

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): October 26, 2017

BRUNSWICK
BRUNSWICK CORPORATION

(Exact Name of Registrant Specified in Charter)

Delaware
(State or Other
Jurisdiction of
Incorporation)

001-01043
(Commission File
Number)

36-0848180
(I.R.S. Employer
Identification No.)

26125 N. Riverwoods Blvd., Suite 500, Mettawa,
Illinois
(Address of Principal Executive Offices)

60045-3420
(Zip Code)

Registrant's telephone number, including area code: (847) 735-4700

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

On October 26, 2017, Brunswick Corporation (“Brunswick”) announced its financial results for the third quarter of 2017. The news release Brunswick issued announcing its third quarter 2017 earnings is incorporated herein by reference and is included as Exhibit 99.1 to this Current Report on Form 8-K.

In the news release, Brunswick uses non-GAAP financial measures. A “non-GAAP financial measure” is a numerical measure of a registrant’s historical or future financial performance, financial position, or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the 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. Operating and statistical measures and certain ratios and other statistical measures are not non-GAAP financial measures. GAAP refers to generally accepted accounting principles in the United States.

Brunswick has used certain of the financial measures that are included in the news release for several years, both in presenting its results to shareholders and the investment community and in its internal evaluation and management of its businesses. Brunswick’s management believes that these measures (including those that are non-GAAP financial measures) and the information they provide are useful to investors because they permit investors to view Brunswick’s performance using the same tools that Brunswick uses and to better evaluate Brunswick’s ongoing business performance. The measure diluted earnings per common share (EPS), as adjusted, is believed to be useful to investors because it represents a measure of Brunswick’s earnings, without the impact of restructuring, exit, and integration charges and the results of discontinued operations. Brunswick defines this measure as diluted earnings (loss) per common share from continuing operations, excluding the earnings per share impact of pension settlement charges, restructuring, exit, integration, and impairment charges, impairment charges for an equity method investment, loss on early extinguishment of debt, special tax items, and the results of discontinued operations. Brunswick’s management also believes that the measures adjusted operating earnings and adjusted pretax earnings are useful to investors because they provide a necessary and important perspective on Brunswick’s operating performance and improve comparability of performance against prior periods. Brunswick defines adjusted operating earnings as operating earnings, excluding the earnings impact of pension settlement charges and restructuring, exit, integration, and impairment charges, and defines adjusted pretax earnings as earnings (loss) before income taxes, excluding the earnings impact of pension settlement charges, restructuring, exit, integration, and impairment charges, impairment charges for an equity method investment, and the loss on early extinguishment of debt. Brunswick’s management believes that the non-GAAP financial measure free cash flow is useful to investors because it is an indication of cash flow that may be available to fund investments in future growth initiatives. Brunswick defines free cash flow as cash flow from operating and investing activities (excluding cash provided by or used for acquisitions, investments, purchases or sales/maturities of marketable securities, and other investing activities) and the effect of exchange rate changes on cash and cash equivalents. Brunswick does not provide forward-looking guidance for certain financial measures on a GAAP basis because it is unable to predict certain items contained in the GAAP measures without unreasonable efforts. These items may include pension settlement charges, restructuring, exit, and integration charges, special tax items, and certain other unusual adjustments.

To reflect the impact of changes in currency exchange rates on net sales, Brunswick may use constant currency reporting. To present this information, net sales transacted in currencies other than U.S. dollars are translated to U.S. dollars using prior year exchange rates for the comparative period, using the average exchange rates in effect during that period. The percentage change in net sales expressed on a constant currency basis may better reflect changes in the underlying business trends, excluding the impact of translation arising from foreign currency exchange rate fluctuations.

