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*George W.  
 Buckley*  
*Chairman*  
*and*  
*Chief*  
*Executive*  
*Officer*

#### DEAR FELLOW BRUNSWICK SHAREHOLDER:

In his 1921 play, “Back to Methuselah,” the great Irish-born English playwright, George Bernard Shaw, penned, “You see things; and you say, ‘Why?’ But I dream things that never were; and I say, ‘Why not?’” Nearly 85 years later, Shaw’s query echoes in our thoughts at Brunswick Corporation, challenging our imagination, spurring our creativity and anchoring our efforts to improve our Company and the industries in which we operate. In fact, we see opportunity in an industry ripe for change.

Though the situation has been improving, we see several shortfalls when surveying today’s marine industry. In general, boats do a poor job relative to that of cars in integrating technology and features and bringing reliable service to consumers. Customer service is often patchy, and there are no end-to-end warranties for boats, leading to frustrations. Further, boats are complex. They’re more like floating cities than they are like cars. Boats often have drinking water and waste systems, electrical and

motive power, air conditioning, galleys, communications, navigation ... the list can go on. Boats can be a challenge to use for the uninitiated. On top of that, these craft are asked to perform in difficult environments, including those with heavy vibration and naturally corrosive saltwater.

Barriers to entry in boat manufacturing are low. It is no surprise, therefore, that boat makers sometimes appear and then fade from the landscape, dealers and manufacturers bicker about responsibilities for repairs rather than getting boaters back on the water quickly, and the churn – or turn-over – among boaters can at times be disturbing. Today's marine consumers, ever more demanding and having had their expectations shaped by their positive experiences with

and responsiveness to our dealers and consumers, while tirelessly nurturing and advancing the power of our enviable brands throughout the world's markets.

### Financial Results

In 2004, we achieved the highest sales and earnings in the Company's 160-year history, building on our steadily improving performance of recent years. Net sales for the year totaled \$5.2 billion and operating earnings were \$400.7 million, compared with \$4.1 billion and \$221.4 million, respectively, for 2003. The Company earned \$2.77 per diluted share, up from \$1.47 a year ago. We ended 2004 with our balance sheet in excellent shape, with debt-to-total capital of 30.2 percent as compared with 31.5 percent a year earlier, and cash reaching nearly \$500 million.

Much of the increase in 2004 sales was generated by the organic growth of our established businesses, which was a healthy 16 percent, reflecting the appeal and excitement of numerous new products and services introduced across our lines of business during the year. Acquisitions made during 2004 as well as the full integration of those completed during 2003, along with an



the auto industry and consumer electronics, could easily walk away from boating forever if not satisfied.

We see opportunity for a company like ours to build a more reliable and durable marine product, just like a car. As an industry, we need to make boating simpler and more enjoyable, while better integrating the boat's technologies and systems, and making less costly products that hit key price points. Lastly, manufacturers need to more closely partner with dealers to better serve boating consumers. We believe there is only one company that can accomplish these goals and change our industry, and that company is Brunswick.

Brunswick is intently focused on doing what is right for our original equipment manufacturers and dealer customers as well as the end consumer, instilling operations excellence and financial discipline throughout our worldwide operations. We have developed and widely deployed new technologies to bring unequaled quality and innovation to our products, while relentlessly driving out costs and inefficiencies, most recently introducing and applying Lean Six Sigma principles to achieve better quality and productivity. We have improved our services

improving market, contributed to our solid growth. As a result of our progress and performance, Brunswick stock advanced 56 percent in 2004, adding \$1.8 billion of market value for our shareholders.

As you will read in the following pages, there are myriad efforts under way – both large and small – to further strengthen and position Brunswick for the future. In 2005, you will see us essentially completing the reconfiguration of our global manufacturing footprint – efforts that we believe will further advance our financial and operational performance in 2006. For your continuing support of the Company and our strategy to grow and improve, we are most grateful. For all the details about our financial results, please read Management's Discussion and Analysis beginning on page 34.

### The Right Platforms

Our growth strategy is to solidify Brunswick's position as the world's pre-eminent company in all our core business segments – pleasure boats, marine engines and electronics, fitness equipment, bowling and billiards – through operations excellence and a keen ear for the voice of the

customer. Companies that ignore the shifting business landscape and the heightened expectations of customers and consumers do so at their own peril. We will not make that mistake at Brunswick. We want to better understand our customers' needs and address them.

We will continue to seek growth through a combination of select acquisitions, joint ventures and smart investments, both to support organic growth and address attractive external opportunities. Our financial resources allow us this flexibility, to which we add a generous helping of hard work, creativity and commitment. Our focus remains on those factors that we can control as well as our six operating platforms, which have been instrumental in our renaissance and fundamental in our approach to the future. These platforms include:

*"We will continue to seek growth through a combination of select acquisitions, joint ventures and smart investments."*



**Cost** – the ultimate competitive deadly weapon;  
**Technology** – the power to draw people to our products through innovation and differentiation;  
**Customer Service** – providing an unmatched level of customer satisfaction;  
**Distribution** – a key Brunswick strength is the breadth and quality of our dealer network. We seek to strengthen this bond through mutual predictability, loyalty and security;  
**Brand Management** – Brunswick's powerhouse brands are the envy of our competitors, and  
**People** – from our employees flow the ideas, energy and expertise that truly set the Company apart.

