BRUNSWICK CORP
Form 10-Q
May 07, 2010

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

FORM 10-Q

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

For the quarterly period ended April 3, 2010

OR

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

For the transition period from to

Commission file number 1-1043

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, including zip code)

(847) 735-4700

(Registrant’s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | ¨ | Accelerated filer | x |
| Non-accelerated filer | ¨ (Do not check if a smaller reporting company) | Smaller reporting company | ¨ |

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

The number of shares of Common Stock ($0.75 par value) of the registrant outstanding as of May 3, 2010, was 88,527,610.

BRUNSWICK CORPORATION
INDEX TO QUARTERLY REPORT ON FORM 10-Q
April 3, 2010

TABLE OF CONTENTS


| | | Page |
|---|---|---|
| PART I – FINANCIAL INFORMATION | | |
| Item 1. | Condensed Consolidated Financial Statements | |
| | Consolidated Statements of Operations for the three months ended April 3, 2010 (unaudited), and April 4, 2009 (unaudited) | 1 |
| | Condensed Consolidated Balance Sheets as of April 3, 2010 (unaudited), December 31, 2009, and April 4, 2009 (unaudited) | 2 |
| | Condensed Consolidated Statements of Cash Flows for the three months ended April 3, 2010 (unaudited), and April 4, 2009 (unaudited) | 4 |
| | Notes to Condensed Consolidated Financial Statements (unaudited) | 5 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 29 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 45 |
| Item 4. | Controls and Procedures | 45 |
| PART II – OTHER INFORMATION | | |
| Item 1A. | Risk Factors | 46 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 46 |
| Item 5. | Submission of Matters to a Vote of Security holders | 46 |
| Item 6. | Exhibits | 46 |

PART I – FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

BRUNSWICK CORPORATION
Consolidated Statements of Operations
(unaudited)

| (in millions, except per share data) | Three Months Ended April 3, 2010 | April 4, 2009 |
|---|---|---|
| Net sales | $844.4 | $734.7 |
| Cost of sales | 665.8 | 643.5 |
| Selling, general and administrative expense | 138.8 | 155.2 |
| Research and development expense | 22.3 | 23.9 |
| Restructuring, exit and impairment charges | 7.4 | 39.6 |
| Operating earnings (loss) | 10.1 | (127.5) |
| Equity loss | (0.1) | (3.2) |
| Other income (expense), net | 1.0 | (1.4) |
| Earnings (loss) before interest, loss on early extinguishment of debt and income taxes | 11.0 | (132.1) |
| Interest expense | (24.3) | (18.2) |
| Interest income | 0.9 | 0.5 |
| Loss on early extinguishment of debt | (0.3) | — |
| Loss before income taxes | (12.7) | (149.8) |
| Income tax provision | 0.3 | 34.4 |
| Net loss | $(13.0) | $(184.2) |
| Loss per common share: | | |
| Basic | $(0.15) | $(2.08) |
| Diluted | $(0.15) | $(2.08) |
| Weighted average shares used for computation of: | | |
| Basic loss per common share | 88.6 | 88.4 |
| Diluted loss per common share | 88.6 | 88.4 |

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

BRUNSWICK CORPORATION
Condensed Consolidated Balance Sheets

| (in millions) | April 3, 2010 (unaudited) | December 31, 2009 | April 4, 2009 (unaudited) |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents, at cost, which approximates market | $552.4 | $526.6 | $359.1 |
| Accounts and notes receivable, less allowances of $45.1, $47.7 and $39.6 | 440.1 | 332.4 | 381.9 |
| Inventories | | | |
| Finished goods | 237.2 | 234.4 | 371.7 |
| Work-in-process | 178.4 | 174.3 | 232.6 |
| Raw materials | 89.0 | 76.2 | 97.0 |
| Net inventories | 504.6 | 484.9 | 701.3 |
| Deferred income taxes | 19.8 | 79.3 | 13.3 |
| Prepaid expenses and other | 31.0 | 35.5 | 48.8 |
| Current assets | 1,547.9 | 1,458.7 | 1,504.4 |
| | | | |
| Property | | | |
| Land | 93.8 | 100.0 | 106.8 |
| Buildings and improvements | 672.0 | 678.3 | 677.2 |
| Equipment | 1,070.8 | 1,078.9 | 1,137.6 |
| Total land, buildings and improvements and equipment | 1,836.6 | 1,857.2 | 1,921.6 |
| Accumulated depreciation | (1,221.3) | (1,221.8) | (1,163.2) |
| Net land, buildings and improvements and equipment | 615.3 | 635.4 | 758.4 |
| Unamortized product tooling costs | 80.8 | 88.9 | 117.4 |
| Net property | 696.1 | 724.3 | 875.8 |
| | | | |
| Other assets | | | |
| Goodwill | 290.6 | 292.5 | 287.8 |
| Other intangibles, net | 72.6 | 75.6 | 83.4 |
| Investments | 53.2 | 56.7 | 70.9 |
| Other long-term assets | 97.7 | 101.6 | 114.3 |
| Other assets | 514.1 | 526.4 | 556.4 |
| | | | |
| Total assets | $2,758.1 | $2,709.4 | $2,936.6 |

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

BRUNSWICK CORPORATION
Condensed Consolidated Balance Sheets

| (in millions, except share data) | April 3, 2010 (unaudited) | December 31, 2009 | April 4, 2009 (unaudited) |
|---|---|---|---|
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Short-term debt, including current maturities of long-term debt | $10.2 | $11.5 | $2.4 |
| Accounts payable | 320.6 | 261.2 | 238.2 |
| Accrued expenses | 589.3 | 633.9 | 653.7 |
| Current liabilities | 920.1 | 906.6 | 894.3 |
| Long-term liabilities | | | |
| Debt | 844.2 | 839.4 | 728.1 |
| Deferred income taxes | 62.7 | 10.1 | 48.6 |
| Postretirement and postemployment benefits | 537.6 | 535.7 | 518.7 |
| Other | 201.8 | 207.3 | 199.6 |
| Long-term liabilities | 1,646.3 | 1,592.5 | 1,495.0 |
| Shareholders' equity | | | |
| Common stock; authorized: 200,000,000 shares, $0.75 par value; issued: 102,538,000 shares | 76.9 | 76.9 | 76.9 |
| Additional paid-in capital | 415.7 | 415.1 | 404.6 |
| Retained earnings | 492.3 | 505.3 | 911.7 |
| Treasury stock, at cost: 14,088,000; 14,275,000 and 14,371,000 shares | (410.2) | (412.2) | (415.1) |
| Accumulated other comprehensive loss, net of tax | (383.0) | (374.8) | (430.8) |
| Shareholders' equity | 191.7 | 210.3 | 547.3 |
| Total liabilities and shareholders' equity | $2,758.1 | $2,709.4 | $2,936.6 |

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

BRUNSWICK CORPORATION
Condensed Consolidated Statements of Cash Flows
(unaudited)

| (in millions) | Three Months Ended April 3, 2010 | April 4, 2009 |
|---|---|---|
| Cash flows from operating activities | | |
| Net loss | $(13.0) | $(184.2) |
| Depreciation and amortization | 35.1 | 41.6 |
| Pension expense, net of funding | 9.0 | 22.5 |
| Deferred income taxes | 0.3 | 35.0 |
| Other long-lived asset impairment charges | 0.5 | 4.0 |
| Loss on early extinguishment of debt | 0.3 | — |
| Changes in certain current assets and current liabilities | (111.6) | 79.4 |
| Income taxes | 107.5 | 69.1 |
| Other, net | — | (16.9) |
| Net cash provided by operating activities | 28.1 | 50.5 |
| Cash flows from investing activities | | |
| Capital expenditures | (8.6) | (7.2) |
| Investments | (0.3) | (1.4) |
| Proceeds from the sale of property, plant and equipment | 1.0 | 0.9 |
| Other, net | — | (0.2) |
| Net cash used for investing activities | (7.9) | (7.9) |
| Cash flows from financing activities | | |
| Net payments of short-term debt | (0.6) | (0.7) |
| Net proceeds from issuance of long-term debt | 10.0 | — |
| Payments of long-term debt including current maturities | (3.5) | (0.3) |
| Payment of premium on early extinguishment of debt | (0.3) | — |
| Net cash provided by (used for) financing activities | 5.6 | (1.0) |
| Net increase in cash and cash equivalents | 25.8 | 41.6 |
| Cash and cash equivalents at beginning of period | 526.6 | 317.5 |
| Cash and cash equivalents at end of period | $552.4 | $359.1 |

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

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 – Significant Accounting Policies

Interim Financial Statements. The unaudited interim consolidated financial statements of Brunswick Corporation (Brunswick or the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Therefore, certain information and disclosures normally included in financial statements and related notes prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. Certain previously reported amounts have been reclassified to conform to the current period presentation.

