FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended JUNE 28, 1998
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)

A Wisconsin Corporation	39-0182330
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12301 WEST WIRTH STREET WAUWATOSA, WISCONSIN	53222
(Address of principal executive offices)	(Zip Code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock (par value $0.01 per share)	New York Stock Exchange
Common Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

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 X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock held by nonaffiliates of the registrant was approximately $877,470,000 based on the reported last sale price of such securities as of August 20, 1998.

Number of Shares of Common Stock Outstanding at August 20, 1998: 23,623,591.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part of Form 10-K Into Which Portions of Document are Incorporated

Proxy Statement for Annual Meeting on October 21, 1998 | Part III

The Exhibit Index is located on page 30.

BRIGGS & STRATTON CORPORATION
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CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

Certain statements in Item 1. Business and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations may contain 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", "objective", and "think" or 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 effects of weather on the purchasing patterns of the Company's customers and end use purchasers of the Company's engines; the seasonal nature of the Company's business; actions of competitors; changes in laws and regulations, including accounting standards; employee relations; customer demand; prices of purchased raw materials and parts; domestic economic conditions, including housing starts and changes in consumer disposable income; foreign economic conditions, including currency rate fluctuations; the ability of the Company's customers and suppliers to meet year 2000 compliance; and unanticipated internal year 2000 issues. Some or all of the factors may be beyond the Company's control.

PART I

ITEM 1. BUSINESS

GENERAL

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

The Company's engines are used primarily by the lawn and garden equipment industry, which accounted for 79% of fiscal 1998 OEM engine sales. The major lawn and garden equipment applications include walk-behind lawn mowers, riding lawn mowers and garden tillers. The remaining 21% of OEM sales in fiscal 1998 were for use on many products for industrial, construction, agricultural and consumer applications, including generators, pumps and pressure washers. Many retailers specify the Company's engines on the powered equipment they sell, and the Briggs & Stratton name is often featured prominently on a product despite the fact that its engine is just a component. Briggs & Stratton engines are marketed under various brand names including Classic(TM), Sprint(TM), Quattro (TM), Quantum(R), INTEK(TM), I/C(R), Diamond I/C(R), Industrial Plus(TM) and Vanguard(TM).

In fiscal 1998, approximately 22% of the Company's net sales were derived from sales in international markets, primarily to customers in Europe. Briggs & Stratton serves its key international markets through its European regional office in Switzerland, its distribution center in the Netherlands and sales and service subsidiaries in Australia, Austria, Canada, Czech Republic, France, Germany, New Zealand, Sweden, the United Kingdom and Mexico. The Company is a leading supplier of gasoline engines in developed countries where there is an established lawn and garden equipment market. The Company also exports to developing nations where its engines are used in agricultural, marine, construction and other applications.

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

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

CUSTOMERS

The Company's sales are primarily made directly to original equipment manufacturers. The Company's three largest customers accounted for 46%, 46% and 48% of net sales in fiscal 1998, 1997 and 1996, respectively. Sales to the Company's largest engine customer, MTD Products Inc., were 18%, 21% and 21% of net sales in fiscal 1998, 1997 and 1996, respectively. Sales to its second largest customer, AB Electrolux (including its Frigidaire Home Products group), were 15%, 14% and 14% of net sales in fiscal 1998, 1997 and 1996, respectively, and sales to its third largest customer, Tomkins PLC (including its Murray subsidiary products), were 13%, 11% and 13% of net sales in fiscal 1998, 1997 and 1996, respectively. Under purchasing plans available to all of its gasoline engine customers, the Company typically enters into annual engine supply arrangements with these large customers. The Company has no reason to anticipate a change in this practice or in its historical business relationships with these equipment manufacturers.

Over the past several years, sales in the United States of lawn and garden equipment by mass merchandisers have increased significantly, while sales by independent distributors and dealers have declined. The Company believes that in 1998 more than 75% of all lawn and garden equipment sold in the United States was sold through mass merchandisers such as Sears, Wal-Mart, Kmart, Home Depot and Lowe's. Given the buying power of the mass merchandisers, the Company, through its

customers, has experienced pricing pressure. The Company expects that this trend will continue in the foreseeable future. The Company believes that a similar trend has developed for commercial products for industrial and consumer applications.

COMPETITION

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

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

SEASONALITY OF DEMAND

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

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

In recent years, lawn and garden equipment manufacturers have tended to place orders with engine manufacturers and to take deliveries later in the selling season, specifically later in the Company's third fiscal quarter and in the Company's fourth fiscal quarter. This seasonal pattern results in high inventories and receivables and low cash for the Company in the second and the beginning of the third fiscal quarters, with a rapid shift to lower inventories and receivables and ultimately higher cash in the latter portion of the third fiscal quarter and in the fourth fiscal quarter.

MANUFACTURING

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

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

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

The Company has joint ventures with Daihatsu Motor Company for the manufacture of engines in Japan, with Puling Machinery Works and Yimin Machinery Plant for the production of engines in China, and with Starting Industrial of Japan for the production of rewind starters in the U.S. The Company also has two new joint ventures in India. Kirloskar Briggs & Stratton, a joint venture with Kirloskar Oil Engines Ltd., will be responsible for sales and distribution of Briggs &

Stratton engines and parts in India and will assemble and distribute generators and pumps powered by Briggs & Stratton engines. Hero Briggs & Stratton is a joint venture with Hero Motors, part of the Hero Group, for the manufacture of engines and transmissions to be used in two wheel transportation vehicles.

The Company has a strategic relationship with Mitsubishi Heavy Industries (MHI) for the international distribution of engines for outdoor power equipment manufactured by MHI in Japan.

OTHER GENERAL INFORMATION

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

For the years ending June 28, 1998, June 29, 1997 and June 30, 1996, the Company spent approximately $19,950,000, $19,525,000 and $15,019,000, respectively, on Company sponsored research activities relating to the development of new products or the improvement of existing products.

The average number of persons employed by the Company during the fiscal year was 7,350. Employment ranged from a low of 7,205 in July 1997 to a high of 7,486 in October 1997.

EXPORT SALES

Export sales for fiscal 1998 were $288,510,000 (22% of total sales), for fiscal 1997 were $304,230,000 (23% of total sales) and for fiscal 1996 were $323,747,000 (25% of total sales). These sales were principally to customers in European countries.

ITEM 2. PROPERTIES

The corporate offices and two of the Company's manufacturing facilities are located in suburbs of Milwaukee, Wisconsin. The Company also has manufacturing facilities in Murray, Kentucky; Poplar Bluff and Rolla, Missouri; Auburn, Alabama; Statesboro, Georgia; and Ravenna, Michigan. These are owned facilities containing over 3.9 million square feet of office and production area. The Company occupies warehouse space totalling 400,000 square feet in a suburb of Milwaukee, Wisconsin under a reservation of interest agreement.

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

The Company leases 174,000 square feet of space to house its European warehouse in the Netherlands and its foreign sales and service operations in Australia, Austria, Canada, the Czech Republic, France, Germany, Mexico, New Zealand, Sweden, Switzerland and the United Kingdom.

ITEM 3. LEGAL PROCEEDINGS

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

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

No matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the three months ended June 28, 1998.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name, Age, Position	Business Experience for Past Five Years
FREDERICK P. STRATTON, JR., 59 Chairman and Chief Executive Officer (1) (2) (3)	Mr. Stratton was elected to the position of Chief Executive Officer in May 1977 and Chairman in November 1986. He also served in the position of President from January 1992 to August 1994.
JOHN S. SHIELY, 46 President and Chief Operating Officer (1) (2)	Mr. Shiely was elected to his current position in August 1994, after serving as Executive Vice President - Administration since November 1991.
ROBERT H. ELDRIDGE, 59 Executive Vice President and Chief Financial Officer, Secretary-Treasurer (1)	Mr. Eldridge was elected to his current position effective April 1995. He has served as Secretary-Treasurer since January 1984.
MICHAEL D. HAMILTON, 56 Executive Vice President - Sales and Service	Mr. Hamilton was elected to his present position effective June 1989.
JAMES A. WIER, 55 Executive Vice President - Operations	Mr. Wier was elected to his current position in April 1989.
JAMES E. BRENN, 50 Vice President and Controller	Mr. Brenn was elected to his current position in November 1988.
RICHARD J. FOTSCH, 43 Senior Vice President - Engine Group	Mr. Fotsch was elected to his current position effective July 1997, after serving in the executive officer position of Vice President; General Manager - Small Engine Division since May 1993.
HUGO A. KELTZ, 50 Vice President - International	Mr. Keltz was elected to his present position in May 1992.
CURTIS E. LARSON, JR., 50 Vice President - Distribution Sales and Service	Mr. Larson was elected to this executive officer position in October 1995 after serving as Vice President - Industrial Engine Division since January 1993.

PAUL M. NEYLON, 51 Vice President; General Manager - Spectrum Division	Mr. Neylon was elected to his current position in May 1993.
WILLIAM H. REITMAN, 42 Vice President - Marketing	Mr. Reitman was elected an executive officer effective April 20, 1998. He has served as Vice President - Marketing since November 1995, after serving as Marketing Director - New Ventures since March 1993.
STEPHEN H. RUGG, 51 Vice President - Sales	Mr. Rugg was elected to his current position in November 1995, after serving as Vice President - Sales and Marketing since November 1988.
THOMAS R. SAVAGE, 50 Senior Vice President - Administration	Mr. Savage was elected to his current position effective July 1997, after serving as Vice President - Administration and General Counsel since November 1994. He joined the Company in April 1992 as General Counsel.
GREGORY D. SOCKS, 49 Vice President; General Manager - Castings Division	Mr. Socks was elected to his current position effective July 1997, after serving in the executive officer position of Vice President; General Manager - Large Engine Division since May 1993.
GERALD E. ZITZER, 51 Vice President - Human Resources	Mr. Zitzer was elected to his current position in November 1988.

(1) Officer is also a Director of the Company.

(2) Member of Executive Committee.

(3) Member of Planning Committee.

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

PART II

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

Information required by this Item is incorporated by reference to "Quarterly Financial Data, Dividend and Market Information" on page 27.