#### **The Right Product**

Building off these operating platforms, a Brunswick strategic thrust since 2000 has been to get the product right across all lines. We target such key areas as achieving best costs during the life of the product, having arresting design and styling, along with improving product performance. We are also "filling in the white spaces" to offer compelling products to our dealers across all appealing market segments, making the product right

to provide bulletproof quality and generally delighting the customer. Have you ever noticed that things in life go wrong at the interfaces, such as doors breaking at the hinges? Boats and engines are similar. They most likely fail at interfaces such as wires and connectors, so why not design and make boats and engines with fewer points for failure? Why not rigorously engineer these products to minimize or virtually eliminate unnecessary interfaces? Why not, indeed, for that is our vision: to try to make boats and engines, over time, as reliable as automobiles. This approach is called "systems engineering."

And it's much more than a vision. It is a process we are formalizing with the introduction of High Performance Product Development, or HPPD, throughout our marine operations. HPPD is our version of "systems engineering" and a principle we are putting into practice. For example, Mercury Marine's new and extremely popular Verado supercharged outboard engine was specifically designed to minimize interfaces, even to the extent of engineering a solid bond that eliminates a gasket seal on the engine's exhaust manifold so there is no need for bolts, which could loosen and fail.

In the Brunswick Boat Group, we are increasingly using closed mold technology to make our hulls and boat parts. The molded resin making up a boat hull is reinforced during manufacturing with fiberglass. When we make the fiberglass reinforcement for the hull prior to boat molding, we use robots to produce a single piece fitting the hull's shape with fiberglass, just like a tailored suit. This exclusive patented process eliminates costly and unsightly butt joints and overlaps (interfaces) of rolled fiberglass bandages, referred to as "rolled goods." Infinitely more accurate than traditional open mold production, closed molding gives us repeatable precision, ensuring and improving quality. Fewer and better engineered interfaces in our boats and engines promote reliability and durability.

#### **The Right Distribution**

A complementary initiative is to get the distribution right for our products. It is a concept we call "embracing the dealer." This involves such things as being in the right place, having good after-market service, and building better dealer and distributor relationships. To offer a



broader product line to our boat dealers, we acquired an additional six brands in 2004 alone. These included Crestliner, Lowe and Lund. These well-respected brands, along with Canada-based Princecraft, now give us a meaningful presence in the important aluminum segment, as well as a new boating option for our dealer network. The same reasoning was behind our purchase of the Sea Pro, Sea Boss and Palmetto brands, which facilitated an expansion into the fast-growing saltwater fishing segment.

Through Integrated Dealer Systems, acquired in 2001, we provide dealer management systems with data management capabilities for direct ties between builders and dealers. Through Land 'N' Sea and Attwood Marine, both acquired in 2003, we offer superior parts service, with most

principles are being realized across all of our operations. With representatives "on the ground" in North America, Asia and Europe, Brunswick has developed a number of key global suppliers, better directing our purchasing efforts while raising the bar on quality and innovation. As for Lean Six Sigma, the methodology that seeks to eliminate unnecessary steps and simplify processes to improve quality and productivity, it has gained tremendous momentum throughout Brunswick during 2004.

But sometimes success lies not only in learning a new trick, but remembering what made the old dog so great in the first place. Bayliner introduced America to trailer boating more than 20 years ago with an affordable, appealing boat, engine and trailer package. Americans flocked to the water, and Bayliner prospered. But over the years, Bayliner drifted away from its core strengths of providing reliable, value-conscious, quality boating.

In 2002, it returned to its roots and took the market by storm with the wildly popular Bayliner 175 – a boat, engine and trailer for a suggested retail price of \$9,995. In 2004, the 175 was joined by a similarly successful Bayliner 185 model. These and other new models, along



*"Sometimes success lies not in learning a new trick, but remembering what made the old dog so great in the first place."*

dealers receiving same-day or next-day delivery. Brunswick New Technologies, through such brands as Northstar and Navman, offers access to high-quality integrated electronics, while Brunswick Financial Services provides dealers wholesale financing as well as extended warranty coverage. This comprehensive set of services better addresses our dealers' needs, makes it more convenient to deal with Brunswick, forms a tighter bond between the Company and dealer and gives us additional revenue opportunities in adjacent services.

#### **The Right Cost Structure**

And our efforts are not limited to marine. We employ the same operating platforms and principles every day as we go about operating and building all of our businesses, for to accomplish great things we must act as well as dream. These actions are many and diverse, sometimes cutting a swath across all operations, other times targeting a division or brand; yet both approaches are necessary for Brunswick to grow and operate effectively and profitably.

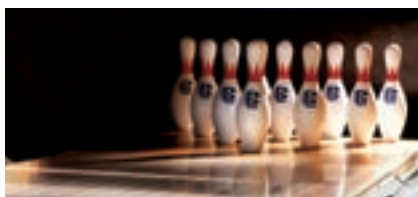
For example, the benefits of our global supply chain management and the application of Lean Six Sigma

with cost-containment efforts, have sparked a turnaround at US Marine, home to our Bayliner, Trophy and Maxum brands. Having gone from sizeable losses the past few years to being solidly profitable in 2004, we expect an ever brighter picture at US Marine as we continue to further improve operating margins.

#### **The Right Brands**

A brand's power is an almost spiritual connection for the consumer to a set of beliefs about a product's attributes and likely behavior. Brands are, when nurtured properly, a company's crown jewels. Understanding and accentuating a brand's profile and strengths are an increasingly powerful advantage of the Brunswick Boat Group. It is perhaps our cohesive approach to the market, by bringing all boat brands under the Boat Group tent in 2000, that has paid the largest dividends these past four years. We now offer more choices to more boaters as we continue to "fill in the white spaces" in our product line-up, managing these brands actively as a portfolio, solving needs here and bringing opportunities there. And backed by detailed consumer research done in 2004, each of our

brands in North America now also has a firmer grasp on its target markets and segments, overcoming one of our old challenges of preventing our boat brands from competing amongst themselves. We recently completed a similar study among our many marine brands in Europe. With brands such as Mercury and Mariner engines, and boat brands including Arvor, Askeladden, Bayliner, Bella, Boston Whaler, Örnvik, Quicksilver, Sea Ray, Sealine, Uttern and Valiant, we are a major marine player in Europe. In fact we are, by unit volume, the largest manufacturer of boats in Europe. Our focus heretofore has been on smaller boats, but increasingly, we will expand our presence in large boats.



