

BRUNSWICK CORP  
Form 10-K  
February 22, 2008

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

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Form 10-K

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

For the fiscal year ended December 31, 2007

or

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

Commission file number 1-1043

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Brunswick Corporation  
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	36-0848180 (I.R.S. Employer Identification No.)
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1 N. Field Court, Lake Forest, Illinois (Address of principal executive offices)	60045-4811 (Zip Code)
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(847) 735-4700  
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock (\$0.75 par value)	New York and Chicago
	Stock Exchanges

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of June 30, 2007, the aggregate market value of the voting stock of the registrant held by non-affiliates was \$2,891,550,032. Such number excludes stock beneficially owned by officers and directors. This does not constitute an admission that they are affiliates.

The number of shares of Common Stock (\$0.75 par value) of the registrant outstanding as of February 15, 2008 was 87,567,242.

#### DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Report on Form 10-K incorporates by reference certain information that will be set forth in the Company's definitive Proxy Statement for the Annual Meeting of Shareholders scheduled to be held on May 7, 2008.

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December 31, 2007

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## PART I

### Item 1. Business

Brunswick Corporation (Brunswick or the Company) is a leading global manufacturer and marketer of recreation products including boats, marine engines, fitness equipment and bowling and billiards equipment. Brunswick's boat offerings include fiberglass pleasure boats; luxury sportfishing convertibles and motoryachts; high-performance boats; offshore fishing boats; aluminum fishing, deck and pontoon boats; rigid inflatable boats; and marine parts and accessories. The Company's engine products include outboard, sterndrive and inboard engines; trolling motors; propellers; marine dealer management systems; and engine control systems. Brunswick's fitness products include both cardiovascular and strength training equipment. Brunswick's bowling offerings include products such as capital equipment, aftermarket and consumer products; and billiards offerings include billiards tables and accessories, Air Hockey tables and foosball tables. The Company also owns and operates Brunswick bowling centers in the United States and other countries, and retail billiards stores in the United States.

Brunswick's strategy is to introduce the highest quality product with the most innovative technology and styling at a rate faster than its competitors; to distribute products through a model that benefits its partners – dealers and distributors – and provides world-class service to its customers; to develop and maintain low-cost manufacturing, to continually improve productivity and efficiency; to manufacture and distribute products globally with local and regional styling; and to attract and retain the best and the brightest people. In addition, the Company pursues growth from expansion of existing businesses and acquisitions. The Company's objective is to enhance shareholder value by achieving returns on investments that exceed its cost of capital.

Refer to Note 5 – Segment Information and Note 2 – Discontinued Operations in the Notes to Consolidated Financial Statements for additional information regarding the Company's segments and discontinued operations, including net sales, operating earnings and total assets by segment for 2007, 2006 and 2005.

#### Boat Segment

The Boat segment consists of the Brunswick Boat Group (Boat Group), which manufactures and markets fiberglass pleasure boats, luxury sportfishing convertibles and motoryachts, high-performance boats, offshore fishing boats, aluminum fishing, pontoon and deck boats; manufactures and distributes marine parts and accessories; and offers marine dealer management systems. The Company believes that its Boat Group, which had net sales of \$2,690.9 million during 2007, has the largest dollar sales and unit volume of pleasure boats in the world.

The Boat Group manages most of Brunswick's boat brands, evaluates and enhances the Company's boat portfolio, expands the Company's involvement in recreational boating services and activities to enhance the consumer experience and dealer profitability, and speeds the introduction of new technologies into boat manufacturing processes.

The Boat Group is comprised of the following boat brands: Albemarle, Cabo and Hatteras luxury sportfishing convertibles and motoryachts; Sea Ray and Sealine yachts, sport yachts, cruisers and runabouts; Bayliner and Maxum cruisers and runabouts; Meridian motoryachts; Boston Whaler, Sea Pro, Sea Boss, Palmetto, Triton and Trophy fiberglass fishing boats; Baja high-performance boats; Crestliner, Harris, Lowe, Lund, Princecraft and Triton aluminum fishing, pontoon and deck boats; and Kayot deck and runabout boats. The Boat Group also includes Integrated Dealer Systems, a leading developer of management systems for dealers of marine products and recreational vehicles; a commercial and governmental sales unit that sells products to the United States Government, state, local and foreign governments, and commercial customers; and several brands comprising its boat parts and accessories business, including Attwood and Land 'N' Sea. The Boat Group procures most of its outboard engines,

gasoline sterndrive engines and gasoline inboard engines from Brunswick's Marine Engine segment. The Boat Group also purchases a portion of its diesel engines from Cummins MerCruiser Diesel Marine LLC (CMD), a joint venture of Brunswick's Mercury Marine division with Cummins Marine, a division of Cummins Inc.

The Boat Group has manufacturing facilities in California, Florida, Indiana, Maryland, Michigan, Minnesota, Missouri, North Carolina, Ohio, Oregon, South Carolina, Tennessee, Washington, Canada, China, Mexico and the United Kingdom. The Boat Group also utilizes contract manufacturing facilities in Poland. In July 2007, Brunswick announced that it would expand its manufacturing capabilities with the purchase of a boat manufacturing facility in Navassa, North Carolina. The purchase offers Brunswick additional capacity to build larger boats as well as the ability to manufacture several brands of cruisers, resulting in increased production flexibility, productivity and efficiency. Due to this acquisition, the Boat Group was also able to close down the Salisbury, Maryland, plant and transfer cruiser production to the new North Carolina facility. In September 2007, the Boat Group announced the closure of its aluminum boat manufacturing facility in Aberdeen, Mississippi, and shifted production to other aluminum boat manufacturing facilities as part of an ongoing strategy to integrate past acquisitions and achieve improved operating efficiencies. Brunswick also expects to mothball the facility in Swansboro, North Carolina, in the summer of 2008.

The Boat Group's products are sold to end users through a global network of approximately 2,300 dealers and distributors, each of which carries one or more of Brunswick's boat brands. Sales to the Boat Group's largest dealer, MarineMax Inc., which has multiple locations and carries a number of the Boat Group's product lines, represented approximately 21 percent of Boat Group sales in 2007. Domestic retail demand for pleasure boats is seasonal, with sales generally highest in the second calendar quarter of the year.

#### Marine Engine Segment

The Marine Engine segment, which had net sales of \$2,357.5 million in 2007, consists of the Mercury Marine Group. The Company believes its Marine Engine segment has the largest dollar sales volume of recreational marine engines in the world.