ITEM 6. SELECTED FINANCIAL DATA

Fiscal Year	1998	1997	1996	1995	1994
(dollars in thousands, except per share data)					
SUMMARY OF OPERATIONS					
NET SALES	1,327,610	1,316,413	1,287,029	1,339,677	1,285,517
GROSS PROFIT ON SALES	254,674	221,216	261,748	271,618	266,540
PROVISION FOR INCOME TAXES	42,500	37,740	56,640	65,570	67,240
NET INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	70,645	61,565	92,412	104,805	102,481
NET INCOME	70,645	61,565	92,412	104,805	69,923
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING (000)	24,666	28,551	28,927	28,927	28,927
DILUTED NUMBER OF SHARES OF COMMON STOCK OUTSTANDING (000)	24,775	28,678	29,059	29,072	29,120
PER SHARE OF COMMON STOCK:					
Basic Earnings before cumulative effect of accounting changes	2.86	2.16	3.19	3.62	3.54
Basic Earnings	2.86	2.16	3.19	3.62	2.42
Diluted Earnings	2.85	2.15	3.18	3.61	2.40
Cash Dividends	1.12	1.09	1.05	.98	.90
Shareholders' Investment	13.28	13.82	17.30	15.19	13.96
OTHER DATA					
SHAREHOLDERS' INVESTMENT	316,488	351,097	500,505	439,478	403,792
LONG-TERM DEBT	128,102	142,897	60,000	75,000	75,000
TOTAL ASSETS	793,409	842,189	838,164	798,493	777,355
PLANT AND EQUIPMENT	812,428	796,714	776,638	726,331	669,593
PLANT AND EQUIPMENT, NET OF RESERVES	391,927	396,266	374,212	343,297	285,890
PROVISION FOR DEPRECIATION	47,511	43,345	43,032	44,445	42,950
EXPENDITURES FOR PLANT AND EQUIPMENT	45,893	71,262	77,746	131,034	40,804
WORKING CAPITAL	159,101	204,422	266,208	256,075	276,040
Current Ratio	1.7 to 1	2.0 to 1	2.4 to 1	2.3 to 1	2.3 to 1
NUMBER OF EMPLOYEES AT YEAR END	7,265	7,661	7,199	6,958	8,628
NUMBER OF SHAREHOLDERS AT YEAR END	4,911	5,336	5,879	6,792	6,228
QUOTED MARKET PRICE:					
High	53-3/8	53-5/8	46-7/8	39-1/4	45-1/8
Low	36-7/8	36-1/2	32-3/4	30-1/2	32-1/2

NOTES:

(1) The number of shares of common stock and per share data have been adjusted for a 2-for-1 stock split in fiscal 1995.

(2) The cumulative effects of accounting changes in 1994 were for postretirement health care, postemployment benefits and deferred income taxes.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

FISCAL 1998 COMPARED TO FISCAL 1997

Sales

Net sales for fiscal 1998 totaled $1,328 million, up 1% or $11 million from the preceding year. This increase resulted primarily from a $34 million increase in sales dollars due to a 3% increase in engine unit shipments and a $6 million increase in service parts sales due to increased demand. These increases were partially offset by a $19 million decrease in sales dollars due to a mix change to lower horsepower, lower priced engines and a $10 million decrease in revenue from European customers with whom the Company shares currency risk.

Gross Profit

The gross profit margin for the 1998 fiscal year increased to 19% from 17% in the 1997 fiscal year. The primary reason for this favorable change was the lack of the $37 million charge related to the early retirement window (described later). There was also a $2 million increase due to improvements in manufacturing productivity. These were offset by the $10 million in lost gross profit due to the reduced revenue from European customers described above.

Engineering, Selling, General and Administrative Expenses

Engineering, selling, general and administrative expenses increased $12 million or 11% between years. This increase was caused primarily by the costs associated with the new company-wide information system which totaled $7 million (discussed later) and increased costs of new venture activities which totaled $7 million, of which $4 million related to the Company's POWERCOM software business. The Company signed a letter of intent for the sale of its POWERCOM software business shortly after the end of the fiscal year. This sale is not expected to result in any material gains or losses.

Interest Expense

Interest expense for the 1998 fiscal year was $9 million higher than in 1997. This resulted from using increased domestic short-term borrowings to finance seasonal increases in accounts receivable and inventories during the year and an increase in long-term debt over the preceding year. Seasonal borrowings were paid off by the end of the fiscal year.

Provision for Income Taxes

The effective tax rate decreased to 37.6% in 1998 from 38.0% in the previous year. This was due primarily to reductions in the foreign tax provision and in other tax related items that were individually insignificant.

FISCAL 1997 COMPARED TO FISCAL 1996

Sales

Net sales for fiscal 1997 increased 2% or $29.4 million compared to the prior year. The primary reason for this was a 1% increase in engine unit shipments. The remaining 1% increase in net sales was a result of modest price increases and a mix improvement.

Gross Profit

Gross profit for fiscal 1997 decreased 15% or $40.5 million compared to the same period in the prior year. The primary reason for this decrease was a charge of $37.1 million related to an early retirement window accepted by certain Milwaukee hourly employees in accordance with the current union contract.

The gross profit rate was 17% in fiscal 1997 compared to 20% in fiscal 1996. In addition to the early retirement window, the gross profit rate was also negatively impacted by increases in warranty expenses totaling $9.3 million due to claims experience, increases in the unit price of aluminum totaling $3.7 million, and the absence in fiscal 1997 of the $3.5 million credit for employees who had accepted early retirement in fiscal 1995 and canceled their acceptance in fiscal 1996. Savings from lower labor costs at the Company's new engine plants partially offset the preceding factors impacting the gross profit rate.

Engineering, Selling, General and Administrative Expenses

Engineering, selling, general and administrative expenses for fiscal 1997 increased 8% or $9.2 million compared to fiscal 1996. This increase was primarily due to increased employee compensation of $4.0 million, planned increases in manpower and other costs of $2.7 million relating to new venture activities, and increased professional services of $1.5 million primarily resulting from the start of the implementation of a new enterprise-wide information system.

Provision for Income Taxes

The effective income tax rate used in both periods was 38.0%.

LIQUIDITY AND CAPITAL RESOURCES

FISCAL YEARS 1998, 1997 AND 1996

Cash flows from operating activities was $136 million, $143 million and $94 million, in fiscal 1998, 1997 and 1996, respectively. The primary source of funds was from net income excluding depreciation. The significant change between fiscal 1997 and fiscal 1996 amounts was due to changes in working capital as explained below.

The fiscal 1998 cash flow from operating activities reflects a $7 million increase in accounts receivable and an $18 million decrease in inventories resulting from increased sales late in the last fiscal quarter.

The fiscal 1997 cash flow from operating activities reflects an increase in accounts receivable of $11 million and lower inventories of $11 million resulting from increased sales at the end of the fiscal year when compared to the previous year. Also, increased accounts payable of $17 million caused by the timing of payments, increased accrued liabilities of $5 million resulting primarily from increased profit sharing provisions, and increased federal and state income taxes payable of $4 million caused by the timing of payments, all contributed to the cash flows of the Company.

The fiscal 1996 cash flow from operating activities reflects an increase in receivables of $25 million resulting from higher sales at the end of the fiscal year and a decrease in accrued liabilities of $26 million primarily due to decreased profit sharing provisions.

Net cash used in investing activities amounted to $45 million, $51 million and $77 million in fiscal 1998, 1997 and 1996, respectively. Cash flows used in investing activities included additions to plant and equipment of $46 million, $71 million and $78 million in fiscal 1998, 1997 and 1996, respectively. The fiscal 1998 capital expenditures principally related to investment in equipment. The fiscal 1997 capital expenditures related primarily to reinvestment in equipment and new products, while the fiscal 1996 expenditures principally related to the construction of three new engine manufacturing plants and a foundry and plant expansions at existing facilities. The 1997 cash flows from investing activities also included $16 million related to the sale of the Menomonee Falls, Wisconsin facility. The sale of this facility is described under "Other Matters."

Net cash used in financing activities amounted to $119 million, $129 million and $38 million in fiscal 1998, 1997 and 1996, respectively. These financing activities included the repurchase of the Company's common stock, totaling $86 million in 1998 and $179 million in 1997. In each of fiscal 1998 and 1997, $15 million was paid on the 9.21% Senior Notes due 2001. Cash dividends totaled $28 million, $31 million and $30 million in fiscal 1998, 1997 and 1996, respectively. The cash dividends in 1998 were less than those paid in the preceding two years because the common stock repurchase program resulted in less stock outstanding in that year. In fiscal 1997, the Company issued ten-year notes which resulted in $98 million of net proceeds from the offering. The $9 million in proceeds from the exercise of stock options in 1998 was substantially higher than in prior years due to increased option activity.

Future Liquidity and Capital Resources

The Company has in place a $250 million revolving credit facility to be used to fund seasonal working capital requirements and other financing needs. This credit facility expires in April 2002 and contains certain restrictive covenants. Because the Company has been using some available cash in its ongoing stock repurchase program, the Company will be placing more reliance on borrowings to fund working capital needs than it did prior to fiscal 1997. Accordingly, the Company experienced higher interest expense in fiscal 1998, and anticipates interest expense to remain at such higher levels in the future.

In May 1997, the Company filed a shelf registration for $175 million of debt securities to be issued periodically. Of this, $75 million has not yet been issued on the registration statement. The Company may decide to offer all or part of the remaining securities depending on many factors, including general economic conditions, cash required for operations and the timing of the remaining open market repurchases of its common stock.

Management expects capital expenditures to total $72 million in fiscal 1999, consisting of projects which include reinvestment in equipment and new products.

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

FINANCIAL STRATEGY

Management of the Company subscribes to the premise that the value of the Company is enhanced if the capital invested in the Company's operations yields a cash return that is greater than the Company's cost of capital. Given this belief, the Company implemented this financial strategy by means of a "dutch auction" tender offer (described below) and a public debt offering in fiscal 1997. The Company also continued the repurchase of its outstanding common stock in the open market in the 1998 fiscal year. The Company believes this will provide a capital structure that makes greater use of financial leverage without imposing excessive risk on either the Company's shareholders or creditors. The Company also believes that the substitution of lower (after-tax) cost debt for equity in its permanent capital structure will reduce its overall cost of capital and that its profitability and strong cash flows will accommodate the increased use of debt without impairing its ability to finance growth or increase cash dividends per share on its common stock.

