

Rimfire Rifle Market Summary

The U.S. domestic rimfire market is estimated to be in the range of 680M units sold annually. The retail sales value of this market is approximately \$99MM at an average price of \$145 per unit. Retail prices range from less than \$100 to over \$1000 across the category.

The rimfire rifle segment is dominated by the autoloading rifle, constituting nearly 70% of all sales in the category. The remaining 30% of the sales volume is comprised of a mix primarily of bolt-action, lever-action, and pump-action rifles.

Distribution takes place primarily through mass-merchants with Wal-Mart being the category leader with nearly 30% of total retail sales volume in the segment.

Category leaders by a wide margin are Sturm, Ruger & Co. and Marlin Firearms. Product sales by these two manufacturers constitute 60% of the total rimfire rifle market. Total 2001 sales volumes by manufacturer are listed below.

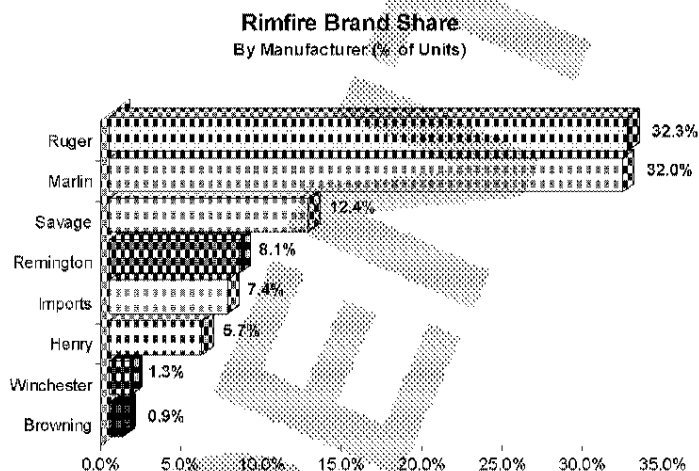
2001 Rimfire Market (Estimated Sales Volume by Manufacturer)¹

<u>Manufacturer</u>	<u>Units (000's)</u>
Ruger	219
Marlin	217
Savage	84
Remington	55
Imports	50
Henry	39
USRAC	9
Browning	6
Total	679

¹ Combined analysis of BATF Production Figures-1999, SAAMI factory shipments – 2001, Remington actual sales data, and 2002 Sales Distribution Analysis

BRAND SHARE – RIMFIRE RIFLES

Compiled market data suggests the following brand share position by manufacturer as a percent of units sold.



As stated earlier the rimfire rifle market is clearly dominated by Ruger and Marlin. Although Remington has gained some favor in the marketplace with the Model 597, early performance issues with respect to the magazine box and feeding, coupled with a retail price position close to that of the Ruger have caused the Model 597 to fall short of initial projections.

Ruger's position stems almost entirely from longstanding market dominance of the Model 10/22 autoloading rimfire rifle. Regarded widely as the standard for autoloading rimfire rifles, the 10/22 has entrenched itself in the marketplace through broad distribution and widespread acceptance as a quality performer for the money.

Marlin has established itself as the low-cost leader in the rimfire market with the Model 60 autoloading rimfire rifle. At a retail price of just over \$100, the Model 60 is often referred to as "the most popular 22 in the world."

RIMFIRE RIFLE INDUSTRY ANALYSIS

The U.S. domestic rimfire rifle market as a whole is dominated by two players, Sturm Ruger & Co., and Marlin Firearms, each with just over 32% share in units of the total market volume. Third is Savage Arms with 12.4% of the U.S. market. The Remington Arms Co. is a distant fourth in the rimfire rifle market with a scant 8.1% of the total market volume in units. Imports also play a role in the U.S. rimfire rifle market. Former Communist Block countries, particularly the Czech Republic have made significant inroads into the U.S. with lower-cost rimfire rifles that at face value, appear to deliver significant value for the money spent.

The price/value relationship plays a key role in the rimfire market. Low-cost rifles in this category appeal to the masses. In 2001, of the 211M units of rimfire rifles sold by Wal*Mart, 62% of said volume was comprised of products retailing at a price less than \$160.00². The result is an intense struggle by manufacturer's to protect their precious share of the market by maintaining competitive cost positions which translate into low prices at the retail counter.

In stark contrast to the highly competitive "low-end" rimfire market, there is a significant, albeit smaller portion of the market willing to pay premium prices for high-end rifles. Appealing generally to the rimfire "aficionados," product offerings chambered for .22 Winchester Magnum and the newly introduced .17 Hornady Magnum as well as premium grade bolt-action rimfire rifles command higher prices and higher margins.

Customer Profiles

- If one were to examine the rimfire rifle customer solely on a traditional demographics basis, one would find such a broad range of characteristics that it would be difficult to categorize or classify said customer in any meaningful manner. For instance, other than being predominately male, the age, income, and geographic distributions would be so broad that targeting any one particular attribute would prove difficult at best. Rather, it is much more effective to categorize

² 2001 Wal*Mart P.O.S. Data - confidential

the customer based on the intended usage of the products. In the case of rimfire rifles, it can reasonably be assumed that there are two distinct customer groups. These groups can be categorized as the "plinker" and the "enthusiast."

- The "plinker" by in large makes up the predominate sector of the rimfire rifle market. Typical end use would range from casual target shooting to occasional small game hunting. Purchase decisions by the "plinker" would be influenced by price, value, and brand recognition. The "plinker" would often select a product based on the recommendation of a friend or relative, or through ample exposure to some advertising medium. The "plinker" would expect accuracy required to consistently hit small targets such as cans, pie plates and small game, with relatively few malfunctions across a broad range of ammunition offerings (especially price point ammunition).
- The "enthusiast" can be classified as a smaller yet more discriminating customer base. The "enthusiast" may be a competitive or semi-competitive target shooter, or varmint hunter relatively well versed in firearms technology and ammunition capabilities. Accuracy expectations from this customer will typically be 1 Minute-of-Angle or less with a very low tolerance for malfunctions of any kind. While more discriminating in tastes and expectations, the "enthusiast" is less influenced by price point and more apt to make their purchase decision based on reputation, technical write-ups and word of mouth throughout elite shooting circles.

Brand Perception

- Although no known comparative study is known to exist with respect to measuring brand perception exclusive to rimfire rifles, some conclusions can be drawn from Sports Market Research Group's (SMRG) 2000 study of the overall (centerfire & rimfire) market³, as well as through general knowledge gained through discussions with consumers and the monitoring of internet message boards. Listed below is a summary of Remington's brand perception, along with the

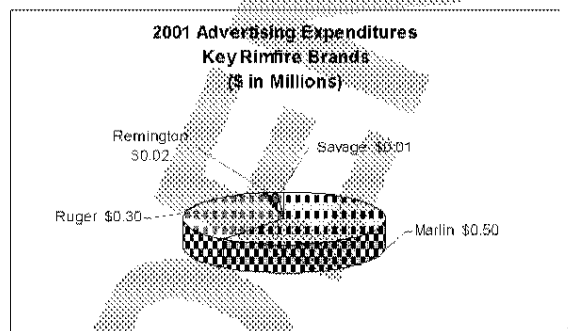
³ SMRG's U.S. Marketac 2000 Annual Report - Rifles

perception of the three dominant brands within the rimfire rifle category.

- **Remington** – Over the years, Remington has established the reputation of delivering exceptional value for the money. The SMRG 2000 study of the rifle market supports this as the price/value factor was the number one reason for choosing a Remington rifle. This study, however, covers both centerfire and rimfire rifles. It is the belief of this writer that Remington's brand perception is much stronger for centerfire rifles than it is for rimfire rifles at the present time. Remington's position in the rimfire market is very weak as a result of the failure from a quality standpoint of the Model 522 Viper and early stumbles with the Model 597 which plagued the product with a reputation of unreliable feeding. In addition, Remington spends relatively few advertising dollars in comparison to other key players, attributing to shortfalls in brand recognition.
- **Ruger** – Ruger's position in the rimfire market, primarily with the Model 10/22 is an enviable one. Priced moderately, Ruger products are not considered as low-cost, price point products, but as high on the price/value scale. The results are products which successfully penetrate the "plinker" market while maintaining acceptance within the "enthusiast" sectors of the market. SMRG data also shows Ruger with a very strong position from a brand recognition perspective, supporting their dominating position with respect to advertising expenditures.
- **Marlin** – Marlin is without a doubt the low-cost leader in the rimfire rifle category. Tied with Ruger with 32% of the total market, Marlin has been very successful in mass merchant retail by establishing the Model 60 as the most popular tubular magazine fed autoloading rimfire rifle. With entry level pricing just over \$100, the Model 60 has proven to be very popular with the "plinker" segment of the market. In fact, it is a reasonable assumption that Marlin dominates the "plinker" segment. While Marlin does offer some specialized bolt-action products to appeal more to the "enthusiast's," they have positioned themselves well as the entry level rimfire leader.

- **Savage** – While third in brand share, Savage is a distant third with just over 12% of the total rimfire market. Also regarded as a low-cost, entry level brand, Savage has not gained the following enjoyed by Marlin. From this writer's perspective, those who purchase a Savage as an entry level rifle seem satisfied with the product. Perhaps Savage's shortfall stems from brand recognition. Of all the major U.S. firearms manufacturers, Savage spends the least amount in advertising dollars⁴.

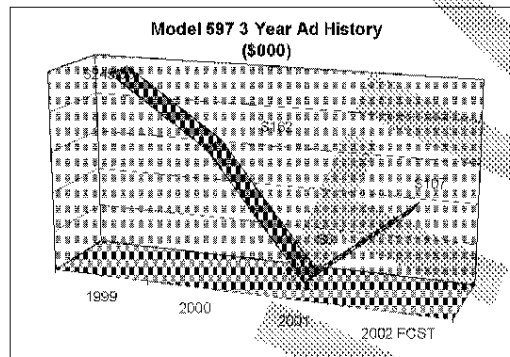
2001 Total Print Ad Expenditures – Rimfire Rifles by Key Brands



The chart above paints a clear picture of the emphasis Marlin and Ruger place on protecting their brand share in the rimfire market through the support of advertising dollars. In order to successfully gain share in the rimfire market, Remington must provide additional advertising support to generate impressions on the consuming public.

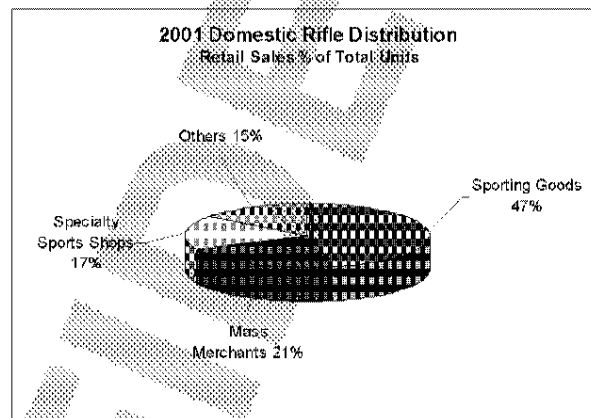
Listed below is the historical and current forecast of advertising expenditures for the Remington Model 597 Autoloading Rimfire Rifle.

⁴ 2001 AD Facts Firearms Advertising History
Ibid.



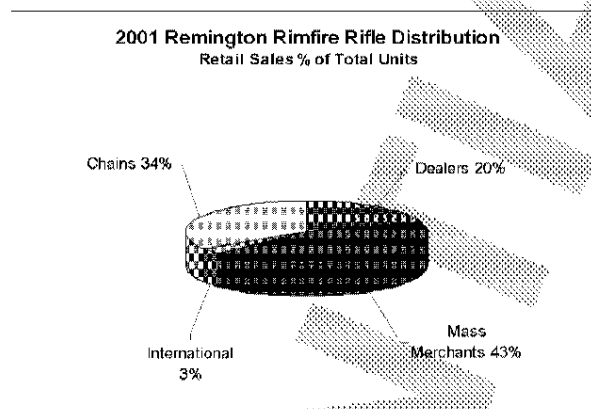
Distribution Analysis – Rimfire Rifles

Listed below is the total retail distribution for all rifles (centerfire and rimfire) as reported by the 2001 NSGA Retail Study.



Listed below is the total 2001 retail distribution for Remington rimfire rifles.