Mercury Marine manufactures and markets a full range of sterndrive propulsion systems, inboard engines, outboard engines and water jet propulsion systems under the Mercury, Mercury MerCruiser, Mariner, Mercury Racing, Mercury SportJet and Mercury Jet Drive brand names. In addition, Mercury Marine manufactures and markets engine parts and Marine accessories under the Quicksilver, Mercury Precision Parts, Mercury Propellers and Motorguide brand names, including marine electronics and control integration systems, steering systems, instruments, controls, propellers, trolling motors, service aids and marine lubricants. Mercury Marine's sterndrive and inboard engines, outboard engines and water jet propulsion systems are sold either to independent boat builders; local, state or foreign governments; or to the Boat Group. In addition, Mercury Marine's outboard engines and parts and accessories are sold to end-users through a global network of approximately 7,000 marine dealers and distributors, specialty marine retailers and marine service centers. Mercury Marine, through CMD, supplies integrated diesel propulsion systems to the worldwide recreational and commercial marine markets, including the Boat Group. Mercury Marine's operations also include MotoTron, a designer and supplier of sophisticated engine control and vehicle networking systems.

Mercury Marine manufactures two-stroke OptiMax outboard engines ranging from 75 to 350 horsepower, all of which feature Mercury's direct fuel injection (DFI) technology, and four-stroke outboard engine models ranging from 2.5 to 350 horsepower. All of these low-emission engines are in compliance with U.S. Environmental Protection Agency (EPA) requirements, which required a 75 percent reduction in outboard engine emissions over a nine-year period, ending with the 2006 model year. Mercury Marine's four-stroke outboard engines include Verado, a series of supercharged outboards ranging from 135 to 350 horsepower, and Mercury's naturally aspirated four-stroke outboards, which are based on Verado technology, ranging from 75 to 115 horsepower. In addition, Brunswick's sterndrive and inboard engines are now available with catalytic converters that comply with environmental regulations that the State of California adopted effective on January 1, 2008, and the Company expects that the EPA will enforce in the remaining states by 2010.

To promote advanced propulsion systems with improved handling, performance and efficiency, Mercury Marine, both directly and through its joint venture, CMD, has introduced and is continuing to develop engines and propulsion systems under the brand names of Zeus, Axius and MerCruiser 360.

Mercury Marine's sterndrive and outboard engines are produced primarily in Oklahoma and Wisconsin, respectively. Mercury Marine manufactures 40, 50 and 60 horsepower four-stroke outboard engines in a facility in China, and, in a joint venture with its partner, Tohatsu Corporation, produces smaller outboard engines in Japan. Some engine components are sourced from Asian suppliers. Mercury Marine also manufactures engine component parts at plants in Florida and Mexico. Diesel marine propulsion systems are manufactured in South Carolina by CMD. Further, Mercury Marine operates a remanufacturing business for engines and service parts in Wisconsin.



In addition to its marine engine operations, Mercury Marine serves markets outside the United States with a wide range of aluminum, fiberglass and inflatable boats produced either by, or for, Mercury in Australia, China, New Zealand, Poland, Portugal, Russia and Sweden. These boats, which are marketed under the brand names Arvor, Bermuda, Guernsey, Legend, Lodestar, Mercury, Örnvik, Passport, Protector, Quicksilver, Savage, Uttern and Valiant, are typically equipped with engines manufactured by Mercury Marine and often include other parts and accessories supplied by Mercury Marine. Mercury Marine has equity ownership interests in companies that manufacture boats under the brand names Aquador, Bella and Flipper in Finland, and Askeladden in Norway. From July 2003 until August 2007, the Company had a 49 percent equity interest in Rayglass Sales & Marketing Limited (Rayglass). In August 2007, the Company exercised its option to purchase the remaining 51 percent interest in Rayglass for \$4.6 million, expanding the global manufacturing footprint of the Company's marine operations and developing additional international sales opportunities. Mercury Marine also manufactures propellers and underwater sterngear for inboard-powered vessels, under the Teignbridge brand, in the United Kingdom.

Domestic retail demand for the Marine Engine segment's products is seasonal, with sales generally highest in the second calendar quarter of the year.

#### Fitness Segment

Brunswick's Fitness segment is comprised of its Life Fitness division, which designs, manufactures and markets a full line of reliable, high-quality cardiovascular fitness equipment (including treadmills, total body cross-trainers, stair climbers and stationary exercise bicycles) and strength-training equipment under the Life Fitness, Hammer Strength and ParaBody brands.

The Company believes that its Fitness segment, which had net sales of \$653.7 million during 2007, is the world's largest manufacturer of commercial fitness equipment and a leading manufacturer of high-end consumer fitness equipment. Life Fitness' commercial sales are primarily to private health clubs and fitness facilities operated by professional sports teams, the military, governmental agencies, corporations, hotels, schools and universities. Commercial sales are made to customers either directly, through domestic dealers or through international distributors. Consumer products are sold through specialty retailers and on Life Fitness' website.

The Fitness segment's principal manufacturing facilities are located in Illinois, Kentucky, Minnesota and Hungary. Life Fitness distributes its products worldwide from regional warehouses and production facilities. Domestic retail demand for Life Fitness' products is seasonal, with sales generally highest in the first and fourth calendar quarters of the year.

During 2007, Life Fitness launched its Elevation series of commercial cardiovascular training equipment in the United States. These new Elevation series treadmills and elliptical cross-trainers deliver state of the art styling and feature seamless iPod integration through their consoles. In addition, Life Fitness introduced a number of other new fitness products during the year, including consumer elliptical cross-trainers, treadmills and home gym products, as well as additional commercial selectorized and core strength-training equipment.

#### Bowling & Billiards Segment

The Bowling & Billiards segment is comprised of the Brunswick Bowling & Billiards division (BB&B), which had net sales of \$446.9 million during 2007. BB&B believes it is the leading full-line designer, manufacturer and marketer of bowling products, including bowling balls and bowling pins, aftermarket products and parts, and capital equipment, which includes bowling lanes, automatic pinsetters, ball returns, furniture units, and scoring and center management systems. Through licensing arrangements, BB&B also offers an array of bowling consumer products, including bowling shoes, bags and accessories. BB&B also designs and markets a full line of high-quality consumer and

commercial billiards tables, Air Hockey table games, foosball tables and related accessories.

