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322.6

Investments

132.1 142.9

Other long-term assets

141.9 195.1

Long-term assets held for sale

– 32.8

Other assets

1,198.5 1,357.0

Total assets

\$4,365.6 \$4,450.3

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

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BRUNSWICK CORPORATION
Consolidated Balance Sheets

(in millions, except share data)	As of December 31	
	2007	2006
Liabilities and shareholders' equity		
Current liabilities		
Current maturities of long-term debt	\$ 0.8	\$ 0.7
Accounts payable	437.3	448.6
Accrued expenses	858.1	748.9
Current liabilities held for sale	—	95.0
Current liabilities	1,296.2	1,293.2
Long-term liabilities		
Debt	727.4	725.7
Deferred income taxes	12.3	86.3
Postretirement benefits	192.8	224.2
Other	244.0	240.4
Long-term liabilities held for sale	—	8.7
Long-term liabilities	1,176.5	1,285.3
Shareholders' equity		
Common stock; authorized: 200,000,000 shares, \$0.75 par value; issued: 102,538,000 shares	76.9	76.9
Additional paid-in capital	409.0	378.7
Retained earnings	1,888.4	1,820.7
Treasury stock, at cost: 15,092,000 and 11,671,000 shares	(428.7)	(315.5)
Accumulated other comprehensive income (loss), net of tax:		
Foreign currency translation	50.8	38.8
Defined benefit plans:		
Prior service costs	(9.2)	(11.2)
Net actuarial losses	(92.6)	(121.7)
Unrealized investment gains (losses)	1.5	(0.2)
Unrealized gains (losses) on derivatives	(3.2)	5.3
Total accumulated other comprehensive loss	(52.7)	(89.0)
Shareholders' equity	1,892.9	1,871.8
Total liabilities and shareholders' equity	\$ 4,365.6	\$ 4,450.3

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

BRUNSWICK CORPORATION
Consolidated Statements of Cash Flows

(in millions)	For the Years Ended December 31		
	2007	Revised 2006	Revised 2005
Cash flows from operating activities			
Net earnings	\$ 111.6	\$ 133.9	\$ 385.4
Less: net earnings (loss) from discontinued operations	32.0	(129.3)	14.3
Net earnings from continuing operations	79.6	263.2	371.1
Depreciation and amortization	180.1	167.3	156.3
Changes in noncash current assets and current liabilities			
Change in accounts and notes receivable	(45.9)	(4.3)	(9.5)
Change in inventory	(42.9)	(28.7)	(22.8)
Change in prepaid expenses and other	3.3	0.8	0.9
Change in accounts payable	(13.5)	9.5	29.7
Change in accrued expenses	102.5	(70.1)	(51.9)
Income taxes	6.4	(25.5)	(3.1)
Impairment charges	66.4	-	-
Other, net	8.1	38.8	(49.1)
Net cash provided by operating activities of continuing operations	344.1	351.0	421.6
Net cash used for operating activities of discontinued operations	(29.8)	(35.7)	11.3
Net cash provided by operating activities	314.3	315.3	432.9
Cash flows from investing activities			
Capital expenditures	(207.7)	(205.1)	(223.8)
Acquisitions of businesses, net of cash acquired	(6.2)	(86.2)	(130.3)
Investments	4.1	6.1	(18.1)
Proceeds from investment sale	-	-	57.9
Proceeds from the sale of property, plant and equipment	10.1	7.2	13.4
Other, net	25.6	(0.4)	(1.2)
Net cash used for investing activities of continuing operations	(174.1)	(278.4)	(302.1)
Net cash provided by (used for) investing activities of discontinued operations	75.6	(5.5)	(20.7)
Net cash used for investing activities	(98.5)	(283.9)	(322.8)
Cash flows from financing activities			
	-	(0.2)	(0.6)

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Net repayments of commercial paper and other short-term debt				
Net proceeds from issuance of long-term debt	0.7		250.3	1.3
Payments of long-term debt including current maturities	(0.9)		(251.1)	(6.7)
Cash dividends paid	(52.6)		(55.0)	(57.3)
Stock repurchases	(125.8)		(195.6)	(76.0)
Stock options exercised	10.8		15.9	17.1
Net cash used for financing activities of continuing operations	(167.8)		(235.7)	(122.2)
Net cash used for financing activities of discontinued operations	—		—	—
Net cash used for financing activities	(167.8)		(235.7)	(122.2)
Net increase (decrease) in cash and cash equivalents	48.0		(204.3)	(12.1)
Cash and cash equivalents at January 1	283.4		487.7	499.8
Cash and cash equivalents at December 31	\$ 331.4	\$	283.4	\$ 487.7
Supplemental cash flow disclosures:				
Interest paid	\$ 54.8	\$	61.2	\$ 54.6
Income taxes paid, net	\$ 6.7	\$	72.0	\$ 113.4

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

BRUNSWICK CORPORATION
Consolidated Statements of Shareholders' Equity

(in millions, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Unearned Compensation and Other	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2004	\$ 76.9	\$ 358.8	\$ 1,413.7	\$ (76.5)	\$ (6.3)	\$ (54.3)	\$ 1,712.3
Net earnings	—	—	385.4	—	—	—	385.4
Translation adjustments, net of tax	—	—	—	—	—	(18.1)	(18.1)
Realized gain from investment sale, net of tax	—	—	—	—	—	(24.2)	(24.2)
Unrealized investment gains, net of tax	—	—	—	—	—	0.9	0.9
Unrealized gains on derivatives, net of tax	—	—	—	—	—	19.9	19.9
Minimum pension liability adjustment, net of tax	—	—	—	—	—	9.7	9.7
Comprehensive income (loss)	—	—	385.4	—	—	(11.8)	373.6
Dividends (\$0.60 per common share)	—	—	(57.3)	—	—	—	(57.3)
Stock repurchases	—	—	—	(76.0)	—	—	(76.0)
Tax benefit relating to stock options	—	5.6	—	—	—	—	5.6
Compensation plans and other	—	3.9	—	16.5	0.2	—	20.6
Balance, December 31, 2005	76.9	368.3	1,741.8	(136.0)	(6.1)	(66.1)	1,978.8
Net earnings	—	—	133.9	—	—	—	133.9
Translation adjustments, net of tax	—	—	—	—	—	24.7	24.7
Unrealized investment losses, net of tax	—	—	—	—	—	(0.1)	(0.1)
Unrealized losses on derivatives, net of tax	—	—	—	—	—	(2.6)	(2.6)
	—	—	—	—	—	15.8	15.8

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Minimum pension liability adjustment, net of tax

Comprehensive income	—	—	133.9	—	—	37.8	171.7
Adoption of FASB Statement No. 158, net of tax	—	—	—	—	—	(60.7)	(60.7)
Dividends (\$0.60 per common share)	—	—	(55.0)	—	—	—	(55.0)
Stock repurchases	—	—	—	(195.6)	—	—	(195.6)
Tax benefit relating to stock options	—	2.9	—	—	—	—	2.9
Adoption of FASB Statement No. 123(R)	—	(6.1)	—	—	6.1	—	—
Compensation plans and other	—	13.6	—	16.1	—	—	29.7
Balance, December 31, 2006	76.9	378.7	1,820.7	(315.5)	—	(89.0)	1,871.8
Net earnings	—	—	111.6	—	—	—	111.6
Translation adjustments, net of tax	—	—	—	—	—	12.0	12.0
Unrealized investment gains, net of tax	—	—	—	—	—	1.7	1.7
Unrealized losses on derivatives, net of tax	—	—	—	—	—	(8.5)	(8.5)
Defined benefit plans:							
Prior service costs, net of tax	—	—	—	—	—	2.0	2.0
Net actuarial gains, net of tax	—	—	—	—	—	29.1	29.1
Comprehensive income	—	—	111.6	—	—	36.3	147.9
Adoption of FASB Interpretation No. 48	—	—	8.7	—	—	—	8.7
Dividends (\$0.60 per common share)	—	—	(52.6)	—	—	—	(52.6)
Stock repurchases	—	—	—	(125.8)	—	—	(125.8)
Tax benefit relating to stock options	—	1.2	—	—	—	—	1.2
Compensation plans and other	—	29.1	—	12.6	—	—	41.7
Balance, December 31, 2007	\$ 76.9	\$ 409.0	\$ 1,888.4	\$ (428.7)	\$ —	\$ (52.7)	\$ 1,892.9

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Note 1 – Significant Accounting Policies

Basis of Presentation. The consolidated financial statements of Brunswick Corporation (Brunswick or the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain previously reported amounts have been reclassified to conform to the current-period presentation. As indicated in Note 2 – Discontinued Operations, Brunswick’s results as discussed in the financial statements reflect continuing operations only, unless otherwise noted.

Revisions. For the year ended December 31, 2007, the Company changed its presentation of the consolidated statements of cash flows to include net earnings and net earnings (loss) from discontinued operations. Accordingly, the Company revised the 2006 and 2005 consolidated statements of cash flows. Net cash flows from operating, investing and financing activities have not changed.

Principles of Consolidation. The consolidated financial statements of Brunswick include the accounts of all consolidated domestic and foreign subsidiaries, after eliminating transactions between the Company and such subsidiaries.

Use of Estimates. The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates. Actual results could differ materially from those estimates. These estimates affect:

- The reported amounts of assets and liabilities;
- The disclosure of contingent assets and liabilities at the date of the financial statements; and
- The reported amounts of revenues and expenses during the reporting periods.

Estimates in these consolidated financial statements include, but are not limited to:

- Allowances for doubtful accounts;
- Inventory valuation reserves;
- Reserves for dealer allowances;
- Warranty related reserves;
- Losses on litigation and other contingencies;
- Environmental reserves;
- Insurance reserves;
- Income tax reserves;

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- Reserves related to restructuring activities; and
 - Postretirement benefit liabilities.

The Company records a reserve when it is probable that a loss has been incurred and the loss can be reasonably estimated. The Company establishes its reserve based on its best estimate within a range of losses. If the Company is unable to identify the best estimate, the Company records the minimum amount in the range.

Cash and Cash Equivalents. The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Accounts Receivable and Allowance for Doubtful Accounts. The Company carries its accounts receivable at their face amounts less an allowance for doubtful accounts. On a regular basis, the Company records an allowance for uncollectible receivables based upon known bad debt risks and past loss history, customer payment practices and economic conditions. Actual collection experience may differ from the current estimate of net receivables. A change to the allowance for doubtful accounts may be required if a future event or other change in circumstances result in a change in the estimate of the ultimate collectibility of a specific account.

Accounts receivable also include domestic accounts receivable sold with full and partial recourse by Brunswick's Marine Engine segment to Brunswick Acceptance Company LLC, as discussed in Note 9 – Financial Services. As of December 31, 2007 and 2006, the Company had a retained interest in \$46.4 million and \$31.5 million of the total outstanding accounts receivable sold to BAC, respectively, as a result of recourse provisions. The Company's maximum exposure as of December 31, 2007 and 2006, related to these amounts was \$28.9 million and \$16.9 million, respectively. In accordance with Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," the Company treats the sale of receivables in which the Company retains an interest as a secured obligation. Accordingly, the amount of receivables subject to recourse was recorded in Accounts and notes receivable with an offsetting amount recorded in Accrued expenses in the Consolidated Balance Sheets. These balances are included in the amounts in Note 11 – Commitments and Contingencies.

Inventories. Inventories are valued at the lower of cost or market, with market based on replacement cost or net realizable value. Approximately 63 percent and 62 percent of Brunswick's inventories were determined by the first-in, first-out method (FIFO) at December 31, 2007 and 2006, respectively. Inventories valued at the last-in, first-out method (LIFO), which results in a better matching of costs and revenue, were \$116.2 million and \$107.6 million lower than the FIFO cost of inventories at December 31, 2007 and 2006, respectively. Inventory cost includes material, labor and manufacturing overhead.

Property. Property, including major improvements and product tooling costs, is recorded at cost. Product tooling costs principally comprise the cost to acquire and construct various long-lived molds, dies and other tooling owned by the Company and used in its manufacturing processes. Design and prototype development costs associated with product tooling are expensed as incurred. Maintenance and repair costs are also expensed as incurred. Depreciation is recorded over the estimated service lives of the related assets, principally using the straight-line method. Buildings and improvements are depreciated over a useful life of five to forty years. Equipment is depreciated over a useful life of two to twenty years. Product tooling costs are amortized over the shorter of the useful life of the tooling or the useful life of the applicable product, for a period not to exceed eight years. Gains and losses recognized on the sale of property are included in Selling, general and administrative (SG&A) expenses. The amount of gains and losses included in SG&A for the years ended December 31 was as follows:

(in millions)	2007	2006	2005
Gains on the sale of property	\$ 4.2	\$ 3.3	\$ 7.1
Losses on the sale of property	(2.5)	(2.2)	(2.2)
Net gains on sale of property	\$ 1.7	\$ 1.1	\$ 4.9

Software Development Costs. The Company expenses all software development and implementation costs incurred until the Company has determined that the software will result in probable future economic benefit and management has committed to funding the project. Once this is determined, external direct costs of material and services, payroll-related costs of employees working on the project and related interest costs incurred during the application development stage are capitalized. These capitalized costs are amortized over three to seven years. Training costs and costs to re-engineer business processes are expensed as incurred.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Goodwill and Other Intangibles. Goodwill and other intangible assets primarily result from business acquisitions. The excess of cost over net assets of businesses acquired is recorded as goodwill. Under SFAS No. 142, “Goodwill and Other Intangible Assets,” (SFAS 142), while amortization of goodwill and indefinite-lived intangible assets is no longer permitted, these accounts must be reviewed annually for impairment. The impairment test for goodwill is a two-step process. The first step is to identify when goodwill impairment has occurred by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The Company considers the Boat segment, Marine Engine segment, Fitness segment, bowling products business, bowling retail business and billiards business to be reporting units for goodwill testing. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill test is performed to measure the amount of the impairment loss, if any. In this second step, the implied fair value of the reporting unit’s goodwill is compared with the carrying amount of the goodwill. If the carrying amount of the reporting unit’s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill.

The Company’s primary intangible assets are customer relationships and trademarks acquired in business combinations. The costs of amortizable intangible assets are amortized over their expected useful lives, typically between 3 and 15 years, to their estimated residual values using the straight-line method. Intangible assets that are subject to amortization are evaluated for impairment using a process similar to that used to evaluate long-lived assets described below. Intangible assets not subject to amortization are assessed for impairment at least annually and as triggering events may occur. The impairment test for indefinite-lived intangible assets consists of a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset. The fair value of trademarks is measured using a relief-from-royalty approach, which assumes the value of the trademark is the discounted cash flows of the amount that would be paid had the Company not owned the trademark and instead licensed the trademark from another company.

The Company tests indefinite-lived intangible assets (which consist of acquired trade names) and goodwill for impairment in the fourth quarter of each year unless triggering events suggest that the assets may be impaired. During the third quarter of 2007, the Company experienced continued declines in marine industry demand and revised its strategic plan accordingly. This decline has led to reduced revenue forecasts and adverse adjustments to projected royalty rates for certain trade names which, in turn, indicated that certain outboard boat trade names were subject to impairment. The Company performed an impairment analysis in the third quarter, resulting in a \$66.4 million pre-tax impairment charge or \$41.5 million, after-tax, in the Boat Segment. Refer to Note 7 – Goodwill and Other Intangible Assets for further details.

Effective December 31, 2006, the Company adopted the provisions of SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R),” (SFAS 158), eliminating the minimum liability concept under which any adjustments to recognize the Company’s additional minimum liability were offset with the recognition of an intangible asset. Refer to Note 15 – Postretirement Benefits for further details regarding the Company’s adoption of SFAS 158.

