BRUNSWICK CORP
Form 10-K
February 20, 2018
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, 2017
or
o 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.)

26125 N. Riverwoods Boulevard, Mettawa, Illinois 60045-3420
(Address of principal executive offices, including 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 Stock Exchange, Chicago Stock Exchange

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 o

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 o 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 o

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405) 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. o

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

Large accelerated filer	x		Accelerated filer	o
Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	o
Emerging growth company	o			

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of June 30, 2017, the last business day of the registrant’s most recently completed second fiscal quarter, the aggregate market value of the voting stock of the registrant held by non-affiliates was $5,529,598,814. 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 16, 2018 was 87,557,279.

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, 2018.

BRUNSWICK CORPORATION
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December 31, 2017

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PART I

Item 1. Business

Brunswick Corporation is a Delaware corporation incorporated on December 31, 1907. We are a leading global designer, manufacturer, and marketer of recreation products including marine engines, boats, fitness equipment, and active recreation products. Our engine-related products include: outboard, sterndrive, and inboard engines; trolling motors; propellers; engine control systems; and marine parts and accessories. We make fiberglass pleasure, sport cruiser, sport fishing and center-console, offshore fishing, aluminum and fiberglass fishing, pontoon, utility, deck, inflatable, and heavy-gauge aluminum boats. Our fitness products include cardiovascular and strength training equipment for both the commercial and consumer markets. We also sell products for active aging and rehabilitation, a complete line of billiards tables, and other game room tables and accessories.

In 2017, we continued to successfully execute our growth strategy, investing in new products as well as productivity and efficiency initiatives. We expect to continue our focus on growth in 2018, emphasizing continued product leadership, targeted acquisitions, and other growth-related investments, including using digital technology to improve service offerings. In the longer term, our strategy remains consistent: to design, develop, and introduce high-quality products featuring innovative technology and styling; to distribute products through a model that benefits our partners - dealers and distributors; to provide world-class service to our customers; to develop and maintain low-cost manufacturing processes, and to continually improve productivity and efficiency; to manufacture and distribute products globally with local and regional styling; to continue implementing our capital strategy, which includes maintaining strong cash and liquidity positions, allocating capital to organic growth initiatives and strategic acquisition opportunities, funding pension obligations, and continuing to return capital to shareholders through dividends and share repurchases; and to attract and retain skilled employees. These strategic objectives support our plans to grow by expanding our existing businesses. Our primary objective is to enhance shareholder value by achieving returns on investments that exceed our cost of capital.

Refer to Note 6 – Segment Information and Note 2 – Discontinued Operations in the Notes to Consolidated Financial Statements for additional information regarding our segments and discontinued operations, including net sales, operating earnings, and total assets by segment.

Marine Engine Segment

The Marine Engine segment, which had net sales of $2,631.8 million in 2017, consists of the Mercury Marine Group (Mercury Marine). We believe our Marine Engine segment is a world leader in the manufacturing and sale of recreational marine engines and marine parts and accessories.

Mercury Marine manufactures and markets a full range of outboard, sterndrive, and inboard engine and propulsion systems under, among other brand names, the Mercury, Mercury MerCruiser, Mariner, Mercury Racing, and Mercury Diesel brands. In addition, Mercury Marine manufactures and markets parts and accessories under the Quicksilver, Mercury Precision Parts, Mercury Propellers, Attwood, Garelick, Whale, BLA, FulTyme RV, Talamex, Besto, Seachoice, and MotorGuide brand names, including marine electronics and control integration systems, steering systems, instruments, controls, propellers, trolling motors, fuel systems, service parts, and lubricants. Mercury Marine supplies integrated, high-speed diesel propulsion systems to the worldwide recreational and commercial marine markets. To promote advanced propulsion systems with improved handling, performance, and efficiency, Mercury Marine also manufactures and markets advanced boat steering and engine control systems.

Mercury Marine's outboard, sterndrive, and inboard engines are sold to independent boat builders, local, state, and foreign governments, and to Brunswick's Boat segment. In addition, Mercury Marine sells outboard engines through a

global network of more than 6,000 marine dealers and distributors, specialty marine retailers, and marine service centers. White River Marine Group, LLC and its subsidiaries (including Tracker and Ranger Boats) is Mercury Marine’s most significant external customer.

Mercury Marine manufactures four-stroke outboard engine models ranging from 2.5 to 400 horsepower and two-stroke OptiMax outboard engines, all of which feature Mercury's direct fuel injection (DFI) technology, ranging from 150 to 300 horsepower. All of these low-emission engines are in compliance with applicable U.S. Environmental Protection Agency (EPA) requirements. Mercury Marine's four-stroke outboard engines include Verado, a collection of supercharged outboards ranging from 175 to 400 horsepower, and Mercury Marine's naturally aspirated four-stroke outboards, ranging from 2.5 to 150 horsepower. Mercury Marine and Mercury Racing manufacture inboard and sterndrive engine models ranging from 115 to 1,750 horsepower. Mercury Marine also manufactures two-stroke, non-DFI engines for certain markets outside the United States. In addition, most of Mercury's sterndrive and inboard engines are now available with catalyst exhaust treatment and monitoring systems, and all are compliant with applicable U.S. state and federal environmental regulations. Mercury also makes engines that comply with global emissions and noise regulations.

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Mercury continues to develop and integrate innovative technology to enhance the boating experience, including through Mercury VesselView and VesselView Mobile, a connected propulsion system and mobile application that allow customers to display engine information, speed, trim, and more, joystick controls for multi-engine boats, and Active Trim, an intuitive, hands-free system that continually adjusts engine trim based on changes in boat speed to improve performance, fuel economy, and ease of operation.

Mercury Marine produces its gasoline sterndrive and outboard engines domestically in Fond du Lac, Wisconsin, with outboard engines also produced internationally in China and Japan. Mercury Marine manufactures 40, 50 and 60 horsepower four-stroke outboard engines in a facility in China, and produces smaller outboard engines in Japan pursuant to a joint venture with its partner, Tohatsu Corporation. Mercury Marine sources engine components from a global supply base and manufactures additional engine component parts at its Fond du Lac facility and plants in Florida and Mexico. Mercury Marine also operates a remanufacturing business for engines and service parts in Wisconsin. In addition, Mercury Marine has an equity ownership interest in Bella-Veneet Oy, which manufactures boats under the brand names Bella, Flipper, and Aquador in Finland.

For the seventh consecutive year, the Wisconsin Sustainable Business Council awarded Mercury a “Green Masters” designation, a program measuring a broad range of sustainability issues ranging from energy and water conservation to waste management, community outreach, and education. The designation highlights Mercury's commitment to sustainability as discussed in its 2017 Sustainability Report, detailing specific goals related to energy, environment, products, and people, all of which goals Mercury has met or exceeded. In addition to its fuel-efficient products, water, and energy conservation programs, Mercury installed a new solar panel roof at its European headquarters located in Petit-Rechain, Belgium, in 2017.

Mercury's parts and accessories distribution and products businesses include: Land 'N' Sea, Kellogg Marine Supply, Lankhorst Taselaar, Payne's Marine, BLA, Attwood, Garelick Mfg. Co., and Whale. These businesses are leading manufacturers and distributors of marine parts and accessories throughout North America, Europe, and Asia-Pacific, offering same-day or next-day delivery service to a broad array of marine service facilities.

On September 1, 2017, Brunswick acquired 100 percent of Lankhorst Taselaar B.V. (Lankhorst Taselaar), a leading marine parts and accessories distribution company based in the Netherlands and Germany. The acquisition augments the marine parts and accessories businesses through a broader product line and an expanded distribution network. Intercompany sales to Brunswick's Boat segment represented approximately 10 percent of Mercury Marine's sales in 2017. Domestic demand for the Marine Engine segment's products is seasonal, with sales generally highest in the second calendar quarter of the year.

Boat Segment

The Boat segment consists of the Brunswick Boat Group (Boat Group), which manufactures and markets the following types of boats: fiberglass pleasure, sport cruiser, sport fishing and center-console, offshore fishing, aluminum and fiberglass fishing, pontoon, utility, deck, inflatable, and heavy-gauge aluminum. We believe that the Boat Group, which had net sales of $1,103.0 million during 2017, is a world leader in the manufacturing and sale of pleasure motorboats.

The Boat Group manages Brunswick's boat brands; evaluates and optimizes the Boat segment's boat portfolio; promotes recreational boating services and activities to enhance the consumer experience and dealer profitability; and speeds the introduction of new technologies into boat manufacturing and design processes.

The Boat Group includes the following boat brands: Bayliner sport cruisers, runabouts, and Heyday wake boats; Boston Whaler fiberglass offshore boats; Lund fiberglass fishing boats; Crestliner, Cypress Cay, Harris, Lowe, Lund, and Princecraft aluminum fishing, utility, pontoon boats, and deck boats; and Thunder Jet heavy-gauge aluminum boats. The Boat Group also includes a commercial and governmental sales unit that sells products to commercial customers, as well as to the United States government and state, local, and foreign governments. 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 includes several Brunswick boat brands based in Europe and Asia-Pacific, such as Quicksilver, Uttern, and Rayglass (including Protector and Legend), which are typically equipped with Mercury Marine engines and often include other parts and accessories supplied by Mercury Marine.

The Boat Group operates manufacturing facilities in Florida, Indiana, Minnesota, Missouri, Washington, Canada, Mexico, New Zealand, and Portugal, and owns an inactive manufacturing facility in North Carolina. The Boat Group utilizes several

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contract manufacturing facilities in Poland and Croatia.

The Boat Group sells its products through a global network of more than 2,000 dealers and distributors, with some dealer locations carrying more than one of Brunswick's boat brands. Sales to the Boat Group's largest dealer, MarineMax, Inc., which has multiple locations and carries a number of the Boat Group's product lines, represented approximately 16 percent of Boat Group sales in 2017. Domestic demand for pleasure boats is seasonal, with sales generally highest in the second calendar quarter of the year.

Fitness Segment

Our Fitness segment is comprised of the Fitness division (Fitness), 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, Cybex, Indoor Cycling Group, and SCIFIT brands. The Fitness segment also includes our active recreation business, including billiards tables, accessories, and game room furniture.

We believe that our Fitness segment, which had net sales of $1,033.7 million during 2017, is the world's largest manufacturer of commercial fitness equipment and a leading manufacturer of high-quality consumer fitness equipment. Fitness' commercial customers include health clubs, corporations, schools and universities, hotels, professional and collegiate sports teams, retirement and assisted living facilities, and the military and governmental agencies. Planet Fitness Inc. is the segment's most significant customer. Fitness makes commercial sales through its direct sales force, domestic dealers, and international distributors. Consumer products are available at specialty retailers, select mass merchants, sporting goods stores, through international distributors, and on the Life Fitness website.

The billiards business was established in 1845 and is Brunswick's heritage business. The billiards business designs and markets billiards tables, table tennis tables, and Air Hockey tables, as well as game room furniture and related accessories, under the Brunswick and Contender brands.

The Fitness segment's principal manufacturing facilities are located in Illinois, Kentucky, Minnesota, Oklahoma, Wisconsin, and Hungary, with principal third party contract manufacturing partners in China and Taiwan. Fitness distributes its products worldwide from regional warehouses and production facilities. Demand for Fitness products is seasonal, with sales generally highest in the fourth quarter of the year.

Discontinued Operations

On December 5, 2017, the Board of Directors authorized the Company to exit its Sea Ray businesses, including the Meridian brand, as a result of, among other things, a change in strategic direction and a review of the expected future cash flows, market conditions, and business trends. As a result, these businesses, which were previously reported in the Company's Boat segment, are being reported as discontinued operations in the Consolidated Statements of Operations for all periods presented.

On July 17, 2014, we entered into an agreement to sell our retail bowling business to AMF Bowling Centers, Inc. (AMF). In connection with our decision to sell the bowling centers, we also announced our intention to divest our bowling products business. The billiards business, which was previously reported in the Bowling & Billiards segment, remains part of the Company and is being reported in the Fitness segment for all periods presented. On September 18, 2014, we completed the sale of our retail bowling business to AMF. On May 22, 2015, we completed the sale of our bowling products business to BlueArc Capital Management L.L.C. As a result of these actions, these businesses, which were previously recorded in the Bowling & Billiards segment, are reported as discontinued operations in the

Consolidated Statements of Operations for all periods presented.

We do not have or anticipate having any significant continuing involvement or continuing cash flows associated with these businesses. Refer to Note 2 – Discontinued Operations in the Notes to Consolidated Financial Statements for additional information regarding discontinued operations.

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Financial Services

Through our Brunswick Financial Services Corporation subsidiary, we own a 49 percent interest in a joint venture, Brunswick Acceptance Company, LLC (BAC). Under the terms of the joint venture agreement, BAC provides secured wholesale inventory floorplan financing to our boat and engine dealers. A subsidiary of Wells Fargo & Company owns the remaining 51 percent.

Effective July 31, 2015, the joint venture was extended through December 31, 2019. The joint venture agreement contains provisions allowing for the renewal of the agreement or purchase of the other party's interest in the joint venture at the end of its term. Alternatively, either partner may terminate the agreement at the end of its term. In June 2016, the parties amended the joint venture agreement to adjust a financial covenant that was conformed to the maximum leverage ratio test contained in our revolving credit facility described in Note 16 – Debt in the Notes to Consolidated Financial Statements.

Additionally, we offer financial services through Brunswick Product Protection Corporation, which provides marine dealers the opportunity to offer extended product warranties to retail customers, and through Blue Water Dealer Services, Inc., which provides retail financial services to marine dealers. Each company allows us to offer a more complete line of financial services to our boat and marine engine dealers and their customers.

Refer to Note 10 – Financial Services in the Notes to Consolidated Financial Statements for more information about our financial services.

Distribution

We utilize independent distributors, dealers, and retailers (Dealers) for the majority of our boat sales and significant portions of our sales of marine engine, fitness, and billiards products. We have over 16,000 Dealers serving our business segments worldwide. Our marine Dealers typically carry one or more of the following product categories: boats, engines, and related parts and accessories.

We own Land 'N' Sea, Kellogg Marine Supply, and Payne's Marine Group, which comprise the primary parts and accessories distribution platforms for our Marine Engine segment in North America. We believe that these businesses, collectively, are the leading distributors of marine parts and accessories throughout North America, with 20 distribution warehouses located throughout the United States and Canada offering same-day or next-day delivery service to a broad array of marine service facilities and Dealers. We also believe we are the leading parts and accessories distributor in the Asia-Pacific region.

Our Dealers are independent companies or proprietors that range in size from small, family-owned businesses to a large, publicly-traded corporation with substantial revenues and multiple locations. Some Dealers sell our products exclusively, while a majority also carry competitors' and complementary products. We partner with our boat dealer network to improve quality, service, distribution, and delivery of parts and accessories to enhance the boating customer's experience.

Demand for a significant portion of our products is seasonal, and a number of our Dealers are relatively small and/or highly-leveraged. As a result, many Dealers secure floor plan financing from BAC or other third party finance companies, enabling them to provide stable channels for our products. In addition to the financing BAC offers, we may also provide our Dealers with incentive programs, loan guarantees, inventory repurchase commitments, and financing receivable arrangements, under which we are obligated to repurchase inventory or receivables from a finance company in the event of a Dealer's default. We believe that these arrangements are in our best interest;

however, these arrangements expose us to credit and business risk. Our business units, along with BAC, maintain active credit operations to manage this financial exposure, and we continually seek opportunities to sustain and improve the financial health of our various distribution channel partners. Refer to Note 8 – Financing Receivables and Note 13 – Commitments and Contingencies in the Notes to Consolidated Financial Statements for further discussion of these arrangements.

Technology

As part of our continuing effort to provide customer value, Brunswick has invested in a variety of technology solutions to further improve customer interaction with our products. In 2017, we entered into a joint venture with TechNexus Holdings, LLC to identify and incubate innovative start-up ventures with strategic marine and fitness applications to help drive long-term growth. In addition, in 2018 we launched Nautic-ON, a smart technology and service system that helps boaters stay connected with their boats remotely, monitoring engine status, battery and bilge pump, and other advanced features.

Fitness is focused on allowing digital partners to become a key part of the fitness ecosystem, as well as the development of digital solutions focused on driving improved customer outcomes and creating business intelligence, personalized experiences,

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and commercial impact. Technology within the Fitness segment includes the LFconnect mobile application, which allows smart devices to interact with compatible Life Fitness equipment and track progress, personalize workouts, and provide motivation and engagement.

International Operations

Non-U.S. sales are set forth in Note 6 – Segment Information in the Notes to Consolidated Financial Statements and are also included in the table below, which details our non-U.S. sales by region:

(in millions)	2017	2016	2015
Europe	$591.8	$555.0	$490.7
Asia-Pacific	398.6	352.7	302.5
Canada	293.0	255.5	253.3
Latin America	159.6	144.0	169.3
Africa & Middle East	94.1	84.5	89.6
Total	$1,537.1	$1,391.7	$1,305.4
Total International Sales as a Percentage of Net Sales	34 %	34 %	35 %

We transact a portion of our sales in non-U.S. markets in local currencies, while a meaningful portion of our product costs are denominated in U.S. dollars as a result of our U.S. manufacturing operations. As a result, the strengthening or weakening of the U.S. dollar affects the financial results of our non-U.S. operations.

Marine Engine segment non-U.S. sales represented approximately 50 percent of our non-U.S. sales in 2017. The segment's principal non-U.S. operations include the following:

- Distribution, sales, service, and applications engineering offices in Australia, Belgium, Brazil, Canada, China, the Netherlands, New Zealand, and Singapore;
- Sales or representative offices in Dubai, Finland, France, Italy, Japan, Norway, Russia, Sweden, and Switzerland;
- A component manufacturing facility in Mexico;
- An outboard engine assembly plant in Suzhou, China;
- An outboard engine assembly plant operated by a joint venture in Japan; and
- A parts and accessories manufacturing facility in Northern Ireland.

Boat segment non-U.S. sales comprised approximately 19 percent of our non-U.S. sales in 2017. The Boat Group manufactures or assembles a portion of its products in Canada, Mexico, New Zealand, and Portugal, as well as in boat plants owned and operated by third parties in Croatia and Poland that perform contract manufacturing for us, which are sold mostly in international markets through Dealers. The Boat Group has sales or import offices in Belgium, Canada, France, Germany, Italy, the Netherlands, New Zealand, Norway, Poland, and Sweden.