© 2001 NSGA Retail Study



While no known comprehensive study exists categorizing the total retail distribution of rimfire rifles only, it is the belief of this writer that the Remington rimfire rifle distribution more closely resembles the true picture of the industry as a whole than does the NSGA Study. It is also important to note that the “Mass Merchant” category in the case of Remington is made up almost exclusively by Wal*Mart.

AUTOLOADING RIMFIRE RIFLES

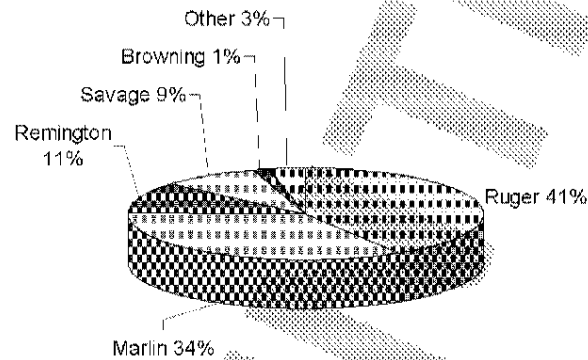
2001 sales estimates have determined the U.S. domestic autoloading rimfire rifle market to be 473k units annually. A break down by manufacturer is listed below.

**2001 Autoloading Rimfire Rifle Market
Estimated Sales By Manufacturer**

Brand	Units (000's)
Ruger	194
Marlin	162
Remington	53
Savage	42
Other	16
Browning	6
Total	473

**2001 Autoloading Rimfire Rifle Brand Share
(% of Units)**

2001 Autoloading Rimfire Rifles (Brand Share by Manufacturer)



Remington Segment Performance – Autoloading Rimfire Rifles

Remington competes in the autoloading rimfire rifle segment with two product families. 2001 sales consisted of 53M units, or \$7.3MM in revenue. Volume and revenue changes from 2000 to 2001 were decreases of 9% and 10% respectively.

	1998	1999	2000	2001	2002	2002
Model 597	Actual	Actual	Actual	Actual	FCST	P.O.
Unit Sales (M)	64.2	56.9	57	51	47	50
Sales Dollars (\$MM)	\$7.6	\$7.7	\$6.9	\$6.3	\$5.6	\$5.8
Standard Margin (\$MM)	\$2.1	\$1.8	\$1.3	\$1.0	\$0.7	\$0.7
Standard Margin (%)	27.0%	23.5%	18.8%	15.5%	12.6%	12.1%

The Mayfield based Model 597 family dominates Remington's presence in the category, consisting of 51k of the total volume of the 53M autoloading rimfire rifles sold. The remaining 2M units are comprised of the Ilion based Model 552 Speedmaster.

Model 597 sales appear to have stabilized over the course of the past two years. Therefore volumes and share growth are stagnant. This is problematic for Remington. Introduced in 1997, the Model 597 has reached

a plateau in its product life cycle much too soon. The Model 597 problem for Remington is one of complexity. With razor thin standard margins of 12%, Remington must focus on increasing profitability while growing volume in the category. For a product which competes in a highly price elastic market, this presents a formidable task.

The Ilion based Model 552 Speedmaster, while boasting a healthier margin over the Model 597 of 23% comprises only a small portion of category sales. Appealing to more of a niche market, the Model 552 is not a serious competitor in the autoloading rimfire rifle market. While the moderate volumes of 2M-3M units per year remain attractive, the growth prospects for this rifle, mature in its product life cycle are limited at best.

Competitive Outlook

Principle competitors to Remington in the Autoloading Rimfire Rifle market are Ruger, Marlin, and Savage. Listed below is a brief summary of principle competitive offerings from each of these three manufacturers.

Ruger

Ruger's principle competitive autoloading rimfire product is the **Model 10/22**. Featuring a 10-shot rotary magazine, the 10/22 has established a reputation of tremendous value for the money and is widely considered to be the standard by which other autoloaders are judged against. The 10/22 is offered in wood, synthetic, and laminated stock versions with both blued and stainless configurations. Heavy barrel target versions are available as is a 10/22 Magnum chambered for .22 WMR.

Marlin

Marlin's dominant product offering in the autoloading rimfire category is by far and away the **Model 60** and its variants. Equipped with a 14-shot tubular magazine, the Model 60 is commonly referred to as the most popular .22 rifle in the world. Economically priced and widely available, the Model 60 is offered in standard wood stocked, carbon steel models with stainless steel, synthetic stocked and camouflaged versions also available. Marlin also offers scoped versions of the base wood-stocked Model 60 and the stainless steel wood-stocked model equipped with a low-cost fixed 4X scope. The stainless steel scoped version has proven to be a popular item with Wal*Mart stores.

Marlin also offers a clip-style magazine version in the **Model 795**. Equipped with a 10-shot magazine, the Model 795 features a synthetic stock and is available in standard carbon steel and stainless steel.

Savage

Economically priced, the Savage **Model 64** series of autoloading rimfire rifles feature a detachable magazine box and are available in wood, synthetic stocked versions with a choice of carbon or stainless steel actions. Like Marlin, Savage offers a scoped version of the Model 64 in wood and synthetic stocked configurations with carbon steel actions. Not unlike the Marlin, the scoped Model 64's feature an inexpensive fixed 4X scope.

Remington

Remington's mainstay in the autoloading rimfire rifle market is the **Model 597** family. Available in four .22LR and three .22WMR sku's, the Model 597 family constitutes over 95% of Remington's sales volume in the category. .22LR versions feature a 10-shot detachable magazine box while the .22WMR versions come equipped with an 8-shot magazine box. All Model 597 rifles are drilled and tapped for scope mounts, and are designed with a "last-shot hold open" feature which leaves the action in an open position after the final shot is fired.

Model 597 – The base 597 is chambered for 22LR and features a gray synthetic stock with a blued action with iron sights. This configuration of the Model 597 constitutes 70% of all sales within the product family.

Model 597SS – Chambered for 22LR only the 597 SS is equipped with a stainless steel action with iron sights and the standard gray synthetic stock

Model 597 LSS – The 597 LSS features a brown laminate stock with stainless steel action and iron sights. Chambered for .22LR.

Model 597 HB – Featuring a brown laminate stock similar to that of the 597 LSS, the 597 HB is equipped with a heavy target contour clean barrel. Chambered for .22LR and .22WMR.

Model 597 Magnum – Identical to the base Model 597 .22LR, only chambered for .22 WMR.

Model 597 Magnum LS – The Model 597 Magnum LS features a gray laminate stock and blued action with iron sights. Chambered for .22WMR.

Initial versions of the 597 received a mixed reception due to early issues with malfunctions in feeding, a plastic magazine box and excessively heavy trigger pull. Over the course of its life, the 597 has evolved to feature a metal magazine, a newly designed ejector to virtually eliminate jamming issues and manufacturing methods have been refined to improve the trigger.

However, the Model 597 has yet to reach its anticipated potential in the marketplace. Priced in between the Marlin Model 60 and the Ruger 10/22, the Model 597 has difficulty in providing obvious product differentiation to draw the Model 60 prospective buyer up on the price scale. In addition, the Model 597 is relatively close in price to the perceived standard Model 10/22, providing easy rationalization for the undecided consumer to choose the category standard Ruger. Due to the low margin position of the Model 597, Remington must find ways to deliver distinct product differentiation to the shooting public, while adding profitability to the line.

As stated earlier, Remington also offers the Model 552 Speedmaster autoloading rimfire rifle. Equipped with a tubular magazine, the 552 Speedmaster is the only domestic autoloading rimfire rifle capable of shooting .22LR, .22 Long, and .22 Short ammunition. The Model 552 Speedmaster features a polished blued finish and high-gloss walnut stock and fore end with cut checkering.

Wholesale Pricing Comparison Autoloading Rimfire Rifles

Manufacturer	Model	Net Wholesale Price
Ruger	10/22	\$139 - \$174
Ruger	10/22 Magnum	\$290
Marlin	Model 60	\$99 - \$160
Marlin	Model 60 Scoped	\$104 - \$135
Marlin	Model 795 Carbon	\$95
Marlin	Model 795 SS	\$127
Savage	Model 64	\$88
Savage	Model 64 SSHB	\$149

Savage	Model 64 Scoped	\$91 - \$99
Remington	Model 597 Syn	\$111
Remington	Model 597 SS	\$149
Remington	Model 597 LSS	\$186
Remington	Model 597 HB	\$181
Remington	Model 597 Mag	\$220
Remington	Model 597 Mag LS	\$258
Remington	Model 597 Mag HB	\$273

S.W.O.T. Analysis – Model 597 Autoloading Rimfire Rifles

Strengths

- Button rifled barrel produces an inherently accurate product
- Widely available through a broad range of distribution
- State-of-the-art manufacturing facility produces a consistent product

Weaknesses

- Early incidences of malfunctions have given the product a black-eye that has proven difficult to remedy
- Product is also plagued by the poor reputation and product failure of the Model 522 Viper in the autoloading rimfire rifle category
- Low-margin position yields poor profitability
- Low visibility in comparison to Ruger with respect to advertising exposure

Opportunities

- Growth opportunities exist with Wal*Mart
- Past performance with special make opportunities have yielded significant volume and can result in improved margins
- Speed to market with the new .17 Hornady Magnum Rimfire could place Remington in the market with the first autoloading rimfire rifle chambered for this round

Threats

- Continued pressures from Ruger and Marlin to protect market share
- Increased pressure from imports

- Increased costs of materials or increased costs of manufacturing could drive the 597 over the threshold price of competitiveness

Product Strategy – 2003

Model 552 Speedmaster

No new product introductions are planned for the 552 Speedmaster. An emphasis should be placed on maintaining manufacturing quality to protect the small but profitable niche market opportunity enjoyed by this product.

Model 597

Model 597 Magnum .17HMR - Introduced at the 2002 S.H.O.T. Show, the .17 Hornady Magnum Rimfire was one of the hottest topics of the year. Product offerings from Marlin and Ruger feature bolt-action rifles chambered for the .17 HMR. If executed in a timely fashion, Remington has the opportunity to present the first autoloading rimfire rifle chambered for this new round. The 597 Magnum .17 presents the following opportunities:

597 Magnum Synthetic – Standard 597 Magnum chambered for .17 HMR

597 HB Magnum – Same as current 597 HB Magnum chambered for .17HMR.

597 .17 HMR Conversion Kit – Marketed under the same strategy followed on shotgun part order barrels, the sale of .17 HMR Model 597 barrel would allow the current owner of a Model 597 Magnum .22WMR to convert their firearm over to accommodate the .17 HMR.

Model	MSP	NSP	1st Yr. Volume
597 Magnum SYN .17HMR	\$ 241.00	\$ 215.40	5000
597 HB Magnum .17HMR	\$ 299.00	\$ 267.23	2000
597 Magnum .17HMR Conversion	\$ 103.00	\$ 86.30	2500

Model 597 Scoped Combo - The Marlin Model 60SS scoped combo has proven to be tremendously successful at Wal*Mart. Point of Sale data from Wal*Mart indicates growth in volume for this sku in 2002 of 10% over 2001 levels. The rifle comes with an inexpensive fixed 4X scope with 20mm objective and 5/8" tube. Significant opportunity exists for Remington to enter this category with a similar offering, only with a scope perceived as a

greater value. A fixed 4X scope with a 32mm objective and 1" tube from BSA has been identified as a candidate for this project. Initial thoughts are to make this product an exclusive for Wal*Mart conditional upon Wal*Mart's commitment to grow the 597 business significantly.

Model	MSP	NSP (Wal Mart)	1st Yr. Volume
597 Scoped Combo	\$ 140.00	\$ 130.34	7500

Pricing Considerations – From a purely competitive perspective, there is every argument not to take a price increase on the Model 597, especially on the 22LR models. However, pricing on the Model 597 has held for two consecutive years despite rising manufacturing costs. Margins on the Model 597 are poor and a price increase for 2003 is a necessary action. **A 4% price increase is recommended across the line for 2003.**

Product Deletions – No product deletions are planned for 2003.

Product Strategy – 2004 & Beyond

Model 552 Speedmaster

There are no new products planned for this item. Consideration will be given to special make opportunities provided they meet a threshold minimum of 500 units.

Model 597

The key to the continued success of the Model 597 family lies in maintaining or reducing manufacturing costs without sacrificing the quality of product delivered to the marketplace and in product differentiation. Points for consideration are:

- Cost reduction opportunities such as the elimination of the receiver dovetail cut and drilling and tapping of scope base holes on the receiver by redesigning the receiver with built in bases, similar to the Ruger 10/22.
- Pursuit of special make up opportunities that provide product differentiation to our customers, allowing the 597 to fill voids left by the 10/22 and Model 60 in niche market opportunities.