These financial statements should be read in conjunction with, and have been prepared in conformity with, the accounting principles reflected in the consolidated financial statements and related notes included in Brunswick's 2009 Annual Report on Form 10-K (the 2009 Form 10-K). These interim results include, in the opinion of management, all normal and recurring adjustments necessary to present fairly the financial position of Brunswick as of April 3, 2010, December 31, 2009, and April 4, 2009, the results of operations for the three months ended April 3, 2010, and April 4, 2009, and the cash flows for the three months ended April 3, 2010, and April 4, 2009. Due to the seasonality of Brunswick's businesses, the interim results are not necessarily indicative of the results that may be expected for the remainder of the year.

The Company maintains its financial records on the basis of a fiscal year ending on December 31, with the fiscal quarters spanning thirteen weeks and ending on the Saturday closest to the end of that thirteen-week period. The first quarter of fiscal year 2010 ended on April 3, 2010, and the first quarter of fiscal year 2009 ended on April 4, 2009.

Recent Accounting Pronouncements. In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 166, "Accounting for Transfers of Financial Assets" (SFAS 166) (codified within the FASB Accounting Standards Codification (ASC) 860 "Transfers and Servicing"). SFAS 166 amends the derecognition guidance in SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140). SFAS 166 is effective for fiscal years beginning after November 15, 2009. The adoption of this statement did not have a material impact on the Company's consolidated results of operations and financial condition.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" (SFAS 167) (codified within ASC 810 "Consolidation"). SFAS 167 amends the consolidation guidance applicable to variable interest entities and affects the overall consolidation analysis under FASB Interpretation No. 46(R). SFAS 167 is effective for fiscal years beginning after November 15, 2009. The adoption of this statement resulted in the Company expanding its disclosures as reflected in Note 11 – Financial Services.

In October 2009, the FASB issued ASU No. 2009-13, "Multiple Deliverable Revenue Arrangements - a consensus of the FASB Emerging Issues Task Force" (ASU 2009-13) (codified within ASC Topic 605 "Revenue Recognition"). ASU 2009-13 addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently evaluating the impact that the adoption of the amendments to the FASB Accounting Standards Codification resulting from ASU 2009-13 may have on the Company's consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06, “Improving Disclosures about Fair Value Measurements” (ASU 2010-06) (codified within ASC 820 “Fair Value Measurements and Disclosures” (ASC 820)). ASU 2010-06 improves disclosures originally required under SFAS No. 157, “Fair Value Measurements,” (codified under ASC 820) ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those years. The adoption of this ASU resulted in the Company expanding its disclosures, as reflected in Note 4 – Fair Value Measurements.

In February 2010, the FASB issued ASU No. 2010-09, “Amendments to Certain Recognition and Disclosure Requirements” (ASU 2010-09) (codified within ASC 855 “Subsequent Events”). ASU 2010-09 amended SFAS No. 165, “Subsequent Events” (codified within ASC 855 “Subsequent Events”) to resolve conflicts with SEC reporting requirements. The adoption of this ASU did not have a material impact on the Company’s consolidated results of operations and financial condition.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 2 – Restructuring Activities

In November 2006, Brunswick announced restructuring initiatives to improve the Company's cost structure, better utilize overall capacity and improve general operating efficiencies. These initiatives reflected the Company's response to a difficult marine market. As the marine market continued to decline, Brunswick expanded its restructuring activities during 2007, 2008, 2009 and 2010 in order to improve performance and better position the Company for current market conditions and longer-term profitable growth. These initiatives have resulted in the recognition of restructuring, exit and impairment charges in the Statement of Operations during 2009 and 2010.

The nature of the costs incurred under these initiatives include:

Restructuring Activities – These amounts primarily relate to:

- Employee termination and other benefits
- Costs to retain and relocate employees
- Consulting costs
- Consolidation of manufacturing footprint

Exit Activities – These amounts primarily relate to:

- Employee termination and other benefits
- Lease exit costs
- Inventory write-downs
- Facility shutdown costs

Asset Disposition Actions – These amounts primarily relate to sales of assets and definite-lived asset impairments of:

- Fixed assets
- Tooling
- Patents and proprietary technology
- Dealer networks

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Impairments of definite-lived assets are recognized when, as a result of the restructuring activities initiated, the carrying amount of the long-lived asset is not expected to be fully recoverable, in accordance with ASC 360, “Property, Plant, and Equipment.” The impairments recognized were equal to the difference between the carrying amount of the asset and the fair value of the asset, which was determined using observable inputs, including the use of appraisals from independent third parties, when available, and, when observable inputs were not available, based on the Company’s assumptions of the data that market participants would use in pricing the asset or liability, based on the best information available in the circumstances. Specifically, the Company used discounted cash flows to determine the fair value of the asset when observable inputs were unavailable.

The Company has reported restructuring and exit activities based on the specific driver of the cost and reflected the expense in the accounting period when the cost has been committed or incurred. The Company considers actions related to the sale of certain Baja boat business assets, the closure of its bowling pin manufacturing facility, the sale of the Valley-Dynamo and Integrated Dealer Systems businesses and the divestiture of MotoTron, to be exit activities. All other actions taken are considered to be restructuring activities.

The following table is a summary of the expense associated with the restructuring, exit and impairment activities for the three months ended April 3, 2010, and April 4, 2009. The 2010 charge consists of expenses related to actions initiated in 2010, 2009 and 2008:

| | Three Months Ended | |
|---|---|---|
| (in millions) | April 3, 2010 | April 4, 2009 |
| Restructuring activities: | | |
| Employee termination and other benefits | $ 3.8 | $ 19.4 |
| Current asset write-downs | — | 2.6 |
| Transformation and other costs: | | |
| Consolidation of manufacturing footprint | 3.2 | 12.4 |
| Retention and relocation costs | — | 0.1 |
| Consulting costs | — | 0.3 |
| Exit activities: | | |
| Employee termination and other benefits | — | 0.1 |
| Current asset write-downs | — | 0.6 |
| Transformation and other costs: | | |
| Consolidation of manufacturing footprint | — | 0.7 |
| Asset disposition actions: | | |
| Definite-lived asset impairments | 0.4 | 3.4 |
| Total restructuring, exit and impairment charges | $ 7.4 | $ 39.6 |

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

The Company anticipates it will incur approximately $23 million of additional restructuring charges in 2010. Approximately $5 million of this amount relates to known restructuring activities that will be initiated in 2010, and approximately $18 million relates to restructuring activities initiated in 2009 and 2008. The Company expects most of these charges will be incurred in the Boat and Marine Engine segments. Further reductions in demand for the Company's products, or further opportunities to reduce costs, may result in additional restructuring, exit or impairment charges in 2010.

Actions Initiated in 2010 and 2009

There were no significant restructuring activities initiated in 2010. During 2009, the Company continued its restructuring activities by reducing the Company's global workforce, consolidating manufacturing operations and disposing of non-strategic assets. During the third quarter of 2009, the Company announced plans to reduce excess manufacturing capacity by relocating inboard and sterndrive production to Fond du Lac, Wisconsin and closing its Stillwater, Oklahoma plant. This plant consolidation effort is expected to occur through 2011. In connection with this action, the Company's hourly union workforce in Fond du Lac ratified a new collective bargaining agreement on August 31, 2009, which resulted in net restructuring charges as a result of incentives and changes to employees' current and postretirement benefits. The Company continued to consolidate the Boat segment's manufacturing footprint in 2009 and began marketing for sale certain previously closed boat production facilities in the fourth quarter of 2009, including the previously mothballed plants in Navassa and Swansboro, North Carolina, and its Riverview plant in Knoxville, Tennessee. The Company also recorded impairments during 2009 on tooling, its Cape Canaveral, Florida and Little Falls, Minnesota properties, and on a marina in St. Petersburg, Florida, to record these assets at their fair value. These actions in the Company's marine businesses are expected to provide long-term cost savings by reducing its fixed-cost structure.

