

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(X) Quarterly Report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 1998

Commission file number 1-1043

BRUNSWICK CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 36-0848180
(State or other Jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1 N. Field Ct., Lake Forest, Illinois 60045-4811
(Address of principal executive offices) (Zip Code)

(847) 735-4700

Registrant's telephone number, including area code

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

At August 10, 1998, there were 99,074,297 shares of the Company's Common Stock (\$.75 par value) outstanding.

Part I- Financial Information

Item I-Financial Statements

<TABLE>

Brunswick Corporation
Consolidated Statements of Income
for the periods ended June 30
(in millions, except per share data)

	Quarter ended June 30		Six months ended June 30		
	1998	1997	1998	1997	
<S>	<C>	<C>	<C>	<C>	
Net sales	1,113.0	1,008.2	2,017.2	1,849.8	
Cost of sales	795.3	706.0	1,443.2	1,307.0	
Selling, general and administrative expense		173.8	164.2	322.0	311.4
Operating earnings	143.9	138.0	252.0	231.4	
Interest expense	(16.0)	(10.3)	(30.9)	(21.4)	
Other income and expense	4.7	4.1	6.5	6.9	
Earnings before income taxes	132.6	131.8	227.6	216.9	
Income tax provision	49.2	48.9	85.3	81.3	
Net earnings	83.4	82.9	142.3	135.6	
Earnings per common share:					
Basic	0.84	0.84	1.43	1.37	

Diluted	0.83	0.83	1.42	1.36	
Average shares used for computation of:					
Basic earnings per share	99.4	99.1	99.4	98.9	
Diluted earnings per share	100.4	100.2	100.5	99.9	
Cash dividends declared per common share		0.125	0.125	0.25	0.25

The notes are an integral part of these consolidated statements.

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Brunswick Corporation
Consolidated Balance Sheets

As of June 30, 1998, December 31, 1997 and June 30, 1997

(in millions, except share data)

(unaudited)

	June 30, 1998	December 31, 1997	June 30, 1997		
Assets					
Current assets					
Cash and cash equivalents, at cost,					
<S>	<C>	<C>	<C>		
which approximates market		71.0	85.6	110.8	
Accounts and notes receivable,					
less allowances of \$22.0, \$20.7 and \$18.5		610.4	434.9	509.4	
Inventories					
Finished goods	345.0	313.4	292.8		
Work-in-process	142.6	139.4	149.7		
Raw materials	133.6	113.5	92.9		
Net inventories	621.2	566.3	535.4		
Prepaid income taxes	221.6	210.7	192.2		
Prepaid expenses	41.5	46.0	32.7		
Income tax refund receivable		0.0	22.5	0.0	
Current assets	1,565.7	1,366.0	1380.5		
Property					
Land	74.3	68.7	69.5		
Buildings	442.1	425.8	411.3		
Equipment	884.4	830.8	797.6		
Total land, buildings and equipment		1,400.8	1,325.3	1278.4	
Accumulated depreciation		(693.8)	(656.7)	(636.7)	
Net land, buildings and equipment		707.0	668.6	641.7	
Unamortized product tooling costs		101.3	114.4	97.0	
Net property	808.3	783.0	738.7		
Other assets					
Goodwill	728.6	726.4	437.5		
Other intangibles	108.6	115.8	126.0		
Investments	99.6	87.5	89.1		
Other long-term assets		164.4	162.7	158.7	
Other assets	1,101.2	1,092.4	811.3		
Total Assets	3,475.2	3,241.4	2930.5		
Liabilities and Shareholders' Equity					
Current liabilities					
Short-term debt, including					
current maturities of long-term debt		225.6	109.3	67.7	
Accounts payable	259.1	252.9	244.4		
Accrued expenses	560.3	586.0	504.5		
Income taxes payable	30.7	0.0	21.3		
Current liabilities	1,075.7	948.2	837.9		
Long-term debt					
Notes, mortgages and debentures		641.8	645.5	458.6	
Deferred items					
Income taxes	138.3	144.3	137.4		
Postretirement and postemployment benefits		139.5	137.3	134.6	
Compensation and other	61.7	51.1	36.5		

Deferred items	339.5	332.7	308.5
Common shareholders' equity			
Common stock; authorized: 200,000,000 shares, \$.75 par value; issued: 102,538,000 shares		76.9	76.9 76.9
Additional paid-in capital	311.3	308.2	305.2
Retained earnings	1,169.6	1,052.2	1,062.1
Treasury stock, at cost:			
3,346,000; 3,057,000 and 3,221,000 shares		(74.1)	(59.0) (59.1)
Unamortized ESOP expense and other		(61.5)	(63.1) (66.4)
Accumulated other comprehensive income		(4.0)	(0.2) 6.8
Common shareholders' equity	1,418.2	1,315.0	1,325.5
Total liabilities and shareholders' equity	3,475.2	3,241.4	2,930.5

The notes are an integral part of these consolidated statements.

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Brunswick Corporation
Consolidated Statements of Cash Flows
for the six months ended June 30,
(in millions)

	1998	1997	
	(unaudited)		
Cash flows from operating activities			
<S>	<C>	<C>	
Net earnings	142.3	135.6	
Depreciation and amortization		79.3	72.0
Changes in noncash current assets and current liabilities	(226.9)	(204.6)	
Income taxes	45.6	26.8	
Other, net	(2.7)	6.4	
Net cash provided by operating activities		37.6	36.2
Cash flows from investing activities			
Acquisitions of businesses		(31.9)	(176.0)
Unrestricted cash held for Igloo acquisition		0.0	143.0
Capital expenditures	(73.0)	(80.6)	
Payments advanced for long-term supply arrangements			(5.5) (4.6)
Investments	(21.6)	0.0	
Other, net	10.3	9.4	
Net cash used for investing activities		(121.7)	(108.8)
Cash flows from financing activities			
Net proceeds from issuances of short-term commercial paper and other short-term debt		116.2	54.3
Proceeds from issuance of long-term debt		0.0	7.0
Payments of long-term debt including current maturities			(3.5) (103.1)
Stock options exercised	6.5	11.5	
Stock repurchases	(24.8)	0.0	
Cash dividends paid	(24.9)	(24.8)	
Net cash provided by (used for) financing activities		69.5	(55.1)
Net decrease in cash and cash equivalents		(14.6)	(127.7)
Cash and cash equivalents at January 1		85.6	238.5
Cash and cash equivalents at June 30		71.0	110.8
Supplemental cash flow disclosures:			
Interest paid	36.7	29.2	
Income tax paid, net	39.7	54.6	
Treasury stock issued for compensation plans and other		12.4	19.2

The notes are an integral part of these consolidated statements.