Investments. For investments in which Brunswick owns or controls from 20 percent to 50 percent of the voting shares, which includes all of Brunswick’s unconsolidated joint venture investments, the equity method of accounting is used. The Company’s share of net earnings or losses from equity method investments is included in the Consolidated Statements of Income. The Company accounts for its long-term investments that represent less than 20 percent

ownership using SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," (SFAS 115). The Company has investments in certain equity securities that have readily determinable market values and are being accounted for as available-for-sale equity investments in accordance with SFAS 115. Therefore, these investments are recorded at fair market value with changes reflected in Accumulated other comprehensive income (loss), a component of Shareholders' equity, on an after-tax basis.

Other investments for which the Company does not have the ability to exercise significant influence and for which there is not a readily determinable market value are accounted for under the cost method of accounting. The Company periodically evaluates the carrying value of its investments, and at December 31, 2007 and 2006, such investments were recorded at the lower of cost or fair value.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Long-Lived Assets. In accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” the Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful lives of its definite-lived intangible assets, excluding goodwill, and other long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable. The Company tested its long-lived asset balances for impairment as triggering events occurred during 2007 and 2006, resulting in impairment charges of \$4.8 million and \$1.8 million, respectively.

Other Long-Term Assets. Other long-term assets include pension assets, which are discussed in Note 15 – Postretirement Benefits, and long-term notes receivable. Long-term notes receivable include cash advances made to customers, principally boat builders and fitness equipment customers, or their owners, in connection with long-term supply arrangements. These transactions have occurred in the normal course of business and are backed by secured or unsecured notes receivable. Credits earned by these customers through qualifying purchases are applied to the outstanding note balance in lieu of payment. The reduction in the note receivable balance is recorded as a reduction in the Company’s sales revenue as a sales discount. In the event sufficient product purchases are not made, the outstanding balance remaining under the notes is subject to full collection. Amounts outstanding related to these arrangements as of December 31, 2007 and 2006, totaled \$25.2 million and \$32.8 million, respectively. One boat builder customer and its owner comprised approximately 50 percent and 53 percent of both of these amounts as of December 31, 2007 and 2006, respectively.

Other long-term notes receivable also include leases and other long-term receivables originated by the Company and assigned to third parties. As of December 31, 2007 and 2006, these amounts totaled \$57.6 million and \$108.5 million, respectively. Under SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” the assignment is treated as a secured obligation as a result of the Company’s commitment to repurchase the obligation in the event of customer non-payment. Accordingly, these amounts were recorded in the Consolidated Balance Sheets under Other long-term assets and Long-term liabilities — Other.

Revenue Recognition. Brunswick’s revenue is derived primarily from the sale of boats, marine engines, marine parts and accessories, fitness equipment, bowling products and billiards tables. Revenue is recognized in accordance with the terms of the sale, primarily upon shipment to customers, once the sales price is fixed or determinable and collectibility is reasonably assured. Brunswick offers discounts and sales incentives that include retail promotional activities, rebates and manufacturer coupons. The estimated liability for sales incentives is recorded at the later of when the program has been communicated to the customer or at the time of sale in accordance with Emerging Issues Task Force (EITF) No. 01-9, “Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of a Vendor’s Products).” Revenues from freight are included as a part of Net sales in the Consolidated Statements of Income, whereas shipping, freight and handling costs are included in Cost of sales.

Advertising Costs. Advertising and promotion costs, included in SG&A expenses, are expensed when the advertising first takes place. Advertising and promotion costs were \$71.8 million, \$67.7 million and \$65.8 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Foreign Currency. The functional currency for the majority of Brunswick’s operations is the U.S. dollar. All assets and liabilities of operations with a functional currency other than the U.S. dollar are translated at current rates. The resulting translation adjustments are charged to Accumulated other comprehensive income (loss) in the Consolidated Statements of Shareholders’ Equity, net of tax. Revenues and expenses of operations with a functional currency other than the U.S. dollar are translated at the average exchange rates for the period.

Comprehensive Income. Accumulated other comprehensive income (loss) includes prior service costs and net actuarial gains and losses for defined benefit plans, currency translation adjustments and unrealized derivative and investment gains and losses, all net of tax. The net effect of these items reduced Shareholders' equity on a cumulative basis by \$52.7 million and \$89.0 million as of December 31, 2007 and 2006, respectively. The change from 2006 to 2007 was primarily due to a net decrease in actuarial losses and recognition of prior service costs related to the Company's pension and postretirement benefit plans totaling \$31.1 million and favorable foreign currency translation adjustments of \$12.0 million. These items were partially offset by an increase in unrealized losses on derivatives of \$8.5 million. The tax effect included in Accumulated other comprehensive income (loss) was \$42.5 million and \$59.5 million for the years ended December 31, 2007 and 2006, respectively.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

The \$60.7 million decrease to Accumulated other comprehensive income (loss) resulting from the Company's adoption of SFAS 158 at December 31, 2006, included the elimination of the Company's \$72.2 million minimum pension liability, offset by the recognition of prior service costs and net actuarial losses of \$11.2 million and \$121.7 million, net of tax, respectively. Refer to Note 15 – Postretirement Benefits for further details regarding the Company's adoption of SFAS 158.

Stock-Based Compensation. On January 1, 2006, the Company adopted the provisions of SFAS No. 123 (revised 2004), "Share-Based Payment," (SFAS 123R), which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS 123R supersedes Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and amends SFAS No. 95, "Statement of Cash Flows." SFAS 123R requires all share-based payments to employees, including grants of stock options and the compensatory elements of employee stock purchase plans, to be recognized in the income statement based upon their fair values. Share-based employee compensation cost (benefit) is recognized as a component of selling, general and administrative expense in the Consolidated Statements of Income. See Note 16 – Stock Plans and Management Compensation for a description of the Company's accounting for stock-based compensation plans.

Derivatives. The Company uses derivative financial instruments to manage its risk associated with movements in foreign currency exchange rates, interest rates and commodity prices. These instruments are used in accordance with guidelines established by the Company's management and are not used for trading or speculative purposes. All derivatives are recorded on the consolidated balance sheet at fair value. See Note 12 – Financial Instruments for further discussion.

Recent Accounting Pronouncements. In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," (SFAS 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of SFAS 157 is not expected to have a material impact on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" (SFAS 159). SFAS 159 permits entities to choose to measure certain financial assets and financial liabilities at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected are to be reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company does not believe that the adoption of SFAS 159 will have a material impact on its financial statements.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" (SFAS 141(R)). SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, the goodwill acquired and any noncontrolling interest in the acquiree. This statement also establishes disclosure requirements to enable the evaluation of the nature and financial effect of the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact that the adoption of SFAS 141(R) will have on the financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" (SFAS 160). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a

noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. The Company is currently evaluating the impact that the adoption of SFAS 160 will have on the financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes ", which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 also provides guidance on the derecognition of uncertain positions, financial statement classification, accounting for interest and penalties, accounting for interim periods and adds new disclosure requirements. FIN 48 is effective as of the beginning of an entity's first fiscal year that begins after December 15, 2006. The Company adopted this Interpretation on January 1, 2007 and the effects of the adoption are discussed in Note 10 – Income Taxes.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Note 2 – Discontinued Operations

On April 27, 2006, the Company announced its intention to sell the majority of its Brunswick New Technologies (BNT) business unit, which consisted of the Company's marine electronics, portable navigation device (PND) and wireless fleet tracking businesses. Accordingly, the Company has reported these BNT businesses as discontinued operations in accordance with the criteria of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," related to the classification of assets to be disposed of by sale. These criteria include reclassifying the operations of BNT for all periods presented. In 2007, the Company completed the disposition of the businesses comprising BNT.

In March 2007, Brunswick completed the sales of BNT's marine electronics and PND businesses to Navico International Ltd. and MiTAC International Corporation, respectively, for net proceeds of \$40.6 million. A \$4.0 million after-tax gain was recognized with the divestiture of these businesses in 2007.

In July 2007, the Company completed the sale of BNT's wireless fleet tracking business to Navman Wireless Holdings L.P. for net proceeds of \$28.8 million, resulting in an after-tax gain of \$25.8 million.

The Company has now completed the divestiture of the BNT discontinued operations. With the net asset impairment taken prior to the disposition of the BNT business in the fourth quarter of 2006 of \$85.6 million, after-tax, and the subsequent 2007 gains of \$29.8 million, after-tax, on the BNT business sales, the net impact to the Company of these dispositions was a net loss of \$55.8 million, after-tax.

The following table discloses the results of operations for BNT, including the gain on the divestitures, reported as discontinued operations for years ended December 31, 2007, 2006 and 2005, respectively:

(in millions)	2007	2006	2005
Net sales	\$ 99.7	\$ 306.3	\$ 325.0
Earnings (loss) before income taxes (A)	(2.4)	(138.9)	9.9
Income tax (benefit) provision	(4.6)	(9.6)	(4.4)
Earnings (loss) from operations	2.2	(129.3)	14.3
Gain on divestitures, net of tax(B)	29.8	—	—
Net earnings (loss)	\$ 32.0	\$ (129.3)	\$ 14.3

(A) Earnings (loss) before income taxes in 2006 include a pre-tax impairment charge of \$73.9 million with an after-tax effect of \$85.6 million.

(B) The Gain on divestitures in 2007 includes pre-tax net gains of \$26.3 million and net tax benefits of \$3.5 million.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

There are no remaining net assets available for sale as of December 31, 2007. The following table reflects the financial position of the net assets of BNT disaggregated and reported as discontinued operations as of December 31, 2006:

(in millions)	December 31, 2006
Accounts receivable	\$ 51.5
Inventory	52.5
Other current assets	1.5
Total current assets	105.5
Goodwill and intangible assets	19.8
Investments	6.1
Property, plant and equipment	6.9
Total assets	138.3
Accounts payable	46.4
Accrued expenses	48.6
Total current liabilities	95.0
Long-term liabilities	8.7
Total liabilities	103.7
Net assets	\$ 34.6

Note 3 – Restructuring Activities

In November 2006, Brunswick announced initiatives to improve the Company's cost structure, better utilize overall capacity and improve general operating efficiencies. These actions reflect the Company's response to difficult marine market conditions, as the Company continues to reduce production volumes to achieve appropriate dealer pipeline inventories, and include the consolidation of certain boat manufacturing facilities, sales offices and distribution warehouses, as well as reductions in the Company's global workforce. In addition, these efforts include the streamlining of certain sales and other operations throughout the Company.

The Company announced further initiatives in 2007 to consolidate certain boat manufacturing facilities in connection with the purchase of a manufacturing facility in North Carolina, close a manufacturing facility in Mississippi and shift boat production to Indiana and Minnesota, and eliminate assembly operations for certain engines in Europe.

BRUNSWICK CORPORATION

Notes

Restructuring charges recorded during 2007 were included in the Consolidated Statements of Income as follows:

(in millions)	Boat Segment	Marine Engine Segment	Fitness Segment	Bowling & Billiards Segment	Corporate	Total
Cost of sales:						
Severance	\$ 0.7	\$ 1.6	\$ —	\$ —	\$ —	2.3
Asset write-downs	2.0	—	—	—	—	2.0
Facility closures and other	8.8	1.5	—	—	—	10.3
Total	11.5	3.1	—	—	—	14.6
Selling, general and administrative expense:						
Severance	2.9	0.3	—	—	0.1	3.3
Asset write-downs	—	—	—	2.8	—	2.8
Other	1.5	—	—	—	—	1.5
Total	4.4	0.3	—	2.8	0.1	7.6
Total restructuring charges	\$ 15.9	\$ 3.4	\$ —	\$ 2.8	\$ 0.1	\$ 22.2

Restructuring charges recorded during 2006 were included in the Consolidated Statements of Income as follows:

(in millions)	Boat Segment	Marine Engine Segment	Fitness Segment	Bowling & Billiards Segment	Corporate	Total
Cost of sales:						
Severance	\$ 0.6	\$ 3.0	\$ —	\$ 0.9	\$ —	4.5
Asset write-downs	0.5	—	—	—	—	0.5
Other	0.3	2.3	—	—	—	2.6
Total	1.4	5.3	—	0.9	—	7.6
Selling, general and administrative expense:						
Severance	1.5	3.2	—	0.5	0.7	5.9
Asset write-downs	0.4	0.9	—	1.3	—	2.6
Other	0.9	0.1	—	—	—	1.0
Total	2.8	4.2	—	1.8	0.7	9.5
Equity earnings:						
Asset write-downs	—	—	—	1.8	—	1.8
Total restructuring charges	\$ 4.2	\$ 9.5	\$ —	\$ 4.5	\$ 0.7	\$ 18.9

The Company anticipates that it will incur total costs of approximately \$48 million under these initiatives, which will be completed in 2008. The remaining \$7 million of restructuring costs under these initiatives are all expected to occur in the Boat segment during 2008.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Note 4 – Earnings per Common Share

The Company calculates earnings per share in accordance with SFAS No. 128, "Earnings per Share." Basic earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated similarly, except that the calculation includes the dilutive effect of stock options and nonvested stock awards. Weighted average basic shares decreased by 4.2 million shares in 2007 compared with 2006, primarily due to the share repurchase program (as discussed in Note 19 – Share Repurchase Program). The decrease was partially offset by shares issued upon the exercise of employee stock options. Average basic shares decreased by 3.6 million in 2006 compared with 2005, primarily due to the share repurchase program and partially offset by shares issued upon the exercise of employee stock options.

Basic and diluted earnings per share for the years ended December 31, 2007, 2006 and 2005 are calculated as follows:

(in millions, except per share data)	2007	2006	2005
Net earnings from continuing operations	\$ 79.6	\$ 263.2	\$ 371.1
Net earnings (loss) from discontinued operations, net of tax	32.0	(129.3)	14.3
Net earnings	\$ 111.6	\$ 133.9	\$ 385.4
Average outstanding shares – basic	89.8	94.0	97.6
Dilutive effect of common stock equivalents	0.4	0.7	1.2
Average outstanding shares – diluted	90.2	94.7	98.8
Basic earnings (loss) per share			
Continuing operations	\$ 0.88	\$ 2.80	\$ 3.80
Discontinued operations	0.36	(1.38)	0.15
Net earnings	\$ 1.24	\$ 1.42	\$ 3.95
Diluted earnings (loss) per share			
Continuing operations	\$ 0.88	\$ 2.78	\$ 3.76
Discontinued operations	0.36	(1.37)	0.14
Net earnings	\$ 1.24	\$ 1.41	\$ 3.90

As of December 31, 2007, there were 4.2 million options outstanding, of which 2.4 million were exercisable. As of December 31, 2007, 2006 and 2005, there were 2.9 million, 2.0 million and 0.8 million, respectively, of common stock options outstanding excluded from the computation of diluted earnings per share as the exercise price of the options was greater than the average market price of the Company's shares for the period then ended.

Note 5 – Segment Information

Brunswick is a manufacturer and marketer of leading consumer brands, and operates in four reportable segments: Boat, Marine Engine, Fitness and Bowling & Billiards. The Company's segments are defined by management reporting structure and operating activities.