The restructuring, exit and impairment charges recorded in the first quarter of 2010 and 2009, related to actions initiated in 2010 and 2009 for each of the Company's reportable segments, are summarized below:

| | Three Months Ended | |
|---|---|---|
| (in millions) | April 3, 2010 | April 4, 2009 |
| Marine Engine | $ 2.4 | $ 9.7 |
| Boat | 2.7 | 6.4 |
| Fitness | — | 1.0 |
| Bowling & Billiards | 0.2 | 0.1 |
| Corporate | 0.3 | 0.7 |
| Total | $ 5.6 | $ 17.9 |

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

The following is a summary of the charges by category associated with the 2010 and 2009 restructuring activities:

| | Three Months Ended | |
|---|---|---|
| (in millions) | April 3, 2010 | April 4, 2009 |
| Restructuring activities: | | |
| Employee termination and other benefits | $ 3.8 | $ 12.9 |
| Current asset write-downs | — | 0.3 |
| Transformation and other costs: | | |
| Consolidation of manufacturing footprint | 1.8 | 2.8 |
| Retention and relocation costs | — | 0.1 |
| Consulting costs | — | 0.3 |
| Exit activities: | | |
| Asset disposition actions: | | |
| Definite-lived asset impairments | — | 1.5 |
| Total restructuring, exit and impairment charges | $ 5.6 | $ 17.9 |

The restructuring charges related to actions initiated in 2010 and 2009, for each of the Company's reportable segments in the first quarter of 2010, are summarized below:

| (in millions) | Marine Engine | Boat | Bowling & Billiards | Corporate | Total |
|---|---|---|---|---|---|
| Employee termination and other benefits | $1.3 | $2.0 | $0.2 | $0.3 | $3.8 |
| Transformation and other costs | 1.1 | 0.7 | — | — | 1.8 |
| Total restructuring, exit and impairment charges | $2.4 | $2.7 | $0.2 | $0.3 | $5.6 |

The restructuring charges related to actions initiated in 2009, for each of the Company's reportable segments in the first quarter of 2009, are summarized below:

| (in millions) | Marine Engine | Boat | Fitness | Bowling & Billiards | Corporate | Total |
|---|---|---|---|---|---|---|
| Employee termination and other benefits | $6.2 | $5.3 | $1.0 | $0.1 | $0.3 | $12.9 |
| Current asset write-downs | — | 0.3 | — | — | — | 0.3 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Transformation and other costs | 2.7 | 0.1 | — | — | 0.4 | 3.2 |
| Asset disposition actions | 0.8 | 0.7 | — | — | — | 1.5 |
| Total restructuring, exit and impairment charges | $9.7 | $6.4 | $1.0 | $0.1 | $0.7 | $17.9 |

9

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

The following table summarizes the 2010 charges recorded for restructuring, exit and impairment charges related to actions initiated in 2010 and 2009 and the related status as of April 3, 2010. The accrued amounts remaining as of April 3, 2010 represent cash expenditures needed to satisfy remaining obligations. The majority of the accrued costs is expected to be paid by the end of 2010 and is included in Accrued expenses in the Condensed Consolidated Balance Sheets.

| (in millions) | Accrued Costs as of Jan. 1, 2010 | Costs Recognized in 2010 | Net Cash Payments | Accrued Costs as of Apr. 3, 2010 |
|---|---|---|---|---|
| Employee termination and other benefits | $8.5 | $3.8 | $(5.8) | $6.5 |
| Transformation and other costs: | | | | |
| Consolidation of manufacturing footprint | 2.0 | 1.8 | (1.7) | 2.1 |
| Total restructuring, exit and impairment charges | $10.5 | $5.6 | $(7.5) | $8.6 |

Actions Initiated in 2008

During the first quarter of 2008, the Company continued its restructuring activities by: closing its bowling pin manufacturing facility in Antigo, Wisconsin; announcing that it would close its boat plant in Bucyrus, Ohio, in anticipation of the proposed sale of certain assets relating to its Baja boat business; ceasing boat manufacturing at one of its facilities in Merritt Island, Florida; and closing its Swansboro, North Carolina, boat plant.

The Company announced additional actions in June 2008 as a result of the prolonged downturn in the U.S. marine market. The plan was designed to improve performance and better position the Company for current market conditions. The plan resulted in significant changes in the Company's organizational structure, most notably by reducing the complexity of its operations and further shrinking its North American manufacturing footprint. Specifically, the Company announced: the closure of its production facility in Newberry, South Carolina, due to its decision to cease production of its Bluewater Marine brands, including Sea Pro, Sea Boss, Palmetto and Laguna; its intention to close four additional boat plants; and the write-down of certain assets of the Valley-Dynamo coin-operated commercial billiards business.

During the third quarter of 2008, the Company accelerated its previously announced efforts to resize the Company in light of extraordinary developments within global financial markets that affected the recreational marine industry. Specifically, the Company announced the closure of its boat production facilities in Cumberland, Maryland; Pipestone, Minnesota; Roseburg, Oregon; and Arlington, Washington. The Company also decided to mothball its plant in Navassa, North Carolina. The Company completed the Cumberland, Roseburg, Arlington and Navassa facility shutdowns in the fourth quarter of 2008, and completed the Pipestone facility shutdown in the first quarter of 2009.

10

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

The restructuring, exit and impairment charges recorded in 2010 and 2009 related to actions initiated in 2008 for each of the Company's reportable segments, are summarized below:

| | Three Months Ended | |
|---|---|---|
| (in millions) | April 3, 2010 | April 4, 2009 |
| Marine Engine | $ — | $ 2.0 |
| Boat | 1.4 | 18.6 |
| Bowling & Billiards | — | 0.7 |
| Corporate | 0.4 | 0.4 |
| Total | $ 1.8 | $ 21.7 |

The following is a summary of the total expense by category associated with the 2008 restructuring initiatives recognized during the first quarter of 2010 and 2009:

| | Three Months Ended | |
|---|---|---|
| (in millions) | April 3, 2010 | April 4, 2009 |
| Restructuring activities: | | |
| Employee termination and other benefits | $ — | $ 6.5 |
| Current asset write-downs | — | 2.3 |
| Transformation and other costs: | | |
| Consolidation of manufacturing footprint | 1.4 | 9.6 |
| Exit activities: | | |
| Employee termination and other benefits | — | 0.1 |
| Current asset write-downs | — | 0.6 |
| Transformation and other costs: | | |
| Consolidation of manufacturing footprint | — | 0.7 |
| Asset disposition actions: | | |
| Definite-lived asset impairments | 0.4 | 1.9 |
| Total restructuring, exit and impairment charges | $ 1.8 | $ 21.7 |

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

The restructuring charges related to actions initiated in 2008, for each of the Company's reportable segments in the first quarter of 2010, are summarized below:

| (in millions) | Boat | Corporate | Total |
|---|---|---|---|
| Transformation and other costs | $ 1.4 | $ — | $ 1.4 |
| Asset disposition actions | — | 0.4 | 0.4 |
| Total restructuring, exit and impairment charges | $ 1.4 | $ 0.4 | $ 1.8 |

The restructuring charges related to actions initiated in 2008, for each of the Company's reportable segments in the first quarter of 2009, are summarized below:

| (in millions) | Marine Engine | Boat | Bowling & Billiards | Corporate | Total |
|---|---|---|---|---|---|
| Employee termination and other benefits | $ 0.6 | $ 5.5 | $ 0.1 | $ 0.4 | $ 6.6 |
| Current asset write-downs | 0.7 | 1.6 | 0.6 | — | 2.9 |
| Transformation and other costs | 0.7 | 9.6 | — | — | 10.3 |
| Asset disposition actions | — | 1.9 | — | — | 1.9 |
| Total restructuring, exit and impairment charges | $ 2.0 | $ 18.6 | $ 0.7 | $ 0.4 | $ 21.7 |

The following table summarizes the 2010 charges recorded for restructuring, exit and impairment charges related to actions initiated in 2008 and the related status as of April 3, 2010. The accrued amounts remaining as of April 3, 2010, represent cash expenditures needed to satisfy remaining obligations. The majority of the accrued costs is expected to be paid by the end of 2010 and is included in Accrued expenses in the Consolidated Balance Sheets.

| (in millions) | Accrued Costs as of Jan. 1, 2010 | Costs Recognized in 2010 | Non-cash Charges | Net Cash Payments | Accrued Costs as of Apr. 3, 2010 |
|---|---|---|---|---|---|
| Employee termination and other benefits | $ 1.2 | $ — | $ — | $ (0.7 ) | $ 0.5 |
| Transformation and other costs: | | | | | |
| Consolidation of manufacturing footprint | 1.9 | 1.4 | — | (1.6 ) | 1.7 |

| | | | | | |
|---|---|---|---|---|---|
| Asset disposition actions: | | | | | |
| Definite-lived asset impairments | — | 0.4 | (0.4) | — | — |
| Total restructuring, exit and impairment charges | $ 3.1 | $ 1.8 | $ (0.4) | $ (2.3) | $ 2.2 |