BB&B operates 108 bowling centers in the United States, Canada and Europe. Since 1960, BB&B has been a partner in a joint venture in which BB&B operates 14 additional centers in Japan, however, BB&B expects to exit this joint venture in the first quarter of 2008. BB&B bowling centers offer bowling and, depending on size and location, the following activities and facilities: billiards, video, redemption and other games of skill, laser tag, pro shops, meeting and party rooms, restaurants and cocktail lounges. Substantially all of the North American and European centers offer Cosmic Bowling, an enhanced form of bowling with integrated sound systems and glow-in-the-dark effects. To date, 46 of BB&B's centers have been converted into Brunswick Zones, which are modernized bowling centers that offer an array of family-oriented entertainment activities. The entertainment offerings available at Brunswick Zones are designed to appeal to a broad audience, including families and other recreational bowlers, as well as traditional league bowlers. BB&B has further enhanced the Brunswick Zone concept with expanded Brunswick Zone family entertainment centers, branded Brunswick Zone XL, which are approximately 50 percent larger than typical Brunswick Zones and feature multiple-venue entertainment offerings such as laser tag games, expanded game rooms and are ideal for customer events such as child and adult birthday parties, team building events and corporate parties. BB&B operates eight Brunswick Zone XL centers, located in the Chicago, Denver, Minneapolis, Philadelphia, Phoenix and St. Louis markets. BB&B intends to accelerate the pace of Brunswick Zone XL openings.

BB&B's billiards business was established in 1845 and is Brunswick's oldest enterprise. BB&B designs and markets billiards tables, balls and cues, as well as billiards furniture and related accessories, under the Brunswick and Contender brands. These products are sold worldwide in both commercial and consumer billiards markets. BB&B also operates Valley-Dynamo, a leading manufacturer of commercial and consumer billiards and coin-operated pool tables, Air Hockey table games and foosball tables. The Company believes it has the largest dollar sales volume of billiards tables in the world. In 2003, BB&B opened Brunswick Home & Billiard, its first retail store, in a northern suburb of Chicago, followed in 2005 with three new stores in the Boston and Denver markets. These stores feature billiards tables and other products for the home.

BB&B's primary manufacturing and distribution facilities are located in Mexico, Michigan, Texas and Hungary. In 2006, Brunswick moved its bowling ball manufacturing operations from Muskegon, Michigan, to Reynosa, Mexico, and in early 2007 Brunswick transitioned its Valley-Dynamo manufacturing operations from Richland Hills, Texas, to a facility in Reynosa, Mexico. Additionally, in January 2008, Brunswick closed its bowling pin production plant in Antigo, Wisconsin, and going forward will source bowling pins from a third party.

Brunswick's bowling and billiards products are sold through a variety of channels, including distributors, dealers, mass merchandisers, bowling centers and retailers, and directly to consumers on the Internet and through other outlets. BB&B products are distributed worldwide from regional warehouses, sales offices and factory stocks of merchandise. Domestic retail demand for BB&B's products is seasonal, with sales generally highest in the first and fourth calendar quarters of the year.

#### Discontinued Operations

On April 27, 2006, the Company announced its intention to sell the majority of its Brunswick New Technologies (BNT) business unit, which was established in 2002 and consisted of: (i) marine electronics sold under the Northstar, Navman and MX Marine brands; (ii) portable navigation devices (PND) for automotive markets, which are based on global positioning systems technology; and (iii) a wireless fleet tracking business. In accordance with the criteria of Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," Brunswick reclassified the operations of BNT to discontinued operations and shifted reporting for the retained businesses from the Marine Engine segment to the Boat, Marine Engine and Fitness segments.

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 businesses 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.

### Financial Services

A Company subsidiary, Brunswick Financial Services Corporation (BFS), has a 49 percent ownership interest in a joint venture, Brunswick Acceptance Company, LLC (BAC). CDF Ventures, LLC (CDFV), a subsidiary of GE Capital Corporation, owns the remaining 51 percent. Under the terms of the joint venture agreement, BAC provides secured wholesale floor-plan financing to the Company'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. Additionally, Brunswick's marine dealers can offer extended product warranties to retail customers through Brunswick Product Protection Corporation. In October 2006, the Company acquired Blue Water Dealer Services, Inc. and its affiliates, a provider of retail financial services to marine dealers, to allow Brunswick to offer a more complete line of financial services to its boat and marine engine dealers and their customers.

Refer to Note 9 – Financial Services in the Notes to Consolidated Financial Statements for more information about the Company's financial services.

### Distribution

Brunswick depends on distributors, dealers and retailers (Dealers) for the majority of its boat sales and significant portions of marine engine, fitness and bowling and billiards products sales. Brunswick has approximately 7,000 Dealers serving its business segments worldwide. Brunswick's marine Dealers typically carry boats, engines and related parts and accessories.

Brunswick's Dealers are independent companies or proprietors that range in size from small, family-owned businesses to large, publicly traded corporations with substantial revenues and multiple locations. Some Dealers sell Brunswick's products exclusively, while others also carry competitors' products. Brunswick works with its boat dealer network to improve quality, distribution and delivery of parts and accessories to enhance the boating customer's experience.

Brunswick owns Land 'N' Sea Corporation, Benrock Inc., Kellogg Marine Inc. and Diversified Marine Products L.P., the primary parts and accessories distribution platforms for the Boat Group. These companies are the leading distributors of marine parts and accessories throughout the North American marine industry with 15 distribution warehouses throughout the United States and Canada offering same-day or next-day service to a broad array of marine service facilities.

Demand for a significant portion of Brunswick's products is seasonal, and a number of Brunswick's Dealers are relatively small or highly leveraged. As a result, many Dealers require financial assistance to support their businesses and provide stable channels for Brunswick's products. In addition to the financial services offered by BAC, the Company provides its Dealers with assistance, including incentive programs, loans, loan guarantees and inventory repurchase commitments, under which the Company is obligated to repurchase inventory from a finance company in the event of a Dealer's default. The Company believes that these arrangements are in its best interest; however, the financial support of its Dealers does expose the Company to credit and business risk. Brunswick's business units, along with BAC, maintain active credit operations to manage this financial exposure, and the Company seeks opportunities to sustain and improve its various distribution channels. Refer to Note 11 – Commitments and Contingencies in the Notes to Consolidated Financial Statements for further discussion of these arrangements.