The Boat segment designs, manufactures and markets fiberglass pleasure boats, high-performance boats, offshore fishing boats and aluminum fishing, deck and pontoon boats, which are sold primarily through dealers. The segment also owns and operates marine parts and accessories distribution and manufacturing businesses. The Boat segment's products are manufactured primarily in the United States. Sales to the segment's largest boat dealer, MarineMax, which has multiple locations, comprised approximately 21 percent of Boat segment sales in 2007, approximately 26 percent in 2006 and approximately 18 percent in 2005.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

The Marine Engine segment manufactures and markets a full range of sterndrive engines, inboard engines, outboard engines, water jet propulsion systems, and parts and accessories, which are principally sold directly to boat builders, including Brunswick's Boat segment, or through marine retail dealers worldwide. Mercury Marine also manufactures and distributes boats in certain markets outside the United States. The Company's engine manufacturing plants are located primarily in the United States, China and Japan, with sales primarily to United States, European and Asian markets.

The Fitness segment designs, manufactures and markets fitness equipment, including treadmills, total body cross-trainers, stair climbers, stationary bikes and strength-training equipment. These products are manufactured primarily in the United States or sourced from international locations. Fitness equipment is sold primarily in North America, Europe and Asia to health clubs, military, government, corporate and university facilities, and to consumers through specialty retail shops.

The Bowling & Billiards segment designs, manufactures and markets bowling capital equipment and associated parts and supplies, including lanes, automatic pinsetters and scorers; bowling balls and other accessories; billiards, Air Hockey and foosball tables and accessories; and operates bowling centers. Products are manufactured or sourced from domestic and international locations. Bowling products and commercial billiards, Air Hockey and foosball tables are sold through a direct sales force or distributors in the United States and through distributors in non-U.S. markets, primarily Europe and Asia. Consumer billiards equipment is predominantly sold in the United States and distributed primarily through dealers.

As discussed in Note 2 – Discontinued Operations, during the second quarter of 2006, Brunswick began reporting the majority of its BNT businesses as discontinued operations. These businesses were previously reported in the Marine Engine segment. Segment results have been restated for all periods presented to reflect the change in Brunswick's reported segments. Additionally, the BNT businesses that are being retained are now reported as part of the Boat, Marine Engine and Fitness segments, consistent with the manner in which Brunswick's management views these businesses.

The Company evaluates performance based on business segment operating earnings. Operating earnings of segments do not include the expenses of corporate administration, earnings from equity affiliates, other expenses and income of a non-operating nature, interest expense and income or provisions for income taxes.

Corporate/Other results include items such as corporate staff and overhead costs as well as the financial results of the Company's joint venture, Brunswick Acceptance Company, LLC (BAC), which is discussed in further detail in Note 9 – Financial Services. Corporate/Other assets consist primarily of cash and marketable securities, prepaid income taxes and investments in unconsolidated affiliates. Marine eliminations are eliminations between the Marine Engine and Boat segments for sales transactions consummated at established arm's length transfer prices.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Information as to the operations of Brunswick's operating segments is set forth below:

Operating Segments

(in millions)	Net Sales			Operating Earnings			Total Assets	
	2007	2006	2005	2007	2006	2005	2007	2006
Boat	\$ 2,690.9	\$ 2,864.4	\$ 2,783.4	\$ (81.4)	\$ 135.6	\$ 192.5	\$ 1,515.6	\$ 1,540.4
Marine Engine	2,357.5	2,271.3	2,300.6	183.7	193.8	250.5	959.1	894.8
M a r i n e eliminations	(477.6)	(521.8)	(491.6)	—	—	—	—	—
Total Marine	4,570.8	4,613.9	4,592.4	102.3	329.4	443.0	2,474.7	2,435.2
Fitness	653.7	593.1	551.4	59.7	57.8	56.1	695.4	693.1
B o w l i n g & Billiards	446.9	458.3	464.5	16.5	22.1	37.2	409.2	392.2
Eliminations	(0.2)	(0.3)	(1.4)	—	—	—	—	—
Corporate/Other	—	—	—	(71.3)	(68.1)	(67.6)	786.3	791.5
Total	\$ 5,671.2	\$ 5,665.0	\$ 5,606.9	\$ 107.2	\$ 341.2	\$ 468.7	\$ 4,365.6	\$ 4,312.0

(in millions)	Depreciation			Amortization		
	2007	2006	2005	2007	2006	2005
Boat	\$ 60.4	\$ 52.1	\$ 50.2	\$ 11.2	\$ 11.0	\$ 8.8
Marine Engine	66.5	63.4	58.9	0.6	2.0	0.6
Fitness	10.0	10.8	11.9	0.3	0.3	0.2
Bowling & Billiards	24.0	21.8	20.5	2.7	0.9	0.9
Corporate/Other	4.4	5.0	4.3	—	—	—
Total	\$ 165.3	\$ 153.1	\$ 145.8	\$ 14.8	\$ 14.2	\$ 10.5

(in millions)	Capital Expenditures			Research & Development Expense		
	2007	2006	2005	2007	2006	2005
Boat	\$ 94.9	\$ 75.8	\$ 74.7	\$ 39.8	\$ 38.0	\$ 36.1
Marine Engine	54.8	72.5	91.5	68.1	70.3	67.3
Fitness	11.8	11.0	11.2	21.6	18.4	14.2
Bowling & Billiards	41.6	43.7	36.8	5.0	5.5	5.9
Corporate/Other	4.6	2.1	9.6	—	—	—
Total	\$ 207.7	\$ 205.1	\$ 223.8	\$ 134.5	\$ 132.2	\$ 123.5

Geographic Segments

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(in millions)	Net Sales			Long-Lived Assets	
	2007	2006	2005	2007	2006
United States	\$ 3,654.8	\$ 3,862.6	\$ 3,846.6	\$ 1,002.3	\$ 1,016.9
International	2,016.4	1,802.4	1,760.3	139.1	134.3
Corporate/Other	—	—	—	185.3	201.7
Total	\$ 5,671.2	\$ 5,665.0	\$ 5,606.9	\$ 1,326.7	\$ 1,352.9

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Note 6 – Acquisitions

All acquisitions are accounted for under the purchase method and in accordance with SFAS No. 141, “Business Combinations.”

In 2007, consideration paid for acquisitions, net of cash acquired, and other consideration provided was as follows:

(in millions)

Date	Name/Description	Net Cash Consideration(A)	Other Consideration	Total Consideration
4/04/07	Marine Innovations Warranty Corporation	\$ 1.5	\$ –	\$ 1.5
8/24/07	Rayglass Sales & Marketing Limited (51 percent)	4.6	–	4.6
Various	Miscellaneous	0.1	0.5	0.6
		\$ 6.2	\$ 0.5	\$ 6.7

(A) Net cash consideration is subject to subsequent changes resulting from final purchase agreement adjustments.

The Company made an additional payment of \$1.5 million for the April 1, 2004, acquisition of Marine Innovations Warranty Corporation (Marine Innovations), an administrator of extended warranty contracts for the marine industry. This was the final payment required under the purchase agreement as Marine Innovations fulfilled earnings targets. The post-acquisition results of Marine Innovations are included in the Boat segment.

Brunswick purchased a 49 percent equity interest in Rayglass Sales & Marketing Limited (Rayglass), a manufacturer of boats and marine equipment located in New Zealand, on July 15, 2003, for \$5.5 million. On August 24, 2007, the Company exercised its option to purchase the remaining 51 percent interest in the New Zealand company for \$4.6 million. The acquisition expands the global manufacturing footprint of the marine operations and develops additional international sales opportunities. The post-acquisition results of Rayglass are included in the Marine Engine segment.

These acquisitions were not and would not have been material to Brunswick’s net sales, results of operations or total assets in the years ended December 31, 2007 and 2006. Accordingly, Brunswick’s consolidated results from operations do not differ materially from historical performance as a result of these acquisitions, and therefore, pro forma results are not presented.

In 2006, consideration paid for acquisitions, net of cash acquired, was as follows:

(in millions)

Date	Name/Description	Net Cash Consideration(A)
2/16/06	Cabo Yachts, Inc.	\$ 60.6
3/24/06	Marine Innovations Warranty Corporation	2.3

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4/26/06	Diversified Marine Products, L.P.	14.2
9/20/06	Protokon LLC (13.3 percent)	5.6
10/19/06	Blue Water Dealer Services, Inc.	3.5
		\$ 86.2

(A) Net cash consideration is subject to subsequent changes resulting from final purchase agreement adjustments.

Brunswick acquired certain assets of Cabo Yachts, Inc. (Cabo) for \$60.6 million. Cabo manufactures offshore sportfishing boats ranging from 31 to 52 feet. The purchase of Cabo complements Brunswick's previous acquisitions of Hatteras Yachts, Inc. and Albemarle Boats, Inc. (Albemarle), discussed below, and allows the Company to offer a full range of sportfishing convertibles and motoryachts from 24 to 100 feet. The post-acquisition results of Cabo are included in the Boat segment.

The Company made an additional payment of \$2.3 million for the April 1, 2004, acquisition of Marine Innovations. This payment was required under the purchase agreement as Marine Innovations fulfilled earnings targets. The post-acquisition results of Marine Innovations are included in the Boat segment.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

On April 26, 2006, Brunswick acquired the outstanding stock of Diversified Marine Products, L.P. (Diversified) for \$14.2 million. Diversified is a leading wholesale distributor of marine parts and accessories headquartered in Los Angeles, California. The acquisition of Diversified complements Brunswick's previous acquisitions of Benrock, Inc. (Benrock), Land 'N' Sea Corporation and Kellogg Marine, Inc. (Kellogg) and allows Brunswick to provide same- or next-day delivery of marine parts and accessories nationwide by expanding its parts and accessories business to the West Coast of the United States. The post-acquisition results of Diversified are included in the Boat Segment.

On September 20, 2006, the Company acquired an additional 13.3 percent of the outstanding stock of Protokon LLC (Protokon), a Hungarian equipment manufacturer, for \$5.6 million. Brunswick previously purchased 80 percent of the outstanding stock of Protokon in 2003 and has the option to acquire the remaining 6.7 percent interest in Protokon under certain circumstances. The acquisition of Protokon has allowed Brunswick to manufacture fitness equipment closer to the European marketplace, thereby reducing freight costs and offering better service to fitness customers in Europe. The post-acquisition results of Protokon are included in the Fitness Segment.

On October 19, 2006, Brunswick acquired the outstanding stock of Blue Water Dealer Services, Inc. and its affiliates (Blue Water) for \$3.5 million. Blue Water, headquartered in Wilmington, North Carolina, is a provider of retail financial services to marine dealers. The acquisition of Blue Water allows Brunswick to offer a more complete line of financial services to its boat and marine engine dealers and their customers. The post-acquisition results of Blue Water are included in the Boat Segment.

These acquisitions were not and would not have been material to Brunswick's net sales, results of operations or total assets in the years ended December 31, 2006 and 2005. Accordingly, Brunswick's consolidated results from operations do not differ materially from historical performance as a result of these acquisitions, and therefore, pro forma results are not presented.

In 2005, consideration paid for acquisitions, net of debt and cash acquired, was as follows:

(in millions)

Date	Name/Description	Net Cash Consideration(A)	Other Consideration	Total Consideration
2/07/05	Benrock, Inc.	\$ 4.2	\$ -	\$ 4.2
2/28/05	Albemarle Boats, Inc.	9.2	-	9.2
4/21/05	Sea Pro, Sea Boss and Palmetto boats	1.0	-	1.0
5/27/05	Triton Boat Company, L.P.	58.4	4.4	62.8
6/20/05	Supra-Industria Textil, Lda. (51 percent) Marine Innovations Warranty	7.8	0.9	8.7
6/27/05	Corporation	2.3	-	2.3
7/07/05	Kellogg Marine, Inc.	41.7	-	41.7
9/16/05	Harris Kayot Marine, LLC	4.8	-	4.8
Various	Miscellaneous	0.9	1.0	1.9
		\$ 130.3	\$ 6.3	\$ 136.6

(A) Net cash consideration is subject to subsequent changes resulting from final purchase agreement adjustments.

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Brunswick acquired the receivables, inventory, property and equipment of Benrock for \$4.2 million. Benrock is a distributor of marine parts and expands Brunswick's geographic coverage of its parts and accessories businesses distribution network serving the central and southern United States markets. The post-acquisition results of Benrock are included in the Boat segment.

Brunswick acquired the outstanding stock of Albemarle for \$9.2 million. Albemarle produces offshore sportfishing boats ranging in length from 24 to 41 feet. The acquisition of Albemarle provides Brunswick with the opportunity to offer a more complete range of offshore sportfishing boats and complements the sportfishing convertibles offered by Hatteras, whose products start at 50 feet. The post-acquisition results of Albemarle are included in the Boat segment.

The Company made a final payment of \$1.0 million for the December 31, 2004, acquisition of Sea Pro, Sea Boss and Palmetto boats (Sea Pro). This payment was based on finalization of the closing balance sheet. The post-acquisition results of Sea Pro are included in the Boat segment.

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Notes to Consolidated Financial Statements

Brunswick acquired the outstanding stock of Triton Boat Company, L.P. (Triton), a manufacturer of fiberglass bass and freshwater boats, and aluminum fishing boats ranging in length from 12 to 35 feet. The Company funded this acquisition through cash consideration of \$58.4 million and the assumption of \$4.4 million of debt. The acquisition of Triton adds freshwater bass boats to Brunswick's product lineup, as well as a broader range of saltwater and aluminum fishing boats. The post-acquisition results of Triton are included in the Boat segment.

The Company exercised its contractual right to acquire its joint venture partner's 51 percent interest in Supra-Industria Textil, Lda. (Valiant), a Portugal-based manufacturer of the Valiant brand of rigid inflatable boats, for \$7.8 million and the assumption of debt. Brunswick is now the sole owner of Valiant. The post-acquisition results of Valiant are included in the Marine Engine segment.

The Company made an additional payment of \$2.3 million for the April 1, 2004, acquisition of Marine Innovations. This payment was required under the purchase agreement as Marine Innovations fulfilled earnings targets. The post-acquisition results of Marine Innovations are included in the Boat segment.

Brunswick acquired the net assets of Kellogg for \$41.7 million. Kellogg is a leading distributor of marine parts and accessories headquartered in Old Lyme, Connecticut. The acquisition of Kellogg complements Brunswick's previous acquisitions of Benrock and Land 'N' Sea and provides a distribution hub in the northeastern United States. The post-acquisition results of Kellogg are included in the Boat segment.

Brunswick acquired the outstanding stock of Harris Kayot Marine, LLC (Harris Kayot), a builder of pontoon boats, fiberglass runabouts and deck boats ranging in length from 20 to 26 feet, for \$4.8 million. This acquisition advances Brunswick's position in the pontoon market and complements the Company's existing boat portfolio with premium runabout and deck boat product lines. The post-acquisition results of Harris Kayot are included in the Boat segment.

These acquisitions were not and would not have been material to Brunswick's net sales, results of operations or total assets in the years ended December 31, 2005. Accordingly, Brunswick's consolidated results from operations do not differ materially from historical performance as a result of these acquisitions, and therefore, pro forma results are not presented.

Purchase price allocations for acquisitions are subject to adjustment, pending final third-party valuations, up to one year from the date of acquisition. Any adjustments are not expected to be material to Brunswick's Consolidated Balance Sheets. See Note 1 – Significant Accounting Policies and Note 7 – Goodwill and Other Intangible Assets for further detail regarding the Company's accounting for goodwill and other intangible assets.