12

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 3 – Financial Instruments

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

Derivative Financial Instruments. The Company uses derivative financial instruments to manage its risks associated with movements in foreign currency exchange rates, interest rates and commodity prices. Derivative instruments are not used for trading or speculative purposes. For certain derivative contracts, on the date a derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction (cash flow hedge). The Company formally documents its hedge relationships, including identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivatives that are designated as hedges to specific forecasted transactions. The Company also assesses, both at the inception and monthly thereafter, whether the derivatives used in hedging transactions are highly effective in offsetting the changes in the anticipated cash flows of the hedged item. There were no material adjustments as a result of ineffectiveness to the results of operations for the quarters ended April 3, 2010, and April 4, 2009. If the hedging relationship ceases to be highly effective, or it becomes probable that a forecasted transaction is no longer expected to occur, gains and losses on the derivative are recorded in Cost of sales or Interest expense as appropriate. The fair market value of derivative financial instruments is determined through market-based valuations and may not be representative of the actual gains or losses that will be recorded when these instruments mature due to future fluctuations in the markets in which they are traded. The effects of derivative and financial instruments are not expected to be material to the Company's financial position or results of operations when considered together with the underlying exposure being hedged.

Fair Value Hedges. During 2010 and 2009, the Company entered into foreign currency forward contracts to manage foreign currency exposure related to changes in the value of assets or liabilities caused by changes in the exchange rates of foreign currencies. The change in the fair value of the foreign currency derivative contract and the corresponding change in the fair value of the asset or liability of the Company are both recorded through earnings (loss), each period as incurred.

Cash Flow Hedges. Certain derivative instruments qualify as cash flow hedges under the requirements of ASC 815, "Derivatives and Hedging." The Company executes both forward and option contracts, based on forecasted transactions, to manage foreign exchange exposure mainly related to inventory purchase and sales transactions. The Company also enters into commodity swap agreements, based on anticipated purchases of aluminum and natural gas, to manage risk related to price changes. In prior periods, the Company entered into forward starting interest rate swaps to hedge the interest rate risk associated with the anticipated issuance of debt.

A cash flow hedge requires that as changes in the fair value of derivatives occur, the portion of the change deemed to be effective is recorded temporarily in Accumulated other comprehensive income (loss), an equity account, and reclassified into earnings (loss) in the same period or periods during which the hedged transaction affects earnings. As of April 3, 2010, the term of derivative instruments hedging forecasted transactions ranged from one to 21 months.

Foreign Currency. The Company enters into forward and option contracts to manage foreign exchange exposure related to forecasted transactions, and assets and liabilities that are subject to risk from foreign currency rate changes.

These include product costs; revenues and expenses; associated receivables and payables; intercompany obligations and receivables; and other related cash flows.

Forward exchange contracts outstanding at April 3, 2010, and December 31, 2009, had notional contract values of $73.0 million and $101.9 million, respectively. Option contracts outstanding at April 3, 2010, and December 31, 2009, had notional contract values of $111.8 million and $103.7 million, respectively. The forward and options contracts outstanding at April 3, 2010, mature during 2010 and 2011 and primarily relate to the Euro, Mexican peso, Canadian dollar, British pound, Japanese yen, New Zealand dollar and Australian dollar. As of April 3, 2010, the Company estimates that during the next 12 months, it will reclassify approximately $1.6 million in net gains (based on current rates) from Accumulated other comprehensive income (loss) to Cost of sales.

Interest Rate. As of April 3, 2010, and December 31, 2009, the Company had $4.6 million and $4.8 million, respectively, of net deferred gains associated with all forward starting interest rate swaps included in Accumulated other comprehensive income (loss). These amounts include gains deferred on $250.0 million of forward starting interest rate swaps terminated in July 2006 and losses deferred on $150.0 million of notional value forward starting swaps, which were terminated in August 2008. There were no forward starting interest rate swaps outstanding at April 3, 2010. For the three months ended April 3, 2010, the Company recognized $0.2 million of net amortization gains in Interest expense related to all settled forward starting interest rate swaps.

Commodity Price. The Company uses commodity swaps to hedge anticipated purchases of aluminum and natural gas. Commodity swap contracts outstanding at April 3, 2010, and December 31, 2009, had notional values of $14.5 million and $15.5 million, respectively. The contracts outstanding mature throughout 2010 to 2011. The amount of gain or loss associated with these instruments are deferred in Accumulated other comprehensive income (loss) and are recognized in Cost of sales in the same period or periods during which the hedged transaction affects earnings. As of April 3, 2010, the Company estimates that during the next 12 months, it will reclassify approximately $3.1 million in net gains (based on current prices) from Accumulated other comprehensive income (loss) to Cost of sales.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

As of April 3, 2010, the fair values of the Company's derivative instruments were:

(in millions)

| | Derivative Assets | | Derivative Liabilities | |
|---|---|---|---|---|
| Instrument | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Foreign exchange contracts | Prepaid Expenses and Other | $ 2.7 | Accrued Expenses | $ 0.9 |
| Commodity contracts | Prepaid Expenses and Other | 4.6 | Accrued Expenses | 0.2 |
| Total | | $ 7.3 | | $ 1.1 |

As of December 31, 2009, the fair values of the Company's derivative instruments were:

(in millions)

| | Derivative Assets | | Derivative Liabilities | |
|---|---|---|---|---|
| Instrument | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Foreign exchange contracts | Prepaid Expenses and Other | $ 1.8 | Accrued Expenses | $ 1.4 |
| Commodity contracts | Prepaid Expenses and Other | 6.4 | Accrued Expenses | — |
| Total | | $ 8.2 | | $ 1.4 |

The effect of derivative instruments on the Consolidated Statement of Operations for the three months ended April 3, 2010, was:

(in millions)

| Fair Value Hedging Instruments | Location of Gain/(Loss) Recognized in Income on Derivatives | Amount of Gain/(Loss) Recognized in Income on Derivatives |
|---|---|---|
| Foreign exchange contracts | Cost of Sales | $ 1.3 |

| Cash Flow Hedge Instruments | Amount of Gain/(Loss) Recognized on Derivatives in Accumulated other comprehensive loss | Location of Gain/(Loss) Reclassified from Accumulated other comprehensive loss into Income | Amount of Gain/(Loss) Reclassified from Accumulated other comprehensive loss into Income |
|---|---|---|---|

| | (Effective Portion) | | (Effective Portion) | (Effective Portion) | |
|---|---|---|---|---|---|
| Interest rate contracts | $ — | | Interest Expense | $ 0.2 | |
| Foreign exchange contracts | 1.9 | | Cost of Sales | (0.4 | ) |
| Commodity contracts | (2.9 | ) | Cost of Sales | (0.3 | ) |
| Total | $ (1.0 | ) | | $ (0.5 | ) |

14

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

The effect of derivative instruments on the Consolidated Statement of Operations for the three months ended April 4, 2009, was:

(in millions)

| Fair Value Hedging Instruments | Location of Gain/(Loss) Recognized in Income on Derivatives | Amount of Gain/(Loss) Recognized in Income on Derivatives |
|---|---|---|
| Foreign exchange contracts | Cost of Sales | $ (0.1) |

| Cash Flow Hedge Instruments | Amount of Gain/(Loss) Recognized on Derivatives in Accumulated other comprehensive loss (Effective Portion) | Location of Gain/(Loss) Reclassified from Accumulated other comprehensive loss into Income (Effective Portion) | Amount of Gain/(Loss) Reclassified from Accumulated other comprehensive loss into Income (Effective Portion) |
|---|---|---|---|
| Interest rate contracts | $ — | Interest Income | $ 0.2 |
| Foreign exchange contracts | 2.9 | Cost of Sales | 5.9 |
| Commodity contracts | (1.8) | Cost of Sales | (3.8) |
| Total | $ 1.1 | | $ 2.3 |

Fair Value of Other Financial Instruments. The carrying values of the Company’s short-term financial instruments, including cash and cash equivalents, accounts and notes receivable and short-term debt, approximate their fair values because of the short maturity of these instruments. At April 3, 2010, the fair value of the Company’s long-term debt was approximately $807.4 million as estimated using quoted market prices or discounted cash flows based on market rates for similar types of debt. The carrying value of long-term debt, including current maturities, was $845.9 million as of April 3, 2010.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 4 – Fair Value Measurements

Fair value is defined under ASC 820, "Fair Value Measurements and Disclosures" (ASC 820) as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard established a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable.