### International Operations

Brunswick's sales from continuing operations to customers in markets other than the United States were \$2,016.4 million (36 percent of net sales) and \$1,802.4 million (32 percent of net sales) in 2007 and 2006, respectively. The Company transacts most of its sales in non-U.S. markets in local currencies, and the cost of its products is generally

denominated in U.S. dollars. Future strengthening or weakening of the U.S. dollar can affect the financial results of Brunswick's non-U.S. operations.

Non-U.S. sales from continuing operations are set forth in Note 5 – Segment Information in the Notes to Consolidated Financial Statements and are also included in the table below, which details Brunswick’s non-U.S. sales by region:

(in millions)	2007	2006	2005
Europe	\$ 1,038.9	\$ 925.1	\$ 926.4
Canada	344.6	328.6	311.7
Pacific Rim	338.2	303.2	315.6
Latin America	196.6	158.3	133.7
Africa & Middle East	98.1	87.2	72.9
	\$ 2,016.4	\$ 1,802.4	\$ 1,760.3

Marine Engine segment sales represented approximately 46 percent of Brunswick’s non-U.S. sales in 2007. The segment’s primary operations include the following:

- A propeller and underwater sterngear manufacturing plant in the United Kingdom;
  - Sales offices and distribution centers in Australia, Belgium, Brazil, Canada, China, Japan, Malaysia, Mexico, New Zealand, Singapore and the United Arab Emirates;
- Sales offices in Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom;
- Boat manufacturing plants in Australia, China, New Zealand, Portugal and Sweden;
  - An outboard engine assembly plant in Suzhou, China; and
  - A marina and boat club in Suzhou, China, on Lake Taihu.

Boat segment sales comprised approximately 34 percent of Brunswick’s non-U.S. sales in 2007. The Boat Group’s products are manufactured or assembled in the United States, Canada, China, Mexico, Poland and the United Kingdom, and are sold worldwide through dealers. The Boat Group has sales offices in France and the Netherlands.

Fitness segment sales comprised approximately 15 percent of Brunswick’s non-U.S. sales in 2007. Life Fitness sells its products worldwide and has sales and distribution centers in Brazil, Germany, Hong Kong, Japan, the Netherlands, Spain and the United Kingdom, as well as sales offices in Hong Kong and Italy. The Fitness segment also manufactures strength-training equipment and select lines of cardiovascular equipment in Hungary for the European market.

Bowling & Billiards segment sales comprised approximately 5 percent of Brunswick’s non-U.S. sales in 2007. BB&B sells its products worldwide; has sales offices in Germany, Hong Kong and Tokyo; and operates a plant that manufactures automatic pinsetters in Hungary. BB&B commenced bowling ball manufacturing in Reynosa, Mexico in 2006 and completed the transition of manufacturing operations from Muskegon, Michigan in 2007. In addition, BB&B’s Valley-Dynamo segment commenced operating at a manufacturing facility in Reynosa, Mexico in early 2007. BB&B operates bowling centers in Austria, Canada and Germany, and, although slated for disposal in early 2008, currently holds a 50 percent interest in an entity that sells bowling equipment and operates bowling centers in Japan.

#### Raw Materials

Brunswick purchases raw materials from various sources. The Company is not currently experiencing any critical raw material shortages, nor does it anticipate any shortages. General Motors Corporation is the sole supplier of engine

blocks used in the manufacture of Brunswick's gasoline sterndrive and inboard engines. Brunswick experienced increases in the cost of oil, aluminum, steel and resins used in its manufacturing processes during 2007. The Company continues to expand its global procurement operations to leverage its purchasing power across its divisions and improve supply chain and cost efficiencies.

#### Intellectual Property

Brunswick has, and continues to obtain, patent rights covering certain features of its products and processes. By law, Brunswick's patent rights, which consist of patents and patent licenses, have limited lives and expire periodically. The Company believes that its patent rights are important to its competitive position in all of its business segments.

In the Boat segment, patent rights principally relate to processes for manufacturing fiberglass hulls, decks and components for boat products, as well as patent rights related to boat seats, interiors and other boat features and components.



In the Marine Engine segment, patent rights principally relate to features of outboard engines and inboard-outboard drives, including die-cast powerheads; cooling and exhaust systems; drivetrain, clutch and gearshift mechanisms; boat/engine mountings; shock-absorbing tilt mechanisms; ignition systems; propellers; marine vessel control systems; fuel and oil injection systems; supercharged engines; outboard mid-section structures; segmented cowls; hydraulic trim, tilt and steering; screw compressor charge air cooling systems; and airflow silencers.

In the Fitness segment, patent rights principally relate to fitness equipment designs and components, including patents covering internal processes, programming functions, displays, design features and styling.

In the Bowling & Billiards segment, patent rights principally relate to computerized bowling scorers and bowling center management systems, bowling center furniture, bowling lanes, lane conditioning machines and related equipment, bowling balls, and billiards table designs and components.

The following are Brunswick's primary trademarks for its continuing operations:

Boat Segment: Albemarle, Attwood, Baja, Bayliner, Boston Whaler, Cabo, Crestliner, Diversified Marine, Harris, Hatteras, IDS, Kayot, Kellogg Marine, Laguna, Land 'N' Sea, Lowe, Lund, Master Dealer, Maxum, Meridian, Palmetto, Princecraft, Sea Boss, Sea Pro, Sea Ray, Seachoice, Sealine, Swivl-Eze, Total Command, Triton and Trophy.

Marine Engine Segment: Axius, Mariner, MercNet, MerCruiser, MerCruiser 360 Control, Mercury, MercuryCare, Mercury Marine, Mercury Parts Express, Mercury Precision Parts, Mercury Propellers, Mercury Racing, MotorGuide, MotoTron, OptiMax, Pinpoint, Quicksilver, Rayglass, SeaPro, SmartCraft, SportJet, Teignbridge Propellers, Valiant, Verado and Zeus.

Fitness Segment: Elevation, Flex Deck, Hammer Strength, Lifecycle, Life Fitness and ParaBody.

Bowling & Billiards Segment: Air Hockey, Anvilane, Brunswick, Brunswick Billiards, Brunswick Home and Billiard, Brunswick Pavilion, Brunswick Zone, Brunswick Zone XL, Centennial, Contender, Cosmic Bowling, DBA Products, Dynamo, Gold Crown, Inferno, Lane Shield, Lightworx, Pro Lane, Throbot, Tornado, U.S. Play by Brunswick, Valley, Vector, Virtual Bowling by Brunswick, Viz-A-Ball and Zone.