- Special make opportunities that capitalize on the Remington NASCAR sponsorship with Dale Earnhardt Jr. These opportunities have proven to be good volume in previous years, however due to vendor yields and inconsistencies, these special runs were not profitable. R&D has been challenged with finding alternate sources and solutions which will allow Remington to again capitalize on this partnership.
- Maintaining flexibility to respond quickly to changes in market trends in order to capitalize on opportunistic situations such as the recent introduction of the .17 Hornady Magnum Rimfire.

Pricing Considerations – It is recommended that after the 2003 price increase, pricing be held on the Model 597 line barring any opportunistic potential yielded in Ruger's pricing strategy for the Model 10/22.

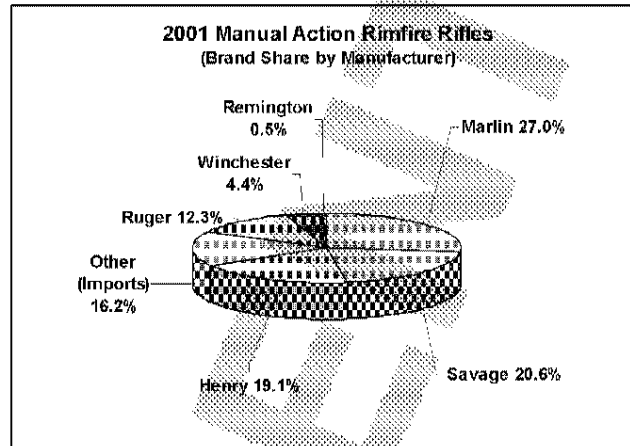
MANUAL ACTION RIMFIRE RIFLES

Manual action rimfire rifles can be categorized as pump action, lever action and bolt action firearms. 2001 sales estimates place the total manual action rimfire rifle U.S. domestic market at 204M units. Of the category, bolt action rifles dominate the total volume, accounting for 75% of the category volume, or 153M units annually. A break down by manufacturer is listed below.

**2001 Manual Action Rimfire Market
Estimated Sales by Manufacturer**

Brand	Action Type	Units (000's)
Marlin	Bolt	55
Savage	Bolt	42
Henry	Lever	39
Other (Imports)	Bolt	33
Ruger	Bolt	25
USRAC	Lever	9
Remington	Pump	1
Total		204

2001 Manual Action Rimfire Brand Share (% of Units)



Remington Segment Performance – Manual Action Rimfire Rifles

Remington's presence in this market category is essentially non-existent. Currently, the only product offered by Remington is the Model 572 Fieldmaster pump-action rimfire. With volumes ranging between 1M and 1.5M units on an annual basis, this product is not a formidable competitor appealing to a small niche market. From a historical perspective, when the 541/581 series of bolt-action rimfire rifles were manufactured, Remington maintained approximately 10% of this market segment.

Competitive Outlook

As stated earlier, save the specialized lever-action rimfire rifles from Henry, Marlin and Winchester, the manual action category is dominated by the bolt-action rifle. Remington no longer possesses a core competency in the manufacture of lever-action firearms, hence the following discussion will focus on the bolt-action category.

Bolt-action rimfire rifles can be categorized in **three basic price categories – Low, Mid, and High**. Listed below is a general discussion of each of the three categories.

Low Price (Less than \$250)

Low price bolt-action rimfire rifles account for approximately 60% of all bolt-action rimfire rifles sold in the U.S. domestic market. Distributed primarily through mass merchant channels, these low price offerings are attractive as entry level rifles, or rifles used for casual target shooting or hunting.

Savage

Savage Arms participates in the bolt-action .22LR rimfire category with the single shot Mark-I series and the repeating Mark-II series. Both are priced right for the entry level market and are strong performers with the mass merchants. Savage also provides a .22 Magnum series in the Model 93.

The **Mark-I single shot series** is positioned toward instructional use and as youth firearms. Available in wood stocked full size and youth configurations, a stainless steel/laminated stock set up, and in a synthetic stocked youth camo version.

The **Mark-II repeater series** is essentially identical to the Mark-I, only equipped with a single stack, removable magazine. Also available in a variety of stock and action configurations, including heavy barrel varmint versions.

The **Model 93 series magnum** bolt-action rimfire rifles are, like the Mark-II, available in wood and synthetic stocked versions with choices in carbon or stainless steel actions as well. Also available are heavy barreled varmint models.

Marlin

Marlin competes in the bolt-action rimfire market with products at the true entry level price point as well as with products priced at the top end of what we refer to as the "Low" price point category. Product offerings are available in .22LR, .22 Magnum, and in the new .17 Hornady Magnum Rimfire. As one can see from the product offering descriptions below, Marlin has by far the greatest breadth in product offerings in the bolt-action rimfire rifle market.

The **Model 15 series** consists of two single-shot youth rifles, one with a blued action and one with a stainless action. Both are fitted with a low-grade hardwood stock.

Next on the price scale are the **Model 25 .22LR series and the Model 25M .22 Magnum repeating rifles**. Both equipped with a 7-shot detachable magazine box, the Model 25 series features a low-grade hardwood stock and blued action. Both the .22LR and the Magnum versions are also available in a camo version.

Rounding out the entry level price point category for Marlin is the **Model 81TS .22LR and 83TS .22 Magnum**. The 81TS features a synthetic stock and tubular magazine capable of handling .22LR, .22 Long and .22 Short cartridges. The Model 83TS is equipped exactly like the 81TS, except the tubular magazine on the 83TS only accepts .22 WMR ammunition.

Marlin's premier line of .22LR bolt-action rimfire rifles consist of the **Model 880 series**. The **Model 880SQ "Squirrel Rifle"** features a heavier contour, blued barrel intended to enhance accuracy. Also available is the **Model 880SS** with a standard contour stainless steel barrel and action. Both models are equipped with a synthetic stock and 7-shot detachable magazine.

Marlin's premier .22 Magnum line consists of the **Model 882 and Model 883 series** rifles. Model 882 rifles feature a 7-shot detachable magazine, while the Model 883 sports a 12-shot tubular magazine. Available in wood, laminate, and stainless synthetic configurations. The Model 883 is available in a wood stocked version with a choice of blued or stainless barreled actions.

Marlin's big news for 2002 came in the way of the .17 Hornady Magnum Rimfire cartridge. A joint development between Hornady Mfg., Marlin Firearms and Sturm Ruger, the .17 HMR was one of the most popular topics at the 2002 S.H.O.T. Show. Marlin entered the .17 HMR with two heavy varmint contoured barrel offerings, both with 7-shot detachable magazine boxes. These offerings consist of the **Model 17V**, a "no frills" walnut stocked, blued action version and the **Model 17VS**, a laminate stocked version with stainless steel barreled action.

Wholesale Pricing Comparison

Low Priced Bolt-Action Rimfire Rifles

Manufacturer	Model	Net Wholesale Price
Savage	Mark -I Single Shot	\$90 - \$112
Savage	Mark - II Repeater	\$90 - \$103
Savage	Mark - II HB	\$136 - \$157
Savage	Model 93 Magnum	\$111 - \$139
Savage	Model 93 Mag. HB	\$160 - \$188
Marlin	Model 15	\$111
Marlin	Model 15 SS	\$125
Marlin	Model 25	\$113 - \$133
Marlin	Model 25 Magnum	\$129 - \$149
Marlin	Model 81TS	\$114
Marlin	Model 83TS Mag.	\$139
Marlin	Model 880 SS	\$169
Marlin	Model 880 SQ	\$178
Marlin	Model 882	\$174 - \$185
Marlin	Model 883	\$181 - 192
Marlin	17V	\$144
Marlin	Model 17VS	\$216

Mid Priced (\$250-\$500)

Accounting for approximately 25% of the bolt-action rimfire rifles sold in the U.S. domestic market, rifles in the mid priced category appeal to a more discriminating market. As a result, these rifles do command a higher price. Rifles in this price category adopt some of the same features found on popular bolt-action centerfire rifles such as adjustable fire controls, higher grade wood and superior finish. Remington used to compete in this segment with the Model 541 and 581 series of bolt-action rimfire rifles.

Ruger

Based on the popular M77 centerfire rifle series, the **Ruger M77/22** takes shares many of the styling characteristics of its centerfire counterpart, as well as the same three-position safety. First introduced in 1980, the 77/22 has gained quite a foothold in the mid priced bolt-action rimfire category. Models are available in 22LR, 22 Magnum and the new .17 Hornady Magnum Rimfire. Available in walnut, laminated, and synthetic stocked configurations with both blued and stainless actions available. The Model

77/22 features the same rotary style magazine found in the 40/22. Another nice feature of the 77/22 line, although not a rimfire topic, was Ruger's expansion of the 77/22 into a small centerfire rifle cartridge, the .22 Hornet. The .22 Hornet offerings have proven very successful for Ruger.

CZ (Ceska Zbrojovka)

In the mid 1990's importation of the CZ ZKM 452 series of bolt-action rimfire rifles began. Manufactured as at very low costs in the former communist block nation of Czechoslovakia, the CZ product is a no-frills albeit sturdy platform that has gained quite a following the U.S. Domestic market. BATF import reports indicate some 6M-10M units are imported into the U.S. on an annual basis. Available in European, Classic American, and Varmint configurations, the CZ rifles feature Turkish walnut stocks, cast steel receivers and hammer forged barrels with a low-luster matte finish.

Wholesale Pricing Comparison Mid Priced Bolt-Action Rimfire Rifles

Manufacturer	Model	Net Wholesale Price
Ruger	77/22	\$329 - \$348
CZ	ZKM 452	\$225 - \$250

High Priced (Over \$500)

The high priced segment of the bolt-action rimfire market is the smallest category by far. However, prices commanded for rifles in this category are far from the \$100 price point, mass produced rifles. In fact, there is a significant step change in price between the Mid Priced and High Priced bolt-action rimfire rifles. While the Mid Priced Rifles seldom approach the \$500 retail mark, it is not uncommon for the High Priced rifles to sell in the \$800 - \$1000 range. This price gap suggests that there is some untapped opportunity for a platform that draws potential buyers up from the Ruger and CZ rifles, while also drawing potential buyers down from the high priced platforms. Distribution in the High Price category takes place nearly exclusively through direct dealer relationships.

Kimber

The Kimber 22 has received reviews by some prominent outdoor writer's as being the finest American made bolt-action rimfire rifle available. Recently introduced after departing from the bolt-action rimfire market, the Kimber 22 has gained popularity. Boasting guaranteed out-of-the-box accuracy of 5-shot group sizes not exceeding 0.40" (although phone calls to Kimber have determined this claim to be somewhat misleading as the accuracy is tested by placing the action alone in a vice without the stock), the Kimber 22 also boasts healthy prices. The Kimber 22 is available in "no-frills" Youth and Hunter versions, the mid-line Classic version, and a highly decorated Super America version.

Cooper Arms

Founded by former Kimber employees, Cooper rifles while not as widely known are based on many of the same features as the Kimber line. In fact, it has been said in some small circles that Cooper rifles represent what Kimber bolt-action rimfire rifles "used to be" implying that the scrutiny and attention to detail under which current Kimber product is manufactured has diminished. The Cooper 57 rifles are available in sporter and varmint configurations with varying grades of wood and finish.

Sako

Operated under the umbrella of Beretta, Sako makes an entry in the High Priced bolt-action rimfire category with the Finnfire rifle. The Finnfire is based on a scaled down version of the Sako 75 centerfire rifle. U.S. domestic volumes are estimated to be less than 2000 units annually.

Anschutz

Anschutz truly sets the standard for bolt-action rimfire rifles. Well known and respected throughout the world for world-class rifles, the Anschutz 1700 series stands in a class of its own.