- Level 1 - Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets.

- Level 2 - Inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. These are typically obtained from readily available pricing sources for comparable instruments.

- Level 3 - Unobservable inputs, where there is little or no market activity for the asset or liability. These inputs reflect the reporting entity's own assumptions of the data that market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

The following table summarizes Brunswick's financial assets and liabilities measured at fair value on a recurring basis in accordance with ASC 820 as of April 3, 2010:

| (in millions) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Cash equivalents | $ 381.0 | $ — | $ — | $ 381.0 |
| Other short-term investments | 0.8 | — | — | 0.8 |
| Long-term investments | 3.1 | — | — | 3.1 |
| Derivatives | — | 7.3 | — | 7.3 |
| Total assets | $ 384.9 | $ 7.3 | $ — | $ 392.2 |
| Liabilities: | | | | |
| Derivatives | $ — | $ 1.1 | $ — | $ 1.1 |

The following table summarizes Brunswick's financial assets and liabilities measured at fair value on a recurring basis in accordance with ASC 820 as of December 31, 2009:

| (in millions) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Cash Equivalents | $ 350.0 | $ — | $ — | $ 350.0 |
| Other short-term investments | 0.8 | — | — | 0.8 |
| Long-term investments | 4.3 | — | — | 4.3 |
| Derivatives | — | 8.2 | — | 8.2 |
| Total Assets | $ 355.1 | $ 8.2 | $ — | $ 363.3 |

| | | | | |
|---|---|---|---|---|
| Liabilities: | | | | |
| Derivatives | $ — | $ 1.4 | $ — | $ 1.4 |

16

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Refer to Note 3 – Financial Instruments for additional information related to the fair value of derivative assets and liabilities by class. In addition to the items shown in the table above, refer to Note 15 in the Company's 2009 Form 10-K for further discussion surrounding the fair value measurements associated with the Company's postretirement benefit plans.

During the first quarter of 2010 and 2009, the Company undertook various restructuring activities, as discussed in Note 2 – Restructuring Activities. The restructuring activities required the Company to perform fair value measurements, on a non-recurring basis, on certain asset groups to test for potential impairments. Certain of these fair value measurements indicated that the asset groups were impaired and, therefore, the assets were written down to fair value. Once an asset has been impaired, it is not remeasured at fair value on a recurring basis; however, it is still subject to fair value measurements to test for recoverability of the carrying amount. Other than the assets measured at fair value on a recurring basis, as shown in the table above, the asset balances shown in the Condensed Consolidated Balance Sheets that were measured at fair value on a non-recurring basis were $3.5 million, $29.7 million and $3.7 million at April 3, 2010, December 31, 2009, and April 4, 2009, respectively, and relate primarily to assets no longer being used. Fair value for these asset balances was determined using a market approach and other Level 2 inputs, including third-party appraisals of comparable property.

Note 5 – Share-Based Compensation

Under the 2003 Stock Incentive Plan (Plan), the Company may grant stock options, stock appreciation rights (SARs), nonvested stock and other types of share-based awards to executives and other management employees. Under the Plan, the Company may issue up to 13.1 million shares, consisting of treasury shares and authorized, but unissued shares of common stock. As of April 3, 2010, 1.8 million shares were available for grant. Prior to 2005, the Company primarily issued share-based compensation in the form of stock options and had not issued any SARs. Since the beginning of 2005, the Company has issued stock-settled SARs and has not issued any stock options.

SARs

During the three months ended April 3, 2010, and April 4, 2009, the Company granted 2.2 million and 0.8 million SARs, respectively. In the three months ended April 3, 2010, and April 4, 2009, there was $2.6 million and $0.0 million of total expense, respectively, after adjusting for forfeitures, due to amortization of SARs granted.

The weighted average fair values of individual SARs granted were $5.63 and $2.16 during the first quarters of 2010 and 2009, respectively. The Company estimated the fair value of each grant on the date of grant using the Black-Scholes-Merton pricing model utilizing the following weighted average assumptions for 2010 and 2009:

| | 2010 | 2009 |
|---|---|---|
| Risk-free interest rate | 2.8% | 3.0% |
| Dividend yield | 0.7% | 1.9% |
| | 53.0% | 73.9% |

| | | |
|---|---|---|
| Volatility factor | | |
| Weighted average expected life | 5.8 – 6.6 years | 5.7 – 6.3 years |

17

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Non-vested Stock Awards

During the three months ended April 3, 2010, and April 4, 2009, the Company granted 0.1 million and 0.0 million stock awards, respectively. The Company recognizes the cost of non-vested stock awards on a straight-line basis over the requisite service period. During the three months ended April 3, 2010, $0.5 million was charged to compensation expense from the amortization of previous grants. As a result of reversing the amortization of certain awards, the Company recognized income of $0.2 million in the first quarter of 2009.

As of April 3, 2010, there was $2.5 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted average period of 1.4 years.

Director Awards

The Company issues stock awards to directors in accordance with the terms and conditions determined by the Nominating and Corporate Governance Committee of the Board of Directors. One-half of each director's annual fee is paid in Brunswick common stock, the receipt of which may be deferred until a director retires from the Board of Directors. Each director may elect to have the remaining one-half paid either in cash, in Brunswick common stock distributed at the time of the award, or in deferred Brunswick common stock units with a 20 percent premium. Prior to May 2009, each non-employee director also received an annual grant of restricted stock units, which is deferred until the director retires from the Board.

Note 6 – Earnings (Loss) per Common Share

The Company calculates earnings (loss) per common share in accordance with ASC 260, "Earnings per Share." Basic earnings (loss) per common share is calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share is calculated similarly, except that the calculation includes the dilutive effect of stock options and SARs, collectively "options," and non-vested stock awards. Common stock equivalents continue to have an anti-dilutive effect on the net losses from operations and are not included in the diluted earnings (loss) per share computation in either 2010 or 2009.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Basic and diluted loss per common share for the three months ended April 3, 2010, and April 4, 2009, were calculated as follows:

| | Three Months Ended | |
|---|---|---|
| (in millions, except per share data) | April 3, 2010 | April 4, 2009 |
| Net loss | $ (13.0 ) | $ (184.2 ) |
| Weighted average outstanding shares – basic | 88.6 | 88.4 |
| Dilutive effect of common stock equivalents | — | — |
| Weighted average outstanding shares – diluted | 88.6 | 88.4 |
| Basic loss per common share | $ (0.15 ) | $ (2.08 ) |
| Diluted loss per common share | $ (0.15 ) | $ (2.08 ) |

As of April 3, 2010, there were 10.4 million options outstanding, of which 4.3 million were exercisable. This compares with 6.3 million options outstanding, of which 3.5 million were exercisable as of April 4, 2009. During the three months ended April 3, 2010, and April 4, 2009, there were 5.3 million and 6.3 million weighted average shares of options outstanding, respectively, for which the exercise price, based on the average price, was greater than the average market price of the Company's shares for the period then ended. These options were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive. As common stock equivalents have an anti-dilutive effect on the Company's net loss, the equivalents were not included in the computation of diluted earnings (loss) per common share for the three months ended April 3, 2010, and April 4, 2009.

Note 7 – Commitments and Contingencies

Financial Commitments

The Company has entered into guarantees of indebtedness of third parties, primarily in connection with customer financing programs. Under these arrangements, the Company has guaranteed customer obligations to the financial institutions in the event of customer default, generally subject to a maximum amount which is less than total obligations outstanding. The Company has also extended guarantees to third parties that have purchased customer receivables from Brunswick and, in certain instances, has guaranteed secured term financing of its customers. Potential payments in connection with these customer financing arrangements generally extend over several years. The potential cash payments associated with these customer financing arrangements as of April 3, 2010, and April 4, 2009, were:

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

| | Single Year Obligation | | Maximum Obligation | |
|---|---|---|---|---|
| (in millions) | April 3, 2010 | April 4, 2009 | April 3, 2010 | April 4, 2009 |
| Marine Engine | $ 6.2 | $ 31.2 | $ 6.2 | $ 31.2 |
| Boat | 4.6 | 3.2 | 4.6 | 3.2 |
| Fitness | 30.3 | 26.9 | 36.6 | 37.2 |
| Bowling & Billiards | 7.1 | 10.5 | 15.7 | 25.3 |
| Total | $ 48.2 | $ 71.8 | $ 63.1 | $ 96.9 |

The reduction in potential obligations in the Marine Engine segment is a result of the Company's discontinuance of its sale of receivables program in May of 2009. See Note 11 – Financial Services for further details.