In fiscal 1997, the Company's Board of Directors authorized the purchase of up to $300 million of shares of its common stock by means of a tender offer and open market or private transactions. As of June 28, 1998, purchases totaled $264 million. Future purchases will depend on many factors, including the market price of the shares, the Company's business and financial position, and general economic and market conditions. The Company intends to fund any future purchases of its common stock through a combination of available cash, cash generated from operations and additional borrowings.

Also as a part of its financial strategy, subject to the discretion of its Board of Directors and the requirements of applicable law, the Company currently intends to increase future cash dividends per share at a rate approximating the inflation rate.

OTHER MATTERS

Year 2000 Issues

The Company is implementing a new company-wide information system. This new system is expected to address the great majority of information technology year 2000 computer issues. The new system will replace the Company's mainframe computer, which is being retired in early calendar 1999. The new system has been installed and implementation has been completed in approximately one-half of the Company's U.S. operations. Other internal year 2000 issues not directly related to the previously described project are being addressed and tested in parallel with the main project. These are expected to be completed by the middle of the 1999 calendar year.

Project expenditures to date total $26 million. The Company expects to incur an additional $8 million of incremental costs, running through the 2002 fiscal year, because of related projects.

The Company has developed an overall comprehensive Year 2000 Program to address year 2000 issues. This program is based on the Automotive Industry Action Group's model system consisting of five steps: Awareness; Inventory and Assessment; Remediation; Testing; and Readiness Certification. Oversight of the program is the responsibility of a group of senior executives with progress reported to the Company's Board of Directors.

A risk assessment and exposure analysis has been made, and each area has been ranked as high, medium or low. The Company's high risk areas have been identified as information technology systems and infrastructures, customers, suppliers, and financial institutions. The software for a new company-wide information system, which is broad based, has already been installed and is effectively in use for over 50% of company operations. And since remaining operations are substantially similar, management does not anticipate the need to develop an extensive contingency plan for information technology systems.

The non-information technology systems are midway through the assessment phase and remediation is scheduled for completion by mid-calendar year 1999 without material incremental costs anticipated. Based on the assessment of its non-information technology systems to date, the Company currently does not anticipate the need to develop an extensive contingency plan for non-information systems, so it is not expecting to incur material incremental costs to do this.

The Company's largest customers have certified that they will be year 2000 compliant before the end of calendar year 1999, as to their relationships with the Company. The identification of critical vendors has been completed and a survey is scheduled for completion by the first quarter of calendar year 1999. Alternative suppliers will be identified for those not expected to be compliant by the end of 1999, as to their relationships with the Company. The Company's financial institutions are currently being surveyed and it is anticipated that they are year 2000 compliant, or will be before the end of calendar year 1999.

Selected areas, both internal and external, will be tested to assure the integrity of the Company's remediation programs. The testing will be completed by mid-calendar year 1999.

It is anticipated that any requisite changes necessary to become year 2000 compliant will be completed prior to mid-calendar year 1999 and contingency plans will be developed, as necessary, to address unforeseen circumstances prior to the end of calendar year 1999.

The Company believes its Year 2000 Program is adequate to detect in advance year 2000 compliance issues, and that it has the necessary resources to remedy them. However, the year 2000 problem has many aspects and potential consequences, some of which are not reasonably foreseeable, and there can be no assurance that unforeseen consequences will not arise.

Emissions

The U.S. Environmental Protection Agency (EPA) is developing national emission standards under a two phase process for small air cooled engines. The Company currently has a complete product offering which complies with EPA's Phase I engine emission standards. The EPA issued a Notice of Proposed Rulemaking for Phase II emission standards in January of 1998 incorporating the agreement in principle reached between EPA and several engine manufacturers, including the Company. This proposed Phase II program will impose more stringent standards over the useful life of the engine and will be phased in from 2001 to 2005. EPA expects to finalize the Phase II regulation by the end of 1998. While it is impossible to precisely quantify the cost of compliance until the standards are issued, the Company believes compliance with the new standards will not have a material adverse effect on its financial position or results of operations.

The California Air Resources Board (CARB) staff completed a review of the existing Tier II standards and proposed that alternative standards and implementation dates be adopted by CARB. Alternative Tier II standards were adopted by CARB at its March 26, 1998 meeting and are not harmonized with EPA's proposed Phase II, but rather require the accelerated introduction of overhead valve engine technology into California. In addition, individual companies which sell more than a threshold number of Class I engines into California must submit a supplemental compliance plan to CARB to achieve additional reductions in extreme non-attainment areas. While CARB's aggressive program may result in a reduced product offering by the Company in California, it is not anticipated that the California program will have a material effect on the financial condition or results of operations of the Company.

Sale of the Menomonee Falls, Wisconsin Facility

The sale of the Company's Menomonee Falls, Wisconsin facility for approximately $16.0 million was completed during fiscal 1997. The provisions of the contract state that the Company will continue to own and occupy the warehouse portion of the facility for a period of up to ten years (the "Reservation Period"). The contract also contains a buyout clause, at the buyer's option and under certain circumstances, of the remaining Reservation Period. Under the provisions of Statement of Financial Accounting Standards No. 66, "Accounting for Sales of Real Estate," the Company is required to account for this as a financing transaction as the Company continues to have substantial involvement with the facility during the Reservation Period or until the buyout option is exercised. Under this method, the cash received is reflected as a deferred revenue, and the assets and the accumulated depreciation remain on the Company's books. Depreciation expense continues to be recorded each period, and imputed interest expense is also recorded and added to deferred revenue. Offsetting this is the fair value lease income on the non-Company occupied portion of the building. A pretax gain, which will be recognized at the earlier of the exercise of the buyout option or the expiration of the Reservation Period, is estimated to be $10 million to $12 million. The annual cost of operating the warehouse portion of the facility is not material.

New Accounting Pronouncements

In June 1998 the Financial Accounting Standards Board adopted Financial Accounting Standard No. 133 "Accounting for Derivative Instruments and Hedging Activities". This new standard will be effective for the Company in fiscal 2000, and requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Any fair value changes will be recorded in net income or comprehensive income. The Company does not expect that the adoption of this standard will have a material effect on the results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in foreign exchange and interest rates. To reduce the risk from changes in foreign exchange rates, the Company selectively uses financial instruments. The Company does not hold or issue financial instruments for trading purposes.

FOREIGN CURRENCY

The Company's earnings are affected by fluctuations in the value of the U.S. dollar against foreign currencies primarily as a result of purchasing engines from its Japanese joint venture. The Company's foreign subsidiaries' earnings are also influenced by fluctuations of the local currency against the U.S. dollar as these subsidiaries purchase inventory from the parent in U.S. dollars. Forward foreign exchange contracts are used to partially hedge against the earnings effects of such fluctuations. At June 28, 1998, the Company had the following forward foreign exchange contracts outstanding at the Fair Value Gains and (Losses) shown (in thousands):

Currency	Notional Value	U.S. Dollars	Fair Value Gains and (Losses)
Japanese Yen	3,600,000	28,000	($2,200)
Australian Dollars	400	300	60

All of the above contracts expire in less than one year.

Although the Company sells its domestically produced engines to foreign customers in U.S. dollars, the Company has shared some of the currency risk with customers for certain sales transactions. Accordingly, the Company is exposed to fluctuations in foreign exchange rates, primarily related to the U.S. dollar/European Currency Unit rate. Historically, the Company has managed these risks through limitations on the amount of sharing provided to customers. These programs are generally for one year.

Fluctuations in currency exchange rates may also impact the stockholders' equity of the Company. Amounts invested in the Company's non-U.S. subsidiaries are translated into U.S. dollars at the exchange rates in effect at year end. The resulting translation adjustments are recorded in stockholders' equity as cumulative translation adjustments. The dollar was stronger relative to many of the foreign currencies at June 28, 1998 compared to June 29, 1997. Consequently, the cumulative translation adjustments component of stockholders' equity decreased $1.1 million during the year. Using the year-end exchange rates, the total amount invested in subsidiaries at June 28, 1998 was approximately $9.9 million.

INTEREST RATES

The Company is exposed to interest rate fluctuations on its borrowings. The Company manages its interest rate exposure through a combination of fixed and variable rate debt. Depending on general economic conditions, the Company has typically used variable rate debt for short-term borrowings and fixed rate debt for longer-term borrowings.

At June 28, 1998, the Company had the following short-term loans outstanding (amount in thousands):

Currency	Amount	Average Annual Interest Rate
German Mark	19,561	4.52%
British Pounds	140	8.10%
Dutch Guilder	1,715	5.10%
Irish Punt	227	6.90%
Canadian Dollars	2,797	6.50%
Swedish Krona	1,000	8.05%
French Franc	665	5.19%
U.S. Dollars	4,700	5.94%

All of the above loans carry variable interest rates.