**Wholesale Pricing Comparison
High Priced Bolt-Action Rimfire Rifles**

Manufacturer	Model	Net Wholesale Price
Kimber	Hunter 22	\$500
Kimber	Classic 22	\$700

Kimber	Super America	\$1300
Cooper Arms	Model 57 Classic	\$1000
Sako	Finnfire	\$600 - \$700
Anschutz	1700 Series	\$1000 - \$1300

Product Strategy – 2003

Model 572 Fieldmaster

While no additional catalog offerings are planned for the Model 572 Fieldmaster, this firearm is slated to be the Friends of the NRA banquet gun of the year for 2004. This will require shipment in the 4th quarter of 2003. The NRA banquet gun will be equipped with a satin finished, straight combed walnut stock and fore end with finger grooves like those found on the old “ADL” version of the 572. The receiver will feature an embellishment treatment provided by Baron’s. Remington will not be charged by Baron’s for the receiver enhancement. Quantities are expected to be between 900 – 1000 pieces, essentially doubling typical production quantities for 2003. MSP will be \$324.

Product Strategy – 2004 & Beyond

Model 572 Fieldmaster

No additional offerings are planned for this category. Consideration will be given to special make opportunities provided they meet a threshold minimum of 500 units.

Model 504 Bolt-Action Rimfire – Development is currently underway for a new bolt-action rimfire from the Remington Arms Co. Slated to fill the void in the current pricing gap between the Mid Priced and High Priced bolt-action rimfires, the Model 504 will is being designed and positioned as a premier platform. Capitalizing on Remington’s core competency in building exceptional performance for the price in bolt-action rifles, the Model 504 will boast many of the same features found on higher priced platforms. The Model 504 will initially be offered in .22 Long Rifle, .22 Magnum and .17 Hornady Magnum Rimfire. Key product features are:

- All steel receiver with rear lock up, bedded by two take down screws
- 20” button rifled barrel (.22LR features 5-R rifling)

- Product specific fire control, fully adjustable by gunsmith
- Dual extractors
- Satin finish walnut stock with ebony fore end tip and high grade grip cap medallion and laser cut checkering
- Platform is expandable up to the .221 Remington Fireball centerfire cartridge

Model	Caliber	MSP	Cost	NSP	Margin (After F&D)	1st Yr Ecst.
504	.22LR	\$ 450.00	\$ 230.00	\$ 402.19	33%	5000
504	.22WMR	\$ 490.00	\$ 230.00	\$ 437.94	37%	1000
504	.17HMR	\$ 490.00	\$ 230.00	\$ 437.94	37%	1500

Low Cost Bolt Action Rimfire Rifle – 2001 Point of Sale data at Wal Mart alone show over 35M units of \$99 bolt-action rimfire sold. Of that figure, nearly one third of the sales were youth sized products. The challenge for Remington has been, and is likely to continue to be the inability to manufacture a product that can be sold at wholesale to hit a \$100 retail price point. Remington needs to pursue sourcing a low-cost, no-frills bolt-action rimfire rifle that can be marketed under the Remington brand or co-branded with the Remington brand (i.e. Mohawk by Remington). With the strength of the Remington brand, an annual volume of 15M – 20M units is easily attainable. Although this product will be a “no-frills” product, a prerequisite for consideration must be that the product functions reliably. There are many sources of a low-cost product that though they are low-cost, they are not “junk.” This is paramount to any product bearing the Remington brand.

Item	MSP	NSP (Wal Mart)	Cost	Margin (After F&D)	Annual Volume
Low Cost B.A. Rimfire	\$400	\$93	\$65	20%	15M – 20M Units

Pricing Considerations - Pricing will be reviewed annually in order to determine the most effective pricing strategy from year to year. Market dynamics and conditions are constantly changing, making meaningful forecasting models for pricing marginally effective at best. Pricing

strategies will likely continue to be driven by necessity and opportunistic events and conditions.

Centerfire Rifle Market Summary

Market estimates placed the 2001 U.S. total market for centerfire rifles at 960M units.⁷ Given an average retail price of \$350 per unit, this places the market value at \$336MM.

SAAMI's 2001 report of factory shipments shows an industry wide decline in centerfire rifles of approximately 2%. It should be noted however that the SAAMI data is not a comprehensive view of the total market as it does not include figures from some key players such as Marlin Firearms. In stark contrast, the **Remington Arms Company showed a 25% increase in centerfire rifles shipments in 2001 over 2000 figures.** This increase was attributed primarily to the introduction of the new Model 710 bolt-action rifle, produced in the Mayfield Kentucky factory. In a manner similar to that of the introduction of the Model 700 ADL Synthetic in 1995, the new Model 710 grew Remington's centerfire rifle business by nearly 40M units in 2001. 2002 order positions for the Model 710 mirror those of 2001. Ilion factory shipments increased 2.5% over 2000 levels.

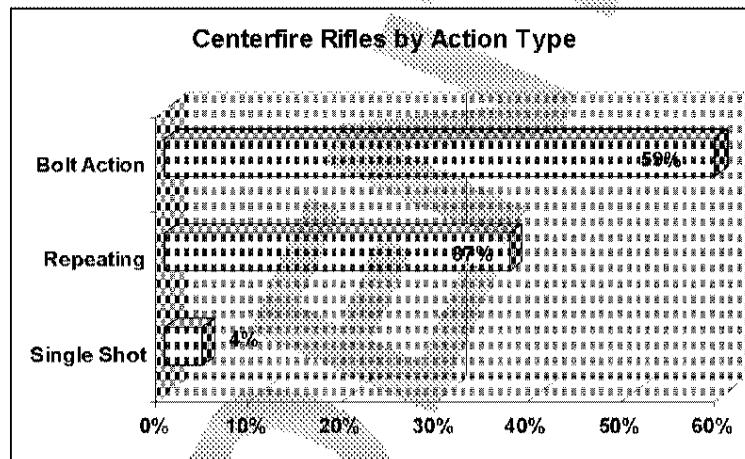
Centerfire rifle sales have been extremely strong over the last three years across the industry. The same holds true for the Remington Arms Company. With the introduction of the new Remington Ultra Mag beltless magnum cartridges beginning in 1999, category growth has been extremely strong. Additionally, high levels of demand for high margin all weather stainless steel rifles with synthetic stocks have resulted in healthy profit margins.

Market momentum has slowed for 2002. Order positions exceeding plant capacity have normalized somewhat. **While order positions remain solid, it appears that the centerfire rifle category has reached a plateau; at least as far as the near term outlook is concerned.** The pipeline for Remington Ultra Mag calibers has been filled and demand for these products has declined drastically.

The centerfire rifle segment is essentially composed of three product categories. 2001 volume estimates by category are as follows:

⁷ Combined analysis of BATF production figures, SAAMI Industry Shipments Report, NSGA retail sales study and Remington Sales Distribution analysis

Category	Units (M)
Bolt Action	560
Repeating ⁸	361
Single Shot	42
Total	963

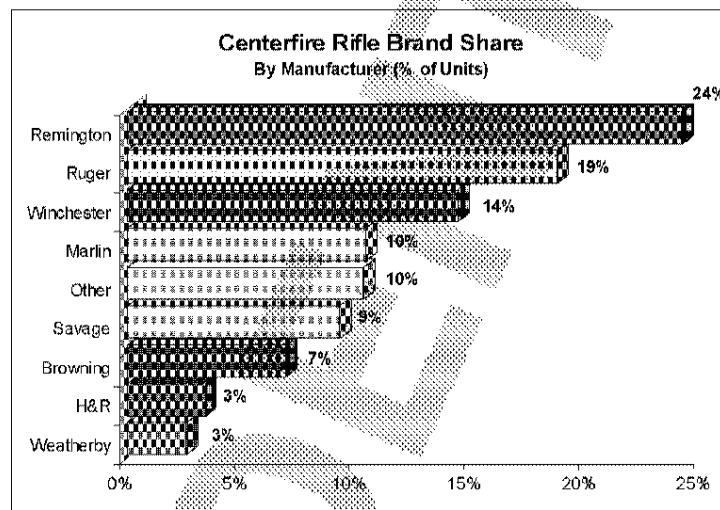


In contrast to the rimfire rifle segment, the bolt-action rifle dominates the centerfire category, commanding nearly 60% of the sales volume in units. Centerfire rifle unit sales for the U.S. domestic market are as follows:

Manufacturer	Units (M)
Remington	225
Ruger	182
USRAC	140
Marlin	101
Other (Imports)	100
Savage	90
Browning	67
H&R	33
Weatherby	25
Total	963

⁸Includes Autoloading, Pump & Lever Action

Compiled market data suggests the following brand share position by manufacturer as a percent of units sold.



Remington maintains a dominant position with respect to brand share in the centerfire rifle category, primarily through sales of the popular Model 700 line of bolt-action centerfire rifles. Additional share growth was spurred in 2001 with the introduction of the Model 710 Sportsman, an entry level priced scoped combo bolt-action rifle priced in the sub \$400 mark at retail. 2001 sales of the Model 710 were purely incremental with no slippage in sales for the Model 700. **Bolt-action rifles constitute nearly 90% of all Remington centerfire units sold.**

Sturm, Ruger & Company occupies the number two spot with a 19% share of the centerfire rifle category. Unlike Remington, Ruger's portfolio is much more diversified with respect to "action types." Although strong in the bolt-action category with the M77 family, Ruger maintains a dominant position with respect to semi-automatic centerfire rifles with the Mini 14 series of "ranch rifles." Ruger also holds a fair share of the single shot centerfire category with the No. 1 series.

The number three spot goes to U.S. Repeating Arms/Winchester. **Approximately 60% of the Winchester volume lies in the Model 70 bolt-action rifle. Of that 60%, it is estimated that half of the Model 70 production lies in 4 sku's of scoped combo, entry level product.** The balance of the Winchester centerfire category falls in the Model 94 lever-action repeating rifles, a modern day variant of the one hundred plus year old famous design.

Marlin, tied for the fourth largest participant in the centerfire rifle category competes solely with platforms based on the lever-action repeating design of the Model 1895 series and variants therein. Marlin also recently purchased their way into an additional 3% of the centerfire market with the acquisition of Harrington & Richardson (H&R), a popular manufacturer of break-action, single-shot rifles.

The "Other" category consists predominately of imports, as well as custom rifles. Although the import category is significant, a large portion of that market consists of imported surplus military rifles. In fact, **it is estimated that nearly half of the 100M imported centerfire rifles are comprised of surplus military firearms.** It should be noted that the scope of the remainder of this report section will be focused on sporting firearms as Remington, with the exception of specialized products for law enforcement and military applications, does not participate in marketing military style firearms for sale to the general public.

Completing the list of top industry players are Savage Arms with 10% share, Browning with 7% share, followed by H&R and Weatherby each with a 3% share of the market.

CENTERFIRE RIFLE INDUSTRY ANALYSIS

Unlike the rimfire rifle market, the centerfire rifle market is not dominated by one or two manufacturers. Certainly there are clear market leaders, but by in large, the playing field is bit closer to level between the top four or five players. Intense competition exists amongst this segment, primarily through efforts to provide product differentiation to the market through new caliber chambering, usage of hi-tech materials for construction, and by introducing platforms geared toward specific end use applications.

Like other segments within the firearms industry, the price/value relationship maintains a great presence within the centerfire rifle segment. Consumers place a great deal of emphasis on the level of performance, precision, and quality obtained for the dollars spent. It should be noted that unlike the rimfire rifle market, centerfire rifles maintain a position of a premium product in and amongst themselves. While entry-level priced products exist in the centerfire rifle market, typical entry level price points are sub \$400 at retail as opposed to sub \$150 at retail for the rimfire market. Centerfire rifles are by nature, viewed as more specialized tools for more specific end use applications and therefore maintain a higher threshold price.

Essentially, the centerfire rifle segment can be categorized under three distinct headings:

- Entry Level Centerfire Rifle (< \$500 Retail)
- Premium Centerfire Rifle (\$500 - \$800 Retail)
- Specialty Centerfire Rifle (Niche Markets)

Entry Level Centerfire Rifle

This segment is dominated by lower price point repeating rifles, no-frills bolt action offerings, and the increasingly popular “ready to go” scoped combo packages. The entry level price point appeals to the casual big game hunter, the new entrant to big game hunting and the hunter with a limited budget. **Entry level product offerings in the centerfire rifle category account for approximately 35% of retail sales in the U.S. domestic market.**

Premium Centerfire Rifle

Appealing to a more discriminating audience, the premium centerfire rifle category in the sporting firearms market consists primarily of bolt-action rifles that constitute the flagship products of the various manufacturers. Featuring higher grade options such as stainless steel, high grade stocks, polished blued metal work and an overall higher perceived level of attention to detail. **The premium centerfire category accounts for approximately 50% of retail sales in the U.S. domestic market.**

Specialty Centerfire Rifle

The specialty centerfire category features products that are generally highly focused toward a specific end use. Examples would be heavy barreled long range rifles with specialized target stocks for situations such as varminting, or extended range big game hunting. Products within this category often

utilize state of the art materials such as aramid fiber reinforced stocks, titanium alloys and in the case of the Remington Model 700 EtronX, electronic firing mechanisms. Custom built firearms would also be included in this category. **This segment constitutes the remaining 15% of the U.S. domestic market.**

Customer Profiles

As is the case in the rimfire rifle market, general demographic studies are far too broad in this category to draw any meaningful conclusions with respect to specific demographic trends. Perhaps a more comprehensive study might reveal some data of substance, but with current available information any conclusions would be speculative at best.