The information in this report and the exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

| <u>Exhibit No.</u> | <u>Description of Exhibit</u> |
|---------------------------|--------------------------------------|
|---------------------------|--------------------------------------|

| | |
|------|--|
| 99.1 | <u>News Release, dated October 26, 2017, of Brunswick Corporation, announcing its third quarter 2017 earnings.</u> |
|------|--|

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BRUNSWICK CORPORATION

Dated: October 26, 2017

By: /S/ DANIEL J. TANNER
Daniel J. Tanner
Vice President and Controller

EXHIBIT INDEX:

| <u>Exhibit No.</u> | <u>Description of Exhibit</u> |
|---------------------------|---|
| 99.1 | News Release, dated October 26, 2017, of Brunswick Corporation, announcing its third quarter 2017 earnings. |

BRUNSWICK

Brunswick Corporation 26125 N. Riverwoods Blvd., Suite 500, Mettawa, IL 60045
Telephone 847.735.4700 Facsimile 847.735.4750

News Release

Release: IMMEDIATE
Contact: Ryan Gwillim
Vice President - Investor Relations
Phone: 847-735-4926

Contact: Daniel Kubera
Director - Media Relations and Corporate Communications
Phone: 847-735-4617
Email: daniel.kubera@brunswick.com

Brunswick Reports Third Quarter Results

4.4% Growth in Revenue;

GAAP Diluted EPS of \$0.88 and Diluted EPS, as adjusted, of \$0.91;

2017 Guidance: Lowered Diluted EPS, as adjusted, Range to \$3.85 to \$3.87

METTAWA, Ill., Oct. 26, 2017 -- Brunswick Corporation (NYSE: BC) today reported results for the third quarter of 2017:

- Consolidated net sales increased 4.4 percent versus third quarter 2016. Net sales for the Marine Engine segment increased by 7 percent.
 - On a GAAP basis, operating earnings decreased by 9 percent. Adjusted operating earnings were down 5 percent versus the prior period.
 - On a GAAP basis, diluted EPS of \$0.88 decreased by \$0.05 compared to the prior year. Diluted EPS, as adjusted, was \$0.91, consistent with prior period.
-

"Our performance in the third quarter reflected continued successful execution of our growth strategy, including our focus on product innovation," said Brunswick Chairman and Chief Executive Officer Mark Schwabero. "Our third quarter revenues increased by 4.4 percent, reflecting strong growth in the outboard engine and aluminum outboard boat businesses, along with solid growth in our parts and accessories businesses. Overall demand in international marine markets remained strong, led by gains in Europe, Canada and Asia-Pacific, as well as improving conditions in other regions. Importantly, marine market data indicates a healthy global marketplace, which is consistent with our assumptions entering the year," Schwabero continued.

"We faced certain headwinds in the quarter which led to a decline in boat earnings," Schwabero continued. "As previously discussed on the second quarter call, we significantly lowered production in our large fiberglass sterndrive / inboard boat category as we meaningfully reduced pipelines from second quarter levels in response to weak retail demand over the last several quarters. In addition, during September, Hurricane Irma disrupted our Florida-based manufacturing operations.

"In our Fitness segment, results trailed our expectations, as we experienced a more challenging global market environment which affected both sales volumes and margins," Schwabero continued. "Despite these challenges, we continue to believe that the long-term fitness market fundamentals are solid and, given our emphasis on product leadership, operational excellence and technology development, we remain confident that we will be successful in the evolving fitness marketplace.

"Overall, our adjusted operating earnings decreased by 5 percent compared to the prior year quarter. Benefits from an improved effective tax rate and fewer shares outstanding resulted in diluted earnings per common share, as adjusted, being consistent with the prior year," Schwabero concluded.

Third Quarter Results

For the third quarter of 2017, Brunswick reported net sales of \$1,141.5 million, up from \$1,093.0 million a year earlier. For the quarter, Brunswick reported operating earnings of \$111.7 million, which included \$6.8 million of restructuring, exit and integration charges. In the third quarter of 2016, Brunswick had operating earnings of \$122.5 million, which included \$2.4 million of restructuring, exit and integration charges.

For the third quarter of 2017, Brunswick reported net earnings of \$79.0 million, or \$0.88 per diluted share, compared with net earnings of \$85.3 million, or \$0.93 per diluted share, for the third quarter of 2016. Diluted EPS for the third quarter of 2017 included \$0.04 per diluted share of restructuring, exit and integration charges and \$0.01 per diluted share benefit from special tax items. The diluted EPS for the third quarter of 2016 included \$0.02 per diluted share of restructuring, exit and integration charges and \$0.04 per diluted share benefit from special tax items.