Brunswick's trademark rights have indefinite lives, and many are well known to the public and considered valuable assets.

### Competitive Conditions and Position

The Company believes that it has a reputation for quality in its highly competitive lines of business. Brunswick competes in its various markets by utilizing efficient production techniques; innovative technological advancements; effective marketing, advertising and sales efforts; providing high-quality products at competitive prices; and offering extensive after-market services.

Strong competition exists in each of Brunswick's product groups, but no single manufacturer competes with Brunswick in all product groups. In each product area, competitors range in size from large, highly diversified companies to small, single-product businesses. Brunswick also competes with businesses that seek to attract customers' leisure time but do not compete in Brunswick's product groups.

The following summarizes Brunswick's competitive position in each segment:

**Boat Segment:** The Company believes it has the largest dollar sales and unit volume of pleasure boats in the world. There are several major manufacturers of pleasure and offshore fishing boats, along with hundreds of smaller manufacturers. Consequently, this business is both highly competitive and highly fragmented. The Company believes it has the broadest range of boat product offerings in the world, with boats ranging from 10 to 100 feet, along with a parts and accessories business. In all of its boat operations, Brunswick competes on the basis of product features, technology, quality, dealer service, performance, value, durability and styling, along with effective promotion, distribution and pricing.

**Marine Engine Segment:** The Company believes it has the largest dollar sales volume of recreational marine engines in the world. The marine engine market is highly competitive among several major international companies that comprise the majority of the market, and several smaller companies. Competitive advantage in this segment is a function of product features, technological leadership, quality, service, performance and durability, along with effective promotion, distribution and pricing.

**Fitness Segment:** The Company believes it is the world's largest manufacturer of commercial fitness equipment and a leading manufacturer of high-quality consumer fitness equipment. There are a few large manufacturers of fitness equipment and hundreds of small manufacturers, which create a highly fragmented competitive landscape. Many of Brunswick's fitness equipment products feature industry-leading product innovations, and the Company places significant emphasis on new product introductions. Competitive focus is also placed on product quality, marketing activities, pricing and service.

**Bowling & Billiards Segment:** The Company believes it is the world's leading designer, manufacturer and marketer of bowling products and billiards tables. There are several large manufacturers of bowling products and competitive emphasis is placed on product innovation, quality, service, marketing activities and pricing. The billiards industry is experiencing increased competitive pressure from low-cost billiards operations outside the United States. The billiards industry is experiencing increased competitive pressure from low-cost billiards operations outside the United States. In 2007, Brunswick also operated 122 retail bowling centers worldwide, including those operated by its joint venture in Japan. The bowling retail market is highly fragmented, but Brunswick is one of the larger competitors in the North America bowling retail market, with an emphasis on larger, upscale, full service family entertainment centers. The bowling retail business emphasizes enhancing the bowling and entertainment experience, maintaining quality facilities and providing excellent customer service.

#### Research and Development

The Company strives to improve its competitive position in all of its segments by continuously investing in research and development to drive innovation in its products and manufacturing technologies. Brunswick's research and development investments support the introduction of new products and enhancements to existing products. Research and development expenses for continuing operations are shown below:

(in millions)	2007	2006	2005
Boat	\$ 39.8	\$ 38.0	\$ 36.1
Marine Engine	68.1	70.3	67.3
Fitness	21.6	18.4	14.2
Bowling & Billiards	5.0	5.5	5.9
Total	\$ 134.5	\$ 132.2	\$ 123.5

#### Number of Employees

The approximate number of employees worldwide as of December 31, 2007, is shown below by segment:

	Total	Union
Boat	12,650	57
Marine Engine	6,300	2,591
Fitness	2,000	135
Bowling & Billiards	5,850	87
Corporate	250	—
Total	27,050	2,870

The Marine Engine Segment's Fond du Lac, Wisconsin, facility has a union contract with the International Association of Machinists Winnebago Lodge 1947 that expires in June 2008. The Company believes that the relationships between employees, unions and the Company are good.

#### Environmental Requirements

See Item 3 of this report for a description of certain environmental proceedings.

#### Available Information

Brunswick maintains an Internet web site at <http://www.brunswick.com> that includes links to Brunswick's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports (SEC Reports). The SEC Reports are available without charge as soon as reasonably practicable following the time that they are filed with, or furnished to, the SEC. Shareholders and other interested parties may request email notification of the posting of these documents through the Investors section of Brunswick's website.

## Item 1A. Risk Factors

General economic conditions, particularly in the United States and Europe, affect Brunswick's results.

Brunswick's revenues are affected by economic conditions and consumer confidence worldwide, but especially in the United States and Europe. In times of economic uncertainty, consumers tend to defer expenditures for discretionary items, which affects demand for Brunswick's products, especially in its marine and billiards businesses. Brunswick's marine businesses are cyclical in nature, and their success is dependent upon favorable economic conditions, the overall level of consumer confidence and discretionary income levels. Any substantial deterioration in general economic conditions that diminishes consumer confidence or discretionary income can reduce Brunswick's sales and adversely affect its financial results including the potential for future impairments. The impact of weakening consumer credit markets; corporate restructurings; layoffs; declines in the value of investments and residential real estate, especially in large boating markets such as Florida and California; higher fuel prices and increases in federal and state taxation all can negatively affect Brunswick's results.

Brunswick's profitability may suffer as a result of competitive pricing pressures.

The introduction of lower-priced alternative products by other companies can hurt Brunswick's competitive position in all of its businesses. The Company is constantly subject to competitive pressures, particularly in the outboard engine market, in which Asian manufacturers often have pursued a strategy of aggressive pricing. Such pricing pressure can limit the Company's ability to increase prices for its products in response to raw material and other cost increases.

Brunswick's growth depends on the successful introduction of new product offerings.

Brunswick's ability to grow may be adversely affected by difficulties or delays in product development, such as an inability to develop viable new products, gain market acceptance of new products or obtain adequate intellectual property protection for new products. To meet ever-changing consumer demands, the timing of market entry and pricing of new products are critical.

Establishing low-cost manufacturing facilities is critical to its operating and financial results.