The following table shows the gross amount of goodwill and intangible assets recorded as of December 31 for the acquisitions completed in 2007, 2006 and 2005:

(in millions)	2007	2006	2005	Weighted Average Useful Life	2007	2006
Indefinite-lived:						
Goodwill	\$ 8.1	\$ 32.9	\$ 41.7			
	\$	—\$ 17.8	\$ 26.9			

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Trademarks/trade
names

Amortizable:

C u s t o m e r relationships	\$	—\$	9.1	\$ 19.9	N/A	10 years 8
Other	\$	—\$	3.2	\$ 5.7	N/A	years

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Note 7 – Goodwill and Other Intangible Assets

During 2007, 2006 and 2005, the Company tested its goodwill balances for impairment and no adjustments were recorded as a result of those reviews.

A summary of changes in the Company's goodwill during the period ended December 31, 2007, by segment is as follows:

(in millions)	December 31, 2006		Acquisitions	Adjustments	December 31, 2007	
Boat	\$	362.0	\$	—\$	4.6	\$ 366.6
Marine Engine		14.7		7.8	0.9	23.4
Fitness		272.3		—	1.7	274.0
B o w l i n g & Billiards		14.6		0.3	—	14.9
Total	\$	663.6	\$	8.1	\$ 7.2	\$ 678.9

A summary of changes in the Company's goodwill during the period ended December 31, 2006, by segment is as follows:

(in millions)	December 31, 2005		Acquisitions	Adjustments	December 31, 2006	
Boat	\$	317.0	\$	28.8	\$	16.2
Marine Engine		19.9		—	(5.2)	14.7
Fitness		265.9		3.9	2.5	272.3
B o w l i n g & Billiards		14.5		—	0.1	14.6
Total	\$	617.3	\$	32.7	\$	13.6
					\$	663.6

Adjustments in 2007 and 2006 primarily relate to the effect of foreign currency translation and changes in the fair value of net assets subject to purchase accounting adjustments, primarily arising from the Company's acquisitions as described in Note 6 – Acquisitions.

During 2007 and 2006, the Company tested its indefinite-lived intangible asset balances, excluding goodwill, for impairment and, other than the impairment charges described below, no adjustments were recorded as a result of those reviews.

Aggregate amortization expense for intangibles was \$14.8 million, \$14.2 million and \$10.5 million for the years ended December 31, 2007, 2006 and 2005, respectively. Estimated amortization expense for intangible assets is \$13.1 million for the year ending December 31, 2008, and \$8.9 million per year from 2009 through 2012.

Other intangibles consist of the following:

(in millions)	December 31, 2007		December 31, 2006	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortized intangible assets:				
C u s t o m e r relationships	\$ 271.4	\$ (211.9)	\$ 271.6	\$ (202.9)
Other	40.7	(20.0)	38.7	(15.7)
Total	\$ 312.1	\$ (231.9)	\$ 310.3	\$ (218.6)
Indefinite-lived intangible assets:				
Trademarks/trade names	\$ 182.7	\$ (17.3)	\$ 248.2	\$ (17.3)

Amortized intangible assets – Other includes patents, non-compete agreements and other intangible assets. Gross amounts and related accumulated amortization amounts include adjustments related to the impact of foreign currency translation and changes in the fair value of net assets subject to purchase accounting adjustments, primarily arising from the Company's acquisitions as described in Note 6 – Acquisitions.

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Notes to Consolidated Financial Statements

As noted in Note 1 – Significant Accounting Policies, during the third quarter of 2007, Brunswick estimated the fair value of certain outboard boat trade names with impairment indicators by performing a discounted cash flow analysis based on a relief-from-royalty approach. This approach treats the trade name as if it were licensed by the Company rather than owned, and calculates its value based on the discounted cash flow of the projected license payments. The analysis resulted in a \$41.5 million, after-tax, impairment charge, or \$66.4 million, pre-tax, to the Boat segment, representing the excess of the carrying cost of the indefinite-lived intangible assets over the calculated fair value. There were no impairment adjustments made in 2006.

Note 8 – Investments

The Company has certain unconsolidated international and domestic affiliates that are accounted for using the equity method. Refer to Note 9 – Financial Services for more details on the Company's Brunswick Acceptance Company, LLC joint venture. The Company contributed \$0.2 million and \$4.0 million to other existing joint ventures in 2007 and 2006, respectively.

Brunswick received dividends from its unconsolidated affiliates of \$11.6 million, \$6.8 million and \$12.3 million for the years ended December 31, 2007, 2006 and 2005, respectively.

The Company's sales to and purchases from its investments, along with the corresponding receivables and payables, were not material to the Company's overall results of operations for the years ended December 31, 2007, 2006 and 2005, respectively, and its financial position as of December 31, 2007 and 2006.

On February 23, 2005, Brunswick sold its investment of 1,861,200 shares in MarineMax, its largest boat dealer, for \$56.8 million, net of \$4.1 million of selling costs, which included \$1.1 million of accrued expenses. The sale was made pursuant to a registered public offering by MarineMax. As a result of this sale, the Company recorded an after-tax gain of \$31.5 million after utilizing previously unrecognized capital loss carryforwards.

Note 9 – Financial Services

A Company subsidiary, Brunswick Financial Services Corporation (BFS), owns 49 percent of a joint venture, Brunswick Acceptance Company, LLC (BAC). CDF Ventures, LLC (CDFV), a subsidiary of GE Capital Corporation (GECC) owns the remaining 51 percent. Under the terms of the joint venture agreement, BAC provides secured wholesale floor-plan financing to Brunswick's boat and engine dealers. BAC also purchases and services a portion of Mercury Marine's domestic accounts receivable relating to its boat builder and dealer customers.

BFS's contributed equity is adjusted monthly to maintain a 49 percent equity interest in accordance with the capital provisions of the joint venture agreement. BFS's investment in BAC is accounted for by the Company under the equity method and is recorded as a component of Investments in its Consolidated Balance Sheets. The Company funds its investment in BAC through cash contributions and reinvested earnings. In 2007, the Company received a net distribution of \$3.6 million compared with a net distribution of \$1.6 million in 2006 and a net contribution of \$16.3 million in 2005. The Company records BFS's share of income or loss in BAC based on its ownership percentage in the joint venture in Equity earnings in its Consolidated Statements of Income.

BAC is funded in part through a loan from GE Commercial Distribution Finance Corporation and a securitization facility arranged by GECC, and in part by a cash equity investment from both partners. BFS's total investment in BAC at December 31, 2007 and 2006 was \$47.0 million and \$50.6 million, respectively. BFS's exposure to losses associated with BAC financing arrangements is limited to its funded equity in BAC.

BFS recorded income related to the operations of BAC of \$12.7 million, \$13.2 million and \$9.7 million for the years ended December 31, 2007, 2006 and 2005, respectively. These amounts exclude the discount expense on the sale of Mercury Marine's accounts receivable to the joint venture noted below.

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Accounts receivable totaling \$887.3 million, \$832.0 million and \$913.3 million were sold to BAC in 2007, 2006 and 2005 respectively. Discounts of \$8.0 million, \$7.6 million and \$7.0 million for the years ended December 31, 2007, 2006 and 2005, respectively, have been recorded as an expense in Other expense, net, in the Consolidated Statements of Income. The outstanding balance of receivables sold to BAC was \$93.1 million as of December 31, 2007, up from \$80.0 million as of December 31, 2006. Pursuant to the joint venture agreement, BAC reimbursed Mercury Marine \$2.7 million, \$2.2 million and \$2.6 million in 2007, 2006 and 2005, respectively, for the related credit, collection and administrative costs incurred in connection with the servicing of such receivables.

As of December 31, 2007 and 2006, the Company had a retained interest in \$46.4 million and \$31.5 million of the total outstanding accounts receivable sold to BAC, respectively, as a result of recourse provisions. The Company's maximum exposure as of December 31, 2007 and 2006, related to these amounts was \$28.9 million and \$16.9 million, respectively. In accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," (SFAS 140), the Company treats the sale of receivables in which the Company retains an interest as a secured obligation. Accordingly, the amount of receivables subject to recourse was recorded in Accounts and notes receivable with an offsetting amount recorded in Accrued expenses in the Consolidated Balance Sheets. These balances are included in the amounts in Note 11 – Commitments and Contingencies.

Additionally, Brunswick's marine dealers can offer extended product warranties to their retail customers through Brunswick Product Protection Corporation. In October 2006, Brunswick acquired Blue Water Dealer Services, Inc. and its affiliates, a provider of retail financial services to the marine industry, to allow Brunswick to offer a more complete line of financial services to its boat and marine engine dealers and their customers. See Note 6 – Acquisitions for further details.

Note 10 – Income Taxes

The sources of earnings before income taxes are as follows:

(in millions)	2007	2006	2005
United States	\$ 64.7	\$ 285.6	\$ 449.6
Foreign	28.0	24.1	36.3
Earnings before income taxes	\$ 92.7	\$ 309.7	\$ 485.9

The income tax provision consisted of the following:

(in millions)	2007	2006	2005
Current tax expense (benefit):			
U.S. Federal	\$ 25.7	\$ 66.3	\$ 99.9

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State and local	(1.8)	8.8	9.0
Foreign	33.6	1.4	14.3
Total current	57.5	76.5	123.2
Deferred tax expense (benefit):			
U.S. Federal	(29.5)	(28.6)	(7.5)
State and local	(3.7)	(4.3)	0.1
Foreign	(11.2)	2.9	(1.0)
Total deferred	(44.4)	(30.0)	(8.4)
Total provision	\$ 13.1	\$ 46.5	\$ 114.8

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Temporary differences and carryforwards giving rise to deferred tax assets and liabilities at December 31, 2007 and 2006, were as follows:

(in millions)	2007	2006
Current deferred tax assets:		
Product warranties	\$ 53.0	\$ 65.7
Sales incentives and discounts	43.8	44.4
Litigation and environmental reserves	21.5	22.4
Insurance reserves	20.2	19.4
Bad debt and other receivable reserves	12.7	11.3
Stock plans	12.6	10.4
Loss carryforwards	16.3	1.9
Other	72.1	76.2
Valuation allowance	(2.3)	(1.8)
 Total current deferred tax assets	 \$ 249.9	 \$ 249.9
Non-current deferred tax liabilities (assets):		
Depreciation and amortization	\$ 139.1	\$ 160.4
Pension	42.8	46.0
Other	37.8	96.0
Non-current deferred tax liabilities	219.7	302.4
 Pension	 (64.9)	 (84.6)
Loss carryforwards	(54.6)	(45.2)
Postretirement and postemployment benefits	(45.9)	(45.1)
Deferred compensation	(31.3)	(32.9)
Other	(24.9)	(16.5)
Valuation allowance	14.2	8.2
Non-current deferred tax assets	(207.4)	(216.1)
 Total non-current net deferred tax liabilities	 \$ 12.3	 \$ 86.3

At December 31, 2007 Loss carryforwards totaling \$70.9 million were available to reduce future tax liabilities. This deferred tax asset was comprised of \$34.3 million of the tax benefit of state net operating loss (NOL) carryforwards, \$19.3 million of the tax benefit of foreign NOL carryforwards and \$17.3 million of the tax benefit of unused capital losses. NOL carryforwards of \$39.2 million expire at various intervals between the years 2008 and 2026, while the remainder have an unlimited life. At December 31, 2007, the valuation allowance totaling \$16.5 million was comprised of \$6.1 million for state NOL carryforwards, \$7.1 million for foreign NOL carryforwards and \$3.3 million

for unused state capital losses.

The Company does not believe other valuation allowances are necessary, because deductible temporary differences will be utilized primarily by carryback to prior years' taxable income, or as charges against reversals of future taxable temporary differences. Based upon prior earnings history, the Company expects that future taxable income will be sufficient to utilize the remaining deductible temporary differences.

The Company has historically provided deferred taxes under APB No. 23, "Accounting for Income Taxes – Special Areas," (APB 23) for the presumed ultimate repatriation to the United States of earnings from all non-U.S. subsidiaries and unconsolidated affiliates. The indefinite reversal criterion of APB 23 allows the Company to overcome that presumption to the extent the earnings are indefinitely reinvested outside the United States.

Through July 2, 2005, Brunswick provided deferred taxes for the undistributed net earnings for all of its foreign subsidiaries and unconsolidated affiliates, as such earnings may have been repatriated to the United States in future years. As of July 3, 2005, the Company determined that approximately \$37 million of certain foreign subsidiaries' undistributed net earnings from continuing operations would now be indefinitely reinvested in operations outside the United States. These earnings will provide Brunswick with the opportunity to continue to expand its global manufacturing footprint, fund future growth in foreign locations and shift Brunswick's acquisition focus to Europe and Asia. The Company's current intentions meet the indefinite reversal criterion of APB 23. As a result of the APB 23 change in assertion and related refinements in its tax calculations, the Company reduced its deferred tax liabilities related to undistributed foreign earnings.

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As of January 1, 2007, the Company determined that \$25.8 million of current undistributed net earnings, as well as the future net earnings, of certain additional foreign subsidiaries will be permanently reinvested. As a result of the additional APB 23 change in assertion, the Company reduced its deferred tax liabilities related to undistributed foreign earnings by \$2.0 million during the first quarter of 2007.

The Company has undistributed earnings from continuing operations of foreign subsidiaries of \$89.2 million at December 31, 2007, for which deferred taxes have not been provided. Such earnings are indefinitely reinvested in the foreign subsidiaries. If such earnings were repatriated, additional tax may result. The Company continues to provide deferred taxes, as required, on the undistributed net earnings of foreign subsidiaries and unconsolidated affiliates that are not indefinitely reinvested in operations outside the United States.

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," (FIN 48) effective on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized an \$8.7 million decrease in the net liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007, balance of retained earnings. As of January 1, 2007, the Company had \$42.4 million of gross unrecognized tax benefits, including interest. Of this amount, \$34.3 million represents the portion that, if recognized, would impact the effective tax rate. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. As of January 1, 2007, the Company had \$5.4 million accrued for the payment of interest, and no amounts accrued for penalties.

The following is a reconciliation of the total amounts of unrecognized tax benefits excluding interest and penalties since the inception of FIN 48:

(in millions)	2007
Balance at January 1	\$ 37.0
Gross increases – tax positions prior periods	4.5
Gross decreases – tax positions prior periods	(0.7)
Gross increases – current period tax positions	2.6
Decreases – settlements with taxing authorities	(0.3)
Reductions – lapse of statute of limitations	(4.4)
Foreign exchange	0.3
Balance at December 31	\$ 39.0

As of December 31, 2007, the Company had \$44.4 million of gross unrecognized tax benefits, including interest. Of this amount, \$37.4 million represents the portion that, if recognized, would impact the effective tax rate. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2007, the Company had \$5.4 million accrued for the payment of interest, and no amounts accrued for penalties.

The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits as of December 31, 2007, will decrease by approximately \$1.2 million in 2008 as a result of expected settlements with taxing authorities. Due to the various jurisdictions in which the Company files tax returns and the uncertainty regarding the timing of the settlement of tax audits, it is possible that there could be other significant changes in the amount of unrecognized tax benefits in 2008, but the amount cannot be estimated.

The Company is regularly audited by federal, state and foreign tax authorities. In the fourth quarter of 2006, the IRS completed its audit of the Company's taxable years 2002 and 2003. As discussed in Note 11 – Commitments and Contingencies, the Company and the IRS reached settlements in 2005 for taxable years 1986 through 2001, and the statute of limitations related to these taxable years expired on March 9, 2006. The Company's taxable years 2004 through 2006 are currently open for IRS examination and the IRS has begun its audit of 2004 and 2005. Primarily as a result of filing amended tax returns, which were generated by the closing of federal income tax audits, the Company is still open to state and local tax audits in major tax jurisdictions dating back to the 1999 taxable year. With the exception of Germany, where the Company is currently undergoing a tax audit for taxable years 1998 through 2001, the Company is no longer subject to income tax examinations by any other major foreign tax jurisdiction for years prior to 2001.