Review of Cash Flow and Balance Sheet

Cash and marketable securities totaled \$402.6 million at the end of the third quarter, down \$66.8 million from year-end 2016 levels. The reduction includes net cash provided by operating activities during the first nine months of the year of \$255.1 million, which declined by \$38.1 million versus the prior year. The decrease was the result of higher seasonal working capital usage during the year-to-date period.

In addition, net cash used for investing and financing activities of \$295.6 million during the year-to-date period reduced cash and marketable securities balances at period end. Investing and financing activities during the year-to-date period included \$153.4 million of capital expenditures, \$120.0 million of common stock repurchases and \$44.0 million of dividend payments, partially offset by \$35.0 million of proceeds from the sales of marketable securities.

Marine Engine Segment

The Marine Engine segment, which manufactures and distributes marine propulsion systems and related parts and accessories, reported net sales of \$669.2 million in the third quarter of 2017, up 7 percent from \$625.7 million in the third quarter of 2016.

International sales, which represented 30 percent of total segment sales in the quarter, were up 14 percent compared to the prior year period. For the quarter, the Marine Engine segment reported operating earnings of \$ 115.2 million. This compares with operating earnings of \$109.5 million in the third quarter of 2016.

Sales increases in the quarter were led by the outboard engine business as well as solid growth from the parts and accessories businesses. The increase in operating earnings in the third quarter was primarily the result of higher net sales, improved cost efficiencies and favorable impacts from changes in foreign exchange rates, which were partially offset by the unfavorable impact from planned increases in growth investments in advance of new product introductions.

Boat Segment

The Boat segment, which manufactures and distributes recreational boats, reported net sales of \$309.3 million for the third quarter of 2017, a slight increase from \$307.0 million in the third quarter of 2016. International sales, which represented 22 percent of total segment sales in the quarter, increased by 8 percent compared to the prior year period. For the third quarter of 2017, the Boat segment reported operating earnings of \$0.1 million. This compares with operating earnings of \$6.8 million in the third quarter of 2016.

The Boat segment's revenue reflected strong growth in the aluminum outboard boat business, particularly in pontoon boats. As previously mentioned, sales within the large fiberglass sterndrive / inboard boat category declined in the quarter, and disruptions in production resulting from Hurricane Irma affected sales of products manufactured at the

Company's Florida-based operations, particularly the fiberglass outboard operations. The decrease in operating earnings resulted mostly from an unfavorable change in sales mix for the segment, resulting from the factors impacting sales comparisons, as well as manufacturing inefficiencies, including costs associated with the hurricane.

Fitness Segment

The Fitness segment designs, manufactures and sells strength and cardiovascular fitness equipment and active recreation products. Fitness segment sales in the third quarter of 2017 totaled \$242.8 million, an increase of 2 percent from \$237.6 million in the third quarter of 2016. International sales, which represented 47 percent of total segment sales in the quarter, decreased by 1 percent compared to the third quarter of 2016.

For the quarter, the Fitness segment reported operating earnings of \$19.4 million, including restructuring, exit and integration charges of \$6.8 million. This compares with operating earnings of \$29.1 million in the third quarter of 2016, which included \$2.4 million of restructuring, exit and integration charges.

The Fitness segment's revenue increases resulted from the ICG acquisition completed in 2016. Sales comparisons also reflected flat overall global market demand, with growth in sales to value-oriented clubs being offset by softness in sales to traditional clubs and other vertical markets. The decline in operating earnings resulted from lower margins, reflecting higher restructuring, exit and integration charges, more challenging competitive dynamics in certain international markets and unfavorable changes in sales mix, which more than offset benefits from acquisitions and cost reduction efforts.

2017 Outlook

"Despite unanticipated headwinds, 2017 is expected to be another year of strong revenue and earnings performance, along with excellent cash flow generation," said Schwabero. "Our Marine Engine segment continues to perform as anticipated, and we expect our collective marine businesses to continue to generate solid top-line growth

over the remainder of the year. We also plan for our Fitness segment to report fourth quarter sales growth consistent with third quarter growth. As a result, our consolidated plan reflects revenue growth rates in 2017 of approximately 7 percent for the year, with a slightly lower growth rate in the fourth quarter.