Long-term loans consisted of the following (amounts in thousands):

Description	Amount	Maturity
9.21% Senior Notes	$45,000	$15,000 in fiscal 1999, 2000 and 2001

7.25% Notes	98,102	2007

Each of the above loans carries a fixed rate of interest.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS

AS OF JUNE 28, 1998 AND JUNE 29, 1997
(in thousands)

ASSETS	1998	1997
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 84,527	$112,859
Receivables, Less Reserves of $1,537 and $1,522, Respectively	136,629	129,877
Inventories -		
Finished Products and Parts	58,975	83,361
Work in Process	45,217	37,922
Raw Materials	3,684	4,674
Total Inventories	107,876	125,957
Future Income Tax Benefits	31,287	31,602
Prepaid Expenses	21,727	18,121
Total Current Assets	382,046	418,416
DEFERRED INCOME TAX ASSETS	9,555	16,975
CAPITALIZED SOFTWARE	9,881	10,532
PLANT AND EQUIPMENT:		
Land and Land Improvements	15,781	15,548
Buildings	148,868	146,769
Machinery and Equipment	630,043	584,834
Construction in Progress	17,736	49,563
	812,428	796,714
Less - Accumulated Depreciation	420,501	400,448
Total Plant and Equipment, Net	391,927	396,266
	$793,409	$842,189

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

AS OF JUNE 28, 1998 AND JUNE 29, 1997
(in thousands)

LIABILITIES AND SHAREHOLDERS' INVESTMENT	1998	1997
CURRENT LIABILITIES:		

Accounts Payable	$ 76,915	$ 82,166
Domestic Notes Payable	4,700	5,000
Foreign Loans	14,336	13,359
Current Maturities on Long-Term Debt	15,000	15,000
Accrued Liabilities -		
Wages and Salaries	29,502	25,767
Warranty	29,565	27,017
Other	42,398	34,769
Total Accrued Liabilities	101,465	87,553
Federal and State Income Taxes	10,529	10,916
Total Current Liabilities	222,945	213,994
DEFERRED REVENUE ON SALE OF PLANT AND EQUIPMENT	15,893	15,966
ACCRUED PENSION COST	26,477	31,891
ACCRUED EMPLOYEE BENEFITS	12,571	12,324
ACCRUED POSTRETIREMENT HEALTH CARE OBLIGATION	70,933	74,020
LONG-TERM DEBT	128,102	142,897
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' INVESTMENT:		
Common Stock - Authorized 60,000 shares $.01 Par Value, Issued 28,927 in 1998 and 1997	289	289
Additional Paid-In Capital	37,776	40,533
Retained Earnings	533,805	490,682
Cumulative Translation Adjustments	(2,110)	(1,033)
Treasury Stock at cost, 5,103 shares in 1998 and 3,513 in 1997	(253,272)	(179,374)
Total Shareholders' Investment	316,488	351,097
	$ 793,409	$ 842,189

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED JUNE 28, 1998, JUNE 29, 1997 AND JUNE 30, 1996
(in thousands, except per share data)

	1998	1997	1996
NET SALES	$ 1,327,610	$ 1,316,413	$ 1,287,029
COST OF GOODS SOLD	1,072,936	1,095,197	1,025,281
Gross Profit on Sales	254,674	221,216	261,748
ENGINEERING, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	129,986	117,497	108,339
Income from Operations	124,688	103,719	153,409
INTEREST EXPENSE	(19,352)	(9,880)	(10,069)
OTHER INCOME, Net	7,809	5,466	5,712

Income Before Provision for Income Taxes	113,145	99,305	149,052
PROVISION FOR INCOME TAXES	42,500	37,740	56,640
NET INCOME	$ 70,645	$ 61,565	$ 92,412
Average Shares Outstanding	24,666	28,551	28,927
BASIC EARNINGS PER SHARE	$ 2.86	$ 2.16	$ 3.19
Diluted Average Shares Outstanding	24,775	28,678	29,059
DILUTED EARNINGS PER SHARE	$ 2.85	$ 2.15	$ 3.18

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT

FOR THE YEARS ENDED JUNE 28, 1998, JUNE 29, 1997 AND JUNE 30, 1996
(in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Cumulative Translation Adjustments	Treasury Stock
BALANCES, JULY 2, 1995	$ 289	$ 41,698	$ 397,627	$ (136)	$ --
Net Income	--	--	92,412	--	--
Cash Dividends Paid ($1.05 per share)	--	--	(30,373)	--	--
Purchase of Common Stock for Treasury	--	--	--	--	(1,185)
Exercise of Stock Options	--	(800)	--	--	1,185
Currency Translation Adjustments	--	--	--	(212)	--
BALANCES, JUNE 30, 1996	289	40,898	459,666	(348)	--
Net Income	--	--	61,565	--	--
Cash Dividends Paid ($1.09 per share)	--	--	(30,549)	--	--
Purchase of Common Stock for Treasury	--	--	--	--	(179,924)
Exercise of Stock Options	--	(365)	--	--	550
Currency Translation Adjustments	--	--	--	(685)	--
BALANCES, JUNE 29, 1997	289	40,533	490,682	(1,033)	(179,374)
Net Income	--	--	70,645	--	--
Cash Dividends Paid ($1.12 per share)	--	--	(27,522)	--	--
Purchase of Common Stock for Treasury	--	--	--	--	(85,943)
Exercise of Stock Options	--	(2,757)	--	--	12,045
Currency Translation Adjustments	--	--	--	(1,077)	--
BALANCES, JUNE 28, 1998	$ 289	$ 37,776	$ 533,805	$ (2,110)	$(253,272)

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED JUNE 28, 1998, JUNE 29, 1997 AND JUNE 30, 1996
(in thousands)

	1998	1997	1996

CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 70,645	$ 61,565	$ 92,412
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities -			
Depreciation	47,511	43,345	43,032
Amortization of Discount on 7.25% Notes Due 2007	205	17	--
Loss on Disposition of Plant and Equipment	1,973	1,608	2,692
Provision for Deferred Income Taxes	7,735	(16,105)	770
Change in Operating Assets and Liabilities -			
(Increase) in Receivables	(6,752)	(10,531)	(25,230)
Decrease in Inventories	18,081	11,446	3,271
(Increase) in Other Current Assets	(3,606)	(2,396)	(2,895)
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Income Taxes	8,274	25,378	(15,595)
Other, Net	(7,676)	28,590	(3,961)
Net Cash Provided by Operating Activities	136,390	142,917	94,496
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to Plant and Equipment	(45,893)	(71,262)	(77,746)
Proceeds Received on Sale of Plant and Equipment	620	4,133	1,069
Proceeds Received on Sale of Menomonee Falls, Wisconsin Facility	--	15,966	--
Net Cash Used in Investing Activities	(45,273)	(51,163)	(76,677)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net Borrowings (Repayments) on Loans and Notes Payable	677	(1,563)	(6,481)
Net Borrowings on 7.25% Notes Due 2007	--	97,880	--
Repayment on 9.21% Senior Notes Due 2001	(15,000)	(15,000)	--
Cash Dividends Paid	(27,522)	(30,549)	(30,373)
Purchase of Common Stock for Treasury	(85,943)	(179,924)	(1,185)
Proceeds from Exercise of Stock Options	9,288	185	385
Net Cash Used in Financing Activities	(118,500)	(128,971)	(37,654)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(949)	(563)	(174)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,332)	(37,780)	(20,009)
CASH AND CASH EQUIVALENTS:			
Beginning of Year	112,859	150,639	170,648
End of Year	$ 84,527	$ 112,859	$ 150,639
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest Paid	$ 17,989	$ 9,298	$ 10,137
Income Taxes Paid	$ 33,352	$ 49,707	$ 48,865

The accompanying notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 28, 1998, JUNE 29, 1997 AND JUNE 30, 1996

(1) NATURE OF OPERATIONS:

Briggs & Stratton Corporation (the Company) is a U.S. based producer of air cooled gasoline engines. These engines are sold primarily to original equipment manufacturers of lawn and garden equipment and other gasoline engine powered equipment worldwide.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Fiscal Year: The Company's fiscal year consists of 52 or 53 weeks, ending on the Sunday nearest the last day of June in each year. Therefore, the 1998, 1997 and 1996 fiscal years were 52 weeks long. All references to years relate to fiscal years rather than calendar years.

Principles of Consolidation: The consolidated financial statements include the accounts of Briggs & Stratton Corporation and its wholly owned domestic and foreign subsidiaries after elimination of intercompany accounts and transactions.

Accounting Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: This caption includes cash, commercial paper and certificates of deposit. The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Inventories: Inventories are stated at cost, which does not exceed market. The last-in, first-out (LIFO) method was used for determining the cost of approximately 88% of total inventories at June 28, 1998, and 93% at June 29, 1997 and June 30, 1996. The cost for the remaining portion of the inventories was determined using the first-in, first-out (FIFO) method. If the FIFO inventory valuation method had been used exclusively, inventories would have been $48,100,000, $48,894,000 and $48,125,000 higher in the respective years. The LIFO inventory adjustment was determined on an overall basis, and accordingly, each class of inventory reflects an allocation based on the FIFO amounts.

Plant and Equipment and Depreciation:
Plant and equipment is stated at cost, and depreciation is computed using the straight-line method at rates based upon the estimated useful lives of the assets.

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments, which significantly extend the useful lives of existing plant and equipment, are capitalized and depreciated. Upon retirement or disposition of plant and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in other income.

Income Taxes: The Provision for Income Taxes includes Federal, state and foreign income taxes currently payable and those deferred or prepaid because of temporary differences between the financial statement and tax basis of assets and liabilities. The Future Income Tax Benefits represent temporary differences relating to current assets and current liabilities and the Deferred Income Tax Assets represent temporary differences relating to noncurrent assets and liabilities.

Research and Development Costs: Expenditures relating to the development of new products and processes, including significant improvements and refinements to existing products, are expensed as incurred. The amounts charged against income were $19,950,000 in 1998, $19,525,000 in 1997 and $15,019,000 in 1996.

Accrued Employee Benefits: The Company's life insurance program includes payment of a death benefit to beneficiaries of retired employees. The Company accrues for the estimated cost of these benefits over the estimated working life of the employee. Past service costs for all retired employees have been fully provided for. The Company also accrues for the estimated cost of supplemental retirement and death benefit agreements with executive officers.

Advertising Costs: Advertising costs, included in Engineering, Selling, General and Administrative Expenses on the accompanying Consolidated Statement of Earnings, are expensed as incurred. These expenses totaled $7,325,000 in 1998, $7,989,000 in 1997 and $7,066,000 in 1996.

Foreign Currency Translation: Foreign currency balance sheet accounts are translated into United States dollars at the rates of exchange in effect at fiscal year end. Income and expenses are translated at the average rates of exchange in effect during the year. The related translation adjustments are made directly to a separate component of Shareholders' Investment.

Start-Up Costs: It is the Company's policy to expense all start-up costs for new manufacturing plants. Under this policy, the Company expensed $11,660,000 in fiscal 1996.

Capitalized Software: This caption represents costs of software used in the Company's business. Amortization of Capitalized Software is computed on an item-by-item basis over a period of three to ten years, depending on the estimated useful life of the software. Accumulated amortization amounted to $7,137,000 as of June 28, 1998, and $4,442,000 as of June 29, 1997.