Fitness segment non-U.S. sales comprised approximately 31 percent of our non-U.S. sales in 2017. Fitness sells its products worldwide and has sales and distribution centers in Brazil, Germany, Hong Kong, Japan, the Netherlands, Spain, and the United Kingdom. The Fitness segment manufactures strength-training equipment and select lines of cardiovascular equipment in Hungary for its international markets, and has relationships with third-party contract manufacturing partners in China and Taiwan.

Raw Materials and Supplies

We purchase a wide variety of raw materials from our supplier base, including commodities such as aluminum, resins, oil, and steel, as well as product parts and components, such as engine blocks and boat windshields. The prices for these raw materials, parts, and components fluctuate depending on market conditions. Significant increases in the cost

of such materials would raise our production costs, which could reduce profitability if we did not recoup the increased costs through higher product prices.

As our manufacturing operations continued to raise production levels in 2017, our need for raw materials and supplies also increased. During 2017, we experienced some shortages or delayed delivery of certain materials, parts, and supplies essential to our manufacturing operations, although such shortages did not materially impact operations. We have addressed and will continue to address this issue by identifying alternative suppliers, working to secure adequate inventories of critical supplies, and continually monitoring the capabilities of our supplier base. In 2018, we anticipate our suppliers will need to increase their manufacturing capacity and investments to meet the rising demand for their products and, in many cases, may need to hire additional workers in order to fulfill the orders placed by us and other customers.

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We also continue to expand our global procurement operations to better leverage purchasing power across our divisions and to improve supply chain and cost efficiencies. We mitigate commodity price risk on certain raw material purchases by entering into fixed priced contracts or derivatives to mitigate exposure related to changes in commodity prices.

Intellectual Property

We have, and continue to obtain, patent rights covering certain features of our products and processes. By law, our patent rights, which consist of patents and patent licenses, have limited lives and expire periodically. We believe that our patent rights are important to our competitive position in all of our business segments. Our trademark rights have indefinite lives, and many are well known to the public and are considered to be valuable assets. Most of our intellectual property is owned by U.S. entities.

In the Marine Engine segment, patent rights principally relate to features of outboard engines and inboard-outboard drives, hybrid drives, and pod 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; a range of proprietary metal alloys; and airflow silencers.

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 features and components.

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, as well as billiards table designs and components.

The following are our principal trademarks:

Marine Engine Segment: Attwood, Axius, FulTyme RV, Garelick, Kellogg Marine Supply, Land 'N' Sea, Mariner, MerCruiser, Mercury, Mercury Marine, Mercury Precision Parts, Mercury Propellers, Mercury Racing, MotorGuide, OptiMax, Quicksilver, Seachoice, SeaPro, SmartCraft, Sport-Jet, Swivl-Eze, Talamex, Valiant, Verado, Whale, and Zeus.

Boat Segment: Bayliner, Boston Whaler, Crestliner, Cypress Cay, Harris, Heyday, Lowe, Lund, Master Dealer, Meridian, Princecraft, Protector, Quicksilver, Rayglass, Sea Ray, Thunder Jet, and Uttern.

Fitness Segment: Air Hockey, Brunswick, Contender, Cybex, Flex Deck, Gold Crown, Hammer Strength, Indoor Cycling Group, Lifecycle, Life Fitness, and SCIFIT.

Competitive Conditions and Position

We believe that we have a reputation for quality in each of our highly competitive lines of business. We compete in various markets by: utilizing efficient production techniques; developing and strengthening our leading brands; developing and promoting innovative technological advancements; undertaking effective marketing, advertising, and sales efforts; providing high-quality, innovative products at competitive prices; and offering extensive aftermarket products.

Strong competition exists in each of our product groups, but no single enterprise competes with us in all product groups. In each product area, competitors range in size from large, highly-diversified companies to small, single-product businesses. We also indirectly compete with businesses that offer alternative leisure products or activities.

The following summarizes our competitive position in each segment:

Marine Engine Segment: We believe the Marine Engine segment is a world leader in the manufacture and sale of recreational and commercial marine engines and marine parts and accessories. The marine engine market is highly competitive among several major international companies that comprise the majority of the market, including Japanese-based outboard engine manufacturers, as well as several smaller companies including Chinese manufacturers. Competitive advantage in this segment is a function of product features, technological leadership, quality, service, pricing, performance, manufacturing capabilities, depth of product portfolio, intuitive product controls, and durability, along with effective promotion and distribution.

Boat Segment: We believe that the Boat segment is a world leader in the manufacture and sale of pleasure motorboats. There are several major manufacturers of pleasure and offshore fishing boats, along with hundreds of smaller manufacturers.

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Consequently, this business is both highly competitive and highly fragmented. In all of our boat operations, we compete on the basis of product features, technology, quality, brand strength, dealer service, pricing, performance, value, durability and styling, along with effective promotion and distribution.

Fitness Segment: We believe we are the world's largest manufacturer of commercial fitness equipment and a leading manufacturer of high-quality consumer fitness equipment and billiards tables. The fitness equipment industry is highly competitive among several major international companies that comprise the majority of the market, as well as many smaller manufacturers, which creates a highly fragmented, competitive landscape. Many of our fitness equipment offerings include industry-leading product features, and we place significant emphasis on introducing innovative fitness equipment to the market. Competitive focus is also placed on product quality, technology, service, pricing, state-of-the-art biomechanics, connectivity and customer solutions, and effective promotional activities. The billiards industry continues to experience competitive pressure from low-cost billiards manufacturers outside the United States.

Research and Development

We strive to improve our competitive position in all of our segments by continuously investing in research and development to drive innovation in our products and manufacturing technologies. Our research and development investments support the introduction of new products and enhancements to existing products. Research and development expenses were 3.1 percent, 3.2 percent and 3.0 percent of net sales in 2017, 2016 and 2015, respectively. Research and development expenses by segment are discussed in Note 6 – Segment Information.

Number of Employees

The number of employees worldwide is shown below by segment:

	December 31, 2017		December 31, 2016	
	Total	Union (domestic)	Total	Union (domestic)
Marine Engine	6,541	2,078	6,112	1,926
Boat	5,365	—	5,071	—
Fitness	2,854	166	2,893	139
Corporate (A)	356	—	339	—
Total (B)	15,116	2,244	14,415	2,065

(A) Corporate numbers include certain information technology employees and shared service employees.
(B) All employee numbers exclude temporary employees.

We believe that the relationships between our employees, applicable labor unions, and the Company remain stable. Mercury Marine and its largest union, the International Association of Machinists and Aerospace Workers (IAM) Lodge 1947, agreed to a new collective bargaining agreement in February 2018 which will remain in place through August 26, 2023.

Environmental Requirements

Refer to Note 13 – Commitments and Contingencies in the Notes to Consolidated Financial Statements for a description of certain environmental proceedings.

Available Information

Brunswick maintains an Internet website at http://www.brunswick.com that includes links to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, and Proxy Statements (SEC Filings). The SEC Filings 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 our website.

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Item 1A. Risk Factors

The Company's operations and financial results are subject to certain risks and uncertainties, including those described below, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock.

Worldwide economic conditions significantly affect our industries and businesses, and economic decline can materially impact our financial results.

In times of economic uncertainty and contraction, consumers tend to have less discretionary income and to defer expenditures for discretionary items, which adversely affects our financial performance, especially in the marine businesses. Although we have expanded the portions of our portfolio that are less susceptible to economic cycles, a portion of the business remains cyclical and sensitive to personal spending levels. Although general economic conditions in certain international markets, including Latin America and Canada, are improving, they continue to be challenging with respect to weak currencies and commodity market impacts.

Deterioration in general economic conditions that in turn diminishes consumer confidence or discretionary income may reduce our sales, or we may decide to lower pricing for our products, thus adversely affecting our financial results, including increasing the potential for future impairment charges. Further, most of our products are used for recreation, and consumers' limited discretionary income in times of economic hardship may be diverted to other activities that occupy their time, such as other forms of recreation, religious, cultural, or community activities. We cannot predict the timing or continued strength of global economies, either worldwide or in the specific markets in which we compete.

Failure to successfully implement our strategic plan and growth initiatives could have a material adverse effect on our business and financial condition.

Our ability to continue generating strong cash flow and profits depends partly on the sustained successful execution of our strategic plan and growth initiatives, including optimizing our business portfolio, making acquisitions, and expanding into new adjacent markets and customers. To address risks associated with our plan and growth initiatives, we have established processes to regularly review, manage, and modify our plans, and we believe we have appropriate oversight to monitor initiatives and their impact. Our strategic plan and growth initiatives require significant capital investment and management attention, however, which could result in the diversion of these resources from the core business and other business issues and opportunities. Additionally, any new initiative is subject to certain risks, including customer acceptance, competition, the ability to manufacture products on schedule and to specification, the ability to create the necessary supply chain, and/or the ability to attract and retain qualified management and other personnel. There is no assurance that we will be able to develop and successfully implement our strategic plan and growth initiatives in a manner that achieves our strategic objectives.

An inability to make targeted acquisitions or failure to successfully integrate newly acquired businesses could negatively impact financial results.

Our growth initiatives include making strategic acquisitions, which depend on the availability of suitable targets at acceptable terms and our ability to complete the deals. In order to manage our acquisition strategy, we conduct rigorous due diligence, involve various functions, and continually review our strategy and target acquisitions, all of which we believe mitigates our acquisition risks. However, we cannot assure that acquisitions will be consummated or that, if consummated, they will be successful. Acquisitions pose risks such as our ability to project and evaluate market demand, maximize potential synergies and cost savings; make accurate accounting estimates; and achieve anticipated business objectives. As we continue to grow, in part, through acquisitions, our success depends on our ability to anticipate and effectively manage these risks. If acquired businesses do not achieve projected results, our growth may be limited and our results adversely affected.

In addition, acquisitions present integration risks, including that the acquisition may:

- disrupt operations in core, adjacent, or acquired businesses;
- require more time than anticipated to be fully integrated into Company operations and systems;
- create more costs than projected;
- divert management attention;

- create the potential of losing customer, supplier, or other critical business relationships; and
- pose difficulties retaining employees.

If we fail to timely and successfully integrate new businesses into existing operations, we may see higher production costs, lost sales or otherwise diminished earnings and financial results.

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There can be no assurance that strategic divestitures will provide business benefits.

As part of our strategy, we continuously evaluate our portfolio of businesses. We have previously and may in the future make changes to our portfolio, which may be material. For example, on December 5, 2017, the Company announced our intention to sell the Sea Ray businesses, including the Meridian brand. Divestitures involve risks, including difficulties in the separation of operations, services, products and personnel, disruption in our operations or businesses, finding a suitable purchaser, the diversion of management's attention from our other businesses, the potential loss of key employees, adverse effects on relationships with our dealer or supplier partners or their businesses, the erosion of employee morale or customer confidence, and the retention of contingent liabilities related to the divested business. If we do not successfully manage the risks associated with divestitures, our business, financial condition, and results of operations could be adversely affected as the potential strategic benefits may not be realized or may take longer to realize than expected.

Changes in currency exchange rates can adversely affect our results.

Some of our sales are denominated in a currency other than the U.S. dollar. Consequently, a strong U.S. dollar may adversely affect reported revenues. We have hedging programs in place to reduce our risk to currency fluctuations; however, we cannot hedge against all currency risks, especially over the long term. We maintain a portion of our cost structure in currencies other than the U.S. dollar, which partially mitigates the impact of a strengthening U.S. dollar. This includes manufacturing operations for boats in Europe and Canada, fitness equipment in Europe, and smaller outboard engines manufactured and purchased from our joint venture in Japan. We also continue to evaluate the supply chain and cost structure for opportunities to further mitigate foreign currency risks.

We sell products manufactured in the U.S. into certain international markets in U.S. dollars, including to Canada, Europe, and Latin America. Demand for our products in these markets may be diminished by a strengthening U.S. dollar, or we may need to lower prices to remain competitive. Some of our competitors with cost positions based outside the U.S., including Asian-based outboard engine and fitness equipment manufacturers, European-based large fiberglass boat manufacturers, and a European-based fitness equipment manufacturer, may have an improved cost position due to a strengthening U.S. dollar, which could result in pricing pressures on our products. These factors existed throughout 2016 and 2017, but we do not believe they resulted in a material change in our competitive position.

Fiscal concerns may negatively impact worldwide credit conditions and adversely affect our industries, businesses, and financial condition.

Fiscal policy could have a material adverse impact on worldwide economic conditions, the financial markets, and availability of credit and, consequently, may negatively affect our industries, businesses, and overall financial condition. Customers often finance purchases of our products, particularly boats. Credit market conditions, while improved, are still less favorable overall than those in existence prior to the global recession in 2008. While interest rates remain relatively low and credit availability is adequate to support demand, there are fewer lenders, tighter underwriting and loan approval criteria, and greater down payment requirements. If credit conditions worsen, and adversely affect the ability of customers to finance potential purchases at acceptable terms and interest rates, it could result in a decrease in sales or delay improvement in sales.

Dealer or distributor inability to secure adequate access to capital could adversely affect our sales.

Our dealers require adequate liquidity to finance their operations, including purchasing our products. Dealers are subject to numerous risks and uncertainties that could unfavorably affect their liquidity positions, including, among other things, continued access to adequate financing sources on a timely basis on reasonable terms. These financing sources are vital to our ability to sell products through our distribution network, particularly to boat and engine dealers. Entities affiliated with Wells Fargo & Company, including BAC, the Company’s 49 percent owned joint venture, finance a significant portion of our boat and engine sales to dealers through floorplan financing to marine dealers.

Many factors continue to influence the availability and terms of financing that our dealer floorplan financing providers offer, including:

- their ability to access certain capital markets, such as the securitization and the commercial paper markets, and to fund their operations in a cost effective manner;

- the performance of their overall credit portfolios;
- their willingness to accept the risks associated with lending to marine dealers; and
- the overall creditworthiness of those dealers.

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Our sales could be adversely affected if financing terms change unfavorably or if BAC were to be terminated. This could require dealers to find alternative sources of financing, including our direct financing to dealers, which could require additional capital to fund the associated receivables.

Our financial results could be adversely affected if we are unable to maintain effective distribution.

We rely on third-party dealers and distributors to sell most of our products, particularly in the marine businesses. Maintaining a reliable network of dealers is essential to our success. We face competition from other manufacturers in attracting and retaining distributors and independent boat dealers. A significant deterioration in the number or effectiveness of our dealers and distributors could have a material adverse effect on our financial results. Although at present we believe dealer health to be generally favorable, weakening demand for marine products could hurt our dealers' financial performance. In particular, reduced cash flow from decreases in sales and tightening credit markets may impair dealers' ability to fund operations. Inability to fund operations can force dealers to cease business, and we may be unable to obtain alternate distribution in the vacated market. An inability to obtain alternate distribution could unfavorably affect our net sales through reduced market presence. If economic conditions deteriorate, we anticipate that dealer failures or voluntary market exits would increase, especially if overall retail demand materially declines.

Finally, labor disruption at major ports and shipping hubs around the world may adversely affect our ability to transport raw materials to our facilities and products to our distributors and end-use customers, potentially resulting in increased transportation costs and lost sales.

Adverse economic, credit, and capital market conditions could have a negative impact on our financial results.

We do not frequently rely on short-term capital markets to meet our working capital requirements, fund capital expenditures, pay dividends, or fund employee benefit programs; however, we do maintain short-term borrowing facilities that can be used to meet these capital requirements. In addition, over the long term, we may determine that it is necessary to access the capital markets to refinance existing long-term indebtedness or for other initiatives. Adverse global economic conditions, market volatility, and regulatory uncertainty could lead to volatility and disruptions in the capital and credit markets. This could adversely affect our ability to access capital and credit markets or increase the cost to do so, which could have a negative impact on our business, financial results and competitive position.

Loss of key customers could harm our business.

In each segment, we have important relationships with key customers. From time to time, contracts with these customers come up for renewal, including a contract with a large Fitness segment customer in the first half of 2018. We cannot be certain we will renew such contracts, or renew them on favorable terms. If we lose a key customer, or a significant portion of its business, we could be adversely affected. In addition, certain customers could try to negotiate more favorable pricing of our products, which could depress earnings. In an effort to mitigate the risk associated with reliance on key customer accounts, we continually monitor such relationships and maintain a complete and competitive product lineup.

Inventory reductions by major dealers, retailers, and independent boat builders could adversely affect our financial results.

The Company and our dealers, retailers, and other distributors could decide to reduce the number of units they hold, particularly if demand trails forecasted levels or if new product introductions are expected to replace older products. Such efforts tend to result in wholesale sales reductions in excess of retail sales reductions and would likely result in lower production levels of our products, causing lower rates of absorption of fixed costs in our manufacturing facilities and lower margins. While we continue to work to keep dealer inventories at appropriate levels, potential inventory reductions remain a risk to our future sales and results of operations.

We may be required to repurchase inventory or accounts of certain dealers.

We have agreements with certain third-party finance companies to provide financing to our customers, enabling them to purchase our products. In connection with these agreements, we may either have obligations to repurchase our products from the finance company, or may have recourse obligations to the finance company on the dealer's receivables. These obligations may be triggered if our dealers default on their debt obligations to the finance companies.

Our maximum contingent obligation to repurchase inventory and our maximum contingent recourse obligations on customer receivables are less than the total balances of dealer financings outstanding under these programs, because our obligations under certain of these arrangements are subject to caps, or are limited based on the age of product. Our risk related to these arrangements

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is mitigated by the proceeds we receive on the resale of repurchased product to other dealers, or by recoveries on receivables purchased under the recourse obligations.

Our inventory repurchase obligations relate primarily to the inventory floorplan credit facilities of our boat and engine dealers. Our actual historical repurchase experience related to these arrangements has been substantially less than our maximum contractual obligations. If dealers file for bankruptcy or cease operations, however, we could incur losses associated with the repurchase of our products. In addition, as the repurchases may be triggered by dealer bankruptcies, our net sales and earnings may be unfavorably affected as a result of reduced market coverage and the associated decline in sales.

Declines in marine industry demand could cause an increase in future repurchase activity, or could require us to incur losses in excess of established reserves. In addition, our cash flow and loss experience could be adversely affected if repurchased inventory is not successfully distributed to other dealers in a timely manner, or if the recovery rate on the resale of the product declines. The finance companies could require changes in repurchase or recourse terms that would result in an increase in our contractual contingent obligations.

