BRUNSWICK CORP
Form 10-K
February 23, 2007

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

Form 10-K

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2006
or
[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission file number 1-1043

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

Delaware	**36-0848180**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1 N. Field Court, Lake Forest, Illinois	**60045-4811**
(Address of principal executive offices)	*(Zip Code)*

(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, Chicago and

Preferred Stock Purchase Rights	London 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 [X] 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 [X]

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in 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. [X]

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 [X] 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 [X]

As of **June 30, 2006**, the aggregate market value of the voting stock of the registrant held by non-affiliates was $3,080,527,580. 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 21, 2007**, was 90,728,138.

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 2, 2007.

BRUNSWICK CORPORATION
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December 31, 2006

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PART I

Item 1. Business

Brunswick Corporation ("Brunswick" or "the Company") is a leading global manufacturer and marketer of boats, including 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; of outboard, sterndrive and inboard engines; trolling motors; propellers; marine dealer management systems; and engine control systems; of fitness equipment; and of bowling products, including capital equipment, aftermarket and consumer products; billiards tables and accessories; and Air Hockey 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, continually improving 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, blending cultures, languages and ethnic backgrounds. 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 operating earnings and total assets by segment for 2006, 2005 and 2004.

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; and manufactures and distributes marine parts and accessories. The Company believes that its Boat Group, which had net sales of $2,864.4 million during 2006, 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, Trophy and Laguna 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 and state, local and foreign governments; 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, Mississippi, 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 2006, the Boat Group introduced its Laguna line of bay and offshore fishing boats to complement its offering of saltwater fishing boats with a more feature-rich product that requires minimal upgrades and added options. Laguna boats, which range from 18 to 24 feet, are manufactured at the Company's facility in Newberry, South Carolina, along with the Boat Group's Sea Pro, Sea Boss and Palmetto brands. Also during 2006, with the Company's phase of acquisitions in the United States largely accomplished and the related integration efforts in progress, the Company implemented several cost-reduction initiatives to achieve better utilization of overall capacity and improve operating efficiencies, including the consolidation of certain boat manufacturing facilities, sales offices and distribution warehouses, and reductions in the Company's global workforce. The Company believes that these actions will support continued investments in strategic initiatives and partially offset the effects of inflation and higher material, energy and other operating expenses in future years.

In February 2006, Brunswick purchased Cabo Yachts, which builds offshore sportfishing convertibles ranging in length from 31 to 52 feet. The acquisition of Cabo Yachts complements the Company's previous acquisitions of Albemarle and Hatteras, and allows Brunswick to offer a full range of sportfishing convertibles from 24 to 90 feet. Also in February 2006, Brunswick purchased Great American Marina, a marina near St. Petersburg, Florida, in partnership with MarineMax, Inc. (MarineMax), which will own and operate the sales and service portion of the property, while Brunswick will own the 95 slips at the marina. The Company also made small marina investments in California and Mexico during 2006.

In April 2006, Brunswick acquired Diversified Marine Products (Diversified), a leading wholesale distributor of marine parts and accessories headquartered in Los Angeles, California, to complement the previous acquisitions of Land 'N' Sea Corporation, Attwood Corporation, Kellogg Marine and Benrock, Inc., furthering its initiative to develop its boat parts and accessories business to better serve boat dealers and consumers. The acquisition of Diversified expands Brunswick's parts and accessories business to the West Coast of the United States and allows it to provide same- or next-day delivery of marine parts and accessories nationwide. Working with its boat dealer network, Brunswick will continue to strive to improve quality, distribution and delivery of parts and accessories to enhance the boating customer's experience.

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, which has multiple locations and carries a number of the Boat Group's product lines, represented approximately 26 percent of Boat Group sales in 2006. 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 $2,271.3 million in 2006, 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 engines, 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 accessories under the Mercury Precision Parts and Mercury Propellers 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 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 300 horsepower, all of which feature Mercury's direct fuel injection (DFI) technology, and four-stroke outboard engine models ranging from 2.5 to 300 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 300 horsepower, and Mercury's naturally aspirated outboards, which are based on Verado technology, ranging from 75 to 115 horsepower. Mercury's OptiMax and four-stroke outboards exceed the EPA's mandated 2006 emissions standards. The State of California has adopted regulations requiring catalytic converters on Brunswick's sterndrive and inboard engines by January 1, 2008. The Company expects to fully comply with these regulations.

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 Suzhou, China, and, in a joint venture with its partner, Tohatsu Corporation, produces smaller outboard engines in Komagane, Japan. Some engine components are sourced from Asian suppliers. Mercury Marine also manufactures engine component parts at plants in Florida and Mexico, and has a facility in Belgium that customizes engines for sale into Europe. 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 of the United States with a wide range of aluminum, fiberglass and inflatable boats produced either by, or for, Mercury in Australia, China, Poland, Portugal, Russia and Sweden. These boats, which are marketed under the brand names Arvor, Bermuda, Legend, Lodestar, Mercury, Örnvik, 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; Askeladden in Norway; and Legend, Protector and Rayglass in New Zealand. 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 $593.1 million during 2006, 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. In March 2006, Life Fitness opened a state-of-the-art research and development lab in its Franklin Park, Illinois, facility, which is being used to drive innovation and future product improvements. 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 2006, Life Fitness introduced the Summit Trainer, a newly designed machine that combines cross-training and climbing into one workout, to its line of cardiovascular exercise products. In addition, Life Fitness introduced a number of new fitness products during the year, including commercial and consumer elliptical cross-trainers, treadmills, stationary bikes and home gym products, as well as additional commercial selectorized and core strength-training equipment. Also, during 2006, Life Fitness launched Vivo, its new wireless connectivity technology that integrates health clubs, fitness equipment and exercisers. Vivo provides a more personalized workout experience by allowing users to record workout data and track progress toward their goals, and also allows health clubs to obtain enhanced data on usage and programs to better market them to their customers.