Based on market trends and data compiled in the 2001 SMRG Annual Rifle report, nearly three fourths of the centerfire rifles purchased in the domestic market are purchased for hunting applications⁹. Based on personal experience, this writer believes that to be a conservative estimate and that in fact, **the actual figure for hunting usage approaches the 85% mark.** The remaining 15% of the sporting centerfire market can be primarily categorized as target shooters.

The "hunter" profile can be categorized under two broad headings, "casual" and "dedicated." Stratification within the category is estimated to be skewed 60% toward the "casual" profile.

- The "casual" hunter can be categorized as the person who has an opportunity to hunt a few times a year, generally in close proximity to his or her home. It can reasonably be assumed that game types and hunting situations do not vary a great deal for the "casual" hunter. Firearms are also chosen with consideration given to widely available, well known and competitively priced ammunition types. Consumption of a full box (20 rds) of centerfire ammunition within one season would often be ambitious at best. The "casual" hunter may not see the point, or may not have the income at his or her disposal to rationalize the expense of a high dollar scope/rifle set up. In fact, he or she may be limited by either budget or need to one rifle. The "casual" hunter is likely not to be categorized as technically savvy with respect to firearms, ammunition, and optics technology making products which are easy to use and quick to set up attractive. The "casual" hunter

⁹ SMRG's U.S. Marketac: 2001 Annual Report

would expect a functionally sound product that yields accuracy capable of taking medium size game at typical ranges of less than 200 yds. A product category gaining immense popularity with the "casual" hunter profile are the "grab and go" scoped combo centerfire rifles, with scopes pre-mounted and bore-sighted requiring minimal modification by the end user.

- The "dedicated" hunter is more versed in firearms, ammunition and optics technology than his "casual" counterpart. Game species and hunting situations may vary significantly within the "dedicated" segment as he or she may travel to varied destinations to hunt. The "dedicated" hunter places greater value on enhanced product features such as detailed metal work, high grade stock materials and the incorporation of high tech materials such as synthetics, stainless steel and other alloys to tailor a product to suit the needs of a particular situation. The "dedicated" hunter likely owns multiple rifles suited for different situations or species that they may encounter. The "dedicated" hunter would generally expect Minute-of-Angle accuracy or better with a very low tolerance for malfunctions of any kind. It would not be uncommon for a consumer within this category to spend in excess of \$700 for a complete rifle/scope setup.

The remaining 15% of the centerfire market is essentially occupied by sales to the target shooter.

- It should be noted that there is likely a great deal of overlap of target shooters who qualify as "dedicated" hunters. Target shooters are perhaps the most technically savvy of the centerfire rifle category with respect to rifle and ammunition technology. Precision accuracy is critical to the target shooter. It is not at all uncommon for the target shooter to purchase a factory produced rifle and immediately send the firearm to have custom work performed. Custom work would include fire control modification or replacement, barrel work or replacement and stock modifications or replacement to name only a few. A large percentage of custom rifles are purchased by target shooters on an annual basis. Often times, custom made rifles utilize actions from factory based platforms where a custom gun maker might purchase a base factory rifle, salvage the action and build a new gun from the ground up. These firearms command high prices, almost always exceeding \$1000. Generally speaking, the target shooter is the most discriminating of centerfire rifle consumers.

Brand Perception

Brand perception within the centerfire rifle market places a great deal of emphasis on the value/price relationship or quite literally, the most “bang” for the buck. This holds especially true for the brands participating at lower price points that make very strong cases for the consumer to get “more for less.” That being said, there is a tremendous level of brand loyalty within the category, provided of course that particular brands are maintaining consumer expectations with respect to quality and performance.

- **Remington** – Remington is very well established with respect to reputation in the centerfire rifle market, primarily due to competencies exhibited in the manufacturing of bolt-action rifles. No other manufacturer builds and sells more bolt-action centerfire rifles than the Remington Arms Co. This modern day reputation is based upon the foundation established by the Model 700 series bolt-action centerfire rifle. First introduced in 1962, the Model 700 series is perhaps the most popular bolt-action centerfire ever built. At the end of 2001, over 4 million Model 700's had been built. Known for its “best out-of-the-box accuracy,”¹⁰ the Model 700 rifle rates very high on the price/value scale from a consumer perspective. It is not unreasonable to assume that Remington centerfire rifles are the standard by which other manufacturers are judged.
- **S&W, Ruger & Co.** – Second to the Remington Arms Co. in centerfire market share, Ruger participates in this segment primarily with the M77 series and Mini 14/Mini 30 series of centerfire rifles. M77 bolt action centerfire rifles are priced comparable to that of the Remington Model 700. Although regarded as solid performers, the M77 simply does not have the following of the Model 700, nor the extensive depth in the market. Ruger also maintains a very healthy position in the repeating centerfire rifle category. Based on U.S. M1 Carbine, the Mini 14/Mini 30 series of autoloading rifles are by far the most popular in their class. Ruger spends more dollars in advertising than do any of the other manufacturers participating in the U.S. domestic centerfire rifle market. As a result, the Ruger brand is widely recognized, aiding to pull product through the marketplace.

¹⁰ Marcot, Roy. The Official Authorized History of Remington Arms Co. Peoria, IL: Primedia Special Interest Publications, 1998.

Although perceived as a fair value for the price, Ruger relies heavily on advertising dollars to continue to pull product through into the hands of the consumer.

- **Winchester** – Winchester established a competency in centerfire rifles and a reputation for quality in the late 1800's with the Model '94 series of lever-action repeaters. While the Model '94 remains a staple in the Winchester line, it plays second fiddle to the Model 70 series of bolt-action centerfire rifles. In fact, prior to the popularity surge of the Remington Model 700, the Winchester Model 70 was viewed as the finest bolt-action centerfire rifle in America. Winchester seems to have a loyal following of consumers, predominantly residing in the Western and Southwestern regions of the United States. It is interesting to note that in a survey conducted by SMRG, Winchester deviated from the other manufacturers with 64% of respondents stating that Winchester's brand name was influential in their purchase decision, placing greater emphasis on these criteria than the price/value relationship¹¹. This information when compared to Winchester's fourth place position with respect to advertising dollars spent indicates that the Winchester consumer is perhaps more loyal to the brand than are other centerfire rifle consumers.
- **Marlin** – Marlin Firearms participates in the centerfire rifle market only with their family of lever-action repeating rifles. Marlin also purchased a dominating presence in the relatively small single-shot centerfire rifle market through the acquisition of Herrington & Richardson (H&R). The Marlin brand is undoubtedly associated with "middle of the road" (in comparison to Remington and Ruger) offerings targeted toward the casual hunter with a limited budget or limited desire to spend a great deal of money on a hunting rifle.
- **Savage Arms** – Like Marlin, Savage focuses marketing efforts toward reaching the entry level, or price conscious consumer. This is reinforced by Savage CEO's statement in the 2002 product catalog, "we continue to build on our reputation for accuracy at an affordable price"¹². Savage relies on their bolt-action Model 10/Model 11 platforms to carry the load. Regarded as "no-frills" firearms, lacking high grade finishing and materials, Savage rifles do in fact carry a

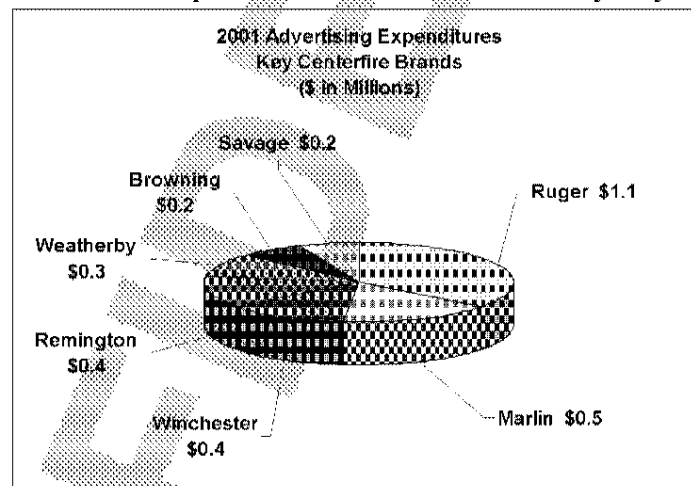
¹¹ SMRG's U.S. Marketac: 2001 Annual Report

¹² Savage Arms 2002 Product Catalog

reputation for being an accurate product. This reinforces Savage's position on the price/value scale.

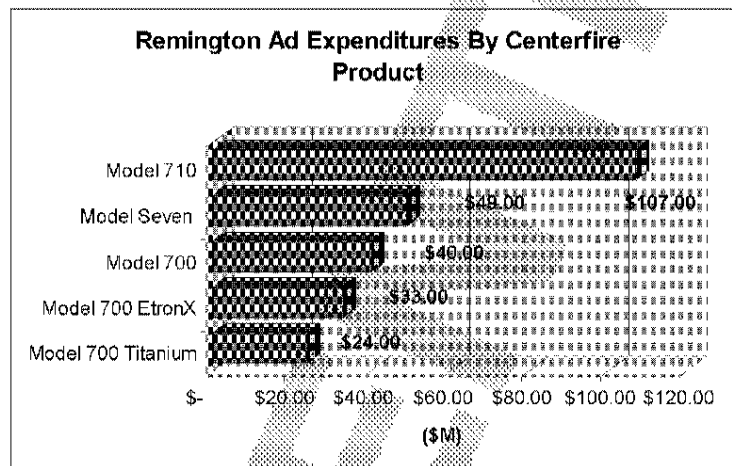
- **Browning** – Browning participates in the centerfire rifle market with the A-Bolt bolt-action centerfire and B.A.R. autoloading repeater. Regarded as a premium brand, Browning accounts for only 7% of the U.S. domestic centerfire rifle market. Not unlike Winchester, Browning has a very loyal customer base. This theory is reinforced by the results of the same SMRG study referenced above which categorized Browning as last on the scale with respect to the consumer's decision to purchase a Browning rifle based on the price/value relationship. Instead, a far greater emphasis was placed on brand recognition and dealer advice. The "dealer advice" response is not surprising as Browning follows a dealer direct strategy to a large extent.

2001 Total Print Ad Expenditures – Centerfire Rifle by Key Brands



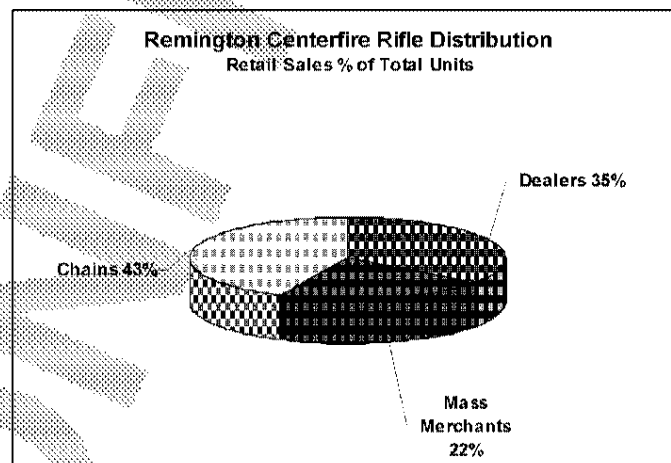
With the exception of Ruger, advertising dollars spent on supporting the centerfire rifle category are relatively evenly distributed between the top four players. **Ruger, in contrast, spent nearly twice as many ad dollars supporting their centerfire rifles than did Remington, Marlin, and Winchester combined.** This figure is significant and should not be overlooked. Ruger is working aggressively to penetrate deeper into the centerfire rifle category.