In most instances, upon repurchase of the debt obligation, the Company receives rights to the collateral securing the financing. The Company's risk under these arrangements is mitigated by the value of the collateral that secures the financing. The Company had $3.9 million accrued for potential losses related to recourse exposure at April 3, 2010.

The Company has also entered into arrangements with third-party lenders where it has agreed, in the event of a default by the customer, to repurchase from the third-party lender Brunswick products repossessed from the customer. These arrangements are typically subject to a maximum repurchase amount. The amount of collateral the Company could be required to purchase as of April 3, 2010, and April 4, 2009, was:

| | Single Year Obligation | | Maximum Obligation | |
|---|---|---|---|---|
| (in millions) | April 3, 2010 | April 4, 2009 | April 3, 2010 | April 4, 2009 |
| Marine Engine | $ 2.9 | $ 3.7 | $ 2.9 | $ 3.7 |
| Boat | 79.7 | 118.4 | 99.7 | 155.2 |
| Bowling & Billiards | 0.5 | 1.9 | 0.5 | 1.9 |
| Total | $ 83.1 | $ 124.0 | $ 103.1 | $ 160.8 |

The Company had $6.6 million accrued for potential losses related to repurchase exposure at April 3, 2010. The Company's risk under these repurchase arrangements is mitigated by the value of the products repurchased as part of the transaction. The Company's repurchase accrual represents the expected losses on obligations to repurchase products, after giving effect to proceeds anticipated to be received from the resale of those products to alternative dealers.

Based on historical experience and current facts and circumstances, and in accordance with ASC 460, "Guarantees," the Company has recorded the fair value of its estimated net liability associated with losses from these guarantee and repurchase obligations on its Condensed Consolidated Balance Sheets. Historical cash requirements and losses associated with these obligations have not been significant, but could increase if dealer defaults increase as a result of the difficult market conditions.

20

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Financial institutions have issued standby letters of credit and surety bonds conditionally guaranteeing obligations on behalf of the Company totaling $97.9 million as of April 3, 2010. A large portion of these standby letters of credit and surety bonds are related to the Company's self-insured workers' compensation program as required by its insurance companies and various state agencies. The Company has recorded reserves to cover liabilities associated with these programs. In addition, the Company has provided a letter of credit to GE Commercial Distribution Finance Corporation (GECDF) as a guarantee of the Company's obligations to GECDF and affiliates under various agreements. Under certain circumstances, such as an event of default under the Company's revolving credit facility, or, in the case of surety bonds, a ratings downgrade below investment grade, the Company could be required to post collateral to support the outstanding letters of credit and surety bonds. As the Company's current long-term debt ratings are below investment grade, the Company has posted letters of credit totaling $12.7 million as collateral against $13.5 million of outstanding surety bonds as of April 3, 2010.

In addition to the guarantee arrangements discussed above, the Company has accounts receivable sale arrangements with certain third parties. In accordance with ASC 860, "Transfers and Servicing," the Company treats the sale of receivables in which the Company retains an interest as a secured obligation as these arrangements do not meet the requirements of a "true sale." Accordingly, the current portion of $48.0 million and $46.1 million was recorded in Accounts and notes receivable and Accrued expenses as of April 3, 2010, and December 31, 2009, respectively, related to these arrangements. Further, the long-term portion of these arrangements of $45.4 million and $46.3 million as of April 3, 2010, and December 31, 2009, respectively, was recorded in Other long-term assets and Other long-term liabilities.

Product Warranties

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

The following activity related to product warranty liabilities was recorded in Accrued expenses during the three months ended April 3, 2010, and April 4, 2009:

| | Three Months Ended | |
|---|---|---|
| (in millions) | April 3, 2010 | April 4, 2009 |
| Balance at beginning of period | $ 139.8 | $ 145.4 |
| Payments made | (19.5) | (22.5) |
| Provisions/additions for contracts issued/sold | 19.4 | 19.9 |
| Aggregate changes for preexisting warranties | (0.3) | 0.8 |
| Balance at end of period | $ 139.4 | $ 143.6 |

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Additionally, customers may purchase a contract from the Company that extends product protection beyond the standard product warranty period in the Company's Marine Engine, Boat and Fitness segments. For certain extended warranty contracts in which the Company retains the warranty obligation, a deferred liability is recorded based on the aggregate sales price for contracts sold. The deferred liability is reduced and revenue is recognized over the contract period as costs are expected to be incurred. Deferred revenue associated with contracts sold by the Company that extend product protection beyond the standard product warranty period, not included in the table above, was $36.6 million as of April 3, 2010.

Legal and Environmental

The Company accrues for litigation exposure based upon its assessment, made in consultation with counsel, of the likely range of exposure stemming from the claim. In light of existing reserves, the Company's litigation claims, when finally resolved, will not, in the opinion of management, have a material adverse effect on the Company's consolidated financial position. 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.

There were no significant changes to the legal and environmental commitments that were discussed in Note 11 to the consolidated financial statements in the 2009 Form 10-K.

Note 8 – Segment Data

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

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

Corporate/Other results include items such as corporate staff and administrative costs as well as the financial results of the Company's joint venture, Brunswick Acceptance Company, LLC, which is discussed in further detail in Note 11 – Financial Services. Corporate/Other total assets consist primarily of cash and marketable securities, deferred and prepaid income tax balances and investments in unconsolidated affiliates. Marine eliminations are eliminations between the Marine Engine and Boat segments for sales transactions consummated at established arm's length transfer prices.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

The following table sets forth net sales and operating earnings (loss) of each of the Company's reportable segments for the three months ended April 3, 2010, and April 4, 2009:

| | Net Sales Three Months Ended | | Operating Earnings (Loss) Three Months Ended | |
|---|---|---|---|---|
| (in millions) | April 3, 2010 | April 4, 2009 | April 3, 2010 | April 4, 2009 |
| Marine Engine | $ 445.7 | $ 343.9 | $ 26.5 | $ (50.6 ) |
| Boat | 243.6 | 205.3 | (26.7 ) | (72.3 ) |
| Marine eliminations | (55.8 ) | (33.0 ) | — | — |
| Total Marine | 633.5 | 516.2 | (0.2 ) | (122.9 ) |
| Fitness | 119.0 | 118.6 | 9.5 | 0.3 |
| Bowling & Billiards | 91.9 | 99.9 | 14.9 | 10.6 |
| Corporate/Other | — | — | (14.1 ) | (15.5 ) |
| Total | $ 844.4 | $ 734.7 | $ 10.1 | $ (127.5 ) |

The following table sets forth total assets of each of the Company's reportable segments:

| | Total Assets | |
|---|---|---|
| (in millions) | April 3, 2010 | December 31, 2009 |
| Marine Engine | $ 758.5 | $ 649.4 |
| Boat | 482.9 | 476.5 |
| Total Marine | 1,241.4 | 1,125.9 |
| Fitness | 542.9 | 564.7 |
| Bowling & Billiards | 283.0 | 288.8 |
| Corporate/Other | 690.8 | 730.0 |
| Total | $ 2,758.1 | $ 2,709.4 |

Note 9 – Investments

The Company has certain unconsolidated international and domestic affiliates that are accounted for using the equity method. See Note 11 – Financial Services for more details on the Company's joint venture, Brunswick Acceptance Company, LLC (BAC). Refer to Note 8 to the consolidated financial statements in the 2009 Form 10-K for further detail relating to the Company's investments.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 10 – Comprehensive Loss

The Company reports certain changes in equity during a period in accordance with ASC 220, "Comprehensive Income." Accumulated other comprehensive loss includes prior service costs and net actuarial gains and losses for defined benefit plans; foreign currency cumulative translation adjustments; unrealized derivative gains and losses; and investment gains and losses, all net of tax. Changes in the components of other comprehensive income (loss) for the three months ended April 3, 2010, and April 4, 2009, were as follows:

| (in millions) | Three Months Ended April 3, 2010 | Three Months Ended April 4, 2009 |
|---|---|---|
| Net loss | $ (13.0 ) | $ (184.2 ) |
| Other comprehensive income (loss): | | |
| Foreign currency cumulative translation adjustment | (12.8 ) | (17.1 ) |
| Net change in unrealized gains (losses) on investments | (1.1 ) | 0.2 |
| Net change in unamortized prior service cost | (1.2 ) | 2.0 |
| Net change in unamortized actuarial loss | 5.5 | 17.0 |
| Net change in accumulated unrealized derivative gains (losses) | 1.4 | (0.6 ) |
| Total other comprehensive income (loss) | (8.2 ) | 1.5 |
| Comprehensive loss | $ (21.2 ) | $ (182.7 ) |

Note 11 – Financial Services

The Company, through its Brunswick Financial Services Corporation (BFS) subsidiary, owns a 49 percent interest in a joint venture, Brunswick Acceptance Company, LLC (BAC). CDF Ventures, LLC (CDFV), a subsidiary of GE Capital Corporation (GECC), owns the remaining 51 percent. BAC commenced operations in 2003 and provides secured wholesale inventory floor-plan financing to Brunswick's boat and engine dealers. BAC also purchased and serviced a portion of Mercury Marine's domestic accounts receivable relating to its boat builder and dealer customers. This program was terminated and replaced in May 2009 with a new facility discussed below and in Note 14 - Debt.