"For the full year, we anticipate a modest decrease in operating margins. Gross margin percentage will be down for the year, but not to the same degree as our year-to-date comparisons. Operating expenses are estimated to increase for full-year 2017, including continued investments in advance of planned new product introductions, but on a percentage of sales basis, are expected to be at lower levels than those of 2016. Additionally, for 2017, our expectation remains that we will generate positive free cash flow in excess of \$250 million," Schwabero said.

"We are lowering our guidance for the year to \$3.85 to \$3.87," Schwabero continued. "This adjustment reflects our third quarter results, and our view that certain market headwinds faced in the third quarter in our fitness and large fiberglass sterndrive / inboard boat businesses will continue to impact the fourth quarter," Schwabero said.

Use of Non-GAAP Financial Information

A reconciliation of GAAP to non-GAAP financial measures is provided in the reconciliation sections of the consolidated financial statements accompanying this release.

Brunswick does not provide forward-looking guidance for certain financial measures on a GAAP basis because it is unable to predict certain items contained in the GAAP measures without unreasonable efforts. These items may include pension settlement charges, restructuring, exit and integration costs, special tax items and certain other unusual adjustments.

Conference Call Scheduled

Brunswick will host a conference call today at 10 a.m. CDT, hosted by Mark D. Schwabero, chairman and chief executive officer, William L. Metzger, senior vice president and chief financial officer, and Ryan M. Gwillim, vice president - investor relations.

The call will be broadcast over the Internet at ir.brunswick.com. To listen to the call, go to the website at least 15 minutes before the call to register, download and install any needed audio software.

See Brunswick's website for slides used to supplement conference call remarks at ir.brunswick.com.

Security analysts and investors wishing to participate via telephone should call 888-771-4371 (passcode: Brunswick Q3). Callers outside of North America should call 847-585-4405 (passcode: Brunswick Q3) to be connected. These numbers can be accessed 15 minutes before the call begins, as well as during the call. A replay of the conference call will be available through midnight EDT Thursday, Nov. 2, 2017, by calling 888-843-7419 or international dial 630-652-3042 (passcode: 4567 5879#). The replay will also be available at www.brunswick.com.

Forward-Looking Statements

Certain statements in this news release are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations, estimates and projections about Brunswick's business and by their nature address matters that are, to different degrees, uncertain. Words such as "may," "could," "expect," "intend," "target," "plan," "seek," "estimate," "believe," "predict," "outlook" and similar expressions are intended to identify forward-looking statements. Such statements are not guarantees of future performance and involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this news release. These risks include, but are not limited to: adverse general economic conditions, including reductions in consumer discretionary spending;

negative currency trends; our ability to complete and integrate targeted acquisitions; our ability to implement our strategic plan and growth initiatives; adequate financing access for dealers and customers and our ability to access capital and credit markets; maintaining effective distribution; retaining our relationships with dealers, distributors and independent boat builders; credit and collections risks; retaining key customers; protecting our brands and intellectual property; absorbing fixed costs in production; managing expansion or consolidation of manufacturing facilities; meeting supply objectives; meeting pension funding obligations; managing our share repurchases; higher energy and fuel costs; competitive pricing pressures; developing new and innovative products at a competitive price, in legal compliance; maintaining product quality and service standards; outages or breaches of technology systems; competitor activity; product liability, warranty and other claims risks; increased costs of legal and regulatory compliance; having to record an impairment to the value of goodwill and other assets; international business risks; attracting and retaining key contributors; and weather and catastrophic event risks.

Additional risk factors are included in the Company's Annual Report on Form 10-K for 2016. Forward-looking statements speak only as of the date on which they are made and Brunswick does not undertake any obligation to update them to reflect events or circumstances after the date of this news release or for changes by wire services or Internet service providers.