Brunswick has historically derived a significant portion of its earnings from sales of higher-margin products, especially in its outboard engine business. The Marine Engine segment has now completed a transition to manufacturing primarily low-emission four-stroke outboard engines, which have lower margins than the two-stroke products they are replacing. The Company has addressed this margin pressure in part by relocating some outboard engine manufacturing to lower-cost areas such as China, consolidating boat manufacturing facilities to improve efficiency, shifting its bowling pin production to a contract manufacturer and relocating its bowling ball and Valley-Dynamo billiards table manufacturing to Mexico, where it already manufactures boats. Brunswick's inability to achieve lower-cost manufacturing, as well as increased competition in the product lines affected, could adversely affect its future operating and financial results.

Brunswick's financial results may be adversely affected if the Company is unable to maintain effective distribution.

Because Brunswick sells the majority of its products through third parties such as dealers and distributors, the financial health of its distribution network is critical to Brunswick's success. Brunswick's results can be negatively affected if dealers and distributors experience higher operating costs, which can result from rising interest rates, higher rents, labor costs and taxes, and compliance with regulations. In addition, a substantial portion of Brunswick's marine engine sales are made to boat manufacturers not affiliated with Brunswick. Accordingly, the results of the Marine Engine segment can be influenced by the financial health of these independent boat builders, which depends on their access to capital, ability to develop new products and ability to compete effectively in the marketplace. Brunswick's

independent boat builder customers also can react negatively to competition from Brunswick's own boat brands, which can lead them to seek marine engines and marine engine supplies from competing marine engine manufacturers.

Inventory adjustments by major dealers, retailers and independent boat builders adversely affect Brunswick's operating margins.

If Brunswick's dealers and retailers, as well as independent boat builders who purchase Brunswick's marine engine products, adjust their inventories downward in response to weakness in retail demand, wholesale demand for Brunswick's products diminishes. In turn, the Company must reduce production, which results in lower rates of absorption of fixed costs in its manufacturing facilities and thus lower margins. Inventory reduction by dealers and customers can hurt Brunswick's short-term sales and results of operations and limit its ability to meet increased demand when economic conditions improve.

Adverse weather conditions can have a negative effect on marine and retail bowling center revenues.

Weather conditions can have a significant effect on Brunswick's operating and financial results, especially in the marine and bowling retail businesses. Sales of Brunswick's marine products are generally stronger just before and during spring and summer, and favorable weather during these months generally has a positive effect on consumer demand. Conversely, unseasonably cool weather, excessive rainfall or drought conditions during these periods can reduce demand. Hurricanes and other storms can result in the disruption of the Company's distribution channel, as occurred in 2004 and 2005 on the U.S. Atlantic and Gulf coasts. Since many of Brunswick's boat products are used on lakes and reservoirs, the viability of these for boating is important to the Boat segment. In addition, severely inclement weather on weekends and holidays, particularly during the winter months, can adversely affect patronage of Brunswick's bowling centers and, therefore, revenues in the bowling retail business.

Licensing requirements and limited access to water can inhibit Brunswick's ability to grow its marine businesses.

Environmental restrictions, permitting and zoning requirements and the increasing cost of and competition for waterfront property can limit access to water for boating, as well as marina and storage space. Brunswick's Boat and Marine Engine segments can be adversely affected in areas that do not have sufficient marina and storage capacity to satisfy demand. Certain jurisdictions both in and outside the United States require a license to operate a recreational boat, which can deter potential customers.

Brunswick's marine engines may be subject to more stringent environmental regulations.

The State of California has adopted regulations requiring catalytic converters on sterndrive and inboard engines by January 1, 2008, which the Company expects will be expanded to all states by 2010. Compliance with these regulations will increase the cost of these products. Other environmental regulatory bodies in the United States or other countries also may impose higher emissions standards in the future for engines. These standards could require catalytic converters, increasing the cost of Brunswick's engines, which could in turn reduce consumer demand for Brunswick's marine products. As a result, any increase in the cost of marine engines or unforeseen delays in compliance with environmental regulations affecting these products could have an adverse effect on Brunswick's results of operations.

Higher energy costs can adversely affect Brunswick's results, especially in the marine and bowling center businesses.

Higher energy costs result in increases in operating expenses at the Company's manufacturing facilities and in the cost of shipping products to customers. In addition, increases in energy costs can adversely affect the pricing and availability of petroleum-based raw materials such as resins and foam that are used in many of Brunswick's marine products. Also, higher fuel costs may have an adverse affect on demand for marine retail products as fuel costs are a significant component of retail marine ownership. Finally, because heating, air conditioning and electricity comprise a significant part of the cost of operating a bowling center, any increase in the price of energy could adversely affect the operating margins of Brunswick bowling centers.

Tighter credit markets can reduce demand, especially for marine products.

Customers often finance purchases of Brunswick's marine products, particularly boats. Rising interest rates can have an adverse effect on dealers' and consumers' ability to finance boat purchases, which can adversely affect the Company's ability to sell boats and engines and the profitability of its financing activities, including Brunswick Acceptance Company.

Changes in currency exchange rates can adversely affect Brunswick's growth rate.

Because the Company derives approximately 36 percent of its revenues from outside the United States, its ability to realize projected growth rates can be adversely affected when the U.S. dollar strengthens against other currencies. Brunswick manufactures its products primarily in the United States, and the costs of its products are generally denominated in U.S. dollars, although the manufacture and sourcing of products and materials outside the United States is increasing. A strong U.S. dollar can make Brunswick's products less price-competitive relative to local products outside the United States.

Brunswick's business is vulnerable to adverse international conditions.

As Brunswick continues to focus on international growth, including in developing countries, and on lower-cost manufacturing outside the United States, it may become increasingly vulnerable to the effects of political instability, adverse economic conditions and the possibility of terrorism, insurrection and military conflict around the world.



Brunswick competes with a variety of other activities for consumers' scarce leisure time.

The vast majority of Brunswick's products are used for recreational purposes, and demand for its products can be adversely affected by competition from other activities that occupy consumers' leisure time, including other forms of recreation as well as religious, cultural and community activities. A decrease in leisure time can reduce consumers' willingness to purchase and enjoy Brunswick's products.

The Company's ability to integrate acquisitions successfully may affect its financial results.

Since 2001, Brunswick has acquired a number of new businesses and entered into joint ventures, and it intends to continue to pursue other strategic investments to complement its existing product portfolio. The Company's success in achieving the requisite investment return and effectively integrating the financial, operational and distribution practices and systems of these businesses can affect Brunswick's financial performance. There can be no assurance that any future acquisitions or joint ventures will be beneficial to Brunswick.

#### Item 1B. Unresolved Staff Comments

None.