We recently formed the Brunswick European Group and the Brunswick Asia Pacific Group to better lead and coordinate our sales and marketing efforts in these important regions, as well as seek ways to better leverage our existing infrastructure to maximize financial performance. Growth in these regions has been a major contributor to the Company's success in the past few years.

#### **The Right Technology**

In addition to offering a wide breadth of products, at Brunswick we are also firm believers in innovation, creating products with the features and capabilities that are desired and valued by consumers. Throughout 2004, innovative products have driven sales growth. At the center of these efforts is technology, the taproot of innovation and the key to offering distinctive products that keep a company out in front of its competitors.

One of the best examples of innovation in 2004 came from Mercury Marine. When the maker of the world's most popular engines set out to develop a four-stroke engine a few years ago, we were not satisfied to just follow the crowd. We sought to imbue two-stroke performance

in a four-stroke engine. "It couldn't be done," others said, because of the inherent characteristics of the different technologies. We answered, "Why not," and introduced the Mercury Verado in 2004. It won a prestigious 2004 Innovation Award from the International Boat Builders Exhibition as well as the coveted "Best of the Best" award from *Field & Stream*. But more important, there is a high, sustained demand for Verado, which has demonstrated that it will be a formidable force for years to come.

Brunswick New Technologies (BNT) also saw excellent growth in 2004. We believe much of the future of Brunswick rests on software, electronics and materials science. We began this unit in 2002 as an incubator for new electronics and software businesses within our Company; it has since touched every segment of our operations with new ideas and capabilities. For example, BNT is increasingly responsible for supplying the electronic content for our boats. By June 2005, we will have a full range of radar, GPS chart plotters, fish-finders, ship-to-shore radios, and sounders in both the Northstar and Navman brands.

#### **The Right Customer**

Innovation also continues to play an integral role in our Fitness segment with the Life Fitness, Hammer Strength and ParaBody brands. Conventional wisdom in the fitness industry has held that market growth comes primarily from the fitness enthusiast, not the regular folks who need to stay in shape. We say, why not the average person? Being healthy and fit should not be the domain of only professional athletes and fitness buffs. We see a larger market emerging as more people embrace wellness in addition to fitness. Global demographics support our contention that wellness – not only fitness – will be the increasing concern of an aging population, many of whom are overweight and at risk.

Our fitness vision is evolving to better capture the body and soul of this largely untapped market. Our fitness brands will continue to be the choice of the serious athlete, but we also will reach out to non-athletes. These brands continue to be the choice of such demanding commercial customers as health clubs, professional sports teams and the military. At the same time, we have moved swiftly and deftly into the home fitness market and will

further extend our presence by providing a broader range of wellness solutions, while maintaining our leadership in cardiovascular and strength equipment.

Meanwhile, Brunswick Bowling & Billiards has kept its eye firmly on the family. More than 70 million Americans bowled in 2004, the majority of whom were under 35 years old. Bowling is undergoing a resurgence in the U.S. and in Western Europe, as the steady growth in open-play bowling overtakes a decline in league play. Anticipating this trend toward broader entertainment centers, we expanded our Brunswick Zone strategy in 2004 with two new retail centers that are larger than the traditional Zone and offer more diverse activities. Bowling remains the major attraction, of course, but

This is how we have approached improving Brunswick. There is no substitute for a dream to motivate and, after that, no substitute for the will and determination to make it happen. At Brunswick, we have the dream and the will.

Our customers – dealers and consumers – are at the center of our universe. Listening to their desires and employing new technologies and fresh thinking to meet and exceed their needs are how Brunswick can best serve its shareholders and our industries. Every day we are looking to enhance the design, engineering and construction of Brunswick's products and services. And the people who will drive these changes are our gifted and talented employees. As managers, we work hard each day to create an environment in which our businesses and our people can excel. Our strategy, execution, performance, creativity and ideas – all spring from the 25,000 Brunswick employees around the world. How far can they go? What can they accomplish? What *can't* they accomplish?

Shaw said, "The people who get on in this world are the people who get up and look for the circumstances they want, and, if they can't find them, go out and make



increasingly bowling centers are becoming broad-based fun destinations for families. Our bowling products business also is revitalized with increasing sales and margins stemming from a steady stream of popular new bowling balls, and software and scoring systems that improve the bowling entertainment experience and tighten center management. And our billiards business, where it all began 160 years ago, is attracting customers with exciting new designs and outstanding traditional craftsmanship.

Increasingly, we will see the application of advanced electronics and software to the bowling business. You will see it manifest in our entertainment offerings, how we track shoes and balls and even how we maintain the bowling lane environment, with new products being offered in all these categories.

#### **'You Create What You Will'**

Many people ask, what has made Brunswick change so much and in so short a time? Returning again to George Bernard Shaw, he said that, "Imagination is the beginning of creation. You imagine what you desire; you will what you imagine; and at last you create what you will."

them." In the past few years, we have seen how harnessing and directing our efforts have unleashed the great potential of a great company and its employees. We have set Brunswick apart from our competitors, energizing and elevating our industries.

