

BRUNSWICK CORP
Form 10-K
February 20, 2015

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

FORM 10-K

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

For the fiscal year ended December 31, 2014

or

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

Commission file number 1-1043

Brunswick Corporation

(Exact name of registrant as specified in its charter)

Delaware

36-0848180

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1 N. Field Court, Lake Forest, Illinois 60045-4811 (Address of principal executive offices, 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 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 No

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

As of June 27, 2014, 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 \$3,885,554,626. 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, 2015 was 92,823,217.

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 6, 2015.

BRUNSWICK CORPORATION
INDEX TO ANNUAL REPORT ON FORM 10-K
December 31, 2014

TABLE OF CONTENTS

	Page
PART I	
<u>Item 1. Business</u>	<u>1</u>
<u>Item 1A. Risk Factors</u>	<u>8</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>16</u>
<u>Item 2. Properties</u>	<u>16</u>
<u>Item 3. Legal Proceedings</u>	<u>17</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>17</u>
PART II	
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>19</u>
<u>Item 6. Selected Financial Data</u>	<u>21</u>
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>43</u>
<u>Item 8. Financial Statements and Supplementary Data</u>	<u>43</u>
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>44</u>
<u>Item 9A. Controls and Procedures</u>	<u>44</u>
<u>Item 9B. Other Information</u>	<u>44</u>
PART III	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>45</u>
<u>Item 11. Executive Compensation</u>	<u>45</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters</u>	<u>45</u>
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	<u>45</u>
<u>Item 14. Principal Accounting Fees and Services</u>	<u>45</u>
PART IV	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	<u>46</u>

PART I

Item 1. Business

Brunswick Corporation (Brunswick or the Company) is a Delaware corporation, incorporated on December 31, 1907. Brunswick is a leading global designer, manufacturer and marketer of recreation products including marine engines, boats, fitness and billiards equipment. Brunswick's engine-related products include: outboard, sterndrive and inboard engines; trolling motors; propellers; engine control systems; and marine parts and accessories. The Company's boat offerings include: fiberglass pleasure boats; luxury yachts, yachts and sport yachts; offshore fishing boats; aluminum fishing boats; pontoon boats; deck boats and inflatable boats. Brunswick's fitness products include both cardiovascular and strength training equipment for the commercial and consumer markets. The Company also sells a complete line of billiards tables and other gaming tables and accessories.

In 2014, Brunswick focused on executing its growth plan which included investing in new products, strategic investments and capacity expansion. In 2015, Brunswick will focus on continuing to drive profitable growth through product leadership resulting from investments in capital projects, research and development programs and strategic acquisitions. In the longer term, Brunswick's strategy remains consistent: to design, develop and introduce high-quality products featuring innovative technology and styling; to distribute products through a model that benefits its partners - dealers and distributors - and to provide world-class service to its 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 the Company's capital strategy which includes maintaining strong cash and liquidity positions, spending on organic growth initiatives and strategic acquisition opportunities, funding pension obligations and continuing to return capital to our shareholders through dividends and share repurchases; and to attract and retain skilled and knowledgeable people. These strategic objectives support the Company's plans to grow by expanding its existing core businesses. The Company's primary objective is to enhance shareholder value by achieving returns on investments that exceed its 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 the Company's 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 \$2,189.4 million in 2014, consists of the Mercury Marine Group (Mercury Marine). The Company believes its Marine Engine segment is a world leader in the manufacturing and sale of recreational marine engines and marine parts and accessories. In 2014, Mercury Marine celebrated its 75th anniversary.

Mercury Marine manufactures and markets a full range of outboard engines, sterndrive propulsion systems and inboard engines under the Mercury, Mercury MerCruiser, Mariner, Mercury Racing, Mercury Sport Jet and Mercury Jet Drive, MotorGuide, Sea Pro, Axius and Zeus brand names. In addition, Mercury Marine manufactures and markets marine parts and accessories under the Quicksilver, Mercury Precision Parts, Mercury Propellers, Attwood, Whale, Land 'N' Sea, Kellogg Marine Supply, Diversified Marine Products, Bell Recreational Products, Sea Choice and MotorGuide brand names, including marine electronics and control integration systems, steering systems, instruments, controls, propellers, trolling motors, fuel systems, service parts and marine lubricants. Mercury Marine also supplies integrated, high-speed diesel propulsion systems to the worldwide recreational and commercial marine markets.

Mercury Marine's outboard engines, sterndrive engines and inboard engines are sold to independent boat builders, local, state and foreign governments, and to the Company's Boat segment. In addition, Mercury Marine's outboard engines are sold to end-users through a global network of more than 5,500 marine dealers and distributors, specialty

marine retailers and marine service centers.

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 75 to 300 horsepower. All of these low-emission engines are in compliance with current U.S. Environmental Protection Agency (EPA) requirements. Mercury Marine's four-stroke outboard engines include Verado, a collection of supercharged outboards ranging from 150 to 350 horsepower, and Mercury Marine's naturally aspirated four-stroke outboards, ranging from 2.5 to 150 horsepower, including the 75 to 115 horsepower FourStroke, introduced in 2014, which has already become known for its light weight, fuel efficiency and performance. 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 monitoring and treatment systems, and all are compliant with environmental regulations adopted by the State of California, effective January 1, 2008, and by the EPA, effective January 1, 2010.

1

Mercury Marine and Mercury Racing manufacture inboard and sterndrive engine models ranging from 115 to 1,650 horsepower. Mercury's new 4.5-liter 250 horsepower sterndrive engine, designed and purpose-built by Mercury for marine use, was named the top innovative product in its category in September 2014 at the International Boatbuilders' Exhibition and Conference in Tampa, Florida.

To promote advanced propulsion systems with improved handling, performance and efficiency, Mercury Marine manufactures and markets advanced boat steering and engine control systems under the brand names of Zeus and Axius.

Mercury Marine's gasoline sterndrive and outboard engines are produced 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.

On June 16, 2014, the Company acquired 100 percent of privately held Whale, which is based in Bangor, Northern Ireland, and is a manufacturer of water movement and heating systems for the marine, recreational vehicle, industrial and other markets. The Company believes this acquisition will allow the Company to more fully compete across a number of parts and accessories product categories, enable entry into attractive adjacent markets and expand the global presence of the marine service, parts and accessories businesses. On July 31, 2014, the Company acquired 100 percent of privately held Bell Industries Recreational Products Group, Inc. (Bell), which is based in Eagan, Minnesota. Bell is a distributor of parts and accessories to the marine, recreational vehicle and powersports markets, serving primarily the Upper Midwest of the U.S. The Company believes this acquisition will allow the Company to solidify its footprint in the Upper Midwest with locations in Minnesota, Michigan and Wisconsin, enhance its growth of its parts and accessories businesses, expand the depth and breadth of its product portfolio and enable entry into attractive adjacent markets. Whale and Bell are managed as part of the Company's marine service, parts and accessories businesses within the Marine Engine segment.

Mercury Marine's parts and accessories distribution and products businesses include: Land 'N' Sea, Kellogg Marine Supply, Diversified Marine Products, Bell Recreational Products, Attwood Marine and Whale. These businesses are leading manufacturers and distributors of marine parts and accessories throughout North America and Europe, offering same-day or next-day delivery service to a broad array of marine service facilities.

Inter-company sales to the Company's Boat segment represented approximately 12 percent of Mercury Marine's sales in 2014. 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 products: fiberglass pleasure boats; luxury yachts, yachts and sport yachts; offshore fishing boats; aluminum fishing boats; pontoon boats; deck boats and inflatable boats. The Company believes that its Boat Group, which had net sales of \$1,135.8 million during 2014, 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 the boat manufacturing and design processes.

The Boat Group includes the following boat brands: Sea Ray L-Class yachts, yachts, sport yachts, sport cruisers and runabouts; Bayliner sport cruisers and runabouts; Meridian yachts; Boston Whaler and Lund fiberglass fishing boats; and Crestliner, Cypress Cay, Harris, Lowe, Lund and Princecraft aluminum fishing, utility, pontoon boats and deck 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, which include Quicksilver, Uttern and Rayglass (Protector and Legend), which are typically equipped with engines manufactured by Mercury Marine and often include other parts and accessories supplied by Mercury Marine.

The Boat Group operates manufacturing facilities in Florida, Indiana, Minnesota, Missouri, Tennessee, Brazil, Canada, Mexico, New Zealand and Portugal, and owns an inactive manufacturing facility in North Carolina. The Boat Group utilizes contract manufacturing facilities in Poland. In 2014, the Boat Group divested idle operating facilities in Ashland City and Knoxville, Tennessee.

The Boat Group's products are sold to end-users through a global network of approximately 3,000 dealers and distributors, each of which carries one or more of Brunswick's boat brands. Sales to the Boat Group's largest dealer, MarineMax Inc., which has multiple locations and carries a number of the Boat Group's product lines, represented approximately 18 percent of Boat Group sales in 2014. Domestic demand for pleasure boats is seasonal, with sales generally highest in the second calendar quarter of the year.

Fitness Segment

Brunswick's Fitness segment is comprised of its Life Fitness division (Life 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 and Hammer Strength brands. The Fitness segment also includes Brunswick's billiards business which was previously a part of Brunswick's former Bowling and Billiards segment.

The Company believes that its Fitness segment, which had net sales of \$769.3 million during 2014, is the world's largest manufacturer of commercial fitness equipment and a leading manufacturer of high-quality consumer fitness equipment. Life Fitness' commercial sales customers include health clubs, corporations, schools and universities, hotels, professional sports teams and the military and governmental agencies. Commercial sales are made to customers through Life Fitness' 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 Web site.

The Fitness segment's billiards business was established in 1845 and is Brunswick's heritage business. The billiards business designs and/or markets billiards tables, table tennis tables, air powered table hockey games and other gaming 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, Wisconsin and Hungary, with third party contract manufacturing partners in China and Taiwan. Life Fitness distributes its products worldwide from regional warehouses and production facilities. Demand for Life Fitness products is seasonal, with sales generally highest in the fourth quarter of the year.

Discontinued Operations

On July 17, 2014, the Company entered into an agreement to sell its retail bowling business to AMF Bowling Centers, Inc. In connection with its decision to sell its bowling centers, the Company announced its intention to divest its bowling products business. On December 31, 2012, the Board of Directors authorized the Company to exit its Hatteras and Cabo boat businesses. As a result of these actions, these businesses, which were previously recorded in the Bowling & Billiards segment and Boat segment, respectively, are being reported as discontinued operations in the Consolidated Statements of Operations for all periods presented. The Company does not have or anticipate having any significant continuing involvement or continuing cash flows associated with these businesses. The assets and liabilities of these businesses met the accounting criteria to be classified as held for sale and have been aggregated and reported on separate lines of the Consolidated Balance Sheets for all periods presented.

On September 18, 2014, the Company completed the sale of its retail bowling business to AMF Bowling Centers, Inc. as well as, in separate transactions, completed the sale of two retail bowling centers in California. In August 2013, the

Company completed the sale of its Hatteras and Cabo boat businesses. Refer to Note 2 – Discontinued Operations in the Notes to Consolidated Financial Statements for additional information regarding the Company's discontinued operations.

Financial Services

The Company, through its Brunswick Financial Services Corporation subsidiary, owns a 49 percent interest in a joint venture, Brunswick Acceptance Company, LLC (BAC). CDF Ventures, LLC, a subsidiary of GE Capital Corporation, owns the remaining 51 percent. Under the terms of the joint venture agreement, BAC provides secured wholesale inventory floorplan financing to the Company's boat and engine dealers.

In March 2013, the term of the BAC joint venture was extended through December 31, 2016. 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 2014, the joint venture agreement was amended to adjust a financial covenant that was conformed to the leverage ratio test contained in the Facility as described in Note 16 – Debt in the Notes to Consolidated Financial Statements.

Additionally, Brunswick offers 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 Brunswick to offer a more complete line of financial services to its 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 the Company's financial services.

Distribution

Brunswick utilizes distributors, dealers and retailers (Dealers) for the majority of its boat sales and significant portions of its sales of marine engine, fitness and billiards products. Brunswick has over 16,000 Dealers serving its business segments worldwide. Brunswick's marine Dealers typically carry one or more of the following product categories - boats, engines and related parts and accessories.

Brunswick owns Land 'N' Sea, Kellogg Marine Supply, Diversified Marine Products and Bell Recreational Products, which comprise the primary North American parts and accessories distribution platforms for the Company's Marine Engine segment. We believe that these businesses, collectively, are the leading distributors of marine parts and accessories throughout North America, with 16 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.