Bowling & Billiards Segment

The Bowling & Billiards segment is comprised of the Brunswick Bowling & Billiards division (BB&B), which had net sales of $458.3 million during 2006. BB&B 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 produces a full line of high-quality consumer and commercial billiards tables, Air Hockey table games, foosball tables and related accessories.

BB&B operates 107 bowling centers in the United States, Canada and Europe, and, with a joint venture partner, operates 14 additional centers in Japan. These 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, children's playrooms, 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, bumper cars and expanded game rooms. BB&B operates five Brunswick Zone XL centers, located in the Chicago, Denver, Minneapolis and Philadelphia markets, including the opening of an additional Chicago location in 2006. BB&B intends to continue to use this enhanced Brunswick Zone XL model for its new centers.

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 includes 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, and, in 2005, BB&B expanded this concept by opening 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 locations are located in Michigan, Texas, Wisconsin, Hungary and Mexico. In June 2005, Brunswick announced its intention to move its bowling ball manufacturing operations from Muskegon, Michigan, to Reynosa, Mexico, where production commenced in 2006. In September 2006, Brunswick announced that it will also transition its Valley-Dynamo manufacturing operations from Richland Hills, Texas, to a facility in Reynosa, Mexico, alongside its bowling ball facility. Valley-Dynamo production at the Reynosa, Mexico, facility is expected to commence in early- to mid-2007.

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

The Company established Brunswick New Technologies (BNT) in 2002 to develop Brunswick's product offerings in marine electronics, engine controls, navigation systems, dealer management systems and related equipment for use in both marine and non-marine applications. BNT is comprised of three businesses: (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. Retail demand for BNT's products is seasonal, with sales generally highest in the fourth calendar quarter of the year.

On April 27, 2006, the Company announced its intention to sell the majority of its BNT business unit. The BNT businesses have become increasingly concentrated in markets outside of Brunswick's core business segments - marine, fitness, bowling and billiards - and continued growth requires significant investment to ensure successful new product introductions. The Company believes that BNT's long-term prospects may be better under different ownership. As a result, Brunswick has reported these BNT businesses as discontinued operations in accordance with the criteria of Statement of Financial Accounting Standards (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 to discontinued operations for all periods presented. 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 now views these businesses. Brunswick's results as discussed in this Annual Report on Form 10-K reflect continuing operations only, unless otherwise noted.

In December 2006, Brunswick announced that increasingly challenging market conditions and pricing pressures in the PND business were adversely affecting the operating performance of BNT and the Company's ability to sell BNT at or above book value. Based on the performance of the PND and marine electronics operations and discussions with potential buyers, the Company concluded that proceeds from the sale of BNT will be less than its book value. These conditions resulted in a pre-tax non-cash asset impairment charge of $73.9 million, $85.6 million after-tax, in the fourth quarter of 2006. The after-tax impairment amount reflects the reversal of previously recorded tax-benefited operating losses that are no longer expected to be recoverable. In February 2007, Brunswick announced that it had signed definitive agreements to sell BNT's marine electronics and PND businesses. The Company is continuing to pursue the sale of the wireless fleet tracking business.

Financial Services

The Company's subsidiary, Brunswick Financial Services Corporation (BFS), has a 49 percent ownership interest in a joint venture, Brunswick Acceptance Company, LLC (BAC) with CDF Ventures, LLC (an affiliate of General Electric Capital Corporation), which provides secured 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 (previously Marine Innovations Warranty Corporation, which the Company acquired in 2004). 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 8 - 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.

In 2005, the Company sold its minority interest in MarineMax, the Boat Group's largest dealer, which has multiple locations and carries a number of the Boat Group's product lines, as part of a registered public offering by MarineMax. Refer to **Note 7 - Investments** in the Notes to Consolidated Financial Statements for more information about the sale of this investment.

Brunswick owns Land 'N' Sea, Benrock, Kellogg Marine and Diversified Marine, the primary parts and accessories distribution platforms for the Boat Group. The Boat Group, with 19 distribution centers throughout North America, is the largest wholesale distributor of marine parts and accessories in the world and provides the ability to supply parts quickly and accurately to dealers, repair shops and the do-it-yourself consumer.