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Brunswick Corporation
Notes to Consolidated Financial Statements
June 30, 1998, December 31, 1997 and June 30, 1997
(unaudited)

Note 1 - Accounting Policies

This unaudited financial data has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and disclosures normally included in financial statements and footnotes prepared in accordance with generally accepted accounting principles have been condensed or omitted. Brunswick Corporation (the "Company") believes that the disclosures in these statements are adequate to make the information presented not misleading. Certain previously reported amounts have been reclassified to conform with the current period presentation.

These financial statements should be read in conjunction with, and have been prepared in conformity with, the accounting principles reflected in the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997. These interim results include, in the opinion of the Company, all normal and recurring adjustments necessary to present fairly the results of operations for the quarter and six-month periods ended June 30, 1998 and 1997. The 1998 interim results are not necessarily indicative of the results which may be expected for the remainder of the year.

Note 2 - Earnings Per Common Share

There is no difference in the earnings used to compute the Company's basic and diluted earnings per share. The difference in the weighted-average number of shares of common stock outstanding used to compute basic and diluted earnings per share is caused by potential common stock relating to employee stock options. The weighted-average number of shares of potential common stock was 1.0 million and 1.1 million for the quarters ended June 30, 1998 and 1997, and 1.1 million and 1.0 million for the six-month periods ended June 30, 1998 and 1997, respectively.

Note 3 - Acquisitions

On January 30, 1998, the Company acquired the assets of ParaBody, Inc. a marketer and manufacturer of a leading consumer line of multistation gyms, benches and racks. ParaBody has been included as part of the Recreation segment. The Company also acquired the assets of certain bowling centers. Total cash consideration paid for acquisitions totaled \$31.9 million in the first six months of 1998.

Note 4 - Debt

Commercial paper outstanding increased to \$205.3 million at June 30, 1998, versus \$86.3 million at December 31, 1997, to fund working capital requirements, acquisitions and capital expenditures.

Note 5 - Litigation

On June 19, 1998, a jury awarded \$44 million in damages in a suit brought in December 1995 by Independent Boatbuilders, Inc. ("IBBI"), a buying group of boat manufacturers and twenty-two of its members. The lawsuit, Concord Boat Corporation, et. al. v. Brunswick Corporation, was filed in the United States District Court for the Eastern District of Arkansas, and alleged that the

Company unlawfully monopolized, unreasonably restrained trade, and made acquisitions which substantially lessened competition in the market for sterndrive and inboard marine engines in the United States and Canada. Under the antitrust laws, that amount will be trebled, and plaintiffs will be entitled to their attorneys' fees and interest. Any and all amounts paid by the Company will be deductible for tax purposes. The jury rejected the Company's counterclaim.

The Company has filed motions with the trial court seeking to set aside the verdict, requesting a new trial and opposing the plaintiffs' recently filed requests for equitable relief. If unsuccessful at the trial court level, the Company will appeal the entry of any adverse judgement or order for equitable relief. While there can be no assurances, the Company believes any adverse judgment or order is likely to be reversed. The Company is not presently able to reasonably estimate the ultimate outcome of this case, and accordingly, no expense for this case has been recorded.

No trial date has yet been set on two related claims asserted by the same plaintiffs. In connection with these two claims, which allege attempted monopolization of the outboard engine and sterndrive boat markets, plaintiffs seek equitable relief, but no money damages. The Company believes these claims are without merit and will vigorously defend against them. The equitable relief sought relating to these claims is similar to that just asserted in connection with the counts already tried and includes requests for divestiture of the Company's principal boat manufacturing operations and orders precluding the Company from implementing various marketing and pricing programs as well as from acquiring certain other marine-related companies or assets.

The Company believes that an order of divestiture is highly unlikely both because of its defenses to plaintiffs' claims and the availability of less restrictive equitable remedies should a court conclude that equitable relief is appropriate in connection with any of the plaintiffs' claims.

The Company believes that if an adverse judgement is not reversed, other boat builders are likely to bring similar suits and, if successful, the damages ultimately payable by the Company would be material. Sales of sterndrive and inboard marine engines to IBBI plaintiffs are estimated to represent less than one-fifth of the total sold during the time period for which damages were awarded in their suit; however, a variety of factors affecting both the likelihood and size of any damage award to various other potential claimants makes it difficult to estimate the Company's possible exposure.

Note 6 - Segment Data

The following table sets forth net sales and operating earnings of each of the Company's industry segments for the quarter and six-month periods ended June 30, 1998 and 1997 (in millions):

	Quarter ended June 30			
	1998		1997	
	Net Sales	Operating Earnings	Net Sales	Operating Earnings
Marine	\$ 722.6	\$ 122.6	\$ 659.1	\$ 105.8
Recreation	390.4	28.9	349.1	41.7
Corporate	0.0	(7.6)	0.0	(9.5)
Total	\$1,113.0	\$ 143.9	\$1,008.2	\$ 138.0

	Six months ended June 30			
	1998		1997	
	Net Sales	Operating Earnings	Net Sales	Operating Earnings
Marine	\$1,305.5	\$ 204.1	\$1,227.7	\$ 172.8

Recreation	711.7	63.5	622.1	78.5
Corporate	0.0	(15.6)	0.0	(19.9)
Total	\$2,017.2	\$ 252.0	\$1,849.8	\$ 231.4

Marine segment operating earnings for the quarter and six-month periods ended June 30, 1998, include \$7.5 million and \$15.0 million, respectively, of income recorded in connection with a settlement with MarineMax, Inc.

Note 7 - Strategic Charge

During the third quarter of 1997, the Company announced a strategic initiative to streamline its operations and improve global manufacturing costs. The initiative includes the termination of development efforts on a line of personal watercraft; closing boat plant manufacturing facilities in Cork, Ireland and Miami, Oklahoma; centralizing European marketing and customer service in the Marine segment; outsourcing the manufacture of certain components in the Company's bowling division; consolidating fishing reel manufacturing; and other actions directed at manufacturing rationalization, product profitability improvements and general and administrative expense efficiencies. Management anticipates that these actions will be substantially completed by the end of 1998. In the third quarter of 1997, the Company recorded a pretax charge of \$98.5 million (\$63.0 million after tax) to cover exit costs related to these actions. The charge consisted of \$74.7 million recorded in the Marine segment and \$23.8 million recorded in the Recreation segment. The components of the charge included \$32.6 million for severance costs, \$42.0 million for asset disposition costs and \$23.9 million for other incremental costs related to exit activities.

The Company's accrued expense balances relating to these initiatives as of June 30, 1998, and December 31, 1997, were as follows (in millions):

	June 30, 1998	December 31, 1997
Severance	\$ 15.4	\$ 23.2
Other	8.6	17.2
Total	\$ 24.0	\$ 40.4

The Company has completed approximately 75 percent of the employee reduction program included in the charge. The balance of the severance-related accruals at June 30, 1998, covers future payments to be made for severance actions.