Our fundamental goal is two-pronged – to do what is right for the consumer and do what is right for our shareholders. We will succeed because no one can match Brunswick's market presence, financial wherewithal or resolve to delight our customers. No one else has the breadth of skills and expertise across a range of market segments and disciplines to take on the task. In simple terms, we do what others can't. Others ask, "Why should the industry change?" We answer, "Why not?"

Sincerely,

A handwritten signature in blue ink that reads "G.W. Buckley".

George W. Buckley  
Chairman and Chief Executive Officer  
February 1, 2005







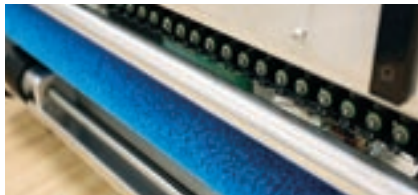
*“We used marine engine technology, creating a bowling lane conditioning machine like no other.”*



< Roy  
Burkholder  
Director,  
Research &  
Development,  
Brunswick  
Bowling

If it works in a marine engine, why not on a bowling lane? That's the premise engineers from Brunswick's bowling operations and MotoTron, a unit of Brunswick New Technologies, had when they began to look at applying the fundamentals of fuel injection to a new technology for lane conditioning at bowling centers.

Conditioning, or oiling, a bowling lane is normally done at least once a day, with bowling center proprietors



considering this operation essential for lane maintenance and scoring performance. How the coating is applied, including its thickness and location on the lane, is very important.

"The path the ball takes, its speed, rotation – all of these can be affected by how the ball interacts with the lane," explained Roy Burkholder of Brunswick Bowling. "The conventional method has been to indirectly apply the oil through a single, oscillating nozzle or series of wicking pads, then brush the oil onto the lane. Fuel injectors transform fuel into a fine mist to burn more efficiently and boost the power of marine engines. We wondered if the same technology would apply bowling lane conditioning oil in a more precise manner. MotoTron helped adapt the injection technology for our use."

The result is a patent-pending process that uses 39 injection nozzles to directly apply oil in separate, digitally controlled flow rates along the width of the machine.

"It's very precise and light years ahead of anything on the market," Burkholder said. "It even looks futuristic with its sleek shape."

In the past, when trucks left Brunswick plants they were loaded with boats for dealers, but they often returned empty, unable to “backhaul” some other type of product “to pay the freight.” Boat trailers have traditionally been designed to haul only boats. Brunswick sought a better way, so, with a manufacturing partner, designed a unique trailer, adaptable and capable of effectively hauling not just boats, but a wide variety of cargo.

“Others in the industry thought we were crazy,” explained Dan Freeland, “but now they want to jump on




the bandwagon. Our goal is to be as efficient as possible in limiting costs for both Brunswick and our dealers. So, we have designed a trailer that can safely deliver the boat, and then haul other items on its return route. Through a joint effort with the carriers, of the many thousands of deliveries we make each year, most of those deliveries now have some type of backhaul associated with them. This keeps our transportation costs in check, even in the face of spiraling fuel prices.”

The new trailer frame can handle weight greater than that of the typically light boats. The trailer’s flexible structure can easily be configured or expanded to haul stacked or flatbed loads.


“We tried to think of everything,” Freeland said. “The rear of the trailer expands for longer loads, and reinforcement facilitates loading and supporting heavy products easily. A unique motorless, non-hydraulic pin system is used to attach the trailer neck and platform, keeping costs down and allowing drivers to efficiently connect or disconnect the trailer components on their own.”

Logistics serves all Brunswick Boat Group brands, coordinating and shipping more than 100,000 boats annually.



*“We developed a type of boat trailer to make sure our trucks don’t come home empty.”*



A man with a mustache and safety glasses is working on a complex engine assembly. He is holding a black cable and a light-colored rectangular component. The engine has various hoses, wires, and a red battery terminal. The background shows a factory setting with blue equipment and yellow floor markings.

*“We designed top-notch efficiency into a new state-of-the-art assembly line.”*

< *Randy  
Visser  
Verado  
assembly  
unit,  
Mercury  
Marine*

“It was quite an honor and a thrill to be among the first to work on the Verado line,” said Randy Visser of Mercury Marine. “We all knew what this engine was all about. It was about leapfrogging our competitors, and also about making sure that we stay strong in the outboard industry in the future.”



The Verado engine began with a clean sheet of paper several years ago, as Mercury Marine decided early on that it did not want to have just another “me-too,” four-stroke outboard engine. After \$100 million and thousands of hours of development and testing, the world’s only supercharged production outboard engine made its debut in 2004, to critical and popular acclaim.

“Everything was new about this engine,” Visser explained. “It was the first to use a supercharger, which really gives the engine power and a real kick in the pants when you accelerate. New design, new technology ... we knew we also had to build it a new way. The Verado line is what came out of that thinking.”

“This is state-of-the-art assembly, not just wedged into some other line,” Visser added. “It is modern in every way, with computers keeping an eye on every step of the process, not to mention that employees are constantly doing validation all along the line.”

Verado introduced an expansion of the line in 2005 at the Miami Boat Show. Verado now offers seven engines from 135- to 275-horsepower.

“If you listen to the voice of the customer, it will tell you that how a product looks is just as important as how it performs,” remarked Life Fitness’ Steve Ward.

Like the fitness industry itself, consumers’ expectations and desires have become more sophisticated and



refined over the years. No longer is it enough for a piece of exercise equipment to be efficient and correct; it also must contribute to the overall style and ambience of its setting.

“It has to perform, and look great,” Ward said. “The two can complement each other and work together to deliver an unequalled exercise experience. The importance of design is one of the reasons we formalized and expanded Life Fitness’ efforts in this arena during 2004.”

In the past few years, Life Fitness products have won many awards for their sleek design and functionality. In 2004, the division underscored its commitment to design with the formation of an industrial design lab.