Our operations are dependent on our ability to attract and retain adequate skilled labor and on the successful implementation of succession plans for key contributors.

Much of our future success depends on, among other factors, our ability to attract and retain qualified personnel, including executives and skilled labor. If we are not successful in these efforts, we may be unable to meet our operating goals and plans, which may impact our financial results. With unemployment rates at low levels in many of the geographic areas in which we manufacture or distribute goods, availability of skilled hourly workers is critical to our operations. In order to manage this risk, we continuously monitor and make improvements to wages and benefit programs, as well as develop and improve recruiting and training programs to attract and retain an experienced and skilled workforce. In addition, we perform an annual review of management succession plans with the Board of Directors, including reviewing executive officer and other important positions to substantially mitigate the risk associated with key contributor transitions.

Our financial results may be adversely affected by increased costs, disruption of supply, or defects in raw materials, parts, and product components we buy from third-party suppliers.

We rely on third parties to supply raw materials used in the manufacturing process, including oil, aluminum, copper, steel, and resins, as well as product parts and components. The prices for these raw materials, parts, and components fluctuate depending on market conditions and, in some instances, commodity prices. Substantial increases in the prices of raw materials, parts, and components would increase our operating costs, and could reduce our profitability if we are unable to recoup the increased costs through higher product prices. Similarly, if a critical supplier were to close its operations, cease manufacturing, or otherwise fail to deliver an essential component necessary to our manufacturing operations, that could detrimentally affect our ability to manufacture and sell our products, resulting in an interruption in business operations and/or a loss of sales.

In addition, some components used in our manufacturing processes, including certain engine components, furniture, upholstery, and boat windshields, are available from a sole supplier or a limited number of suppliers. Operational and financial difficulties that these or other suppliers may face in the future could adversely affect their ability to supply us with the parts and components we need, which could significantly disrupt our operations. It may be difficult to find a replacement supplier for a limited or sole source raw material, part, or component without significant delay or on commercially reasonable terms. In addition, an uncorrected defect or supplier's variation in a raw material, part, or component, either unknown to us or incompatible with our manufacturing process, could jeopardize our ability to manufacture products.

Some additional supply risks that could disrupt our operations, impair our ability to deliver products to customers, and negatively affect our financial results include:

- financial pressures on our suppliers due to a weakening economy or unfavorable conditions in other end markets;
- a deterioration of our relationships with suppliers;
- events such as natural disasters, power outages or labor strikes; or
- supplier manufacturing constraints and investment requirements.

These risks are exacerbated in the case of single-source suppliers, and the exclusive supplier of a key component potentially could exert significant bargaining power over price, quality, warranty claims, or other terms.
We continue to increase production; consequently, our need for raw materials and supplies continues to increase. Our suppliers must be prepared to ramp up operations and, in many cases, hire additional workers and/or expand capacity in order to fulfill our orders and those of other customers. Cost increases, defects, or sustained interruptions in the supply of raw materials, parts, or

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components due to delayed start-up periods our suppliers experience as they increase production efforts create risks to our operations and financial results. The Company experienced periodic supply shortages in 2017. We continue to address these issues by identifying alternative suppliers for key materials and components, working to secure adequate inventories of critical supplies, and continually monitoring the capabilities of our supplier base. In the future, however, we may experience shortages, delayed delivery, and/or increased prices for key materials, parts, and supplies that are essential to our manufacturing operations.

Higher energy and fuel costs can affect our results.

Higher energy and fuel costs increase operating expenses at our manufacturing facilities and 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 our marine products. Higher fuel prices may also have an adverse effect on demand for our marine parts and accessories businesses, as they increase the cost of boat ownership and possibly affect product use.

Our success depends upon the continued strength of our brands.

We believe that our brands, including Mercury Marine, Life Fitness, Boston Whaler, and Lund, significantly contribute to our success, and that maintaining and enhancing these brands is important to expanding our customer base. A failure to adequately promote and protect our brands could adversely affect our business and results of operations. Further, in connection with the divestiture of the bowling businesses, we licensed certain trademarks and servicemarks, including use of the name “Brunswick,” to the acquiring companies. Our reputation may be adversely affected by the purchasers' inappropriate use of the marks or of the name Brunswick, including potential negative publicity, loss of confidence, or other damage to our image due to this licensed use.

Either inadequate intellectual property protection that could allow others to use our technologies and impair our ability to compete, or failure to successfully defend against patent infringement claims could have a material adverse effect on our financial condition and results of operations.

We regard much of the technology underlying our products as proprietary. We rely on a combination of patents, trademark, copyright, and trade secret laws; employee and third-party non-disclosure agreements; and other contracts to establish and protect our technology and other intellectual property rights. However, we remain subject to risks, including:

- the steps we take to protect our proprietary technology may be inadequate to prevent misappropriation of our technology;
- third parties may independently develop similar technology;
- agreements containing protections may be breached or terminated;
- we may not have adequate remedies for breaches;
- existing patent, trademark, copyright, and trade secret laws may afford limited protection;
- a third party could copy or otherwise obtain and use our products or technology without authorization; or
- we may be required to litigate to enforce our intellectual property rights, and we may not be successful.

Policing unauthorized use of our intellectual property is difficult, particularly outside the U.S., and litigating intellectual property claims may result in substantial cost and divert management’s attention.

In addition, we may be required to defend our products against patent or other intellectual property infringement claims or litigation. In addition to defense expenses and costs, we may not prevail in such cases, forcing us to seek licenses or royalty arrangements from third parties, which we may not be able to obtain on reasonable terms, or subjecting us to an order or requirement to stop manufacturing, using, selling, or distributing products that included challenged intellectual property, which could harm our business and financial results.

We have a fixed cost base that can affect our profitability in a declining sales environment.

The fixed cost levels of operating production facilities can put pressure on profit margins when sales and production decline. We have maintained discipline over our fixed cost base during the economic recovery; however, our profitability is dependent, in part, on our ability to spread fixed costs over an increasing number of products sold and shipped, and if we are required to reduce our rate of production, gross margins could be negatively affected if we are unable to lower fixed costs accordingly. Consequently, decreased demand or the need to reduce inventories can lower

our ability to absorb fixed costs and materially impact our results.

Successfully managing the expansion of our manufacturing footprint is critical to our operating and financial results. Over the past five years, we have made strategic capital investments in capacity expansion activities to successfully capture growth opportunities and enhance product offerings. Recently, we initiated or completed expansion activities at our facilities in Edgewater, Florida; Lebanon, Missouri; Owatonna, Minnesota; Fond du Lac, Wisconsin; and Vila Nova de Cerveira, Portugal.

We must carefully manage these capital improvement projects and expansions to ensure they meet cost targets, comply with applicable environmental, safety, and other regulations, and uphold high-quality workmanship. Moving production to a different plant or expanding capacity at an existing facility involves risks, including difficulties initiating production within the cost and timeframe estimated, supplying product to customers when expected, integrating new products, and attracting sufficient skilled workers to handle additional production demands. If we fail to meet these objectives, it could adversely affect our ability to meet customer demand for products and increase the cost of production versus projections, both of which could result in a significant adverse impact on operating and financial results. Additionally, plants experiencing demand increases may face manufacturing inefficiencies, additional expenses, including higher wages, and cost inefficiencies, which could exceed projections and negatively impact financial results.

Our business operations could be negatively impacted by an outage or breach of our information technology systems or a cybersecurity event.

We manage our global business operations through a variety of information technology (IT) systems which we continually enhance to increase efficiency and security. We depend on these systems for commercial transactions, customer interactions, manufacturing, branding, employee tracking, and other applications. Some of the systems are based on legacy technology and operate with a minimal level of available support, and recent acquisitions using other systems have added to the complexity of our IT infrastructure. We are working to upgrade, streamline, and integrate these systems and have invested in strategies to prevent a failure or breach but, like those of other companies, our systems are susceptible to outages due to natural disasters, power loss, computer viruses, security breaches, hardware or software vulnerabilities, and similar events. If a legacy system or another of the Company's key systems were to fail or if our IT systems were unable to communicate effectively, this could result in missed or delayed sales or lost opportunities for cost reduction or efficient cash management.

We exchange information with hundreds of trading partners across all aspects of our commercial operations. A breakdown, outage, malicious intrusion, random attack, or other disruption of communications could result in erroneous transactions or loss of reputation and confidence. We have numerous e-commerce and e-marketing portals and our systems may contain personal information of customers or employees; therefore, we must continue to be diligent in protecting against malicious cyber attacks. If our security measures are breached or fail, unauthorized persons may be able to obtain access to or acquire personal data. Depending on the nature of the information compromised, we may also have obligations to notify consumers and/or employees about the incident, and we may need to provide some form of remedy, such as a subscription to a credit monitoring service, for the individuals affected by the incident.

A successful breach could result in a disruption of services, fraudulent transactions, or disclosure of confidential information. This could negatively affect our relationships with customers or trading partners, lead to potential claims against the Company, and damage our image and reputation.

Our pension funding requirements and expenses are affected by certain factors outside our control.

Our funding obligations and pension expense for our two U.S. qualified pension plans are driven by the performance of assets set aside in trusts for these plans, the discount rate used to value the plans' liabilities, actuarial data and experience, and legal and regulatory funding requirements. Changes in these factors could have an adverse impact on our results of operations, liquidity, or shareholders' equity. In addition, a small portion of our pension plan assets are invested in equity securities, which can experience significant declines if economic conditions or financial markets weaken. The level of the Company's funding of our qualified pension plan liabilities was approximately 80 percent as of December 31, 2017. Although we have attempted to minimize this risk through pension de-risking actions, including moving investments to fixed income from equities and reducing liabilities through lump sum and annuity offerings, our future pension expense and funding requirements could increase due to the effect of adverse changes in the discount rate and asset levels along with a decline in the estimated return on plan assets. In addition, changes to legal regulations could require us to make increased contributions to the pension plans; these contributions could negatively affect cash flow.

We are currently mitigating these risks by maintaining an asset allocation with a high percentage of fixed income investments and by lowering plan liabilities by transferring obligations to a third party through annuity purchases.

The timing and amount of our share repurchases are subject to a number of uncertainties.
The Board of Directors has authorized the Company's discretionary repurchase of outstanding common stock, to be systematically completed in the open market or through privately negotiated transactions. The remaining authorization under these programs is $110 million. The amount and timing of share repurchases are based on a variety of factors. Important considerations that could cause us to limit, suspend, or delay stock repurchases include:

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- unfavorable market conditions;
- the trading price of the Company's common stock;
- the nature of other investment opportunities available to us from time to time; and
- the availability of cash.

Delaying, limiting, or suspending our stock repurchase program may negatively affect our stock price and performance versus earnings per share targets.

Our profitability may suffer as a result of competitive pricing and other pressures.

The introduction of lower-priced alternative products or services by other companies can hurt our competitive position in all of our businesses. We are constantly subject to competitive pressures in which predominantly international manufacturers may pursue a strategy of aggressive pricing, particularly during periods when their local currency weakens versus the U.S. dollar. Such pricing pressure may limit our ability to increase prices for our products in response to raw material and other cost increases and negatively affect our profit margins.

In addition, our independent boat builder customers may react negatively to potential competition for their products from Brunswick’s own boat brands, which can lead them to purchase marine engines and marine engine supplies from competing marine engine manufacturers and may negatively affect demand for our products.

Our ability to remain competitive depends on successfully introducing new products and services that meet customer expectations.

We believe that our customers look for and expect quality, innovation, and advanced features when evaluating and making purchasing decisions about products and services in the marketplace. Our ability to remain competitive and meet our growth objectives may be adversely affected by difficulties or delays in product development, such as an inability to develop viable new products or customer solutions, gain market acceptance of new products, generate sufficient capital to fund new product development, or obtain adequate intellectual property protection for new products. To meet ever-changing consumer demands, both timing of market entry and pricing of new products are critical. As a result, we may not be able to introduce new products that are necessary to remain competitive in all markets that we serve. Furthermore, we must continue to meet or exceed customers' expectations regarding product quality and after-sales service.

We manufacture and sell products that create exposure to potential claims and litigation.

Our manufacturing operations and the products we produce could result in product quality, warranty, personal injury, property damage, and other issues, thereby increasing the risk of litigation and potential liability, as well as regulatory fines. To address this risk, we have established a global, enterprise-wide program charged with the responsibility for addressing, reviewing, and reporting on product integrity issues. Historically, the resolution of such claims has not had a materially adverse effect on our business, and we maintain what we believe to be adequate insurance coverage to mitigate a portion of these risks. However, we may experience material losses in the future, incur significant costs to defend claims or issue product recalls, be subjected to fines or penalties, or experience claims in excess of our insurance coverage or that are not covered by insurance. Furthermore, our reputation may be adversely affected by such claims, whether or not successful, including potential negative publicity about our products. We record accruals for known potential liabilities, but there is the possibility that actual losses may exceed these accruals and therefore negatively impact earnings.

Compliance with environmental, zoning, data protection, and other laws and regulations may increase costs and reduce demand for our products.

We are subject to federal, state, local, and foreign laws and regulations, including product safety, environmental, health and safety, privacy, and other regulations. While we believe that we maintain the requisite licenses and permits and that we are in material compliance with applicable laws and regulations, a failure to satisfy these and other regulatory requirements could result in fines or penalties, and compliance could increase the cost of operations. The adoption of additional laws, rules, and regulations, including stricter emissions standards, could increase our manufacturing costs, increase consumer pricing, and reduce consumer demand for our products.

Environmental restrictions, boat plant emission restrictions, and permitting and zoning requirements can limit production capacity, access to water for boating, marina, and storage space. While future licensing requirements,

including any licenses imposed on recreational boating, are not expected to be unduly restrictive, they may deter potential customers, thereby reducing our sales. Furthermore, regulations allowing the sale of fuel containing higher levels of ethanol for automobiles, which is not appropriate or intended for use in marine engines, may nonetheless result in increased warranty, service costs, product

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dissatisfaction, and other claims against the Company if boaters mistakenly use this fuel in marine engines, causing damage to and the degradation of components in their marine engines.

Our manufacturing processes involve the use, handling, storage and contracting for recycling or disposal of hazardous or toxic substances or wastes. Accordingly, we are subject to regulations regarding these substances, and the misuse or mishandling of such substances could expose us to liabilities, including claims for property, personal injury, or natural resources damages, or fines. We are also subject to laws requiring the cleanup of contaminated property, including cleanup efforts currently underway. If a release of hazardous substances occurs at or from one of our current or former properties or another location where we have disposed of hazardous materials, we may be held liable for the contamination, regardless of knowledge or whether we were at fault, and the amount of such liability could be material.

We are subject to various data protection and privacy laws and regulations in the foreign countries where we operate because we collect, store, process, and use personal information, and we rely on third parties that are not directly under our control to do so as well. The European Union has finalized a General Data Protection Regulation (GDPR) that will become effective in May 2018 and will impose an even greater compliance burden with respect to privacy and data security. The GDPR and a growing number of legislative and regulatory bodies elsewhere in the world have adopted consumer notification requirements in the event of unauthorized access to or acquisition of certain types of personal data. These breach notification laws continue to evolve and may be inconsistent from one jurisdiction to another. Complying with these obligations could cause us to incur substantial costs and could increase negative publicity surrounding any incident that compromises personal data.

Additionally, we are subject to laws governing our relationships with employees, including, but not limited to, employment obligations as a federal contractor and employee wage, hour, and benefits issues, such as pension funding and health care benefits. Compliance with these rules and regulations, and compliance with any changes to current regulations, could increase the cost of our operations.

Changes in income tax laws or enforcement could have a material adverse impact on our financial results.

Although domestic tax reform legislation in the form of the Tax Cuts and Jobs Act (TCJA), signed into law on December 22, 2017, should have an overall positive impact on our financial statements, our current estimates of the impact of the legislation could change as we analyze and apply additional regulations or guidance issued by the government. In addition, other changes in international and domestic tax laws, including the reaction by states to the corporate tax changes in the TCJA, and changes in tax law enforcement, could negatively impact our tax provision, cash flow, and/or tax related balance sheet amounts, including our deferred tax asset values. Changes in U.S. tax law will likely have broader implications, including impacts to the economy, currency markets, inflation environment, consumer behavior, and/or competitive dynamics, which it is difficult to predict, and may positively or negatively impact the Company and our results.

An impairment in the carrying value of goodwill, trade names, and other long-lived assets could negatively affect our consolidated results of operations and net worth.

Goodwill and indefinite-lived intangible assets, such as our trade names, are recorded at fair value at the time of acquisition and are not amortized, but are reviewed for impairment at least annually or more frequently if impairment indicators arise. In evaluating the potential for impairment of goodwill and trade names, we make assumptions regarding future operating performance, business trends, and market and economic conditions. Such analyses further require us to make certain assumptions about sales, operating margins, growth rates, and discount rates. Uncertainties are inherent in evaluating and applying these factors to the assessment of goodwill and trade name recoverability. We could be required to evaluate the recoverability of goodwill or trade names prior to the annual assessment if we experience business disruptions, unexpected significant declines in operating results, a divestiture of a significant component of our business, or declines in market capitalization.

We also continually evaluate whether events or circumstances have occurred that indicate the remaining estimated useful lives of our definite-lived intangible assets and other long-lived assets may warrant revision or whether the remaining balance of such assets may not be recoverable. We use an estimate of the related undiscounted cash flow over the remaining life of the asset in measuring whether the asset is recoverable.

If the future operating performance of the Company's reporting units is not sufficient, we could be required to record non-cash impairment charges. Impairment charges could substantially affect our reported earnings in the periods such charges are recorded. In addition, impairment charges could indicate a reduction in business value which could limit our ability to obtain adequate financing in the future. As of December 31, 2017, goodwill was approximately 13 percent of total assets and included $391 million of goodwill related to the Fitness segment, $32 million of goodwill related to the Marine Engine segment, and $2 million of goodwill related to the Boat segment.