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 business and provide a stable channel for Brunswick's products. In addition to the 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 it to credit and business risk. Brunswick's business units maintain active credit operations to manage this financial exposure on an ongoing basis, and the Company continues to seek opportunities to improve and sustain its various distribution channels. Refer to **Note 10 - 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 $1,802.4 million (32 percent of net sales) and $1,760.3 million (31 percent of net sales) in 2006 and 2005, respectively. The Company transacts most of its sales in non-U.S. markets in local currencies, and the costs of its products are 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 for 2006, 2005 and 2004:

(in millions)	2006	2005	2004
Europe	**$ 925.1**	$ 926.4	$ 849.4
Pacific Rim	**303.2**	315.6	277.9
Canada	**328.6**	311.7	273.3
Latin America	**158.3**	133.7	101.2
Africa & Middle East	**87.2**	72.9	53.8
	$ 1,802.4	$ 1,760.3	$ 1,555.6

Boat segment sales comprised approximately 34 percent of Brunswick's non-U.S. sales in 2006. 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.

Marine Engine segment sales represented approximately 46 percent of Brunswick's non-U.S. sales in 2006. The segment's primary operations include the following:

– A marine engine product customization plant and distribution center in Belgium serving Europe, Africa and the Middle East;

– A propeller and underwater sterngear manufacturing plant in the United Kingdom;

– Sales offices and distribution centers in Australia, Brazil, Canada, China, Japan, Malaysia, Mexico, New Zealand, Singapore and the United Arab Emirates;

– Sales offices in Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom;

– Boat manufacturing plants in Australia, China, Portugal and Sweden;

– An outboard engine assembly plant in Suzhou, China; and

– A marina and boat club in Suzhou, China, on Lake Tai.

Fitness segment sales comprised approximately 14 percent of Brunswick's non-U.S. sales in 2006. 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 Austria, 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 6 percent of Brunswick's non-U.S. sales in 2006. BB&B sells its products worldwide; has sales offices in Germany, Hong Kong, Tokyo and the United Kingdom; and operates a plant that manufactures automatic pinsetters in Hungary. BB&B commenced bowling ball manufacturing in Reynosa, Mexico, in 2006 and will complete the transition from Muskegon, Michigan, in 2007. BB&B expects its Valley-Dynamo manufacturing facility in Reynosa, Mexico, to commence operations in early- to mid-2007. BB&B operates bowling centers in Austria, Canada and Germany, and 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. General Motors Corporation is the sole supplier of engine blocks used in the manufacture of Brunswick's gasoline sterndrive and inboard engines. Brunswick has experienced increases in the cost of oil, aluminum, steel and resins used in its manufacturing processes during 2006. 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, Triton and Trophy.

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

Fitness Segment: 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 with the broadest array of product offerings. 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, whereas the bowling retail market is highly fragmented. Competitive emphasis is placed on product innovation, quality, service, marketing activities and pricing. Brunswick also operates 121 retail bowling centers worldwide, including those operated by its joint venture in Japan, where focus is placed on 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)	2006	2005	2004
Boat	**$ 38.0**	$ 36.1	$ 28.3
Marine Engine	**70.3**	67.3	66.6
Fitness	**18.4**	14.2	16.0
Bowling & Billiards	**5.5**	5.9	5.9
Total	**$ 132.2**	$ 123.5	$ 116.8

Number of Employees

The approximate number of employees worldwide in continuing operations as of December 31, 2006, is shown below by segment:

Boat	13,850
Marine Engine	6,400
Fitness	2,050
Bowling & Billiards	5,400
Corporate	300
Total	28,000

As of December 31, 2006, in the United States, there were 60 employees in the Boat segment, 1,829 employees in the Marine Engine segment, 137 employees in the Fitness segment, and 113 employees in the Bowling & Billiards segment represented by labor unions. The Company believes that it has good relations with these labor unions. The Boat segment negotiated a new labor union contract with employees at its Lowell, Michigan, facility in November 2006.

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 Web site.

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 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. Corporate restructurings, layoffs, declines in the value of investments and residential real estate, 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.

Managing the transition to lower-margin products, particularly in Brunswick's Marine Engine segment, 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 by relocating some outboard engine manufacturing to lower-cost areas such as China. The Company is also in the process of 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 the Boat Group's acquisition of competing independent boat builders, which can lead them to seek 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 reservoirs, the viability of reservoirs 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.

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.

The Company's ability to complete the announced divestiture of its BNT business unit may affect its financial results and position.

The possible risks related to the divestiture of BNT's businesses include delays in completing transactions, lower-than-expected proceeds and post-closing claims for indemnification.

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 Brunswick's sterndrive and inboard engines by January 1, 2008. The Company expects to comply fully with these regulations, but compliance 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 Brunswick's engines. These standards could require catalytic converters, increasing the cost of Brunswick's engines, which could in turn reduce consumer demand for Brunswick’s products. As a result, any increase in the cost of Brunswick’s 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. 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.

Higher interest rates 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 both the Company's ability to sell boats and the profitability of its finance activities, including Brunswick Acceptance Company.

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

Because the Company derives approximately 32 percent of its revenues from sales 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 manufacturing products and sourcing materials outside the United States are 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.

All 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.

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 and Vernon Hills, 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.