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The difference between the actual income tax provision and the tax provision computed by applying the statutory Federal income tax rate to earnings before taxes is attributable to the following:

(in millions)	2007	2006	2005
Income tax provision at 35 percent	\$ 32.4	\$ 108.4	\$ 170.1
State and local income taxes, net of Federal income tax effect	1.3	7.8	9.8
Deferred tax reassessments	(12.7)	—	—
Research and development credit	(8.1)	(8.5)	(9.7)
Change in estimates related to prior years and prior years' amended tax return filings	3.8	(4.4)	(15.0)
Lower taxes related to foreign income, net of credits	(2.9)	(5.2)	(5.7)
Tax rate changes	2.5	—	—
Domestic production activities benefit	(2.4)	(3.0)	(3.7)
Change in APB No. 23 assertion	(2.0)	—	(8.7)
Tax reserve reassessment	0.9	(40.2)	(3.7)
Extraterritorial income benefit	—	(9.8)	(12.2)
Investment sale capital loss utilization	—	—	(6.6)
Other	0.3	1.4	0.2
 Actual income tax provision	 \$ 13.1	 \$ 46.5	 \$ 114.8
 Effective tax rate	 14.1%	 15.0%	 23.6%

In 2007, the Company's effective tax rate of 14.1 percent was lower than the statutory rate primarily due to benefits from \$12.7 million related to reassessments of the deductibility of restructuring reserves and depreciation timing differences; foreign earnings in tax jurisdictions with lower effective tax rates; and a research and development tax credit. These benefits were partially offset by \$3.8 million of additional taxes related to changes in estimates related to prior year's filings.

In 2006, the Company's effective tax rate of 15.0 percent was lower than the statutory rate primarily due to benefits from \$40.2 million of tax reserve reassessments of underlying exposures. Refer to Note 11 – Commitments and Contingencies for further detail. In addition, the extraterritorial income benefit, foreign earnings in tax jurisdictions with lower effective tax rates and a research and development tax credit also contributed to the reduced effective tax rate.

In 2005, the Company's effective tax rate of 23.6 percent was lower than the statutory rate primarily as a result of \$15.0 million attributed primarily to refinements in the prior years' extraterritorial income benefit included above in Change in estimates related to the 2004 and prior years' amended tax return filings; \$12.2 million from the current year extraterritorial income benefit; \$9.7 million from a research and development credit; and \$8.7 million from a change in the assertion under APB No. 23 for certain foreign subsidiaries as discussed above. Additionally, the Company's 2005 tax rate benefited from a \$6.6 million utilization of previously unrecognized loss carryforwards incurred in connection with the investment sale gain, as discussed in Note 8 – Investments.

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Income tax provision (benefit) allocated to continuing operations and discontinued operations for the years ended December 31 was as follows:

(in millions)	2007	2006	2005
Continuing operations	\$ 13.1	\$ 46.5	\$ 114.8
Discontinued operations	(8.1)	(9.6)	(4.4)
Total tax provision	\$ 5.0	\$ 36.9	\$ 110.4

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Note 11 – Commitments and Contingencies

Financial Commitments

The Company has entered into guarantees of indebtedness of third parties, primarily in connection with customer financing programs. Under these arrangements, the Company has guaranteed customer obligations to the financial institutions in the event of customer default, generally subject to a maximum amount which is less than total obligations outstanding. The Company has also guaranteed payments to third parties that have purchased customer receivables from Brunswick and, in certain instances, has guaranteed secured term financing of its customers. In most instances, upon repurchase of the debt obligation, the Company receives rights to the collateral securing the financing. The maximum potential liability associated with these customer financing arrangements was \$106.2 million and \$99.8 million as of December 31, 2007 and 2006, respectively. Potential payments in connection with these customer financing arrangements would likely extend over several years.

The Company has also entered into arrangements with third-party lenders where it has agreed, in the event of a default by the customer, to repurchase from the third-party lender Brunswick products repossessed from the customer. These arrangements are typically subject to a maximum repurchase amount. The Company's risk under these arrangements is mitigated by the value of the products repurchased as part of the transaction. The maximum amount of collateral the Company could be required to purchase was \$172.8 million and \$214.8 million as of December 31, 2007 and 2006, respectively.

In accordance with FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others – An Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34" (FIN 45), the Company has recorded the fair market value of these guarantee and repurchase obligations as a liability on the consolidated balance sheets based on historical experience and current facts and circumstances. Historical cash requirements and losses associated with these obligations have not been significant.

Financial institutions have issued standby letters of credit and surety bonds conditionally guaranteeing obligations on behalf of the Company totaling \$70.1 million and \$81.5 million as of December 31, 2007 and 2006, respectively, including \$70.1 million and \$64.6 million for continuing operations, respectively. These amounts are primarily comprised of standby letters of credit and surety bonds issued in connection with the Company's self-insured workers' compensation program as required by its insurance companies and various state agencies. The Company has recorded reserves to cover liabilities associated with these programs. Under certain circumstances, such as an event of default under the Company's revolving credit facility, or, in the case of surety bonds, which totaled \$15.8 million and \$17.7 million as of December 31, 2007 and 2006, respectively, all related to continuing operations, a ratings downgrade below investment grade, the Company could be required to post collateral to support the outstanding letters of credit and surety bonds.

Product Warranties

The Company records a liability for product warranties at the time revenue is recognized. The liability is estimated using historical warranty experience, projected claim rates and expected costs per claim. The Company adjusts its liability for specific warranty matters when they become known and the exposure can be estimated. The Company's warranty reserves are affected by product failure rates and material usage and labor costs incurred in correcting a

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product failure. If these estimated costs differ from actual costs, a revision to the warranty reserve would be required.

The following activity related to product warranty liabilities from continuing operations was recorded in Accrued expenses and Long-term liabilities — other at December 31:

(in millions)	2007	2006
Balance at January 1	\$ 161.0	\$ 155.3
Payments made	(119.5)	(116.2)
Provisions/additions for contracts issued/sold	119.1	121.5
Aggregate changes for preexisting warranties	3.3	0.4
Balance at December 31	\$ 163.9	\$ 161.0

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Additionally, marine engine customers may purchase a contract from the Company that extends product protection beyond the standard product warranty period. For certain extended warranty contracts in which the Company retains the warranty obligation, a deferred liability is recorded based on the aggregate sales price for contracts sold. The deferred liability is reduced and revenue is recognized over the contract period as costs are expected to be incurred. Deferred revenue associated with contracts sold by the Company that extend product protection beyond the standard product warranty period, not included in the table above, was \$16.2 million and \$21.2 million at December 31, 2007 and 2006, respectively.

Legal and Environmental

The Company accrues for litigation exposure based upon its assessment, made in consultation with counsel, of the likely range of exposure stemming from the claim. In light of existing reserves, the Company's litigation claims, when finally resolved, will not, in the opinion of management, have a material adverse effect on the Company's consolidated financial statements. If current estimates for the cost of resolving any claims are later determined to be inadequate, results of operations could be adversely affected in the period in which additional provisions are required.

Tax Case. In February 2003, the United States Tax Court issued a ruling upholding the disallowance by the Internal Revenue Service (IRS) of capital losses and other expenses for 1990 and 1991 related to two partnership investments entered into by the Company. In 2003 and 2004, the Company made payments to the IRS comprised of \$33 million in taxes due and \$39 million of pre-tax interest (approximately \$25 million after-tax) to avoid future interest costs. Subsequently, the Company and the IRS settled all issues involved in and related to this case. As a result, the Company reversed \$42.6 million of tax reserves in 2006, primarily related to the reassessment of underlying exposures, received a refund of \$12.9 million from the IRS, and recorded an additional tax receivable of \$4.1 million for interest related to these tax years. Additionally, these tax years will be subject to tax audits by various state jurisdictions to determine the state tax effect of the IRS's audit adjustments.

Environmental Matters. Brunswick is involved in certain legal and administrative proceedings under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and other federal and state legislation governing the generation and disposal of certain hazardous wastes. These proceedings, which involve both on- and off-site waste disposal or other contamination, in many instances seek compensation or remedial action from Brunswick as a waste generator under Superfund legislation, which authorizes action regardless of fault, legality of original disposition or ownership of a disposal site. Brunswick has established reserves based on a range of cost estimates for all known claims.

The environmental remediation and clean-up projects in which Brunswick is involved have an aggregate estimated range of exposure of approximately \$38.6 million to \$58.7 million as of December 31, 2007. At December 31, 2007 and 2006, Brunswick had reserves for environmental liabilities of \$48.0 million and \$49.4 million, respectively. There were environmental provisions of \$0.7 million, \$0.0 million and \$1.5 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Brunswick accrues for environmental remediation related activities for which commitments or clean-up plans have been developed and for which costs can be reasonably estimated. All accrued amounts are generally determined in coordination with third-party experts on an undiscounted basis and do not consider recoveries from third parties until such recoveries are realized. In light of existing reserves, the Company's environmental claims, when finally resolved, will not, in the opinion of management, have a material adverse effect on the Company's consolidated financial

position or results of operations.

Asbestos Claims. Brunswick's subsidiary, Old Orchard Industrial Corp., is a defendant in more than 8,000 lawsuits involving claims of asbestos exposure from products manufactured by Vapor Corporation (Vapor), a former subsidiary that the Company divested in 1990. Virtually all of the asbestos suits involve numerous other defendants. The claims generally allege that the Company sold products that contained components, such as gaskets, which included asbestos, and seek monetary damages. Neither Brunswick nor Vapor is alleged to have manufactured asbestos. Several thousand claims have been dismissed with no payment and no claim has gone to jury verdict. In a few cases, claims have been filed against other Brunswick entities, with a majority of these suits being either dismissed or settled for nominal amounts. The Company does not believe that the resolution of these lawsuits will have a material adverse effect on the Company's consolidated financial position or results of operations.

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Australia Trade Practices Investigation. In January 2005, Brunswick received a notice to furnish information and documents to the Australian Competition and Consumer Commission (ACCC). A subsequent notice was received in October of 2005. Following the completion of its investigation in December 2006, the ACCC commenced proceedings against a Brunswick subsidiary, Navman Australia Pty Limited, with respect to its compliance with the Trade Practices Act of 1974 as it pertains to Navman Australia's sales practices from 2001 to 2005. The ACCC had alleged that Navman Australia engaged in resale price maintenance in breach of the Act. In December 2007, the Australian courts approved a settlement in favor of ACCC for approximately \$1.3 million.

Chinese Supplier Dispute. Brunswick was involved in an arbitration proceeding in Hong Kong arising out of a commercial dispute with a former contract manufacturer in China, Shanghai Zhonglu Industrial Company Limited (Zhonglu). The Company filed the arbitration seeking damages based on Zhonglu's breach of a supply and distribution agreement pursuant to which Zhonglu agreed to manufacture bowling equipment. Zhonglu had asserted counterclaims seeking damages for alleged breach of contract among other claims in August 2007. The arbitration tribunal issued a ruling in the Company's favor for a net amount of approximately \$0.1 million.

Patent Infringement Dispute. In October 2006, Brunswick was sued by Electromotive, Inc. (Electromotive) in the United States District Court for the Northern District of Virginia. Electromotive claimed that a number of engines sold by Brunswick's Mercury Marine business had infringed on an expired patent held by Electromotive related to a method for ignition timing. On July 27, 2007, a jury returned a verdict in favor of Electromotive in the amount of approximately \$3 million. In October 2007, the Company and Electromotive subsequently reached an agreement to settle the case in lieu of pursuing respective appeals at a level below the verdict.

Brazilian Customs Dispute. In June 2007, the Brazilian Customs Office issued an assessment against a Company subsidiary in the amount of approximately \$14 million related to the importation of Life Fitness products into Brazil. The assessment was based on a determination by Brazilian customs officials that the proper import value of Life Fitness equipment imported into Brazil should be the manufacturer's suggested retail price of those goods in the United States. The assessment consists of duties, penalties and interest on the importation of Life Fitness products into Brazil over the past five years. Brunswick believes that this determination by the Brazilian Customs Office is without merit and has appealed the assessment. The Company does not believe that the resolution of this dispute will have a material adverse effect on its consolidated financial condition or results of operations.

Note 12 – Financial Instruments

The Company operates domestically and internationally, with manufacturing and sales facilities in various locations around the world. Due to the Company's global operations, the Company engages in activities involving both financial and market risks. The Company utilizes its normal operating and financing activities, along with derivative financial instruments to minimize these risks.

Derivative Financial Instruments. The Company uses derivative financial instruments to manage its risks associated with movements in foreign currency exchange rates, interest rates and commodity prices. Derivative instruments are not used for trading or speculative purposes. For certain derivative contracts, on the date a derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction (cash flow hedge). The Company formally documents its hedge relationships, including identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivatives that are designated as hedges to specific forecasted transactions. The Company

also assesses, both at the inception and at least quarterly thereafter, whether the derivatives used in hedging transactions are highly effective in offsetting the changes in the anticipated cash flows of the hedged item. There were no material adjustments as a result of ineffectiveness to the results of operations for the years ended December 31, 2007, 2006 and 2005. If the hedging relationship ceases to be highly effective, or it becomes probable that a forecasted transaction is no longer expected to occur, gains and losses on the derivative are recorded in Other expense, net. The fair market value of derivative financial instruments is determined through market-based valuations and may not be representative of the actual gains or losses that will be recorded when these instruments mature due to future fluctuations in the markets in which they are traded. The effects of derivative and financial instruments are not expected to be material to the Company's financial position or results of operations when considered together with the underlying exposure being hedged.

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Fair Value Derivatives. During 2007 and 2006, the Company entered into foreign currency forward contracts to manage foreign currency exposure related to changes in the value of assets or liabilities caused by changes in the exchange rates of foreign currencies. The change in the fair value of the foreign currency derivative contract and the corresponding change in the fair value of the asset or liability of the Company are both recorded through earnings.

Cash Flow Derivatives. Certain derivative instruments qualify as cash flow hedges under the requirements of SFAS Nos. 133, Accounting for Derivative Instruments and Hedging Activities, and 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities an amendment of FASB Statement No. 133. The Company executes forward contracts and options, based on forecasted transactions, to manage foreign exchange exposure mainly related to inventory purchase and sales transactions. The Company also enters into commodity swap agreements, based on anticipated purchases of certain raw materials, and natural gas forward contracts, based on projected purchases, to manage exposure related to risk from price changes. The Company has also entered into forward starting interest rate swaps to hedge the interest rate risk associated with the anticipated issuance of debt.

A cash flow hedge requires that as changes in the fair value of derivatives occur, the portion of the change deemed to be effective is recorded temporarily in Accumulated other comprehensive income (loss), an equity account, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

The following activity related to cash flow hedges were recorded in Accumulated other comprehensive income (loss) as of December 31:

(in millions)	Accumulated Unrealized Derivative Gains (Losses)					
	2007		2006			
	Pre-tax	After-tax	Pre-tax	After-tax		
Beginning balance	\$ 7.6	\$ 5.3	\$ 11.2	\$ 7.9		
Net change associated with current period hedging activity	(34.6)	(24.2)	(12.6)	(8.8)		
Net amount recognized into earnings	22.5	15.7	9.0	6.2		
Ending balance	\$ (4.5)	\$ (3.2)	\$ 7.6	\$ 5.3		

The Company estimates that \$1.3 million of after-tax net realized losses from derivatives that have been settled and deferred in Accumulated other comprehensive income (loss) at December 31, 2007, will be realized in earnings over the next twelve months. At December 31, 2007, the term of derivative instruments hedging forecasted transactions ranges from one to eighteen months.