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Certain activist shareholder actions could cause us to incur expense and hinder execution of our strategy.
We actively engage in discussions with our shareholders regarding further strengthening our Company and creating long-term shareholder value. This ongoing dialogue can include certain divisive activist tactics, which can take many forms. Some shareholder activism, including potential proxy contests, could result in substantial costs, such as legal fees and expenses, and divert management's and our Board's attention and resources from our businesses and strategic plans. Additionally, public shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with dealers, distributors, or customers, make it more difficult to attract and retain qualified personnel, and cause our stock price to fluctuate based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business. These risks could adversely affect our business and operating results.
Some of our operations are conducted by joint ventures that are not operated solely for our benefit.
We share ownership and management responsibilities with jointly owned companies such as BAC, Bella, and Tohatsu Marine Corporation. These joint ventures may not have the same goals, strategies, priorities, or resources as the Company because they are intended to be operated for the benefit of all co-owners, rather than for our exclusive benefit. If such a conflict occurred, it could negatively impact or sales or financial results.
A significant portion of our revenue is derived from international sources, which creates additional uncertainty.
We intend to continue to expand our international operations and customer base as part of our growth strategy. Sales outside the United States, especially in emerging markets, are subject to various risks, including government embargoes or foreign trade restrictions, foreign currency effects, tariffs, customs duties, inflation, difficulties in enforcing agreements and collecting receivables through foreign legal systems, compliance with international laws, treaties, and regulations, and unexpected changes in regulatory environments, disruptions in distribution, and dependence on foreign personnel and unions, as well as economic and social instability. In addition, there may be tax inefficiencies in repatriating cash from non-U.S. subsidiaries, or tax laws that affect this process may change. Instability, including, but not limited to, political events, civil unrest, and an increase in criminal activity, in locations where we maintain a significant presence could adversely impact our manufacturing and business operations. Decreased stability poses a risk of business interruption and delays in shipments of materials, components, and finished goods, as well as a risk of decreased local retail demand for our products.
In addition, global political and economic uncertainty and shifts, such as the ongoing negotiations to determine the future terms of the U.K.'s relationship with the EU (Brexit), pose risks of volatility in global markets, which could affect our operations and financial results. Changes in U.S. policy regarding foreign trade or manufacturing may create negative sentiment about the U.S. among non-U.S. customers, employees, or prospective employees, which could adversely affect our business, sales, hiring, and employee retention. If we continue to expand our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other risks, which could materially impact international operations or the business as a whole.
Adverse weather conditions and climate events can have a negative effect on marine revenues.
Changes in seasonal weather conditions can have a significant effect on our operating and financial results, especially in the marine businesses. Sales of our marine products are typically stronger just before and during spring and summer, and favorable weather during these months generally has had a positive effect on consumer demand. Conversely, unseasonably cool weather, excessive rainfall, or drought conditions during these periods can reduce or change the timing of demand. Additionally, climate changes, regardless of the cause, resulting in environmental changes including, but not limited to, severe weather, changing sea levels, poor water conditions, or reduced access to water, could disrupt or negatively affect our business.
Catastrophic events, including natural and environmental disasters, could have a negative effect on our operations and financial results.
Hurricanes, floods, earthquakes, storms, and catastrophic natural or environmental disasters could disrupt our distribution channel, operations, or supply chain and decrease consumer demand. If a catastrophic event takes place in one of our major sales markets, our sales could be diminished. Additionally, if such an event occurs near our business, manufacturing facilities or key suppliers' facilities, business operations and/or operating systems could be interrupted. We could be uniquely affected by a catastrophic event due to the location of certain of our boat facilities in coastal

Florida and the size of the manufacturing operation in Fond du Lac, Wisconsin.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our headquarters are in Mettawa, Illinois. We have numerous manufacturing plants, distribution warehouses, sales offices, and product test sites around the world. Research and development facilities are primarily located at manufacturing sites.

We believe our facilities are suitable and adequate for our 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. We believe our manufacturing facilities have the capacity, or we are investing to increase capacity, to meet current and anticipated demand. We own most of our principal plants.

The principal facilities used in our operations are in the following locations:

Marine Engine Segment
Leased facilities include: Fresno, California; Old Lyme, Connecticut; Largo, Miramar, and Pompano Beach, Florida; Lowell, Michigan; St. Paul Park, Minnesota; Brisbane and Melbourne, Australia; Toronto, Ontario, Canada; Kuala Lumpur, Malaysia; Auckland, New Zealand; Bangor, Northern Ireland; Heerenveen, Netherlands; and Singapore.

Owned facilities include: Panama City and St. Cloud, Florida; Atlanta, Georgia; Brookfield, Fond du Lac, and Oshkosh, Wisconsin; Petit Rechain, Belgium; Victoria and Burnaby, British Columbia, Canada; Milton and Oakville, Ontario, Canada; Suzhou, China; and Juarez, Mexico.

Boat Segment
Leased facilities include: Greeneville, Tennessee; Auckland, New Zealand; and Brunswick Commercial and Government Products in Edgewater, Florida.

Owned facilities include: Edgewater, Merritt Island (Sykes Creek), and Palm Coast, Florida; Fort Wayne, Indiana; New York Mills, Minnesota; Lebanon, Missouri; Vonore, Tennessee; Clarkston, Washington; Petit Rechain, Belgium; Princeville, Quebec, Canada; Reynosa, Mexico; and Vila Nova de Cerveira, Portugal.

Fitness Segment
Leased facilities include: Rosemont, Illinois; a portion of the Franklin Park, Illinois facility; Tulsa, Oklahoma; Nuremberg, Germany.

Owned facilities include: a portion of the Franklin Park, Illinois facility; Falmouth, Kentucky; Owatonna and Ramsey, Minnesota; Bristol and Delavan, Wisconsin; and Kiskoros, Hungary.

Item 3. Legal Proceedings

Refer to Note 13 – Commitments and Contingencies in the Notes to Consolidated Financial Statements for information about the Company's legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

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Executive Officers of the Registrant

Brunswick's Executive Officers are listed in the following table:

Officer	Present Position	Age
Mark D. Schwabero	Chairman and Chief Executive Officer	65
William L. Metzger	Senior Vice President and Chief Financial Officer	56
Huw S. Bower	Vice President and President - Brunswick Boat Group	43
Christopher F. Dekker	Vice President, General Counsel and Secretary	49
Jaime A. Irick	Vice President and President - Fitness Division	43
John C. Pfeifer	Vice President and President - Mercury Marine	52
Brenna Preisser	Vice President and Chief Human Resources Officer	40
Daniel J. Tanner	Vice President and Controller	60

Mark D. Schwabero was named Chairman and Chief Executive Officer of Brunswick in February 2016. He served as President and Chief Operating Officer of Brunswick from 2014 to 2016 and as Vice President and President - Mercury Marine from December 2008 to May 2014. Previously, Mr. Schwabero was President - Mercury Outboards from 2004 to 2008.

William L. Metzger was named Senior Vice President and Chief Financial Officer of Brunswick in March 2013. Previously, he served as Vice President and Treasurer of Brunswick from 2001 to 2013 and in a number of positions of increasing responsibility since his employment with Brunswick began in 1987.

Huw S. Bower was named Vice President and President - Brunswick Boat Group in April 2016. Previously, he served as President - Boston Whaler Group from 2013 to 2016, as President - Lowe Boats from 2010 to 2013, and in positions of increasing responsibility since he started with Brunswick in 2006.

Christopher F. Dekker was named Vice President, General Counsel and Secretary of Brunswick in October 2014. Prior to his appointment, Mr. Dekker served as Brunswick's Associate General Counsel, with responsibilities for litigation, employment, and compliance matters, from 2010 to 2014.

Jaime A. Irick was named Vice President and President - Fitness Division in January 2017. Prior to his appointment, Mr. Irick served as Chief Commercial Officer for Current, Powered by GE, a digital power service enabling real-time decisions regarding energy use. Mr. Irick was employed by General Electric for 13 years, in several business units, serving in a variety of roles of increasing responsibility.

John C. Pfeifer was named Vice President and President - Mercury Marine in May 2014. Prior to his appointment, he was Vice President - Global Operations for Mercury Marine from 2012 to 2014. He had previously been President of Brunswick Marine in EMEA (Europe, Middle East and Africa) from 2008 to 2014 after joining Brunswick in 2006 as President of the Brunswick Asia Pacific Group.

Brenna Preisser was named Vice President and Chief Human Resources Officer of Brunswick in March 2016. Previously, Ms. Preisser served as Senior Director – Human Resources for Brunswick from 2015 to 2016 and as Vice President – Human Resources for Life Fitness from 2013 to 2015. Ms. Preisser held a number of positions of increasing responsibility since she began her employment with Brunswick in 2004.

Daniel J. Tanner was named Vice President and Controller of Brunswick in February 2016. Previously, he served as Assistant Vice President - Finance from 2015 to 2016, as Group Financial Officer for Life Fitness from 2003 to 2015, and as Director – Financial Planning and Analysis for Brunswick from 2001 to 2003.

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PART II

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

Brunswick's common stock is traded on the New York and Chicago Stock Exchanges. Quarterly information with respect to the high and low prices for the common stock and the dividends declared on the common stock is set forth in Note 22 – Quarterly Data (unaudited) in the Notes to Consolidated Financial Statements. As of February 16, 2018, there were 8,193 shareholders of record of the Company's common stock.

In the first, second, third and fourth quarters of 2017, Brunswick paid quarterly dividends on its common stock of $0.165, $0.165, $0.165 and $0.19 per share, respectively. In the first, second, third and fourth quarters of 2016, Brunswick paid quarterly dividends on its common stock of $0.15, $0.15, $0.15 and $0.165 per share, respectively. Brunswick expects to continue to pay quarterly 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 shareholders.

Brunswick's dividend and share repurchase policies may be affected by, among other things, the Company's views on future liquidity, potential future capital requirements and restrictions contained in certain credit agreements.

Performance Graph

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

	2012	2013	2014	2015	2016	2017
Brunswick	100.00	158.76	178.31	177.52	193.93	198.79
S&P 500 GICS Consumer Discretionary Index	100.00	143.31	157.09	172.98	183.30	225.16
S&P 500 Index	100.00	132.05	149.96	152.07	170.05	206.92

The basis of comparison is a $100 investment at December 31, 2012 in each of: (i) Brunswick, (ii) the S&P 500 GICS Consumer Discretionary Index and (iii) the S&P 500 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 believes the companies included in this index provide the most representative sample of enterprises that are in primary lines of business that are similar to Brunswick's.

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Issuer Purchases of Equity Securities

The Company has executed share repurchases against authorizations approved by the Board of Directors in 2014 and 2016. In 2017, the Company repurchased $130 million of stock under these authorizations and as of December 31, 2017, the remaining authorization was $110 million.

During the three months ended December 31, 2017, the Company repurchased the following shares of its common stock:

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Amount of Dollars that May Yet Be Used to Purchase Shares Under the Program
October 1 to October 28	—	$ —	—	
October 29 to November 25	—	—	—	
November 26 to December 31	180,284	55.46	180,284	
Total	180,284	$ 55.46	180,284	$ 109,797,304

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Item 6. Selected Financial Data

The selected historical financial data presented below as of and for the years ended December 31, 2017, 2016 and 2015 has 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, 2014 and 2013 has been derived from the consolidated financial statements of the Company for those years and are not included in this Annual Report Form 10-K.

(in millions, except per share data)	2017	2016	2015	2014	2013
Results of operations data					
Net sales	$4,510.0	$4,153.9	$3,780.2	$3,590.0	$3,381.7
Operating earnings (A) (B) (G)	354.9	406.9	331.3	329.2	304.7
Earnings before interest, loss on early extinguishment of debt and income taxes (A) (B) (C) (G)	367.1	414.4	340.3	317.5	305.1
Earnings before income taxes (A) (B) (C) (G)	343.3	389.0	314.8	289.0	232.2
Net earnings from continuing operations (A) (B) (C) (F) (G)	187.3	272.6	230.9	195.5	779.0
Discontinued operations					
Net earnings (loss) from discontinued operations, net of tax (D) (E)	(40.9)	3.4	10.5	50.2	(9.8)
Net earnings (A) (B) (C) (D) (E) (F) (G)	$146.4	$276.0	$241.4	$245.7	$769.2
Basic earnings (loss) per common share					
Earnings from continuing operations (A) (B) (C) (F) (G)	$2.10	$2.99	$2.49	$2.09	$8.54
Net earnings (loss) from discontinued operations, net of tax (D) (E)	(0.46)	0.04	0.11	0.54	(0.11)
Net earnings (A) (B) (C) (D) (E) (F) (G)	$1.64	$3.03	$2.60	$2.63	$8.43
Average shares used for computation of basic earnings (loss) per share	89.4	91.2	93.0	93.6	91.2
Diluted earnings (loss) per common share					
Earnings from continuing operations (A) (B) (C) (F) (G)	$2.08	$2.96	$2.45	$2.06	$8.30
Net earnings (loss) from discontinued operations, net of tax (D) (E)	(0.46)	0.04	0.11	0.52	(0.10)
Net earnings (A) (B) (C) (D) (E) (F) (G)	$1.62	$3.00	$2.56	$2.58	$8.20
Average shares used for computation of diluted earnings (loss) per share	90.1	92.0	94.3	95.1	93.8

(A) 2017, 2016, 2015 and 2014 results include $96.6 million, $55.1 million, $82.3 million and $27.9 million, respectively, of pension settlement charges as discussed in Note 17 – Postretirement Benefits in the Notes to Consolidated Financial Statements.

(B) 2017, 2016, 2015, 2014 and 2013 results include $36.6 million, $15.2 million, $4.7 million, $1.8 million and $3.2 million of pretax restructuring, exit, integration and impairment charges, respectively.

(C) 2014 results include a $20.2 million charge related to an impairment of a marine equity method investment.

(D) Net earnings (loss) from discontinued operations, net of tax in 2015 includes a pre-tax and after-tax Gain on disposal of discontinued operations of $12.8 million. Net earnings (loss) from discontinued operations, net of tax in 2014 includes a Gain on disposal of discontinued operations, net of tax of $52.6 million (a pre-tax gain of $65.6 million and a net tax provision of $13.0 million). Net earnings (loss) from discontinued operations in 2013 includes a Gain on disposal of discontinued operations, net of tax of $1.6 million (a pre-tax loss of $1.4 million and a net tax benefit of $3.0 million). See Note 2 – Discontinued Operations in the Notes to Consolidated Financial

Statements for further discussion.

(E) Net earnings (loss) from discontinued operations includes restructuring, exit, integration and impairment charges, net of tax of $6.5 million, $0.2 million, $7.2 million, $2.6 million and $17.8 million in 2017, 2016, 2015, 2014 and 2013, respectively.

(F) Net earnings from continuing operations includes an income tax benefit of $599.5 million from the reversal of deferred tax valuation allowance reserves in 2013.

(G) 2017 results include a $13.5 million charge for costs related to field campaigns pertaining to certain Cybex International, Inc. products designed prior to the acquisition. Refer to Note 13 – Commitments and Contingencies for further details.

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(in millions, except per share and other data)	2017	2016	2015	2014	2013
Balance sheet data					
Total assets of continuing operations	$3,255.5	$3,145.0	$3,023.6	$2,960.6	$2,557.7
Debt					
Short-term	$5.6	$5.6	$5.1	$5.1	$5.9
Long-term	431.8	433.8	440.5	442.2	443.9
Total debt	437.4	439.4	445.6	447.3	449.8
Common shareholders' equity (A)	1,482.9	1,440.1	1,281.3	1,171.5	1,038.4
Total capitalization	$1,920.3	$1,879.5	$1,726.9	$1,618.8	$1,488.2
Cash flow data					
Net cash provided by operating activities of continuing operations	$417.2	$423.5	$340.2	$249.3	$219.4
Depreciation and amortization	98.2	91.0	77.1	69.9	61.7
Capital expenditures	189.3	172.5	114.1	107.1	112.3
Investments	(3.2)	5.1	0.9	0.2	(1.5)
Cash dividends paid	60.6	55.4	48.3	41.7	9.1
Other data					
Dividends declared per share	$0.685	$0.615	$0.525	$0.45	$0.10
Book value per share (A)	16.95	16.13	14.11	12.64	11.24
Return on beginning shareholders' equity (A)	10.2 %	21.5 %	20.6 %	23.7 %	NM
Effective tax rate from continuing operations	45.4 %	29.9 %	26.7 %	32.4 %	NM
Debt-to-capitalization rate (A)	22.8 %	23.4 %	25.8 %	27.6 %	30.2 %
Number of employees	15,116	14,415	12,745	12,165	15,701
Number of shareholders of record	8,247	8,683	9,009	9,488	10,243
Common stock price (NYSE)					
High	$63.82	$56.30	$56.63	$51.94	$46.48
Low	48.04	36.05	46.08	38.95	30.42
Close (last trading day)	55.22	54.54	50.51	51.26	46.06

NM = Not meaningful

(A) The Company recorded an income tax benefit of $599.5 million for the year ending December 31, 2013, from the reversal of deferred tax valuation allowance reserves.

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

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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. GAAP refers to generally accepted accounting principles in the United States. Specifically, the discussion of the Company’s cash flows includes an analysis of free cash flows and total liquidity; the discussion of the Company's net sales includes a discussion of net sales on a constant currency basis and excluding acquisitions; the discussion of the Company's earnings includes a presentation of operating earnings and operating margin excluding pension settlement charges, restructuring, exit, integration and impairment charges and certain product field campaigns charges; gross margin excluding certain product field campaigns charges; and diluted earnings per common share, as adjusted. 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 consolidated statements of operations, balance sheets or statements 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. Non-GAAP financial measures do not include operating and statistical measures.

The Company includes certain non-GAAP financial measures in Management’s Discussion and Analysis, as management believes that these measures and the information they provide are useful to investors because they permit investors to view performance using the same tools that management uses and to better evaluate the Company’s ongoing business performance. Brunswick does not provide forward-looking guidance for certain financial measures on a GAAP basis because it is unable to predict certain items contained in the GAAP measures without unreasonable efforts. These items may include pension settlement charges, restructuring, exit, integration and impairment charges, special tax items, charges for certain product field campaigns and certain other unusual adjustments.