About Brunswick

Headquartered in Mettawa, Ill., Brunswick Corporation's leading consumer brands include Mercury and Mariner outboard engines; Mercury MerCruiser sterndrives and inboard engines; MotorGuide trolling motors; Attwood, Garelick and Whale marine parts and accessories; Land 'N' Sea, Kellogg Marine, Lankhorst Taselaar, Payne's Marine and BLA parts and accessories distributors; Bayliner, Boston Whaler, Brunswick Commercial and Government Products, Crestliner, Cypress Cay, Harris, Lowe, Lund, Meridian, Princecraft, Quicksilver, Rayglass, Sea Ray, Thunder Jet and Uttern; Life Fitness, Hammer Strength, Cybex, Indoor Cycling Group and SCIFIT fitness equipment; and Brunswick billiards tables, accessories and game room furniture. For more information, visit <http://www.brunswick.com>.

Brunswick Corporation
Comparative Condensed Consolidated Statements of Operations
(in millions, except per share data)
(unaudited)

| | Three Months Ended | | |
|---|-----------------------|--------------------|-------------|
| | September 30, 2017 | October 1, 2016 | % Change |
| Net sales | \$ 1,141.5 | \$ 1,093.0 | 4 % |
| Cost of sales | 828.2 | 783.3 | 6 % |
| Selling, general and administrative expense | 159.3 | 150.3 | 6 % |
| Research and development expense | 35.5 | 34.5 | 3 % |
| Restructuring, exit and integration charges | 6.8 | 2.4 | NM |
| Operating earnings | 111.7 | 122.5 | -9 % |
| Equity earnings | 1.5 | 1.4 | 7 % |
| Other income, net | 1.5 | 0.8 | 88 % |
| Earnings before interest and income taxes | 114.7 | 124.7 | -8 % |
| Interest expense | (6.6) | (7.0) | -6 % |
| Interest income | 0.9 | 0.4 | NM |
| Earnings before income taxes | 109.0 | 118.1 | -8 % |
| Income tax provision | 30.0 | 32.8 | -9 % |
| Net earnings from continuing operations | 79.0 | 85.3 | -7 % |
| Net earnings from discontinued operations, net of tax | — | 0.1 | NM |
| Net earnings | \$ 79.0 | \$ 85.4 | -7 % |
| Earnings per common share: | | | |
| Basic | | | |
| Earnings from continuing operations | \$ 0.89 | \$ 0.94 | |
| Earnings from discontinued operations | — | 0.00 | |
| Net earnings | \$ 0.89 | \$ 0.94 | -5 % |
| Diluted | | | |
| Earnings from continuing operations | \$ 0.88 | \$ 0.93 | |
| Earnings from discontinued operations | — | 0.00 | |
| Net earnings | \$ 0.88 | \$ 0.93 | -5 % |
| Weighted average shares used for computation of: | | | |
| Basic earnings per common share | 89.1 | 91.1 | |
| Diluted earnings per common share | 89.8 | 91.9 | |
| Effective tax rate from continuing operations | 27.5 % | 27.8 % | |
| Reconciliations | | | |
| Continuing Operations: | | | |
| Operating earnings | \$ 111.7 | \$ 122.5 | -9 % |
| Restructuring, exit and integration charges | 6.8 | 2.4 | NM |
| Adjusted operating earnings | \$ 118.5 | \$ 124.9 | -5 % |
| Earnings before income taxes | \$ 109.0 | \$ 118.1 | -8 % |
| Restructuring, exit and integration charges | 6.8 | 2.4 | NM |
| Adjusted pretax earnings | \$ 115.8 | \$ 120.5 | -4 % |
| Earnings per common share: | | | |
| Earnings from continuing operations | \$ 0.88 | \$ 0.93 | |
| Restructuring, exit and integration charges | 0.04 | 0.02 | |
| Special tax items | (0.01) | (0.04) | |
| Diluted earnings from continuing operations, as adjusted | \$ 0.91 | \$ 0.91 | 0 % |