Brunswick's 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 Brunswick's products exclusively, while a majority also carry competitors' products. Brunswick partners with its 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 Brunswick's products is seasonal, and a number of Brunswick's Dealers are relatively small and/or highly-leveraged. As a result, many Dealers require financial assistance to support their businesses, enabling them to provide stable channels for Brunswick's products. In addition to the financing offered by BAC, the Company may also provide its Dealers with assistance, including incentive programs, loan guarantees and inventory repurchase commitments, under which the Company is obligated to repurchase inventory from a finance company in the event of a Dealer's default. The Company believes that these arrangements are in its best interest; however, the financial support that the Company provides to its Dealers exposes the Company to credit and business risk. Brunswick's business units, along with BAC, maintain active credit operations to manage this financial exposure, and the Company continually seeks opportunities to sustain and improve the financial health of its various distribution channel partners. Refer to Note 13 – Commitments and Contingencies in the Notes to Consolidated Financial Statements for further discussion of these arrangements.

International Operations

Brunswick's sales to customers in markets other than the United States were \$1,438.7 million (37 percent of net sales), \$1,385.1 million (38 percent of net sales) and \$1,347.6 million (39 percent of net sales) in 2014, 2013 and 2012, respectively. The Company transacts a portion of its sales in non-U.S. markets in local currencies, and the cost of its products is generally denominated in U.S. dollars. As a result, the strengthening or weakening of the U.S. dollar

affects the financial results of Brunswick's non-U.S. operations.

4

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 Brunswick's non-U.S. sales by region:

(in millions)	2014	2013	2012
Europe	\$533.5	\$469.0	\$439.4
Canada	302.4	312.6	310.2
Asia-Pacific	286.0	281.4	294.6
Latin America	219.0	234.6	217.3
Africa & Middle East	97.8	87.5	86.1
Total	\$1,438.7	\$1,385.1	\$1,347.6

Marine Engine segment non-U.S. sales represented approximately 48 percent of Brunswick's non-U.S. sales in 2014. The segment's principal non-U.S. operations include the following:

• Distribution, sales, service and applications engineering offices in Australia, Belgium, Brazil, Canada, China, Malaysia, Mexico, New Zealand and Singapore;

- Sales or representative offices in China, Dubai, Finland, France, Italy, 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 26 percent of Brunswick's non-U.S. sales in 2014. A portion of the Boat Group's products are manufactured or assembled in Brazil, Canada, Mexico, New Zealand and Portugal, as well as in boat plants owned and operated by third parties in Poland that perform contract manufacturing for the Company, and are sold worldwide through Dealers. The Boat Group has sales or import offices in Belgium, Brazil, Canada, Italy, the Netherlands, New Zealand, Norway, Poland and Sweden.

Fitness segment non-U.S. sales comprised approximately 26 percent of Brunswick's non-U.S. sales in 2014. Life Fitness sells its products worldwide and has sales and distribution centers in Brazil, Germany, Hong Kong, Japan, the Netherlands, Spain and the United Kingdom. The Fitness segment manufactures strength-training equipment and select lines of cardiovascular equipment in Hungary for its international markets, and has relationships with contract manufacturers in China and Taiwan.

Raw Materials and Supplies

Brunswick purchases a wide variety of raw materials from its supplier base, including 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 the Company's production costs, which could reduce the Company's profitability if the Company did not recoup the increased costs through higher product prices.

As Brunswick's manufacturing operations raised production levels in 2014, the Company's need for raw materials and supplies increased. Continuing into 2015, Brunswick's suppliers will need to increase their manufacturing operations 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 Brunswick and other customers. During 2014, the Company experienced some shortages, and delayed delivery, of certain materials, parts and supplies essential to its manufacturing operations. The Company has 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 its supplier base.

The Company also continues to expand its global procurement operations to better leverage its purchasing power across its divisions and to improve supply chain and cost efficiencies. The Company mitigates its commodity price risk on certain raw material purchases by using derivatives to hedge exposure related to changes in commodity prices.

Intellectual Property

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

In the 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 interiors and other 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 Brunswick's principal trademarks:

Marine Engine Segment: Attwood, Axius, Bell Recreational Products, Diversified Marine Products, Kellogg Marine Supply, Land 'N' Sea, Mariner, MercNET, MerCruiser, Mercury, Mercury Marine, Mercury Parts Express, Mercury Precision Parts, Mercury Propellers, Mercury Racing, MotorGuide, OptiMax, Quicksilver, Seachoice, SeaPro, SmartCraft, Sport Jet, Swivel-Eze, Valiant, Verado, Whale and Zeus.

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

Fitness Segment: Air Hockey, Brunswick, Contender, Flex Deck, Gold Crown, Hammer Strength, Lifecycle and Life Fitness.

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

Competitive Conditions and Position

The Company believes that it has a reputation for quality in each of its highly competitive lines of business. Brunswick competes in its various markets by: utilizing efficient production techniques; developing and strengthening its 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 services.

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

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

Marine Engine Segment: The Company believes its Marine Engine segment is a world leader in the manufacturing and sale of recreational 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 and durability, along with effective promotion and distribution.

Boat Segment: The Company believes that its Boat Group is a world leader in the manufacturing and sale of pleasure motorboats. There are several major manufacturers of pleasure and offshore fishing boats, along with hundreds of smaller manufacturers. Consequently, this business is both highly competitive and highly fragmented. The Company believes it has the broadest range of boat product offerings in the world, with boats ranging in size from 10 to 65 feet. In all of its boat operations, Brunswick competes 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: The Company believes it is 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. The billiards industry continues to experience competitive pressure from low-cost billiards manufacturers outside the United States. Many of the Company's fitness equipment offerings feature industry-leading product innovations, and the Company places significant emphasis on introducing new fitness equipment to the market. Competitive focus is also placed on product quality, technology, service, pricing, state-of-the-art biomechanics, and effective promotional activities.

Research and Development

The Company strives to improve its competitive position in all of its segments by continuously investing in research and development to drive innovation in its products and manufacturing technologies. Brunswick's research and development investments support the introduction of new products and enhancements to existing products. Research and development expenses as a percentage of net sales were 3.1 percent, 3.2 percent and 3.0 percent in 2014, 2013 and 2012, respectively. Research and development expenses by segment are shown below:

(in millions)	2014	2013	2012
Marine Engine	\$72.5	\$70.6	\$61.5
Boat	23.7	22.4	20.2
Fitness	23.4	21.8	19.3
Total	\$119.6	\$114.8	\$101.0

Number of Employees

The number of employees worldwide is shown below by segment:

	December 31, 2014		December 31, 2013	
	Total	Union (domestic)	Total	Union (domestic)
Marine Engine	5,320	1,723	5,331	1,880
Boat	4,024	—	3,748	—
Fitness ^(A)	2,026	134	1,832	134
Bowling ^(B)	479	24	4,478	24
Corporate	316	—	312	—
Total ^(C)	12,165	1,881	15,701	2,038

(A) 2014 and 2013 employee numbers include employees of the billiards business.

(B) 2014 and 2013 employee numbers include employees of the bowling products business. 2013 employee numbers include employees of the retail bowling business which was divested effective September 18, 2014.

(C) All employee numbers exclude temporary employees.

The Company believes that the relationships between its employees, the labor unions and the Company remain stable.

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

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

Item 1A. Risk Factors

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

Worldwide economic conditions have adversely affected the Company's industries, businesses and results of operations and may continue to do so.

General worldwide economic conditions continue to be challenging as economies continue to recover from the effects caused by the subprime lending and general credit market crisis, collateral effects on the finance and banking industries, slower economic activity, variable consumer confidence, and weak business conditions. In times of economic uncertainty and contraction, consumers tend to have less discretionary income and to defer expenditures for discretionary items, which adversely affects the Company's financial performance, especially in its marine businesses. A majority of the Company's businesses are cyclical in nature and are highly sensitive to personal discretionary spending levels, and their success is dependent upon favorable economic conditions, the overall level of consumer confidence and personal income levels.

Demand for the Company's marine products has been influenced by weak economic conditions, low consumer confidence, high unemployment and increased market volatility worldwide. Although increases have not been experienced in all product segments and geographic markets, the Company estimates that retail unit sales of powerboats in the United States again increased modestly during 2014. However, unit sales remain down significantly from historical levels, particularly in the fiberglass sterndrive boat segment. Any deterioration in general economic conditions that diminishes consumer confidence or discretionary income may further reduce the Company's sales or the Company may decide to sell its products at a discount, thus adversely affecting its financial results, including increasing the potential for future impairment charges. The Company cannot predict the timing or strength of economic recovery, either worldwide or in the specific markets where it competes.

Fiscal concerns may negatively impact worldwide credit conditions and could have an adverse effect on the Company's industries, businesses and financial condition.

Concerns regarding fiscal policy could have a material adverse impact on worldwide economic conditions, the financial markets and the availability of credit and, consequently, may negatively affect the Company's industries, businesses and overall financial condition. Although consumer credit markets have improved, consumer credit market conditions continue to influence demand, especially for marine products, and may continue to do so.

Customers often finance purchases of the Company's products, particularly boats. Credit market conditions continued to improve in 2014, but remained less favorable overall than those in existence prior to the decline in marine retail demand. While interest rates are generally lower, there continue to be fewer lenders, tighter underwriting and loan approval criteria, greater down payment requirements and negative loan equity, particularly in larger products. 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 of the Company's products or delay any improvement in its sales.

The inability of the Company's dealers and distributors to secure adequate access to capital could adversely affect the Company's sales.

The Company's dealers require adequate liquidity to finance their operations, including purchases of the Company's 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 sources of financing are vital to the Company's ability to sell products through the Company's distribution network, particularly to its boat and engine dealers. During the credit crisis which ensued before, during and after the 2009 recession, several third-party floorplan lenders ceased their lending operations or materially reduced their exposure. A significant portion of the Company's domestic and international boat and engine sales to dealers are financed through entities affiliated with GE Capital Corporation (GECC), including BAC (the Company's 49 percent owned joint venture, with the other 51 percent being owned by CDFV, a subsidiary of GECC), which provides floorplan financing to domestic marine dealers.

The availability and terms of financing offered by the Company's dealer floorplan financing providers will continue to be influenced by a number of factors including: their ability to access certain capital markets, including 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. The Company's sales could be adversely affected if BAC were to be terminated, if further declines in floorplan financing availability

occur, or if financing terms change unfavorably. This could require dealers to find alternative sources of financing, including the Company providing this financing directly to dealers, which could require additional capital to fund the associated receivables.

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

The Company relies on third-party dealers and distributors to sell the majority of its products, particularly in the marine business. The ability to maintain a reliable network of dealers is essential to the Company's success. The Company faces competition from other boat manufacturers in attracting and retaining distributors and independent boat dealers. A significant deterioration in the number or effectiveness of the Company's dealers and distributors could have a material adverse effect on the Company's financial results.

Weakening demand for marine products could adversely affect the financial performance of the Company's dealers. In particular, reduced cash flow from decreases in sales and tightening credit markets may impair a dealer's ability to fund operations. Inability to fund operations can force dealers to cease business, and the Company may not be able to obtain alternate distribution in the vacated market. An inability to obtain alternate distribution could unfavorably affect the Company's net sales through reduced market presence. If conditions were to worsen, the Company anticipates that dealer failures or voluntary market exits could increase, especially if overall retail demand for boats materially declines.

Finally, labor disruption at major ports and shipping hubs around the world may adversely affect the Company and its distributors' ability to transport raw materials to its facilities and products to its 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 the Company's financial results.

The Company does not frequently rely on short-term capital markets to meet its working capital requirements, fund capital expenditures, pay dividends, or fund employee benefit programs; however, the Company does maintain short-term borrowing facilities which can be used to meet these capital requirements. In addition, over the long term, the Company 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 heightened governmental regulation could lead to volatility and disruptions in the capital and credit markets. This could adversely affect the Company's ability to access capital and credit markets or increase the cost to do so, which could have a negative impact on its business, financial results and competitive position.

Changes in currency exchange rates can adversely affect the Company's results.