Note 8 - Comprehensive Income

As of January 1, 1998, the Company adopted Financial Accounting Standards Board Statement No. 130, "Reporting Comprehensive Income." Statement No. 130 requires reporting certain transactions that result in a change in equity, such as currency translation, unrealized gains and losses on investments and minimum pension liability adjustments, as components of comprehensive income. The adoption of this Statement had no impact on the Company's net income or shareholders' equity. Accumulated other comprehensive income includes cumulative translation, unrealized gains and minimum pension liability adjustments. The components of comprehensive income, net of related tax, for the quarter and six-month periods ended June 30, 1998 and 1997, were as follows (in millions):

	Quarter ended June 30		Six months ended June 30	
	1998	1997	1998	1997
Net income	\$ 83.4	\$ 82.9	\$ 142.3	\$ 135.6
Other comprehensive income (loss)	0.5	0.9	(3.8)	(4.4)
Comprehensive income	\$ 83.9	\$ 83.8	\$ 138.5	\$ 131.2

Item 2. - Management's Discussion and Analysis

Overview

The Company's sales for the second quarter and first six months of 1998 increased 10.4 percent and 9.0 percent, respectively. Net earnings and diluted earnings per share for the second quarter were essentially flat while net earnings and diluted earnings per share for the first six months of 1998 increased 4.9 percent and 4.4 percent, respectively. These results reflect sales and earnings growth in the Marine segment and the contribution of the recently acquired fitness equipment businesses which were offset by a decline in sales and earnings of bowling capital equipment, as a result of the economic conditions in Asia, and lower sales and earnings of fishing and camping equipment, attributable to adverse weather conditions and inventory adjustments by major retailers.

Several acquisitions affect the comparison of the Company's results for the second quarter and first six months of 1998 with the prior-year periods. These acquisitions include Hoppe's hunting accessories acquired on March 7, 1997; Mongoose bicycles acquired on April 28, 1997; Life Fitness cardiovascular and strength training equipment on July 9, 1997; Hammer Strength plate-loaded strength training equipment on November 13, 1997; DBA Products bowling lane supplies on November 20, 1997; and ParaBody multistation gyms, benches and racks on January 30, 1998.

Results of Operations

Consolidated

The following table sets forth certain ratios and relationships calculated from the consolidated statements of income for the quarter and six-month periods ended June 30, 1998 and 1997:

	Quarter ended		Six months ended	
	June 30		June 30	
	1998	1997	1998	1997
Percentage increase versus the prior year in:				
Net sales	10.4%	17.5%	9.0%	15.8%
Operating earnings	4.3%	21.8%	8.9%	21.9%
Net earnings from continuing operations	0.6%	18.8%	4.9%	16.7%
Diluted earnings per share from continuing	0.0%	16.9%	4.4%	15.3%
Expressed as a percentage of net sales:				
Gross margin	28.5%	30.0%	28.5%	29.3%
Selling, general and administrative expense	15.6%	16.3%	16.0%	16.8%
Operating margin	12.9%	13.7%	12.5%	12.5%

Sales increased by \$104.8 million to \$1,113.0 million in the second quarter of 1998 compared with \$1,008.2 million in 1997. In 1998, the Marine segment recorded a sales increase of \$63.5 million, and the Recreation segment added \$41.3 million. Sales increased by \$167.4 million to \$2,017.2 million in the first six months of 1998, compared with \$1,849.8 million in 1997. In 1998, the Marine segment recorded a sales increase of \$77.8 million, and the Recreation segment added \$89.6 million. These increases primarily reflect growth in sales of larger, higher-priced boats, improved engine sales in the second quarter of 1998 and the effect of revenues from the companies acquired in 1997 and 1998.

The Company's gross margin percentages for the second quarter and first six months of 1998 decreased from last year due to the effects of previously mentioned volume declines in the bowling equipment, fishing and camping businesses along with increased marketing spending on smaller boats and the costs associated with the introduction of low-emissions outboard engines. The decline

was partially offset by an improved sales mix of boats and the favorable impact of the recently acquired businesses.

Selling, general and administrative expenses as a percent of sales decreased to 15.6 percent in the second quarter of 1998 from 16.3 percent in the second quarter of 1997 and 16.0 percent in the first six months of 1998 from 16.8 percent in 1997. Selling, general and administrative expenses for the quarter and first six months were positively affected by income recorded in the first and second quarters of 1998 in connection with the settlement reached with one of the Company's boat dealers, MarineMax, Inc. Under the terms of the aforementioned settlement, MarineMax has agreed to pay Brunswick \$15.0 million at December 31, 1998, of which \$7.5 million and \$15.0 million was recognized as income in the second quarter and six months ended June 30, 1998, respectively. Without these transactions, 1998 selling, general and administrative expenses would have been 16.3 percent and 16.7 percent of sales for the second quarter and year-to-date periods, respectively. These levels are consistent with prior years and reflect the effects of increased economies of scale and cost management activities offset by increases due to the normal operating expense levels of acquired businesses.

Operating margins in the second quarter of 1998 declined 0.8 points to 12.9 percent compared with 1997 while operating margins in the first six months of 1998 remained flat at 12.5 percent. Operating earnings increased 4.3 percent in the second quarter of 1998 and 8.9 percent for the first six months of 1998. Net earnings increased slightly to \$83.4 million in the second quarter of 1998, compared with 1997, and increased 4.9 percent to \$142.3 million for the first six months of 1998. Interest expense increased by \$5.7 million in the second quarter of 1998 and \$9.5 million in the first six months of 1998 compared with the same periods in 1997 due to increased debt levels related to the funding of acquisitions and higher levels of working capital investments.

The Company's effective tax rate was at 37.1 percent in the second quarter of 1998 and 1997 and 37.5 percent in the first six months of 1998 and 1997. Diluted earnings per share were unchanged at \$0.83 in the second quarter of 1998 and increased 4.4 percent to \$1.42 in the first six months of 1998 compared with the same periods in 1997. Weighted common shares outstanding used to calculate diluted earnings per share increased to 100.4 million in the second quarter of 1998 from 100.2 million in 1997 and increased to 100.5 million in the first six months of 1998 from 99.9 in 1997, reflecting stock issued under compensation plans.