Foreign Currency. The Company enters into forward exchange contracts and options to manage foreign exchange exposure related to forecasted transactions, and assets and liabilities that are subject to risk from foreign currency rate changes. These include product costs; revenues and expenses; associated receivables and payables; intercompany obligations and receivables; and other related cash flows. Forward exchange contracts outstanding at December 31, 2007 and 2006, had notional contract values of \$284.2 million and \$377.2 million, respectively. The approximate fair value of forward exchange contracts was a net liability of \$5.0 million and \$5.7 million at December 31, 2007 and

2006, respectively. Option contracts outstanding at December 31, 2007 and 2006, had notional contract values of \$343.8 million and \$144.7 million, respectively. The approximate fair value of options contracts outstanding was a net liability of \$1.2 million and a net asset of \$0.5 million at December 31, 2007 and 2006, respectively. The forward and options contracts outstanding at December 31, 2007, mature during 2008 and 2009 and primarily relate to the Euro, Canadian dollar, British pound, Australian dollar, Japanese yen and New Zealand dollar.

Interest Rate. The Company utilizes fixed-to-floating interest rate swaps to mitigate the interest rate risk associated with its long-term debt. These swaps had a notional value of \$50.0 million as of December 31, 2007 and 2006, respectively, and an associated fair market value of \$1.4 million as of December 31, 2007, and a loss of \$0.2 million as of December 31, 2006. These instruments have been treated as fair value hedges, with the offset to the aforementioned fair market value (loss) recorded in long-term debt; see Note 14 – Debt in the Notes to Consolidated Financial Statements for further details.

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The Company also utilizes forward starting floating-to-fixed interest rate swaps to hedge the interest rate risks associated with interest payments on anticipated issuances of long-term debt. As of December 31, 2007, Company had forward starting swaps with a notional value of \$150 million and a fair market value of a loss of \$3.9 million. These instruments are being accounted for as cash flow hedges of long-term fixed rate debt expected to be issued to refinance the \$250 million of floating rate notes due July 2009. There were no forward starting swaps outstanding as of December 31, 2006.

As of December 31, 2007 and 2006, the Company had \$11.9 million and \$12.6 million, respectively, of deferred gains associated with forward starting interest rate swaps included in Accumulated other comprehensive income (loss). These amounts include gains deferred on \$250 million of forward starting interest rate swaps terminated in July 2006, which had been designated as cash flow hedges of long term fixed rate debt expected to be issued in 2006 to refinance notes maturing in December 2006. These forward starting swaps resulted in a net realized gain of \$14.2 million. In 2006, the Company refinanced its debt due in December 2006 with \$250 million of floating rate notes due in July 2009, which were callable beginning in July 2007, and recognized \$1.6 million of the gain as the ineffective portion of the hedge and deferred the remainder in Accumulated other comprehensive income (loss) pending refinancing of the 2009 notes with long-term, fixed rate debt. In 2007, the Company recognized an additional \$0.7 million of the gain as ineffective, as the long term fixed rate debt issuance did not occur. The Company continues to believe that the \$250 million of floating rate notes due in July 2009 will be refinanced with long term fixed rate debt.

Commodity Price. The Company uses commodity swap and futures contracts to hedge anticipated purchases of certain raw materials. Commodity swap contracts outstanding at December 31, 2007 and 2006 had notional values of \$23.2 million and \$18.6 million, respectively. At December 31, 2007 and 2006, the estimated fair value of these swap contracts was a net asset of \$0.5 million and \$4.0 million, respectively. The contracts outstanding at December 31, 2007, mature throughout 2008 and 2009. The Company also uses futures contracts to manage its exposure to fluctuating natural gas prices, which had a notional contract value of \$1.8 million and \$1.7 million outstanding at December 31, 2007 and 2006, respectively. The estimated fair value of the futures contracts was a net liability of \$0.4 million at December 31, 2007 and 2006.

Concentration of Credit Risk. The Company enters into financial instruments with banks and investment firms with which the Company has continuing business relationships and regularly monitors the credit ratings of its counterparties. The Company sells a broad range of active recreation products to a worldwide customer base and extends credit to its customers based upon an ongoing credit evaluation program. Concentrations of credit risk with respect to accounts receivable are not material to the Company's financial position, due to the large number of customers comprising the Company's customer base and their dispersion across many different geographic areas, with the exception of one boat builder customer. This customer had trade accounts receivable and long-term notes receivable, in connection with a supply agreement, with net credit exposure of \$23.7 million and \$29.4 million at December 31, 2007 and 2006, respectively.

Fair Value of Other Financial Instruments. The carrying values of the Company's short-term financial instruments, including cash and cash equivalents, accounts and notes receivable and short-term debt, approximate their fair values because of the short maturity of these instruments. At December 31, 2007 and 2006, the fair value of the Company's long-term debt was approximately \$717.8 million and \$729.0 million, respectively, as estimated using quoted market prices or discounted cash flows based on market rates for similar types of debt.

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Notes to Consolidated Financial Statements

Note 13 – Accrued Expenses

Accrued Expenses at December 31 were as follows:

(in millions)	2007	2006
Sales incentives and discounts	\$ 172.3	\$ 157.8
Product warranties	161.8	158.9
Accrued compensation and benefit plans	159.5	114.2
SFAS 140 obligations	92.1	31.6
Deferred revenue	74.5	64.4
Insurance reserves	50.2	48.6
Other	147.7	173.4
 Total accrued expenses	 \$ 858.1	 \$ 748.9

Note 14 – Debt

Long-Term Debt at December 31 consisted of the following:

(in millions)	2007	2006
Floating rate notes, due 2009	\$ 250.0	\$ 250.0
Notes, 7.125% due 2027, net of discount of \$0.9 and \$1.0	199.1	199.0
Notes, 5.0% due 2011, net of discount of \$0.4 and \$0.5	151.0	149.3
Debentures, 7.375% due 2023, net of discount of \$0.5 and \$0.5	124.5	124.5
Notes, 1.82% to 4.0% payable through 2015	3.6	3.6
	728.2	726.4
Current maturities	(0.8)	(0.7)
 Long-term debt	 \$ 727.4	 \$ 725.7
Scheduled maturities		
2009	\$ 251.0	
2010	0.5	
2011	151.4	
2012	0.4	
Thereafter	324.1	
 Total long-term debt	 \$ 727.4	

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In the second quarter of 2005, the Company and certain of its domestic and foreign subsidiaries entered into a new \$650 million revolving credit facility (Facility) that serves as support for commercial paper borrowings. The Facility's initial term was five years, with provisions to extend the term for an additional one year on each anniversary of the Facility, with consent of the lenders. In May 2007, the Company amended the Facility agreement, resulting in a one-year extension of the term through May 5, 2012. There are \$55.0 million of the \$650.0 million Facility commitments expiring on May 5, 2011; however, the Company has the right to replace these commitments at any time. Under the terms of the Facility, the Company has multiple borrowing options, including borrowing at the greater of the prime rate as announced by JPMorgan Chase Bank, N.A., or the Federal Funds effective rate plus 50 basis points, or a rate tied to LIBOR. The Company pays a facility fee of 8 basis points per annum, which is subject to adjustment based on credit ratings. Under the terms of the Facility, the Company is subject to a leverage test, as well as restrictions on secured debt. The Company was in compliance with these covenants at December 31, 2007. There were no borrowings under the Facility during 2007, and the Facility continues to serve as support for any outstanding commercial paper borrowings. The Company has the ability to issue up to \$150.0 million in letters of credit under the Facility. The Company had borrowing capacity of \$596.2 million under the terms of this agreement at December 31, 2007, net of outstanding letters of credit.

On July 24, 2006, the Company completed the offering of a \$250.0 million aggregate principal amount of senior unsubordinated floating rate notes due in 2009 under the Company's universal shelf registration. The proceeds from this offering were used to repay the Company's \$250.0, 6.75% notes that were due in December 2006. The floating rate notes mature on July 24, 2009, and interest is due quarterly and accrues at the rate of three-month LIBOR plus 65 basis points, set at the beginning of each quarterly period. The Company has the option to redeem some or all of the floating rate notes at par, plus accrued interest, prior to maturity. After this issuance, the Company had \$200.0 million available under its universal shelf registration statement filed in 2001 with the SEC for the issuance of equity and/or debt securities.

Included in Notes, 5.0% due 2011, is the estimated aggregate market value related to the fixed-to-floating interest rate swaps discussed in Note 12 - Financial Instruments.

Note 15 – Postretirement Benefits

Overview. The Company has defined contribution plans, qualified and nonqualified pension plans, and other postretirement benefit plans covering substantially all of its employees. The Company's contributions to its defined contribution plans are based on various percentages of compensation, and in some instances are based on the amount of the employees' contributions to the plans. The expense related to these plans was \$42.0 million, \$47.6 million and \$46.5 million in 2007, 2006 and 2005, respectively. Company contributions to multiemployer plans were \$0.5 million, \$0.4 million and \$0.5 million in 2007, 2006 and 2005, respectively.

The Company's domestic pension and retiree health care and life insurance benefit plans, which are discussed below, provide benefits based on years of service, and for some plans, the average compensation prior to retirement. The Company uses a December 31 measurement date for these plans. The Company's salaried pension plan was closed to new participants effective April 1, 1999. This plan was replaced with a defined contribution plan for certain employees not meeting age and service requirements and for new hires. The Company's foreign benefit plans are not significant individually or in the aggregate.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare as well as a subsidy to sponsors of retiree health care benefit plans that provides a benefit that is at least actuarially equivalent to Medicare Part D. The Company's postretirement benefit obligation and net periodic benefit cost do not reflect the effects of the Act, as the Company does not anticipate qualifying for the subsidy based on its current plan designs.

FAS 158 Adoption. On December 31, 2006, the Company adopted the provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)," (SFAS 158). SFAS 158 requires recognition of the overfunded or underfunded status of pension and other postretirement plans in the statement of financial position, as well as recognition of changes in that funded status through comprehensive income in the year in which they occur. SFAS 158 was adopted on a prospective basis as required. Prior years' amounts have not been restated. Effective for the year ended December 31, 2007, SFAS 158 also requires measurement of a plan's assets and benefit obligations as of the date of the employer's fiscal year end. As the Company already measures plan assets and benefit obligations as of December 31, 2006, the adoption of this element of SFAS 158 did not have any impact on the Company in 2007.

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The prior accounting for defined pension and other postretirement plans allowed for delayed recognition of changes in plan assets and benefit obligations and recognition of a liability that may have been significantly less than the underfunded status of the plans or an asset for plans that may have been underfunded. The following table illustrates the incremental effect of applying SFAS 158 for pension, postretirement and postemployment benefits on individual line items in the Company's Consolidated Balance Sheet as of December 31, 2006:

(in millions)	Before Application of SFAS 158	SFAS 158 Adjustments Increase (Decrease)	After Application of SFAS 158
Other assets			
Other intangibles, net	\$ 353.8	\$ (31.2)	\$ 322.6
Other long-term assets	\$ 216.4	\$ (21.3)	\$ 195.1
Total assets	\$ 4,502.8	\$ (52.5)	\$ 4,450.3
Long-term liabilities			
Deferred income taxes	\$ 124.9	\$ (38.6)	\$ 86.3
Postretirement and postemployment benefits	\$ 177.4	\$ 46.8	\$ 224.2
Shareholders' equity			
Accumulated other comprehensive income (loss), net of tax:			
Defined benefit plans			
Prior service cost	\$ —	\$ (11.2)	\$ (11.2)
Net actuarial loss	\$ —	\$ (121.7)	\$ (121.7)
Minimum pension liability	\$ (72.2)	\$ 72.2	\$ —
Shareholders' equity	\$ 1,932.5	\$ (60.7)	\$ 1,871.8
Total liabilities and shareholders' equity	\$ 4,502.8	\$ (52.5)	\$ 4,450.3

Costs. Pension and other postretirement benefit costs included the following components for 2007, 2006 and 2005:

(in millions)	Pension Benefits			Other Postretirement Benefits		
	2007	2006	2005	2007	2006	2005
Service cost	\$ 17.3	\$ 18.5	\$ 18.6	\$ 3.0	\$ 2.9	\$ 2.7
Interest cost	62.8	58.9	58.3	6.6	6.0	5.7
Expected return on plan assets	(81.9)	(78.3)	(72.6)	—	—	—

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Amortization of prior service costs	6.5	6.8	7.3	(1.8)	(2.1)	(2.1)
Amortization of net actuarial loss	7.3	10.4	13.5	1.0	1.2	0.8
Special termination benefit	—	0.1	—	—	—	—
Curtailment loss	—	—	0.8	—	—	—
Net pension and other benefit costs	\$ 12.0	\$ 16.4	\$ 25.9	\$ 8.8	\$ 8.0	\$ 7.1

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Benefit Obligations and Funded Status. A reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending December 31, 2007, and a statement of the funded status at December 31 for these years for the Company's pension and other postretirement benefit plans follow:

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Reconciliation of benefit obligation:				
Benefit obligation at previous December				
31	\$ 1,077.2	\$ 1,051.0	\$ 113.9	\$ 105.4
Service cost	17.3	18.5	3.0	2.9
Interest cost	62.8	58.9	6.6	6.0
Participant contributions	—	—	1.0	1.2
Plan amendments	0.2	2.9	—	2.2
Special termination benefits	—	0.1	—	—
Acquisition	—	—	—	0.3
Actuarial (gains) losses(A)	(30.3)	(2.6)	(9.3)	3.1
Benefit payments	(55.9)	(51.6)	(8.2)	(7.2)
 Benefit obligation at December 31	 \$ 1,071.3	 \$ 1,077.2	 \$ 107.0	 \$ 113.9
Reconciliation of fair value of plan assets:				
Fair value of plan assets at previous				
December 31	\$ 991.0	\$ 931.8	\$ —	\$ —
Actual return on plan assets	79.0	93.4	—	—
Employer contributions	2.6	17.4	7.2	6.0
Participant contributions	—	—	1.0	1.2
Benefit payments	(55.9)	(51.6)	(8.2)	(7.2)
 Fair value of plan assets at December				
31	\$ 1,016.7	\$ 991.0	\$ —	\$ —
 Funded status at December 31	 \$ (54.6)	 \$ (86.2)	 \$ (107.0)	 \$ (113.9)

(A) The actuarial gains for pension and other postretirement benefits arising during 2007 are primarily a result of the increase in the discount rate and demographic gains, partially offset by the impact of updating expected mortality assumptions using the RP-2000 Generational Mortality tables.