Certain statements in Management’s Discussion and Analysis are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations, estimates and projections about Brunswick’s business and by their nature address matters that are, to different degrees, uncertain. Words such as “may,” “could,” “expect,” “intend,” “target,” “plan,” “goal,” “seek,” “estimate,” “believe,” “predict,” “outlook,” similar expressions are intended to identify forward-looking statements. Such statements are not guarantees of future performance and involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this presentation. These risks include, but are not limited to, those set forth under Item 1A of this Annual Report on Form 10-K. Forward-looking statements speak only as of the date on which they are made and Brunswick does not undertake any obligation to update them to reflect events or circumstances after the date of this Annual Report.

Overview and Outlook

General

The Company's 2017 results represent the eighth consecutive year of growth, primarily resulting from strong operating performance from our marine businesses. The Company looked to achieve the following financial objectives in 2017:

- Deliver revenue growth;
- Increase earnings before income taxes, as well as deliver improvements in both gross margin and operating margin percentages; and
- Continue to generate strong free cash flow and execute against the Company's capital strategy.

Achievements against the Company's financial objectives in 2017 were as follows:

Deliver revenue growth:

- Ended the year with a 9 percent increase in net sales when compared with 2016 on a GAAP basis and 8 percent on a constant currency basis, due to the following:

- Strong growth in all three primary boat categories and the outboard engine business, along with solid growth in the marine parts and accessories businesses;

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- The Marine Engine and Boat segments benefited from strong global market demand, as domestic markets continued to grow and international markets benefited from gains in Europe, Canada and Asia-Pacific, as well as improving conditions in other regions;

- Additionally, the Marine Engine and Boat segments sales were aided by successful product launches, continued strong market share and execution of our acquisition strategy;

- Fitness segment net sales reflected growth in international markets, including the impacts of the Indoor Cycling Group acquisition completed in 2016, while domestic market demand was flat;

- International sales for the Company increased 10 percent in 2017 when compared with 2016 on both a GAAP basis and on a constant currency basis due to increased sales across all international markets, especially Asia-Pacific, Europe and Canada.

Experience an increase in earnings before income taxes, as well as deliver improvements in both gross margin and operating margin percentages:

- Reported earnings before income taxes of $343.3 million in 2017 compared with earnings before income taxes of $389.0 million in 2016; adjusted earnings before income taxes were $490.0 million in 2017 versus $459.3 million in 2016;

- Gross margin declined 100 basis points when compared with 2016, driven mainly by declines in the Fitness segment due to higher costs, particularly product field campaigns costs for certain Cybex products designed prior to the acquisition as well as freight costs in the fourth quarter, challenging pricing dynamics in certain international markets and unfavorable changes in sales mix; gross margin, as adjusted, declined 80 basis points when compared with 2016;

- Operating margin declined by 190 basis points when compared with the prior year, due in part to increased pension settlement charges, restructuring, exit, integration and impairment charges, field campaigns charges in the Fitness segment and the impact of planned investments in growth initiatives compared with the prior year; operating margin, as adjusted, declined 40 basis points versus 2016.

Continue to generate strong free cash flow and execute against the Company's capital strategy:

- Generated strong free cash flow of $243.1 million in 2017, enabling the Company to continue executing its capital strategy as follows:

- Funded investments in growth:

- Organically through capital expenditures, which included investments in new products as well as capacity expansions across all segments;

- Through acquisitions, including the $15.5 million invested in the Marine Engine segment during 2017;

- Contributed $73.7 million to the Company's qualified and nonqualified defined benefit pension plans; and

- Enhanced shareholder returns in 2017 by repurchasing $130.0 million of common stock under the Company’s share repurchase program and increased cash dividends paid to shareholders to $60.6 million.

- Ended the year with $459.0 million of cash and marketable securities.

Net earnings from continuing operations decreased to $187.3 million in 2017 from $272.6 million in 2016. The 2017 results include an income tax provision of $156.0 million, which included net charges of $61.8 million primarily relating to the impact of U.S. tax reform, including the impact on deferred tax balances from the reduction in the statutory rate from 35 percent to 21 percent, along with an estimate of taxes payable on deemed unrepatriated foreign earnings. The 2016 results reflect an income tax provision of $116.4 million, which included a net income tax charge of $1.1 million, primarily associated with the impact of changes in tax laws partially offset by the reassessment of tax reserves and favorable valuation allowance adjustments.

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Discontinued Operations

On December 5, 2017, the Board of Directors authorized the Company to exit its Sea Ray businesses, including the Meridian brand, as a result of, among other things, a shift in strategic direction and a review of the expected future cash flows, market conditions and business trends. On May 22, 2015, and September 18, 2014, the Company completed the sale of its bowling products and retail bowling businesses, respectively.

As a result, these businesses are being reported as discontinued operations in the Consolidated Statements of Operations for all periods presented. The Billiards business, which was previously reported in the former Bowling & Billiards segment, remains part of the Company and is being reported in the Fitness segment for all periods presented.

The Company's results for all periods presented, as discussed in Management's Discussion and Analysis, are presented on a continuing operations basis, unless otherwise noted. Refer to Note 2 – Discontinued Operations in the Notes to Consolidated Financial Statements for further information.

Outlook for 2018

The Company is projecting 2018 to be another year of strong revenue and earnings growth with improved free cash flow generation. The Company is targeting 5 percent to 7 percent sales growth versus 2017, which includes benefits from the continuation of solid global growth in the marine markets, the success of new products, completed acquisitions and favorable movements in foreign exchange rates. The Company anticipates sales growth in the Marine Engine segment will exceed the market due to contributions from new products as well as expanded and enhanced manufacturing and distribution capabilities. In the Boat segment, the Company expects growth in the fiberglass and aluminum outboard boat markets, including strong demand in the pontoon business. The Fitness segment is expected to report slight revenue growth resulting from the introduction of new products, enhanced digital offerings and a focus on strengthening key customer relationships.

The Company is planning to have higher earnings before income taxes in 2018 resulting from increased revenue and improvements in both gross margin and operating margin levels. Operating margin gains include benefits from new products, volume leverage, cost reductions related to efficiency initiatives, modestly positive product mix factors and a favorable impact from foreign exchange rates. The Company projects operating expenses to increase in 2018 as we continue to fund incremental investments to support growth; however, on a percentage of sales basis, they are expected to be slightly lower than 2017.

The Company is planning for its effective tax rate in 2018 to be approximately 23 percent to 24 percent based on the Tax Cuts and Jobs Act (TCJA), which was signed into law on December 22, 2017.

Restructuring, Exit, Integration and Impairment Activities

Restructuring, exit, integration and impairment charges recorded in the Consolidated Statements of Operations during 2017, 2016 and 2015 by reportable segment are summarized below:

(in millions)	2017	2016	2015
Cash charges:			
Boat	$1.7	$0.2	$—
Fitness	13.7	12.7	—
Corporate	1.6	—	0.6
Total cash charges	17.0	12.9	0.6
Non-cash charges:			
Boat	2.2	—	—

Fitness	16.6	—	—
Corporate	0.8	2.3	4.1
Total non-cash charges	19.6	2.3	4.1
Total restructuring, exit, integration and impairment charges	$36.6	$15.2	$4.7

See Note 3 – Restructuring, Exit, Integration and Impairment Activities in the Notes to Consolidated Financial Statements for further details on charges and initiatives.

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As a result of Restructuring, exit, integration and impairment activities, the Company anticipates future cost savings of approximately $4 million in the Fitness segment, with the full impact realized in 2018. Future cost savings will primarily be reflected in the Selling, general and administrative expense as reported on the Company's Consolidated Statements of Operations.

The Company anticipates it will incur restructuring, exit, integration and impairment charges of approximately $3 million in 2018.

Matters Affecting Comparability

Certain events occurred during 2017, 2016 and 2015 that the Company believes affect the comparability of the results of operations. The table below summarizes the impact of changes in currency exchange rates and the impact of recent acquisitions on the Company's net sales:

	Net Sales			2017 vs. 2016			2016 vs. 2015		
(in millions)	2017	2016	2015	GAAP	Constant Currency	Acquisition Contribution	GAAP	Constant Currency	Acquisition Contribution
Marine Engine	$2,631.8	$2,441.1	$2,314.3	7.8%	7.6%	1.0%	5.5%	6.0%	1.1%
Boat	1,103.0	963.7	879.1	14.5%	14.3%	1.0%	9.6%	10.0%	0.9%
Marine eliminations	(258.5)	(231.3)	(207.8)						
Total Marine	3,476.3	3,173.5	2,985.6	9.5%	9.3%	1.0%	6.3%	6.8%	1.1%
Fitness	1,033.7	980.4	794.6	5.4%	5.5%	3.2%	23.4%	24.0%	19.0%
Total	$4,510.0	$4,153.9	$3,780.2	8.6%	8.4%	1.5%	9.9%	10.4%	4.9%

Changes in foreign currency rates. Percentage changes in net sales expressed in constant currency reflect the impact that changes in currency exchange rates had on comparisons of net sales. To determine this information, net sales transacted in currencies other than U.S. dollars have been translated to U.S. dollars using the average exchange rates that were in effect during the comparative period. The percentage change in net sales expressed on a constant currency basis better reflects the changes in the underlying business trends, excluding the impact of translation arising from foreign currency exchange rate fluctuations. Approximately 20 percent of the Company's annual net sales are transacted in a currency other than the U.S. dollar. The Company's most material exposures include sales in Euros, Canadian dollars, Australian dollars, Brazilian reais and British pounds.

Additionally, operating earnings comparisons were positively affected by foreign exchange rates by approximately $1 million in 2017 when compared with 2016, and were negatively affected by foreign exchange rates by approximately $14 million in 2016 when compared with 2015. These estimates include the impact of translation on all sales and costs transacted in a currency other than the U.S. dollar, the impact of hedging activities and pricing actions in certain international markets in response to the changes in the exchange rate between the local currency and the U.S. dollar.

Acquisitions. The Company completed acquisitions during 2017, 2016 and 2015 that affect the comparability of net sales. The impacts on consolidated and segment sales comparisons are reflected above. Refer to Note 4 – Acquisitions in the Notes to Consolidated Financial Statements for further information.

Pension settlement charges. In the fourth quarters of 2017, 2016 and 2015, the Company recognized $96.6 million, $55.1 million and $82.3 million of charges, respectively, related to actions taken to settle a portion of its pension obligations. These actions included transferring certain plan obligations to a third party by purchasing annuities on behalf of plan participants and making lump-sum payments directly to certain plan participants, as applicable. These

costs are reflected in Pension settlement charge on the Consolidated Statements of Operations. See Note 17 – Postretirement Benefits in the Notes to Consolidated Financial Statements for further details.

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Restructuring, exit, integration and impairment charges. During 2017, the Company recorded restructuring, exit, integration and impairment charges of $36.6 million, compared with charges of $15.2 million in 2016 and $4.7 million in 2015. See Note 3 – Restructuring, Exit, Integration and Impairment Activities in the Notes to Consolidated Financial Statements for further details.

Product field campaigns charge. In the fourth quarter of 2017, the Company recorded a $13.5 million charge for costs related to field campaigns pertaining to certain Cybex products designed prior to the acquisition. The charge consisted of $8.4 million and $5.1 million within Cost of sales and Selling, general and administrative expense, respectively. There were no comparable costs in the prior year periods. See Note 13 – Commitments and Contingencies for further details.

Tax items. The Company recorded an income tax provision of $156.0 million, which included net charges of $61.8 million, primarily relating to the impact of U.S. tax reform under the TCJA, including the unfavorable impact on deferred tax balances caused by the reduction in the U.S. statutory rate from 35 percent to 21 percent, along with an estimate of taxes payable on deemed unrepatriated foreign earnings. The 2016 results reflect an income tax provision of $116.4 million, which included a net income tax charge of $1.1 million, primarily associated with the impact of changes in tax laws partially offset by the reassessment of tax reserves and favorable valuation allowance adjustments.

See Note 12 – Income Taxes in the Notes to Consolidated Financial Statements for further details.

Results of Operations

Consolidated

The following table sets forth certain amounts, ratios and relationships calculated from the Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015:

				2017 vs. 2016		2016 vs. 2015	
(in millions, except per share data)	2017	2016	2015	$	%	$	%
Net sales	$4,510.0	$4,153.9	$3,780.2	$356.1	8.6 %	$373.7	9.9 %
Gross margin (A) (B)	1,234.7	1,180.3	1,060.0	54.4	4.6 %	120.3	11.3 %
Pension settlement charge	96.6	55.1	82.3	41.5	75.3 %	(27.2)	(33.0)%
Restructuring, exit, integration and impairment charges	36.6	15.2	4.7	21.4	NM	10.5	NM
Operating earnings (B)	354.9	406.9	331.3	(52.0)	(12.8)%	75.6	22.8 %
Net earnings from continuing operations (B)	187.3	272.6	230.9	(85.3)	(31.3)%	41.7	18.1 %
Diluted earnings per common share from continuing operations	$2.08	$2.96	$2.45	$(0.88)	(29.7)%	$0.51	20.8 %
Expressed as a percentage of Net sales:							
Gross margin	27.4 %	28.4 %	28.0 %		(100) bpts		40 bpts
Selling, general and administrative expense	13.5 %	13.8 %	14.0 %		(30) bpts		(20) bpts
Research and development expense	3.1 %	3.2 %	3.0 %		(10) bpts		20 bpts
Operating margin	7.9 %	9.8 %	8.8 %		(190) bpts		100 bpts

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NM = not meaningful
bpts = basis points

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

(B) 2017 Gross margin includes $8.4 million of charges; and 2017 Operating earnings and Net earnings from continuing operations include $13.5 million of charges, respectively, for costs related to field campaigns pertaining to certain Cybex products designed prior to the acquisition.

2017 vs. 2016

Net sales increased during 2017 when compared with 2016 due to increases across all segments. Marine Engine segment net sales increased due to strong growth in both outboard engines as well as the marine parts and accessories businesses. Outboard engines benefited from a favorable market environment, particularly for higher horsepower engines, and continued benefits from new product launches and market share gains. The marine parts and accessories businesses benefited from several factors, including

the successful execution of the Company's international growth strategy, recent acquisitions and new product launches. Boat segment net sales reflected strong growth in the aluminum and fiberglass outboard boat businesses. Fitness segment net sales increased modestly reflecting growth in international markets while domestic demand was flat. International net sales for the Company increased 10 percent in 2017 on both a GAAP basis and on a constant currency basis when compared with 2016, driven by strong sales increases in Asia-Pacific, Europe and Canada as well as solid increases in other international markets.

Gross margin percentage decreased in 2017 when compared with 2016 driven by declines in the Fitness segment, as a result of several factors, including higher costs, particularly product field campaigns costs for certain Cybex products designed prior to the acquisition as well as higher freight costs, particularly in the fourth quarter, challenging pricing dynamics in certain international markets and unfavorable changes in sales mix.

Selling, general and administrative expense and Research and development expense line items increased during 2017 when compared with 2016, but decreased as a percentage of net sales. Both line items reflected increased funding to support investments in new products and growth initiatives, partially offset by cost reduction efforts.

In 2017 and 2016, the Company recorded $96.6 million and $55.1 million, respectively, of charges related to pension settlement actions as discussed in Note 17 – Postretirement Benefits in the Notes to Consolidated Financial Statements.

During 2017, the Company recorded restructuring, exit, integration and impairment charges of $36.6 million compared with $15.2 million in 2016. See Note 3 – Restructuring, Exit, Integration and Impairment Activities in the Notes to Consolidated Financial Statements for further details.

The Company recognized equity earnings of $6.1 million and $4.3 million in 2017 and 2016, respectively, which were mainly related to the Company's marine joint ventures. The Company recognized $6.1 million and $3.2 million in 2017 and 2016, respectively, in Other income, net, which includes the amortization of deferred income related to a trademark licensing agreement with AMF Bowling Centers, Inc (AMF) in both periods, as well as favorable foreign exchange adjustments in 2017 compared with 2016. See Note 1 – Significant Accounting Policies in the Notes to Consolidated Financial Statements for discussion of the trademark agreement with AMF.

Net interest expense decreased slightly in 2017 compared with 2016.

The Company recorded an income tax provision of $156.0 million, which included net charges of $61.8 million primarily relating to the impact of U.S. tax reform, including the unfavorable impact on deferred tax balances caused by the reduction in the U.S. statutory rate from 35 percent to 21 percent, along with an estimate of taxes payable on deemed unrepatriated foreign earnings. The 2016 results reflect an income tax provision of $116.4 million, which included a net income tax charge of $1.1 million, primarily associated with the impact of changes in tax laws partially offset by the reassessment of tax reserves and favorable valuation allowance adjustments. The effective tax rate for 2017 and 2016 was 45.4 percent and 29.9 percent, respectively.

The Company's effective tax rate in both periods also reflects the benefit of having earnings from foreign entities in jurisdictions that have lower statutory tax rates than the U.S. This includes entities in Hungary, China, Poland and the United Kingdom which have applicable statutory tax rates of 9 percent, 15 percent, 19 percent and 19 percent, respectively.

See Note 12 – Income Taxes in the Notes to Consolidated Financial Statements for further details on the impacts of the TCJA as well as a reconciliation of the Company's effective tax rate and statutory Federal income tax rate.

Operating earnings, Net earnings from continuing operations and Diluted earnings per common share from continuing operations decreased in 2017 when compared with 2016, primarily due to the factors discussed in the preceding paragraphs. The decrease in Diluted earnings per common share from continuing operations was partially offset by benefits from common stock repurchases.

Diluted earnings from continuing operations per common share, as adjusted, increased by $0.43 per share, or 12 percent, to $3.89 per share for 2017 when compared with $3.46 per share for 2016, and included adjustments for the following items in 2017: a net charge for special tax items of $0.76 per share, Pension settlement charge of $0.69 per share, Restructuring, exit, integration and impairment charges of $0.26 per share and product field campaigns charges of $0.10 per share. In 2016, Diluted earnings from continuing operations per common share included: Pension settlement charge of $0.38 per share, Restructuring, exit, integration and impairment charges of $0.10 per share and a net charge for special tax items of $0.02 per share.

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2016 vs. 2015

Net sales increased during 2016 when compared with 2015 due to increases across all segments. Marine Engine segment net sales increased due to strong growth in the marine parts and accessories businesses as well as solid growth in outboard engines. Both of these categories benefited from favorable market conditions and market share gains while sterndrive engines declined, reflecting unfavorable demand trends. Boat segment net sales increased due to strong growth rates in fiberglass outboard boats as well as solid growth rates in aluminum boats. Fitness segment net sales increased, reflecting the benefit of recent acquisitions and growth in international markets while revenues in the U.S. increased modestly. International net sales for the Company increased 10 percent in 2016 on both a GAAP basis and on a constant currency basis when compared with 2015, driven by strong increases in European and Asia-Pacific markets, partially offset by decreases in Latin America, especially Brazil, and Africa and the Middle East.

