BRUNSWICK CORP
Form 10-Q
August 03, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 July 2, 2016

or

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

For the transition period from to

Commission file number 001-01043

Brunswick Corporation

(Exact name of registrant as specified in its charter)

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

1 N. Field Court, Lake Forest, Illinois 60045-4811

(Address of principal executive offices, including zip code)

(847) 735-4700

(Registrant’s telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

The number of shares of Common Stock ($0.75 par value) of the registrant outstanding as of August 1, 2016 was 90,219,878.

BRUNSWICK CORPORATION
INDEX TO QUARTERLY REPORT ON FORM 10-Q
July 2, 2016

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

BRUNSWICK CORPORATION
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

	Three Months Ended		Six Months Ended	
(in millions, except per share data)	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Net sales	$1,242.2	$1,142.0	$2,312.5	$2,127.7
Cost of sales	888.9	817.6	1,677.1	1,544.5
Selling, general and administrative expense	153.7	138.4	301.4	278.4
Research and development expense	35.1	31.8	69.7	61.9
Restructuring and integration charges	2.6	—	6.4	—
Operating earnings	161.9	154.2	257.9	242.9
Equity earnings	1.0	1.0	1.8	2.0
Other income (expense), net	(0.1)	1.5	0.9	3.2
Earnings before interest and income taxes	162.8	156.7	260.6	248.1
Interest expense	(7.0)	(7.0)	(13.8)	(14.0)
Interest income	0.4	0.5	0.8	1.0
Earnings before income taxes	156.2	150.2	247.6	235.1
Income tax provision	48.1	42.6	76.3	70.9
Net earnings from continuing operations	108.1	107.6	171.3	164.2
Discontinued operations:				
Earnings (loss) from discontinued operations, net of tax	(0.0)	0.2	1.6	0.6
Gain on disposal of discontinued operations, net of tax	—	10.0	—	10.0
Earnings (loss) from discontinued operations, net of tax	(0.0)	10.2	1.6	10.6
Net earnings	$108.1	$117.8	$172.9	$174.8
Earnings (loss) per common share:				
Basic				
Earnings from continuing operations	$1.18	$1.15	$1.87	$1.76
Earnings (loss) from discontinued operations	(0.00)	0.11	0.02	0.11
Net earnings	$1.18	$1.26	$1.89	$1.87
Diluted				
Earnings from continuing operations	$1.17	$1.14	$1.85	$1.73
Earnings (loss) from discontinued operations	(0.00)	0.11	0.02	0.11
Net earnings	$1.17	$1.25	$1.87	$1.84
Weighted average shares used for computation of:				
Basic earnings per common share	91.5	93.3	91.6	93.6
Diluted earnings per common share	92.3	94.6	92.6	94.8
Comprehensive income	$110.7	$111.7	$183.7	$157.4
Cash dividends declared per share	$0.15	$0.125	$0.30	$0.25

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

BRUNSWICK CORPORATION
Condensed Consolidated Balance Sheets
(unaudited)

(in millions)	July 2, 2016	December 31, 2015	July 4, 2015
Assets			
Current assets			
Cash and cash equivalents, at cost, which approximates fair value	$492.8	$ 657.3	$582.9
Short-term investments in marketable securities	0.5	11.5	25.8
Total cash, cash equivalents and short-term investments in marketable securities	493.3	668.8	608.7
Restricted cash	12.7	12.7	15.6
Accounts and notes receivable, less allowances of $14.5, $13.8 and $16.3	482.1	398.1	446.8
Inventories			
Finished goods	455.0	444.4	427.3
Work-in-process	94.9	88.4	96.7
Raw materials	156.9	152.2	146.0
Net inventories	706.8	685.0	670.0
Prepaid expenses and other	38.0	39.8	31.6
Current assets	1,732.9	1,804.4	1,772.7
Property			
Land	23.2	24.2	23.6
Buildings and improvements	387.5	351.8	338.7
Equipment	931.4	886.8	864.0
Total land, buildings and improvements and equipment	1,342.1	1,262.8	1,226.3
Accumulated depreciation	(881.0)	(861.4)	(847.8)
Net land, buildings and improvements and equipment	461.1	401.4	378.5
Unamortized product tooling costs	111.5	103.8	98.4
Net property	572.6	505.2	476.9
Other assets			
Goodwill	393.1	298.7	296.3
Other intangibles, net	135.0	55.1	45.1
Equity investments	26.0	21.5	25.9
Non-current deferred tax asset	334.6	420.2	441.6
Other long-term assets	49.4	47.4	41.8
Other assets	938.1	842.9	850.7
Total assets	$3,243.6	$ 3,152.5	$3,100.3

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

BRUNSWICK CORPORATION
Condensed Consolidated Balance Sheets
(unaudited)

(in millions)	July 2, 2016	December 31, 2015	July 4, 2015
Liabilities and shareholders' equity			
Current liabilities			
Current maturities of long-term debt	$4.7	$ 6.0	$4.5
Accounts payable	366.3	339.1	338.2
Accrued expenses	559.6	563.0	520.5
Current liabilities	930.6	908.1	863.2
Long-term liabilities			
Debt	447.9	442.5	445.6
Deferred income taxes	2.2	12.3	3.6
Postretirement benefits	308.7	347.5	327.8
Other	166.0	160.8	196.6
Long-term liabilities	924.8	963.1	973.6
Shareholders' equity			
Common stock; authorized: 200,000,000 shares, $0.75 par value; issued: 102,538,000 shares; outstanding: 90,315,000, 90,813,000 and 91,934,000 shares	76.9	76.9	76.9
Additional paid-in capital	385.6	408.0	398.1
Retained earnings	1,806.2	1,660.4	1,619.0
Treasury stock, at cost: 12,223,000, 11,725,000 and 10,604,000 shares	(417.2)	(389.9)	(332.6)
Accumulated other comprehensive loss, net of tax	(463.3)	(474.1)	(497.9)
Shareholders' equity	1,388.2	1,281.3	1,263.5
Total liabilities and shareholders' equity	$3,243.6	$ 3,152.5	$3,100.3