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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; Cumberland and Salisbury, Maryland; Lowell, Michigan; Little Falls, New York Mills and Pipestone, Minnesota; Aberdeen, Mississippi; Lebanon, Missouri; Edenton, New Bern, Raleigh and Swansboro, North Carolina; Bucyrus, Ohio; Roseburg, Oregon; Newberry, South Carolina; Ashland City, Knoxville and Vonore, Tennessee; Lancaster, Texas; Arlington and Spokane, Washington; Pickering, Ontario, Canada; Princeville, Quebec, Canada; Steinbach, Manitoba, 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; Aberdeen, Mississippi; 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; St. Cast, France; Juarez, Mexico; Auckland and Christchurch, New Zealand; Vila Nova de Cerveira, Portugal; Singapore; and Newton Abbot, United Kingdom. The Sydney, Australia; St. Cast, France; and Auckland and Christchurch, New Zealand, 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; Antigo and Bristol, Wisconsin; Szekesfehervar, Hungary; and Reynosa, Mexico; 107 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 April 2003, the Company elected to pay the IRS $62 million (approximately $50 million after-tax), and in April 2004, the Company elected to pay the IRS an additional $10 million (approximately $8 million after-tax), in connection with this matter pending settlement negotiations. The payments were comprised of $33 million in taxes due and $39 million of pre-tax interest (approximately $25 million after-tax). The Company elected to make these payments to avoid future interest costs.

On March 9, 2005, the Company and the IRS reached a preliminary settlement of the issues involved in and related to this case, in which the Company agreed to withdraw its appeal of the tax ruling. All amounts due as a result of the settlement were covered by the payments previously made to the IRS. In addition, all tax computations related to taxable years 1986 through 2001 were calculated and agreed to with the IRS at the examination level. The statute of limitations related to these taxable years expired on March 9, 2006. As a result of these issues and other assessments, the Company reversed $42.6 million of tax reserves in 2006, primarily related to the reassessment of underlying exposures. During the second quarter of 2006, Brunswick received a refund of $12.9 million from the IRS related to the final settlement for these tax years. In the third quarter of 2006, the Company 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 million to $58 million as of December 31, 2006. At December 31, 2006 and 2005, Brunswick had reserves for environmental liabilities of $49.4 million and $51.5 million, respectively. There were environmental provisions of $0.0 million, $1.5 million and $0.0 million for the years ended December 31, 2006, 2005 and 2004, 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., has been named as a defendant in more than 10,000 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. The Company’s insurers have settled seven of these asbestos claims in the past eight years for nominal amounts. Several thousand claims have been dismissed with no payment. 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 has alleged that Navman Australia engaged in resale price maintenance in breach of the Act. Both Brunswick and Navman Australia have cooperated with the ACCC in its investigation and are seeking to resolve the matter by agreeing upon relevant facts and appropriate penalties. Any such agreement must be submitted to the Australian courts for final approval. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's consolidated financial position or results of operations. Navman Australia is part of the Company’s BNT business and included in discontinued operations.

Chinese Supplier Dispute

Brunswick is 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 has asserted counterclaims seeking damages for alleged breach of contract among other claims. The arbitration tribunal heard final arguments in August 2005 and the Company is awaiting a decision in the matter. The Company does not believe that this dispute will have a material adverse effect on the Company's consolidated financial condition or results of operations.

Refer to **Note 10 - Commitments and Contingencies** in the Notes to Consolidated Financial Statements for disclosure of the potential cash requirements of environmental proceedings and other legal proceedings.

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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 2006.

Executive Officers of the Registrant

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

Officer	Present Position	Age
Dustan E. McCoy	Chairman and Chief Executive Officer	57
Peter B. Hamilton (A)	Vice Chairman and President - Brunswick Boat Group	60
Patrick C. Mackey	Executive Vice President, Chief Operating Officer - Marine and President - Mercury Marine Group	60
Peter G. Leemputte	Senior Vice President and Chief Financial Officer	49
Tzau J. Chung	Vice President and President - Brunswick New Technologies	43
Warren N. Hardie	Vice President and President - Brunswick Bowling & Billiards	56
B. Russell Lockridge	Vice President and Chief Human Resources Officer	57
Alan L. Lowe	Vice President and Controller	55
Marschall I. Smith	Vice President, General Counsel and Secretary	62
John E. Stransky	Vice President and President - Life Fitness Division	55

(A) Mr. Hamilton retired as Vice Chairman and President - Brunswick Boat Group effective January 31, 2007.

There are no familial relationships among these officers. The term of office of all elected officers expires May 2, 2007. 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.

Peter B. Hamilton was Vice Chairman of Brunswick since 2000. He was President of Brunswick Bowling & Billiards from 2000 to February 2005, President, Life Fitness Division, from February 2005 to February 2006 and was named President - Brunswick Boat Group in February 2006. He retired as Vice Chairman and President - Brunswick Boat Group effective January 31, 2007.

Patrick C. Mackey was named Executive Vice President and Chief Operating Officer - Marine in January 2007. He has been President of Brunswick's Mercury Marine Group since 2000. From 2000 to January 2007, he was Vice President of the Company.

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.

Tzau J. Chung has been a Vice President of Brunswick since 2000 and was named President - Brunswick New Technologies, in February 2002. Prior to that he was Vice President - Strategic Planning of Brunswick from 2000 to 2002, and was Senior Vice President - Strategy and IT, for the Mercury Marine Group from 1997 to 2000.

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.