A portion of the Company's sales are denominated in a currency other than the U.S. dollar. Consequently, a strong U.S. dollar may adversely affect reported revenues. The Company also maintains a portion of its 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, Brazil and Canada, fitness equipment in Europe, as well as smaller outboard engines in Asia. A portion of SG&A costs are also transacted in a currency other than the U.S. dollar. The Company sells U.S. manufactured products into certain international markets in U.S. dollars, including the sale of products into Canada, Europe and Latin America. Demand for the Company's products in these markets may also be adversely affected by a strengthening U.S. dollar. The Company has certain competitors with cost positions based outside the U.S., including Asian-based outboard engine manufacturers, European-based large fiberglass boat manufacturers and a European-based fitness equipment manufacturer. A strengthening U.S. dollar may provide a cost advantage to these competitors, which could result in pricing pressures.

The Company maintains hedging programs to reduce its risk to currency fluctuations; however, it is not possible to hedge against all currency risk, especially over the long term. The Company also continues to evaluate its supply chain and cost structure for opportunities to further mitigate risks associated with foreign currency.

Inventory reductions by major dealers, retailers and independent boat builders could adversely affect the Company's financial results.

The Company and its 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 reductions in excess of retail reductions and would likely result in lower

production levels of the Company's products, thus resulting in lower rates of absorption of fixed costs in the Company's manufacturing facilities and lower margins. While actions taken continue to keep dealer inventories at appropriate levels, the potential need for future inventory reductions by dealers and independent boat builder customers could impair the Company's future sales and results of operations.

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

The Company has agreements with certain third-party finance companies to provide financing to the Company's customers to enable the purchase of its products. In connection with these agreements, the Company either may have obligations to repurchase the Company's products from the finance company, or may have recourse obligations to the finance company on the dealer's receivables. These obligations are triggered if the Company's dealers default on their debt obligations to the finance companies.

The Company's maximum contingent obligation to repurchase inventory and its maximum contingent recourse obligations on customer receivables have been reduced in recent years and are less than the total balances of dealer financings outstanding under these programs, as the Company's obligations under certain of these arrangements are subject to caps, or are limited based on the age of product. The Company's risk related to these arrangements is mitigated by the proceeds it receives on the resale of repurchased product to other dealers, or by recoveries on receivables purchased under the recourse obligations.

The Company's inventory repurchase obligations relate primarily to the inventory floorplan credit facilities of the Company's boat and engine dealers. The Company's actual historical repurchase experience related to these repurchase arrangements has been substantially less than the Company's maximum contractual obligations. If dealers file for bankruptcy or cease operations, losses associated with the repurchase of the Company's products could be incurred. In addition, as the repurchases may be triggered by dealer bankruptcies, the Company's 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 the Company to incur losses in excess of established reserves. In addition, the Company's 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. In addition, the finance companies could require changes in repurchase or recourse terms that would result in an increase in the Company's contractual contingent obligations.

The loss of key customers or critical suppliers could harm the Company's business.

If the Company were to experience the loss of a key customer, its business could be negatively affected in a significant way. Similarly, if one of the Company's most critical suppliers were to close its operations, cease manufacturing or otherwise fail to deliver an essential component necessary to the Company's manufacturing operations, it could have a detrimental effect on the Company's ability to manufacture and sell its products, resulting in an interruption in business operations and/or a loss of sales. In an effort to mitigate the risk associated with the Company's reliance on such customers and suppliers, it continually works to monitor such relationships, maintain a complete and competitive product lineup and identify alternative suppliers for key components.

The Company's success depends upon the continued strength of its brands.

The Company believes that its brands, including Brunswick, Mercury, Life Fitness, Sea Ray, Boston Whaler and Lund, are significant contributors to the success of the Company's business, and that maintaining and enhancing the brands are important to expanding the Company's customer base. Failure to continue to promote and protect the Company's brands may adversely affect the Company's business and results of operations.

The Company has a large fixed cost base that can affect its profitability in a declining sales environment.

The fixed cost levels of operating marine production plants can put pressure on profit margins when sales and production decline. The Company's profitability is dependent, in part, on its ability to spread fixed costs over an increasing number of products sold and shipped, and if the Company makes a decision to reduce its rate of production, gross margins could be negatively affected. Consequently, decreased demand or the need to reduce inventories can lower the Company's ability to absorb fixed costs and materially impact its results of operations.

Successfully managing the expansion of its manufacturing footprint is critical to the Company's operating and financial results.

Over the past two years, the Company has made strategic capital investments in capacity expansion activities that will enable the affected businesses to successfully capture growth opportunities and enhance product offerings. Recently, the Company announced the reactivation of its Sykes Creek manufacturing facility in Merritt Island, Florida, invested capital in a new pontoon facility in Fort Wayne, Indiana and has initiated or completed plant expansion activities at its facilities in Edgewater and Palm Coast Florida, New York Mills, Minnesota, Fond du Lac, Wisconsin and Kiskoros,

Hungary. These capital improvement projects and expansions must be carefully managed to ensure cost targets are met, environmental, safety and other regulations are followed and high-quality workmanship is maintained.

10

Moving production to a different plant or expanding capacity at an existing facility involves risks, including the inability to start up production within the cost and timeframe estimated, supply product to customers when expected and attract and train a sufficient number of skilled workers to handle the additional production demands. The inability to successfully implement the Company's manufacturing footprint initiatives could adversely affect its ability to meet customer demand for products and could 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 and cost inefficiencies, which could exceed projections and negatively impact financial results.

If the Company is not able to successfully implement its strategic plan and growth initiatives, this could have a material adverse effect on the Company's business and financial condition.

The Company's ability to continue generating positive cash flow and profits will depend partly on its continued successful execution of the Company's strategic plan and growth initiatives. The Company's ability to succeed in its strategic plan and growth initiatives may require significant capital investment and management attention, which may 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 the products on schedule and to specification, create the necessary supply chain and/or the ability to attract and retain qualified management and other personnel. There can be no assurance that the Company will be able to develop and successfully implement its strategic plan and growth initiatives to a point where they will become profitable or generate positive cash flow. If the Company cannot successfully execute its strategic plan and growth initiatives, the Company's financial condition and results of operations may be adversely impacted.

One of the Company's growth strategies may involve the acquisition of adjacent companies and product lines. There can be no assurance that additional acquisitions will be consummated or that, if consummated, will be successful and the acquired businesses will be successfully integrated into the Company's operations. Certain acquisitions or related integration may disrupt operations and pose potential difficulties in employee retention, and there may be additional risks with respect to the Company's ability to recognize the benefits of acquisitions, including potential synergies and cost savings or the failure of acquisitions to achieve their plans and objectives.

The Company relies on third-party suppliers for the supply of the raw materials, parts and components necessary to manufacture its products. The Company's financial results may be adversely affected by an increase in cost, disruption of supply or shortage of or defect in raw materials, parts or product components.

Outside suppliers and contract manufacturers provide the Company with raw materials used in its manufacturing processes 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 the Company's raw materials, parts and components would increase the Company's operating costs, and could reduce its profitability if the Company could not recoup the increased costs through increased product prices.

In addition, some components used in the Company's 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 the Company with the parts and components it needs, which could significantly disrupt the Company's 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 the Company or incompatible with the Company's manufacturing process, could harm the Company's ability to manufacture products.

Some of the risks that could disrupt the Company's operations, impair the Company's ability to deliver products to the Company's customers and negatively affect the Company's financial results include: an increase in the cost of, defects in or a sustained interruption in the supply or shortage of some of these raw materials, parts or products that may be caused by delayed start-up periods experienced by the Company's suppliers as they increase production efforts; financial pressures on the Company's suppliers due to a weakening economy; a deterioration of the Company's relationships with suppliers; or by events such as natural disasters, power outages or labor strikes, including the current slowdown and potential strike involving the U.S. west coast ports. In addition to the risks described above

regarding interruption of supplies, which are exacerbated in the case of single-source suppliers, the exclusive supplier of a key component potentially could exert significant bargaining power over price, quality, warranty claims, or other terms relating to a component.

The Company's manufacturing operations increased production in 2014 and are expected to continue to do so in 2015, and consequently, the Company's need for raw materials and supplies will increase. The Company's suppliers must be prepared to ramp-up operations and, in many cases, hire additional workers and/or expand capacity in order to fulfill the orders placed by the Company and other customers. The Company experienced periodic supply shortages in 2014. The Company continues to work

to address this issue by identifying alternative suppliers, working to secure adequate inventories of critical supplies and continually monitoring the capabilities of its supplier base. In the future, however, the Company may continue to experience shortages of, delayed delivery of and/or increased prices for key materials, parts and supplies that are essential to its manufacturing operations.

The Company's pension funding requirements and expenses are affected by certain factors outside its control, including the performance of plan assets, the discount rate used to value liabilities, actuarial data and experience and legal and regulatory changes.

The Company's funding obligations and pension expense for its four 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 the Company's results of operations, liquidity or shareholders' equity. In addition, a portion of the Company's 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 its qualified pension plan liabilities was approximately 76 percent as of December 31, 2014. The Company's future pension expenses and funding requirements could increase significantly 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, as a result of changes in regulations, the Company could be legally required to make increased contributions to the pension plans, and these contributions could be material and negatively affect the Company's cash flow.

The Company is currently mitigating these risks by transitioning the asset allocation in the pensions to 100 percent fixed income and through the offering of lump sum settlements to certain plan participants.

The timing and amount of the Company's share repurchases are subject to a number of uncertainties.

During the fourth quarter of 2014, the Company announced its board of directors had authorized the discretionary repurchase of up to \$200 million of the Company's outstanding common stock, which will be systematically completed in the open market or through privately negotiated transactions over approximately a two-year period. The amount and timing of share repurchases will be based on a variety of factors. Important factors that could cause us to limit, suspend or delay the Company's stock repurchases include 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. If we delay, limit or suspend the Company's stock repurchase program, the Company's stock price and earnings per share may be negatively affected.

Higher energy and fuel costs can affect the Company's results.

Higher energy and fuel costs result in increases in operating expenses at the Company's manufacturing facilities and in the cost of shipping products to customers. In addition, increases in energy costs can adversely affect the pricing and availability of petroleum-based raw materials such as resins and foam that are used in many of the Company's marine products. Also, higher fuel prices may have an adverse effect on demand for marine retail products, as they increase the cost of boat ownership and possibly affect product usage, and may have a negative impact on operating margins, particularly in the Fitness segment, as transportation costs increase.

The Company's profitability may suffer as a result of competitive pricing and other pressures.

The introduction of lower-priced alternative products by other companies can hurt the Company's competitive position in all of its businesses. The Company is constantly subject to competitive pressures in which predominantly international manufacturers may pursue a strategy of aggressive pricing, particularly during periods when local currency weakens versus the U.S. dollar. Such pricing pressure may limit the Company's ability to increase prices for its products in response to raw material and other cost increases and negatively affect the Company's profit margins. In addition, international boat builders continue to enter the U.S. market, mainly in the large fiberglass boat segment, thereby adding additional product options into a market where the Company has historically been a market leader. These new entrants, combined with continued sluggish market conditions in certain segments, may prevent the Company from successfully implementing its strategic plan and could result in lower sales.

Finally, the Company's 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 the Company's products.

The Company's ability to remain competitive depends on the successful introduction of new product offerings and the ability to meet its customers' expectations.

The Company believes that its customers rigorously evaluate their suppliers on the basis of product quality along with new product innovation and development capability. The Company's ability to remain competitive and meet its growth objectives may be adversely affected by difficulties or delays in product development, such as an inability to develop viable new products, gain market acceptance of new products, generate sufficient capital to fund new product development or obtain adequate intellectual property protection for new products. To meet ever-changing consumer demands, the timing of market entry and pricing of new products are critical. As a result, the Company may not be able to introduce new products necessary to remain competitive in all markets that it serves. Furthermore, the Company must deliver quality products that meet or exceed its customers' expectations regarding product quality and after-sales service.

The Company competes with a variety of other activities for consumers' scarce discretionary income and leisure time. The vast majority of the Company's products are used for recreational purposes, and demand for the Company's products can be adversely affected by competition from other activities that occupy consumers' time, including other forms of recreation as well as religious, cultural and community activities. Additionally, any pressures or slow growth in consumers' discretionary income may influence consumers' willingness to purchase and enjoy the Company's products.

The Company manufactures and sells products that create exposure to potential product liability, warranty liability, personal injury and property damage claims and litigation.