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

BRUNSWICK CORPORATION
Condensed Consolidated Statements of Cash Flows
(unaudited)

(in millions)	Six Months Ended July 2, 2016	July 4, 2015
Cash flows from operating activities		
Net earnings	$172.9	$174.8
Less: earnings from discontinued operations, net of tax	1.6	10.6
Net earnings from continuing operations	171.3	164.2
Depreciation and amortization	50.6	43.8
Pension funding, net of expense	(29.5)	(65.9)
Deferred income taxes	53.4	45.7
Excess tax benefits from share-based compensation	(8.2)	(6.2)
Equity in earnings of unconsolidated affiliates, net of dividends	(1.8)	(2.0)
Changes in certain current assets and current liabilities	(36.7)	(87.2)
Income taxes	7.0	17.2
Other, net	7.0	(0.8)
Net cash provided by operating activities of continuing operations	213.1	108.8
Net cash used for operating activities of discontinued operations	(3.2)	(8.8)
Net cash provided by operating activities	209.9	100.0
Cash flows from investing activities		
Capital expenditures	(90.0)	(64.7)
Purchases of marketable securities	—	(24.9)
Sales or maturities of marketable securities	10.7	82.3
Investments	(1.3)	(5.1)
Acquisition of businesses, net of cash acquired	(215.9)	(8.8)
Proceeds from the sale of property, plant and equipment	1.6	1.0
Other, net	1.3	—
Net cash used for investing activities of continuing operations	(293.6)	(20.2)
Net cash provided by investing activities of discontinued operations	—	40.0
Net cash provided by (used for) investing activities	(293.6)	19.8
Cash flows from financing activities		
Net proceeds from issuances of long-term debt	—	0.1
Payments of long-term debt including current maturities	(0.2)	(0.2)
Common stock repurchases	(60.0)	(60.0)
Cash dividends paid	(27.2)	(23.1)
Excess tax benefits from share-based compensation	8.2	6.2
Proceeds from share-based compensation activity	11.8	3.8
Tax withholding associated with shares issued for share-based compensation	(17.7)	(8.0)
Other, net	(1.3)	—
Net cash used for financing activities	(86.4)	(81.2)
Effect of exchange rate changes on cash and cash equivalents	5.6	(8.4)
Net increase (decrease) in cash and cash equivalents	(164.5)	30.2
Cash and cash equivalents at beginning of period	657.3	552.7

Cash and cash equivalents at end of period	$492.8	$582.9

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

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 – Significant Accounting Policies

Interim Financial Statements. The unaudited interim condensed consolidated financial statements of Brunswick Corporation (Brunswick or the Company) have been prepared pursuant to Securities and Exchange Commission (SEC) rules and regulations. Therefore, certain information and disclosures normally included in financial statements and related notes prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted. As stated in Note 2 – Discontinued Operations, Brunswick's results as discussed in the financial statements reflect continuing operations only, unless otherwise noted.

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 Brunswick's 2015 Annual Report on Form 10-K for the year ended December 31, 2015 (the 2015 Form 10-K). These results include, in management's opinion, all normal and recurring adjustments necessary to present fairly Brunswick's financial position as of July 2, 2016, December 31, 2015 and July 4, 2015, the results of operations for the three months and six months ended July 2, 2016 and July 4, 2015, and the cash flows for the six months ended July 2, 2016 and July 4, 2015. Due to the seasonality of Brunswick's businesses, the interim results are not necessarily indicative of the results that may be expected for the remainder of the year.

The Company maintains its financial records on the basis of a fiscal year ending on December 31, with the fiscal quarters spanning approximately thirteen weeks. The first quarter ends on the Saturday closest to the end of the first thirteen-week period. The second and third quarters are thirteen weeks in duration and the fourth quarter is the remainder of the year. The first two quarters of fiscal year 2016 ended on April 2, 2016 and July 2, 2016, and the first two quarters of fiscal year 2015 ended on April 4, 2015 and July 4, 2015.

Recent Accounting Pronouncements. The following are recent accounting pronouncements that have been adopted during 2016, or will be adopted in future periods.

Share-Based Compensation: In March 2016, the Financial Accounting Standards Board (FASB) amended the Accounting Standards Codification (ASC) to simplify the accounting for employee share-based payment transactions. Amendments related to the timing of excess tax benefit recognition, minimum statutory withholding requirements and forfeitures will be applied using a modified retrospective approach through a cumulative adjustment to equity as of the beginning of the period of adoption. Amendments to certain classifications on the statement of cash flows may be applied either prospectively or retrospectively, and amendments requiring the recognition of excess tax benefits and tax deficiencies in the income statement are to be applied prospectively. These amendments are to be applied for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the approach it will use to apply the new standard and the impact that the adoption of the new standard will have on the Company's condensed consolidated financial statements.

Recognition of Leases: In February 2016, the FASB amended the ASC to require lessees to recognize assets and liabilities on the balance sheet for all leases with terms greater than twelve months. Lessees will recognize expenses similar to current lease accounting. The amendment is to be applied using a modified retrospective method with certain practical expedients, and is effective for fiscal years and interim periods within those years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the approach it will use to apply the new standard and the impact that the adoption of the new standard will have on the Company's condensed consolidated financial statements.

Classification of Deferred Income Taxes: In November 2015, the FASB amended the ASC to require that deferred tax assets and liabilities be classified as non-current on the Condensed Consolidated Balance Sheets for all periods presented. The amendment may be applied either retrospectively or prospectively and is effective for fiscal years, and the interim periods thereafter, beginning after December 15, 2016, with early adoption permitted.

The Company early adopted this ASC amendment during the first quarter of 2016 which caused the Company to change its method of presentation for current deferred income taxes in the Condensed Consolidated Balance Sheets for all periods presented. Current deferred income tax assets of $180.5 million and $206.3 million as of December 31, 2015 and July 4, 2015, respectively, were reclassified to long-term.

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Measurement of Inventory: In July 2015, the FASB issued final guidance to simplify the subsequent measurement of inventories by replacing the lower of cost or market test with a lower of cost and net realizable value test. The guidance applies to inventories for which cost is determined by methods other than LIFO and the retail inventory method. The amendment is to be applied prospectively and is effective for fiscal years, and the interim periods within those years, beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact of adopting this ASC amendment, but does not expect it will have a material impact on the Company's condensed consolidated financial statements.