2001 Remington Centerfire Ad Expenditures by Product Group

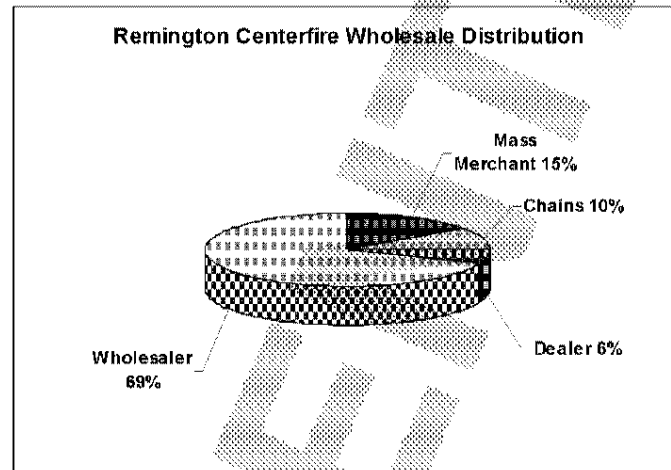


Distribution Analysis – Centerfire Rifles

The table below portrays the estimated distribution through normal retail channels in the U.S. domestic market of Remington centerfire rifles.



From a wholesale distribution perspective, Remington's position is as follows:



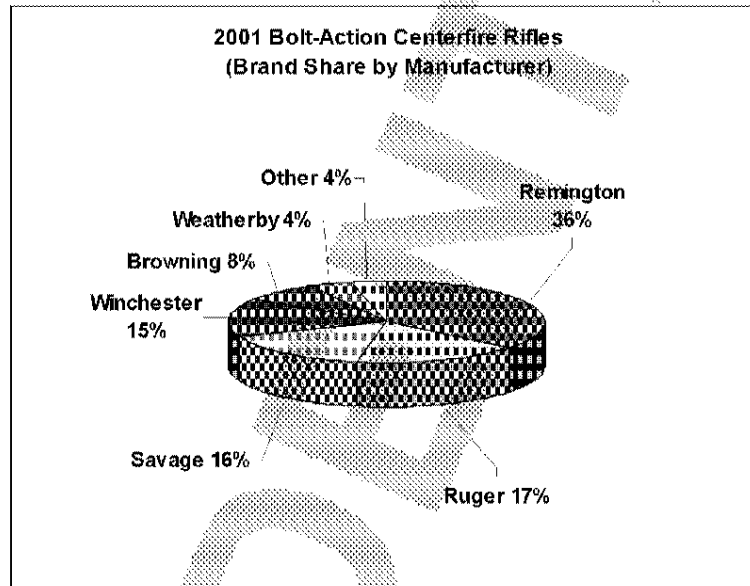
Bolt-Action Centerfire Rifles

2001 Sales estimates have determined the U.S. domestic bolt-action centerfire rifle market to be approximately 560 units annually with a retail sales value of \$196MM. A break down by manufacturer is listed below.

**2001 Bolt-Action Centerfire Rifle Market
Estimated Sales by Manufacturer
(Units in M's)**

Manufacturer	Total
Remington	194
Ruger	98
Savage	90
Winchester	87
Browning	45
Weatherby	25
Other	21
Total	560

2001 Bolt-Action Centerfire Rifle Brand Share (% of Units)



Remington currently occupies a dominant brand position in the bolt-action centerfire rifle market. 2001 was of great significance as Remington picked up an estimated 6%-8% brand share with the introduction of the Model 710 rifle. The Model 710 provided Remington with incremental sales volume, with demand levels exceeding Remington's ability to fully supply the market. Short term objectives are to continue to grow Remington's brand share through increasing capacity to fulfill more of the market's demand for Model 710's. An ongoing and longer term objective is to maintain the integrity of Remington's reputation for quality bolt-action centerfire rifles through continuous improvement initiatives that provide Remington with distinct competitive advantages with respect to perceived value and cost.

Remington Segment Performance – Bolt-Action Centerfire Rifles

Remington competes in the segment with three distinct product families, the Model 710 Sportsman, the Model 700 series and the Model Seven compact

rifle. 2001 sales volume consisted of 194M units or \$84 MM in revenue. Overall volume and revenue changes from 2000 to 2001 were increases of 28% and 26% respectively.

Model 710 Sportsman	1998	1999	2000	2001	2002	2002
	Actual	Actual	Actual	Actual	FCST	PO
Unit Sales (M)	0	0	0	40	45.5	41
Sales Dollars (\$MM)	0	0	0	\$10.4	\$11.7	\$10.5
Standard Margin (\$MM)	0	0	0	\$4.9	\$5.3	\$4.7
Standard Margin (%)	0	0	0	46.7%	45.4%	45.1%

Model 700 Regular	1998	1999	2000	2001	2002	2002
	Actual	Actual	Actual	Actual	FCST	PO
Unit Sales (M)	121.5	113.8	103.1	101.5	129.0	129.0
Sales Dollars (\$M)	\$38.8	\$37.3	\$37.5	\$37.5	\$48.2	\$48.1
Standard Margin (\$MM)	\$17.7	\$16.9	\$17.4	\$17.7	\$22.1	\$22.1
Standard Margin (%)	45.7%	45.5%	46.5%	47.2%	45.8%	45.9%

*Includes Model Seven Regular

Model 700 Stainless	1998	1999	2000	2001	2002	2002
	Actual	Actual	Actual	Actual	FCST	PO
Unit Sales (M)	25.9	29.1	33.8	47.3	39.0	41.4
Sales Dollars (\$M)	\$11.6	\$13.1	\$16.7	\$23.1	\$21.2	\$22.9
Standard Margin (\$MM)	\$6.3	\$6.9	\$8.9	\$12.1	\$10.7	\$11.5
Standard Margin (%)	54.4%	52.7%	53.5%	52.3%	50.3%	50.3%

**Includes Model Seven Stainless

Model Seven Regular	1998	1999	2000	2001	2002	2002
	Actual	Actual	Actual	Actual	FCST	PO
Unit Sales (M)	*	*	5.8	5.8	12.0	6.9
Sales Dollars (\$M)	*	*	\$2.0	\$2.0	\$4.5	\$2.6
Standard Margin (\$MM)	*	*	\$0.9	\$0.9	\$2.0	\$1.1
Standard Margin (%)	*	*	45.5%	44.9%	43.0%	42.6%

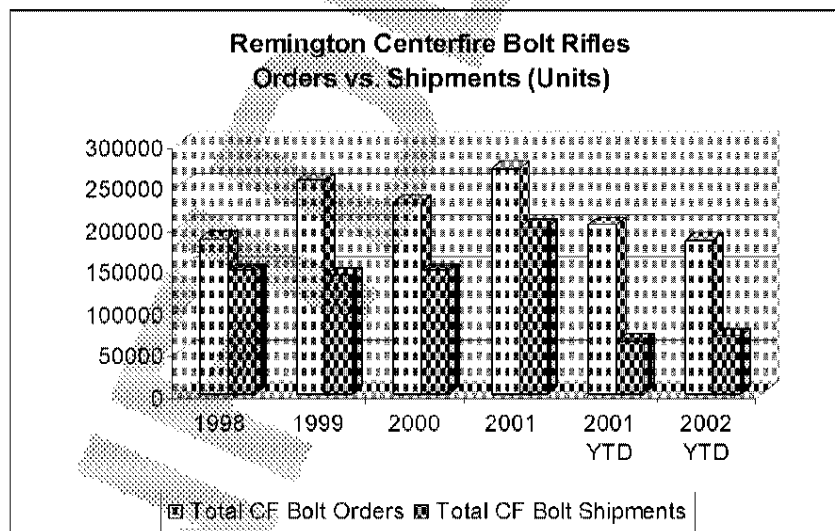
Model Seven Stainless	1998	1999	2000	2001	2002	2002
	Actual	Actual	Actual	Actual	FCST	PO
Unit Sales (M)	**	**	3.5	3.9	8.5	5.1
Sales Dollars (\$M)	**	**	\$1.5	\$1.7	\$3.7	\$2.2
Standard Margin (\$MM)	**	**	\$0.8	\$0.9	\$2.1	\$1.2
Standard Margin (%)	**	**	54.5%	57.0%	55.2%	54.8%

The Model 700 series clearly is the dominant player in the bolt-action centerfire rifle category for Remington. Accounting for approximately 75% of all sales in the category, the Model 700 family continues to make a strong showing in the marketplace. Like the Model 700, the Model Seven is an

Ilion plant based product. While undoubtedly more of a niche market product, the Model Seven has shown a drastic spike in popularity due to the introduction of the Remington Short-Action Ultra Mag series of centerfire cartridges, first introduced in the Model Seven line.

New for 2001, the Mayfield based Model 710 Sportsman series of scoped bolt-action rifles was perhaps one of the most successful new product launches in Remington's history. Targeted toward the entry level market and distributed primarily through Mass Merchants and Sporting Goods Chain stores, order positions in 2001 and projected order positions for 2002 easily exceed plant capacity. The introduction of the Model 710 resulted in a historical all-time high shipment position for bolt-action centerfire rifles approaching the 200M unit mark. Most importantly as noted earlier, the Model 710 resulted in an estimated 6%-8% pick up in market share for the Remington Arms Company.

Bolt-Action Centerfire Rifle Order Position/Shipment Trends



Over the course of the past three years, Remington has enjoyed order positions for bolt-action centerfire rifles far in excess of plant capacities. Reasons for these positions were a strong market in general, coupled with the introduction of the Remington Ultra Mag family of cartridges in '99 and '00 and the introduction of the new Model 710 in 2001. **While order**

positions for the Model 710 remain consistent with 2001 levels, Ilion based bolt-action centerfire rifles have showed considerable softening, predominantly in the Model 700 "Regular" category occupied by the 700 ADL and 700 BDL blued, carbon steel rifles. This softened position is indicative of current market conditions, combined with the fact that most back order positions with respect to rifles chambered for the Remington Ultra Mag calibers have been filled.

Issues critical to the continued success within this category are:

- *Improving and maintaining product quality*
- *Timely fulfillment of orders*
- *Ability to respond quickly to niche market opportunities and special makeup's*
- *Maintaining competitive positioning with respect to product cost and pricing*
- *Product centered advertising on core products to continue to "pull" product through the marketplace*

Competitive Outlook

The following section addresses the three principle categories of centerfire rifles as stated earlier, Entry Level, Premium, and Specialty specifically as they relate to bolt-action centerfire rifles from a competitive perspective. In the bolt-action centerfire rifle category, Remington competes primarily with Ruger, Savage, Winchester, Browning and Weatherby on various fronts within the category.

Entry Level Centerfire (< \$500 retail) – Bolt-Action Rifles

Savage Arms

Savage plays primarily in the entry level bolt action centerfire category. Primary product offerings are the **Model 10/11** series of firearms. Available in wood and synthetic versions, with and without detachable magazines, the Model 10/11 are known not for their styling, but for their reputation for solid performance at a low price. Savage also set the precedent for the scoped combo package guns, offering consumers with a platform that is ready to shoot straight from the box. Scoped combos are available in wood and synthetic versions, with and without detachable magazine boxes. The

Remington Model 710 competes directly with Savage in the scoped combo arena.

Winchester

The Winchester **Model 70** is similar to the Remington Model 700 family in that variants exist to compete at various price points. Model 70 variants with “controlled round feed” based on the old Mauser style action are placed in the high end, while less costly “push feed” models make up the lower end of the spectrum. On the entry level front, Winchester offers the **Model 70 Black Shadow**. Featuring a synthetic stock with floor plate magazine, matte blued finish this “push feed” design is targeted toward the budget minded hunter. Winchester also offers an **exclusive scoped combo version of the Model 70 Black Shadow in calibers .270 Win, .30-06, and 7mm Rem Mag to Wal Mart**. Intended to compete with the Savage package guns, the Model 70 scoped guns are also a primary competitor to the Remington Model 710. Non-scoped versions of the Model 70 Black Shadow compete primarily with the Remington Model 700 ADL Synthetic. **Reliable sources indicate that the Wal Mart exclusive Model 70’s account for 40%-50% of Winchester’s total Model 70 volume.** In 2001, 22M of the Model 70 scoped packages were purchased at retail.¹⁵

Remington

Remington competes in the entry level category on two fronts. The first product offering is the **Model 700 ADL** series of bolt action centerfire rifles. The **Model 700 ADL Deluxe** features a walnut stock with blind magazine, polished blue finish and iron sights. The more popular and price competitive **Model 700 ADL Synthetic** features a black synthetic stock with blind magazine, matte blue finish and iron sights. First developed in conjunction with Wal Mart, the Model 700 ADL Synthetic has proven a worthy competitor to the Winchester Model 70 Black Shadow as an entry level product.