NM = not meaningful

Brunswick Corporation
Comparative Condensed Consolidated Statements of Operations
(in millions, except per share data)
(unaudited)

| | Nine Months Ended | | |
|---|-----------------------|--------------------|-------------|
| | September 30, 2017 | October 1, 2016 | % Change |
| Net sales | \$ 3,653.8 | \$ 3,405.5 | 7 % |
| Cost of sales | 2,671.5 | 2,460.4 | 9 % |
| Selling, general and administrative expense | 476.7 | 451.7 | 6 % |
| Research and development expense | 108.6 | 104.2 | 4 % |
| Restructuring, exit and integration charges | 27.7 | 8.8 | NM |
| Operating earnings | 369.3 | 380.4 | -3 % |
| Equity earnings | 5.2 | 3.2 | 63 % |
| Other income, net | 6.0 | 1.7 | NM |
| Earnings before interest and income taxes | 380.5 | 385.3 | -1 % |
| Interest expense | (19.9) | (20.8) | -4 % |
| Interest income | 1.8 | 1.2 | 50 % |
| Earnings before income taxes | 362.4 | 365.7 | -1 % |
| Income tax provision | 99.1 | 109.1 | -9 % |
| Net earnings from continuing operations | 263.3 | 256.6 | 3 % |
| Net earnings from discontinued operations, net of tax | — | 1.7 | NM |
| Net earnings | \$ 263.3 | \$ 258.3 | 2 % |
| Earnings per common share: | | | |
| Basic | | | |
| Earnings from continuing operations | \$ 2.94 | \$ 2.80 | |
| Earnings from discontinued operations | — | 0.02 | |
| Net earnings | \$ 2.94 | \$ 2.82 | 4 % |
| Diluted | | | |
| Earnings from continuing operations | \$ 2.91 | \$ 2.78 | |
| Earnings from discontinued operations | — | 0.02 | |
| Net earnings | \$ 2.91 | \$ 2.80 | 4 % |
| Weighted average shares used for computation of: | | | |
| Basic earnings per common share | 89.7 | 91.5 | |
| Diluted earnings per common share | 90.5 | 92.4 | |
| Effective tax rate from continuing operations | 27.3 % | 29.8 % | |
| Reconciliations | | | |
| Continuing Operations: | | | |
| Operating earnings | \$ 369.3 | \$ 380.4 | -3 % |
| Restructuring, exit and integration charges | 27.7 | 8.8 | NM |
| Adjusted operating earnings | \$ 397.0 | \$ 389.2 | 2 % |
| Earnings before income taxes | \$ 362.4 | \$ 365.7 | -1 % |
| Restructuring, exit and integration charges | 27.7 | 8.8 | NM |
| Adjusted pretax earnings | \$ 390.1 | \$ 374.5 | 4 % |
| Earnings per common share: | | | |
| Earnings from continuing operations | \$ 2.91 | \$ 2.78 | |
| Restructuring, exit and integration charges | 0.21 | 0.06 | |
| Special tax items | (0.01) | (0.04) | |
| Diluted earnings from continuing operations, as adjusted | \$ 3.11 | \$ 2.80 | 11 % |

NM = not meaningful

Brunswick Corporation
Selected Financial Information
(in millions)
(unaudited)

Segment Information - Continuing Operations

| | Three Months Ended | | | | | | | | |
|----------------------------|--------------------|-------------------|-----------|--|-----------------|------------|------------------|--------------|--|
| | Net Sales | | | Operating Earnings (Loss) ⁽¹⁾ | | | Operating Margin | | |
| | Sep 30, 2017 | Oct 1, 2016 | % Change | Sep 30, 2017 | Oct 1, 2016 | % Change | Sep 30, 2017 | Oct 1, 2016 | |
| Marine Engine | \$ 669.2 | \$ 625.7 | 7% | \$ 115.2 | \$ 109.5 | 5% | 17.2% | 17.5% | |
| Boat | 309.3 | 307.0 | 1% | 0.1 | 6.8 | -99% | 0.0% | 2.2% | |
| Marine eliminations | (79.8) | (77.3) | 3% | — | — | | | | |
| Total Marine | 898.7 | 855.4 | 5% | 115.3 | 116.3 | -1% | 12.8% | 13.6% | |
| Fitness | 242.8 | 237.6 | 2% | 19.4 | 29.1 | -33% | 8.0% | 12.2% | |
| Pension costs | — | — | | (2.3) | (3.6) | 36% | | | |
| Corporate/Other | — | — | | (20.7) | (19.3) | -7% | | | |
| Total | \$ 1,141.5 | \$ 1,093.0 | 4% | \$ 111.7 | \$ 122.5 | -9% | 9.8% | 11.2% | |

