfeger

Mark A. Schwertfeger
Chief Financial Officer

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

Form 10-Q for Quarterly Period Ended September 30, 2018

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 September 30, 2018, 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

November 6, 2018

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.

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

Form 10-Q for Quarterly Period Ended September 30, 2018

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 September 30, 2018, 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

November 6, 2018

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.