The term of the joint venture extends through June 30, 2014. The joint venture agreement contains provisions allowing for the renewal or purchase at the end of its term. Alternatively, either partner may terminate the agreement at the end of its term. Concurrent with finalizing the amended and restated asset-based revolving credit facility (Revolving Credit Facility), as described in Note 14 to the consolidated financial statement in the Company's 2009 Form 10-K, in the fourth quarter of 2008, the Company and CDFV amended the joint venture agreement to conform the financial covenant contained in that agreement to the minimum fixed-charge coverage ratio test contained in the Revolving Credit Facility. Compliance with the fixed-charge coverage ratio test under the joint venture agreement is only required when the Company's available, unused borrowing capacity under the Revolving Credit Facility is below $60 million. As available unused borrowing capacity under the Revolving Credit Facility was above $60 million at April 3, 2010, the Company was not required to meet the minimum fixed-charge test.

BAC is funded in part through a $1.0 billion secured borrowing facility from GE Commercial Distribution Finance Corporation (GECDF), which is in place through the term of the joint venture, and with equity contributions from

both partners. BAC also sells a portion of its receivables to a securitization facility, the GE Dealer Floorplan Master Note Trust, which is arranged by GECC. The sales of these receivables meet the requirements of a “true sale” under ASC 860 “Transfers and Servicing,” and are therefore not retained on the financial statements of BAC. The indebtedness of BAC is not guaranteed by the Company or any of its subsidiaries. In addition, BAC is not responsible for any continuing servicing costs or obligations with respect to the securitized receivables. BFS and GECDF have an income sharing arrangement related to income generated from the receivables sold by BAC to the securitization facility. The Company records this income in Other income (expense), net, in the Consolidated Statements of Operations.

BFS’s investment in BAC is accounted for by the Company under the equity method and is recorded as a component of Investments in its Condensed Consolidated Balance Sheets. The Company records BFS’s share of income or loss in BAC based on its ownership percentage in the joint venture in Equity earnings (loss) in its Consolidated Statements of Operations. BFS’s equity investment is adjusted monthly to maintain a 49 percent interest in accordance with the capital provisions of the joint venture agreement. The Company funds its investment in BAC through cash contributions and reinvested earnings. BFS’s total investment in BAC at April 3, 2010, and December 31, 2009, was $16.5 million and $16.2 million, respectively.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

The Company’s maximum loss exposure relating to BAC is detailed as follows:

| (in millions) | April 3, 2010 | December 31, 2009 |
|---|---|---|
| Investment | $ 16.5 | $ 16.2 |
| Repurchase and recourse obligations (A) | 72.3 | 72.3 |
| Liabilities (B) | (5.3 ) | (8.4 ) |
| Total maximum loss exposure | $ 83.5 | $ 80.1 |

(A) Repurchase and recourse obligations are off-balance obligations provided by the Company for the Boat and Marine Engine segments, respectively, and are included within the Maximum Potential Obligation of Note 7 - Commitments and Contingencies. Repurchase and recourse obligations are primarily related to a global repurchase agreement with GE and could be reduced by repurchase activity occurring under other similar repurchase agreements with GECDF and affiliates. The Company's risk under these repurchase arrangements is mitigated by the value of the products repurchased as part of the transaction.

(B) Represents accrued amounts for potential losses related to repurchase and recourse exposure.

BFS recorded income related to the operations of BAC in Equity earnings (loss) and amounts under the aforementioned income sharing agreement under Other income (expense), the net of which resulted in BFS recording income of $0.9 million and $1.1 million as of April 3, 2010, and April 4, 2009, respectively. Amounts recorded exclude discount expense paid by the Company in 2009 on the sale of Mercury Marine’s accounts receivable to the joint venture as noted below.

There were no accounts receivable sold to BAC in the first quarter of 2010 due to the replacement of the program in May 2009. Accounts receivable totaling $114.3 million were sold to BAC in the first quarter of 2009. Discounts of $1.0 million for the first quarter of 2009, have been recorded as an expense in Other income (expense), net, in the Consolidated Statements of Operations. Pursuant to the joint venture agreement, BAC reimbursed Mercury Marine $0.6 million in the first quarter of 2009, for the related credit, collection and administrative costs incurred in connection with the servicing of such receivables. In May 2009, the Company entered into an asset-based lending facility (Mercury Receivables ABL Facility) with GECDF to replace the Mercury Marine accounts receivable sale program the Company had with BAC. See Note 14 – Debt for more details on the Company’s Mercury Receivables ABL Facility. Concurrent with entering into the Mercury Receivables ABL Facility, the Company repurchased $84.2 million of accounts receivable from BAC in May 2009. Therefore, there was no outstanding balance of receivables sold to BAC as of April 3, 2010, or December 31, 2009.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 12 – Income Taxes

The Company would ordinarily recognize a tax benefit on operating losses; however, due to the Company's recent cumulative losses for book purposes and the uncertainty of the realization of certain deferred tax assets, the Company continues to adjust its valuation allowances accordingly as the deferred tax assets increase or decrease resulting in effectively no recorded federal tax benefit. The Company is in a similar situation in certain state and foreign taxing jurisdictions, but an income tax provision or benefit is still required for those entities that are not in cumulative loss positions. The Company recognized an income tax provision of $0.3 million for the three months ended April 3, 2010, which included a tax provision of $2.4 million related to state and foreign locations where the Company is not in a cumulative loss position, partially offset by a $2.1 million benefit related to the reassessment of tax reserves. The effective tax rate, which is calculated as the income tax provision as a percent of pretax losses, for the three months ended April 3, 2010, was (2.4) percent.

The Company recognized an income tax provision for the three months ended April 4, 2009, despite losses before taxes. The provision was primarily due to uncertainty concerning the realization of certain state and foreign net deferred tax assets, as prescribed by ASC 740, "Income Taxes." A valuation allowance of $36.6 million was recorded during the first quarter of 2009 to reduce certain state and foreign net deferred tax assets to their anticipated realizable value. The remaining realizable value was determined by evaluating the potential to recover the value of these assets through the utilization of loss carrybacks. The effective tax rate, for the three months ended April 4, 2009, was (23.0) percent.

As of April 3, 2010, and December 31, 2009, the Company had $35.3 million and $45.9 million of gross unrecognized tax benefits, including interest, respectively. The Company believes it is reasonably possible that the total amount of gross unrecognized tax benefits, as of April 3, 2010, could decrease by approximately $6.4 million in the next 12 months due to settlements with taxing authorities. Due to the various jurisdictions in which the Company files tax returns and the uncertainty regarding the timing of the settlement of tax audits, it is possible that there could be other significant changes in the amount of unrecognized tax benefits in 2010, but the amount cannot be estimated.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. As of April 3, 2010, and December 31, 2009, the Company had approximately $5.3 million and $6.0 million accrued for the payment of interest, respectively. There were no amounts accrued for penalties at April 3, 2010, or December 31, 2009.