| | Nine Months Ended | | | | | | | | |
|----------------------------|-------------------|-------------------|-----------|--|-----------------|------------|------------------|--------------|--|
| | Net Sales | | | Operating Earnings (Loss) ⁽¹⁾ | | | Operating Margin | | |
| | Sep 30, 2017 | Oct 1, 2016 | % Change | Sep 30, 2017 | Oct 1, 2016 | % Change | Sep 30, 2017 | Oct 1, 2016 | |
| Marine Engine | \$ 2,067.2 | \$ 1,940.9 | 7% | \$ 351.9 | \$ 326.8 | 8% | 17.0% | 16.8% | |
| Boat | 1,104.1 | 1,011.9 | 9% | 28.0 | 45.9 | -39% | 2.5% | 4.5% | |
| Marine eliminations | (246.4) | (233.0) | 6% | — | — | | | | |
| Total Marine | 2,924.9 | 2,719.8 | 8% | 379.9 | 372.7 | 2% | 13.0% | 13.7% | |
| Fitness | 728.9 | 685.7 | 6% | 56.2 | 73.3 | -23% | 7.7% | 10.7% | |
| Pension costs | — | — | | (7.0) | (11.0) | 36% | | | |
| Corporate/Other | — | — | | (59.8) | (54.6) | -10% | | | |
| Total | \$ 3,653.8 | \$ 3,405.5 | 7% | \$ 369.3 | \$ 380.4 | -3% | 10.1% | 11.2% | |

(1) Operating earnings for the three months ended September 30, 2017, includes \$6.8 million of pretax restructuring, exit and integration charges in the Fitness segment. Operating earnings for the nine months ended September 30, 2017, includes \$27.7 million of pretax restructuring, exit and integration charges consisting of \$13.7 million in the Fitness segment, \$11.6 million in the Boat segment, and \$2.4 million in Corporate/Other. Operating earnings for the three months and nine months ended October 1, 2016, includes \$2.4 million and \$8.8 million, respectively, of pretax restructuring, exit and integration charges in the Fitness segment.

Brunswick Corporation
Comparative Condensed Consolidated Balance Sheets
(in millions)
(unaudited)

| | September 30, 2017 | December 31, 2016 | October 1, 2016 |
|---|-----------------------|----------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents, at cost, which approximates fair value | \$ 391.1 | \$ 422.4 | \$ 437.2 |
| Restricted cash | 10.7 | 11.2 | 12.7 |
| Short-term investments in marketable securities | 0.8 | 35.8 | 0.8 |
| Total cash and short-term investments in marketable securities | 402.6 | 469.4 | 450.7 |
| Accounts and notes receivable, net | 476.4 | 417.3 | 454.6 |
| Inventories | | | |
| Finished goods | 530.5 | 502.7 | 476.3 |
| Work-in-process | 126.7 | 91.1 | 102.7 |
| Raw materials | 191.4 | 168.3 | 176.0 |
| Net inventories | 848.6 | 762.1 | 755.0 |
| Prepaid expenses and other | 49.1 | 39.7 | 38.5 |
| Current assets | 1,776.7 | 1,688.5 | 1,698.8 |
| Net property | 706.4 | 645.3 | 596.7 |
| Other assets | | | |
| Goodwill | 426.3 | 413.8 | 413.0 |
| Other intangibles, net | 165.5 | 164.8 | 164.1 |
| Equity investments | 21.7 | 20.7 | 16.3 |
| Deferred income tax asset | 256.1 | 307.8 | 304.8 |
| Other long-term assets | 46.5 | 43.8 | 47.5 |
| Other assets | 916.1 | 950.9 | 945.7 |
| Total assets | \$ 3,399.2 | \$ 3,284.7 | \$ 3,241.2 |
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Current maturities of long-term debt | \$ 4.2 | \$ 5.9 | \$ 4.2 |
| Accounts payable | 397.3 | 392.7 | 364.0 |
| Accrued expenses | 578.6 | 566.3 | 549.5 |
| Current liabilities | 980.1 | 964.9 | 917.7 |
| Debt | 437.6 | 436.5 | 448.0 |
| Other long-term liabilities | 411.4 | 443.2 | 440.8 |
| Shareholders' equity | 1,570.1 | 1,440.1 | 1,434.7 |
| Total liabilities and shareholders' equity | \$ 3,399.2 | \$ 3,284.7 | \$ 3,241.2 |
| Supplemental Information | | | |
| Debt-to-capitalization rate | 22.0% | 23.5% | 24.0% |