The Company's products may expose it to potential product liability, warranty liability, personal injury or property damage claims relating to the use of those products. The Company's manufacturing footprint actions and production of new products could result in product quality issues, thereby increasing the risk of litigation and potential liability. To address this risk, the Company has established a global, enterprise-wide organization charged with the responsibility of addressing, reviewing and reporting on product integrity issues. Historically, the resolution of such claims has not materially adversely affected the Company's business, and the Company maintains insurance coverage to mitigate a portion of these risks, which it believes to be adequate. However, the Company may experience material losses in the future, incur significant costs to defend claims or experience claims in excess of its insurance coverage or claims that will not be covered by insurance. Furthermore, the Company's reputation may be adversely affected by such claims, whether or not successful, including potential negative publicity about its products. The Company records reserves for known potential liabilities, but there is the possibility that actual losses may exceed these reserves and therefore negatively impact earnings.

Environmental laws and zoning and other requirements can inhibit the Company's ability to grow its marine businesses.

Environmental restrictions, boat plant emission restrictions and permitting and zoning requirements can limit production capacity, access to water for boating, as well as marina and storage space. In addition, certain jurisdictions both inside and outside the United States require or are considering requiring a license to operate a recreational boat. While such licensing requirements are not expected to be unduly restrictive, they may deter potential customers, thereby reducing the Company's 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 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.

Compliance with environmental regulations affecting marine engines will increase costs and may reduce demand for the Company's products.

The U.S. Environmental Protection Agency's emission regulations require certain gasoline sterndrive and inboard engines to be equipped with a catalyst exhaust monitoring and treatment system. It is possible that environmental regulatory bodies may impose higher emissions standards in the future for these and other marine engines including outboards. Compliance with these standards would increase the cost to manufacture and the price to the customer for the Company's engines, which could in turn reduce consumer demand for the Company's marine products and potentially reduce operating margins. An increase in the cost of marine engines, an increase in the retail price to consumers, or unforeseen delays in compliance with environmental regulations affecting these products, could have

an adverse effect on the Company's results of operations.

13

The Company's businesses may be adversely affected by compliance obligations and liabilities under various laws and regulations.

The Company is subject to federal, state, local and foreign laws and regulations, including product safety, environmental, health and safety laws and other regulations. While the Company believes that it maintains all requisite licenses and permits and that it is in material compliance with all applicable laws and regulations, a failure to satisfy these and other regulatory requirements could cause the Company to incur fines or penalties, and compliance could increase its cost of operations. The adoption of additional laws, rules and regulations could also increase the Company's capital or operating costs.

The Company's manufacturing processes involve the use, handling, storage and contracting for recycling or disposal of hazardous or toxic substances or wastes. Accordingly, the Company is subject to regulations regarding these substances, and the misuse or mishandling of such substances could expose it to liabilities, including claims for property or natural resources damages or personal injury, or fines. The Company is also subject to laws requiring the cleanup of contaminated property. If a release of hazardous substances occurs at or from any of the Company's current or former properties or another location where it has disposed of hazardous materials, the Company may be held liable for the contamination, regardless of knowledge or whether it was at fault in connection with the release, and the amount of such liability could be material.

Additionally, the Company is subject to laws governing its relationship with its employees, including, but not limited to, employee wage, hour and benefit issues, such as pension funding and health care benefits. Changes to such legislation could increase the cost of the Company's operations.

Increases in income tax rates or changes in income tax laws or enforcement could have a material adverse impact on the Company's financial results.

Changes in domestic and international tax legislation could expose the Company to additional tax liability or possibly require changes to lower deferred tax asset values. Although the Company carefully monitors changes in tax laws and works to mitigate the impact of proposed changes, such changes or failure to extend legislation, including the research and development credit, may negatively impact the Company's financial results. In addition, any increase in individual income tax rates would negatively affect the Company's potential customers' discretionary income and could decrease the demand for its products. Finally, governments in many jurisdictions are increasing their audit activity and are engaging in other projects, such as those related to alleged base erosion and profit shifting, in an effort to obtain additional revenue. This increase in activity involves increased costs to the Company for having to resolve these potential disputes and from the potential additional taxes which may be assessed.

If the Company's intellectual property protection is inadequate, others may be able to use its technologies and thereby impair the Company's ability to compete, which could have a material adverse effect on the Company, its financial condition and results of operations.

The Company regards much of the technology underlying its products as proprietary. The Company relies 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 its technology and other intellectual property rights. The steps the Company takes to protect its proprietary technology may be inadequate to prevent misappropriation of the Company's technology, or third parties may independently develop similar technology. Agreements containing protections may be breached or terminated, the Company may not have adequate remedies for any such breach, and existing patent, trademark, copyright and trade secret laws may afford it limited protection. Policing unauthorized use of the Company's intellectual property is difficult, particularly in many regions outside the United States. A third party could copy or otherwise obtain and use the Company's products or technology without authorization. Litigation may be necessary for the Company to defend against claims of infringement or to protect its intellectual property rights and could result in substantial cost and divert the attention of management. Further, the Company might not prevail in such litigation and the Company may be forced to seek licenses or royalty arrangements from third parties, which the Company may not be able to obtain on reasonable terms, or the Company may be forced to stop using products that included the challenged intellectual property, which could harm its business.

Some of the Company's operations are conducted by joint ventures that are not operated solely for its benefit.

Some of the Company's operations are carried on through jointly owned companies such as BAC, Bella and Tohatsu Marine Corporation. With respect to these joint ventures, the Company shares ownership and management

responsibility of these companies with one or more parties who may not have the same goals, strategies, priorities or resources as the Company. These joint ventures are intended to be operated for the benefit of all co-owners, rather than for the Company's exclusive benefit.

A significant portion of the Company's revenue is derived from international sources, which exposes it to additional uncertainty.

The Company intends to continue to expand its international operations and customer base as part of its 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, 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. If the Company continues to expand its business globally, its success will depend, in part, on the Company's ability to anticipate and effectively manage these and other risks. These and other factors may have a material impact on the Company's international operations or its business as a whole.

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

Goodwill and indefinite-lived intangible assets, such as the Company's 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, the Company makes assumptions regarding future operating performance, business trends and market and economic conditions. Such analyses further require the Company to make certain assumptions about sales, operating margins, growth rates and discount rates. There are inherent uncertainties related to these factors and in applying these factors to the assessment of goodwill and trade name recoverability. Goodwill reviews are prepared using estimates of the fair value of reporting units based on the estimated present value of future discounted cash flows. The Company could be required to evaluate the recoverability of goodwill or trade names prior to the annual assessment if it experiences disruptions to the business, unexpected significant declines in operating results, a divestiture of a significant component of the Company's business or market capitalization declines.

The Company also continually evaluates whether events or circumstances have occurred that indicate the remaining estimated useful lives of its definite-lived intangible assets, excluding goodwill, and other long-lived assets may warrant revision or whether the remaining balance of such assets may not be recoverable. The Company uses 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, the Company could be required to record non-cash impairment charges. Impairment charges could substantially affect the Company's reported earnings in the periods such charges are recorded. In addition, impairment charges could indicate a reduction in business value which could limit the Company's ability to obtain adequate financing in the future. As of December 31, 2014, goodwill was approximately 9 percent of total assets and included \$268.9 million of goodwill related to the Life Fitness segment and \$28.0 million of goodwill related to the Marine Engine segment.

Adverse weather conditions can have a negative effect on marine revenues.

Weather conditions can have a significant effect on the Company's operating and financial results, especially in the marine businesses. Sales of the Company's marine products are generally 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 demand. Hurricanes and other storms can result in the disruption of the Company's distribution channel, operations or supply chain. Additionally, in the event that climate change occurs, which could result in environmental changes including, but not limited to, severe weather, rising sea levels or reduced access to water, the Company's business could be disrupted and negatively affected.

Instability in locations where the Company maintains a significant presence could adversely impact the Company's business operations.

The Company has established a global presence, with manufacturing, sales, distribution and retail locations around the world. Changing conditions in those locations, including, but not limited to, political instability, civil unrest and an increase in criminal activity, could have a negative impact on the Company's local manufacturing and other business

operations. Decreased stability in those regions where the Company conducts business 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 the Company's products in those regions.

15

Catastrophic events, including natural and environmental disasters, could have a negative effect on the Company's operations and financial results.

The occurrence of natural and environmental disasters, including hurricanes, floods, earthquakes and environmental spills, could decrease consumer demand for and sales of the Company's products. If such an occurrence takes place in one of Brunswick's major sales markets, the Company could experience a decrease in sales. Additionally, if such an event occurs near the Company's business, manufacturing facilities or key suppliers' facilities, the affected locations could experience an interruption in business operations and/or their operating systems. The Company could be uniquely affected by a catastrophic event due to the location of certain of the Company's boat facilities in coastal Florida and the size of the manufacturing operation in Fond du Lac, Wisconsin.

The Company's operations are dependent upon the ability of the Company to attract and retain individuals who could be key contributors.

The Company's operations depend, in part, on the efforts of the Company's executive officers and other key employees. In addition, the Company's future success will depend on, among other factors, its ability to attract and retain other qualified personnel. The loss of the services of any of the Company's key employees or the failure to attract or retain employees could have an adverse effect on the Company. If the Company is unable to attract and retain qualified individuals, or the Company's costs to do so increase significantly, the Company's operations could be adversely affected.

The Company's business operations could be negatively impacted by the failure of its information technology systems. The Company's global business operations are managed through a variety of information technology (IT) systems. These systems govern all aspects of the company's operations around the world. The Company is dependent on these systems for all commercial transactions, customer interactions, and image projection. Some of the systems are based on legacy technology and operate with a minimal level of available support. If one of these legacy systems or another of the Company's key IT systems were to suffer a failure, or if the Company's 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. The Company exchanges information with hundreds of trading partners across all aspects of its commercial operations. Any breach in security or disruption of the communications could result in erroneous transactions or loss of reputation and confidence. The Company has numerous portals to engage in e-commerce and e-marketing; therefore, the Company must remain diligent in protecting itself and its customers from malicious cyber attacks. A successful cyber attack could result in a disruption of services, fraudulent transactions, or disclosure of confidential information. This could negatively affect the Company's relationships with its customers and trading partners and damage its image and reputation.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Brunswick's headquarters are located in Lake Forest, Illinois. Brunswick has numerous manufacturing plants, distribution warehouses, sales offices and product test sites around the world. Research and development facilities are primarily located at manufacturing sites.

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

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

Marine Engine Segment: Fresno, California; Old Lyme, Connecticut; Miramar, Panama City, Pompano Beach and St. Cloud, Florida; Atlanta, Georgia; Lowell, Michigan; Brookfield, Fond du Lac and Oshkosh, Wisconsin; Melbourne, Australia; Petit Rechain, Belgium; Toronto, Ontario, Canada; Suzhou, China; Kuala Lumpur, Malaysia; Juarez, Mexico; Bangor, Northern Ireland and Singapore. The Fresno, California; Old Lyme, Connecticut; Miramar and Pompano Beach, Florida; Lowell, Michigan; Melbourne, Australia; Toronto, Ontario, Canada; Kuala Lumpur, Malaysia, a portion of the Bangor, Northern Ireland and Singapore facilities are leased. The remaining facilities are owned by Brunswick.

Boat Segment: Edgewater, Merritt Island (Sykes Creek) and Palm Coast, Florida; Fort Wayne, Indiana; New York Mills, Minnesota; Lebanon, Missouri; Vonore, Tennessee; Petit Rechain, Belgium; Joinville, Santa Catarina, Brazil; Princeville, Quebec, Canada; Reynosa, Mexico; Auckland, New Zealand; and Vila Nova de Cerveira, Portugal. The facilities in Santa Catarina, Brazil; Auckland, New Zealand and Brunswick Commercial and Government Products in Edgewater, Florida are leased. The remaining facilities are owned by Brunswick.

Fitness Segment: Franklin Park and Rosemont, Illinois; Falmouth, Kentucky; Ramsey, Minnesota; Bristol and Delavan, Wisconsin; and Kiskoros, Hungary. The Rosemont office and a portion of the Franklin Park facility are leased. The remaining facilities are owned by Brunswick.

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.

Executive Officers of the Registrant

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

Officer	Present Position	Age
Dustan E. McCoy	Chairman and Chief Executive Officer	65
Mark D. Schwabero	President and Chief Operating Officer	62
William L. Metzger	Senior Vice President and Chief Financial Officer	53
Christopher E. Clawson	Vice President and President - Life Fitness	51
Christopher F. Dekker	Vice President, General Counsel and Secretary	46
Kevin S. Grodzki	Vice President of Communications and Public Relations	59
B. Russell Lockridge	Vice President and Chief Human Resources Officer	65
Alan L. Lowe	Vice President - Finance and Controller	63
John C. Pfeifer	Vice President and President - Mercury Marine	49

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

Mark D. Schwabero was named President and Chief Operating Officer of Brunswick in May 2014. He was Vice President and President - Mercury Marine from December 2008 to May 2014. Previously, he 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 start with Brunswick in 1987.