Deferred Revenue on Sale of Plant & Equipment: The sale of the Company's Menomonee Falls, Wisconsin facility for approximately $16.0 million was completed at the beginning of the fiscal quarter ended December 29, 1996. The provisions of the contract state that the Company will continue to own and occupy the warehouse portion of the facility for a period of up to ten years (the "Reservation Period"). The contract also contains a buyout clause, at the buyer's option and under certain circumstances, of the remaining Reservation Period. Under the provisions of Statement of Financial Accounting Standards (FAS) No. 66, "Accounting for Sales of Real Estate," the Company is required to account for this as a financing transaction as the Company continues to have substantial involvement with the facility during the Reservation Period or until the buyout option is exercised. Under this method, the cash received is reflected as a deferred revenue, and the assets and the accumulated depreciation remain on the Company's books. Depreciation expense continues to be recorded each period, and imputed interest expense is also recorded and added to deferred revenue. Offsetting this is the imputed fair value lease income on the non-Company occupied portion of the building. A pretax gain, which will be recognized at the earlier of the exercise of the buyout option or the expiration of the Reservation Period, is estimated to be $10 million to $12 million. The annual cost of operating the warehouse portion of the facility is not material.

Derivatives: The Company uses derivative financial instruments to manage its foreign currency and interest rate exposures. Gains and losses relating to hedges of probable transactions with noncontrolled subsidiaries and third parties are deferred and recognized as adjustments of carrying amounts when the transaction occurs. Gains and losses on hedges of transactions that are not probable of occurring and hedges of transactions with controlled subsidiaries are recognized in the Company's results of operations.

Earnings Per Share: The Company adopted Financial Accounting Standard No. 128 during the second quarter of the current fiscal year. The Company's earnings per share were computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share, for each period presented, were computed on the assumption that stock options were exercised at the beginning of the periods reported. The difference between weighted average shares outstanding and diluted average shares outstanding reflects the dilutive effects of stock options.

Earnings per share of common stock are computed based on the weighted average number of shares outstanding during each period. The shares repurchased on May 20, 1997 pursuant to the dutch auction tender offer, which totaled 3,506,190 shares at $51.00 per share, and the Company's ongoing share repurchase program affect the year-to-date comparisons.

(3) INCOME TAXES:
The provision for income taxes consists of the following (in thousands of dollars):

	1998	1997	1996
Current			
Federal	$ 29,295	$ 45,474	$ 46,448
State	4,442	6,723	7,768

Foreign	1,028	1,648	1,654
	34,765	53,845	55,870
Deferred	7,735	(16,105)	770
Total	$ 42,500	$ 37,740	$ 56,640

A reconciliation of the U.S. statutory tax rates to the effective tax rates follows:

	1998	1997	1996
U.S. statutory rate	35.0%	35.0%	35.0%
State taxes, net of Federal tax benefit	3.1%	3.1%	3.4%
Foreign Sales Corporation tax benefit	(.8%)	(.9%)	(.7%)
Other	.3%	.8%	.3%
Effective tax rate	37.6%	38.0%	38.0%

The components of deferred tax assets and liabilities at the end of the fiscal year were (in thousands of dollars):

	1998	1997
Future Income Tax Benefits:		
Inventory	$ 2,212	$ 2,916
Payroll related accruals	3,602	4,244
Warranty reserves	11,531	10,537
Other accrued liabilities	11,542	8,926
Miscellaneous	2,400	4,979
	$ 31,287	$ 31,602

	1998	1997
Deferred Income Taxes:		
Difference between book and tax methods applied to maintenance and supply inventories	$ 11,198	$ 12,464
Pension cost	7,137	9,688
Accumulated depreciation	(53,109)	(50,207)
Accrued employee benefits	8,529	7,904
Postretirement health care obligation	27,664	28,868
Deferred revenue on sale of plant & equipment	6,198	6,226
Miscellaneous	1,938	2,032
	$ 9,555	$ 16,975

The Company has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. These undistributed earnings amounted to approximately $7,300,000 at June 28, 1998. If these earnings were remitted to the U.S., they would be subject to U.S. income tax. However, this tax would be substantially less than the U.S. statutory income tax because of available foreign tax credits.

(4) EXPORT SALES AND SIGNIFICANT CUSTOMERS:
Export sales for fiscal 1998 were $288,510,000 (22% of total sales), for fiscal 1997 were $304,230,000 (23%) and for fiscal 1996 were $323,747,000 (25%). These sales were principally to customers in European countries.

In the fiscal years 1998, 1997 and 1996, there were sales to three major engine customers that exceeded 10% of total Company net sales. The sales to these customers are summarized below (in thousands of dollars and percent of total

Company sales):

<Caption

Customer	1998 Sales	%	1997 Sales	%	1996 Sales	%
A	$235,468	18%	$282,428	21%	$267,257	21%
B	203,931	15%	180,770	14%	177,314	14%
C	165,937	13%	142,840	11%	163,065	13%
	$605,336	46%	$606,038	46%	$607,636	48%

NOTES . . .

(5) INDEBTEDNESS:
The Company has access to a $250,000,000 revolving credit facility (the Credit Facility) which expires in April 2002. The Company also has access to additional domestic lines of credit totaling $18,000,000 which remain in effect until canceled by either party. They provide amounts for short-term use at the then prevailing rate. There are no significant compensating balance requirements for any of these lines, and there were no borrowings at June 28, 1998 using these lines or the Credit Facility.

Borrowings under the Credit Facility by the Company bear interest at a rate per annum equal to, at its option, either:

(1) the higher of (a) the bank's reference rate or (b) 0.5% per annum above the Federal Funds rate; or

(2) LIBOR plus a margin that may be adjusted up or down based on the Company's debt ratings.

The Credit Facility contains certain restrictive covenants that require the Company to maintain certain financial conditions including a maximum limit on the ratio of debt to capital and a minimum fixed charge coverage ratio. The Credit Facility imposes limitations on liens, certain indebtedness, the sales of assets and certain investments.

The following data relates to domestic notes payable (in thousands of dollars):

	1998	1997
Balance at Fiscal Year End	$ 4,700	$ 5,000
Weighted Average Interest Rate at Fiscal Year End	5.94%	5.98%

The lines of credit available to the Company in foreign countries are in connection with short-term borrowings and bank overdrafts used in the normal course of business. These amounts total $15,894,000, expire at various times through December, 1998 and are renewable. None of these arrangements had material commitment fees or compensating balance requirements.

The following information relates to foreign loans (in thousands of dollars):

	1998	1997
Balance at Fiscal Year End	$14,336	$13,359
Weighted Average Interest Rate at		

Fiscal Year End	4.97%	4.49%

The Long-Term Debt caption consists of the following (in thousands of dollars):

	1998	1997
9.21% Senior Notes Due 2001 at Face Amount	$ 45,000	$ 60,000
7.25% Notes Due 2007, Net of Unamortized Discount of $1,898 in 1998 and $2,103 in 1997	98,102	97,897
	$143,102	$157,897
Less Current Maturities	15,000	15,000
Total Long-Term Debt	$128,102	$142,897

The 9.21% Senior Notes are due June 15, 2001. Payments on these notes are due in five equal annual installments beginning in 1997. The notes include covenants that limit total borrowings, require maintenance of a minimum net worth and set certain restrictions on the sale or collateralizing of the Company's assets.

The 7.25% notes are due September 15, 2007. No principal payments are due before that date. These notes have covenants that limit secured funded debt and certain sale-leaseback transactions.

(6) OTHER INCOME:
The components of other income (expense) are (in thousands of dollars):

	1998	1997	1996
Interest income	$ 2,720	$ 3,981	$ 4,477
Loss on the disposition of plant and equipment	(1,973)	(1,608)	(2,692)
Income from joint ventures	5,232	3,026	2,957
Other items	1,830	67	970
Total	$ 7,809	$ 5,466	$ 5,712

(7) COMMITMENTS AND CONTINGENCIES:
The Company is a 50% guarantor on bank loans of two unconsolidated joint ventures. One is in Japan for the manufacture of engines and the second in the United States for the manufacture of parts. These bank loans totaled approximately $6,000,000 at the end of 1998.

Product and general liability claims arise against the Company from time to time in the ordinary course of business. The Company is self-insured for future claims up to $1 million per claim. Accordingly, a reserve is maintained for the estimated costs of such claims. At June 28, 1998 and June 29, 1997, the reserve for product and general liability claims was $5.8 million and $4.6 million, respectively, based on available information. There is inherent uncertainty as to the eventual resolution of unsettled claims. Management, however, believes that any losses in excess of established reserves will not have a material effect on the Company's financial condition or results of operations.

The Company has no material commitments for materials or capital expenditures at June 28, 1998.

(8) STOCK OPTIONS:
The Company has a Stock Incentive Plan under which 3,361,935 shares of common stock have been reserved for issuance. The Company accounts for the plan under

Accounting Principles Board Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for these plans been determined consistent with FAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

	1998	1997	1996
Net Income (in thousands):			
As Reported	$70,645	$61,565	$92,412
Pro Forma	$69,574	$60,777	$91,690
Basic Earnings Per Share:			
As Reported	$2.86	$2.16	$3.19
Pro Forma	$2.82	$2.13	$3.17
Diluted Earnings Per Share:			
As Reported	$2.85	$2.15	$3.18
Pro Forma	$2.81	$2.12	$3.16

Because the FAS No. 123 method of accounting has not been applied to options granted prior to July 2, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

Information on the options outstanding is as follows:

	1996	
	Shares	Wtd. Avg. Ex. Price
Balance, beginning of year	1,169,620	$ 38.41
Granted during the year	600,000	49.08
Exercised during the year	(65,089)	17.07
Balance, end of year	1,704,531	$ 42.98

	1997	
	Shares	Wtd. Avg. Ex. Price
Balance, beginning of year	1,704,531	$ 42.98
Granted during the year	106,550	53.30
Exercised during the year	(24,369)	17.26
Balance, end of year	1,786,712	$ 43.95

	1998	
	Shares	Wtd. Avg. Ex. Price
Balance, beginning of year	1,786,712	$ 43.95
Granted during the year	241,980	65.69
Exercised during the year	(236,873)	35.65
Balance, end of year	1,791,819	$ 47.98

Grant Summary

Fiscal Year	Grant Date	Exercise Price (a)	Date Exercisable	Options Outstanding	Expiration Date
1990	2-20-90	$ 13.014	50%, 1-1-94; 50%, 1-1-95	1,076	2-19-00
1991	2-19-91	14.524	50%, 1-1-95; 50%, 1-1-96	45,010	2-18-01
1992	5-18-92	21.525	50%, 1-1-96; 50%, 1-1-97	111,722	5-17-02
1994	8-16-93	48.369	8-16-96	177,828	8-16-98
1995	8-12-94	45.854	8-12-97	507,653	8-12-99
1996	8-7-95	49.080	8-7-98	600,000	8-7-00
1997	8-6-96	53.300	8-6-99	106,550	8-6-01

1998	8-5-97	65.690	8-5-00	241,980	8-4-02

There were no options granted in fiscal 1993.