The amounts included in the Company's balance sheets as of December 31, 2007 and 2006, were as follows:
Other

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(in millions)	Pension Benefits		Postretirement Benefits	
	2007	2006	2007	2006
Other long-term assets	\$ 29.3	\$ 19.7	\$ —	\$ —
Accrued expenses	(3.1)	(2.6)	(8.8)	(8.0)
Postretirement benefits	(80.8)	(103.3)	(98.2)	(105.9)
Net amount recognized	\$ (54.6)	\$ (86.2)	\$ (107.0)	\$ (113.9)

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Notes to Consolidated Financial Statements

The following pre-tax activity related to pensions and other postretirement benefits was recorded in Accumulated other comprehensive income (loss) as of December 31:

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Prior service cost (credit)				
Beginning balance	\$ 35.2	\$ —	\$ (6.1)	\$ —
Prior service cost arising during the period	0.2	—	—	—
Amount recognized as component of net benefit costs	(6.5)	—	1.8	—
Effect of SFAS No. 158 adoption	—	35.2	—	(6.1)
Ending balance	\$ 28.9	\$ 35.2	\$ (4.3)	\$ (6.1)
Net actuarial loss				
Beginning balance	\$ 172.8	\$ —	\$ 22.0	\$ —
Actuarial gain arising during the period	(27.4)	—	(9.3)	—
Amount recognized as component of net benefit costs	(7.3)	—	(1.0)	—
Effect of SFAS No. 158 adoption	—	172.8	—	22.0
Ending balance	\$ 138.1	\$ 172.8	\$ 11.7	\$ 22.0
 Total	 \$ 167.0	 \$ 208.0	 \$ 7.4	 \$ 15.9

The estimated pre-tax prior service cost and net actuarial loss in Accumulated other comprehensive income (loss) at December 31, 2007, expected to be recognized as components of net periodic benefit cost in 2008 for the Company's pension plans are \$6.5 million and \$3.6 million, respectively. The estimated pre-tax prior service credit and net actuarial loss in Accumulated other comprehensive income (loss) at December 31, 2007, expected to be recognized as components of net periodic benefit cost in 2008 for the Company's other postretirement benefit plans are \$1.7 million and \$0.1 million, respectively.

The minimum liability concept, including recognition of an intangible asset, has been eliminated under SFAS 158 effective December 31, 2006. Prior to the adoption of SFAS 158, a minimum liability adjustment was recognized in Accumulated other comprehensive income (loss) to the extent there was an unfunded accumulated benefit obligation that had not been recognized in the balance sheet. Minimum pension liabilities of \$71.4 million after-tax (\$116.9 million pre-tax) were recognized in Accumulated other comprehensive income (loss) as of December 31, 2006, prior to the adoption of SFAS 158, representing a \$15.8 million after-tax (\$25.8 million pre-tax) adjustment for the change in the additional minimum liability for the year ended December 31, 2006. Minimum pension liabilities of \$87.2 million after-tax (\$142.7 million pre-tax) are included in Accumulated other comprehensive income (loss) in the

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Consolidated Balance Sheets as of December 31, 2005. The adjustment for the change in the additional minimum liability decreased Accumulated other comprehensive income (loss) by \$10.0 million after-tax (\$16.4 million pre-tax) for the year ended December 31, 2005.

The accumulated benefit obligation for the Company's pension plans was \$1,040.3 million and \$1,037.8 million at December 31, 2007 and 2006, respectively. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets, and pension plans with an accumulated benefit obligation in excess of plan assets, at December 31 were as follows:

(in millions)	2007	2006
Projected benefit obligation	\$ 687.6	\$ 989.6
Accumulated benefit obligation	\$ 656.6	\$ 950.2
Fair value of plan assets	\$ 603.7	\$ 883.7

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The funded status of these pension plans as a percentage of the projected benefit obligation was 88 percent in 2007 compared to 89 percent in 2006. In the aggregate, the Company's qualified pension plans had assets greater than their accumulated benefit obligations at December 31, 2007 and 2006. The projected benefit obligation for the Company's unfunded, nonqualified pension plan was \$54.5 million and \$52.2 million at December 31, 2007 and 2006, respectively. The accumulated benefit obligation for the unfunded, nonqualified plan was \$52.2 million and \$48.4 million at December 31, 2007 and 2006, respectively.

The Company's nonqualified pension plan and other postretirement benefit plans are not funded.

Prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Actuarial gains and losses in excess of 10 percent of the greater of the benefit obligation or the market value of assets are amortized over the remaining service period of active plan participants.

Participants eligible for other postretirement benefits have flat dollar post-age 65 benefits. The assumed health care cost trend rate for other postretirement benefits for pre-age 65 benefits as of December 31 was as follows:

	Pre-age 65 Benefits	
	2007	2006
Health care cost trend rate for next year	8.5%	9.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year rate reaches the ultimate trend rate	2015	2011

The health care cost trend rate assumption has an effect on the amounts reported. A one percent change in the assumed health care trend rate at December 31, 2007, would have the following effects:

(in millions)	One Percent Increase	One Percent Decrease
Effect on total service and interest cost	\$ 0.6	\$ (0.5)
Effect on accumulated postretirement benefit obligation	\$ 5.7	\$ (5.1)

The Company monitors the cost of health care and life insurance benefit plans and reserves the right to make additional changes or terminate these benefits in the future.

Weighted average assumptions used to determine pension and other postretirement benefit obligations at December 31 were as follows:

Other
Postretirement

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	Pension Benefits		Benefits	
	2007	2006	2007	2006
Discount rate	6.50%	6.00%	6.35%	6.00%
Rate of compensation increase(A)	3.25%	3.75%	—	—

(A) Assumption used in determining pension benefit obligation only.

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Weighted average assumptions used to determine net pension and other postretirement benefit costs for the years ended December 31 were as follows:

	2007	2006	2005
Discount rate	6.00%	5.75%	5.90%
Long-term rate of return on plan assets(A)	8.50%	8.50%	8.50%
Rate of compensation increase(A)	3.75%	3.75%	3.75%

(A) Assumption used in determining pension benefit cost only.

The Company utilized a yield curve analysis to determine the discount rates for pension and other postretirement benefit obligations in 2007. The yield curve consist of spot interest rates at half yearly increments for each of the next 30 years and was developed based on pricing and yield information for high quality corporate bonds rated Aa by Moody's, excluding callable bonds, bonds of less than a minimum size and other filtering criteria. The yield curve analysis matched the cash flows of the Company's benefit obligations.

The Company utilized a long-term corporate bond model to determine the discount rate used to calculate plan liabilities at December 31, 2006, 2005 and 2004. The corporate bond model calculated the yield of a portfolio of bonds whose cash flows approximated the plans' expected benefit payments. The yield of this portfolio was compared to the Moody's Aa Corporate Bond Yield Index at a comparable measurement date to determine the yield differential, which was 22 basis points, 27 basis points and 16 basis points in 2006, 2005 and 2004, respectively. This differential was added to the year-end Moody's index to determine the discount rate. These rates were used to determine the benefit costs for the subsequent year.

The Company evaluates its assumption regarding the estimated long-term rate of return on plan assets based on historical experience and future expectations of investment returns. The Company's long-term rate of return on assets assumption of 8.5 percent in 2007, 2006 and 2005, reflects recent market trends and is consistent with historical weighted average total returns achieved by the plans' assets.

Plan Assets. The Company's asset allocation for its qualified pension plans at December 31 by asset category was as follows:

Asset Category	Percentage of Plan Assets		Target Allocation Ranges		
	2007	2006	High	Low	
	66%	68%	75%	55	%

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Equity securities				
Debt securities	14	15	22	12
Real estate	14	13	18	10
Other	6	4		
Total	100%	100%		

Equity securities do not include any shares of the Company's common stock at December 31, 2007 and 2006.

Assets of the Company's Master Pension Trust (Trust) are invested solely in the interest of the plan participants for the purpose of providing benefits to participants and their beneficiaries. Investment decisions within the Trust are made after giving appropriate consideration to the prevailing facts and circumstances that a prudent person acting in a like capacity would use in a similar situation, and follow the guidelines and objectives established within the investment policy statement for the Trust. The Trust strategically diversifies its investments among various asset classes in order to reduce risks and enhance returns. Long-term strategic weightings for the total Trust of 66 percent for equity securities, 20 percent for interest-sensitive investments (debt securities and other) and 14 percent for real estate are within the Company's target allocation ranges. All investments are continually monitored and reviewed, with evaluation considerations focusing on strategic target allocations, investment vehicles and performance of the individual investment managers, as well as overall Trust performance. Actual asset allocations within the Trust are described below.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Expected Cash Flows. The expected cash flows for the Company's pension and other postretirement benefit plans follow:

(in millions)	Pension Benefits	Other Post-retirement Benefits
Company contributions expected to be made in 2008 (A)	\$ 3.2	\$ 8.8
Expected benefit payments (which reflect future service):		
2008	\$ 61.6	\$ 8.8
2009	\$ 65.6	\$ 8.8
2010	\$ 68.9	\$ 8.9
2011	\$ 72.4	\$ 9.2
2012	\$ 76.2	\$ 9.4
2013-2017	\$ 426.0	\$ 52.4

(A) The Company currently anticipates funding approximately \$3.2 million to cover benefit payments in the unfunded, nonqualified pension plan in 2008. The Company is evaluating the impact of the Pension Protection Act of 2006 on 2008 contributions to the qualified pension plans. Company contributions are subject to change based on market conditions or Company discretion.

Brunswick also provides postemployment benefits to qualified former or inactive employees. The incremental effect of adopting SFAS 158 for these postemployment benefit plans resulted in a \$6.6 million after-tax (\$10.8 million pre-tax) increase in Accumulated other comprehensive income (loss), net of tax, at December 31, 2006. The pre-tax prior service credit in Accumulated other comprehensive income (loss) recognized in income in 2007 was \$1.3 million. The estimated pre-tax prior service credit in Accumulated other comprehensive income (loss) at December 31, 2007, expected to be recognized in income in 2008, is \$1.3 million.

Note 16 – Stock Plans and Management Compensation

On January 1, 2006, the Company adopted the provisions of SFAS No. 123 (revised 2004), "Share-Based Payment," (SFAS 123R), which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS 123R supersedes Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and amends SFAS No. 95, "Statement of Cash Flows." SFAS 123R requires the Company to recognize all share-based payments to employees, including grants of stock options and the compensatory elements of employee stock purchase plans, in its income statement based upon the fair value of such share-based payments. Share-based employee compensation cost (benefit) is recognized as a component of Selling, general and administrative expense in the Consolidated Statements of Income.

The Company previously accounted for its share-based compensation using the intrinsic value method as defined in APB 25. Prior to January 1, 2006, other than for nonvested stock, no share-based employee compensation cost was

reflected in net earnings. SFAS 123R requires that the Company report the tax benefit related to share-based compensation that is in excess of recognized compensation costs (excess tax benefits) as a financing cash flow rather than as an operating cash flow in the Consolidated Statements of Cash Flows. Total stock option expense from continuing operations was \$5.2 million and 5.8 million for the years ended December 31, 2007 and 2006, respectively and resulted in a deferred tax asset for the tax benefit to be realized in future periods.

The Company used the modified prospective transition method to adopt the provisions of SFAS 123R. Under this method, employee compensation cost recognized in 2006 includes: (i) compensation cost for all share-based payments granted prior to, but not yet vested, as of January 1, 2006, based on grant date fair value estimated in accordance with the original provisions of SFAS 123 and (ii) compensation cost for all share-based payments granted on or subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. Therefore, prior period financial statements have not been restated. In accordance with SFAS 123R, the fair value of option grants is estimated as of the date of grant using the Black-Scholes-Merton option pricing model.

As a result of adopting SFAS 123R on January 1, 2006, the Company's net earnings from continuing operations for the year ended December 31, 2006, were \$3.5 million lower (\$0.04 per diluted share) than if it had continued to account for share-based compensation under APB 25.

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The following table illustrates the effect on net earnings and earnings per share for the year ended December 31, 2005, if the fair value-based method provided by SFAS 123 had been applied for all outstanding and unvested awards for periods before the Company adopted SFAS 123R:

(in millions, except per share data)	2005
Net earnings from continuing operations, as reported	\$ 371.1
Add: Share-based employee compensation included in reported earnings, net of tax	1.8
Less: Total share-based employee compensation expense under fair value-based method for all awards, net of tax	8.7
Net earnings from continuing operations, pro forma	\$ 364.2
Basic earnings from continuing operations per common share:	
As reported	\$ 3.80
Pro forma	\$ 3.73
Diluted earnings from continuing operations per common share:	
As reported	\$ 3.76
Pro forma	\$ 3.69

Under the 2003 Stock Incentive Plan (Plan), the Company may grant stock options, stock appreciation rights (SARs), nonvested stock and other types of share-based awards to executives and other management employees. Under the Plan, the Company may issue up to 8.1 million shares, consisting of treasury shares and authorized, but unissued shares of common stock. As of December 31, 2007, 4.0 million shares were available for grant.

Stock Options and SARS

Prior to 2005, the Company primarily issued share-based compensation in the form of stock options, and had not issued any SARs. Since the beginning of 2005, the Company has issued stock-settled SARs and has not issued any stock options. Generally, stock options and SARs are exercisable over a period of 10 years, or as otherwise determined by the Human Resources and Compensation Committee of the Board of Directors, and subject to vesting periods of four years. The exercise price of stock options and SARs issued under the Plan cannot be less than the fair market value of the underlying shares at the date of grant. Stock option activity for all plans for the three years ended December 31, 2007, 2006 and 2005, was as follows:

	2007			2006		2005	
Stock Options	Weighted Average	Weighted Average	Aggregate Intrinsic	Stock Options	Weighted Average	Stock Options	Weighted

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	Outstanding	Exercise Price	Remaining Contractual Term	Value	Outstanding	Exercise Price	Outstanding	Average Exercise Price
(Options in thousands)								
Outstanding on January 1	4,001	\$ 32.62			3,844	\$ 29.91	3,702	\$ 24.59
Granted	900	\$ 32.89			906	\$ 39.06	934	\$ 45.90
Exercised	(410)	\$ 23.94		\$ 3,556	(548)	\$ 21.95	(740)	\$ 23.17
Forfeited	(272)	\$ 37.39			(201)	\$ 38.90	(52)	\$ 34.04
Outstanding on December 31	4,219	\$ 33.22	5.7 years	\$ —	4,001	\$ 32.62	3,844	\$ 29.91
Exercisable on December 31	2,428	\$ 30.02	4.0 years	\$ —	2,338	\$ 26.73	2,312	\$ 23.45

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The following table summarizes information about stock options outstanding as of December 31, 2007:

Range of Exercise Price	Number Outstanding (in thousands)	Weighted Average Remaining Years of Contractual Life	Weighted Average Exercise Price	Number Exercisable (in thousands)	Weighted Average Remaining Years of Contractual Life	Weighted Average Exercise Price
\$17.38 to \$20.00	479	2.7 years	\$ 19.59	479	2.7 years	\$ 19.59
\$20.01 to \$30.00	1,003	3.5 years	\$ 23.49	990	3.4 years	\$ 23.48
\$30.01 to \$40.00	1,928	7.8 years	\$ 36.30	509	5.6 years	\$ 38.47
\$40.01 to \$49.27	809	5.0 years	\$ 46.00	450	4.8 years	\$ 45.93

The weighted average fair values of individual SARs granted were \$9.85 and \$12.02 during 2007 and 2006, respectively. The fair value of each grant was estimated on the date of grant using the Black-Scholes-Merton pricing model utilizing the following weighted average assumptions used for 2007, 2006 and 2005:

	2007	2006	2005
Risk-free interest rate	4.6%	4.4%	3.7%
Dividend yield	1.8%	1.5%	1.4%
Volatility factor	29.9%	31.2%	34.1%
Weighted average expected life	5.1 – 6.2 years	4.8 - 6.1 years	5.0 years

Nonvested stock awards

The Company issues nonvested stock awards (stock units) to key employees as determined by the Human Resources and Compensation Committee of the Board of Directors. In addition, employees entitled to receive cash payments under the Company's Strategic Incentive Plan (a long-term incentive plan for senior employees) may elect to receive a vested stock award instead, with a 20 percent nonvested stock premium. Nonvested stock awards (including the premium) have vesting periods of three or four years and are eligible for dividends, which are reinvested and non-voting. All nonvested awards have restrictions on the sale or transfer of such awards during the nonvested period.