Christopher E. Clawson was named Vice President and President - Life Fitness in August of 2010. Prior to this appointment, Mr. Clawson served as Chief Executive Officer and President of Johnson Health Tech - North America, a fitness equipment designer and manufacturer. Previously, Mr. Clawson had been with Life Fitness from 1994 to 2004, where he held a number of positions of increasing responsibility in product development and marketing, eventually serving as Vice President Sales and Marketing - Consumer.

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, since 2010. Previously, Mr. Dekker was employed by Caterpillar, Inc. since 2001, where he held a variety of positions in its law department, most recently as senior corporate counsel for Caterpillar Logistics.

Kevin S. Grodzki was named Vice President of Communications and Public Relations in December 2014. Previously, Mr. Grodzki, who has been with Mercury since 2005, served as President - Global Sales and Marketing - Mercury Marine since September 2012 and President - Sales, Marketing and Commercial Operations over Mercury Marine from November 2008 to September 2012. Prior to that assignment, he was President of Brunswick's Life Fitness Division.

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

Alan L. Lowe has been Vice President - Finance and Controller of Brunswick since May 2013. Previously, he was Vice President and Controller of Brunswick since 2003.

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 since September 2012 and had previously been President of Brunswick Marine in EMEA since 2008 after joining Brunswick in 2006 as President of the Brunswick Asia Pacific Group.

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, 2015, there were 9,488 shareholders of record of the Company's common stock.

In the first, second, third and fourth quarter of 2014, Brunswick paid quarterly dividends on its common stock of \$0.10, \$0.10, \$0.125 and \$0.125 per share, respectively. In December 2013, Brunswick paid a quarterly dividend on its common stock of \$0.10 per share. 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 Return among Brunswick, S&P 500 Index and S&P 500 Global Industry Classification Standard (GICS) Consumer Discretionary Index

	2009	2010	2011	2012	2013	2014
Brunswick	100.00	147.91	142.93	230.71	366.28	411.40
S&P 500 Index	100.00	114.90	117.34	136.05	179.65	204.01
S&P 500 GICS Consumer Discretionary Index	100.00	129.40	137.20	169.61	243.07	266.44

The basis of comparison is a \$100 investment at December 31, 2009 in each of: (i) Brunswick, (ii) the S&P 500 Index, and (iii) the S&P 500 GICS Consumer Discretionary Index. All dividends are assumed to be reinvested. The S&P 500 GICS Consumer Discretionary Index encompasses industries including automotive, household durable goods, textiles and apparel, and leisure equipment. Brunswick 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.

Issuer Purchases of Equity Securities

On October 22, 2014, the Company's Board of Directors authorized a program to repurchase up to \$200 million of the Company's outstanding common stock. Share repurchases will be completed in the open market or through privately negotiated transactions over approximately a two-year period. The Company's share repurchase program does not obligate it to acquire any specific number of shares, and the Company may discontinue purchases at any time that management determines additional purchases are not warranted.

During the three months ended December 31, 2014, 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
September 28 to October 25, 2014	—	\$—	—	
October 26 to November 22, 2014	193,843	47.42	193,843	
November 23 to December 31, 2014	218,183	49.50	218,183	
Total	412,026	\$48.52	412,026	\$180,008,264

Item 6. Selected Financial Data

The selected historical financial data presented below as of and for the years ended December 31, 2014, 2013 and 2012 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, 2011 and 2010 has been derived from the consolidated financial statements of the Company for the years that are not included herein.

(in millions, except per share data)	2014	2013	2012	2011	2010
Results of operations data					
Net sales	\$3,838.7	\$3,599.7	\$3,416.8	\$3,367.0	\$3,039.6
Operating earnings ^{(A) (B)}	328.5	281.8	237.2	189.5	43.8
Earnings before interest, loss on early extinguishment of debt and income taxes ^{(A) (B) (C)}	316.6	282.1	235.7	184.4	39.9
Earnings (loss) before income taxes ^{(A) (B) (C)}	287.9	208.9	156.0	88.6	(55.2)
Net earnings (loss) from continuing operations ^{(A) (B) (C) (F)}	194.9	756.8	124.6	70.4	(79.6)
Discontinued operations:					
Net earnings (loss) from discontinued operations, net of tax ^{(D) (E)}	50.8	12.4	(74.6)	1.5	(31.0)
Net earnings (loss) ^{(A) (B) (C) (D) (E) (F)}	\$245.7	\$769.2	\$50.0	\$71.9	\$(110.6)
Basic earnings (loss) per common share:					
Earnings (loss) from continuing operations ^{(A) (B) (C) (F)}	\$2.08	\$8.30	\$1.39	\$0.79	\$(0.90)
Discontinued operations:					
Net earnings (loss) from discontinued operations, net of tax ^{(D) (E)}	0.55	0.13	(0.83)	0.02	(0.35)
Net earnings (loss) ^{(A) (B) (C) (D) (E) (F)}	\$2.63	\$8.43	\$0.56	\$0.81	\$(1.25)
Average shares used for computation of basic earnings (loss) per share	93.6	91.2	89.8	89.3	88.7
Diluted earnings (loss) per common share:					
Earnings (loss) from continuing operations ^{(A) (B) (C) (F)}	\$2.05	\$8.07	\$1.35	\$0.76	\$(0.90)
Discontinued operations:					
Net earnings (loss) from discontinued operations, net of tax ^{(D) (E)}	0.53	0.13	(0.81)	0.02	(0.35)
Net earnings (loss) ^{(A) (B) (C) (D) (E) (F)}	\$2.58	\$8.20	\$0.54	\$0.78	\$(1.25)
Average shares used for computation of diluted earnings (loss) per share	95.1	93.8	92.4	92.2	88.7

(A) 2014 results include \$27.9 million of pension settlement charges related to lump sum payouts as discussed in Note 17 – Postretirement Benefits in the Notes to Consolidated Financial Statements.

(B) 2014 results include \$4.2 million of pretax restructuring, exit and impairment charges. 2013 results include \$16.5 million of pretax restructuring, exit and impairment charges. 2012 results include \$25.4 million of pretax restructuring, exit and impairment charges. 2011 results include \$19.8 million of pretax restructuring, exit and

impairment charges. 2010 results include \$53.4 million of pretax restructuring, exit and impairment charges.

(C) 2014 results include a \$20.2 million charge related to the impairment of a marine equity method investment as discussed in Note 9 – Investments in the Notes to Consolidated Financial Statements.

Net earnings (loss) from discontinued operations, net of tax in 2014 includes a Gain on disposal of discontinued (D) 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). Net earnings (loss) from discontinued operations in 2012 includes an impairment charge on assets held for sale, net of tax of \$53.2 million (\$52.7 million pre-tax). 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 and impairment charges, net of tax of \$4.9 million, \$14.9 million, \$2.9 million and \$8.9 million in 2013, 2012, 2011 and 2010, respectively.

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

(in millions, except per share and other data)	2014	2013	2012	2011	2010
Balance sheet data					
Total assets of continuing operations	\$3,091.8	\$2,674.7	\$2,181.9	\$2,178.8	\$2,358.9
Debt					
Short-term	\$5.5	\$6.4	\$8.2	\$2.4	\$2.2
Long-term	450.2	453.4	563.6	690.4	828.4
Total debt	455.7	459.8	571.8	692.8	830.6
Common shareholders' equity ^(A)	1,171.5	1,038.4	77.7	30.9	70.4
Total capitalization	\$1,627.2	\$1,498.2	\$649.5	\$723.7	\$901.0
Cash flow data					
Net cash provided by operating activities of continuing operations	\$235.3	\$168.0	\$144.6	\$93.9	\$149.0
Depreciation and amortization	81.2	71.4	72.9	81.2	103.3
Capital expenditures	124.8	126.5	97.9	77.3	48.8
Investments	0.2	(1.5)	1.7	(0.9)	(7.2)
Cash dividends paid	41.7	9.1	4.5	4.5	4.4
Other data					
Dividends declared per share	\$0.45	\$0.10	\$0.05	\$0.05	\$0.05
Book value per share ^(A)	12.52	11.39	0.87	0.35	0.79
Return on beginning shareholders' equity ^(A)	23.7	% NM	161.8	% 102.1	% (52.6)%
Effective tax rate from continuing operations	32.3	% NM	20.1	% 20.5	% (44.2)%
Debt-to-capitalization rate ^(A)	28.0	% 30.7	% 88.0	% 95.7	% 92.2 %
Number of employees	12,165	15,701	16,177	15,356	15,290
Number of shareholders of record	9,488	10,243	10,900	11,550	12,134
Common stock price (NYSE)					
High	\$51.94	\$46.48	\$29.09	\$26.93	\$22.62
Low	38.95	30.42	18.49	13.46	10.34
Close (last trading day)	51.26	46.06	29.09	18.06	18.74

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.

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. Specifically, the discussion of the Company's cash flows includes an analysis of free cash flows and total liquidity, and the discussion of the Company's earnings includes a presentation of operating earnings excluding pension settlement charges related to lump sum payouts and restructuring, exit and impairment charges and diluted earnings per common share, as adjusted. GAAP refers to generally accepted accounting principles in the United States. A "non-GAAP financial measure" is a numerical measure of a registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the 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 non-GAAP financial measures in Management's Discussion and Analysis, as Brunswick's management believes that these measures and the information they provide are useful to investors because they permit investors to view Brunswick's performance using the same tools that management uses and to better evaluate the Company's ongoing business performance.

Certain statements in Management's Discussion and Analysis are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include words such as "expect," "anticipate," "believe," "may," "should," "could" or "estimate." These statements involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this filing. These risks include, but are not limited to, those set forth under Item 1A of this Annual Report on Form 10-K. Placing undue reliance on the Company's forward-looking statements should be avoided, as the forward-looking statements represent the Company's views only as of the date this Annual Report is filed. The Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Overview and Outlook

Discontinued Operations

On July 17, 2014, the Company entered into an agreement to sell its retail bowling business to AMF Bowling Centers, Inc. In connection with its decision to sell its bowling centers, the Company also announced its intention to divest its bowling products business. On September 18, 2014, the Company completed the sale of its retail bowling business to AMF Bowling Centers, Inc. as well as, in separate transactions, completed the sale of two retail bowling centers in California. On December 31, 2012, the Board of Directors authorized the Company to exit its Hatteras and Cabo boat businesses, with the sale of these businesses completed in August 2013. In this Annual Report on Form 10-K, the businesses referred to above are being reported as discontinued operations. 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, reflect continuing operations only, unless otherwise noted.

General

The Company's results in 2014 represent the fifth consecutive year of strong improvements in operating performance. The Company looked to achieve the following financial objectives in 2014:

• Deliver revenue growth;

• Experience increases in earnings before income taxes, as well as solid improvements in gross margins; and

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

Achievements against the Company's financial objectives in 2014 were as follows:

23

Deliver revenue growth:

Ended the year with a 7 percent increase in net sales when compared with 2013, despite comparatively harsher weather conditions in many North American markets in the first quarter of 2014, due to the following:

Favorable demand environment in outboard boat and engine markets with increases in outboard engine sales, driven by favorable retail demand trends and successful new product introductions;

Increased sales in the marine service, parts and accessories businesses reflecting benefits from recent acquisitions, successful new product launches and market share gains;

Several successful new product introductions in the Marine Engine and Boat segments and a favorable shift in mix across most of the Boat segment's boat lines, including the introduction of new larger, higher priced products, which resulted in higher average selling prices;

Fitness segment net sales benefited from successful introductions of new products across all regions as well as growth in the U.S. to health clubs, hospitality, education and local and federal government customers;

International sales for the Company increased 4 percent in 2014 when compared with 2013, primarily due to increased sales in European markets; and

Continuing unfavorable global retail demand trends in certain marine markets.

Experience increases in earnings before income taxes, as well as solid improvements in gross margins:

Reported earnings before income taxes of \$287.9 million in 2014 compared with earnings before income taxes of \$208.9 million in 2013 and \$156.0 million in 2012;

- Improved gross margins of 60 basis points in 2014 when compared with 2013, driven by volume leverage, favorable warranty comparisons and successful new product introductions, partially offset by increasing costs associated with new product integrations, capacity expansions and production ramp-ups; and

Increased investment spending to support strategic initiatives was more than offset by lower losses on early extinguishment of debt, restructuring, exit and impairment charges and a reduction in net interest expense.