The second and most recent product offering from Remington in the entry level category is the **Model 710 Sportsman** series of scoped combo package guns. Introduced in 2001, the Model 710 is economically priced and cost effective to manufacture, affording Remington the opportunity to more effectively penetrate the true entry level bolt-action centerfire category. The Model 710 carries the reputation of the Remington brand with the price tag

¹⁵ 2001 Wal Mart POS Data - CONFIDENTIAL

of the traditionally lower priced Savage package gun. Perhaps one of the most successful new product launches in Remington history, the Mayfield Kentucky manufactured Model 710 has drawn order positions in its first two years of existence exceeding plant capacities. **Of further note, the Model 710 was presented the 2001 Field & Stream Magazine's "Best of the Best" awards.**

Wholesale Pricing Comparison Entry Level Centerfire Rifles – Bolt Action

Manufacturer	Model	Net Wholesale Price
Savage	10/110	\$277 - \$312
Savage	110/111 Scoped	\$287 - \$393
Winchester	M70 Blk Shadow	\$335 - \$353
Winchester	M70 Scoped	\$325
Remington	700 ADL	\$382 - \$400
Remington	700 ADL SYN	\$331 - \$349
Remington	710 Scoped	\$290

Premium Centerfire (\$500 - \$800) - Bolt-Action Rifles

Ruger

The **Ruger M77MKII** series fields a broad array of product offerings in the premium category. Generally priced toward the lower end of the category, the Ruger M77 competes heavily with the Remington Model 700 and Winchester Model 70 categories. Like the Winchester Model 70 Classics, the Ruger M77 features a three-position safety and Mauser type extractors for controlled round feeding. All models feature a hinged floor plate magazine. Walnut stocked configurations are available in full size and compact models with blued finish. Stainless steel versions are available with laminated or synthetic stocks as well.

Winchester

The **Model 70 Classic** series represents Winchester's position in the premium category of centerfire bolt-action rifles. Featuring a three-position safety and Mauser style claw extractor for controlled round feeding, the Model 70 Classic has enjoyed quite a following. All feature hinged floor plate magazines and are available in full size and compact platforms. Walnut stocked variants feature polished blued metal and the synthetic stock versions feature a stainless steel barreled action. All premium grade Model 70 Classics are produced in non-sighted or "clean barrel" configuration. The Model 70 Classic is typically marked against the Remington Model 700 BDL & BDL SS product families. Following the success of Remington's prior introduction of the Ultra Mag family of non-belted magnum cartridges and firearms to suit them, Winchester Firearms in conjunction with Winchester Ammunition and Browning introduced the Winchester Short Magnum (WSM) family of non-belted, short-action magnum cartridges. This introduction was perhaps the single most important recent development for the Model 70 Classic family of firearms.

Browning

The **Browning A-Bolt** competes exclusively in the premium bolt-action centerfire rifle category. The wood stocked variant of the A-Bolt, the Hunter series is available in three grades, Hunter, Medallion, and Gold Medallion with each increment in grade featuring higher quality wood and enhanced metal work. The synthetic variant, the Stalker series, is available in stainless steel and blued carbon steel versions. The A-Bolt features a 60 degree bolt throw, intended to shorten the time to cycle a round as well as a unique floor plate magazine that can also be used as a detachable magazine. The A-Bolt is available in a wide range of calibers, including the new WSM caliber offerings. The A-Bolt's principle competitors are the Remington Model 700 BDL and BDL SS as well as Weatherby bolt-action centerfire rifles.

Remington

The **Model 700 BDL Custom Deluxe** is the core product of the Model 700 line. The BDL features a high-gloss finished American walnut stock with black fore end nose piece and hinged magazine floor plate. The BDL sports

a high-polished blued barrel and receiver. Remington also offers six left-hand skus in the Model 700 BDL Custom Deluxe. The 700 BDL is also offered in a detachable magazine (Model 700 BDL DM) configuration, allowing the shooter the convenience of a quick-load removable magazine box. The DM version, while cosmetically similar to the BDL Custom Deluxe, utilizes a unique receiver and unique stock to accommodate the removable magazine box.

In 1981, Remington began a yearly offering of a **Limited Edition Model 700 Classic**. Chambered primarily in vintage calibers, or those of historical significance, the Model 700 Classic has proven to be a popular offering amongst collectors.

The **Model 700 BDL SS (Stainless Synthetic)** offers the same legendary performance as the Model 700 BDL Custom Deluxe with the added benefit of weather resistance and durability derived from a synthetic stock and stainless steel action. Like the Custom Deluxe, the BDL SS is offered in a detachable magazine version as well. Continuing the lineage of the stainless steel feature is the Model 700 LSS (Laminated Stock, Stainless) boasting a stainless steel action bedded in an attractive and durable gray laminated stock. The Model 700 LSS is also available in three left-hand skus.

The **Model 700 Mountain Rifle** series features all the benefits of the regular Model 700 models with the added benefit of a slender mountain contour barrel to reduce weight and improve portability. Available in a walnut stocked, blued version with detachable magazine and in a laminated stock with stainless action, the Model 700 Mountain Rifles have proven popular with high country hunters.

In 1983 Remington introduced the Model Seven, a compact sibling to the Model 700 series. Featuring the benefits of the legendary Model 700 action, the Model Seven is a compact rifle intended for use in dense cover and also appealing to smaller stature shooters. Available in most popular short action calibers, the Model Seven is available in a stainless synthetic platform as well as in a laminated stock with either stainless or carbon action. In May of 2001, Remington announced the introduction of the short action counterparts to the Remington Ultra Magnum family. Available in both 7mm and .300 calibers, the Remington SA Ultra Mags were introduced in a magnum variant of the Model Seven SS and LS platforms. The combination of these calibers with the Model Seven platform gave shooters a unique combination of magnum caliber performance in a compact rifle.

**Wholesale Pricing Comparison
Premium Centerfire Rifles – Bolt Action**

Manufacturer	Model	Net Wholesale Price
Ruger	M77 MKII	\$393 - \$424
Ruger	M77 MKII Stainless	\$393 - \$424
Winchester	M70 Classic	\$474 - \$493
Winchester	M70 Classic Stainless	\$512 - \$531
Browning	A-Bolt Hunter	\$442 - \$600
Browning	A-Bolt Stalker	\$461 - \$535
Browning	A-Bolt Stainless Stalker	\$586 - \$622
Remington	700 BDL	\$452 - \$479
Remington	700 BDL SS	\$484 - \$512
Remington	700 LSS	\$549 - \$558
Remington	700 Mountain	\$498 - \$531
Remington	Seven	\$463 - \$508
Remington	Seven Stainless	\$481 - \$527

Specialty Centerfire (Niche Markets) – Bolt-Action Rifles

Ruger

While limited in scope, Ruger does offer a limited number of skus that would qualify as specialty rifles in the M77 line. Offerings consist primarily of heavy target/varmint barrel configurations, along with a heavy magnum version intended for use on dangerous game.

Browning

Like Ruger, Browning's primary focus with respect to bolt-action centerfire rifles is centered on the premium category. However, Browning does offer two specialized firearms in the **A-Bolt Eclipse series**. The Eclipse is available in both a sporter barrel and a heavy target/varmint barrel. The

truly unique feature about these products is their specialized laminated “thumbhole” target stocks.

Winchester

Winchester offers two “push feed” Model 70 rifles in heavy barrel configuration. The **Model 70 Coyote** features a laminated stock and stainless steel barrel, chambered in the new WSM calibers, as well as in .308 Win. Similar in nature, the **Model 70 Stealth** features a synthetic stock and matte blued heavy barrel chambered for popular small bore varmint cartridges. From a “controlled round feed” perspective, Winchester offers a Safari Grade rifle chambered for dangerous game calibers.

Remington

Remington offers perhaps the broadest array of specialized centerfire bolt-action rifles. The **Model 700 Long Range** series features a wide offering of heavy barreled varmint rifles with high grade laminate and composite stocks. The **Model 700 VS (Varmint Synthetic)** features a heavy target barrel with matte blue finish, bedded in a high grade H.S. Precision composite stock with aluminum bedding block. Three left-hand skus are available in this platform. Offered in the same stock is the **Model 700 VSSF (Varmint Synthetic Stainless Fluted)** featuring a stainless steel heavy barrel with fluting. All varmint configurations are offered in popular short action varmint calibers.

The **Model 700 Sendero** series (available in blued or stainless fluted versions) are essentially the same platforms as the Model 700 Varmint rifles, only chambered for long action and magnum calibers.

The ultimate in light weight hunting rifles, the **Model 700 Titanium** was introduced to the line in 2001. Featuring a receiver of light weight titanium alloy and a fluted bolt for additional weight reduction, the Model 700 Titanium with its specially designed composite stock and mountain rifle contoured barrel is truly the lightest production rifle available today.

Truly on the cutting edge of technology is the **Model 700 EtronX Varmint Rifle**. Designed to eliminate mechanical firing mechanisms in order to deliver the fastest lock-time possible, the EtronX rifle works by sending an

electric charge to a specially designed centerfire rifle primer rather than a traditional percussion primer. Well ahead of its time, the EtronX has yet to attract a significant following in the market.

Wholesale Pricing Comparison Specialty Centerfire Rifle – Bolt Action

Manufacturer	Model	Net Wholesale Price
Ruger	M77 MKII Target	\$476
Winchester	M70 Coyote	\$451 - \$470
Winchester	M70 Stealth	\$512
Browning	Eclipse M-1000	\$754
Browning	Eclipse Hunter	\$733 - \$751
Remington	Model 700 VS	\$539 - \$557
Remington	Model 700 VLS	\$482
Remington	Model 700 VSSF	\$649
Remington	Model 700 Sendero	\$539 - \$557
Remington	Model 700 Sendero SF	\$668 - \$677
Remington	Model 700 Titanium	\$847
Remington	Model 700 EtronX	\$1,367

S.W.O.T. Analysis – Remington Bolt-Action Centerfire Rifles

Strengths

- Dominant Brand Position
- Broad Range of Product Offerings Across the Category
- Solid Reputation for Performance
- Competitively Priced in the Market
- Attractive Margin Position

Weaknesses

- Capacity Constrained
- Manufacturing Concerns Could Tarnish Brand Image
- Limited in Capability to Respond to Changing Market Conditions

Opportunities

- Potential Exists to Capture Additional Market Share with Model 710
- Incremental Business Opportunities for Customer Specific Niche Products
- Updates to the Styling of the Line to Create New Interest

Threats

- General Softening of Market Could Result in Negative Impact to High Margin Specialized Products
- Manufacturers that are Dependent on Entry Level Business Could Begin to Make Price Concessions in Order to Regain Volume Required to Cover Manufacturing Overhead
- Changes in State Hunting Laws that Limit Use of Centerfire Rifles in the Eastern United States or Other Densely Populated Areas
- Strong U.S. Dollar Continuing to Create Favorable Conditions for Imported Firearms and for Major Participants Such as Winchester and Browning Who Rely Heavily on Imported Goods
- Environmental Conditions Such as Chronic Wasting Disease Threatening Game Populations

Product Strategy 2003 – Model 710 Sportsman

No new catalog introductions are planned for 2003. Sales predictions indicate that sufficient demand remains to exceed current plant capacities in .270 Win and .30-06 configurations only.

Model 710 Magnum - A current development project is currently in place for magnum caliber versions of the Model 710. All development and testing will be complete in the summer of 2002. Equipped with a 24" barrel, calibers will be 7mm Rem. Mag and .300 Win. Mag. Both will utilize the current scope configuration of the .270 and .30-06 versions. **While the magnums are not intended for catalog introduction in 2003, Marketing and Manufacturing will be prepared to announce and launch the magnum variants should business soften in 2003.** Otherwise, the magnum calibers will be a 2004 product introduction.

<u>Model</u>	<u>MSP</u>	<u>NSP</u>	<u>1st Year Volume</u>
710 w/scope 7mm Rem Mag	\$329	\$300	6.75M Units
710 w/scope .300 Win Mag	\$329	\$300	8.25M Units

Capacity Expansion - Due to current capacity constraints, a capital project has been issued to purchase and install additional machinery in order to increase Model 710 production. This new equipment will be in place and operational by the 4th quarter of 2002 and is expected to increase overall Model 710 capacities by an additional 10M units annually.