Recreation Segment

The following table sets forth Recreation segment results for the quarter and six-month periods ended June 30, 1998 and 1997 (dollars in millions):

	Quarter ended		Six months ended	
	June 30 1998	June 30 1997	June 30 1998	June 30 1997
Net sales	\$ 390.4	\$ 349.1	\$ 711.7	\$ 622.1
Percentage increase versus the prior year	11.8%	59.1%	14.4%	51.1%
Operating earnings	\$ 28.9	41.7	63.5	78.5
Percentage increase (decrease) versus the prior year	(30.7)%	75.2%	(19.1)%	72.5%
Operating margin	7.4%	11.9%	8.9%	12.6%
Capital expenditures	\$ 13.7	\$ 13.8	\$ 30.4	\$ 26.3

In 1998, Recreation segment sales increased 11.8 percent to \$390.4 million in the second quarter and 14.4 percent to \$711.7 million in the first six months. The sales gains reflect the contribution of the aforementioned businesses acquired in 1997 and 1998 along with improvements in sales of ice chests and beverage coolers and stronger bike sales in the second quarter of 1998. These gains were partially offset by weakness in revenues from bowling equipment, as credit restrictions in China led to significantly lower sales into that market, and from camping and fishing equipment due to adverse weather conditions and inventory adjustments by major retailers.

Operating earnings in the second quarter of 1998 decreased 30.7 percent to \$28.9 million from \$41.7 million in 1997 and operating margins for the segment were 7.4 percent down from 11.9 percent in 1997. Operating earnings for the first six months of 1998 decreased 19.1 percent to \$63.5 million from \$78.5 million in 1997 and operating margins declined to 8.9 percent from 12.6 percent. The decline in operating margins reflects the aforementioned impact of lower fishing and camping equipment sales.

Operating margins were also affected by the previously mentioned decline in bowling equipment sales. The Company has taken actions to mitigate the effects of lower bowling equipment revenues, including rationalizing production, emphasizing lower cost operations and reducing staff. Additional actions may be required in the second half of 1998 to further reduce the current cost structure in the bowling business.

Marine Segment

The following table sets forth Marine segment results for the quarter and six-month periods ended June 30, 1998 and 1997 (dollars in millions):

	Quarter ended June 30		Six months ended June 30	
	1998	1997	1998	1997
Net sales	\$ 722.6	\$ 659.1	\$1,305.5	\$1,227.7
Percentage increase versus the prior year	9.6%	3.2%	6.3%	3.6%
Operating earnings	\$ 122.6	\$ 105.8	\$ 204.1	\$ 172.8
Percentage increase versus the prior year	15.9%	6.9%	18.1%	5.8%
Operating margin	17.0%	16.1%	15.6%	14.1%
Capital expenditures	\$ 22.3	\$ 29.0	\$ 42.0	\$ 48.3

The Marine segment posted sales gains of 9.6 percent and 6.3 percent in the second quarter and first six months of 1998, respectively, as a result of successful marketing programs and an improved sales mix of larger, higher-margin boats and improved engine sales in the second quarter of 1998.

Operating earnings for the segment increased 15.9 percent to \$122.6 million in the second quarter of 1998, compared with \$105.8 million in the same period last year, and operating margins improved to 17.0 percent from 16.1 percent. Marine operating earnings for the first six months of 1998 were \$204.1 million, an 18.1 percent increase compared with \$172.8 million in 1997 and operating margins improved to 15.6 percent, a 1.5 point increase over 1997. Operating margins for the second quarter and first six months of 1998 benefited from \$7.5 million and \$15.0 million, respectively, of income recorded in connection with the aforementioned MarineMax settlement. Excluding the MarineMax settlement, operating earnings increased 8.8 percent and 9.4 percent, respectively, and operating margins were 15.9 percent and 14.5 percent, respectively, for the second quarter and first six months of 1998. The changes in operating margins also reflect the benefits of cost management actions offset by the cost associated

with marketing activity designed to increase small boat sales, and the introduction of low-emissions outboard engine products.

Cash Flow, Liquidity and Capital Resources

Cash generated from operating activities, available cash balances and selected borrowings are the Company's major sources of funds for investments and dividend payments.

Cash and cash equivalents totaled \$71.0 million at June 30, 1998, compared with \$85.6 million at the end of 1997.

Cash provided by operating activities for the first six months of 1998 and 1997 totaled \$37.6 million and \$36.2 million, respectively. The primary components of cash provided by operating activities include the Company's net earnings adjusted for noncash expenses; the timing of cash flows relating to operating expenses, sales and income taxes; and the management of inventory levels.

During the first six months of 1998, the Company invested \$73.0 million in capital expenditures, compared with \$80.6 million in 1997. The 1998 capital expenditure budget is approximately \$200 million, principally for growth and productivity initiatives. A significant portion of the 1998 capital expenditures budget is dedicated to substantially upgrading information system capabilities company wide.

Investments in acquisitions of businesses totaled \$31.9 million in the first six months of 1998 versus \$176.0 million in the same period in 1997.

Total debt at June 30, 1998, increased to \$867.4 million versus \$754.8 million at the end of 1997 due to increased commercial paper borrowings to fund working capital requirements, acquisitions and capital expenditures. Debt-to-capitalization ratios at these dates were 38.0 percent and 36.5 percent, respectively.

During the first six months of 1998, the Company repurchased 823,000 shares of its common stock for \$24.8 million in open market transactions under the systematic repurchase program announced in 1997.

The Company's financial flexibility and access to capital markets is supported by its balance sheet position, investment-grade credit ratings and ability to generate significant cash from operating activities. The Company has a \$400 million long-term credit agreement with a group of banks, which supports the Company's commercial paper borrowings, and \$150 million available under a universal shelf registration filed in 1996 with the Securities and Exchange Commission for the issuance of equity and/or debt securities. The Company extended the termination date on \$360 million of the long-term credit agreement from May 22, 2002 to May 22, 2003.

The Company uses its cash balances and other sources of liquidity to invest in its current businesses to promote innovation and new product lines, and to acquire complementary businesses. These investments, along with other actions taken to improve the profit margins of current businesses, are designed to continue improvement in the Company's financial performance and enhance shareholder value.

Year 2000

The Company continues to assess and address the impact of the Year 2000 issue on its businesses. This issue affects computer systems that have date-sensitive programs that may not properly recognize the year 2000. The Company uses software and related technologies throughout its businesses and in certain of its products that will be affected by this issue. The Company has completed its assessment of the information systems used in its internal

business operations and its production processes. An assessment of the technology incorporated into the Company's products is substantially complete. In addition, the Company is continuing its assessment of the Year 2000 readiness of its customers and suppliers, which is dependent on their cooperation. If changes addressing the Year 2000 issue are not made on a timely basis prior to the year 2000, the Company's internal financial and production operations may be hindered by the miscalculation of information, and certain products may not function properly. This could have a material adverse effect on the Company's results of operations and financial condition.