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

Generated strong free cash flow of \$116.3 million in 2014, which is approximately twice the amount generated in 2013, enabling the Company to execute its capital strategy as follows:

Funded future investments in growth:

Organically through capital expenditures, which included tooling costs for the production of new products and spending for plant capacity expansions, growth initiatives and profit-maintaining investments; research and development; and increased operating expenses; and

Through acquisition opportunities such as the \$41.5 million paid for marine parts and accessories acquisitions during 2014;

Contributed \$73.8 million to the Company's defined benefit pension plans, which included an amount made in connection with lump sum payouts to certain pension plan participants in 2014; and

•

Enhanced shareholder returns by repurchasing \$20.0 million of common stock under the Company's share repurchase program in 2014 and increased cash dividends paid to shareholders in 2014 to \$41.7 million.

Ended the year with \$635.9 million of cash and marketable securities, a net increase of \$266.7 million with the primary driver being the proceeds from the divestiture of the Bowling Retail business in 2014.

The Company's net sales increased to \$3,838.7 million in 2014 from \$3,599.7 million in 2013, due to the factors described above.

Operating earnings during 2014 were \$328.5 million, with an operating margin of 8.6 percent. Operating earnings during 2013 were \$281.8 million, with an operating margin of 7.8 percent. The 2014 results included \$4.2 million of restructuring, exit and impairment charges and a \$27.9 million pension settlement charge related to pension lump sum payouts, while the 2013 results included \$16.5 million of restructuring, exit and impairment charges. Improved operating earnings during 2014 mainly resulted from increased sales revenues across all segments, operating efficiency improvements and lower restructuring, exit and impairment charges, partially offset by the pension settlement charge and higher funding for strategic growth initiatives.

Net earnings decreased to \$194.9 million in 2014 from \$756.8 million in 2013. The 2014 results include an income tax provision of \$93.0 million, which included a net tax benefit of \$6.4 million, primarily associated with the reversal of tax valuation allowance reserves. The 2013 results include a net income tax benefit from continuing operations of \$547.9 million, which included a \$599.5 million reversal of tax valuation allowance reserves as well as a net charge of \$29.0 million primarily resulting from unfavorable valuation allowance adjustments related to stock-based compensation.

Outlook for 2015

The Company expects 2015 to be another year of strong earnings growth with outstanding cash flow generation. The Company is targeting 6 percent to 8 percent sales growth when compared with 2014, which includes benefits from the success of new products and the continuation of growth demonstrated in the U.S. in 2014, partially offset by weakness in certain international markets, as well as the unfavorable impact from foreign exchange. As a result of benefiting from successful new products, the Company expects growth in outboard boat and engine products, as well as in the global service, parts and accessories businesses. The Company also anticipates the continued successful execution of its large fiberglass boat strategy, which is a key part of an increasing number of new products that will be shipped into the market. However, as a result of solid growth in boats below 28 feet expected throughout 2015, increases in average boat sale prices during 2015 will be at a lower rate of growth when compared with 2014. Positive health and fitness trends, combined with continued innovation of new products, have positioned the Company's Fitness segment to drive market share in cardio, strength and group training categories.

The Company expects to have higher earnings before income taxes in 2015 resulting from increased revenue and slight improvements in gross margins levels, which assumes an absence of favorable warranty adjustments achieved in 2014, unfavorable translation impacts from foreign currencies and our ongoing focus on managing cost of goods sold through cost efficiency initiatives. Operating expenses, including research and development expenses, are projected to be higher in 2015 when compared with 2014 as the Company continues to increase investment spending to support strategic objectives, but lower on a percentage of sales basis.

While the Company is planning for improvements in operating margins for the full year, first-half 2015 operating margins are projected to be flat to down compared with the same period in 2014. This reflects foreign exchange headwinds, the absence of 2014 favorable warranty adjustments, and continued increases in investments to support our strategic objectives as the growth rate of these investments is heavily weighted to the first half of 2015. Additional costs and inefficiencies in the first-half of 2015 are expected to continue as the Company opens and expands plant capacity to meet demand, continues to introduce a significant number of new products into production in each of our segments, and ramps-up production as sales continue to experience significant growth. These costs and inefficiencies will abate in the second-half of 2015 and second-half operating margins will improve. The Company remains committed to deploying its resources to address these headwinds through additional manufacturing cost efficiency initiatives.

The Company is also planning for its effective tax rate in 2015 to be 34 percent based on existing tax law, and excludes the potential impact of an extension of the U.S. research and development tax credit.

The discussion above contains the Company's outlook for its business in 2015. This outlook, and the statements contained therein, are based on current expectations, estimates, plans and projections about the Company's business which 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 filing. This outlook and the related forward-looking view of the Company's business speak only as of the date of this filing and the Company does not undertake any obligation to update any forward-looking statements to reflect events or circumstances after the date of this filing.

Restructuring Activities

The restructuring, exit and impairment charges recorded in the Consolidated Statements of Operations during 2014, 2013 and 2012 by reportable segment, are summarized below:

(in millions)	2014	2013	2012
Marine Engine	\$—	\$—	\$4.2
Boat	1.5	15.8	21.3
Fitness	—	—	0.1
Corporate	2.7	0.7	(0.2)
Total	\$4.2	\$16.5	\$25.4

In the second quarter of 2014, certain executive positions were restructured within the Company. The Company does not anticipate incurring any additional restructuring charges in 2015 related to this action and plans to achieve annual savings of approximately \$1 million, with the full benefit being realized in 2015. Future cost savings will primarily be reflected in Selling, general and administrative expenses as reported in the Company's Consolidated Statements of Operations.

In the fourth quarter of 2013, the Company made the decision to outsource woodworking operations for its yachts and sport yachts, which resulted in long-lived asset impairment charges. The Company anticipates its Boat segment will achieve annual savings between \$1 million and \$2 million, with the full benefit being realized in 2015. Future cost savings will primarily be reflected in Cost of sales as reported in the Company's Consolidated Statements of Operations.

The Company announced in the first quarter of 2013 the consolidation of its yacht and motoryacht production at its Palm Coast, Florida manufacturing plant. As a result, the Company suspended manufacturing at its Sykes Creek boat manufacturing facility in Merritt Island, Florida as of the end of June 2013. The Boat segment achieved savings between \$3 million and \$4 million through 2014. Cost savings are primarily reflected in Cost of sales as reported in the Company's Consolidated Statements of Operations. Due to demand for successful new products, including the large L-Class yachts, the Company is reactivating its Sykes Creek boat manufacturing facility in 2015 to expand production.

In the third quarter of 2012, the Company reached a decision to exit Bayliner cruisers in the U.S. and European markets and to further reduce the Company's manufacturing footprint by closing its Knoxville, Tennessee production facility and consolidating its fiberglass cruiser manufacturing into other boat production facilities. Those actions were initiated in connection with the continued weakness in the fiberglass sterndrive boat market. The Boat segment achieved annual savings of approximately \$10 million in 2014. Cost savings are primarily reflected in Cost of sales as reported in the Company's Consolidated Statements of Operations. The Company has experienced a reduction in Net sales due to associated reductions in models and lower production volumes during the transition.

Restructuring charges in the Marine Engine segment during 2012 included costs associated with the Company's announced plans to reduce excess manufacturing capacity by relocating inboard and sterndrive production to Fond du Lac, Wisconsin and closing its Stillwater, Oklahoma plant. This action resulted in \$39.9 million of restructuring charges between 2009 and the completion of this plant transition in 2012. The Company substantially achieved its ongoing annual savings run rate target, when compared with 2009, of approximately \$40 million by the end of 2012 with the benefit reflected as a reduction in Cost of sales, Selling, general and administrative expense and Research and development expense as reported in the Company's Consolidated Statements of Operations.

During 2012, the Company also disposed of non-strategic assets, consolidated manufacturing operations and reduced the Company's global workforce, which resulted in permanent cost savings, mainly in the Company's Boat and Marine Engine segments. These cost savings have been reflected through a reduction in Cost of sales and Selling, general and

administrative expense as reported in the Company's Consolidated Statements of Operations.

See Note 3 – Restructuring Activities in the Notes to Consolidated Financial Statements for further details. The Company anticipates it will incur nominal restructuring charges in 2015.

Matters Affecting Comparability

The following events have occurred during 2014, 2013 and 2012, which the Company believes affect the comparability of the results of operations:

Pension settlement charge - lump sum payout. In the fourth quarter of 2014, the Company recognized a \$27.9 million charge, related to lump sum pension payments to certain terminated vested U.S. pension plan participants, which is reflected in Pension settlement charge - lump sum payout on the Consolidated Statements of Operations. See Note 17 – Postretirement Benefits in the Notes to Consolidated Financial Statements for further details.

Restructuring, exit and impairment charges. During 2014, the Company recorded charges of \$4.2 million related to these restructuring activities as compared with charges of \$16.5 million in 2013 and \$25.4 million in 2012. See Note 3 – Restructuring Activities in the Notes to Consolidated Financial Statements for further details.

Impairment of equity method investment. In the fourth quarter of 2014, the Company recorded a \$20.2 million impairment charge for an equity method investment in order to reflect the fair value of the Company's equity method investment in a Finnish boat manufacturer as discussed in Note 9 – Investments in the Notes to Consolidated Financial Statements. The charge is reported as Impairment of equity method investment in the Consolidated Statement of Operations.

Gain on sale of real estate and distribution facility. In the first quarter of 2013, the Company's Marine Engine segment recognized a \$5.5 million gain on the sale of real estate in Selling, general and administrative expense on the Consolidated Statements of Operations. There was no comparable gain in the Marine Engine segment in the years ended December 31, 2014 and 2012.

Interest expense and loss on early extinguishment of debt. The Company reported interest expense of \$29.8 million, \$41.9 million and \$66.3 million during 2014, 2013 and 2012, respectively. Interest expense decreases from 2012 through 2014 were primarily the result of lower average outstanding debt levels and interest rates. Improvements in debt levels were primarily the result of debt reduction actions completed during 2013 and 2012.

Additionally, the Company repurchased \$0.9 million of debt during 2014, compared with \$258.0 million and \$124.2 million during 2013 and 2012, respectively. In connection with these retirements, the Company recorded losses on early extinguishment of debt of \$0.1 million, \$32.8 million and \$16.3 million during 2014, 2013 and 2012, respectively. See Note 16 – Debt in the Notes to Consolidated Financial Statements for further details.

Tax items. The Company recognized an income tax provision for the year ended December 31, 2014 of \$93.0 million, which included a net benefit of \$6.4 million primarily associated with the reversal of tax valuation allowance reserves. The Company recognized a net income tax benefit of \$547.9 million during 2013. The Company recorded a \$599.5 million reversal of its deferred tax asset valuation allowance reserves in the fourth quarter of 2013 after determining it was more likely than not that certain deferred tax assets would be realized. In addition to the reversal of its deferred tax asset valuation allowance reserves, the 2013 net income tax benefit included a net charge of \$29.0 million, which primarily resulted from unfavorable valuation allowance adjustments related to stock-based compensation, partially offset by the reassessment of tax reserves.

The Company recognized an income tax provision of \$31.4 million during 2012, which generally related to foreign and state jurisdictions where the Company was in a tax paying position. In addition, the tax provision during 2012 included a net charge of \$2.8 million, which included the reassessment of tax reserves and an unfavorable impact related to stock-based compensation, partially offset by the net benefit of the release of valuation allowances primarily for foreign entities that were no longer in a cumulative three-year loss position.