Marschall I. Smith has been Vice President, General Counsel and Secretary of Brunswick since 2001.

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

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, Chicago and London 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 21, 2007, there were 13,605 shareholders of record of the Company's common stock.

In October 2006, Brunswick announced its annual dividend on its common stock of $0.60 per share, payable in December 2006. 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.

On May 4, 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, 2006, the Company's remaining share repurchase authorization for the program was $366.2 million. 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 5.6 million shares under this program during 2006 for $195.6 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, 2006:

Issuer Purchases of Equity Securities

Period	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)
10/01/06 - 10/28/06	—	$ —	—	$ 398,674
10/29/06 - 11/25/06	150,000	$ 32.52	150,000	$ 393,796
11/26/06 - 12/31/06	850,000	$ 32.43	850,000	$ 366,232
Total Share Repurchases	**1,000,000**	**$ 32.44**	**1,000,000**	**$ 366,232**

On April 1, 2006, the Company's 1996 Preferred Share Purchase Rights Plan expired and was not renewed or replaced with another plan. Refer to **Note 17 - Preferred Share Purchase Rights** in the Notes to Consolidated Financial Statements for additional information.

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

	2001	2002	2003	2004	2005	2006
Brunswick	100.00	93.46	152.69	240.96	200.56	159.95
S&P 500 Index	100.00	76.63	96.85	105.56	108.73	123.54
S&P 500 GICS Consumer Discretionary Index	100.00	75.56	102.82	115.31	106.83	125.24

The basis of comparison is a $100 investment at December 31, 2001, 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, and are affected by economic cycles that are similar to those affecting Brunswick.

Item 6. Selected Financial Data

The selected historical financial data presented below as of and for the years ended December 31, 2006, 2005 and 2004, 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, 2003, 2002 and 2001, 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)	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Results of operations data						
Net sales	$ 5,665.0	$ 5,606.9	$ 5,058.1	$ 4,063.6	$ 3,711.9	$ 3,370.8
Operating earnings	$ 341.2	$ 468.7	$ 394.8	$ 223.5	$ 197.4	$ 191.1
Earnings before interest and taxes	$ 354.2	$ 524.1	$ 408.4	$ 233.6	$ 200.7	$ 179.5
Earnings before income taxes	$ 309.7	$ 485.9	$ 373.3	$ 204.0	$ 162.4	$ 132.2
Earnings from continuing operations	$ 263.2	$ 371.1	$ 263.8	$ 137.0	$ 104.1	$ 84.7
Discontinued operations:						
Earnings (loss) from discontinued operations, net of tax [(A)]	(129.3)	14.3	6.0	(1.8)	(0.6)	—
Cumulative effect of changes in accounting principle, net of tax [(B)]	—	—	—	—	(25.1)	(2.9)
Net earnings	$ 133.9	$ 385.4	$ 269.8	$ 135.2	$ 78.4	$ 81.8
Basic earnings (loss) per common share:						
Earnings from continuing operations before accounting change	$ 2.80	$ 3.80	$ 2.76	$ 1.50	$ 1.16	$ 0.96
Discontinued operations:						
Earnings (loss) from discontinued operations, net of tax	(1.38)	0.15	0.06	(0.02)	(0.01)	—
Cumulative effect of changes in accounting principle, net of tax [(B)]	—	—	—	—	(0.28)	(0.03)
Net earnings	$ 1.42	$ 3.95	$ 2.82	$ 1.48	$ 0.87	$ 0.93

Average shares used for computation of basic earnings per share		94.0		97.6		95.6		91.2		90.0	87.8
Diluted earnings (loss) per common share:											
Earnings from continuing operations before accounting change	$	2.78	$	3.76	$	2.71	$	1.49	$	1.15	$ 0.96
Discontinued operations:											
Earnings (loss) from discontinued operations, net of tax		(1.37)		0.14		0.06		(0.02)		(0.01)	—
Cumulative effect of changes in accounting principle, net of tax (B)		—		—		—		—		(0.28)	(0.03)
Net earnings	$	1.41	$	3.90	$	2.77	$	1.47	$	0.86	$ 0.93
Average shares used for computation of diluted earnings per share		94.7		98.8		97.3		91.9		90.7	88.1

(A) 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 are 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 2001, the Company adopted SFAS No. 133, Accounting for Derivatives and Hedging Activities, which resulted in a $2.9 million ($0.03 per share) charge as the cumulative effect of the change in accounting principle.