Fair Value Disclosure: In May 2015, the FASB amended the ASC to update the presentation of certain investments measured at net asset value within the fair value hierarchy. The amendment requires these investments to be removed from the fair value hierarchy categorization and presented as a single reconciling line item between the fair value of investments reported on the Condensed Consolidated Balance Sheets and the amounts reported in the fair value hierarchy table. The amendment is to be applied retrospectively and is effective for fiscal years, and the interim periods within those years, beginning after December 15, 2015, with early adoption permitted. The Company adopted this amendment in 2016 and it did not have a material impact on the Company's condensed consolidated financial statements.

Revenue Recognition: In May 2014, the FASB and International Accounting Standards Board jointly issued a final standard on revenue recognition which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This standard will supersede most current revenue recognition guidance. Under the new standard, entities are required to identify the contract with a customer; identify the separate performance obligations in the contract; determine the transaction price; allocate the transaction price to the separate performance obligations in the contract; and recognize the appropriate amount of revenue when (or as) the entity satisfies each performance obligation. In August 2015, the FASB amended the ASC to delay the effective date to fiscal years, and the interim periods within those years, beginning on or after January 1, 2018, from the original effective date of January 1, 2017, with early adoption permitted no earlier than January 1, 2017. Entities have the option of using either retrospective transition or a modified approach in applying the new standard. The Company is currently evaluating the approach it will use to apply the new standard and the impact that the adoption of the new standard will have on the Company's condensed consolidated financial statements.

Note 2 – Discontinued Operations

The following table discloses the results of operations of the businesses reported as discontinued operations for the three months and six months ended July 2, 2016 and July 4, 2015:

(in millions)	Three Months Ended		Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Net sales	$—	$12.3	$—	$37.5
Earnings (loss) from discontinued operations before income taxes	$(0.0)	$(0.2)	$2.6	$0.4
Income tax provision (benefit)	(0.0)	(0.4)	1.0	(0.2)
Earnings (loss) from discontinued operations, net of tax	(0.0)	0.2	1.6	0.6
Gain on disposal of discontinued operations, net of tax (A)	—	10.0	—	10.0
Earnings (loss) from discontinued operations, net of tax	$(0.0)	$10.2	$1.6	$10.6

(A) On May 22, 2015, the Company completed the sale of its bowling products business and recorded a pre-tax gain of $8.4 million and a net tax benefit of $1.6 million.

There were no assets or liabilities held for sale as of July 2, 2016, December 31, 2015 or July 4, 2015.

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Notes to Condensed Consolidated Financial Statements
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Note 3 – Restructuring and Integration Activities

The Company acquired Cybex International, Inc. (Cybex) in the first quarter of 2016 as discussed in Note 4 –Acquisitions, and executed certain restructuring and integration activities within the Fitness segment related to the acquisition, resulting in the recognition of restructuring and integration charges in the Condensed Consolidated Statements of Comprehensive Income during 2016.

The following table is a summary of the expense associated with the Fitness segment restructuring and integration activities for the three months and six months ended July 2, 2016, as discussed above:

(in millions)	Three Months Ended	Six Months Ended
Restructuring and integration activities:		
Employee termination and other benefits	$ 0.2	$ 2.1
Professional fees	0.8	2.2
Other	1.6	2.1
Total restructuring and integration charges	$ 2.6	$ 6.4

During 2016, the Company made cash payments of $4.8 million relating to all restructuring and integration activities, including payments related to prior period restructuring activities. As of July 2, 2016, accruals remaining for all restructuring and integration activities totaled $3.1 million and are expected to be paid substantially during 2016.

Note 4 – Acquisitions

On July 1, 2016, the Company acquired 100 percent of privately held Thunder Jet Boats, Inc. (Thunder Jet), a designer and builder of heavy-gauge aluminum boats, which is based in Clarkston, Washington. Thunder Jet offers a lineup of 18 models ranging in length from 18-26 feet and adds breadth and depth to the Company's overall product portfolio. Thunder Jet is managed within the Company's Boat segment.

The cash consideration the Company paid to acquire Thunder Jet was $20.9 million. Due to the recent timing of the acquisition, the Company recorded $12.2 million of goodwill on a preliminary basis at the end of the second quarter of 2016. These amounts are preliminary and are subject to change within the measurement period as the Company finalizes its fair value estimates, including allocating purchase price to identifiable intangible assets.

On January 20, 2016, the Company acquired 100 percent of privately held Cybex, a leading manufacturer of commercial fitness equipment, which is based in Medway, Massachusetts. Cybex offers a full line of cardiovascular and strength products and had unaudited sales in 2015 of approximately $169 million. The addition of Cybex expands the Fitness segment's participation in key markets, including commercial fitness, and adds to the Company's manufacturing footprint to meet current and future demand more effectively. Cybex also increases the breadth and depth of the segment's product portfolio. Cybex is managed within the Company's Fitness segment.

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The following table is a summary of the assets acquired, liabilities assumed and net cash consideration paid for the Cybex acquisition during 2016:

(in millions)	Fair Value (B)	Useful Life
Accounts and notes receivable	$26.2	
Inventory	13.9	
Goodwill (A)	82.6	
Trade names	38.6	Indefinite
Customer relationships	41.8	16 years
Patents and proprietary technology	3.1	5 years
Property and equipment	39.8	
Other assets	6.0	
Total assets acquired	252.1	
Total liabilities assumed	57.1	
Net cash consideration paid	$195.0	

(A) The goodwill recorded for the acquisition of Cybex is not deductible for tax purposes.
(B) These amounts are preliminary and are subject to change within the measurement period as the Company finalizes its fair value estimates.

These acquisitions are not material to the Company's net sales, results of operations or total assets during any period presented. Accordingly, the Company's consolidated results from operations do not differ materially from historical performance as a result of these acquisitions and, therefore, pro forma results are not presented.