See Note 12 – Income Taxes in 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, 2014, 2013 and 2012:

(in millions, except per share data)	2014	2013	2012	2014 vs. 2013		2013 vs. 2012			
				Increase/(Decrease)		Increase/(Decrease)			
				\$	%	\$	%		
Net sales	\$3,838.7	\$3,599.7	\$3,416.8	\$239.0	6.6	% \$182.9	5.4	%	
Gross margin ^(A)	1,036.8	949.3	876.3	87.5	9.2	% 73.0	8.3	%	
Restructuring, exit and impairment charges	4.2	16.5	25.4	(12.3)	(74.5)	% (8.9)	(35.0)	%	
Operating earnings ^(B)	328.5	281.8	237.2	46.7	16.6	% 44.6	18.8	%	
Net earnings from continuing operations ^{(B) (C)}	194.9	756.8	124.6	(561.9)	(74.2)	% 632.2	NM		
Diluted earnings per common share from continuing operations ^{(B) (C)}	\$2.05	\$8.07	\$1.35	\$(6.02)	(74.6)	% \$6.72	NM		
Expressed as a percentage of Net sales:									
Gross margin	27.0	% 26.4	% 25.6	%	60 bpts		80 bpts		
Selling, general and administrative expense	14.5	% 14.9	% 15.0	%	(40) bpts		(10) bpts		
Research and development expense	3.1	% 3.2	% 3.0	%	(10) bpts		20 bpts		
Operating margin	8.6	% 7.8	% 6.9	%	80 bpts		90 bpts		

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) Operating earnings in 2014 include pension settlement charges of \$27.9 million related to lump sum pension payouts.

Net earnings from continuing operations in 2014 includes a \$20.2 million charge for an impairment of an equity method investment. Net earnings from continuing operations in 2013 include an income tax benefit of \$599.5 million from the reversal of deferred tax valuation allowance reserves as well as a net charge of \$29.0 million, which included unfavorable valuation allowance adjustments primarily related to stock-based compensation, partially offset by the reassessment of tax reserves.

2014 vs. 2013

The Company's net sales increased in 2014 when compared to 2013, due to sales increases across all segments. Marine Engine net sales increased due to an increase in outboard engine sales, successful new product introductions,

including the new 75, 90 and 115 horsepower FourStroke engines, and higher sales in the marine service, parts and accessories businesses, partially offset by declines in sterndrive engine sales. Boat segment net sales increased due to strong growth in the sales of outboard boats and fiberglass sterndrive and inboard boats. Boat segment sales also benefited from several successful new product introductions which contributed to a favorable shift in mix across most of its boat lines, resulting in higher average selling prices along with growth in wholesale unit shipments.

Additionally, the Marine Engine and Boat segment net sales were adversely affected by comparatively harsher weather conditions in many North American markets during the first quarter of 2014 when compared to the same period in 2013. Fitness segment net sales increased reflecting growth in the U.S. to health clubs, hospitality, education and local and federal government customers and benefits from successful new product introductions in all regions. International sales for the Company increased 4 percent in 2014 when compared with 2013, primarily due to sales increases in European markets, partially offset by sales declines in Canadian and Latin American markets.

The increase in gross margin percentage in 2014 compared with 2013 reflects net benefits from increased sales, favorable warranty adjustments due to improved claims experience and new products, partially offset by costs associated with new product introductions, capacity expansion and production ramp-ups.

Selling, general and administrative expense decreased as a percentage of net sales during 2014 when compared with 2013 due to higher sales including the impact of the Company continuing to increase investments in strategic initiatives, the absence of a \$5.5 million gain on the sale of real estate in the Marine Engine segment in the first quarter of 2013, and the absence of favorable insurance settlements received in the Marine Engine segment in the second quarter of 2013.

Research and development expense increased \$4.8 million, or 4 percent, in 2014 when compared with 2013 as the Company increased investment spending to support long-term growth initiatives.

In 2014, the Company recorded a \$27.9 million charge related to lump sum pension payments as discussed in Note 17 – Postretirement Benefits in the Notes to Consolidated Financial Statements for further details.

During 2014, the Company recorded restructuring charges of \$4.2 million compared with \$16.5 million in 2013. See Note 3 – Restructuring Activities in the Notes to Consolidated Financial Statements for further details.

In 2014, the Company recorded a \$20.2 million impairment charge for an equity method investment as discussed in Note 9 – Investments in the Notes to Consolidated Financial Statements.

The Company recognized equity earnings of \$1.8 million and equity losses of \$2.1 million in 2014 and 2013, respectively, which were mainly related to the Company's marine joint ventures. The Company recognized \$6.5 million and \$2.4 million in 2014 and 2013, respectively, in Other income, net. In 2014, Other income, net includes the amortization of deferred income related to a trademark licensing agreement with AMF Bowling Centers, Inc as discussed in Note 2 – Discontinued Operations.

Interest expense decreased \$12.1 million in 2014 compared with 2013, as a result of lower average outstanding debt levels at a lower average interest rate when compared with 2013.

The Company repurchased \$0.9 million of debt during 2014 and recorded losses on early extinguishment of debt of \$0.1 million. The Company repurchased \$258.0 million of debt during 2013 and recorded losses on early extinguishment of debt of \$32.8 million.

The Company recognized an income tax provision of \$93.0 million for 2014, which included a net tax benefit of \$6.4 million, primarily associated with the reversal of tax valuation allowance reserves. The Company recognized an income tax benefit of \$547.9 million in 2013, which included a \$599.5 million benefit for the release of deferred tax asset valuation allowance reserves and a net charge of \$29.0 million primarily resulting from unfavorable valuation allowance adjustments related to stock-based compensation, partially offset by the reassessment of tax reserves. The effective tax rate, which is calculated as the income tax benefit or provision as a percentage of pre-tax income, was 32.3 percent for 2014, while the effective tax rate for 2013 was not meaningful due to the factors discussed above. See Note 12 – Income Taxes in the Notes to Consolidated Financial Statements for further details.

Operating earnings increased in 2014 when compared with 2013, while Net earnings from continuing operations and Diluted earnings per common share from continuing operations decreased in 2014 from 2013 primarily due to the factors discussed in the preceding paragraphs.

Diluted earnings from continuing operations per common share, as adjusted – defined as Diluted earnings from continuing operations per common share, excluding the earnings or loss per share impact for Pension settlement charge - lump sum payout, Restructuring, exit and impairment charges from continuing operations, Impairment of equity method investment, Loss on early extinguishment of debt, reversal of deferred tax valuation allowance reserves and special tax items – decreased by \$0.05 per share, or 2 percent, to \$2.42 per share for 2014 when compared with \$2.47 per share for 2013. For 2014, Pension settlement charge related to lump sum payouts was \$0.19 per share,

Restructuring, exit and impairment charges from continuing operations were \$0.04 per share, Impairment charge for an equity investment was \$0.21 per share and special tax items were a net benefit of \$0.07 per share. In 2013, Restructuring, exit and impairment charges from continuing operations were \$0.16 per share, Loss on early extinguishment of debt was \$0.32 per share, reversal of deferred tax valuation allowance reserves was a benefit of \$6.39 per share and special tax items were a net provision of \$0.31 per share.

The Company completed the sale of its retail bowling business in the third quarter of 2014 and recorded an after-tax gain of \$52.6 million. The Company completed the sale of its Hatteras and Cabo boat brands during the third quarter of 2013 and recorded an after-tax gain of \$1.6 million. In 2014, sales from discontinued operations were \$236.0 million, pre-tax earnings from discontinued operations were \$61.8 million and the income tax provision from discontinued operations was \$11.0 million. In 2013, sales from discontinued operations were \$310.8 million, pre-tax earnings from discontinued operations were \$12.3 million and the income tax benefit from discontinued operations was \$0.1 million.

2013 vs. 2012

The Company's net sales increased in 2013 when compared with 2012 due to increases in all of the Company's segments. The increase in Marine Engine net sales reflected solid increases in outboard engine products sales due to the favorable demand environment in the aluminum and fiberglass outboard boat markets and gains in the marine service, parts and accessories businesses, partially offset by lower sterndrive engine sales. Boat segment net sales increased mainly due to higher sales volumes of aluminum and fiberglass outboard boats, partially offset by wholesale shipment declines in fiberglass sterndrive boats. Fitness segment net sales increased reflecting strong gains in international markets, growth in sales to U.S. health club and hospitality customers as well as benefits from new product introductions. International sales for the Company increased 3 percent in 2013 when compared with 2012, primarily due to increased demand for certain Fitness and Marine Engine segment products in Europe along with increased sales to Latin America for the Boat and Fitness segments.

The increase in gross margin percentage in 2013 compared with 2012 included benefits from improved operating efficiencies and successful cost-reduction efforts.

Selling, general and administrative expense decreased as a percentage of net sales during 2013 when compared with 2012 mainly due to improved operating efficiencies and a \$5.5 million gain on the sale of real estate in the Marine Engine segment in the first quarter of 2013, mostly offset by investment spending to support long-term growth initiatives and higher variable incentive compensation expense resulting from mark-to-market adjustments on certain equity-based awards.

Research and development expense increased \$13.8 million, or 14 percent, in 2013 when compared with 2012 as the Company increased investment spending to support long-term growth initiatives.

During 2013, the Company recorded restructuring charges of \$16.5 million compared with \$25.4 million in 2012. See Note 3 – Restructuring Activities in the Notes to Consolidated Financial Statements for further details.

The Company recognized equity losses of \$2.1 million and \$3.7 million in 2013 and 2012, respectively, which were related to the Company's marine joint ventures.

Interest expense decreased \$24.4 million in 2013 compared with 2012, as a result of lower average outstanding debt levels at a lower average interest rate when compared with 2012. Interest income decreased in 2013 compared with 2012 primarily due to lower average levels of marketable securities during the comparable periods.

The Company repurchased \$258.0 million of debt during 2013 and recorded losses on early extinguishment of debt of \$32.8 million. The Company repurchased \$124.2 million of debt during 2012 and recorded losses on early extinguishment of debt of \$16.3 million.

The Company recognized an income tax benefit for 2013 of \$547.9 million, which included a \$599.5 million benefit for the release of deferred tax asset valuation allowance reserves and a net charge of \$29.0 million primarily resulting from unfavorable valuation allowance adjustments related to stock-based compensation, partially offset by the reassessment of tax reserves. Refer to Note 12 – Income Taxes for additional information. The Company recognized an income tax provision of \$31.4 million for 2012, which included a net tax charge of \$2.8 million. The net tax charge included the reassessment of tax reserves and an unfavorable impact related to stock-based compensation, partially offset by the net benefit of the release of valuation allowances for entities that were no longer in a cumulative three-year loss position. The effective tax rate for 2013 was not meaningful. The effective tax rate for 2012 was 20.1 percent.

Operating earnings, Net earnings from continuing operations and Diluted earnings per common share from continuing operations increased in 2013 when compared with 2012 primarily due to the factors discussed in the preceding paragraphs.

Diluted earnings from continuing operations per common share, as adjusted – defined as Diluted earnings from continuing operations per common share, excluding the earnings or loss per share impact for Restructuring, exit and impairment charges from continuing operations, Loss on early extinguishment of debt, reversal of deferred tax valuation allowance reserves and special tax items – increased by \$0.64 per share, or 35 percent, to \$2.47 per share for 2013 when compared with \$1.83 per share for 2012. For 2013, Restructuring, exit and impairment charges from continuing operations were \$0.16 per share, Loss on early extinguishment of debt was \$0.32 per share, reversal of deferred tax valuation allowance reserves was a benefit of \$6.39 per share and special tax items were a net provision of \$0.31 per share. In 2012, Restructuring, exit and impairment charges from continuing operations were \$0.27 per share, Loss on early extinguishment of debt was \$0.18 per share and special tax items were a net provision of \$0.03 per share.

The Company completed the sale of its Hatteras and Cabo boat brands during the third quarter of 2013 and recorded an after-tax gain of \$1.6 million. In 2013, sales from discontinued operations were \$310.8 million, pre-tax earnings from discontinued operations were \$12.3 million and the income tax benefit from discontinued operations was \$0.1 million. In 2012, sales from discontinued operations were \$357.0 million, pre-tax loss from discontinued operations was \$71.7 million, which was largely attributable to the \$52.7 million impairment charge on assets held for sale and restructuring and long-lived asset impairment charges and the income tax provision from discontinued operations was \$2.9 million.

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 operations of these segments.

As discussed in Note 2 – Discontinued Operations, during the third quarter of 2014, the Company began reporting its retail bowling and bowling products businesses as discontinued operations. These businesses were previously reported in the former Bowling & Billiards segment. Additionally, the results of the billiards business are being reported in the Company's Fitness segment for all periods presented. During the fourth quarter of 2012, Brunswick began reporting its Hatteras and Cabo boat businesses as discontinued operations. These businesses were previously reported in the Boat segment. Segment results have been restated for all periods presented to reflect these changes in Brunswick's reported segments.