Working with virtually every segment of Life Fitness – such as product development, marketing, sales and engineering – the product design lab incorporates the best thinking to provide high-end, premium fitness equipment with flair.

“Every part of the machine, every feature is important; but good design can evoke an emotion and create an instant attraction and bond,” Ward said. “We like to think that we touch the souls of those exercising.”



A man with short, wavy brown hair and black-rimmed glasses is smiling broadly while running on a treadmill. He is wearing a light blue and white vertically striped button-down shirt. The background is slightly blurred, showing what appears to be a gym or fitness center with large windows and other exercise equipment.

*“We incorporate the best thinking into design solutions that truly move the customer.”*



At Brunswick, we are inspired by 19th century Chicago architect Daniel Burnham, a driving force behind that city's landmark 1893 Columbian Exposition, who said, "Make no little plans. They have no magic to stir men's blood ... Make big plans; aim high in hope and work."

Our belief that we can change our industries for the better stirs our blood at Brunswick. For example, the marine segment's goal is to build boats with as high a

### The Right Products

During the year, Brunswick further populated its industry-leading lines of business with popular brands and distinctive products, providing our dealers with a formidable product line-up with which to compete and prosper. This is particularly apparent in the Brunswick Boat Group, which has been meticulously assembling a group of products, brands, support systems and services to more fully "embrace the dealer."

Since it was formed in 2000, the Brunswick Boat Group has added ten boat brands to its portfolio, as well as begun a boat parts and accessories business with the 2003 purchases of Land 'N' Sea and Attwood Marine. Add to this financing and extended warranty coverage from Brunswick Financial Services, and the Boat Group is assembling a full suite of products and services to help



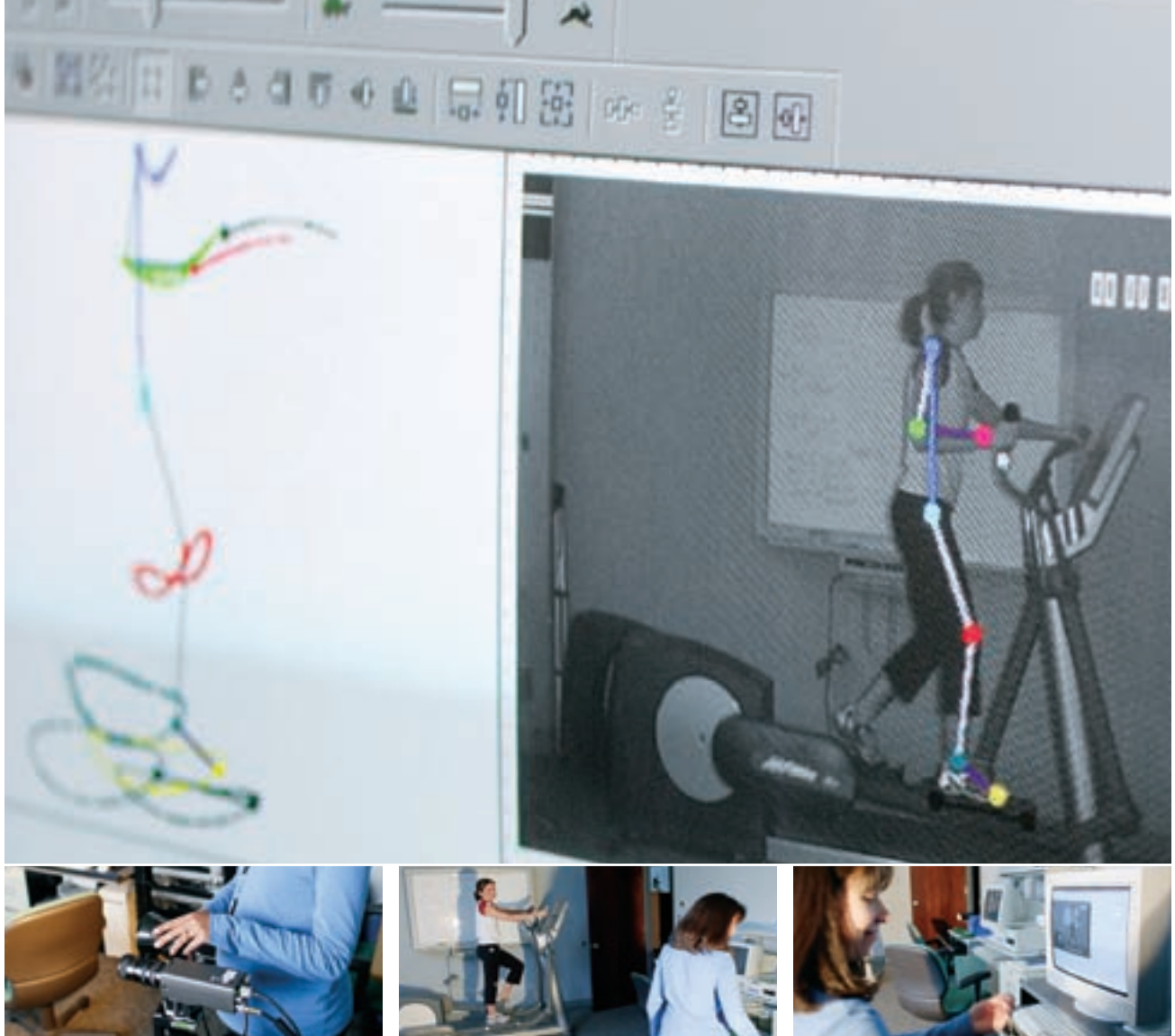
quality as we see in cars, along with unleashing the creative powers of ingenuity in this industry. We are working feverishly to develop the systems and processes to do so. Brunswick aims to eliminate the obvious product interfaces where things go wrong and, most important, build the capabilities to do what's right for our consumers and our industry. We seek to:

- Offer the right products that make our dealers more competitive and profitable, while exciting consumers;
- Provide the right features and quality that enrich the consumer's experience, making our products easier to use, less complex, more affordable and more enjoyable;
- Build and nurture the right relationships with both customers and consumers;
- Have the right products in the right markets, to ensure our success;
- Configure the right manufacturing footprint that puts us close to our markets, while availing ourselves of the best and most effective production methods, and
- Develop even better ways to provide products and services in the future.

its dealers succeed. Our recent announcements of marina and waterfront activities, plus re-manufacturing of used boats, will further broaden this capability over time. By adding various brands, the Boat Group is "filling in the white spaces" in key and growing segments of boating. By offering a wider variety of boats in various segments and price ranges, Brunswick gives our dealers the opportunity to serve more boaters' particular needs.

In 2004, the Brunswick Boat Group enhanced its position in several critical market segments, including aluminum boats and saltwater fishing, with separate acquisitions. By acquiring the Crestliner, Lowe and Lund brands in early 2004, Brunswick assured itself of a meaningful presence in the aluminum boating segment, where previously it had only Princecraft. Those four brands now make up the Aluminum Boat Group, formed to focus on this important segment. Likewise, the acquisition of Sea Pro, Sea Boss and Palmetto has augmented Brunswick's position in saltwater fishing and has led to formation of the Saltwater Boat Group. Along with Boston Whaler, these brands now provide Brunswick with a sharper presence and higher profile in offshore fishing.





*We reject the conventional and its limits,*

#### ***RIMFIRE >***

*Only Brunswick  
has RIMFIRE,  
a patent-pending  
pre-form technique  
that provides Robotic  
In-Mold Fibre  
REinforcement.  
Used in conjunction  
with closed molding,  
RIMFIRE ensures  
accurate placement  
of fiberglass and is  
less expensive  
than traditional  
application methods.*

< *Biomechanics*

*Life Fitness has  
a laboratory using  
advanced technologies  
and computer  
diagnostics to help  
design superior  
biomechanics into  
every piece of exercise  
equipment it makes.*

and make the impossible happen.



### The Right Features and Quality

Another initiative aimed at increasing the convenience for both the consumer and dealer is installing more marine electronics on the factory floor, rather than in the after-market. With the purchases of Northstar and New Zealand's Navman, in 2002 and 2003, respectively, Brunswick New Technologies is quickly satisfying this need with a full range of products.



While some may simplistically label this approach as a vertical integration strategy, we believe it is a customer-led strategy that begins with the premise that to grow boating, we need to remove the hassle, effort and cost for the consumer. At Brunswick, we see the most essential initial ingredient to doing this as being engineering led, to drive higher reliability into the boats we make. We do so by improving reliability through a fully engineered boat product, just like you get with a car, with everything designed together to work together. Basically, we believe we can attack the problem by fixing the interfaces in a product or a system, where problems often occur.

In boating, we do not have the sophisticated and highly capable supply base or the design processes of the automotive industry. But over time, through better specifications, rigorous and widely applied engineering, and more extensive reliability testing, we believe we can gradually help Brunswick's suppliers give us the improved parts we need to make better boats, which, in turn, makes for better boating. We believe this is a design and process issue. We are committed to exerting more influence over component and engineered interfaces.

Brunswick is doing so partly through tight control of the most key components in a boat, and in all cases we are doing it through gradually improved design and engineering processes. Widely called "systems engineering," at Brunswick we call this approach High Performance Product Development, or HPPD.

The interfaces the customer cares most about, quite obviously, are the ones that he or she physically touches. Called human/machine interfaces, these are the visual and physical interfaces that are affected by design and styling, such as the tactile feel of controls and their logical positioning and ease of use. Marine electronics, which are essential to control a boat, can most profoundly benefit from improved human/machine interfaces. Electronics and controls need to be made easier to use and to understand. We aim to make them so.

Auditory and visual inputs from entertainment systems on the boat can also affect the boating experience, and these interfaces will be a 2005 priority for Brunswick. Other targets are performance interfaces, such as the responsiveness and appropriateness of the engine to the boat. Touch the controls and the craft responds instantly, but quietly. These are all-important touchpoints for a consumer, and we at Brunswick want to get control of them so we can differentiate our products and make them better – and perhaps even unique – for our consumers.

This strategy is about doing what's right for the consumer, the dealer and our boat builder partners by building better products and helping our dealers be more successful. We can undertake this journey toward improvement because Brunswick has the financial strength and technological capabilities to develop new technologies and processes that can bring the consumer better boating products.

Add to these efforts active and extensive work to improve how we design and make boats, and you have a recipe for success. During 2004, we were delighted that many of our brands received recognition on several fronts.



For example, for the third year in a row, Sea Ray was a J.D. Power award winner for customer satisfaction in a prestigious express cruiser category. Also, Sea Ray, Baja, Bayliner, Boston Whaler, Crestliner, Hatteras, Lowe, Princecraft and Sea Pro were recognized as Customer Satisfaction Index winners by the National Marine Manufacturers Association. Ratings were gathered from

as Baja and Trophy, are emulating Sea Ray's success with their own customer lifestyle publications, and US Marine brands are rolling out a premier dealer support program, such as that pioneered by Sea Ray.