(in millions, except per share and other data)	2006	2005	2004	2003	2002	2001
Balance sheet data						
Assets of continuing operations	$ 4,312.0	$ 4,414.8	$ 4,198.9	$ 3,523.4	$ 3,306.4	$ 3,157.5
Debt						
Short-term	$ 0.7	$ 1.1	$ 10.7	$ 23.8	$ 28.9	$ 40.0
Long-term	725.7	723.7	728.4	583.8	589.5	600.2
Total debt	726.4	724.8	739.1	607.6	618.4	640.2
Common shareholders' equity (C)	1,871.8	1,978.8	1,712.3	1,323.0	1,101.8	1,110.9
Total capitalization (C)	$ 2,598.2	$ 2,703.6	$ 2,451.4	$ 1,930.6	$ 1,720.2	$ 1,751.1
Cash flow data						
Net cash provided by operating activities of continuing operations	$ 351.0	$ 421.6	$ 424.4	$ 405.7	$ 413.4	$ 299.3
Depreciation and amortization	167.3	156.3	153.6	149.4	148.4	160.4
Capital expenditures	205.1	223.8	163.8	157.7	112.6	111.4
Acquisitions of businesses	86.2	130.3	248.2	140.0	16.4	134.4
Investments	(6.1)	18.1	16.2	39.3	8.9	—
Stock repurchases	195.6	76.0	—	—	—	—
Cash dividends paid	55.0	57.3	58.1	45.9	45.1	43.8
Other data						
Dividends declared per share	$ 0.60	$ 0.60	$ 0.60	$ 0.50	$ 0.50	$ 0.50
Book value per share (C)	19.76	20.03	17.60	14.40	12.15	12.61
Return on beginning shareholders' equity	6.8%	22.5%	20.4%	12.3%	7.0%	7.7%
Effective tax rate (D)	21.6%	22.3%	28.7%	32.8%	36.0%	36.0%
Debt-to-capitalization rate (C)	28.0%	26.8%	30.2%	31.5%	35.9%	36.6%
Number of employees	28,000	26,500	24,745	22,525	20,815	20,700
Number of shareholders of record	13,695	14,143	14,952	15,373	16,605	13,200
Common stock price (NYSE)						
High	$ 42.30	$ 49.50	$ 49.85	$ 32.08	$ 30.01	$ 25.01
Low	27.56	35.09	31.25	16.35	18.30	14.03
Close (last trading day)	31.90	40.66	49.50	31.83	19.86	21.76

(C) 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)," which resulted in a $60.7 million decrease to Common shareholders' equity.

(D) The Company's Effective tax rates in 2006, 2005 and 2004 reflected non-recurring tax benefits that were unique to their respective fiscal years. See **Note 9 - Income Taxes** in the Notes to Consolidated Financial Statements for further details regarding these items.

The Notes to Consolidated Financial Statements should be read in conjunction with the above summary.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in Management's Discussion and Analysis are based on non-GAAP financial measures with respect to the Company's operating results and cash flows. GAAP refers to generally accepted accounting principles in the United States. At times, management's discussion of operating results excludes the effects of acquisitions, restructuring charges, an investment sale gain, non-recurring tax benefits and related effective tax rates, and management's cash flow discussion includes an analysis of free cash flow. Certain other statements in Management's Discussion and Analysis are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations that are subject to risks and uncertainties. Actual results may differ materially from expectations as of the date of this filing because of factors discussed in Item 1A of this Annual Report on Form 10-K.

Overview and Outlook

General

In 2006, Brunswick made significant progress toward achieving its strategic objective to solidify its leadership position in the marine, fitness and bowling & billiards industries by:

- Introducing high-quality and reliable products with innovative and new technologies in all of Brunswick's market segments;
- Distributing products through a model that benefits the Company's dealers and distributors by providing additional products and services that will make them more successful, improve the customer experience and, in turn, make Brunswick more successful;
- Focusing on cost reduction initiatives through global sourcing and realignment of Brunswick's manufacturing operations and organizational structure;
- Continuing to expand and enhance Brunswick's global manufacturing footprint to achieve best-cost positions; and
- Acquiring and investing in businesses that will expand and enhance Brunswick's product offerings, particularly in boats and parts & accessories.

While these activities are ongoing, Brunswick continued to see positive overall results from its efforts reflected in its financial performance despite difficult marine market conditions. Sales in 2006 from continuing operations increased 1.0 percent to $5,665.0 million, with gains reported by the Boat and Fitness segments. The increase in sales was primarily due to marine acquisitions and higher sales prices, partially offset by lower sales volumes resulting from reduced demand levels across the U.S. marine industry. Excluding incremental sales of $210.2 million from acquisitions, the Company's sales from continuing operations declined 2.7 percent from 2005. Operating earnings from continuing operations for 2006 of $341.2 million, and operating margins of 6.0 percent, decreased from 2005, primarily as a result of higher raw material and production costs, unfavorable mix factors, the marine engine market's transition to low-emission engines, which carry lower margins, and lower fixed-cost absorption due to reduced production rates in Brunswick's marine businesses to achieve appropriate levels of dealer pipeline inventories. Also contributing to the decline in both operating earnings and margins was a $17.1 million pre-tax restructuring charge recorded during the fourth quarter. As discussed in **Note 3 - Restructuring Activities** in the Notes to Consolidated Financial Statements, total pre-tax restructuring charges recognized during the fourth quarter under this initiative were $18.9 million ($0.14 per diluted share), of which the remaining balance of $1.8 million was related to asset write-downs associated with a joint venture and recorded against equity earnings. These factors were partially offset by successful cost-reduction initiatives, the effects of higher pricing and acquisitions and the favorable effect of foreign currency translation. The Company also incurred additional costs for investments in research and development, marketing for new product launches and international operations to support future growth. See the **Results of Operations** section below for further discussion.