The Company is aggressively implementing a Year 2000 compliance plan that combines remediating existing software and replacing systems as part of a company-wide systems upgrade project. A majority of the planned remediation effort is complete and testing will continue to ensure readiness. Replacement projects are supported by contingency plans to ensure Year 2000 readiness by mid-1999. A Year 2000 Project Office is leading the initiatives that address areas with the potential of major business impact.

The total cost of modifying existing software and related technologies has been determined and is not expected to be material to the Company's results of operations or financial condition. Costs associated with the company-wide systems upgrade which are included in the Company's capital expenditures budget are expected to total approximately \$50 million in 1998 and substantially less in 1999.

New Accounting Pronouncements

In 1997, the Financial Accounting Standards Board (FASB) issued Statements No. 130, "Reporting Comprehensive Income," and No. 131, "Disclosures About Segments of an Enterprise and Related Information," which require adoption in 1998. Statement No. 130 requires companies to report certain transactions that result in a change in equity, such as foreign currency translation, unrealized gains and losses on investments and minimum pension liability adjustments, as components of comprehensive income as part of the financial statements. This statement, which was adopted effective January 1, 1998, had no impact on the Company's net income or shareholders' equity. Total comprehensive income amounted to \$83.9 million and \$83.8 million in the second quarter of 1998 and 1997, respectively, and \$138.5 million and \$131.2 million in the first six-months of 1998 and 1997, respectively.

Statement No. 131 requires companies to report segment information based on how management disaggregates its businesses for evaluating performance and making operating decisions. The Company intends to adopt this statement by December 31, 1998.

In June 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair value. The Company is currently evaluating the effect of this statement and does not expect it to have a material impact on the Company's financial statements. The Company will adopt this Statement on or before January 1, 2000.

Forward Looking Statements

Certain statements in this Form 10-Q are forward looking as defined in the Private Securities Litigation Reform Act of 1995. 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, the ability to complete the initiatives included in the 1997 strategic charge, Year 2000 actions and information systems initiatives within the time and cost estimated; the effect of

economic conditions in Asia; adverse weather conditions retarding sales of outdoor recreation products; inventory adjustments by major retailers; competitive pricing pressures; the ability to integrate acquisitions; the success of marketing and cost-management programs; the outcome of pending litigation; and shifts in market demand for the Company's products.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Note 5 to the Financial Statements in Part I of this Quarterly Report on pages 6 and 7 is hereby incorporated by reference.

Item 5. Other Information

The date after which a notice of a shareholder proposal submitted outside the processes of Rule 14a-8 under the Securities Exchange Act of 1934 is considered untimely is February 7, 1999, calculated as provided in Rule 14a-4(c)(1) under the Securities Exchange Act of 1934.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

3. By-Laws of the Company.

10. Amendment dated April 1, 1998 to Employment Agreement by and between the Company and Peter N. Larson.

(b) Reports on Form 8-K.

The Company filed no reports on Form 8-K during the three months ended June 30, 1998.

Signatures

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 thereunto duly authorized.

BRUNSWICK CORPORATION

August 13, 1998 By: /s/ Victoria J. Reich
Victoria J. Reich,
Vice President and Controller*

*Ms. Reich is signing this report both as a duly authorized officer and as the chief accounting officer.

Exhibit Index

No. Title

3. By-Laws of the Company

10. Amendment dated April 1, 1998 to Employment Agreement by and between the Company and Peter N. Larson

EXHIBIT 3 BRUNSWICK CORPORATION

BY-LAWS

ARTICLE I

OFFICES

Section 1. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. The corporation may also have offices in the City of Lake Forest, State of Illinois, and at such other places as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Meetings of stockholders may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. An annual meeting of stockholders shall be held at such time and on such day in the month of April or in such other month as the board of directors may specify by resolution. At the annual meeting the stockholders shall elect by a plurality vote of those stockholders voting at the meeting, by ballot, a board of directors, and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting stating the place, date and hour of meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 4. At least ten days before every election of directors, a complete list of the stockholders entitled to vote at said election arranged in alphabetical order, shall be prepared or caused to be prepared by the secretary. Such list shall be open at the place where the election is to be held for said ten days, to the examination of any stockholder, and shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the chairman of the board and shall be called by the president or secretary at the request in writing of a majority of the board of directors. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting of stockholders stating the place, date and hour of meeting, and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the shares of the capital stock of the corporation, issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation or by these by-laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified.

Section 9. When a quorum is present or represented at any meeting, the vote of the holders of a majority of the stock having

voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation or of these by-laws, a different vote is required, in which case such express provisions shall govern and control the decision of such question.

Section 10. At any meeting of the stockholders every stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless said instrument provides for a longer period. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the corporation. Except where the transfer books of the corporation shall have been closed or a date shall have been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election for directors which shall have been transferred on the books of the corporation within twenty days next proceeding such election of directors.

ARTICLE III

DIRECTORS

Section 1. The number of directors shall be twelve, but the number of directors may, from time to time, be altered by amendment of these by-laws in accordance with the certificate of incorporation.

Section 2. Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of directors may be made by the board of directors or a committee appointed by the board of directors or by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the secretary of the corporation not later than (a) with respect to an election to be held at an annual meeting of stockholders, ninety days prior to the anniversary date of the immediately preceding annual meeting, and (b) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (i) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the stockholder is the holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (iv) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and (v) the consent of each nominee to serve as a director of the corporation if so elected. The presiding officer of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Section 3. The property and business of the corporation shall be managed by its board of directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. The first meeting of each newly elected board shall be held immediately after, and at the same place as, the annual meeting of stockholders at which such board shall have been elected, for the purpose of electing officers, and for the consideration of any other business that may properly be brought before the meeting. No notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present.

Section 6. Regular meetings of the board of directors shall be held on such dates, not less often than once each calendar quarter, as may be fixed from time to time by resolution of the board of directors. No notice need be given of such meetings, provided that notice of such resolution has been furnished to each director. Such meetings shall be held at the Lake Forest office of the corporation or at such other place as is stated in the notice of the meeting. Upon the assent, given either verbally or in writing, of a majority of the whole board, any regular meeting may be cancelled, the time changed, or may be held at such other place and time, as a majority of the whole board may designate, either verbally or in writing, upon reasonable notice given to each director, either personally or by mail or by telegram.

Section 7. Special meetings of the board of directors may be called by the chairman of the board, or by the secretary on the written request of two directors, to be held either at the Lake Forest office of the corporation or at such other place as may be convenient and may be designated by the officer calling the meeting. Reasonable notice of such special meeting shall be given to each director, either personally or by mail or telegram; provided, that a majority of the whole board of directors present at a meeting called by any of said officers, in matters requiring prompt attention by the board, may hold a valid meeting and transact business without the giving of notice to each director as above provided.