Gross margin percentage increased slightly in 2016 when compared with the same prior year period related to benefits from volume increases and cost reductions, including benefits from efficiency and sourcing initiatives as well as lower commodity costs, partially offset by the unfavorable impact from foreign exchange.

Selling, general and administrative expense decreased as a percentage of net sales during 2016 when compared with 2015, mainly due to higher net sales partially offset by increases related to acquisitions and investments to support growth.

Research and development expense increased as a percentage of sales in 2016 when compared with 2015 as the Company continued to increase its funding of investments in new products.

In 2016 and 2015, the Company recorded $55.1 million and $82.3 million, respectively, of charges related to pension settlement payments as discussed in Note 17 – Postretirement Benefits in the Notes to Consolidated Financial Statements.

During 2016, the Company recorded restructuring, integration and impairment charges of $15.2 million compared with $4.7 million in 2015. See Note 3 – Restructuring, Exit, Integration and Impairment Activities in the Notes to Consolidated Financial Statements for further details.

The Company recognized equity earnings of $4.3 million and $3.7 million in 2016 and 2015, respectively, which were mainly related to the Company's marine joint ventures. The Company recorded income of $3.2 million and $5.3 million in 2016 and 2015, respectively, in Other income, net, which includes the amortization of deferred income related to a trademark licensing agreement with AMF in both periods and unfavorable foreign exchange adjustments in 2016.

Net interest expense decreased slightly in 2016 compared with 2015.

The Company recognized an income tax provision in 2016 of $116.4 million, which included a net charge of $1.1 million primarily associated with the impact of recent changes in tax law partially offset by the reassessment of tax reserves and favorable valuation allowance adjustments. The Company recognized an income tax provision of $83.9 million in 2015, which included a net tax benefit of $12.1 million, primarily associated with the internal restructuring of foreign entities and settling prior year audits. The effective tax rate, which is calculated as the income tax benefit or provision as a percentage of pre-tax income, was 29.9 percent and 26.7 percent for 2016 and 2015, respectively.
See Note 12 – Income Taxes in the Notes to Consolidated Financial Statements for further details.

Operating earnings, Net earnings from continuing operations and Diluted earnings per common share from continuing operations increased in 2016 when compared with 2015, primarily due to the factors discussed in the preceding paragraphs. Diluted earnings per common share from continuing operations also benefited from the impact of common stock repurchases.

Diluted earnings from continuing operations per common share, as adjusted, increased by $0.57 per share, or 20 percent, to $3.46 per share for 2016 when compared with $2.89 per share for 2015, and included adjustments for the following items in 2016: Pension settlement charge of $0.38 per share, Restructuring, exit, integration and impairment charges of $0.10 per share and a net charge for special tax items of $0.02 per share. In 2015, Diluted earnings from continuing operations per common share included: Pension settlement charge of $0.54 per share, Restructuring, integration and impairment charges of $0.03 per share and a net benefit for special tax items of $0.13 per share.

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Segments

The Company operates in three operating and reportable segments: Marine Engine, Boat and Fitness. Refer to Note 6 – Segment Information in the Notes to Consolidated Financial Statements for details on the segment operations.

Marine Engine Segment

The following table sets forth Marine Engine segment results for the years ended December 31, 2017, 2016 and 2015:

				2017 vs. 2016		2016 vs. 2015	
(in millions)	2017	2016	2015	$	%	$	%
Net sales	$2,631.8	$2,441.1	$2,314.3	$190.7	7.8 %	$126.8	5.5 %
Operating earnings	407.0	377.1	348.0	29.9	7.9 %	29.1	8.4 %
Operating margin	15.5 %	15.4 %	15.0 %		10 bpts		40 bpts

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bpts = basis points

2017 vs. 2016

Marine Engine segment net sales increased in 2017 versus 2016 due to strong growth in both outboard engines and the marine parts and accessories businesses. Outboard engines benefited from a favorable market environment, particularly for higher horsepower engines, and continued benefits from market share gains, including benefits from recently launched products. The marine parts and accessories businesses benefited from the successful execution of the Company's international growth strategy, recent acquisitions and new product launches. Partially offsetting these factors was a decrease in sterndrive engine net sales due to the continuing shift to outboards which is contributing to unfavorable global retail demand trends. Acquisitions completed in 2017 and 2016 accounted for 1 percentage point of the Marine Engine segment's overall revenue growth rate in 2017. International net sales were 30 percent of the segment's net sales in 2017, and increased 10 percent from the prior year on a GAAP basis. On a constant currency basis, international net sales increased 9 percent in 2017, which included gains in all international markets, with the strongest increases in Canada, Europe and Asia-Pacific.

Marine Engine segment operating earnings increased in 2017 as a result of higher net sales and favorable changes in product mix, partially offset by planned increases in growth investments in advance of new product introductions and the resolution of litigation in the fourth quarter of 2017.

2016 vs. 2015

Net sales for the Marine Engine segment increased in 2016 when compared with 2015. The increase was mainly due to strong growth in the marine parts and accessories businesses, which included benefits from favorable market trends, market share gains, acquisitions during 2016 and 2015 and new product launches. The segment also experienced a solid increase in outboard engine net sales, driven by continued favorable retail demand trends in overall U.S. and European markets and market share gains, including benefits from recently launched products. The segment reported a decrease in sterndrive engine net sales due mostly to the continuing shift to outboards and unfavorable global retail demand trends. Acquisitions completed in 2016 and 2015 accounted for 1 percentage point of the Marine Engine segment's overall revenue growth rate in 2016. International net sales were 32 percent of the segment's net sales in 2016, and increased 4 percent from the prior year on a GAAP basis. On a constant currency basis, international net sales increased 5 percent in 2016, which included gains in Europe, Asia-Pacific and Canada, partially offset by declines in Africa and the Middle East and Latin America.

Marine Engine segment operating earnings increased in 2016 as a result of higher net sales and cost reductions, including benefits from efficiency and sourcing initiatives as well as lower commodity costs. Partially offsetting these factors were an unfavorable impact from foreign exchange and growth-related investments including new product development activities.

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Boat Segment

The following table sets forth Boat segment results for the years ended December 31, 2017, 2016 and 2015:

(in millions)	2017	2016	2015	2017 vs. 2016 $	2017 vs. 2016 %	2016 vs. 2015 $	2016 vs. 2015 %
Net sales	$1,103.0	$963.7	$879.1	$139.3	14.5 %	$84.6	9.6 %
Restructuring, exit, integration and impairment charges (A)	3.9	0.2	—	3.7	NM	0.2	NM
Operating earnings	71.1	59.4	38.5	11.7	19.7 %	20.9	54.3 %
Operating margin	6.4 %	6.2 %	4.4 %		20 bpts		180 bpts

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NM = not meaningful
bpts = basis points

(A) See Note 3 – Restructuring, Exit, Integration and Impairment Activities in the Notes to Consolidated Financial Statements for further details.

2017 vs. 2016

Boat segment net sales increased in 2017 versus 2016 as a result of strong growth in the aluminum and fiberglass outboard boat businesses and growth in both domestic and international markets. Net sales benefited from increased global wholesale unit shipments as well as higher average selling prices, as customers continued to migrate to boats with more content and higher horsepower engines. An acquisition completed in 2016 accounted for 1 percentage point of the Boat segment's overall revenue growth rate in 2017. International net sales were 27 percent of the segment's net sales in 2017, an increase of 14 percent from the prior year on a GAAP basis. On a constant currency basis, international net sales increased 13 percent when compared with the same prior year period, mainly due to net sales increases in Canada, Europe, Latin America and Asia-Pacific.

Boat segment operating earnings increased in 2017 when compared with 2016 due to higher sales and margin gains partially stemming from improved operating efficiencies, partly offset by increased restructuring, exit, integration and impairment charges mostly associated with the closure of the manufacturing facility in Brazil.

2016 vs. 2015

Boat segment net sales increased in 2016 when compared with 2015 due to growth in fiberglass outboard and aluminum boats. Net sales growth benefited from higher average selling prices, resulting from a favorable shift in mix as well as a slight increase in global wholesale unit shipments, which was slightly below global retail unit growth for the year. Additionally, net sales benefited from recently introduced new products and market share gains. An acquisition completed in 2016 accounted for 1 percentage point of the Boat segment's overall revenue growth rate in 2016. International net sales were 27 percent of the segment's net sales in 2016, a decrease of 3 percent from the prior year on a GAAP basis. On a constant currency basis, international net sales decreased 2 percent when compared with the same prior year period, mainly due to net sales decreases in Latin America, especially Brazil, Canada and Africa and the Middle East, partially offset by increases in the Europe and Asia-Pacific regions.

Boat segment operating earnings increased in 2016 when compared with 2015 as a result of higher net sales and benefits from a favorable shift in sales mix, lower commodity costs and savings related to sourcing initiatives. These factors were partially offset by increases in revenue and profit-enhancing investments.

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Fitness Segment

The following table sets forth Fitness segment results for the years ended December 31, 2017, 2016 and 2015:

				2017 vs. 2016		2016 vs. 2015	
(in millions)	2017	2016	2015	$	%	$	%
Net sales	$1,033.7	$980.4	$794.6	$53.3	5.4 %	$185.8	23.4 %
Restructuring, exit, integration and impairment charges (A)	30.3	12.7	—	17.6	NM	12.7	NM
Operating earnings (B)	64.1	117.3	116.5	(53.2)	(45.4)%	0.8	0.7 %
Operating margin	6.2 %	12.0 %	14.7 %		(580) bpts		(270) bpts

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NM = not meaningful
bpts = basis points

(A) See Note 3 – Restructuring, Exit, Integration and Impairment Activities in the Notes to Consolidated Financial Statements for further details.
(B) Operating earnings includes a $13.5 million charge for costs related to field campaigns pertaining to certain Cybex products designed prior to the acquisition.

2017 vs. 2016

Fitness segment net sales increased in 2017 when compared with 2016 due primarily to growth in international markets including benefits from the ICG acquisition. Growth in sales to value-oriented franchise clubs continues to be offset by declines in sales to traditional clubs and certain vertical markets. Acquisitions completed in 2016 accounted for 3 percentage points of growth in 2017. International net sales were 46 percent of the segment's net sales in 2017 and increased 9 percent compared with the prior year on both a GAAP basis and on a constant currency basis due to strength across most international markets, especially Asia-Pacific and Europe, partially offset by slight declines in Canada.

Fitness segment operating earnings decreased in 2017 when compared with the prior year resulting from lower margins, reflecting several factors, including higher restructuring, exit, integration and impairment charges, costs associated with product field campaigns for certain Cybex products, higher costs including freight, particularly in the fourth quarter, the impact of planned costs associated with capacity expansions and new products, more challenging competitive dynamics in certain international markets and unfavorable changes in sales mix, partially offset by higher sales and cost reduction initiatives.

2016 vs. 2015

Fitness segment net sales increased in 2016 when compared with 2015. Acquisitions completed in 2016 and 2015 contributed 19 percentage points to the Fitness segment's revenue growth rate in 2016. Net sales also benefited from overall growth in international markets as well as modest growth in the U.S., reflecting increased sales to commercial fitness customers including the impact of declines in sales to local and federal governments. International net sales were 45 percent of the segment's net sales in 2016 and increased 19 percent compared with the prior year on a GAAP basis. On a constant currency basis and excluding acquisitions, the segment's international net sales increased 7 percent when compared with the prior year due to strength in Asia-Pacific and Europe, partially offset by slight declines in other international markets.

Fitness segment operating earnings increased slightly in 2016 when compared with the prior year. The increase was primarily due to higher net sales and completed acquisitions in 2016, mostly offset by increased restructuring and integration costs, increases in growth-related investments, a net unfavorable impact of sales mix and purchase accounting adjustments related to the three acquisitions completed since 2015.

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Corporate/Other

The following table sets forth Corporate/Other results for the years ended December 31, 2017, 2016 and 2015:

				2017 vs. 2016		2016 vs. 2015	
(in millions)	2017	2016	2015	$	%	$	%
Restructuring, exit, integration and impairment charges (A)	$2.4	$2.3	$4.7	$0.1	4.3%	$(2.4)	(51.1)%
Operating loss	(81.4)	(77.1)	(77.7)	4.3	5.6%	(0.6)	(0.8)%

(A) See Note 3 – Restructuring, Exit, Integration and Impairment Activities in the Notes to Consolidated Financial Statements for further details.

Corporate operating expenses increased in 2017 compared with 2016 and increased in 2016 compared with 2015 primarily due to project and other growth initiative related spending, including investments in technology solutions and IT enhancements.

Cash Flow, Liquidity and Capital Resources

The following table sets forth an analysis of free cash flow for the years ended December 31, 2017, 2016 and 2015:

(in millions)	2017	2016	2015
Net cash provided by operating activities of continuing operations	$417.2	$423.5	$340.2
Net cash provided by (used for):			
Capital expenditures	(189.3)	(172.5)	(114.1)
Proceeds from the sale of property, plant and equipment	8.3	1.9	2.4
Effect of exchange rate changes on cash and cash equivalents	6.9	0.1	(15.6)
Total free cash flow from continuing operations (A)	$243.1	$253.0	$212.9

(A) The Company defines “Free cash flow from continuing operations” as cash flow from operating and investing activities of continuing operations (excluding cash provided by or used for acquisitions, investments, purchases or sales/maturities of marketable securities and other investing activities) and the effect of exchange rate changes on cash and cash equivalents. Free cash flow from continuing operations is not intended as an alternative measure of cash flow from operations, as determined in accordance with GAAP in the United States. The Company uses this financial measure both in presenting its results to shareholders and the investment community and in its internal evaluation and management of its businesses. Management believes that this financial measure and the information it provides are useful to investors because it permits investors to view Brunswick’s performance using the same tools that management uses to gauge progress in achieving its goals. Management believes that the non-GAAP financial measure “Free cash flow from continuing operations” is also useful to investors because it is an indication of cash flow that may be available to fund investments in future growth initiatives.

Brunswick’s major sources of funds for capital investments, acquisitions, share repurchase programs and dividend payments are cash generated from operating activities, available cash and marketable securities balances and potential borrowings. The Company evaluates potential acquisitions, divestitures and joint ventures in the ordinary course of business.

2017 Cash Flow

In 2017, net cash provided by operating activities of continuing operations totaled $417.2 million. The primary driver of the cash provided by operating activities was net earnings from continuing operations net of non-cash expense

items. An increase in working capital had a negative effect on net cash provided by operating activities. Working capital is defined as Accounts and notes receivable, Inventories and Prepaid expenses and other, net of Accounts payable and Accrued expenses as presented in the Consolidated Balance Sheets excluding the impact of acquisitions. Net inventories increased by $65.6 million to support higher sales volumes and Accounts receivable increased by $58.1 million as a result of strong sales in the fourth quarter. Partially offsetting these items were increases in Accrued expenses of $47.0 million and Accounts payable of $34.7 due to higher expenditure levels and timing of payments.

Net cash used for investing activities of continuing operations during 2017 totaled $165.2 million, which included capital expenditures of $189.3 million. The Company's capital spending was focused on new product introductions, capacity expansion and other profit enhancing projects in all segments. Cash paid for the acquisition of Lankhorst Taselaar, net of cash acquired, was $15.5 million. See Note 4 – Acquisitions in the Notes to Consolidated Financial Statements for further details on the Company's acquisitions. Net cash used for investing activities also included $35.0 million of maturities of marketable securities and Proceeds from the sale of Property, plant and equipment of $8.3 million. See Note 9 – Investments in the Notes to Consolidated Financial Statements for further details on the Company's investments.

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Cash flows used for financing activities of continuing operations totaled $202.2 million during 2017 and included common stock repurchases and cash dividends paid to common stock shareholders.

2016 Cash Flow

In 2016, net cash provided by operating activities of continuing operations totaled $423.5 million. The primary driver of the cash provided by operating activities was net earnings from continuing operations net of non-cash expense items. An increase in working capital had a negative effect on net cash provided by operating activities. Net inventories increased by $40.4 million due to increases in production to support higher sales volumes. Accrued expenses decreased $17.3 million which included the impact of the payments of deferred compensation in connection with executive management transitions. Partially offsetting these items was an increase in Accounts payable of $34.8 million, which was partially due to the timing of payments.

Net cash used for investing activities of continuing operations during 2016 totaled $464.6 million, which included capital expenditures of $172.5 million. The Company's capital spending was focused on new product introductions, capacity expansion projects in all segments and other high priority, profit-enhancing projects. Cash paid for acquisitions, net of cash acquired, totaled $276.1 million. See Note 4 – Acquisitions in the Notes to Consolidated Financial Statements for further details on the Company's acquisitions. Additionally, the Company had net purchases of marketable securities of $24.3 million during the year. See Note 9 – Investments in the Notes to Consolidated Financial Statements for further details on the Company's investments.

Cash flows used for financing activities of continuing operations were $185.4 million during 2016 and included common stock repurchases and cash dividends paid to common stock shareholders.

2015 Cash Flow

In 2015, net cash provided by operating activities of continuing operations totaled $340.2 million. The primary driver of the cash provided by operating activities was net earnings from continuing operations net of non-cash expense items. An increase in working capital had a negative effect on net cash provided by operating activities. Accrued expenses decreased $31.9 million during 2015, primarily driven by a reduction in insurance reserves related to the settlement of a product liability matter that was mostly offset by a related reduction in accounts receivable reflecting the receipt of insurance proceeds, as well as a reduction in accrued payroll costs due to timing of payrolls. Accounts and notes receivable increased $11.4 million, primarily driven by higher fourth quarter sales across all segments. Net inventories increased $9.6 million due to increases in production to support higher sales volumes and new product introductions; however, increases were at a lower rate than the prior year.

Net cash used for investing activities of continuing operations during 2015 totaled $68.8 million, which included capital expenditures of $114.1 million. The Company's capital spending was focused on new product introductions, capacity expansion projects in all segments, and other high priority, profit-enhancing projects. Cash paid for acquisitions totaled $29.7 million. See Note 4 – Acquisitions in the Notes to Consolidated Financial Statements for further details on the Company's acquisitions. The Company had net proceeds from marketable securities of $71.7 million in 2015. See Note 9 – Investments in the Notes to Consolidated Financial Statements for further details on the Company's investments.