Note 5 – Financial Instruments

The Company operates globally with manufacturing and sales facilities in various locations around the world. Due to the Company’s global operations, the Company engages in activities involving both financial and market risks. The Company utilizes normal operating and financing activities, along with derivative financial instruments, to minimize these risks.

Derivative Financial Instruments. The Company uses derivative financial instruments to manage its risks associated with movements in foreign currency exchange rates, interest rates and commodity prices. Derivative instruments are not used for trading or speculative purposes. The Company formally documents its hedge relationships, including identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking each hedge transaction. This process includes linking derivatives that are designated as hedges to specific forecasted transactions. The Company also assesses, both at the hedge’s inception and monthly thereafter, whether the derivatives used in hedging transactions are highly effective in offsetting the changes in the anticipated cash flows of the hedged item. If the hedging relationship ceases to be highly effective, or it becomes probable that a forecasted transaction is no longer expected to occur, the Company discontinues hedge accounting prospectively and immediately recognizes the gains and losses associated with those hedges. There were no material adjustments as a result of ineffectiveness to the results of operations for the three months and six months ended July 2, 2016 and July 4, 2015. The fair value of derivative financial instruments is determined through market-based valuations and may not be representative of the actual gains or losses that will be recorded when these instruments mature due to future fluctuations in the markets in which they are traded. The effects of derivative financial instruments are not expected to be material to the Company’s financial position or results of operations when considered together with the underlying exposure being hedged. Use of derivative financial instruments exposes the Company to credit risk with its counterparties when the fair value of a derivative contract is an asset. The Company mitigates this risk by entering into derivative contracts with highly rated counterparties. The maximum amount of loss due to counterparty credit risk is limited to the asset value of derivative financial instruments.

Cash Flow Hedges. The Company enters into certain derivative instruments that are designated and qualify as cash flow hedges. The Company executes both forward and option contracts, based on forecasted transactions, to manage foreign currency exchange exposure mainly related to inventory purchase and sales transactions. The Company also enters into commodity swap agreements based on anticipated purchases of copper and natural gas to manage risk related to price changes. From time-to-time, the Company enters into forward-starting interest rate swaps to hedge the interest rate risk associated with the anticipated issuance of debt.

A cash flow hedge requires that as changes in the fair value of derivatives occur, the portion of the change deemed to be effective is recorded temporarily in Accumulated other comprehensive loss, an equity account, and reclassified into earnings in

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

the same period or periods during which the hedged transaction affects earnings. As of July 2, 2016, the term of derivative instruments hedging forecasted transactions ranged from one to 15 months.

Fair Value Hedges. From time-to-time, the Company enters into fixed-to-floating interest rate swaps to convert a portion of the Company's long-term debt from fixed to floating rate debt. An interest rate swap is entered into with the expectation that the change in the fair value of the interest rate swap will offset the change in the fair value of the debt instrument attributable to changes in the benchmark interest rate. Each period, the change in the fair value of the interest rate swap asset or liability is recorded in debt and the difference between the fixed interest payment and floating interest receipts is recorded as a net adjustment to interest expense.

Other Hedging Activity. The Company has entered into certain foreign currency forward contracts that have not been designated as a hedge for accounting purposes. These contracts are used to manage foreign currency exposure related to changes in the value of assets or liabilities caused by changes in foreign exchange rates. The change in the fair value of the foreign currency derivative contract and the corresponding change in the fair value of the asset or liability of the Company are both recorded through earnings, each period as incurred. In addition, other hedging activity includes commodity swap agreements that are used to hedge purchases of aluminum. These hedges do not qualify for hedge accounting. The commodity swap agreements are based on anticipated purchases of aluminum and are used to manage risk related to price changes. The change in the fair value of the aluminum derivative contract is recorded through earnings, each period as incurred.

Foreign Currency. The Company enters into forward and option contracts to manage foreign exchange exposure related to forecasted transactions and assets and liabilities that are subject to risk from foreign currency rate changes. These exposures include: product costs; revenues and expenses; associated receivables and payables; intercompany obligations and receivables; and other related cash flows.

Forward exchange contracts outstanding at July 2, 2016, December 31, 2015 and July 4, 2015 had notional contract values of $237.8 million, $273.5 million and $242.7 million, respectively. Option contracts outstanding at July 2, 2016, December 31, 2015 and July 4, 2015 had notional contract values of $55.0 million, $51.0 million and $65.1 million, respectively. The forward and options contracts outstanding at July 2, 2016 mature during 2016 and 2017 and mainly relate to the Euro, Japanese yen, Australian dollar, Canadian dollar, Swedish krona, Brazilian real, British pound, Norwegian krone, Mexican peso, Hungarian forint and New Zealand dollar. As of July 2, 2016, the Company estimates that during the next 12 months, it will reclassify approximately $0.2 million of net losses (based on current rates) from Accumulated other comprehensive loss to Cost of sales.

Interest Rate. The Company enters into fixed-to-floating interest rate swaps to convert a portion of the Company's long-term debt from fixed to floating rate debt. As of July 2, 2016, December 31, 2015 and July 4, 2015, the outstanding swaps had notional contract values of $200.0 million, of which $150.0 million corresponds to the Company's 4.625 percent Senior notes due 2021 and $50.0 million corresponds to the Company's 7.375 percent Debentures due 2023. These instruments have been designated as fair value hedges, with the fair value recorded in long-term debt.

The Company also enters into forward-starting interest rate swaps from time-to-time to hedge the interest rate risk associated with anticipated debt issuances. There were no forward-starting interest rate swaps outstanding at July 2, 2016, December 31, 2015 or July 4, 2015.

As of July 2, 2016, December 31, 2015 and July 4, 2015, the Company had $5.1 million, $5.1 million and $5.2 million, respectively, of net deferred losses associated with all settled forward-starting interest rate swaps, which were included in Accumulated other comprehensive loss. As of July 2, 2016, the Company estimates that during the next 12 months, it will reclassify approximately $1.1 million of net losses resulting from settled forward-starting interest rate swaps from Accumulated other comprehensive loss to Interest expense.