Customer loyalty can be earned in many ways, and at Mercury Marine we are not shy about rolling up our sleeves and literally working side-by-side with our dealers and boat builder customers to ensure customer satisfaction at the critical juncture of properly and efficiently installing a boat's engine. Begun in 2004, the Mercury Installation Quality Certification Program partners Mercury MerCruiser, the world's leading maker of sterndrive engines, with boat builders to create both better processes and products. It is the marine industry's first comprehensive manufacturer-installation certification program.



more than 50,000 U.S. consumers who purchased a boat during the most recent model year.

#### **The Right Relationships**

Furthermore, we continue to seek ways to grow the boating market and solidify our presence through customer loyalty. For example, studies show that the Bayliner 175, with its \$9,995 price tag for a complete boat, engine and trailer package, is both bringing new people into boating as well as luring others to return to the fold.

In other marketing efforts, Brunswick boat brands continue to forge closer ties with our customers and consumers. This is particularly evident at Sea Ray, our largest boat brand, where relationship marketing efforts have been long established and continually refined. From Sea Ray Rendezvous events held around the country, allowing Sea Ray owners to get together for a fun weekend, to the brand's award-winning *Sea Ray Living* magazine, every effort is aimed at underscoring the Sea Ray lifestyle. Sea Ray continues to boast some of the highest loyalty rates among boat owners and buyers in the boating industry. Many of our other boat brands, such

Working together with boat builders and engine installers, Mercury engineers assist in the implementation of "lean" thinking for manufacturing efficiency and world-class process control on the boat builder's plant floor. Mercury and the boat builder collectively review the manufacturing and installation processes and identify opportunities for improvement. Builders are responsible for maintaining all program imperatives and participating in an annual review. Working together, Mercury and its boat builder customers deliver an even better boating experience for the consumer. Mercury Racing is pursuing a similar initiative with its Total Engine Application Management efforts to ensure customer satisfaction through standardized installation of high-performance marine propulsion systems.

#### **The Right Products for the Right Markets**

Mercury introduced the six-cylinder Verado high-horsepower outboard engines, which earned rave reviews, at the 2004 Miami Boat Show. It was the culmination of investing \$100 million, building 194 test engines, clocking 293,000 staff hours and thousands of hours in



*We unleash* our resources, people and

*Axis Mill >*

*Brunswick  
pioneered the use of  
a computerized  
five-axis mill,  
to create highly  
precise master boat  
pattern molds that  
are accurate to  
within 1/20,000<sup>th</sup>  
of an inch.*

< *Lost Foam*

*Foundry*

*Mercury Marine has North America's only lost foam foundry at its Wisconsin headquarters. One of only two in the world, it produces lightweight, utterly precise parts for Mercury outboard engines as well as for other engine manufacturers.*

technologies to be the best and stand apart.





grueling testing environments during the past four years of development. In February 2005, Mercury's market position was further strengthened with the debut of lower-horsepower, four-cylinder Verado engines, which

and has responded with innovative products and effective marketing. In 2004, this group's drive and creativity continued to yield new and exciting ways to reinvigorate its marketplace – in game-changing technologies such as its new lane machine (page 11) or in seemingly small changes that, without much fanfare, greatly improve the product. For example, in 2004 Brunswick Billiards introduced its own stain-resistant Centennial Cloth to help protect billiards tables from spills and stains. Innovation comes in many forms, and we believe it is just as important in billiards as it is in electronics or engines.

During the year, Brunswick Billiards completed the integration of its Valley-Dynamo operations, which were acquired in 2003. Through the year, we saw consistent progress in collaboration for new products, combining



are even quieter than the six-cylinder models. Each maintains the same superb relative performance and noise advantages over its competitors.

Throughout Brunswick, we are always seeking to better understand the changing nature of our industries, our markets and our customers. For example, Life Fitness continues to develop better ways to engage and support exercisers who use its equipment. Life Fitness is making it possible for consumers to get health-club-like features in their own home fitness equipment. Home versions of Life Fitness' popular health club models, the new T9i and T9e treadmills, became available in 2004. An industry first, the T9e is an entertainment-ready home treadmill featuring an LCD touch-screen console with an integrated TV that allows exercisers to be entertained while they work out.

During 2004, Life Fitness continued to introduce a steady stream of new products as well as expand and refine existing product lines. Its new Signature strength products have been embraced by the marketplace.

Brunswick Bowling & Billiards also understands the importance of keeping things fresh for consumers

shared functions and strengthening the overall dealer network. Valley-Dynamo has given Brunswick the leadership position in the coin-operated market, complementing its traditional strength in the home market. Valley-Dynamo also enhances billiards' product portfolio, with the addition of foosball and Air Hockey table games.

In 2004, Brunswick Bowling introduced its Brunswick Entertainment Network, which allows bowling proprietors to use their existing video monitors and sound systems to direct targeted marketing and entertainment. This highly automated system is much more than an extensive edited and rated music video library, as the promotional videos and text messaging capabilities enable centers to send targeted promotions for bowling programs, other profit centers and even recruitment within their bowling facilities more effectively than traditional methods, such as flyers and banners.

Being able to "segment" and speak directly to various types of customers with targeted messages is increasingly important to Brunswick Bowling, as it continues to expand and roll out its Brunswick Zone concept. Casual bowling is steadily replacing league bowling as a source of

revenue, reflecting the growing influence of the family on the sport. Bowling remains a great way to spend time together and connect, which more families continue to discover. More than just bowling, Brunswick Zones are a destination in and of themselves, offering a wide variety of activities for the entire family.

In recent years, Brunswick's Life Fitness Division also has turned its eyes to expanding its international market presence and manufacturing footprint. For example, the early 2004 opening of a new plant in Hungary to manufacture strength equipment closer to our European customers enabled us to offer quicker availability and delivery. While overall fitness sales growth for the year was good, fitness earnings were affected by significant material cost increases for such commodities as steel and plastic. However, the plant in Hungary also helps to offset these pricing pressures because, along with labor costs, steel tubing prices in Hungary are significantly lower than in the U.S. In the first quarter of 2005, Life Fitness opened a second plant in Hungary to manufacture cardiovascular products.