Cash flows used for financing activities of continuing operations were $175.5 million during 2015 and included common stock repurchases and cash dividends paid to common stock shareholders.

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Liquidity and Capital Resources

The Company views its highly liquid assets as of December 31, 2017 and 2016 as:

(in millions)	2017	2016
Cash and cash equivalents	$448.8	$422.4
Short-term investments in marketable securities	0.8	35.8
Total cash, cash equivalents and marketable securities	$449.6	$458.2

The following table sets forth an analysis of Total liquidity as of December 31, 2017 and 2016:

(in millions)	2017	2016
Cash, cash equivalents and marketable securities	$449.6	$458.2
Amounts available under lending facilities(A)	295.7	295.7
Total liquidity (B)	$745.3	$753.9

(A) In June 2016, the Company amended and restated its existing credit agreement, dated as of March 2011, as amended and restated as of June 2014. See Note 16 – Debt in the Notes to Consolidated Financial Statements for further details on the Company's lending facility.
(B) The Company defines Total liquidity as Cash and cash equivalents and Short-term investments in marketable securities as presented in the Condensed Consolidated Balance Sheets, plus amounts available for borrowing under its lending facilities. Total liquidity is not intended as an alternative measure to Cash and cash equivalents and Short-term investments in marketable securities as determined in accordance with GAAP in the United States. The Company uses this financial measure both in presenting its results to shareholders and the investment community and in its internal evaluation and management of its businesses. Management believes that this financial measure and the information it provides are useful to investors because it permits investors to view the Company's performance using the same metric that management uses to gauge progress in achieving its goals. Management believes that the non-GAAP financial measure "Total liquidity" is also useful to investors because it is an indication of the Company's available highly liquid assets and immediate sources of financing.

Cash, cash equivalents and marketable securities totaled $449.6 million as of December 31, 2017, a decrease of $8.6 million from $458.2 million as of December 31, 2016. Total debt as of December 31, 2017 and December 31, 2016 was $437.4 million and $439.4 million, respectively. The Company's debt-to-capitalization ratio improved to 22.8 percent as of December 31, 2017, from 23.4 percent as of December 31, 2016.

Management believes that the Company has adequate sources of liquidity to meet the Company's short-term and long-term needs. The next significant long-term debt maturity is not until 2021.

The Company has executed share repurchases against authorizations approved by the Board of Directors in 2014 and 2016. In 2017, the Company repurchased $130 million of stock under these authorizations and as of December 31, 2017, the remaining authorization was $110 million. The Company plans to repurchase approximately $100 million of shares in 2018, which may be adjusted based on available cash and other investment opportunities.

Quarterly dividend payments included in the 2018 plan are consistent with current levels. However, the Company may increase these levels as earnings and cash flows improve, consistent with its capital strategy.

The Company is projecting an increase in net earnings in 2018 when compared with 2017. Net activity in working capital is projected to reflect a usage of cash in 2018 in the range of $20 million to $40 million. Additionally, the Company is planning for capital expenditures of approximately $215 million to $225 million, reflecting increased investments in capacity to support growth, continued investments in product leadership as well as our decision to

increase investment as a result of cash benefits from U.S. tax reform. Including these and other factors, the Company plans to generate free cash flow in 2018 in excess of $275 million.

Included in the cash flow projections are contributions to the defined benefit pension plans of approximately $70 million to $75 million in 2018. These amounts may be adjusted for several factors, including actions to accelerate our de-risking activities, increasing contributions to generate higher deductions at a more favorable statutory rate as a result of U.S. tax reform, market conditions, pension funding regulations and Company discretion. The Company contributed $70.0 million to its qualified defined benefit pension plans both in 2017 and 2016. The Company also contributed $3.7 million and $4.6 million to fund benefit payments from its nonqualified defined benefit pension plan in 2017 and 2016, respectively.

The aggregate funded status of the Company's qualified defined benefit pension plans, measured as a percentage of the projected benefit obligation, was approximately 80 percent at December 31, 2017 compared with approximately 78 percent at

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December 31, 2016. As of December 31, 2017, the Company's qualified defined benefit pension plans were underfunded on an aggregate projected benefit obligation basis by $137.6 million which represented a $61.5 million improvement from 2016. This improvement was due to strong asset returns and contributions of $70 million, which more than outpaced the impact of interest on plan liabilities. See Note 17 – Postretirement Benefits in the Notes to Consolidated Financial Statements for more details.

Income Taxes

The Company expects its cash tax rate to be in the high-single digit percentage range in 2018, reflecting the recently enacted Tax Cuts and Jobs Act (TCJA) which reduced the U.S federal statutory rate from 35 percent to 21 percent. The estimated 2018 cash tax rate also includes the impacts of an anticipated refund resulting from over-payments in 2017.

Additionally, as a result of the TCJA, specifically the imposition of a one-time deemed repatriation tax on certain unremitted earnings of foreign subsidiaries, the Company reevaluated its indefinite assertion as of December 31, 2017. The Company is considering remitting cash back to the U.S. in 2018 from non-U.S. subsidiaries and as such, the Company will no longer assert that it is permanently reinvested in any non-U.S. subsidiaries as of December 31, 2017. These remittances would be considered dividends and under changes made by the TCJA these dividends would be subject to a 100 percent dividend received deduction and would not result in any U.S. federal tax liability. The Company is continuing to analyze the effects of the TCJA including the impact on future repatriations and any related withholding taxes from non-U.S. subsidiaries. Future repatriations could result in additional funds to execute the Company's capital strategy.

Financial Services

Refer to Note 10 – Financial Services in the Notes to Consolidated Financial Statements for more information about the Company's financial services.

Off-Balance Sheet Arrangements

Guarantees. The Company has reserves to cover potential losses associated with guarantees and repurchase obligations based on historical experience and current facts and circumstances. Historical cash requirements and losses associated with these obligations have not been significant. See Note 13 – Commitments and Contingencies in the Notes to Consolidated Financial Statements for a description of these arrangements.

Contractual Obligations

The following table sets forth a summary of the Company's contractual cash obligations as of December 31, 2017:

	Payments due by period				
(in millions)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
Debt (A)	$443.4	$5.6	$11.7	$153.6	$272.5
Interest payments on long-term debt	189.9	26.2	52.4	45.4	65.9
Operating leases (B)	152.4	37.6	55.4	27.2	32.2
Purchase obligations (C)	230.3	228.6	1.2	0.5	—
Deferred management compensation (D)	43.9	4.8	2.0	2.0	35.1
Other long-term liabilities (E)	165.3	16.8	95.3	32.7	20.5

Total contractual obligations	$1,225.2	$319.6	$218.0	$261.4	$426.2

(A) See Note 16 – Debt in the Notes to Consolidated Financial Statements for additional information on the Company's debt. “Debt” refers to future cash principal payments. Debt also includes the Company's capital leases as discussed in Note 21 – Leases in the Notes to Consolidated Financial Statements.

(B) See Note 21 – Leases in the Notes to Consolidated Financial Statements for additional information.

(C) Purchase obligations represent agreements with suppliers and vendors at the end of 2017 for raw materials and other supplies as part of the normal course of business.

(D) Amounts primarily represent long-term deferred compensation plans for Company management. Payments are assumed to be equal to the remaining liability.

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(E) Other long-term liabilities include amounts recorded as secured obligations for lease and other long-term receivables originated by the Company and assigned to third parties where the transfer of assets do not meet the conditions for a sale as a result of the Company's contingent obligation to repurchase the receivables in the event of customer non-payment. Amounts above also include obligations under deferred revenue arrangements and future projected payments related to the Company's nonqualified pension plans. The Company is not required to make any contributions to the qualified pension plan in 2017; however, $3.7 million of scheduled retiree health care and life insurance benefit plan payments due within one year are included in other long-term liabilities. Due to the high degree of uncertainty regarding the potential future cash outflows associated with these plans, the Company is unable to provide a reasonably reliable estimate of the amounts and periods in which any additional liabilities might be paid beyond 2017.

Legal Proceedings

See Note 13 – Commitments and Contingencies in the Notes to Consolidated Financial Statements for disclosure related to certain legal and environmental proceedings.

Environmental Regulation

In its Marine Engine segment, Brunswick continues to develop engine technologies to reduce engine emissions to comply with current and future emissions requirements. The Boat segment continues to pursue fiberglass boat manufacturing technologies and techniques to reduce air emissions at its boat manufacturing facilities. The costs associated with these activities may have an adverse effect on segment operating margins and may affect short-term operating results. Environmental regulatory bodies in the United States and other countries may impose more stringent emissions standards and/or other environmental regulatory requirements than are currently in effect. Using its environmental management system processes, the Company complies with current regulations and expects to comply fully with any new regulations; compliance will most likely increase the cost of these products for the Company and the industry, but is not expected to have a material adverse effect on Brunswick's competitive position.

Critical Accounting Policies

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results may differ from those estimates. If current estimates for the cost of resolving any specific matters are later determined to be inadequate, results of operations could be adversely affected in the period in which additional provisions are required. The Company has discussed the development and selection of the critical accounting policies with the Audit Committee of the Board of Directors and believes the following are the most critical accounting policies that could have an effect on Brunswick's reported results.

Revenue Recognition and Sales Incentives. Brunswick's revenue is derived primarily from the sale of marine engines, marine parts and accessories, boats, fitness equipment and active recreation products. Revenue is recognized in accordance with the terms of the sale, primarily upon shipment to customers, once the sales price is fixed or determinable and collectability is reasonably assured. Brunswick offers discounts and sales incentives that include retail promotions and rebates that are recorded as reductions of revenues in Net sales in the Consolidated Statements of Operations. The estimated liability and reduction in revenues for sales incentives is recorded at the later of when the program has been communicated to the customer or at the time of sale. Revenues from freight are included as a part of Net sales in the Consolidated Statements of Operations, whereas shipping, freight and handling costs are included in Cost of sales.

In May 2014, the FASB issued a final standard on revenue recognition that will supersede most current revenue recognition guidance. Refer to Note 1 – Significant Accounting Policies in the Notes to Consolidated Financial Statements for further discussion of the new revenue recognition standard which will be effective beginning January 1, 2018.

Warranty Reserves. The Company records an estimated 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 liabilities are affected by product failure rates as well as material usage and labor costs incurred in correcting a product failure. If actual costs differ from estimated costs, the Company must make a revision to the warranty liability.

Goodwill and Other Intangibles. Goodwill and other intangible assets primarily result from business acquisitions. The excess of cost over net assets of businesses acquired is recorded as goodwill. The Company reviews goodwill for impairment annually and whenever events or changes in circumstances indicate that the fair value of a reporting unit may be below its carrying value. All three of the Company's reporting units have a goodwill balance.

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For 2017, the impairment test for goodwill was a two-step process. The first step compares the fair value of a reporting unit with its carrying amount. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired. If the carrying amount of the reporting unit exceeds its fair value, the second step is performed to measure the amount of the impairment loss, if any. In this second step, the implied fair value of the reporting unit's goodwill is compared with the carrying amount of the goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill.

For both 2016 and 2015, the Company determined through qualitative assessment that it was not "more likely than not" that the fair values of its reporting units are less than their carrying values; as a result, the Company was not required to perform the two-step impairment test in either year. The Company did not record any goodwill impairments in 2017, 2016 or 2015.

The Company calculates the fair value of its reporting units considering both the income approach and the guideline public company method. The income approach calculates the fair value of the reporting unit using a discounted cash flow approach utilizing a Gordon Growth model. Internally forecasted future cash flows, which the Company believes reasonably approximate market participant assumptions, are discounted using a weighted average cost of capital (Discount Rate) developed for each reporting unit. The Discount Rate is developed using market observable inputs, as well as considering whether or not there is a measure of risk related to the specific reporting unit's forecasted performance. Fair value under the guideline public company method is determined for each unit by applying market multiples for comparable public companies to the unit's financial results. The key uncertainties in these calculations are the assumptions used in determining the reporting unit's forecasted future performance, including revenue growth and operating margins, as well as the perceived risk associated with those forecasts, along with selecting representative market multiples.

The Company's primary intangible assets are customer relationships and trade names acquired in business combinations. The costs of amortizable intangible assets are amortized over their expected useful lives, typically between three and sixteen years, using the straight-line method. Intangible assets that are subject to amortization are evaluated for impairment using a process similar to that used to evaluate long-lived assets described below. Intangible assets not subject to amortization are assessed for impairment at least annually and whenever events or changes in circumstances indicate that it is more likely than not that an asset may be impaired. The impairment test for indefinite-lived intangible assets consists of a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset. The fair value of trade names is measured using a relief-from-royalty approach, which assumes the value of the trade name is the discounted cash flows of the amount that would be paid to third parties had the Company not owned the trade name and instead licensed the trade name from another company. Higher royalty rates are assigned to premium brands within the marketplace based on name recognition and profitability, while other brands receive lower royalty rates. The basis for future cash flow projections are based on internal revenue forecasts by brand, which the Company believes represent reasonable market participant assumptions, to which the selected royalty rate is applied. These future cash flows are discounted using the applicable Discount Rate as well as any potential risk premium to reflect the inherent risk of holding a standalone intangible asset. The key uncertainties in this calculation are the selection of an appropriate royalty rate and assumptions used in developing internal revenue growth forecasts, as well as the perceived risk associated with those forecasts in determining the Discount Rate.

The Company recorded a $13.9 million indefinite-lived intangible asset impairment during 2017 related to the Cybex trade name. Refer to Note 3 – Restructuring, Exit, Integration and Impairment Activities in the Notes to Consolidated Financial Statements for further details. The Company did not record impairments for indefinite-lived intangible assets in 2016 and 2015.

Refer to Note 11 – Goodwill and Other Intangibles in the Notes to Consolidated Financial Statements for more information.

Long-Lived Assets. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful lives of its definite-lived intangible assets--excluding goodwill and indefinite-lived trade names--and other long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. Once an impairment indicator is identified, the Company tests for recoverability of the related asset group using an estimate of undiscounted cash flows over the remaining asset group's life. If an asset group's carrying value is not recoverable, the Company records an impairment loss based on the excess of the carrying value of the asset group over the long-lived asset group's fair value. Fair value is determined using observable inputs, including the use of appraisals from independent third parties, when available, and, when observable inputs are 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 uses discounted cash flows to determine the fair value of the asset when observable inputs are unavailable. The Company tested its long-lived asset balances for impairment as indicators arose during 2017, 2016 or 2015, resulting in impairment charges of $0.1 million, $2.4 million and $4.7 million, respectively, which are recognized in either Restructuring, integration and impairment charges or Selling, general and administrative expense in the Consolidated Statements of Operations.

Litigation. In the normal course of business, the Company is subject to claims and litigation, including obligations assumed or retained as part of acquisitions and divestitures. The Company accrues for litigation 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, results of operations or cash flows.

Environmental. The Company accrues for environmental remediation-related activities for which commitments or clean-up plans have been developed and for which costs can be reasonably estimated. 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, results of operations or cash flows.

Postretirement Benefit Reserves. Postretirement costs and obligations are actuarially determined and are affected by assumptions, including the discount rate, the estimated future return on plan assets, the increase in costs of health care benefits, mortality assumptions and other factors. The Company evaluates assumptions used on a periodic basis and makes adjustments to these liabilities as necessary.

Income Taxes. Deferred taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. The Company evaluates the realizability of net deferred tax assets and, as necessary, records valuation allowances against them. The Company estimates its tax obligations based on historical experience and current tax laws and litigation. The judgments made at any point in time may change based on the outcome of tax audits and settlements of tax litigation, as well as changes due to new tax laws and regulations and the Company's application of those laws and regulations. These factors may cause the Company's tax rate and deferred tax balances to increase or decrease. The Company's income tax provision included net charges of $71.8 million as a result of U.S. tax reform. See Note 12 – Income Taxes in Notes to Consolidated Financial Statements for further details.

Recent Accounting Pronouncements

See Note 1 – Significant Accounting Policies in the Notes to Consolidated Financial Statements for the recent accounting pronouncements that have been adopted during the year ended December 31, 2017, or will be adopted in future periods.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in foreign currency exchange rates, commodity prices and interest rates. The Company enters into various hedging transactions to mitigate these risks in accordance with guidelines established by the Company's management. The Company does not use financial instruments for trading or speculative purposes.

The Company uses foreign currency forward and option contracts to manage foreign exchange rate exposure related to anticipated transactions, and assets and liabilities that are subject to risk from foreign currency rate changes. The Company's principal currency exposures relate to the Euro, Canadian dollar, Japanese yen, Australian dollar, British pound and Brazilian real. The Company hedges certain anticipated transactions with financial instruments whose maturity date, along with the realized gain or loss, occurs on or near the execution of the anticipated transaction. The Company manages foreign currency exposure of certain assets or liabilities through the use of derivative financial instruments such that the gain or loss on the derivative financial instrument offsets the loss or gain recognized on the

underlying asset or liability, respectively.

Certain raw materials the Company uses are exposed to the effect of changing commodity prices. Accordingly, the Company may use commodity swap agreements, futures contracts and supplier agreements to manage fluctuations in prices of anticipated purchases of certain raw materials, including aluminum, copper, natural gas and steel. As of December 31, 2017 and 2016, there were no outstanding derivative financial instruments related to commodities.

From time-to-time, the Company enters into forward-starting interest rate swaps to hedge the interest rate risk associated with the future issuance of long-term debt. There were no forward-starting interest rate swaps outstanding at December 31, 2017 and 2016. The Company uses fixed-to-floating interest rate swaps to convert a portion of the Company's long-term debt from fixed-to-floating rate debt. An interest rate swap is entered into with the expectation that the change in the fair value of the interest rate swap will offset the change in the fair value of the debt instrument attributable to changes in the benchmark interest rate. Each period, the change in the fair value of the interest rate swap asset or liability is recorded as a change in the fair value of the corresponding debt instrument.