#### Item 2. Properties

Brunswick's headquarters are located in Lake Forest, Illinois. The Company also maintains administrative offices in Chicago, Illinois. Brunswick has numerous manufacturing plants, distribution warehouses, retail stores, sales offices and product test sites around the world. Research and development facilities are decentralized within Brunswick's operating segments, and most are located at manufacturing sites.

The Company believes its facilities are suitable and adequate for its current needs and are well maintained and in good operating condition. Most plants and warehouses are of modern, single-story construction, providing efficient manufacturing and distribution operations. The Company believes its manufacturing facilities have the capacity to meet current and anticipated demand. Brunswick owns its Lake Forest, Illinois, headquarters and most of its principal plants.

The primary facilities used in Brunswick's continuing operations are in the following locations:

Boat Segment: Adelanto, Los Angeles and Sacramento, California; Old Lyme, Connecticut; Edgewater, Merritt Island, Palm Coast, Pompano Beach and St. Petersburg, Florida; Fort Wayne, Indiana; Lowell, Michigan; Mills and Pipestone, Minnesota; Lebanon, Missouri; Little Falls, New York; Edenton, New Bern, Raleigh, Navassa and Swansboro, North Carolina; Bucyrus, Ohio; Roseburg, Oregon; Newberry, South Carolina; Ashland City, Knoxville and Vonore, Tennessee; Lancaster, Texas; Arlington, Washington; Pickering, Ontario, Canada; Princeville, Quebec, Canada; Toronto, Ontario, Canada; Zhuhai, People's Republic of China; Reynosa, Mexico; and Kidderminster, United Kingdom. Brunswick owns all of these facilities with the exception of the Pompano Beach, Florida; Lowell, Michigan; Raleigh, North Carolina; Lancaster, Texas; and Pickering, Ontario, Canada, facilities, which are leased.

Marine Engine Segment: Miramar, Panama City and St. Cloud, Florida; Stillwater and Tulsa, Oklahoma; Brookfield, Fond du Lac and Oshkosh, Wisconsin; Melbourne and Sydney, Australia; Petit Rechain, Belgium; Suzhou, People's Republic of China; Juarez, Mexico; Auckland and Christchurch, New Zealand; Vila Nova de Cerveira, Portugal; Singapore; Skelleftea, Sweden; and Newton Abbot, United Kingdom. The Sydney, Australia; Auckland and Christchurch, New Zealand; and Skelleftea, Sweden facilities are leased. The remaining facilities are owned by Brunswick.

Fitness Segment: Franklin Park and Schiller Park, Illinois; Falmouth, Kentucky; Ramsey, Minnesota; and Kiskoros and Szekesfehervar, Hungary. The Schiller Park office and a portion of the Franklin Park facility are leased. The remaining facilities are owned by Brunswick or, in the case of the Kiskoros, Hungary, facility, by a company in which Brunswick is the majority owner.

Bowling & Billiards Segment: Lake Forest, Illinois; Muskegon, Michigan; Richland Hills, Texas; Bristol, Wisconsin; Szekesfehervar, Hungary; and Reynosa, Mexico; 108 bowling recreation centers in the United States, Canada and Europe, and retail billiards stores in the suburbs of Chicago, Denver and Boston. Approximately 50 percent of BB&B's bowling centers, as well as the Richland Hills and Reynosa manufacturing facilities and the retail billiards stores and warehouses, are leased. The remaining facilities are owned by Brunswick.

### Item 3. Legal Proceedings

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.

#### 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.

Refer to Note 11 – Commitments and Contingencies in the Notes to Consolidated Financial Statements for disclosure of the potential cash requirements of environmental proceedings and other legal proceedings.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 2007.

Executive Officers of the Registrant

Brunswick's executive officers are listed in the following table:

Officer	P r e s e n t Position	Age
Dustan E. McCoy	Chairman and Chief Executive Officer	58
P a t r i c k C . Mackey(A)	Executive Vice President, Chief Operating Officer – Marine and President – Mercury Marine Group	61
Peter G. Leemputte	Senior Vice President and Chief Financial Officer	50
Lloyd C. Chatfield II	Vice President, General Counsel and Secretary	39
Warren N. Hardie	Vice President and President – Brunswick Bowling & Billiards	57
B. Russell Lockridge	Vice President and Chief Human Resources Officer	58
Alan L. Lowe	Vice President and Controller	56
George T. Neill	Vice President and Chief Marketing Officer	41
John E. Stransky	Vice President and President – Life Fitness Division	56

(A) Mr. Mackey will retire effective March 1, 2008.

There are no familial relationships among these officers. The term of office of all elected officers expires May 7, 2008. The Executive Officers are appointed from time to time at the discretion of the Chief Executive Officer.

Dustan E. McCoy was named Chairman and Chief Executive Officer of Brunswick in December 2005. He was Vice President of Brunswick and President – Brunswick Boat Group from 2000 to 2005. From 1999 to 2000, he was Vice President, General Counsel and Secretary of Brunswick.

Patrick C. Mackey was named Executive Vice President and Chief Operating Officer – Marine in January 2007 and was President of Brunswick's Mercury Marine Group since 2000. From 2000 to January 2007, he was Vice President of the Company. He will retire from the Company effective March 1, 2008.

Peter G. Leemputte has been Senior Vice President and Chief Financial Officer of Brunswick since August 2003. He was Vice President and Controller of Brunswick from 2001 to 2003.

Lloyd C. Chatfield II was named Vice President, General Counsel and Secretary of Brunswick in July 2007. He has been with Brunswick Corporation since 2000 serving in various capacities, most recently as Deputy General Counsel and Managing Director of Mergers and Acquisitions.

Warren N. Hardie was named President – Brunswick Bowling & Billiards in February 2006. Previously, he was President – Bowling Retail from 1998 to February 2006.

B. Russell Lockridge has been Vice President and Chief Human Resources Officer of Brunswick since 1999.

Alan L. Lowe has been Vice President and Controller of Brunswick since September 2003. Prior to joining Brunswick, he held a number of senior financial positions with FMC Technologies, Inc., including, most recently, Director – Financial Control.

George T. Neill has been Vice President and Chief Marketing Officer of Brunswick since November 2007. Prior to joining Brunswick, he was the Corporate Vice President of Global Marketing for Motorola, Inc. from July 2005 to September 2007. Before he joined Motorola, Inc., he was the Senior Director of Worldwide Marketing Communications with Apple Computer from April 2001 to February 2005.