Commodity Price. The Company uses commodity swaps to hedge anticipated purchases of aluminum, copper and natural gas. Commodity swap contracts outstanding at July 2, 2016, December 31, 2015 and July 4, 2015 had notional contract values of $4.9 million, $10.8 million and $29.9 million, respectively. The contracts outstanding mature through 2016. The amount of gain or loss associated with the change in fair value of these instruments is either recorded through earnings each period as incurred or, if designated as cash flow hedges, deferred in Accumulated other comprehensive loss and recognized in Cost of sales in the same period or periods during which the hedged transaction affects earnings. As of July 2, 2016, the Company estimates that during the next 12 months it will reclassify approximately $0.1 million in net losses (based on current prices) from Accumulated other comprehensive loss to Cost of sales.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

As of July 2, 2016, December 31, 2015 and July 4, 2015, the fair values of the Company's derivative instruments were:
(in millions)

Instrument	Derivative Assets Balance Sheet Location	Fair Value			Derivative Liabilities Balance Sheet Location	Fair Value		
		July 2, 2016	Dec. 31, 2015	July 4, 2015		July 2, 2016	Dec. 31, 2015	July 4, 2015
Derivatives Designated as Cash Flow Hedges								
Foreign exchange contracts	Prepaid expenses and other	$4.4	$ 5.9	$ 3.3	Accrued expenses	$4.0	$ 1.3	$ 1.2
Commodity contracts	Prepaid expenses and other	—	—	—	Accrued expenses	0.1	0.5	0.4
Total		$4.4	$ 5.9	$ 3.3		$4.1	$ 1.8	$ 1.6
Derivatives Designated as Fair Value Hedges								
Interest rate contracts	Prepaid expenses and other	$2.1	$ 2.1	$ 2.2	Accrued expenses	$1.5	$ 1.4	$ 1.4
Interest rate contracts	Other long-term assets	8.3	4.0	1.2	Other long-term liabilities	—	—	—
Total		$10.4	$ 6.1	$ 3.4		$1.5	$ 1.4	$ 1.4
Other Hedging Activity								
Foreign exchange contracts	Prepaid expenses and other	$1.3	$ 1.5	$ 1.0	Accrued expenses	$1.0	$ 0.2	$ 0.8
Commodity contracts	Prepaid expenses and other	—	—	—	Accrued expenses	0.9	2.2	3.1
Total		$1.3	$ 1.5	$ 1.0		$1.9	$ 2.4	$ 3.9

The effect of derivative instruments on the Condensed Consolidated Statements of Comprehensive Income for the three months and six months ended July 2, 2016 and July 4, 2015 was:
(in millions)

Derivatives Designated as Cash Flow Hedging Instruments	Amount of Gain (Loss) on Derivatives Recognized in Accumulated Other Comprehensive Loss (Effective Portion)				Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings (Effective Portion)			
	Three Months Ended		Six Months Ended			Three Months Ended		Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015		July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Foreign exchange contracts	$1.3	$(1.2)	$(3.0)	$5.5	Cost of sales	$0.1	$ 4.5	$2.7	$ 7.1
Commodity contracts	0.0	(0.0)	0.0	(0.4)	Cost of sales	(0.2)	0.4	(0.4)	1.0

Total	$1.3	$(1.2)	$(3.0)	$5.1	$(0.1)	$4.9	$2.3	$8.1

Derivatives Designated as Fair Value Hedging Instruments	Location of Gain on Derivatives Recognized in Earnings	Amount of Gain on Derivatives Recognized in Earnings			
		Three Months Ended		Six Months Ended	
		July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Interest rate contracts	Interest expense	$0.8	$1.1	$1.6	$2.2

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Other Hedging Activity	Location of Gain (Loss) on Derivatives Recognized in Earnings	Amount of Gain (Loss) on Derivatives Recognized in Earnings			
		Three Months Ended		Six Months Ended	
		July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Foreign exchange contracts	Cost of sales	$(1.6)	$(2.3)	$(6.4)	$3.9
Foreign exchange contracts	Other income (expense), net	0.3	(1.2)	0.7	(0.5)
Commodity contracts	Cost of sales	0.3	(1.9)	0.2	(4.2)
Total		$(1.0)	$(5.4)	$(5.5)	$(0.8)

Fair Value of Other Financial Instruments. The carrying values of the Company’s short-term financial instruments, including cash and cash equivalents, accounts and notes receivable and short-term debt approximate their fair values because of the short maturity of these instruments. At July 2, 2016, December 31, 2015 and July 4, 2015, the fair value of the Company’s long-term debt was approximately $472.8 million, $454.7 million and $462.6 million, respectively, and was determined using Level 1 and Level 2 inputs described in Note 6 – Fair Value Measurements, including quoted market prices or discounted cash flows based on quoted market rates for similar types of debt. The carrying value of long-term debt, including current maturities, was $447.3 million, $448.5 million and $450.1 million as of July 2, 2016, December 31, 2015 and July 4, 2015, respectively.

Note 6 – Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable.

- Level 1 - Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets or liabilities.

- Level 2 - Inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. These are typically obtained from readily available pricing sources for comparable instruments.

- Level 3 - Unobservable inputs, where there is little or no market activity for the asset or liability. These inputs reflect the reporting entity’s own assumptions of the data that market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

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The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of July 2, 2016:

(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$101.0	$—	$ —	$101.0
Short-term investments in marketable securities	0.5	—	—	0.5
Restricted cash	12.7	—	—	12.7
Derivatives	—	16.1	—	16.1
Total assets	$114.2	$16.1	$ —	$130.3
Liabilities:				
Derivatives	$—	$7.5	$ —	$7.5
Other	3.7	36.8	—	40.5
Total liabilities at fair value	$3.7	$44.3	$ —	$48.0
Liabilities measured at net asset value				12.3
Total liabilities				$60.3

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2015:

(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$131.3	$138.9	$ —	$270.2
Short-term investments in marketable securities	0.8	10.7	—	11.5
Restricted cash	12.7	—	—	12.7
Derivatives	—	13.5	—	13.5
Total assets	$144.8	$163.1	$ —	$307.9
Liabilities:				
Derivatives	$—	$5.6	$ —	$5.6
Other	3.8	34.6	—	38.4
Total liabilities at fair value	$3.8	$40.2	$ —	$44.0
Liabilities measured at net asset value				11.3
Total liabilities				$55.3