### **The Right Manufacturing Footprint**

Hitting the right price points is important to all consumers, and the margin on sold products is important to everyone in the value chain. In 2002, we set about fixing both problems in the Bayliner brand. We opened a plant in Reynosa, Mexico, to produce the popular Bayliner 175 and later, the 185. In 2004, we continued to expand that concept as we doubled capacity in Reynosa, with construction of a second plant, which opened in the first quarter of 2005. The new plant will concentrate on Bayliner's popular 175, 185 and the new 195 models of runabouts.

Mercury also continues to alter its global manufacturing footprint to improve its financial performance and its service to all customers. In the first quarter of 2005, Mercury opened a new engine plant in China to manufacture four-stroke outboard engines in the 40-, 50- and 60-horsepower size range at significantly lower costs than in the U.S. Also during 2004, we expanded manufacturing facilities in Japan, where Mercury Marine has a 50-50 joint venture with Tohatsu to make even smaller horsepower, four-stroke outboard engines.

### **The Right Way to Do It**

Brunswick is now using High Performance Product Development (HPPD) to combine product planning, design and technology in an unprecedented manner to make boat and engine integration a true reality. A durable hull, a powerful, fuel-efficient engine, an innovative suite of marine electronics – these are all impressive components individually, yet highly dependent on one another to create the perfect product solution for our customers. Now, imagine if these boat building essentials were developed, designed and integrated simultaneously, using one seamless product-development process. HPPD is implementing a common product-development process that will form the foundation for building the best high-performance marine products in the world.

Think of it. Boat building, marine propulsion and electronics. No other company is involved in all of these areas. No other company has the capabilities and the will to emphasize systems engineering to better build in quality and enhance reliability, performance and customer appeal. Only Brunswick can. We do what others can't.



*Genuine Ingenuity* is in all that we do,

*Product Development >  
and Engineering*

*Brunswick's engineers  
and designers use  
three-dimensional  
modeling software  
to create, test and  
validate new ideas  
in marine technology  
and to ensure  
precision, fit and  
performance.*



< *Brunswick New Technologies*  
*Featuring such well-known brands as Navman and Northstar, BNT offers a growing number of marine electronics to be installed on the factory floor. It also offers GPS devices for land-based navigation.*

brought to life as only Brunswick can.





*At Brunswick, we do what others can't.*







Create the products that *change industries*.





In 2005, Brunswick Corporation marks its 160<sup>th</sup> year in existence, and its 80<sup>th</sup> as a publicly traded company on the New York Stock Exchange. After 16 decades in business, we've come to believe that Brunswick is truly more than just a company; it is a community of people throughout the world doing their jobs each day, each working as "One Company – One Culture" to accomplish our objectives.

Our daily actions are rooted in a set of Core Values that we share at Brunswick. These include being:

#### **Fair and Honest**

At Brunswick, we will seek to do the right thing, treating everyone fairly and honestly. We will tell the truth, even

#### **Excellent and Accountable**

At Brunswick, we will set high goals and achieve what we have said we will do. We will take personal responsibility to deliver on our promises. We will work together, recognizing the expertise of our colleagues and expecting them to be accountable for their commitments and actions.

We support these values with corporate governance measures and active ethics training and monitoring. In 2000, we adopted a code of ethics for all directors, officers and employees. *Making the Right Choice: The Brunswick Guide to Conduct in the Workplace* has been widely distributed, as well as posted on our corporate Web site. This code of conduct is strictly enforced. It is designed to help all of our more than 25,000 employees worldwide better understand their responsibilities under the Company's ethics policy as well as aid them in making the right choices. To date, the Guide has been translated into seven languages, and related training has been conducted and is continually updated for all Brunswick employees world-



*"Leadership means constantly  
breaking new ground and ceaselessly pushing  
ourselves to excel."*

when it is hard. We strive to see the best in people, approaching everyone in an open and sincere manner without bias, favoritism or self-interest. Our decisions will be based on clear, fact-based, critical thinking, and we will hold ourselves to the highest ethical standards.

#### **Respectful and Caring**

At Brunswick, we will seek to earn a fair return for our investors. Fulfilling that obligation, we will strive to respect the needs of our employees, customers, suppliers and the communities in which we operate. We will seek to treat each other with kindness, and respect each other as individuals. We will listen to all of our stakeholders, consider the consequences of our actions and seek to maintain the trust we have earned.

#### **Innovative and Fun**

At Brunswick, we will seek to continue our legacy of leadership and innovation. Our products are fun to use, and we will seek to have fun creating and distributing them. We will make innovation and *Genuine Ingenuity* our way of doing business.

Furthermore, Brunswick has long had a set of corporate governance principles that aim to ensure that the Company is run in an ethical and transparent manner. Each year, our chief executive officer files a certification with the New York Stock Exchange stating that he is not aware of any violation by the Company of NYSE Corporate Governance listing standards. That document was most recently filed on May 14, 2004. The chief executive officer and chief financial officer certifications required by Section 302 of the Sarbanes-Oxley Act are included in the Company's Annual Report on Form 10-K for 2004.

But at the base are our Core Values. It makes no difference where we work, what our jobs are or what title we hold in our global company, because honor and respect are inherent in the person, not the rank.

At Brunswick, we are committed to quality in our people and our products. We work hard every day to earn a reputation for trust, honesty and candor while being mindful of our responsibilities to our shareholders, our customers, our partners, our communities and one another.