Section 8. At all meetings of the board the presence of a majority of the whole board shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation or by these by-laws. If a quorum shall not be present at any meeting of the board of directors the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

EXECUTIVE COMMITTEE

Section 9. (a) The board of directors of the corporation at the annual or any regular or special meeting may, by resolution adopted by a majority of the whole board, designate three or more directors, one of whom shall be either the chairman of the board or the president of the corporation, to constitute an executive committee. Vacancies in the executive committee may be filled at any meeting of the board of directors. Each member of the executive committee shall hold office until his successor shall have been duly elected, or until his death, or until he shall resign or shall have been removed from office or shall cease to be a director. Any member of the executive committee may be removed by resolution adopted by a majority of the whole board of directors whenever in its judgment the best interests of the corporation would be served thereby. The compensation, if any, of members of the executive committee shall be established by resolution of the

board of directors.

(b) The executive committee shall have and may exercise all of the authority of the board of directors in the management of the corporation, provided such committee shall not have the authority of the board of directors in reference to amending the certificate of incorporation, adopting a plan of merger or consolidation with another corporation or corporations, recommending to the stockholders the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the property and assets of the corporation if not made in the usual and regular course of its business, recommending to the stockholders a voluntary dissolution of the corporation or a revocation thereof, amending, altering or repealing the by-laws of the corporation, electing or removing officers of the corporation or members of the executive committee, fixing the compensation of officers, directors, or any member of the executive committee, declaring dividends, amending, altering or repealing any resolution of the board of directors which by its terms provides that it shall not be amended, altered or repealed by the executive committee, the acquisition or sale of companies, businesses or fixed assets where the fair market value thereof or the consideration therefor exceeds \$10,000,000, authorizing the issuance of any shares of the corporation, or authorizing the creation of any indebtedness for borrowed funds, in excess of \$2,000,000.

(c) The executive committee shall have power to authorize the seal of the corporation to be affixed to all papers which may require it. Minutes of all meetings of the executive committee shall be submitted to the board of directors of the corporation at each meeting following a meeting of the executive committee. The minute books of the executive committee shall at all times be open to the inspection of any director.

(d) The executive committee shall meet at the call of the chairman of the executive committee, chairman of the board, the president, or any two members of the executive committee. Three members of the executive committee shall constitute a quorum for the transaction of business and the act of a majority of those present shall constitute the act of the committee.

AUDIT AND FINANCE COMMITTEE

Section 10. (a) The board of directors of the corporation at the annual or any regular or special meeting shall, by resolution adopted by a majority of the whole board, designate three or more independent directors to constitute an audit and finance committee and appoint one of the directors so designated as the chairman of the audit and finance committee. Membership on the audit and finance committee shall be restricted to those directors who are independent of the management of the corporation and are free from any relationship that, in the opinion of the corporation's board of directors, would interfere with the exercise of independent judgment as a member of the committee. Vacancies in the committee may be filled at any meeting of the board of directors. Each member of the committee shall hold office until his successor shall have been duly elected, or until his death, or until he shall resign or shall have been removed from the audit and finance committee by the board or shall cease to be a director. Any member of the audit and finance committee may be removed from the committee by resolution adopted by a majority of the whole board of directors whenever in its judgment (1) such person is no longer an independent director or free from any relationship with the corporation or any of its officers prohibited by this section, or (2) the best interests of the corporation would be served thereby. The compensation, if any, of members of the committee shall be established by resolution of the board of directors.

(b) The audit and finance committee shall be responsible for recommending to the board of directors the appointment or discharge of independent auditors, reviewing with management and the independent auditors the terms of engagement of independent

auditors, including the fees, scope and timing of the audit and any other services rendered by such independent auditors; reviewing with independent auditors and management the corporation's policies and procedures with respect to internal auditing, accounting and financial controls, and dissemination of financial information; reviewing with management, the independent auditors and the internal auditors, the corporation's financial statements, audit results and reports and the recommendations made by the auditors with respect to changes in accounting procedures and internal controls; reviewing the results of studies of the corporation's system of internal accounting controls; and performing any other duties or functions deemed appropriate by the board of directors. The committee shall have such powers and rights as may be necessary or desirable to fulfill these responsibilities including, the power and right to consult with legal counsel and to rely upon the opinion of such legal counsel. The audit and finance committee is authorized to communicate directly with the corporation's financial officers and employees, internal auditors and independent auditors on such matters as it deems desirable and to have the internal auditors and independent auditors perform such additional procedures as it deems appropriate. The audit and finance committee shall periodically report to the board of directors on its activities.

(c) Minutes of all meetings of the audit and finance committee shall be submitted to the board of directors of the corporation. The minute books of the committee shall at all times be open to the inspection of any director.

(d) The audit and finance committee shall meet at the call of its chairman or any two members of the committee. Two members of the audit and finance committee shall constitute a quorum for the transaction of business and the act of a majority of those present, but no less than two members, shall constitute the act of the committee.

HUMAN RESOURCE AND COMPENSATION COMMITTEE

Section 11. (a) The board of directors of the corporation at the annual or any regular or special meeting shall, by resolution adopted by a majority of the whole board, designate three or more directors to constitute a human resource and compensation committee and appoint one of the directors so designated as the chairman of the human resource and compensation committee. Membership on the human resource and compensation committee shall be restricted to disinterested persons which for this purpose shall mean any director, who, during the time he is a member of the human resource and compensation committee is not eligible, and has not at any time within one year prior thereto been eligible, for selection to participate in any of the compensation plans administered by the human resource and compensation committee. Vacancies in the committee may be filled at any meeting of the board of directors. Each member of the committee shall hold office until his successor shall have been duly elected, or until his death or resignation, or until he shall have been removed from the committee by the board of directors, or until he shall cease to be a director or a disinterested person. Any member of the human resource and compensation committee may be removed by resolution adopted by a majority of the whole board of directors whenever in its judgment the best interests of the corporation would be served thereby. A majority of the human resource and compensation committee shall constitute a quorum and an act of the majority of the members present at any meeting at which a quorum is present, or an act approved in writing by each of the members of the committee without a meeting, shall be the act of the human resource and compensation committee.

(b) The human resource and compensation committee shall administer the Brunswick Performance Plan, Strategic Incentive Plan, 1991 Stock Plan, and Supplemental Pension Plan. The human resource and compensation committee shall have the power and authority vested in it by any plan of the corporation, which the committee administers. The human resource and compensation

committee shall from time to time recommend to the board of directors the compensation of the officers of the corporation except for assistant officers whose compensation shall be fixed by the officers of the corporation.