(a) Exercise prices of earlier grants have been adjusted as appropriate To reflect a two-for-one stock split in October 1994 and the spin-off of the Company's lock business in February 1995.

The fair value of each option is estimated using the Black-Scholes option pricing model. The grant-date fair market value of the options and assumptions used to determine such value are as follows:

Options granted during	1998	1997	1996
Grant date fair value	$5.98	$5.42	$5.39
Assumptions:			
Risk-free interest rates	6.1%	6.3%	6.4%
Expected volatility	20.4%	20.6%	24.6%
Expected dividend yield	2.6%	2.5%	2.7%
Expected term (in years)	5.0	5.0	5.0

(9) SHAREHOLDER RIGHTS PLAN:
On August 6, 1996, the Board of Directors declared a dividend distribution of one common stock purchase right (a "right") for each share of the Company's common stock outstanding on August 19, 1996. Each right would entitle shareowners to buy one-half of one share of the Company's common stock at an exercise price of $160.00 per full common share, subject to adjustment. The rights are not currently exercisable, but would become exercisable if certain events occurred relating to a person or group acquiring or attempting to acquire 15 percent or more of the outstanding shares of common stock. The rights expire on August 19, 2006, unless redeemed or exchanged by the Company earlier. Rights granted under a previous plan expired July 1, 1996.

(10) FOREIGN EXCHANGE RISK MANAGEMENT:
The Company enters into forward exchange contracts to hedge purchase commitments denominated in foreign currencies. The term of these currency derivatives never exceeds one year and the purpose is to protect the Company from the risk that the eventual dollars being transferred will be adversely affected by changes in exchange rates.

The Company has forward foreign currency exchange contracts to purchase 3.6 billion Japanese yen for $28 million through January, 1999. These contracts are used to hedge the commitments to purchase engines from the Company's Japanese joint venture and accordingly any gain or loss has been deferred at the end of the 1998 fiscal year. The amount deferred was a loss of approximately $2.2 million.

The Company's foreign subsidiaries have the following forward currency contracts outstanding at the end of fiscal 1998:

	In Millions		
Currency	Local Currency	U.S. Dollars	Latest Expiration Date
Australian Dollars	.4	.3	July, 1998

There are no significant gains or losses included in the above amounts.

(11) EMPLOYEE BENEFIT COSTS:

Retirement Plan

The Company has noncontributory, defined benefit retirement plans covering most Wisconsin employees. The following tables summarize the plans' income and expense, actuarial assumptions, and funded status for the three years indicated (dollars in thousands):

	Qualified Plans			Supplemental Plans		
	1998	1997	1996	1998	1997	1996
Income and Expense:						
Service Cost-Benefits Earned During the Year	$ 9,030	$ 11,309	$ 13,143	$ 461	$ 378	$ 456
Interest Cost on Projected Benefit Obligation	43,518	40,990	41,722	1,013	860	926
Actual Return on Plan Assets	(118,434)	(114,303)	(104,872)	(11)	(11)	(9)
Net Amortization, Deferral and Windows	59,121	58,525	51,830	374	395	462
Net Periodic Pension Expense (Income)	$ (6,765)	$ (3,479)	$ 1,823	$ 1,837	$ 1,622	$ 1,835
Actuarial Assumptions:						
Discount Rate Used to Determine Present Value of Projected Benefit Obligation:	7.0%	7.75%	7.75%	7.0%	7.75%	7.75%
Expected Rate of Future Compensation Level Increases	5.0%	5.5%	5.5%	5.0%	5.5%	5.5%
Expected Long-Term Rate of Return on Plan Assets	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Funded Status:						
Actuarial Present Value of Benefit Obligations:						
Vested	$ 539,480	$ 482,712	$ 413,035	$ 12,863	$ 8,869	$ 8,286
Non-Vested	29,638	32,735	34,268	--	--	21
Accumulated Benefit Obligation	569,118	515,447	447,303	12,863	8,869	8,307
Effect of Projected Future Wage and Salary Increases	64,472	82,941	120,083	2,630	3,228	4,766
Projected Benefit Obligation	633,590	598,388	567,386	15,493	12,097	13,073
Plan Assets at Fair Market Value	845,828	767,108	681,819	127	127	126
Plan Assets in Excess of (Less Than) Projected Benefit Obligation	212,238	168,720	114,433	(15,366)	(11,970)	(12,947)
Remaining Unrecognized Net Obligation (Asset) Arising from the Initial Application of SFAS No. 87	(20,739)	(26,006)	(31,321)	--	132	179
Unrecognized Net Loss (Gain)	(207,403)	(164,779)	(75,983)	4,778	2,531	4,494
Unrecognized Prior Service Cost	(1,394)	(2,002)	(2,447)	881	953	1,029
Prepaid (Accrued) Pension Cost	$ (17,298)	$ (24,067)	$ 4,682	$ (9,707)	$ (8,354)	$ (7,245)
Less Current Portion	--	--	--	528	530	511
	$ (17,298)	$ (24,067)	$ 4,682	$ (9,179)	$ (7,824)	$ (6,734)

The Company offered early retirement windows to certain of its Milwaukee union members during the 1995 fiscal year. As a result, $13,806,000 was added to pension expense and $5,253,000 was added to postretirement health care expense in the fourth quarter of the 1995 fiscal year. When the retirements were scheduled to occur in the first fiscal quarter of 1996, a number of these union members canceled their acceptance, and thus credits totaling $3,477,000 were recorded as a change in the original accounting estimate. A second retirement window was offered in fiscal 1997. The cost of this window was additional pension expense of $33,457,000 and additional postretirement health care expense of $3,644,000 in the fourth quarter of the 1997 fiscal year.

During fiscal 1996, the defined benefit pension plan which covered employees at two of the Company's plants was terminated and replaced by a defined contribution retirement plan that includes most U.S. non-Wisconsin employees. The impact of the termination was not material. Under the new plan, the Company will make a contribution on behalf of covered employees equal to 2% of each participant's gross income, as defined. For fiscal years 1998, 1997 and 1996, the cost to the Company was $1,641,000, $1,352,000 and $757,000, respectively.

Most U.S. employees of the Company may participate in a salary reduction deferred compensation retirement plan. The Company makes matching contributions of $.50 for every $1.00 deferred by a participant to a maximum of 1-1/2% or 3% of each participant's salary, depending upon the participant's group. Company contributions totaled $3,918,000 in 1998, $3,944,000 in 1997 and $2,825,000 in 1996.

Postretirement Benefits
The Company records the expected health care and life insurance benefits for employees during the years that the employees render service.

For measurement purposes, a 9% annual rate of increase in the per capita cost of covered health care claims was assumed for the years 1998 through 2000, decreasing gradually to 6% for the year 2007. The health care cost trend rate assumption has a significant effect on the amounts reported. The rates, if changed by one percentage point, would change the accumulated postretirement benefit by $5,704,000 and would change the service and interest cost by $701,000 for the year.

The discount rate used in determining the accumulated postretirement benefit obligations was 7.0% compounded annually. Both the health care and life insurance plans are unfunded.

The components of the accumulated postretirement benefit obligations were (in thousands of dollars):

	Health Care	
	1998	1997
Retirees	$49,307	$51,553
Fully eligible plan participants	2,897	467
Other active participants	30,131	26,961
	82,335	78,981
Unrecognized loss	(6,602)	(161)
	75,733	78,820
Less current portion	4,800	4,800
	$70,933	$74,020

	Life Insurance	
	1998	1997
Retirees	$11,354	$ 9,048
Fully eligible plan participants	1,315	1,720
Other active participants	1,576	1,453
	14,245	12,221
Unrecognized net obligation	(460)	(507)
Unrecognized prior service cost	(756)	(827)
Unrecognized loss	(1,985)	(35)
	11,044	10,852
Less current portion	--	--
	$11,044	$ 10,852

The current portion of the health care component above represents the benefits expected to be paid within the next twelve months and is included in the caption Accrued Liabilities in the accompanying balance sheet. The net health care balance has its own caption in this balance sheet. The life insurance component is included in the caption Accrued Employee Benefits.

NOTES . . .

The net periodic postretirement costs recorded were (in thousands of dollars):

	Health Care		
	1998	1997	1996
Service cost-benefits attributed to service during the year	$1,145	$1,272	$ 1,596
Interest cost on accumulated benefit obligation	5,856	5,226	5,480
Other	--	--	(91)
	$7,001	$6,498	$ 6,985

	Life Insurance		
	1998	1997	1996
Service cost-benefits attributed to service during the year	$ 61	$ 87	$ 90
Interest cost on accumulated benefit obligation	917	964	947
Other	118	118	118
	$1,096	$1,169	$1,155

Postemployment Benefits
The Company also accrues the expected cost of postemployment benefits over the years that the employees render service. These benefits are substantially smaller amounts because they apply only to employees who permanently terminate employment prior to retirement. The items included in this amount are disability payments, life insurance and medical benefits, and these amounts are also discounted using a 7.0% interest rate.

The balance in this reserve at the end of fiscal 1998 was $1,527,000 and at the end of fiscal 1997 was $1,468,000. Both were included in the caption Accrued Employee Benefits in the accompanying balance sheets.