Generally, grants of nonvested stock options, SARs and stock units are forfeited if employment is terminated prior to vesting. However, with respect to stock options and SARs, all grants vest immediately: (i) in the event of a change in control; (ii) upon death or disability of the grantee; and (iii) beginning in 2007, upon the sale or divestiture of the business unit to which the grantee is assigned. Stock option and SAR grants made prior to 2006 also vest immediately if the sum of (A) the age of the grantee and (B) the grantee's total number of years of service, equals 65 or more; grants

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made in 2006 and later vest immediately if (A) the grantee has attained the age of 62 and (B) the grantee's age plus total years of service equals 70 or more. Nonvested stock awards granted prior to 2006 vest pro rata if the sum of (A) the age of the grantee and (B) the grantee's total number of years of service equals 65 or more; grants made in 2006 and later vest pro rata if the sum of (A) the age of the grantee and (B) the grantee's total number of years of service equals 70 or more.

The cost of nonvested stock awards is recognized on a straight-line basis over the requisite service period. During December 31, 2007, 2006 and 2005, there was \$4.1 million, \$7.0 million and \$3.4 million charged to compensation expense under the Plan, respectively.

The weighted average price per nonvested stock award at grant date was \$33.00, \$39.15 and \$45.90 for the nonvested stock awards granted in 2007, 2006 and 2005, respectively. Nonvested stock award activity for all plans for the three years ended December 31 was as follows:

(in thousands)	2007	2006	2005
Outstanding at January 1	550	519	824
Granted	127	325	103
Released	(195)	(227)	(101)
Forfeited	(47)	(67)	(307)
Outstanding at December 31	435	550	519

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

As of December 31, 2007, there was \$6.2 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted average period of 1.4 years.

Director Awards

The Company issues stock awards to directors in accordance with the terms and conditions determined by the Nominating and Corporate Governance Committee of the Board of Directors. One-half of each director's annual fee is paid in Brunswick common stock, the receipt of which may be deferred until a director retires from the Board of Directors. Each director may elect to have the remaining one-half paid either in cash, in Brunswick common stock distributed at the time of the award, or in deferred Brunswick common stock units with a 20 percent premium. Each non-employee director is also entitled to an annual grant of restricted stock units, which is deferred until the director retires from the Board.

Note 17 – Treasury and Preferred Stock

Treasury stock activity for the three years ended December 31, 2007, 2006 and 2005, was as follows:

(Shares in thousands)	2007	2006	2005
Balance at January 1	11,671	6,881	5,709
Common stock repurchase program	4,100	5,638	1,943
Compensation plans and other	(679)	(848)	(771)
Balance at December 31	15,092	11,671	6,881

At December 31, 2007, 2006 and 2005, the Company had no preferred stock outstanding (12.5 million shares authorized, \$0.75 par value at December 31, 2007, 2006 and 2005).

Note 18 – Leases

The Company has various lease agreements for offices, branches, factories, distribution and service facilities, certain Company-operated bowling centers and certain personal property. The longest of these obligations extends through 2099. Most leases contain renewal options, some contain purchase options or escalation clauses, and many provide for contingent rentals based on percentages of gross revenue.

No leases contain restrictions on the Company's activities concerning dividends, additional debt or further leasing. Rent expense consisted of the following:

(in millions)	2007	2006	2005
Basic expense	\$ 51.4	\$ 48.8	\$ 43.1
Contingent expense	2.7	2.6	2.3
Sublease income	(0.7)	(0.9)	(0.9)
Rent expense, net	\$ 53.4	\$ 50.5	\$ 44.5

Future minimum rental payments at December 31, 2007, under agreements classified as operating leases with non-cancelable terms in excess of one year, were as follows:

(in millions)	
2008	\$ 49.2
2009	42.5
2010	34.1
2011	25.0
2012	15.2
Thereafter	35.5

Total (not reduced
by minimum
sublease rentals of
\$1.6) \$ 201.5

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Note 19 – Share Repurchase Program

In the second quarter of 2005, Brunswick's Board of Directors authorized a \$200.0 million share repurchase program, to be funded with available cash. On April 27, 2006, the Board of Directors increased the Company's remaining share repurchase authorization of \$62.2 million to \$500.0 million. As of December 31, 2007, the Company's remaining share repurchase authorization for the program was \$240.4 million. The Company expects to repurchase shares on the open market or in private transactions from time to time, depending on market conditions. During 2007, 2006 and 2005, the Company repurchased approximately 4.1 million, 5.6 million and 2.0 million shares under this program for \$125.8 million, \$195.6 million and \$76.0 million, respectively. As of December 31, 2007, the Company has repurchased approximately 11.7 million shares since the program's inception.

BRUNSWICK CORPORATION
Notes to Consolidated

Note 20 – Quarterly Data (unaudited)

Brunswick maintains its financial records on the basis of a fiscal year ending on December 31, with the fiscal quarters ending on the Saturday closest to the end of the period (13-week periods). The first three quarters of fiscal year 2007 ended on March 31, 2007, June 30, 2007, and September 29, 2007 and the first three quarters of 2006 ended on April 1, 2006, July 1, 2006, and September 30, 2006.

(in millions, except per share data)	Quarter Ended				Year
	March 31, 2007	June 30, 2007	Sept. 29, 2007	Dec. 31, 2007	Ended Dec. 31, 2007
Net sales	\$ 1,386.1	\$ 1,522.9	\$ 1,326.2	\$ 1,436.0	\$ 5,671.2
Gross margin (A)	\$ 296.4	\$ 332.3	\$ 258.4	\$ 256.0	\$ 1,143.1
Net earnings (loss) from continuing operations	\$ 34.3	\$ 56.9	\$ (23.7)	\$ 12.1	\$ 79.6
Net earnings	\$ 45.6	\$ 57.3	\$ 1.9	\$ 6.8	\$ 111.6
Basic earnings per common share:					
Net earnings (loss) from continuing operations	\$ 0.38	\$ 0.63	\$ (0.27)	\$ 0.14	\$ 0.88
Net earnings (loss) from discontinued operations	0.12	—	0.29	(0.06)	0.36
Net earnings	\$ 0.50	\$ 0.63	\$ 0.02	\$ 0.08	\$ 1.24
Diluted earnings per common share:					
Net earnings (loss) from continued operations	\$ 0.38	\$ 0.63	\$ (0.27)	\$ 0.14	\$ 0.88
Net earnings (loss) from discontinued operations	0.12	—	0.29	(0.06)	0.36
Net earnings	\$ 0.50	\$ 0.63	\$ 0.02	\$ 0.08	\$ 1.24
Dividends declared	\$ —	\$ —	\$ —	\$ 0.60	\$ 0.60
Common stock price (NYSE symbol: BC):					
High	\$ 34.62	\$ 34.80	\$ 33.12	\$ 24.21	\$ 34.80
Low	\$ 30.02	\$ 30.38	\$ 21.49	\$ 17.05	\$ 17.05

(in millions, except per share data)	Quarter Ended				Year
	April 1, 2006	July 1, 2006	Sept. 30, 2006	Dec. 31, 2006	Ended Dec. 31, 2006
Net sales	\$ 1,413.3	\$ 1,543.1	\$ 1,337.8	\$ 1,370.8	\$ 5,665.0
Gross margin (A)	\$ 313.4	\$ 354.8	\$ 288.9	\$ 268.6	\$ 1,225.7
	\$ 74.2	\$ 94.4	\$ 50.4	\$ 44.2	\$ 263.2

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Net earnings from continuing operations										
Net earnings (loss)	\$	67.4	\$	83.2	\$	36.5	\$	(53.2)	\$	133.9
Basic earnings per common share:										
Net earnings from continuing operations	\$	0.78	\$	1.00	\$	0.54	\$	0.48	\$	2.80
Net loss from discontinued operations		(0.07)		(0.12)		(0.15)		(1.05)		(1.38)
Net earnings (loss)	\$	0.71	\$	0.88	\$	0.39	\$	(0.57)	\$	1.42
Diluted earnings per common share:										
Net earnings from continued operations	\$	0.77	\$	0.99	\$	0.54	\$	0.47	\$	2.78
Net loss from discontinued operations		(0.07)		(0.12)		(0.15)		(1.04)		(1.37)
Net earnings (loss)	\$	0.70	\$	0.87	\$	0.39	\$	(0.57)	\$	1.41
Dividends declared	\$	—	\$	—	\$	—	\$	0.60	\$	0.60
Common stock price (NYSE symbol: BC):										
High	\$	42.30	\$	40.50	\$	33.31	\$	33.24	\$	42.30
Low	\$	36.04	\$	32.35	\$	27.56	\$	30.71	\$	27.56

(A) Gross margin is defined as Net sales less Cost of sales as presented in the Consolidated Statements of Income.

BRUNSWICK CORPORATION

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(in millions)

Allowances for Losses on Receivables	Balance at Beginning of Year	Charges to Profit and Loss	Write-offs	Recoveries	Other	Balance at End of Year
2007	\$ 29.7	\$ 10.7	\$ (10.4)	\$ 0.3	\$ 0.9	\$ 31.2
2006	\$ 22.1	\$ 9.2	\$ (5.7)	\$ (1.5)	\$ 5.6	\$ 29.7
2005	\$ 28.7	\$ (0.7)	\$ (6.0)	\$ 0.1	\$ 0.2	\$ 22.1
Deferred Tax Asset Valuation Allowance (A)	Balance at Beginning of Year	Charges to Profit and Loss	Write-offs	Recoveries	Other	Balance at End of Year
2007	\$ 10.0	\$ —	\$ —	\$ —	\$ 6.5	\$ 16.5
2006	\$ 12.4	\$ (0.1)	\$ —	\$ —	\$ (2.3)	\$ 10.0
2005	\$ 20.0	\$ (7.6)	\$ —	\$ —	\$ —	\$ 12.4

(A) State and foreign net operating loss carryforwards, and state capital losses that are not expected to be utilized.

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.

BRUNSWICK CORPORATION

Date: February 22, 2008

By: /s/ ALAN L. LOWE
Alan L. Lowe
Vice President and Controller

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.

Date: February 22, 2008

By: /s/ DUSTAN E. McCOY
Dustan E. McCoy
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: February 22, 2008

By: /s/ PETER G. LEEMPUTTE
Peter G. Leemputte
Senior Vice President and Chief
Financial Officer
(Principal Financial Officer)

Date: February 22, 2008

By: /s/ ALAN L. LOWE
Alan L. Lowe
Vice President and Controller
(Principal Accounting Officer)

This report has been signed by the following directors, constituting a majority of the Board of Directors, by Peter G. Leemputte, Attorney-in-Fact.

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Nolan D. Archibald
Jeffrey L. Bleustein
Michael J. Callahan
Cambria W. Dunaway
Manuel A. Fernandez
Graham H. Phillips
Ralph C. Stayer
J. Steven Whisler
Lawrence A. Zimmerman

Date: February 22, 2008

By: /s/ PETER G. LEEMPUTTE
Peter G. Leemputte
Attorney-in-Fact

EXHIBIT INDEX

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of the Company filed as Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1987, and hereby incorporated by reference.
3.2	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for 1995, and hereby incorporated by reference.
3.3	By-Laws of the Company filed as Exhibit 3.3 to the Company's Annual Report on Form 10-K for 2002, and hereby incorporated by reference.
4.1	Indenture dated as of March 15, 1987, between the Company and Continental Illinois National Bank and Trust Company of Chicago filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1987, and hereby incorporated by reference.
4.2	Officers' Certificate setting forth terms of the Company's \$125,000,000 principal amount of 7 3/8% Debentures due September 1, 2023, filed as Exhibit 4.3 to the Company's Annual Report on Form 10-K for 1993, and hereby incorporated by reference.
4.3	Form of the Company's \$200,000,000 principal amount of 7 1/8% Notes due August 1, 2027, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 4, 1997, and hereby incorporated by reference.
4.4	The Company's agreement to furnish additional debt instruments upon request by the Securities and Exchange Commission filed as Exhibit 4.10 to the Company's Annual Report on Form 10-K for 1980, and hereby incorporated by reference.
4.5	Form of the Company's \$150,000,000 principal amount of 5% Notes due 2011, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 26, 2004, and hereby incorporated by reference.
4.6	Credit Agreement dated as of November 15, 2002, setting forth the terms of the Company's \$350,000,000 Revolving Credit and Competitive Bid Loan Facility with JPMorgan Chase Bank, administrative agent, and other lenders identified in the Credit Agreement, filed as Exhibit 4.8 to the Company's Annual Report on Form 10-K for 2002, and hereby

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- incorporated by reference.
- 4.7 Credit Agreement dated as of April 29, 2005, setting forth the terms of the Company's \$650,000,000 Revolving Credit and Competitive Bid Loan Facility with JPMorgan Chase Bank, administrative agent, and other lenders identified in the Credit Agreement, filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, and hereby incorporated by reference.
 - 4.8 Form of the Company's \$250,000,000 principal amount of floating rate Notes due July 24, 2009, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 24, 2006, and hereby incorporated by reference.
 - 10.1* Terms and Conditions of Employment between the Company and D. E. McCoy, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 18, 2006, and hereby incorporated by reference.

EXHIBIT INDEX (Cont'd)

Exhibit No.	Description
10.2*	Form of Terms and Conditions of Employment between the Company and each of L.C. Chatfield II, W. N. Hardie, P. G. Leemputte, B. R. Lockridge, A. L. Lowe, P. C. Mackey, G.T. Neill, K. Roll-Wallace and J. E. Stransky, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 18, 2007, and hereby incorporated by reference.
10.3*	1994 Stock Option Plan for Non-Employee Directors filed as Exhibit A to the Company's definitive Proxy Statement dated March 25, 1994, for the Annual Meeting of Stockholders on April 27, 1994, and hereby incorporated by reference.
10.4*	Supplemental Pension Plan filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and hereby incorporated by reference.
10.5*	Form of Indemnification Agreement by and between the Company and each of N. D. Archibald, J. L. Bleustein, M. J. Callahan, C. W. Dunaway, M. A. Fernandez, G.H. Phillips, R. C. Stayer, J.S. Whisler and L. A. Zimmerman.
10.6*	1991 Stock Plan filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999, and hereby incorporated by reference.
10.7*	Brunswick Performance Plan for 2007 filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for 2006, and hereby incorporated by reference.
10.8*	Brunswick Performance Plan for 2008.
10.9*	Brunswick Strategic Incentive Plan for 2006 – 2007 filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for 2006, and hereby incorporated by reference.
10.10*	Brunswick Strategic Incentive Plan for 2007 – 2008 filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for 2006, and hereby incorporated by reference.
10.11	1997 Stock Plan for Non-Employee Directors filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and hereby incorporated by reference.
10.12*	Elective Deferred Compensation Plan filed as Exhibit 4.6 to the Company's Registration Statement on Form S-8 (333-112880) filed February 17, 2004, and hereby incorporated by reference.

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- 10.13* Automatic Deferred Compensation Plan filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for 2003 and hereby incorporated by reference.
- 10.14* Brunswick 2003 Stock Incentive Plan filed as Exhibit 4.5 to the Company's Registration Statement on Form S-8 (333-112880) filed February 17, 2004, and hereby incorporated by reference.
- 10.15* S-8 (333-112880) filed February 17, 2004, and hereby incorporated by reference.
- 12.1 Statement regarding computation of ratios.
- 21.1 Subsidiaries of the Company.
- 23.1 Consent of Independent Registered Public Accounting Firm.
- 24.1 Power of Attorney.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan or arrangement.