Accomplishments in support of the Company's strategic objectives in 2006 include:

New products:

– The continued rollout of Mercury Marine's Verado, a family of supercharged four-stroke outboard engines, into smaller naturally aspirated four-cylinder models ranging from 135 to 175 horsepower, complementing the larger six-cylinder supercharged models, ranging from 200 to 300 horsepower;

– The debut of single-cylinder 2.5 and 3.5 horsepower four-stroke outboard engines, allowing Mercury Marine to offer a full line of four-stroke engines from 2.5 horsepower through the 300 horsepower Verado;

– Introduction of two new direct-injected OptiMax two-stroke outboard engines with 250 and 300 horsepower;

– New boat models across all boat divisions, many of which utilize Brunswick's High Performance Product Development (HPPD) process to integrate the design, engineering and manufacturing processes from start to finish;

– New cardiovascular and strength training fitness product offerings, including the T5 and T7 treadmill series and the Summit Trainer, designed to simplify and enhance the workout experience;

– Opening of a state-of-the-art research and development lab in Life Fitness' Franklin Park, Illinois, facility, which is being used to drive innovation and future product improvements;

– Launch of Vivo, Life Fitness' new wireless connectivity technology that integrates health clubs, fitness equipment, and exercisers to provide a more personalized workout experience by allowing users to record workout data and track progress toward their goals, and allowing health clubs to obtain enhanced data on usage and programs to better market them to their customers; and

– Continued expansion of the larger Brunswick Zone XL family bowling entertainment centers.

Manufacturing realignment:

– Consolidation of certain boat manufacturing facilities, sales offices and distribution centers to streamline operations, including the transfer of Lund Canada production from Steinbach, Manitoba, Canada, to Lund's New York Mills, Minnesota, facility, and the transfer of a portion of US Marine's Bayliner production from one of its two Cumberland, Maryland, plants to its operations in Pipestone, Minnesota;

– Streamlined organizational structure across the Boat Group to advance the integration of Brunswick's marine operations and enhance the ability to achieve new efficiencies and networking competencies;

– Commenced bowling ball manufacturing operations in Reynosa, Mexico, to which the transition from Muskegon, Michigan, will be completed in 2007; and

– Announcement of the relocation of Brunswick's Valley-Dynamo manufacturing operations from Richland Hills, Texas, to Reynosa, Mexico, where production is expected to commence in early- to mid-2007.

Acquisitions:

– Purchase of Cabo Yachts, which complements the sportfishing convertibles offered by Brunswick's Albemarle and Hatteras brands, the three of which now comprise the Hatteras Collection;

– Acquisition of Diversified Marine, which adds significant capacity to Brunswick's parts and accessories business and provides an essential distribution hub in the western United States; and

– Acquisition of Blue Water Dealer Services, allowing Brunswick to offer a more complete line of financial services to its boat and marine engine dealers and their customers.

International Operations:

– Increased investments in operations in Europe, the Pacific Rim and Latin America supporting international sales, which now represent approximately 32 percent of net sales from continuing operations; and

– Purchase of an additional 13.3 percent of the outstanding stock of Protokon, a Hungarian fitness equipment manufacturer, which allows Brunswick to better service fitness customers in Europe.

Returning Value to Shareholders:

– Continued purchases under a $500 million share repurchase program, buying back approximately 5.6 million shares of Brunswick common stock for approximately $196 million during 2006; and

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– Maintaining an annual dividend payment of $0.60 per share.

Discontinued Operations

As discussed in **Note 2 - Discontinued Operations** in the Notes to Consolidated Financial Statements, on April 27, 2006, the Company announced its intention to sell the majority of the Brunswick New Technologies (BNT) business unit, which consists of the Company's marine electronics, portable navigation device (PND) and wireless fleet tracking businesses. These BNT businesses have become increasingly concentrated in markets outside of the Company's core business segments - marine, fitness, bowling and billiards - and continued growth requires significant investment to ensure successful new product introductions. The Company believes that BNT's long-term prospects may be better under different ownership. In December 2006, Brunswick announced that increasingly challenging market conditions and pricing pressures in the highly competitive PND business were adversely affecting the operating performance of BNT and the Company's ability to sell BNT at or above book value. Based on the performance of the PND and marine electronics operations and discussions with potential buyers, the Company concluded that proceeds from the sale of BNT will be less than its book value. These conditions resulted in a pre-tax non-cash asset impairment charge of $73.9 million, $85.6 million after-tax, in the fourth quarter of 2006. The after-tax impairment amount includes the reversal of previously recorded tax-benefited operating losses that are no longer expected to be recoverable. In February 2007, Brunswick announced that it had signed definitive agreements to sell BNT's marine electronics and PND businesses. The Company is continuing to pursue the sale of the wireless fleet tracking business.

During the second quarter of 2006, Brunswick began reporting the results of these BNT businesses, which were previously reported in the Marine Engine segment, as discontinued operations for all periods presented. The Company's results, as discussed in Management's Discussion and Analysis, reflect continuing operations only, unless otherwise noted.