Marine Engine Segment

The following table sets forth Marine Engine segment results for the years ended December 31, 2014, 2013 and 2012:

(in millions)	2014	2013	2012	2014 vs. 2013		2013 vs. 2012			
				Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)		
	\$	\$	\$	\$	%	\$	%		%
Net sales	\$2,189.4	\$2,088.1	\$1,988.5	\$101.3	4.9 %	\$99.6	5.0 %		
Restructuring, exit and impairment charges	—	—	4.2	—	NM	(4.2)	NM		
Operating earnings	309.1	284.2	243.8	24.9	8.8 %	40.4	16.6 %		
Operating margin	14.1	% 13.6	% 12.3		50 bpts		130 bpts		
Capital expenditures	\$57.9	\$77.0	\$56.6	\$(19.1)	(24.8)%	\$20.4	36.0 %		

NM = not meaningful

bpts = basis points

2014 vs. 2013

Net sales for the Marine Engine segment increased in 2014 when compared with 2013. The increase was mainly due to an increase in outboard engine sales, driven by favorable retail demand trends and successful new product introductions, including the new 75, 90 and 115 horsepower FourStroke engines, and higher sales in the marine service, parts and accessories businesses, which benefited from recent acquisitions, new product launches and market share gains. The acquisitions of Whale and Bell, as discussed in Note 4 – Acquisitions in the Notes to Consolidated Financial Statements, accounted for approximately one percentage point of the Marine Engine segment's overall revenue growth rate in 2014. Diesel engine sales increased modestly in 2014. Partially offsetting these factors was a decline in sterndrive engine sales, reflecting continuing unfavorable global retail demand trends. In addition, overall

sales in the first quarter of 2014 were adversely affected by comparatively harsher weather conditions in many North American markets. International sales increased in 2014 when compared with the prior year period and remained at 35 percent of the segment's sales during 2014. Sales increases in European and Canadian markets were partially offset by sales decreases in Latin American markets.

Marine Engine segment operating earnings improved in 2014 as a result of an increase in net sales, recently launched outboard products and continued favorable warranty experience. Partially offsetting these factors was the increased investments in growth initiatives, the absence of a \$5.5 million gain on the sale of real estate from the first quarter of 2013 and the absence of favorable insurance settlements received in the second quarter of 2013.

Capital expenditures in 2014 and 2013 were related to tooling costs for the production of new models, plant capacity expansion activities in Fond du Lac, Wisconsin, and profit-maintaining investments.

2013 vs. 2012

Net sales recorded by the Marine Engine segment increased in 2013 when compared with 2012 due to the continuing favorable demand environment in the aluminum and fiberglass outboard boat markets and the solid sales increases of the segment's outboard engine products, such as the 150 horsepower FourStroke, the Verado engine family and engines in the 75 to 115 horsepower range. Net sales also increased solidly in the segment's marine service, parts and accessories businesses reflecting contributions from new products, market share gains and stable boat participation. Partially offsetting these factors were lower sterndrive engine sales as unfavorable global retail demand trends and related reductions in dealer inventories of fiberglass sterndrive boats continued. International sales, which represented 35 percent of the segment's sales during 2013, experienced a 1 percent increase when compared with 2012 mainly due to higher sales to Europe.

The restructuring, exit and impairment charges recognized in 2012 included costs associated with the Company's consolidation of engine production facilities that was completed in 2012 as discussed in Note 3 – Restructuring Activities in the Notes to Consolidated Financial Statements. There were no restructuring, exit and impairment charges in the Marine Engine segment for 2013.

Marine Engine segment operating earnings improved in 2013 as a result of the items positively affecting net sales as discussed above along with improved operating efficiencies. Also contributing to increased operating earnings in 2013 were: improved costs, including benefits from changes in foreign currency; the absence of sterndrive production ramp-up issues, which limited sales in the first half of 2012 and resulted in operating inefficiencies stemming from the sterndrive manufacturing transition to Fond du Lac, Wisconsin in 2012; a \$5.5 million gain on the sale of real estate recorded in the first quarter of 2013; the absence of restructuring, exit and impairment charges in 2013; and favorable insurance settlements received in the second quarter of 2013; partially offset by an increase in investment spending to support long-term growth initiatives.

Capital expenditures in 2013 and 2012 were related to tooling, plant expansion and consolidation activities, growth initiatives and profit-maintaining investments. Increased capital expenditures in 2013 are primarily related to the capacity expansion in Fond du Lac, Wisconsin.

Boat Segment

The following table sets forth Boat segment results for the years ended December 31, 2014, 2013 and 2012:

(in millions)	2014	2013	2012	2014 vs. 2013		2013 vs. 2012	
				Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)
	\$	\$	\$	\$	%	\$	%
Net sales	\$1,135.8	\$1,032.0	\$1,002.6	\$103.8	10.1 %	\$29.4	2.9 %
Restructuring, exit and impairment charges	1.5	15.8	21.3	(14.3)	(90.5)%	(5.5)	(25.8)%
Operating earnings (loss)	17.2	(21.8)	(28.5)	39.0	NM	6.7	23.5 %
Operating margin	1.5 %	(2.1)%	(2.8)%	360 bpts			70 bpts
Capital expenditures	\$46.6	\$39.7	\$33.4	\$6.9	17.4 %	\$6.3	18.9 %

NM = not meaningful

bpts = basis points

2014 vs. 2013

Boat segment net sales increased in 2014 versus 2013, reflecting strong growth in the sales of outboard boats as well as fiberglass sterndrive and inboard boats. Segment sales also benefited from several successful new product introductions and a favorable shift in mix across most of its boat lines, including the introduction of new larger, higher priced products, which resulted in higher average selling prices along with growth in wholesale unit shipments. Comparatively harsher weather conditions in many North American markets adversely affected wholesale unit shipments in the first quarter of 2014 when compared to the same period in 2013. International sales were 33 percent of the segment's sales during 2014, and increased due to higher sales into European markets, mostly offset by sales declines in Canadian and Latin American markets.

The net restructuring, exit and impairment charges recognized during 2014 were mainly related to actions associated with the Company's decision to outsource woodworking operations for its yachts and sport yachts and the consolidation of the Company's yacht and motoryacht manufacturing footprint, partially offset by a gain on disposal of the Company's Riverview plant in Knoxville, Tennessee. The restructuring, exit and impairment charges recognized during 2013 were mainly related to actions associated with consolidation of the Company's yacht and motoryacht manufacturing footprint, activities resulting from the consolidation of the Company's fiberglass cruiser manufacturing and the Company's decision to outsource woodworking operations for its yachts and sport yachts. See Note 3 – Restructuring Activities in the Notes to Consolidated Financial Statements for further details.

The Boat segment reported operating earnings in 2014 compared with an operating loss in 2013 due to higher net sales, which included the benefit from several successful new product introductions as described above, and lower restructuring, exit and impairment charges. Partially offsetting these factors were increased costs associated with new product integrations, capacity expansions, production ramp-up and increased investment spending related to the introduction of new boat models.

Capital expenditures in 2014 and 2013 were related to tooling costs for the production of new models, plant capacity expansion activities, growth initiatives and profit-maintaining investments.

2013 vs. 2012

Boat segment net sales increased in 2013 versus 2012 resulting from continued growth in the aluminum and fiberglass outboard boat categories partially offset by declines in wholesale shipments of fiberglass sterndrive boats, due to weak retail demand and the Company's strategy to reduce associated pipeline inventories to prepare for new product introductions. International sales, which represented 36 percent of the segment's sales during 2013, increased slightly due to higher sales into Latin American markets, partially offset by sales declines in other regions while sales in European markets were flat.

The restructuring, exit and impairment charges recognized during 2013 were mainly related to: the consolidation of Company's yacht and motoryacht manufacturing footprint; the consolidation of the Company's fiberglass cruiser manufacturing; and the Company's decision to outsource woodworking operations for its yachts and sport yachts. The restructuring, exit and impairment charges recognized during 2012 were associated with the Company's decisions to exit Bayliner cruisers in the U.S. and European markets, consolidate cruiser manufacturing and close its Knoxville, Tennessee production facility. Impairment charges were also recorded for certain European and Asia-Pacific boat brands. See Note 3 – Restructuring Activities in the Notes to Consolidated Financial Statements for further details.

The Boat segment reported a lower operating loss in 2013 when compared with 2012 mainly due to higher fiberglass outboard and aluminum outboard boat sales, ongoing benefits from the fiberglass sterndrive boat cost-reduction activities, including those initiated in the fourth quarter of 2012, and lower restructuring charges. Partially offsetting these factors were lower sales of fiberglass sterndrive boats, increased investment spending to support long-term growth, including product development related costs, and the absence of favorable legal and insurance settlements reached in the second quarter of 2012.

Capital expenditures in 2013 and 2012 were related to tooling costs for the production of new models, growth initiatives and profit-maintaining investments as well as the purchase of a new pontoon boat manufacturing facility in 2013, which replaced the segment's existing facility.

Fitness Segment

The following table sets forth Fitness segment results for the years ended December 31, 2014, 2013 and 2012:

(in millions)	2014	2013	2012	2014 vs. 2013		2013 vs. 2012		
				Increase/(Decrease)		Increase/(Decrease)		
				\$	%	\$	%	%
Net sales	\$769.3	\$716.0	\$657.4	\$53.3	7.4	% \$58.6	8.9	%
Restructuring, exit and impairment charges	—	—	0.1	—	NM	(0.1	)	NM
Operating earnings	115.3	108.1	104.7	7.2	6.7	% 3.4	3.2	%
Operating margin	15.0	% 15.1	% 15.9	%	(10)		(80)	
Capital expenditures	\$19.6	\$8.4	\$7.6	\$11.2	NM	\$0.8	10.5	%

NM = not meaningful

bpts = basis points

2014 vs. 2013

Fitness segment net sales increased in 2014 when compared with 2013, reflecting growth in the U.S. to health clubs, hospitality, education and local and federal government customers, as well as sales growth in international markets, especially in the Latin American and Middle East and African markets. International sales were 49 percent of the segment's sales during 2014. Net sales in all regions benefited from successful new product introductions.

Fitness segment operating earnings increased in 2014 when compared with 2013 as a result of higher sales and favorable warranty expense comparisons, partially offset by continued increases in investments for growth initiatives and the absence of a favorable insurance settlement received in the first quarter of 2013.

Capital expenditures in 2014 and 2013 related to capital for the production of new products, growth initiatives and profit-maintaining investments. Capital expenditures in 2014 also include spending on plant capacity expansion in Hungary.

2013 vs. 2012

Fitness segment net sales increased in 2013 when compared with 2012, reflecting strong gains in international markets and growth in sales to U.S. health club and hospitality customers with all markets benefitting from new product introductions. European markets grew in 2013 as a result of distribution enhancements and improved market conditions. Partially offsetting these gains was a decrease in sales to local and federal government customers. International sales were 50 percent of the segment's sales in 2013 and increased mainly due to higher sales to European, Latin American and Asia-Pacific markets.

Fitness segment operating earnings increased in 2013 primarily as a result of higher sales and a favorable insurance settlement received in the first quarter of 2013, partially offset by investment spending on growth initiatives and a reduced gross margin percentage.

Capital expenditures in 2013 and 2012 were related to growth initiatives and profit-maintaining investments.

Corporate/Other

The following table sets forth Corporate/Other results for the years ended December 31, 2014, 2013 and 2012:

(in millions)	2014	2013	2012	2014 vs. 2013		2013 vs. 2012			
				Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)		
				\$	%	\$	%		
Restructuring, exit and impairment charges (gains)	\$2.7	\$0.7	\$(0.2)	) 2.0	NM	0.9	NM		
Operating loss	(70.4	) (70.0	) (58.7	) 0.4	0.6	% 11.3	19.3	%	

NM = not meaningful

The restructuring, exit and impairment charges recorded in 2014 and 2013 related to severance actions. The restructuring, exit and impairment gains recognized during 2012 related to disposals of non-strategic assets. See Note 3 – Restructuring Activities in the Notes to Consolidated Financial Statements for further details.

Corporate operating expenses increased in 2014 compared with 2013 and included higher restructuring charges mainly offset by a reduction in project spending and the absence of losses associated with various legal matters that were recorded in 2013.

Corporate operating expenses increased in 2013 when compared to 2012 mainly due to spending associated with the Company's strategic growth initiatives, higher variable compensation expenses resulting from mark-to-market adjustments on certain equity-based awards, increases in reserves for various legal matters and higher restructuring charges.

Cash Flow, Liquidity and Capital Resources

The following table sets forth an analysis of free cash flow for the years ended December 31, 2014, 2013 and 2012:

(in millions)	2014	2013	2012
Net cash provided by operating activities of continuing operations	\$235.3		