John E. Stransky was named Vice President and President – Life Fitness Division in February 2006. He was President – Brunswick Bowling & Billiards from February 2005 to February 2006 and President of the Billiards division from 1998 to 2005.

## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Brunswick's common stock is traded on the New York and Chicago Stock Exchanges. Quarterly information with respect to the high and low prices for the common stock and the dividends declared on the common stock is set forth in Note 20 – Quarterly Data in the Notes to Consolidated Financial Statements. As of February 15, 2008, there were 12,999 shareholders of record of the Company's common stock.

In October 2007, Brunswick announced its annual dividend on its common stock of \$0.60 per share, payable in December 2007. Brunswick intends to continue to pay annual dividends at the discretion of the Board of Directors, subject to continued capital availability and a determination that cash dividends continue to be in the best interest of the Company's stockholders. Brunswick's dividend policy may be affected by, among other things, the Company's views on potential future capital requirements, including those relating to investments and acquisitions.

The Company continues to repurchase shares of its common stock under a program initiated in 2005. Under this program, approximately 11.7 million shares have been repurchased for \$397.4 million with a remaining authorization of \$240.4 million as of December 31, 2007. The Company expects to repurchase shares on the open market or in private transactions from time to time, depending on market conditions. Brunswick repurchased approximately 4.1 million shares under this program during 2007 for \$125.8 million as discussed in Note 19 – Share Repurchase Program in the Notes to Consolidated Financial Statements. Set forth below is the information regarding the Company's share repurchases during the fourth quarter of the year ended December 31, 2007:

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (in thousands)
10/01/07 – 10/28/07	—	\$ —	—	\$ 250,733
10/29/07 – 11/25/07	305,300	\$ 21.42	305,300	\$ 244,194
11/26/07 – 12/31/07	194,700	\$ 19.43	194,700	\$ 240,411
Total Share Repurchases	500,000	\$ 20.64	500,000	\$ 240,411





Performance Graph

Comparison of Five-Year Cumulative Total Return among Brunswick, S&P 500 Index and S&P 500 Global Industry Classification Standard (GICS) Consumer Discretionary Index

	2002	2003	2004	2005	2006	2007
Brunswick	100.00	163.37	257.82	214.59	171.14	93.72
S&P 500 Index	100.00	126.38	137.75	141.88	161.21	166.89
S&P 500 GICS Consumer Discretionary Index	100.00	136.08	152.61	141.38	165.75	142.01

The basis of comparison is a \$100 investment at December 31, 2002, in each of (i) Brunswick, (ii) the S&P 500 Index, and (iii) the S&P 500 GICS Consumer Discretionary Index. All dividends are assumed to be reinvested. The S&P 500 GICS Consumer Discretionary Index encompasses industries including automotive, household durable goods, textiles and apparel, and leisure equipment. Brunswick is included in this index and believes the other companies included in this index provide a representative sample of enterprises that are in primary lines of business that are similar to Brunswick.

## Item 6. Selected Financial Data

The selected historical financial data presented below as of and for the years ended December 31, 2007, 2006 and 2005, have been derived from, and should be read in conjunction with, the historical consolidated financial statements of the Company, including the notes thereto, and Item 7 of this report, including the Matters Affecting Comparability section. The selected historical financial data presented below as of and for the years ended December 31, 2004, 2003 and 2002, have been derived from the consolidated financial statements of the Company that are not included herein. The financial data presented below have been restated to present discontinued operations in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

(in millions, except per share data)	2007	2006	2005	2004	2003	2002
Results of operations data						
Net sales	\$ 5,671.2	\$ 5,665.0	\$ 5,606.9	\$ 5,058.1	\$ 4,063.6	\$ 3,711.9
Operating earnings	107.2	341.2	468.7	394.8	223.5	197.4
Earnings before interest and taxes	136.3	354.2	524.1	408.4	233.6	200.7
Earnings before income taxes	92.7	309.7	485.9	373.3	204.0	162.4
Earnings from continuing operations	79.6	263.2	371.1	263.8	137.0	104.1
Discontinued operations:						
Earnings (loss) from discontinued operations, net of tax (A)	32.0	(129.3)	14.3	6.0	(1.8)	(0.6)
Cumulative effect of changes in accounting principle, net of tax (B)	—	—	—	—	—	(25.1)
Net earnings	\$ 111.6	\$ 133.9	\$ 385.4	\$ 269.8	\$ 135.2	\$ 78.4
Basic earnings (loss) per common share:						
Earnings from continuing operations before accounting change	\$ 0.88	\$ 2.80	\$ 3.80	\$ 2.76	\$ 1.50	\$ 1.16
Discontinued operations:						
Earnings (loss) from discontinued operations, net of tax	0.36	(1.38)	0.15	0.06	(0.02)	(0.01)
Cumulative effect of changes in accounting principle, net of tax (B)	—	—	—	—	—	(0.28)
Net earnings	\$ 1.24	\$ 1.42	\$ 3.95	\$ 2.82	\$ 1.48	\$ 0.87
Average shares used for computation of						
basic earnings per share	89.8	94.0	97.6	95.6	91.2	90.0

Diluted earnings (loss) per common share:												
Earnings from continuing operations before accounting change												
	\$	0.88	\$	2.78	\$	3.76	\$	2.71	\$	1.49	\$	1.15
Discontinued operations:												
Earnings (loss) from discontinued operations, net of tax												
		0.36		(1.37)		0.14		0.06		(0.02)		(0.01)
Cumulative effect of changes in accounting principle, net of tax (B)												
		—		—		—		—		—		(0.28)
Net earnings												
	\$	1.24	\$	1.41	\$	3.90	\$	2.77	\$	1.47	\$	0.86
Average shares used for computation of diluted earnings per share												
		90.2		94.7		98.8		97.3		91.9		90.7

(A) Earnings (loss) from discontinued operations in 2007 include net gains of \$29.8 million related to the sales of the discontinued businesses. Earnings (loss) from discontinued operations in 2006 includes an \$85.6 million impairment charge (\$73.9 million pre-tax) related to the Company's announcement in December 2006 that proceeds from the sale of BNT were expected to be less than its book value. See Note 2 – Discontinued Operations in the Notes to Consolidated Financial Statements for further details.

(B) In 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets", which resulted in a \$25.1 million (\$0.28 per share) charge as the cumulative effect of the change in accounting principle.

(in millions, except per share and  
other data)

2007

2006

2005

2004

2003

2002

Balance sheet data