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The following analyses provide quantitative information regarding the Company's exposure to foreign currency exchange rate risk and interest rate risk as it relates to its derivative financial instruments. The Company uses a model to evaluate the sensitivity of the fair value of financial instruments with exposure to market risk that assumes instantaneous, parallel shifts in exchange rates. For options and instruments with nonlinear returns, models appropriate to the instrument are utilized to determine the impact of market shifts. There are certain shortcomings inherent in the sensitivity analyses presented, primarily due to the assumption that exchange rates change in a parallel fashion.

The amounts shown below represent the estimated reduction in fair market value that the Company would incur on its derivative financial instruments from a 10 percent adverse change in quoted foreign currency rates and interest rates.

(in millions)	2017	2016
Risk Category		
Foreign exchange	$47.8	$36.1
Interest rates	1.5	1.8

Item 8. Financial Statements and Supplementary Data

See Index to Financial Statements and Financial Statement Schedule on page 45.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively), the Company has evaluated its disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a -15(e) and 15d -15(e)) as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, the Company included a report of management's assessment of the effectiveness of its internal control over financial reporting as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2017. Management's report is included in the Company's 2017 Financial Statements under the captions entitled “Report of Management on Internal Control Over Financial Reporting” and is incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information pursuant to this Item with respect to our Directors, the Company's Audit Committee, and the Company's code of ethics is incorporated by reference from the discussion under the headings Proposal No. 1: Election of Directors and Corporate Governance in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 2, 2018 (Proxy Statement). Information pursuant to this Item with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference from the discussion under the heading Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy Statement.

The information required by Item 401 of Regulation S-K regarding executive officers is included under “Executive Officers of the Registrant” following Item 4 in Part I of this Annual Report.

Item 11. Executive Compensation

Information pursuant to this Item with respect to compensation paid to our Directors is incorporated by reference from the discussion under the heading Director Compensation in the Proxy Statement. Information pursuant to this Item with respect to executive compensation is incorporated by reference from the discussion under the heading Executive Compensation in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information pursuant to this Item with respect to the securities of the Company owned by the Directors and certain officers of the Company, by the Directors and officers of the Company as a group, and by the persons known to the Company to own beneficially more than 5 percent of the outstanding voting securities of the Company is incorporated by reference from the discussion under the heading Stock Held by Directors, Executive Officers, and Principal Shareholders in the Proxy Statement. Information pursuant to this Item with respect to securities authorized for issuance under the Company's equity compensation plans is hereby incorporated by reference from the discussion under the heading Equity Compensation Plan Information in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information pursuant to this Item with respect to certain relationships and related transactions is incorporated from the discussion under the headings Proposal No. 1: Election of Directors and Corporate Governance in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

Information pursuant to this Item with respect to fees for professional services rendered by the Company's independent registered public accounting firm and the Audit Committee's policy on pre-approval of audit and permissible non-audit services of the Company's independent registered public accounting firm is incorporated by reference from the discussion in the Proxy Statement under the heading Proposal No. 3: Ratification of the Appointment of Independent Registered Public Accounting Firm.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

The financial statements and schedule filed as part of this Annual Report on Form 10-K are listed in the accompanying Index to Financial Statements and Financial Statement Schedule on page 45. The exhibits filed as a part of this Annual Report are listed in the Exhibit Index below.

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of the Company, dated July 22, 1987, filed as Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1987, as filed with the Securities and Exchange Commission, and hereby incorporated by reference.
3.2	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for 1995 as filed with the Securities and Exchange Commission on March 23, 1995, and hereby incorporated by reference.
3.3	Amended By-Laws of the Company, filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2016 as filed with the Securities and Exchange Commission on May 5, 2016, and hereby incorporated by reference.
4.1	Indenture dated as of March 15, 1987, between the Company and Continental Illinois National Bank and Trust Company of Chicago, filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1987, and hereby incorporated by reference.
4.2	Officers' Certificate setting forth terms of the Company's $125,000,000 principal amount of 7 3/8% Debentures due September 1, 2023, filed as Exhibit 4.3 to the Company's Annual Report on Form 10-K for 1993 as filed with the Securities and Exchange Commission on March 29, 1994, and hereby incorporated by reference.
4.3	Form of the Company's $200,000,000 principal amount of 7 1/8% Notes due August 1, 2027, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 21, 1997, and hereby incorporated by reference.
4.4	The Company's agreement to furnish additional debt instruments upon request by the Securities and Exchange Commission, filed as Exhibit 4.10 to the Company's Annual Report on Form 10-K for 1980, and hereby incorporated by reference.
4.5	Indenture, dated as of May 13, 2013, between the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee as filed as Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on May 13, 2013 and hereby incorporated by reference.
4.6	Form of the Company's 4.625% Senior notes due 2021, filed as Exhibit 4.2 (included in Exhibit 4.1) to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on May 13, 2013 and hereby incorporated by reference.
4.7	First Supplemental Indenture, dated May 22, 2014, to the Indenture between the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee dated May 13, 2013, filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 2014, as filed with the Securities and Exchange Commission on July 31, 2014 and hereby incorporated by reference.
10.1	Amended and Restated Credit Agreement dated as of March 21, 2011, as Amended and Restated as of June 26, 2014, as further amended and restated as of June 30, 2016, among Brunswick Corporation, the subsidiary borrowers party thereto, the guarantors party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Chase Bank, N.A., Merill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners, Bank of America, N.A. and Wells Fargo Bank, N.A., as syndication agents, and SunTrust Bank, U.S. Bank National Association and Citizens Bank N.A., as documentation agents, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 2, 2016, as filed with the Securities and Exchange

	Commission on August 3, 2016 and hereby incorporated by reference.
10.2*	Form of Officer Terms and Conditions of Employment.
10.3*	Brunswick Corporation Supplemental Pension Plan as amended and restated effective February 3, 2009, filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for 2008 as filed with the Securities and Exchange Commission on February 24, 2009, and hereby incorporated by reference.
10.4*	Form of Non-Employee Director Indemnification Agreement, filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for 2006 as filed with the Securities and Exchange Commission on February 23, 2007, and hereby incorporated by reference.

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10.5*	Brunswick Corporation 2003 Stock Incentive Plan, as amended and restated, filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2010, as filed with the Securities and Exchange Commission on May 7, 2010, and hereby incorporated by reference.
10.6*	1997 Stock Plan for Non-Employee Directors, filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, as filed with the Securities and Exchange Commission on November 13, 1998, and hereby incorporated by reference.
10.7*	Brunswick Corporation 2005 Elective Deferred Compensation Plan as amended and restated effective January 1, 2013, filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, as filed with the Securities and Exchange Commission on August 3, 2012, and hereby incorporated by reference.
10.8*	Brunswick Corporation 2005 Automatic Deferred Compensation Plan as amended and restated effective January 1, 2014, filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for 2014 as filed with the Securities and Exchange Commission on February 20, 2015 and hereby incorporated by reference.
10.9*	Brunswick Restoration Plan, as amended and restated effective January 1, 2013, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, as filed with the Securities and Exchange Commission on August 3, 2012, and hereby incorporated by reference.
10.10*	Brunswick Corporation Senior Management Incentive Plan, filed as Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2013, as filed with the Securities and Exchange Commission on May 1, 2013, and hereby incorporated by reference.
10.11*	Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 2014, as filed with the Securities and Exchange Commission on July 31, 2014 and hereby incorporated by reference.
10.12*	2015 Stock-Settled Restricted Stock Unit Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 4, 2015, as filed with the Securities and Exchange Commission on May 7, 2015, and hereby incorporated by reference.
10.13*	2015 Cash-Settled Restricted Stock Unit Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 4, 2015, as filed with the Securities and Exchange Commission on May 7, 2015, and hereby incorporated by reference.
10.14*	2015 Performance Share Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 4, 2015, as filed with the Securities and Exchange Commission on May 7, 2015, and hereby incorporated by reference.
10.15*	2015 Performance Share Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan - TSR Participants, filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 4, 2015, as filed with the Securities and Exchange Commission on May 7, 2015, and hereby incorporated by reference.
10.16*	Terms and Conditions of Employment agreement for Mark D. Schwabero, effective February 11, 2016, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on February 12, 2016, and hereby incorporated by reference.
10.17*	2016 Stock-Settled Restricted Stock Unit Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2016, as filed with the Securities and Exchange Commission on May 5, 2016, and hereby incorporated by reference.
10.18*	2016 Cash-Settled Restricted Stock Unit Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2016, as filed with the Securities and Exchange Commission on May 5, 2016, and hereby incorporated by reference.

10.19*	2016 Stock-Settled Stock Appreciation Right Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.6 to the Company's Quarterly Report of Form 10-Q for the quarter ended April 2, 2016, as filed with the Securities and Exchange Commission on May 5, 2016, and hereby incorporated by reference.
10.20*	2016 Performance Share Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2016, as filed with the Securities and Exchange Commission on May 5, 2016, and hereby incorporated by reference.

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10.21*	2016 Performance Share Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan - TSR Participants, filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2016, as filed with the Securities and Exchange Commission on May 5, 2016, and hereby incorporated by reference.
10.22*	2017 Performance Share Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2017, as filed with the Securities and Exchange Commission on May 4, 2017, and hereby incorporated by reference.
10.23*	2017 Performance Share Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan - TSR Participants, filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2017, as filed with the Securities and Exchange Commission on May 4, 2017, and hereby incorporated by reference.
10.24*	2017 Cash-Settled Restricted Stock Unit Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2017, as filed with the Securities and Exchange Commission on May 4, 2017, and hereby incorporated by reference.
10.25*	2017 Stock-Settled Restricted Stock Unit Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2017 as filed with the Securities and Exchange Commission on May 4, 2017 and hereby incorporated by reference.
10.26*	2017 Stock-Settled Stock Appreciation Right Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.6 to the Company's Quarterly Report of Form 10-Q for the quarter ended April 1, 2017, as filed with the Securities and Exchange Commission on May 4, 2017, and hereby incorporated by reference.
10.27*	2017 Brunswick Performance Plan, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2017, as filed with the Securities and Exchange Commission on May 4, 2017, and hereby incorporated by reference.
10.28*	2017 Brunswick Performance Plan - Senior Management Incentive Plan Participants, filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2017, as filed with the Securities and Exchange Commission on May 4, 2017, and hereby incorporated by reference.
10.29*	2017 Brunswick Performance Plan - Performance Share Plan Participants, filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2017, as filed with the Securities and Exchange Commission on May 4, 2017, and hereby incorporated by reference.
12.1	Statement Regarding Computation of Ratios.
21.1	Subsidiaries of the Company.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

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BRUNSWICK CORPORATION

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for the preparation, integrity, and objectivity of the financial statements and other financial information presented in this Annual Report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States and reflect the effects of certain estimates and judgments made by management.

The Company's management is also responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Securities Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Based on the Company's evaluation under the framework in Internal Control - Integrated Framework, management concluded that internal control over financial reporting was effective as of December 31, 2017. The effectiveness of internal control over financial reporting as of December 31, 2017 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its attestation report, which is included herein.

Brunswick Corporation
Mettawa, Illinois
February 20, 2018

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BRUNSWICK CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of Brunswick Corporation
Mettawa, Illinois

Opinion on Internal Control over Financial Reporting
We have audited the internal control over financial reporting of Brunswick Corporation and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework (2013) issued by COSO.
We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated February 20, 2018, expressed an unqualified opinion on those financial statements.
Basis for Opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.
Definition and Limitations of Internal Control over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 20, 2018

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BRUNSWICK CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of Brunswick Corporation
Mettawa, Illinois
Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Brunswick Corporation and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.
We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.
Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE AND TOUCHE LLP

Chicago, Illinois
February 20, 2018

We have served as the Company's auditor since 2014.

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BRUNSWICK CORPORATION
Consolidated Statements of Operations

	For the Years Ended December 31		
(in millions, except per share data)	2017	2016	2015
Net sales	$4,510.0	$4,153.9	$3,780.2
Cost of sales	3,275.3	2,973.6	2,720.2
Selling, general and administrative expense	608.1	572.1	527.8
Research and development expense	138.5	131.0	113.9
Pension settlement charge	96.6	55.1	82.3
Restructuring, exit, integration and impairment charges	36.6	15.2	4.7
Operating earnings	354.9	406.9	331.3
Equity earnings	6.1	4.3	3.7
Other income, net	6.1	3.2	5.3
Earnings before interest and income taxes	367.1	414.4	340.3
Interest expense	(26.4)	(27.2)	(27.7)
Interest income	2.6	1.8	2.2
Earnings before income taxes	343.3	389.0	314.8
Income tax provision	156.0	116.4	83.9
Net earnings from continuing operations	187.3	272.6	230.9
Discontinued operations:			
Earnings (loss) from discontinued operations, net of tax	(40.9)	3.4	(2.3)
Gain on disposal of discontinued operations, net of tax	—	—	12.8
Net earnings (loss) from discontinued operations, net of tax	(40.9)	3.4	10.5
Net earnings	$146.4	$276.0	$241.4
Earnings (loss) per common share:			
Basic			
Earnings from continuing operations	$2.10	$2.99	$2.49
Earnings (loss) from discontinued operations	(0.46)	0.04	0.11
Net earnings	$1.64	$3.03	$2.60
Diluted			
Earnings from continuing operations	$2.08	$2.96	$2.45
Earnings (loss) from discontinued operations	(0.46)	0.04	0.11
Net earnings	$1.62	$3.00	$2.56
Weighted average shares used for computation of:			
Basic earnings per common share	89.4	91.2	93.0
Diluted earnings per common share	90.1	92.0	94.3
Cash dividends declared per common share	$0.685	$0.615	$0.525

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

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BRUNSWICK CORPORATION
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31		
(in millions)	2017	2016	2015
Net earnings	$146.4	$276.0	$241.4
Other comprehensive income (loss), net of tax:			
Foreign currency translation:			
Foreign currency translation adjustments (A)	20.3	4.5	(41.9)
Net foreign currency translation	20.3	4.5	(41.9)
Defined benefit plans:			
Net actuarial losses (A)	(8.1)	(10.2)	(14.1)
Amortization of prior service credits (B)	(0.5)	(0.4)	(0.8)
Amortization of net actuarial losses (B)	69.3	45.3	63.6
Net defined benefit plans	60.7	34.7	48.7
Derivatives:			
Net deferred gains (losses) on derivatives (A)	(7.5)	2.1	8.4
Net gains (losses) reclassified into earnings (B)	1.3	(1.8)	(8.8)
Net deferred gains (losses) on derivatives	(6.2)	0.3	(0.4)
Other comprehensive income	74.8	39.5	6.4
Comprehensive income	$221.2	$315.5	$247.8

(A) The tax effects for the year ended December 31, 2017 were $(4.1) million for foreign currency translation, $5.4 million for net actuarial losses arising during the period and $3.4 million for derivatives. The tax effects for the year ended December 31, 2016 were $(7.9) million for foreign currency translation, 5.4 million for net actuarial losses arising during the period and $(0.8) million for derivatives. The tax effects for the year ended December 31, 2015 were $(10.6) million for foreign currency translation, $10.4 million for net actuarial losses arising during the period and $(3.6) million for derivatives.
(B) See Note 19 – Comprehensive Income (Loss) for the tax effects for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

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

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BRUNSWICK CORPORATION
Consolidated Balance Sheets

	As of December 31	
(in millions)	2017	2016
Assets		
Current assets		
Cash and cash equivalents, at cost, which approximates fair value	$448.8	$422.4
Restricted cash	9.4	11.2
Short-term investments in marketable securities	0.8	35.8
Total cash and short-term investments in marketable securities	459.0	469.4
Accounts and notes receivable, less allowances of $9.1 and $12.7	480.2	411.5
Inventories		
Finished goods	506.9	488.8
Work-in-process	96.8	68.3
Raw materials	161.9	141.9
Net inventories	765.6	699.0
Prepaid expenses and other	73.1	37.1
Current assets held for sale	68.8	71.5
Current assets	1,846.7	1,688.5
Property		
Land	19.9	17.9
Buildings and improvements	340.6	307.7
Equipment	991.9	923.8
Total land, buildings and improvements and equipment	1,352.4	1,249.4
Accumulated depreciation	(812.5)	(777.1)
Net land, buildings and improvements and equipment	539.9	472.3
Unamortized product tooling costs	119.6	96.7
Net property	659.5	569.0
Other assets		
Goodwill	425.3	413.8
Other intangibles, net	144.4	160.1
Equity investments	25.0	20.7
Deferred income tax asset	165.6	307.8
Other long-term assets	45.1	43.4
Long-term assets held for sale	46.6	81.4
Other assets	852.0	1,027.2
Total assets	$3,358.2	$3,284.7

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BRUNSWICK CORPORATION
Consolidated Balance Sheets

	As of December 31	
(in millions)	2017	2016
Liabilities and shareholders’ equity		
Current liabilities		
Current maturities of long-term debt	$5.6	$5.6
Accounts payable	409.7	378.2
Accrued expenses	563.6	521.3
Current liabilities held for sale	56.2	59.8
Current liabilities	1,035.1	964.9
Long-term liabilities		
Debt	431.8	433.8
Postretirement benefits	220.8	276.3
Other	184.9	162.9
Long-term liabilities held for sale	2.7	6.7
Long-term liabilities	840.2	879.7
Shareholders’ equity		
Common stock; authorized: 200,000,000 shares, $0.75 par value; issued: 102,538,000 shares; outstanding: 87,537,000 and 89,317,000 shares	76.9	76.9
Additional paid-in capital	374.4	382.0
Retained earnings	1,966.8	1,881.0
Treasury stock, at cost: 15,001,000 and 13,221,000 shares	(575.4)	(465.2)
Accumulated other comprehensive loss, net of tax:		
Foreign currency translation	(31.6)	(51.9)
Defined benefit plans:		
Prior service credits	(5.6)	(5.1)
Net actuarial losses	(310.8)	(372.0)
Unrealized losses on derivatives	(11.8)	(5.6)
Accumulated other comprehensive loss, net of tax	(359.8)	(434.6)
Shareholders’ equity	1,482.9	1,440.1
Total liabilities and shareholders’ equity	$3,358.2	$3,284.7

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

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BRUNSWICK CORPORATION
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
(in millions)	2017	2016	2015
Cash flows from operating activities			
Net earnings	$146.4	$276.0	$241.4
Less: earnings (loss) from discontinued operations, net of tax	(40.9)	3.4	10.5
Net earnings from continuing operations	187.3	272.6	230.9
Depreciation and amortization	98.2	91.0	77.1
Stock compensation expense			