(12) DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:
The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents, Domestic Notes Payable and Foreign Loans: The carrying amount approximates fair value because of the short maturity of those instruments.

Long-Term Debt: The fair value of the Company's long-term debt is estimated based on quotations made on similar issues.

The estimated fair values of the Company's financial instruments are as follows (in thousands of dollars):

	1998	
	Carrying Amount	Fair Value
Cash and cash equivalents	$ 84,527	$ 84,527
Domestic notes payable	$ 4,700	$ 4,700
Foreign loans	$ 14,336	$ 14,336
Long-term debt -		
9.21% Senior Notes due 2001,		

including current maturities	$ 45,000	$ 47,012
7.25% Notes due 2007	$ 98,102	$105,071

	1997	
	Carrying Amount	Fair Value
Cash and cash equivalents	$112,859	$112,859
Domestic notes payable	$ 5,000	$ 5,000
Foreign loans	$ 13,359	$ 13,359
Long-term debt -		
9.21% Senior Notes due 2001,		
including current maturities	$ 60,000	$ 62,885
7.25% Notes due 2007	$ 97,897	$100,531

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of
Briggs & Stratton Corporation:

We have audited the accompanying consolidated balance sheets of Briggs & Stratton Corporation (a Wisconsin Corporation) and subsidiaries as of June 28, 1998 and June 29, 1997, and the related consolidated statements of income, shareholders' investment and cash flows for each of the three years in the period ended June 28, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Briggs & Stratton Corporation and subsidiaries as of June 28, 1998 and June 29, 1997, and the results of their operations and their cash flows for each of the three years in the period ended June 28, 1998, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Milwaukee, Wisconsin,
July 30, 1998.

QUARTERLY FINANCIAL DATA, DIVIDEND AND MARKET INFORMATION (UNAUDITED)

	In Thousands			Per Share of Common Stock			
						Market Price Range on New York Stock Exchange	
Quarter Ended	Net Sales	Gross Profit	Net Income (Loss)	Net Income (Loss)	Dividends Declared	High	Low

FISCAL 1998							
SEPTEMBER	$ 170,557	$ 26,411	$ (2,632)	$ (.10)	$ .28	51-3/8	47-1/8
DECEMBER	308,481	50,897	10,294	.41	.28	53-3/8	47-1/4
MARCH	469,055	94,773	35,778	1.46	.28	49	43-1/8
JUNE	379,517	82,593	27,205	1.13	.28	46-1/4	36-7/8
TOTAL	$ 1,327,610	$ 254,674	$ 70,645	$ 2.86*	$1.12		
Fiscal 1997							
September	$ 161,731	$ 17,969	$ (5,262)	$ (.18)	$ .27	45-7/8	36-1/2
December	299,664	56,857	16,694	.58	.27	44-5/8	39-1/4
March	475,955	107,119	46,514	1.60	.27	46-3/8	43
June	379,063	39,271	3,619	.13	.28	53-5/8	42-5/8
Total	$ 1,316,413	$ 221,216	$ 61,565	$ 2.16*	$1.09		

The number of record holders of Briggs & Stratton Corporation Common Stock on August 20, 1998 was 4,892.

Net Income (Loss) per share of Common Stock represents Basic Earnings per Share.

* See Footnote No. 2 "Summary of Accounting Policies - Earnings per Share" to the Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has not changed independent accountants in the last two years.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information in the Corporation's definitive Proxy Statement, prepared for the 1998 Annual Meeting of Shareholders, concerning directors of the Corporation under the caption "Election of Directors", is incorporated herein by reference. The information concerning "Executive Officers of the Registrant" as a separate item, appears in Part I of this Form 10-K. There is no information required by Item 405 of Regulation S-K to be reported.

ITEM 11. EXECUTIVE COMPENSATION

The information in the Corporation's definitive Proxy Statement, prepared for the 1998 Annual Meeting of Shareholders, concerning this item, in paragraphs two and three under the caption "Election of Directors", in the final two paragraphs of the "Nominating, Compensation and Governance Committee Report on Executive Compensation" and the "Executive Compensation" section, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information in the Corporation's definitive Proxy Statement, prepared for the 1998 Annual Meeting of Shareholders, concerning this item, under captions "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management", is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has no relationships or related transactions to report pursuant to Item 13.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements
The following financial statements are included under the caption "Financial Statements and Supplementary Data" in Part II, Item 8 hereof and are incorporated herein by reference:

Consolidated Balance Sheets, June 28, 1998 and June 29, 1997

For the Years Ended June 28, 1998, June 29, 1997 and June 30, 1996:

Consolidated Statements of Earnings and Shareholders' Investment
Consolidated Statements of Cash Flow
Notes to Consolidated Financial Statements

Report of Independent Public Accountants

2. Financial Statement Schedules
All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions.

3. Exhibits
See Exhibit Index following the Signature Page, which is incorporated herein by reference. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this report is identified in the Exhibit Index by an asterisk following the Exhibit Number.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By /s/ R. H. Eldridge

R. H. Eldridge

September 3, 1998

Executive Vice President and
Chief Financial Officer, Secretary-Treasurer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Frederick P. Stratton, Jr. and Robert H. Eldridge, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.*

/s/ F. P. Stratton, Jr.	/s/ Peter A. Georgescu
- ----------------------------------	----------------------------------

F. P. Stratton, Jr. Chairman and Chief Executive Officer and Director (Principal Executive Officer)	Peter A. Georgescu Director
/s/ Robert H. Eldridge Robert H. Eldridge Executive Vice President and Chief Financial Officer, Secretary-Treasurer and Director (Principal Financial Officer)	/s/ Robert J. O'Toole Robert J. O'Toole Director
/s/ James E. Brenn James E. Brenn Vice President and Controller (Principal Accounting Officer)	/s/ C. B. Rogers, Jr. C. B. Rogers, Jr. Director
/s/ Michael E. Batten Michael E. Batten Director	/s/ John S. Shiely John S. Shiely President and Chief Operating Officer and Director
/s/ E. Margie Filter E. Margie Filter Director	/s/ Charles I. Story Charles I. Story Director

*Each signature affixed as of September 3, 1998.

BRIGGS & STRATTON CORPORATION
(Commission File No. 1-1370)

EXHIBIT INDEX
1998 ANNUAL REPORT ON FORM 10-K

Exhibit Number	Document Description
3.1	Articles of Incorporation. (Filed as Exhibit 3.2 to the Company's Report on Form 10-Q for the quarter ended October 2, 1994, and incorporated by reference herein.)
3.2	Bylaws. (Filed as Exhibit 3.2 to the Company's Registration Statement on Form 8-B dated October 12, 1992 and incorporated by reference herein.)
4.0	Rights Agreement dated as of August 7, 1996, between Briggs & Stratton Corporation and Firstar Trust Company which includes the form of Right Certificate as Exhibit A and the Summary of Rights to Purchase Common Shares as Exhibit B. (Filed as Exhibit 4.1 to the Company's Registration Statement on Form 8-A, dated as of August 7, 1996 and incorporated by reference herein.)
4.1	Indenture dated as of June 4, 1997 between Briggs & Stratton Corporation and Bank One, N.A., as Trustee. (Filed as Exhibit 4.1 to the Company's Report on Form 8-K dated May 30, 1997 and incorporated by reference herein.)
4.2	Form of 7-1/4% Note due September 15, 2007 of Briggs & Stratton Corporation issued pursuant to the Indenture dated as of June 4, 1997 between Briggs & Stratton Corporation and Bank

One, N.A., as Trustee.
(Filed as Exhibit 4.2 to the Company's Report on Form 8-K dated May 30, 1997 and incorporated by reference herein.)

4.3 Resolutions of the Board of Directors of Briggs & Stratton Corporation authorizing the public offering of debt securities of Briggs & Stratton Corporation in an aggregate principal amount of up to $175,000,000.
(Filed as Exhibit 4.3 to the Company's Report on Form 8-K dated May 30, 1997 and incorporated by reference herein.)

4.4 Actions of the Authorized Officers of Briggs & Stratton Corporation authorizing the issuance of $100,000,000 aggregate principal amount of 7-1/4% Notes due September 15, 2007.
(Filed as Exhibit 4.4 to the Company's Report on Form 8-K dated May 30, 1997 and incorporated by reference herein.)

4.5 Officers' Certificate and Company Order of Briggs & Stratton Corporation executed in conjunction with the issuance of $100,000,000 aggregate principal amount of 7-1/4% Notes due September 15, 2007.
(Filed as Exhibit 4.5 to the Company's Report on Form 8-K dated May 30, 1997 and incorporated by reference herein.)

10.0* Forms of Officer Employment Agreements.
(Filed as Exhibit 10.0 to the Company's Report on Form 10-Q for the quarter ended March 29, 1998 and incorporated by reference herein.)

10.1* Survivor Annuity Plan.
(Filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for fiscal year ended June 30, 1986 and incorporated by reference herein.)

10.2* Supplemental Retirement Program.
(Filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for fiscal year ended June 30, 1990 and incorporated by reference herein.)

Exhibit Number	Document Description
10.3(a)*	Economic Value Added Incentive Compensation Plan, as amended and restated effective April 18, 1995. (Filed as Exhibit 10.3 (b) to the Company's Annual Report on Form 10-K for fiscal year ended July 2, 1995 and incorporated by reference herein.)
10.3(b)*	Amendment to Economic Value Added Incentive Compensation Plan. (Filed as Exhibit 10.3 (c) to the Company's Report on Form 10-Q for the quarter ended December 31, 1995 and incorporated by reference herein.)
10.3(c)*	Second Amendment to Economic Value Added Incentive Compensation Plan. (Filed as Exhibit 10.3 (c) to the Company's Annual Report on Form 10-K for fiscal year ended June 29, 1997 and incorporated by reference herein.)
10.4*	Form of Change of Control Employment Agreements. (Filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for fiscal year ended June 27, 1993 and incorporated by reference herein.)
10.5(a)*	Trust Agreement with an independent trustee to provide payments under various compensation agreements with company employees upon the occurrence of a change in control. (Filed as Exhibit 10.5 (a) to the Company's Annual Report on Form 10-K for fiscal year ended July 2, 1995 and incorporated by reference herein.)