CORPORATE GOVERNANCE COMMITTEE

Section 12. (a) The board of directors of the corporation at the annual or any regular or special meeting shall, by resolution adopted by a majority of the whole board, designate three or more directors to constitute a corporate governance committee of the board of directors and appoint one of the directors so designated as its chairman. Members on the corporate governance committee of the board of directors shall be restricted to disinterested persons which for this purpose shall mean any director who, during the time the director is a member of the corporate governance committee of the board of directors, is neither an officer or employee of the corporation. Vacancies in the committee may be filled at any meeting of the board of directors. Each member of the committee shall hold office until his successor shall have been duly elected, or until his death or resignation, or until he shall have been removed from the committee by the board of directors, or until he shall cease to be a director. Any member of the corporate governance committee of the board of directors may be removed by resolution of the whole board of directors whenever in its judgment the best interests of the corporation would be served thereby. A majority of the corporate governance committee of the board of directors shall constitute a quorum and an act of the majority of the members present at any meeting at which a quorum is present, or an act approved in writing by each of the members of the committee without a meeting, shall be the act of the corporate governance committee. The compensation, if any, of members of the committee shall be established by resolution of the board of directors.

(b) The corporate governance committee of the board of directors shall be responsible for all matters of corporate governance and director affairs including, but not limited to:

- (i) considering and making recommendations to the board with regard to changes in the size of the board;
- (ii) developing and maintaining appropriate criteria for the composition of the board of directors and its nominees;
- (iii) overseeing the selection of and making recommendations to the board regarding nominees for election as directors to be submitted to the stockholders and nominees to fill vacancies on the board of directors as they occur;
- (iv) coordinating an annual evaluation by the board, with input from senior management, of the structure of the board and its committees and the processes employed in their deliberations; and
- (v) periodically evaluating the performance of members of the board.

(c) Nothing in this by-law is intended to prevent any individual director from making a recommendation of a person to be a director of the corporation either to the corporate governance committee or to the board.

OTHER COMMITTEES

Section 13. The board of directors may from time to time create and appoint such committees in addition to the executive, audit and finance, human resource and compensation and corporate governance committees as it deems desirable. Each additional committee shall bear such designation, shall have such powers and shall perform such duties, not inconsistent with these by-laws or

with law, as may be assigned to it by the board of directors; provided that no such additional committee may exercise the powers of the board of directors in the management of the business and affairs of the corporation except such as shall be expressly delegated to it. The board of directors shall have the power to change the members of any such additional committee at any time, to fill vacancies, and to discharge any such additional committee at any time. The compensation, if any, of members of any such committee shall be established by resolution of the board of directors.

COMPENSATION OF DIRECTORS

Section 14. Directors shall receive such fees and reimbursement of reasonable expenses as may be fixed from time to time by resolution of the board. Members of special or standing committees shall also be allowed such fees and reimbursements for reasonable expenses in connection with service on such committees as may from time to time be fixed by resolution of the board. Such fees may be fixed on the basis of meetings attended or on an annual basis or both and may be payable currently or deferred.

ACTION BY WRITTEN CONSENT

Section 15. Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof

may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee.

ACTION BY TELEPHONE OR OTHER COMMUNICATIONS EQUIPMENT

Section 16. Directors may participate in a meeting of the board or any committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

ALTERNATE COMMITTEE MEMBERS

Section 17. The board of directors may designate one or more directors as alternate members of any committee, any of whom may be selected by the chairman of a committee to replace any absent or disqualified member at any meeting of a committee. In the absence or disqualification of a member of a committee and of the alternate members of such committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitutes a quorum, may unanimously appoint another member of the board of directors to act at the meeting in place of any such absent or disqualified member.

ARTICLE IV

NOTICES

Section 1. Except as may be otherwise provided for in these by-laws, whenever under the provisions of the statutes or of the certificate of incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder at such address as appears on the books of the corporation, and such notice shall be deemed to be given at the time when the same shall be mailed. Notice to directors may also be given by telegram or telex.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation, or of these by-laws, a waiver thereof in writing

signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

OFFICERS

Section 1. The Board of Directors shall elect a Chairman of the Board from among its members. The Board of Directors shall also elect a Chief Executive Officer and such other officers as the Board of Directors determines, none of whom need to be members of the Board of Directors.

Section 2. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer of the corporation may be removed at any time by the affirmative vote of a majority of the whole board of directors.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. The corporation may indemnify to the fullest extent that is lawful, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines, taxes, penalties and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding.

Section 2. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not he would be entitled to indemnity against the same liability under the provisions of this article.

Section 3. The corporation may enter into an indemnity agreement with any director, officer, employee or agent of the corporation, upon terms and conditions that the board of directors deems appropriate, as long as the provisions of the agreement are not inconsistent with this article.

ARTICLE VII

CERTIFICATES OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by the chairman of the board, the president or a vice president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation. If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, designations, preferences and relative, participating, optional and other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions or such preferences and rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock; provided, however, that, to the full extent allowed by law, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the

corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and rights.

Section 2. If such certificate is countersigned (1) by a transfer agent, or (2) by a registrar, any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

LOST CERTIFICATES

Section 3. The board of directors may authorize the transfer agents and registrars of the corporation to issue and register, respectively, new certificates in place of any certificates alleged to have been lost, stolen or destroyed, and in its discretion and as a condition precedent to the issuance thereof, may prescribe such terms and conditions as it deems expedient, and may require such indemnities as it deems necessary to protect the corporation and said transfer agents and registrars.

TRANSFERS OF STOCK

Section 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

FIXING RECORD DATE

Section 5. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

Section 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

GENERAL PROVISIONS

DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 3. The board of directors shall present at each annual meeting and when called for by vote of the stockholders at any special meeting of the stockholders, a full and clear statement of the business and condition of the corporation.

CHECKS

Section 4. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate. The board of directors, in its discretion, may delegate its responsibilities contained in this section to any officer or officers of the corporation.

FISCAL YEAR

Section 5. The fiscal year of the corporation shall begin on the first day of January, and terminate on the thirty-first day of December, in each year.

SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Incorporated Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE IX

TENNESSEE AUTHORIZED CORPORATION PROTECTION ACT

Section 1. This corporation shall be subject to Section 404(a) of the Tennessee Authorized Corporation Protection Act.

ARTICLE X

AMENDMENTS

Section 1. The holders of shares of capital stock of the corporation entitled at the time to vote for the election of directors shall have the power to adopt, alter, amend, or repeal the by-laws of the corporation by vote of such percentage of such shares as is required by the Certificate of Incorporation, or if no percentage is specified by the Certificate of Incorporation, by vote of not less than 66-2/3% of such shares. The board of directors shall also have the power to adopt, alter, amend or repeal the by-laws of the corporation by vote of such percentage of the entire board as is required by the Certificate of Incorporation, or if no percentage is specified by the Certificate of Incorporation, by vote of not less than a majority of the entire board.