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The following table summarizes the Company’s financial assets and liabilities measured at fair value on a recurring basis as of July 4, 2015:

(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$126.1	$68.5	$ —	$194.6
Short-term investments in marketable securities	0.8	25.0	—	25.8
Restricted cash	15.6	—	—	15.6
Derivatives	—	7.7	—	7.7
Total assets	$142.5	$101.2	$ —	$243.7
Liabilities:				
Derivatives	$—	$6.9	$ —	$6.9
Other	6.9	35.4	—	42.3
Total liabilities at fair value	$6.9	$42.3	$ —	$49.2
Liabilities measured at net asset value				11.6
Total liabilities				$60.8

Refer to Note 5 – Financial Instruments for additional information related to the fair value of derivative assets and liabilities by class. Other liabilities shown in the tables above include certain deferred compensation plans of the Company. In addition to the items shown in the tables above, refer to Note 17 in the Notes to Consolidated Financial Statements in the 2015 Form 10-K for further discussion regarding the fair value measurements associated with the Company’s postretirement benefit plans.

Note 7 – Share-Based Compensation

Under the Brunswick Corporation 2014 Stock Incentive Plan (Plan), the Company may grant stock options, stock appreciation rights (SARs), non-vested stock awards and performance awards to executives, other employees and non-employee directors from treasury shares and from authorized, but unissued, shares of common stock, in addition to any shares reacquired by the Company through the forfeiture of past awards, or settlement of such awards in cash. As of July 2, 2016, 5.3 million shares remained available for grant.

Non-vested stock awards

The Company grants both stock-settled and cash-settled non-vested stock units and awards to key employees as determined by management and the Human Resources and Compensation Committee of the Board of Directors. The Company did not grant stock awards during the three months ended July 2, 2016 or July 4, 2015. The Company granted 0.3 million and 0.2 million of stock awards during the six months ended July 2, 2016 and July 4, 2015, respectively. The Company recognizes the cost of non-vested stock units and awards on a straight-line basis over the requisite service period. Additionally, cash-settled non-vested stock units and awards are recorded as a liability in the balance sheet and adjusted to fair value each reporting period through stock compensation expense. During the three months and six months ended July 2, 2016, the Company charged $2.9 million and $4.5 million, respectively, and charged $3.4 million and $7.0 million during the three months and six months ended July 4, 2015, respectively, to compensation expense for non-vested stock awards.

As of July 2, 2016, there was $12.3 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements. The Company expects this cost to be recognized over a weighted average period of 1.4 years.

Performance awards

In the first half of both 2016 and 2015, the Company granted 0.1 million performance shares to certain senior executives. The 2016 and 2015 share awards are based on three performance measures: a cash flow return on investment (CFROI) measure, an operating margin (OM) measure and a total shareholder return (TSR) modifier. Performance shares are earned based on a three-year performance period commencing at the beginning of the calendar year of each grant. The performance shares are then subject to a TSR modifier based on stock returns measured against stock returns of a predefined comparator group over a three-year performance period which starts at the beginning of the calendar year of each grant. Additionally, in February 2016 and 2015, the Company granted 38,690 and 22,990 performance shares, respectively, to certain officers and certain senior managers based on

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the respective measures and performance periods described above but excluding a TSR modifier. Based on projections of probable attainment of the performance measures and the projected TSR modifier used to determine the performance awards, $1.8 million and $3.0 million was charged to compensation expense for the three months and six months ended July 2, 2016, respectively. In the three months and six months ended July 4, 2015, $2.0 million and $3.2 million, respectively, was charged to compensation expense based on projections of profitable attainment of the performance measures and the projected TSR modifier used to determine the performance awards.

The fair values of the senior executives' performance share award grants with a TSR modifier at the grant date in 2016 and 2015 were $38.54 and $56.17, respectively, which were estimated using the Monte Carlo valuation model, and incorporated the following assumptions:

	2016		2015	
Risk-free interest rate	0.8	%	1.0	%
Dividend yield	1.0	%	0.9	%
Volatility factor	40.8	%	39.2	%
Expected life of award	2.9 years		2.9 years	

The fair value of the certain officers and certain senior managers' performance awards granted based solely on the CFROI and OM performance factors was $37.76 and $52.39, which was equal to the stock price on the date of grant in 2016 and 2015, respectively, less the present value of dividend payments over the vesting period.

As of July 2, 2016, the Company had $5.2 million of total unrecognized compensation cost related to performance awards. The Company expects this cost to be recognized over a weighted average period of 1.2 years.

Director Awards

The Company issues stock awards to non-employee directors in accordance with the terms and conditions determined by the Nominating and Corporate Governance Committee of the Board of Directors. A portion of each director’s annual fee is paid in Brunswick common stock, the receipt of which may be deferred until a director retires from the Board of Directors. Each director may elect to have the remaining portion paid in cash, in Brunswick common stock distributed at the time of the award or in deferred Brunswick common stock with a 20 percent premium.

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Note 8 – Earnings per Common Share

Basic earnings per common share is calculated by dividing Net earnings by the weighted average number of common shares outstanding as well as certain vested, unissued equity awards during the period. Diluted earnings per common share is calculated similarly, except that the calculation includes the dilutive effect of stock-settled SARs, non-vested stock awards and performance awards.