Brunswick Corporation
Comparative Condensed Consolidated Statements of Cash Flows
(in millions)
(unaudited)

| | Nine Months Ended | |
|--|-----------------------|--------------------|
| | September 30, 2017 | October 1, 2016 |
| Cash flows from operating activities | | |
| Net earnings | \$ 263.3 | \$ 258.3 |
| Less: earnings from discontinued operations, net of tax | — | 1.7 |
| Net earnings from continuing operations | 263.3 | 256.6 |
| Depreciation and amortization | 83.2 | 77.0 |
| Pension funding, net of expense | (51.0) | (61.7) |
| Deferred income taxes | 50.0 | 74.6 |
| Equity in earnings of unconsolidated affiliates | (5.2) | (3.2) |
| Changes in certain current assets and current liabilities | (100.6) | (66.5) |
| Income taxes | (16.5) | 7.1 |
| Other, net | 31.9 | 9.3 |
| Net cash provided by operating activities of continuing operations* | 255.1 | 293.2 |
| Net cash used for operating activities of discontinued operations | (0.3) | (3.3) |
| Net cash provided by operating activities* | 254.8 | 289.9 |
| Cash flows from investing activities | | |
| Capital expenditures | (153.4) | (131.9) |
| Sales or maturities of marketable securities | 35.0 | 10.7 |
| Investments | 4.5 | 9.8 |
| Acquisition of businesses, net of cash acquired | (15.5) | (269.5) |
| Proceeds from the sale of property, plant and equipment | 8.0 | 1.7 |
| Other, net | (0.5) | 1.3 |
| Net cash used for investing activities | (121.9) | (377.9) |
| Cash flows from financing activities | | |
| Net proceeds from issuances of long-term debt | — | 0.8 |
| Payments of long-term debt including current maturities | (1.3) | (0.3) |
| Common stock repurchases | (120.0) | (90.3) |
| Cash dividends paid | (44.0) | (40.7) |
| Proceeds from share-based compensation activity | 6.1 | 12.5 |
| Tax withholding associated with shares issued for share-based compensation | (14.5) | (18.4) |
| Other, net | — | (1.3) |
| Net cash used for financing activities* | (173.7) | (137.7) |
| Effect of exchange rate changes | 9.0 | 5.6 |
| Net decrease in Cash and cash equivalents and Restricted cash | (31.8) | (220.1) |
| Cash and cash equivalents and Restricted cash at beginning of period | 433.6 | 670.0 |
| Cash and cash equivalents and Restricted cash at end of period | 401.8 | 449.9 |
| Less: Restricted cash | 10.7 | 12.7 |
| Cash and cash equivalents at end of period | \$ 391.1 | \$ 437.2 |
| Reconciliation | | |
| Free Cash Flow | | |
| Net cash provided by operating activities of continuing operations* | \$ 255.1 | \$ 293.2 |
| Net cash provided by (used for): | | |
| Capital expenditures | (153.4) | (131.9) |
| Proceeds from the sale of property, plant and equipment | 8.0 | 1.7 |
| Effect of exchange rate changes | 9.0 | 5.6 |
| Total free cash flow* | \$ 118.7 | \$ 168.6 |

* As a result of adopting new accounting guidance, both years include amounts related to net excess tax benefits or deficiencies resulting from share-based compensation activity.