EMPLOYMENT AGREEMENT

THIS AGREEMENT, dated as of April 1, 1998 (the "Amendment Date"), by and between BRUNSWICK CORPORATION, a Delaware corporation, having its principal executive offices at 1 N. Field Court, Lake Forest, Illinois 60045 (hereinafter called "Company") and Peter N. Larson (hereinafter called the "Executive").

WITNESSETH:

WHEREAS, the Company and the Executive have entered an employment agreement dated February 3, 1997 (the "Agreement"); and

WHEREAS, the Company and the Executive have agreed that it is desirable to amend the Agreement as set forth herein:

NOW, THEREFORE, it is agreed by and between the parties hereto that the Agreement is hereby amended in the following particulars, effective as of April 1, 1998:

1. By substituting the following for paragraph 1(e) of the Agreement:

"(e) The "Agreement Term" shall be the period, the first day of which shall be the Effective Date and the last day of which shall be April 1, 2002. The Agreement Term shall be automatically extended for an additional one-year period on each April 1, beginning with April 1, 2002, unless either party gives six month prior written notice to the other party of a decision not to extend the term."

2. By (i) adding a new paragraph 2(b) to the Agreement titled "One-Time Awards"; (ii) redesignating the current paragraph 2(b) of the Agreement as paragraph 2(b)(I); (iii) substituting the reference "paragraph 2(b)(I)" for the reference "paragraph 2(b)" currently in such redesignated paragraph 2(b)(I); and (iv) adding the following new paragraph 2(b)(II) to the Agreement:

"(II) One-Time Share Award. As of April 1, 1998, the Executive shall be entitled to a One-Time Share Award of 200,000 shares of Company Stock, provided that delivery of the shares shall be deferred in accordance with paragraph 2(p). Except as otherwise provided in paragraph 5, the Executive's vesting in shares granted under this paragraph 2(b)(II) shall be subject to the following:

- (A) The Executive shall become vested as of April 1, 1998 (the date of grant) in 50,000 shares of Company Stock granted under this paragraph 2(b)(II), and shall become vested in the remaining 150,000 shares of Company Stock in accordance with the following schedule:

If the Executive is employed by the Company on the following date:	The Executive shall become vested in the following number of additional shares:
--------------------------------------------------------------------	---------------------------------------------------------------------------------

December 31, 1999	50,000 shares
-------------------	---------------

December 31, 2000	50,000 shares
-------------------	---------------

December 31, 2001	50,000 shares
-------------------	---------------

Except as otherwise provided in this paragraph (b)(II) and paragraph 5, if the Executive's Date of Termination occurs prior to a date indicated in the foregoing schedule, he shall not become vested in the number of shares that would otherwise become vested on that date.

- (B) If, on the Executive's Date of Termination, the Executive is not vested in all of the shares granted under this paragraph 2(b)(II), and such Date of Termination occurs

under circumstances other than those described in paragraph 3(a) (relating to the death of the Executive), paragraph 3(b) (relating to the Executive's disability), paragraph 3(c) (relating to termination by the Executive for Good Reason), paragraph 3(f) (relating to termination following a Change in Control), or paragraph 3(g) (relating to termination by the Company for reasons other than Cause), the Executive shall forfeit such shares to the extent that they are not vested as of his Date of Termination.

(C) The Executive shall become vested on his Date of Termination in the shares granted under this paragraph 2(b)(II) that are not then vested if such Date of Termination under circumstances described in paragraph 3(a) (relating to the death of the Executive), paragraph 3(b) (relating to the Executive's disability), paragraph 3(c) (relating to termination by the Executive for Good Reason), paragraph 3(f) (relating to termination following a Change in Control), or paragraph 3(g) (relating to termination by the Company for reasons other than Cause).

(D) On the date of a Change in Control, the Executive shall become vested in any portion of the shares granted under this paragraph 2(b)(II) that are not then vested.

The Executive, at all times, shall be fully vested in any dividends on shares of Company Stock granted under this paragraph (b)(II), to the extent that such dividends are payable with respect to either: (A) Company Stock granted under this paragraph (b)(II) for record dates occurring on or after April 1, 1998 and prior to any forfeiture of the shares of Stock, or (B) Company Stock deemed to be earned by reason of crediting of dividends in accordance with paragraph 2(p)(iii)."

3. By substituting the following for the first sentence of paragraph 2(c) of the Agreement:

"The Executive's annual base salary rate shall be \$800,000, which shall not be increased or reduced during the Agreement Term (determined without extensions after March 31, 2002)."

4. By substituting the following for the first sentence of paragraph 2(g)(i) of the Agreement:

"In each calendar year, beginning with the 1996 calendar year, and ending with the 2001 calendar year, inclusive, the Executive shall be entitled to a grant of a non-qualified stock option."

5. By substituting the following for paragraph 2(g)(ii) of the Agreement:

"(ii) July 1996 Grant. In July, 1996, the Executive was granted a non-qualified stock option to purchase 90,000 shares of Company Stock (which was in addition to the other options granted under this Agreement). The July, 1996 option award described in this paragraph (ii) shall be in lieu of the award for the calendar year beginning January 1, 2002, and the Executive shall not be entitled to a stock option award under this paragraph (g) for the 2002 calendar year."

6. By substituting the following for paragraph 2(g)(iv) of the Agreement:

(iv) Exercisability on Termination. Options shall be subject to the following:

(I) Effective as of April 1, 1998, all options that were granted to the Executive pursuant to paragraph (g)(i) prior to January 1, 1998, and the option granted to the Executive

pursuant to paragraph (g)(ii), shall become (or remain) exercisable until the earlier of (A) the expiration date of the option or (B) five years following termination of the Executive's employment.

(II) If the Executive's employment with the Company continues through April 1, 1999, all options that were granted to the Executive pursuant to paragraph (g)(i) after December 31, 1997 and prior to January 1, 1999 shall become (or remain) exercisable until the earlier of (i) the expiration date of the option or (ii) five years following termination of the Executive's employment.

(III) If the Executive's employment with the Company continues through April 1, 2002, all options that were granted to the Executive pursuant to paragraph (g)(i) after December 31, 1998 shall become (or remain) exercisable until the earlier of (i) the expiration date of the option or (ii) five years following termination of the Executive's employment.

7. By adding the following for paragraph 2(p)(vi)(D) to the Agreement (relating to deferred payments), to follow immediately paragraph 2(p)(vi)(C) after thereof:

"(D) The one-time stock award described in paragraph 2(b)(ii), with the period of deferral to begin as of the April 1, 1998."

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Amendment Date.

BRUNSWICK CORPORATION

By: /s/ Kenneth B. Zeigler

/s/ Peter N. Larson
Executive

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