Basic and diluted earnings per common share for the three months and six months ended July 2, 2016 and July 4, 2015 were calculated as follows:

(in millions, except per share data)	Three Months Ended		Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Net earnings from continuing operations	$108.1	$107.6	$171.3	$164.2
Earnings (loss) from discontinued operations, net of tax	(0.0)	10.2	1.6	10.6
Net earnings	$108.1	$117.8	$172.9	$174.8
Weighted average outstanding shares – basic	91.5	93.3	91.6	93.6
Dilutive effect of common stock equivalents	0.8	1.3	1.0	1.2
Weighted average outstanding shares – diluted	92.3	94.6	92.6	94.8
Basic earnings (loss) per common share:				
Continuing operations	$1.18	$1.15	$1.87	$1.76
Discontinued operations	(0.00)	0.11	0.02	0.11
Net earnings	$1.18	$1.26	$1.89	$1.87
Diluted earnings (loss) per common share:				
Continuing operations	$1.17	$1.14	$1.85	$1.73
Discontinued operations	(0.00)	0.11	0.02	0.11
Net earnings	$1.17	$1.25	$1.87	$1.84

As of July 2, 2016, the Company had 1.2 million SARs outstanding and exercisable. This compares with 2.3 million SARs outstanding, of which 2.2 million were exercisable, as of July 4, 2015. During both the three months and six months ended July 2, 2016 and July 4, 2015, there were no SARs outstanding for which the exercise price was greater than the average market price of the Company’s shares for the period then ended. Therefore, there were no non-dilutive SARs to exclude from the computation of diluted earnings per common share. Changes in average outstanding basic shares from July 4, 2015 to July 2, 2016 reflect the impact of SARs exercised and the vesting of stock and performance awards since the beginning of 2015, net of the impact of common stock repurchases throughout 2015 and the first half of 2016.

Note 9 – Commitments and Contingencies

Financial Commitments

The Company has entered into guarantees of indebtedness of third parties, primarily in connection with customer financing programs. Under these arrangements, the Company has guaranteed customer obligations to the financial institutions in the event of customer default, generally subject to a maximum amount that is less than total outstanding obligations. The Company has also extended guarantees to third parties that have purchased customer receivables from the Company and, in certain instances, has guaranteed secured term financing of its customers. Potential payments in connection with these customer financing arrangements generally extend over several years. In most instances, upon repurchase of the receivable or note, the Company receives rights to the collateral securing the financing.

The Company has also entered into arrangements with third-party lenders in which it has agreed, in the event of a customer default, to repurchase from the third-party lender those Brunswick products repossessed from the customer. These arrangements

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are typically subject to a maximum repurchase amount. The Company’s risk under these repurchase arrangements is partially mitigated by the value of the products repurchased as part of the transaction.

The Company has recorded its estimated net liability associated with losses from these guarantee and repurchase obligations on its Condensed Consolidated Balance Sheets based on historical experience and current facts and circumstances. Historical cash requirements and losses associated with these obligations have not been significant, but could increase if dealer defaults exceed current expectations.

Product Warranties

The Company records a liability for product warranties at the time revenue is recognized. The liability is estimated using historical warranty experience, projected claim rates and expected costs per claim. The Company adjusts its liability for specific warranty matters when they become known and the exposure can be estimated. Product failure rates as well as material usage and labor costs incurred in correcting a product failure affect the Company's warranty liabilities. If actual costs differ from estimated costs, the Company must make a revision to the warranty liability. Changes in the Company's warranty liabilities due to improvements in the Company's experience and adjustments related to changes in estimates are included as Aggregate changes for preexisting warranties presented in the table below.

The following activity related to product warranty liabilities was recorded in Accrued expenses during the six months ended July 2, 2016 and July 4, 2015:

(in millions)	July 2, 2016	July 4, 2015
Balance at beginning of period	$106.3	$110.6
Payments made	(28.4)	(27.3)
Provisions/additions for contracts issued/sold	34.7	35.0
Aggregate changes for preexisting warranties	(5.9)	(10.2)
Foreign currency translation	0.8	(1.9)
Acquisitions	6.4	—
Balance at end of period	$113.9	$106.2

Additionally, end users of the Company's products may purchase a contract from the Company that extends product warranty beyond the standard period. For certain extended warranty contracts in which the Company retains the warranty or administration obligation, a deferred liability is recorded based on the aggregate sales price for contracts sold. The deferred liability is reduced and revenue is recognized on a straight-line basis over the contract period during which costs are expected to be incurred. Deferred revenue associated with contracts sold by the Company that extend product protection beyond the standard product warranty period, not included in the table above, was $84.4 million, $78.3 million and $76.1 million at July 2, 2016, December 31, 2015 and July 4, 2015, respectively, and is recorded in Accrued expenses and Other long-term liabilities.

Legal and Environmental

The Company accrues for litigation exposure when it is probable that future costs will be incurred and such costs can be reasonably estimated. Adjustments to estimates are recorded in the period they are identified. Management does not believe that there is a reasonable possibility that a material loss exceeding the amounts already recognized for the Company’s litigation claims and matters, if any, has been incurred. However, the ultimate resolutions of these proceedings and matters are inherently unpredictable. In light of existing reserves, the Company's litigation claims, when finally resolved, are not expected, in management's opinion, to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

There were no material changes during the three months and six months ended July 2, 2016 to the legal and environmental commitments that were discussed in Note 13 in the Notes to Consolidated Financial Statements in the 2015 Form 10-K.

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Note 10 – Goodwill and Other Intangibles

A summary of changes in the Company's goodwill during the six months ended July 2, 2016, by segment, follows:

(in millions)	December 31, 2015	Acquisitions	Impairments	Adjustments	July 2, 2016
Marine Engine	$ 26.2	$ —	$ —	$ (0.1)	$26.1
Boat	—	12.2	—	—	12.2
Fitness	272.5	82.6	—	(0.3)	354.8
Total	$ 298.7	$ 94.8	$ —	$ (0.4)	$393.1

A summary of changes in the Company's goodwill during the six months ended July 4, 2015, by segment, follows:

(in millions)	December 31, 2014	Acquisitions	Impairments	Adjustments	July 4, 2015
Marine Engine	$ 28.0	$ —	$ —	$ (1.1)	$26.9
Fitness	268.9	—	—	0.5	269.4
Total	$ 296.9	$ —	$ —	$ (0.6)	$296.3

Adjustments for the six months ended July 2, 2016 and July 4, 2015 relate to the effect of foreign currency translation on goodwill denominated in currencies other than the U.S. dollar. See Note 4 – Acquisitions for further details on the Company's acquisitions.