Outlook for 2007

Looking ahead to 2007, the Company expects domestic retail demand for marine products to continue to decrease in the low- to mid-single digit percentages. As a result of this reduction in retail demand, Brunswick will continue its efforts to achieve appropriate levels of dealer inventories by reducing production of boats and marine engines. The Company anticipates that sales will benefit from the introduction of new products and the full-year benefit of businesses acquired in 2006, along with favorable pricing. Considering all of these factors, 2007 marine sales are expected to be down slightly as compared with 2006. Sales for 2007 in both the Fitness and Bowling & Billiards segments are expected to increase in the low- to mid-single digit percentages. Overall, reported sales for 2007 are expected to be relatively flat, plus or minus a couple of percentage points.

Operating earnings and margins for 2007 will be adversely affected by the continued production declines, as discussed above. These actions will have an unfavorable effect on margins due to lower fixed-cost absorption and an unfavorable product mix, as production cutbacks will be greater in certain higher-margin boat categories. These factors, along with continued increases in raw materials, production, and freight and distribution costs and restored variable compensation costs, are not expected to be offset by improvements in pricing, growth in international marine operations and cost containment efforts during 2007. Brunswick's effective tax rate in 2007 is expected to be approximately 32 percent, excluding the effect of any non-recurring tax items that may occur.

Matters Affecting Comparability

As described above, certain statements in Management's Discussion and Analysis are based on non-GAAP financial measures. A "non-GAAP financial measure" is a numerical measure of a registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. Operating and statistical measures are not non-GAAP financial measures.

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The Company has used the non-GAAP financial measures that are included in Management's Discussion and Analysis for several years. Brunswick's management believes that these measures and the information they provide are useful to investors because they permit investors to view Brunswick's performance using the same tools that Brunswick uses and to better evaluate its ongoing business performance. Brunswick's management believes that for the years ended December 31, 2006, 2005 and 2004, the presentation of (i) diluted earnings per share excluding non-recurring tax benefits in 2006, 2005 and 2004 and an investment sale gain in the first quarter of 2005; (ii) net sales excluding acquisitions not reflected in the prior year's results; (iii) the Company's financial results excluding the effect of restructuring charges incurred during 2006; and (iv) the Company's effective tax rate excluding the effect of non-recurring tax benefits and the investment sale, provide a more meaningful comparison to prior results.

Acquisitions. Brunswick's operating results for the year ended December 31, 2006, include the operating results from acquisitions completed in 2006 and 2005. Approximately 4 percent of Brunswick's sales during 2006 can be attributed to incremental sales from the following acquisitions:

Date	Description	Segment
2/28/05	Albemarle Boats, Inc. (Albemarle)	Boat
5/27/05	Triton Boat Company, L.P. (Triton)	Boat
6/20/05	Supra-Industria Textil, Lda. (Valiant) - 51 percent	Marine Engine
7/07/05	Kellogg Marine, Inc. (Kellogg)	Boat
9/16/05	Harris Kayot Marine, LLC (Harris Kayot)	Boat
2/16/06	Cabo Yachts, Inc. (Cabo)	Boat
4/26/06	Diversified Marine Products, L.P. (Diversified)	Boat

Albemarle provides the Company with the opportunity to offer a more complete range of offshore sportfishing boats, building on offerings of the Hatteras brand. Triton adds bass boats to Brunswick's product lineup, as well as a broader range of saltwater and aluminum fishing boats. The Valiant brand of rigid inflatable boats enhances Brunswick's product offerings in Europe. Kellogg complements Brunswick's previous acquisitions of Benrock, Inc. and Land 'N' Sea Corporation and provides an essential distribution hub in the northeastern United States. Harris Kayot advances Brunswick's position in the pontoon market and complements the Company's existing boat portfolio with premium runabout and deck boat product lines. Cabo complements the Company's previous acquisitions of Hatteras Yachts, Inc. and Albemarle, allowing Brunswick to offer a full range of sportfishing convertibles from 24 to 90 feet. Diversified complements Brunswick's previous acquisitions of Benrock, Inc., Land 'N' Sea Corporation and Kellogg, allowing Brunswick to provide same- or next-day delivery of marine parts and accessories nationwide by expanding the Company's parts and accessories business to the West Coast of the United States.

Approximately 5 percent of Brunswick's sales during 2005 can be attributed to incremental sales from the following acquisitions:

Date	Description	Segment
4/01/04	Lowe, Lund, Crestliner	Boat
12/31/04	Sea Pro, Sea Boss and Palmetto boats (Sea Pro)	Boat
2/28/05	Albemarle Boats, Inc.	Boat
5/27/05	Triton Boat Company, L.P.	Boat
6/20/05	Supra-Industria Textil, Lda. - 51 percent	Marine Engine
7/07/05	Kellogg Marine, Inc.	Boat
9/16/05	Harris Kayot Marine, LLC	Boat

The Lowe, Lund and Crestliner boat brands provided the Company with the opportunity to offer products in all major aluminum boat segments and to leverage engine synergies with Brunswick's Mercury Marine Group. The Sea Pro, Sea Boss and Palmetto boat brands provided Brunswick with the opportunity to offer a distinctive array of offshore saltwater fishing boats.

Refer to **Note 6 - Acquisitions** in the Notes to Consolidated Financial Statements for a detailed description of these acquisitions.

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Tax Items and Investment Sale Gain. The comparison of net earnings per diluted share between 2006, 2005 and 2004, is affected by tax items and the gain on the sale of an investment, which are described below. The effect of these items on diluted earnings per share is as follows:

2006