10.5(b)* Amendment to Trust Agreement with an independent trustee to provide payments under various compensation agreements with company employees.
(Filed as Exhibit 10.5 (b) to the Company's Annual Report on Form 10-K for fiscal year ended July 2, 1995 and incorporated by reference herein.)

10.6* Stock Incentive Plan.
(Filed as Exhibit A to the Company's 1993 Annual Meeting Proxy Statement, which was filed as Exhibit 100A to the Company's Annual Report on Form 10-K for fiscal year ended June 27, 1993 and incorporated by reference herein.)

10.7(a)* Leveraged Stock Option Program.
(Filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for fiscal year ended June 27, 1993 and incorporated by reference herein.)

10.7(b)* Amendment to Leveraged Stock Option Program.
(Filed as Exhibit 10.7 (b) to the Company's Annual Report on Form 10-K for fiscal year ended July 2, 1995 and incorporated by reference herein.)

10.8* Amended and Restated Deferred Compensation Agreement for Fiscal 1995.
(Filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for fiscal year ended July 2, 1995 and incorporated by reference herein.)

10.9* Deferred Compensation Agreement for Fiscal 1997.
(Filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for fiscal year ended June 30, 1996 and incorporated by reference herein.)

10.10* Deferred Compensation Agreement for Fiscal 1998.
(Filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for fiscal year ended June 29, 1997 and incorporated by reference herein.)

10.11* Deferred Compensation Agreement for Fiscal 1999.
(Filed herewith.)

10.12* Officer Employment Agreement.
(Filed as Exhibit 10.11 to the Company's Report on Form 10-Q for the quarter ended December 31, 1995 and incorporated by reference herein.)

10.13* Deferred Compensation Plan for Directors.
(Filed as Exhibit 10.12 to the Company's Report on Form 10-Q for the quarter ended December 31, 1995 and incorporated by reference herein.)

Exhibit Number	Document Description
10.14*	Director's Leveraged Stock Option Plan. (Filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for fiscal year ended June 29, 1997 and incorporated by reference herein.)
11	Computation of Earnings Per Share of Common Stock. (Filed herewith.)
12	Computation of Ratio of Earnings to Fixed Charges. (Filed herewith.)
21	Subsidiaries of the Registrant. (Filed herewith.)
23	Consent of Independent Public Accountants. (Filed herewith.)

24	Power of Attorney. (Included in the Signatures Page of this report.)
27(a)	Financial Data Schedule, 6/28/98. (Filed herewith.)
27(b)	Restated Financial Data Schedule, 6/29/97. (Filed herewith.)
27(c)	Restated Financial Data Schedule, 6/30/96. (Filed herewith.)

* Management contracts and executive compensation plans and arrangements required to be filed as exhibits pursuant to Item 14 (c) of Form 10-K.

BRIGGS & STRATTON CORPORATION

1998 Annual Report on Form 10-K

EXHIBIT NO. 10.11

DEFERRED COMPENSATION AGREEMENT FOR FISCAL 1999

AGREEMENT made this 2nd day of June, 1998, between Briggs & Stratton Corporation (the "Company") and Frederick P. Stratton, Jr. (the "Executive").

1. Deferral of Compensation. This Agreement shall operate to defer, on an unfunded basis, compensation earned by the Executive as an employee of the Company for the Company's fiscal year ending in 1999, to the extent that such compensation would otherwise be non-deductible under Section 162(m) of the Internal Revenue Code, as amended from time to time. The amount deferred hereunder shall be paid to the Executive as soon as practicable following the Company fiscal year in which the Executive terminates employment with the Company, such payment to be made in one lump sum, or in such other manner as may be agreed upon between the Executive and the Company's Nominating and Salaried Personnel Committee of the Board. Such agreement, if any, must occur before the termination of employment by the Executive, or such payment shall be in a lump sum.

2. Death of Executive. If the Executive dies prior to receiving all funds payable hereunder, the entire unpaid balance shall be paid in the same manner as provided for the Executive under the Company's Economic Value Added Incentive Compensation Plan.

3. Binding Effect. This Agreement has been approved by the Company's Board of Directors and its Nominating and Salaried Personnel Committee, and shall be binding and inure to the benefit of the Company, its successors and assigns and the Executive and his heirs, executors, administrators, and legal representatives.

4. Earnings on Deferrals. On or before June 27, 1999, the Executive shall elect to have any deferrals hereunder credited with earnings in accordance with (a) or (b) below:

   (a) Earnings on a book (unfunded) basis beginning on the date the deferred amount would otherwise have been paid, and continuing thereafter at a rate equal to 80% of the prime rate made available to the best customers of Firstar Bank Milwaukee, N.A., and adjusted and compounded annually as of the last day of each subsequent Company fiscal year until paid;

   (b) Earnings at a rate designed to reflect the performance of Company stock. Under this alternative, the amount deferred shall be converted into shares of phantom Company stock as soon as practicable following the determination of the amount deferred under this Agreement. Each year, the Committee shall determine the amount of dividends that would have been paid on the phantom stock and

convert such dividends into additional shares of phantom stock. Following the conversions described above, the Company shall promptly advise Executive of the number of phantom shares acquired. If Executive chooses this investment alternative, Executive may elect to receive distributions in cash or stock; provided that any stock distributions shall be subject to any necessary approvals under securities laws or exchange requirements.

5. Section 16 Consequences. Executive acknowledges that an election under Section 4(b) above will have implications under Section 16 of the Securities Exchange Act of 1934, including potential Section 16(b) liability if Executive or an affiliate has a matching transaction. Executive acknowledges that he will be responsible for reporting transactions under this Agreement on the applicable Form 4 or Form 5.

6. Unfunded Status of Agreement. It is intended that this Agreement constitute an "unfunded" arrangement for deferred compensation. The Committee may authorize the creation of a trust or other arrangement to meet the obligations created under this Agreement provided, however, that unless the Committee otherwise determines, the existence of such trust or other arrangement is consistent with the "unfunded" status of the Agreement.

7. Miscellaneous. Payment of deferrals hereunder shall be subject to tax or other withholding requirements as may be required by law. The Company's Board, or its Nominating and Salaried Personnel Committee, shall have the power to modify or terminate this Agreement, but only with consent of the Executive.

IN WITNESS WHEREOF, Briggs & Stratton Corporation has caused this Deferred Compensation Agreement to be executed by its duly authorized Director and Frederick P. Stratton, Jr., together with his spouse, Anne Y. Stratton, hereunto have set their hands as of the date first above written.

BRIGGS & STRATTON CORPORATION

By: /s/ C. B. Rogers, Jr.

Clarence B. Rogers, Jr.
Chairman, Nominating and
Salaried Personnel Committee

/s/ F. P. Stratton, Jr.

Frederick P. Stratton, Jr.

/s/ Anne Y. Stratton

Anne Y. Stratton

BRIGGS & STRATTON CORPORATION AND CONSOLIDATED SUBSIDIARIES

EXHIBIT NO. 11

COMPUTATION OF EARNINGS PER SHARE OF COMMON STOCK

	Fiscal Year Ended		
	June 28, 1998	June 29, 1997	June 30, 1996
COMPUTATIONS FOR STATEMENTS OF INCOME			
Net income	$ 70,645	$ 61,565	$ 92,412
Basic earnings per share of common stock:			
Average shares of common stock outstanding	24,666	28,551	28,927
Basic earnings per share of common stock	$ 2.86	$ 2.16	$ 3.19
Diluted earnings per share of common stock:			
Average shares of common stock outstanding	24,666	28,551	28,927
Incremental common shares applicable to common stock options based on the common stock average market price during the period	109	127	132
Average common shares assuming dilution	24,775	28,678	29,059
Fully diluted earnings per average share of common stock, assuming conversion of all applicable securities	$ 2.85	$ 2.15	$ 3.18

BRIGGS & STRATTON CORPORATION

EXHIBIT NO. 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(dollars in thousands)

	Fiscal Year Ended		
	June 28, 1998	June 29, 1997	June 30, 1996
Net income	$ 70,645	$ 61,565	$ 92,412
Add:			
Interest	19,352	9,880	10,069
Income tax expense and other taxes on income	42,500	37,740	56,640
Fixed charges of unconsolidated subsidiaries	510	668	574
Earnings as defined	$133,007	$109,853	$159,695
Interest	$ 19,352	$ 9,880	$ 10,069
Fixed charges of unconsolidated subsidiaries	510	668	574
Fixed Charges as defined	$ 19,862	$ 10,548	$ 10,643
Ratio of earnings to fixed charges	6.7x	10.4x	15.0x

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

EXHIBIT NO. 21
SUBSIDIARIES OF THE REGISTRANT

Subsidiary	State or Country of Incorporation	Percent Voting Stock Owned
Briggs & Stratton AG	Switzerland	100%
Briggs & Stratton Australia Pty. Limited	Australia	100%
Briggs & Stratton Austria GmbH	Austria	100%
Briggs & Stratton Canada Inc.	Canada	100%
Briggs & Stratton Czech Republic s.r.o.	Czech Republic	100%
Briggs & Stratton France, S.A.R.L.	France	100%
Briggs & Stratton Germany GmbH	Germany	100%
Briggs & Stratton International, Inc.	Wisconsin	100%
Briggs & Stratton International Sales Corp.	Virgin Islands	100%
Briggs & Stratton Mexico S.A. de C.V.	Mexico	100%
Briggs & Stratton Netherlands B.V.	Netherlands	100%
Briggs & Stratton New Zealand Limited	New Zealand	100%
Briggs & Stratton Sweden AB	Sweden	100%
Briggs & Stratton U.K. Limited	United Kingdom	100%
Briggs & Stratton Daihatsu, Inc.	Wisconsin	100%
Future Parkland Development, Inc.	Wisconsin	100%

BRIGGS & STRATTON CORPORATION AND SUBSIDIARIES

EXHIBIT NO. 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included (or incorporated by reference) in this Form 10-K, into the Company's previously filed Registration Statements, File No. 33-39113, File No. 333-25271 and File No. 33-54357.

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin,
September 3, 1998.

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