The Company's intangible assets, included within Other intangibles, net on the Condensed Consolidated Balance Sheets as of July 2, 2016 and July 4, 2015, are summarized below:

(in millions)	July 2, 2016 Gross Amount	July 2, 2016 Accumulated Amortization	July 4, 2015 Gross Amount	July 4, 2015 Accumulated Amortization
Intangible assets:				
Customer relationships	$281.8	$ (228.3)	$235.2	$ (224.8)
Trade names	76.1	—	32.2	—
Other	19.4	(14.0)	15.6	(13.1)
Total	$377.3	$ (242.3)	$283.0	$ (237.9)

Other amortized intangible assets include patents, non-compete agreements and other intangible assets. See Note 4 – Acquisitions for further details on intangibles acquired during 2016. Gross amounts and related accumulated amortization amounts include adjustments related to the impact of foreign currency translation. Aggregate amortization expense for intangibles was $1.6 million and $3.0 million for the three months and six months ended July 2, 2016, respectively. Aggregate amortization expense for intangibles was $0.8 million and $1.6 million for the three months and six months ended July 4, 2015, respectively.

Note 11 – Segment Data

Brunswick is a manufacturer and marketer of leading consumer brands and has three operating and reportable segments: Marine Engine, Boat and Fitness. The Company’s segments are defined by management’s reporting structure and operating activities.

The Company evaluates performance based on business segment operating earnings. Segment operating earnings do not include the expenses of corporate administration, non-service related pension costs, pension settlement charges, impairments of equity method investments, earnings from unconsolidated equity affiliates, other expenses and income of a non-operating nature, interest expense and income, loss on early extinguishment of debt or provisions for income taxes.

As a result of freezing benefit accruals in its defined benefit pension plans, pension expense relates solely to Interest cost, Expected return on plan assets, Amortization of net actuarial losses, Amortization of prior service cost and settlement charges which are included in Pension - non-service costs.

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Corporate/Other results include items such as corporate staff and administrative costs. Corporate/Other total assets consist of mainly cash, cash equivalents and investments in marketable securities, restricted cash, income tax balances and investments in unconsolidated affiliates. Marine eliminations adjust for sales between the Marine Engine and Boat segments, primarily for the sale of engines and parts and accessories to various boat brands, which are consummated at established arm’s length transfer prices as the intersegment pricing for these engines and parts and accessories are based upon and consistent with selling prices to the Company's third party customers.

Operating Segments

The following table sets forth net sales and operating earnings (loss) of each of the Company's operating segments, which are also the Company's reportable segments, for the three months and six months ended July 2, 2016 and July 4, 2015:

	Net Sales				Operating Earnings (Loss)			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
(in millions)	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Marine Engine	$719.7	$689.2	$1,315.2	$1,251.4	$139.0	$131.8	$217.3	$206.0
Boat	368.1	349.3	704.9	667.3	22.7	20.9	39.1	28.6
Marine eliminations	(75.4)	(70.3)	(155.7)	(150.4)	—	—	—	—
Total Marine	1,012.4	968.2	1,864.4	1,768.3	161.7	152.7	256.4	234.6
Fitness	229.8	173.8	448.1	359.4	24.1	23.2	44.2	49.0
Pension - non-service costs	—	—	—	—	(3.7)	(3.1)	(7.4)	(6.1)
Corporate/Other	—	—	—	—	(20.2)	(18.6)	(35.3)	(34.6)
Total	$1,242.2	$1,142.0	$2,312.5	$2,127.7	$161.9	$154.2	$257.9	$242.9

The following table sets forth total assets of each of the Company's reportable segments:

	Total Assets		
(in millions)	July 2, 2016	December 31, 2015	July 4, 2015
Marine Engine	$1,090.2	$ 981.8	$998.9
Boat	397.9	379.7	387.2
Total Marine	1,488.1	1,361.5	1,386.1
Fitness	838.6	625.1	561.1
Corporate/Other	916.9	1,165.9	1,153.1
Total	$3,243.6	$ 3,152.5	$3,100.3

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Note 12 – Comprehensive Income

Accumulated other comprehensive loss in the Condensed Consolidated Balance Sheets includes prior service costs and credits and net actuarial gains and losses for defined benefit plans; foreign currency cumulative translation adjustments; and unrealized derivative gains and losses, all net of tax. Changes in the components of Accumulated other comprehensive loss, all net of tax, for the three months and six months ended July 2, 2016 and July 4, 2015 were as follows:

(in millions)	Three Months Ended July 2, 2016	Three Months Ended July 4, 2015	Six Months Ended July 2, 2016	Six Months Ended July 4, 2015
Net earnings	$108.1	$117.8	$172.9	$174.8
Other comprehensive income (loss):				
Foreign currency cumulative translation adjustment	(0.9)	(5.1)	9.5	(22.2)
Net change in unamortized prior service credits	(0.1)	(0.2)	(0.2)	(0.4)
Net change in unamortized actuarial losses	2.7	3.3	5.2	7.0
Net change in unrealized derivative losses	0.9	(4.1)	(3.7)	(1.8)
Total other comprehensive income (loss)	2.6	(6.1)	10.8	(17.4)
Comprehensive income	$110.7	$111.7	$183.7	$157.4

The following table presents the changes in Accumulated other comprehensive loss by component, all net of tax, for the three months ended July 2, 2016:

(in millions)	Foreign currency translation	Prior service credits	Net actuarial losses	Net derivative losses	Total
Beginning balance	$ (46.0)	$ (4.8)	$ (404.6)	$ (10.5)	$ (465.9)
Other comprehensive income (loss) before reclassifications (A)	(0.9)	—	(0.0)	0.9	—
Amounts reclassified from Accumulated other comprehensive loss (B)	—	(0.1)	2.7	0.0	2.6
Net current-period other comprehensive income (loss)	(0.9)	(0.1)	2.7	0.9	2.6
Ending balance	$ (46.9)	$ (4.9)	$ (401.9)	$ (9.6)	$ (463.3)

(A) The tax effects for the three months ended July 2, 2016 were $(2.8) million for foreign currency translation, $0.0 million for net actuarial losses arising during the period and $(0.4) million for derivatives.
(B) See the table below for the tax effects for the three months ended July 2, 2016.

The following table presents the changes in Accumulated other comprehensive loss by component, all net of tax, for the six months ended July 2, 2016:

(in millions)	Foreign currency translation	Prior service credits	Net actuarial losses	Net derivative losses	Total
Beginning balance					