The Company is regularly audited by federal, state and foreign tax authorities. The Company's taxable years 2004 through 2008 are currently open for IRS examination. The IRS has completed its field examination and has issued its Revenue Agents Report for 2004 and 2005 and all open issues have been resolved. The IRS examination for 2006, 2007 and 2008 is currently in process. Primarily as a result of filing amended tax returns, which were generated by the closing of federal income tax audits, the Company is still open to state and local tax audits in major tax jurisdictions dating back to the 2003 taxable year. With the exception of Germany, where the Company is currently undergoing a tax audit for taxable years 1998 through 2007, the Company is no longer subject to income tax examinations by any other major foreign tax jurisdiction for years prior to 2003. As a result of the German tax audit for the years 1998 through 2001, the Company's German subsidiary received a proposed audit adjustment in the fourth quarter of 2009, which is being contested by the Company, related to the shutdown of the subsidiary's pinsetter manufacturing operation and sale of the subsidiary's pinsetter assets to a related subsidiary.

Note 13 – Pension and Other Postretirement Benefits

The Company has defined contribution plans, qualified and nonqualified pension plans, and other postretirement benefit plans covering substantially all of its employees. The Company's contributions to its defined contribution plans are largely discretionary and are based on various percentages of compensation, and in some instances are based on the amount of the employees' contributions to the plans. See Note 15 to the consolidated financial statements in the 2009 Form 10-K for further details regarding these plans.

Pension and other postretirement benefit costs included the following components for the three months ended April 3, 2010, and April 4, 2009:

| | Pension Benefits Three Months Ended | | Other Postretirement Benefits Three Months Ended | |
|---|---|---|---|---|
| (in millions) | April 3, 2010 | April 4, 2009 | April 3, 2010 | April 4, 2009 |
| Service cost | $ 0.3 | $ 2.9 | $ 0.1 | $ 0.5 |
| Interest cost | 16.2 | 16.5 | 1.0 | 1.5 |
| Expected return on plan assets | (12.3 ) | (12.5 ) | — | — |
| Amortization of prior service costs (credits) | 0.1 | 1.0 | (1.0 ) | (0.3 ) |
| Amortization of net actuarial loss | 5.5 | 12.6 | — | — |
| Curtailment loss | — | 2.8 | — | — |
| Net pension and other benefit costs | $ 9.8 | $ 23.3 | $ 0.1 | $ 1.7 |

Employer Contributions. During the three months ended April 3, 2010, and April 4, 2009, the Company contributed $0.8 million and $0.8 million, respectively, to fund benefit payments to its nonqualified pension plan. The Company did not make any contributions to the qualified pension plans during the three months ended April 3, 2010, and April 4, 2009. Company contributions are subject to changes in the plan's funded position and Company discretion.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 14 – Debt

Short-term debt at April 3, 2010, and December 31, 2009, consisted of the following:

| (in millions) | April 3, 2010 | December 31, 2009 |
|---|---|---|
| Mercury Receivables ABL Facility | $ – | $ – |
| Current maturities of long-term debt | 1.7 | 1.8 |
| Other short-term debt | 8.5 | 9.7 |
| Total short-term debt | $ 10.2 | $ 11.5 |

In May 2009, the Company entered into the Mercury Receivables ABL Facility with GE Commercial Distribution Finance Corporation (GECDF) to replace the Mercury Marine accounts receivable sale program the Company had with Brunswick Acceptance Company, LLC (BAC) as described in Note 11 – Financial Services. The Mercury Receivables ABL Facility agreement provides for a base level of borrowings of $100.0 million and is secured by the domestic accounts receivable of Mercury Marine, a division of the Company, at a borrowing rate, set at the beginning of each month, equal to the one-month LIBOR rate plus 4.25 percent, provided, however, that the one-month LIBOR rate shall not be less than 1.0 percent. Borrowings under the Mercury Receivables ABL Facility can be adjusted to $120.0 million to accommodate seasonal increases in accounts receivable from May to August. Borrowing availability under this facility is subject to a borrowing base consisting of Mercury Marine domestic accounts receivable, adjusted for eligibility requirements, with an 85 percent advance rate. The Company had the capacity to borrow an additional $21.5 million in excess of the borrowing base according to the over-advance feature through November 2009. The over-advance amount declines ratably each month through November 2010. Borrowings under the Mercury Receivables ABL Facility are further limited to the lesser of the total amount available under the Mercury Receivables ABL Facility or the Mercury Marine receivables, excluding certain accounts, pledged as collateral against the Mercury Receivables ABL Facility. The Mercury Receivables ABL Facility also includes a financial covenant, which corresponds to the minimum fixed-charge coverage ratio covenant included in the Company's revolving credit facility and the BAC joint venture agreement described in Note 11 – Financial Services. The Mercury Receivables ABL Facility's term will expire concurrently with the termination of BAC, by the Company with 90 days notice or by GECDF upon the Company's default under the Mercury Receivables ABL Facility, including failure to comply with the facility's financial covenant. Initial borrowings under the Mercury Receivables ABL Facility were $81.1 million, but have since been repaid and the Company had no borrowings outstanding at April 3, 2010, and December 31, 2009. The amount of borrowing capacity available under this facility at April 3, 2010, and December 31, 2009 was $65.1 million and $42.2 million, respectively.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Long-Term Debt at April 3, 2010, and December 31, 2009, consisted of the following:

| (in millions) | April 3, 2010 | December 31, 2009 |
|---|---|---|
| Senior notes, currently 11.25%, due 2016, net of discount of $9.5 and $9.9 | $ 340.5 | $ 340.1 |
| Notes, 7.125% due 2027, net of discount of $0.8 and $0.8 | 199.2 | 199.2 |
| Senior notes, currently 11.75%, due 2013 | 150.4 | 153.4 |
| Debentures, 7.375% due 2023, net of discount of $0.4 and $0.4 | 124.6 | 124.6 |
| Loan with Fond du Lac County Economic Development Corporation, 2.0% due 2021, net of discount of $5.5 and $3.8 | 24.5 | 16.2 |
| Notes, 1.82% to 4.0% payable through 2015 | 6.5 | 7.5 |
| Notes, 5.0% due 2011 | 0.2 | 0.2 |
| | 845.9 | 841.2 |
| Current maturities of long-term debt | (1.7) | (1.8) |
| Long-term debt | $ 844.2 | $ 839.4 |

On December 23, 2009, the Company entered into a $50 million loan agreement with the Fond du Lac County Economic Development Corporation (FDL-EDC). Initial borrowings under this loan were $20.0 million at a 2.0 percent interest rate, due 2021. This loan is part of a $50.0 million appropriation made to the FDL-EDC by the County of Fond du Lac, Wisconsin, to provide financial assistance to encourage and enable the Company's Mercury Marine division to remain headquartered in Fond du Lac. See Note 2 – Restructuring Activities for further discussion. Additional borrowings of $10.0 million were obtained during March 2010, and the Company anticipates borrowing an additional $10.0 million in the third quarter of 2010 and an additional $10.0 million in the first quarter of 2011, all under the same terms described above. Principal payments under the FDL-EDC loan are due in equal annual installments beginning December 23, 2012. Likewise, interest accrues on the loan and is payable at the date of the first principal payment, and is due annually thereafter. Under the terms of the FDL-EDC loan, up to approximately 43 percent of the principal due under this loan is forgivable if the Company achieves certain employment target levels as outlined in the agreement. The amount of loan forgiveness is based on average employment levels at the end of the previous four quarters. The FDL-EDC loan is secured by facilities and machinery and equipment located in Fond du Lac. The carrying value of this debt at April 3, 2010, includes a $5.5 million discount calculated using a blended market based interest rate of 3.79 percent rather than the stated interest rate of 2.0 percent as the stated interest rate is viewed as a below market interest rate.

In February 2010, the Company repurchased $3.0 million of its 11.75 percent Senior notes due 2013, and recorded $0.3 million of loss in the quarter ending April 3, 2010, in Loss on early extinguishment of debt on the Consolidated Statements of Operations. See Note 14 to the consolidated financial statements in the 2009 Form 10-K for further details regarding the Company's debt.

## Item 2. 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. Specifically, the discussion of the Company's cash flows includes an analysis of free cash flows, net debt and total liquidity. GAAP refers to generally accepted accounting principles in the United States. 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 operations, 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.

The Company includes non-GAAP financial measures in Management's Discussion and Analysis, as 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 management uses and to better evaluate the Company's ongoing business performance.

Certain 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 – Risk Factors in Brunswick's 2009 Annual Report on Form 10-K (2009 Form 10-K).

### Overview and Outlook

#### General

The Company continued to maintain strong liquidity during the first quarter of 2010, increasing its cash balances and reducing its net debt (defined as total debt, less Cash and cash equivalents) position. Management continues to believe that the Company has adequate sources of liquidity to meet its short-term and long-term needs and expects that the Company's interim cash requirements will be met out of existing cash balances and cash flow.