Production/Quality Control - An essential criteria required in maintaining the competitive position of the Model 710 is to monitor and insure that the price/value relationship remains in favor of the consumer and above the competition. A key element involved in this strategy is to monitor and understand the accuracy performance of the Model 710 in a manner of statistical significance. Manufacturing is implementing quality control procedures to monitor, record, and interpret the accuracy performance of the Model 710 off of the production line.

Pricing Considerations - **No price increase is recommended for the Model 710 in 2003.** In response to the Model 710, Savage Arms was forced to decrease pricing by 6.5% for 2002 on select Model 110 Scoped guns in order to remain competitive. It is the belief of this writer that this resulted in a significant blow to Savage's overall margin position. From margin/profitability perspective, Savage may be forced to increase price for 2003, but will likely hold price in order to protect their market share. **By holding price on the Model 710, Remington should be able to further entrench their position in the entry level scoped combo market.**

Product Deletions - No deletions are planned for 2003.

Product Strategy 2004 & Beyond - Model 710 Sportsman

The overall long-term strategy for the Model 710 will be to continue to deliver exceptional value at an affordable price.

Extruded Receiver – Exploratory efforts are underway to improve the perceived value of the Model 710 by means of an all metal receiver. Technology that will yield a dimensionally correct steel receiver through extrusion at little or no additional cost to the current synthetic receiver insert is being evaluated by Manufacturing and R&D.

Model 710 Short-Action – In April of 2001, Remington composed a poll of visitors to the company website asking the question: "In which caliber would you most like to see the Model 710 chambered?" Over 500M responses were received to the question. Nearly half responded that they would like to see the Model 710 chambered for short action cartridges. Specifically, 22% responded with .243 Win and 25% responded with .308 Win. Although short action calibers are typically less popular than long-action, it makes sense to include one or two short action calibers in the mix to complete the Model 710 family. The short action offering would likely be a 2005 introduction.

Model	MSP	NSP	1 st Year Volume
710 w/scope .243 Win	\$329	\$300	3.5M Units
710 w/scope .308 Win	\$329	\$300	4.0M Units

Model 710 Youth – As an entry level product, it is logical to explore the introduction of a scaled-down version of the Model 710 to fit the smaller stature shooter. Such a product should feature a shorter length of pull stock with a slimmer grip and fore end. A shorter 20" barrel would also be appropriate. Chambered for .243 Win, the Model 710 Youth would correspond to the launch of the Model 710 short action platform in 2005.

Model	MSP	NSP	1 st Year Volume
710 YTH w/scope .243 Win	\$329	\$300	5.0M Units

Production/Quality Control – It is important for Manufacturing to continue to focus on small incremental improvements on the Model 710 to improve manufacturing efficiencies that reduce costs while not sacrificing quality or performance.

Pricing Considerations – It is recommended that a \$10 price increase across the board on the Model 710 be taken in conjunction with the introduction of the Model 710 Magnum in 2004. Pricing should hold at

this level for two years. The entry-level centerfire market is somewhat price elastic. If Remington can hold pricing in this category while maintaining healthy margins, the long term competitive position in the category will be better served. It is critical to remain cognizant of the fact that **the Model 710 is positioned as value priced firearm. Annual price increases based on opportunistic beliefs can quickly change this product's position in the market as a price point firearm.**

Product Strategy 2003 – Model 700

The strategy for managing the Model 700 brand differs vastly from that of the Model 710. With a relatively fixed level of production capacity and broad product mix spanning nearly the entire spectrum of the market, the key to the future of the Model 700 is to focus strategies on maintaining production levels within the Ilion plant and protecting profit margins. This can be accomplished through:

- Special make up product opportunities allowing customers differentiated product through mixing and matching calibers and cosmetics with existing components.
- Concerted focus on consistency and quality in manufacturing to insure that product entering the market place meets customer expectations and continues to set the standard for bolt-action centerfire rifles.
- Revitalizing the current product line through cosmetic improvements.
- The incorporation of new materials and technologies that provide competitive advantage in the market.
- Efforts in manufacturing to improve efficiencies and reduce costs while maintaining the highest level of quality.
- Improved predictability and accuracy in order fulfillment through line item effectiveness

Model 700 ADL LS – Offered as an exclusive to Wal Mart, the Model 700 ADL LS is intended to replace the Model 700 ADL Deluxe in all Wal Mart stores. Featuring a polished blued receiver and barrel with iron sights and a brown laminate stock, the Model 700 ADL LS will be offered in .270 Win and .30-06.

Model	MSP	NSP (Wal Mart)	Volume
Model 700 ADL LS .270 Win	\$419	\$390	6000 units
Model 700 ADL LS .30-06	\$419	\$390	6000 units

Model 700 Titanium Magnum – A logical expansion of the new Remington SA Ultra Mag cartridges is to extend them into chamberings in the Model 700 Titanium. This strategy provides the hunter with magnum performance in the ultimate light carry rifle platform. The challenge to date is a means to deliver magnum performance in the Model 700 Titanium without creating a weight penalty by adding a heavy mountain contour barrel. The Model 700 Titanium as currently configured utilizes a slim, mountain contour stainless steel barrel. The present design is not suited to withstand the pressures created by a magnum round. Work is currently underway to qualify a new high strength stainless steel alloy that will safely handle magnum pressures while maintaining the slim, mountain contour barrel profile. This level of performance is currently unavailable in a production grade rifle and will provide competitive advantage in the market.

Model	MSP	NSP	1 st Yr. Volume
Model 700 Titanium 7mm RSAUM	\$982	\$896	400 units
Model 700 Titanium .300 RSAUM	\$982	\$896	800 units

Model 700 Remington SA Ultra Mags – Two Model 700 BDL SS sku's chambered for each of the two Remington SA Ultra Mag calibers were introduced at the 2002 S.H.O.T. Show as show special guns. Order response was strong with a combined total between the two in excess of 5M units. Plans are underway to include Model 700's chambered for the Remington SA Ultra Mags in the product line for 2003. These products consist of:

Model	MSP	NSP	1 st Yr. Volume
Model 700 BDL SS 7mm RSAUM	\$581	\$530	2000 Units
Model 700 BDL SS .300 RSAUM	\$581	\$530	3000 Units
Model 700 Sendero SF 7mm RSAUM	\$764	\$697	2000 Units
Model 700 Sendero SF .300 RSAUM	\$764	\$697	2500 Units
Model 700 BDL SS RMEF .300 RSAUM	\$626	\$571	2500 Units

Model 700 Classic 2003 – For the 23rd straight year, the Model 700 Classic will be offered in a limited edition caliber. The 2003 offering will be the .300 Savage

Model	MSP	NSP	FYr. Volume
Model 700 Classic .300 Savage	\$511	\$466	2000 units

Model 700 EtronX Long Range – While no new product introductions are planned for the Model 700 EtronX, special consideration will be given to a full court press sales effort. In order to accomplish this and support this effort, consigned gun accounts have been established for each of the four sales agencies. Sales agencies have been instructed to provide each sales rep with a sample EtronX rifle to use for demonstration purposes at key accounts.

Model 700 LV SF (Light Varmint Stainless Fluted) – Intended to reach a niche market, the Model 700 LV is designed to appeal to the “walking” varmint hunter who finds small bore varmint calibers desirable, yet finds a traditional 8 1/2 – 9 lb varmint rifle too heavy to meet his or her needs. The Model 700 LV will feature a custom designed composite stock, blued receiver, and a 22” medium magnum contour stainless steel clean barrel with fluting. Caliber offerings will consist of .17 Rem, .221 Rem. Fireball, .22-250 Rem, and .223 Rem. The Model 700 LV SF will be introduced in the summer of 2003 as a 2004 Spring Gun sku.

Model	MSP	NSP	FYr. Volume
Model 700 LV SF .17 Rem	\$712	\$649	1500 Units
Model 700 LV SF .221 Rem. Fireball	\$712	\$649	1500 Units
Model 700 LV SF .22-250 Rem	\$712	\$649	2500 Units
Model 700 LV SF .223 Rem	\$712	\$649	1500 Units

Production/Quality Considerations – A grass roots effort needs to evolve around improving, monitoring, and maintaining the quality and integrity of the Model 700 category. Specific issues exist currently which must be addressed. These issues are:

- **Rough chambers** - Major issues from a consumer perspective appear to center around the “roughness” of the chambers being excessive, exhibiting signs of worn tooling. In the case of rough chambers, the end result is often scarring of brass and excessive bolt lift forces.
- **Crooked Chambers** - Crooked chambers impact the Model 700 from an accuracy standpoint. Chamber casts of Model 700’s exhibiting

signs of "crooked" or eccentric chambers actually show unevenness in the throat area between the chamber and the bore with lands extending into the throat on one side of the chamber and not the other.

- **Rough Rifling** – Similar to rough chambers, rough rifling refers to tool marks and in some extreme cases, gouges in the lands within the bore of the barrel. This issue appears to be more prevalent on stainless steel barrels and has been an issue with the high end Model 700 Titanium rifle.
- **Crowns** – Ilion is currently targeting 100% of all centerfire rifles for accuracy. It appears that poor crowns contribute to a large percentage of rifles that fall out due to unacceptable accuracy in the gallery.

It is paramount to understand and uphold the fact that **Remington rifles set the standard for the rest of the industry**. Being "as good as" or "nearly as good as" the rest of the industry is a mindset that can not be tolerated.

Pricing Considerations – The key elements in pricing strategy for the Model 700 are to remain positioned competitively with respect to other product offerings within the category and to maintain margin positions. Internal factors taken into consideration for the upcoming year's pricing scenario are:

- Changes in raw material costs
- Changes in labor and overhead rates
- Capacity restraints/availability

External considerations are:

- Overall strength of the market
- General condition of the domestic economy
- Competitors strategies and past practices
- Inventory positions within the trade

While market conditions for bolt-action centerfire rifles have softened somewhat, the overall market for Remington rifles is still such that manufacturing is challenged capacity wise to fulfill order positions. No changes of significance are anticipated with respect to raw material or other variable costs that may negatively impact margin positions. It should be noted however, that at the time this document was written, these figures were not yet available for budgetary purposes, so they are somewhat speculative and will be revisited in August 2002 once budgets are submitted.

Based on this, there are no overwhelming issues from an internal perspective that require a price increase to maintain current margin positions.

Externally, however there are factors at play which make logical sense to take a price increase for 2003. Although trade inventory levels are high with respect to long action Ultra Mag sku's, demand for core offerings appears stable. The upcoming release of SAAMI 2002 Q1 share figures will confirm or raise question to this hypothesis.

From a competitive perspective, both Browning and Winchester are likely at full capacity with strong demand levels for the Winchester Short Magnum (WSM) calibers. Both are likely to initiate price increases for 2003. Browning, Winchester and Ruger have all taken substantial price increases over the past two years in relation to Remington. It is the belief of this writer that there is a price parity issue between Remington Model 700's and Winchester Model 70's in the premium centerfire bolt-action category. On average, Winchester Model 70's are priced at a \$30 premium to the Model 700. Entry level Model 700 ADL Synthetics are priced on a net basis approximately \$10 below the push-feed Winchester Model 70 Black Shadow. Remington must make up some of this price disparity in 2003. Price increases by category are as follows:

Model	2003 % Increase
Model 700 ADL	+2.5%
Model 700 ADL SYN	+2.5%
Model 700 Regular	+3.0%
Model 700 Stainless	+3.5%
Model 700 Titanium	+2.5%
Model 700 EtronX	NC
Model 700 Long Range	+3.0%

Product Deletions – See Appendix xx for a comprehensive listing of product deletions.

Product Strategy 2004 & Beyond – Model 700

The Model 700, while continuing to serve as the industry standard for modern day bolt-action centerfire rifles, is a product in the mature stage of

its product life cycle. Focus within the category in the near future will be a proactive approach geared toward maintaining volumes at peak levels at attractive margins. This is accomplished primarily through incremental improvements to the product line to keep it fresh in the eyes of the consumer. Some suggested concepts are as follows:

- **Model 700 BDL Synthetic Stock** – The current Model 700 BDL Synthetic stock is dated in styling and aesthetics. A common complaint of Model 700 Synthetic stocks is that it feels “hollow” and “cheap”. Wall thickness on the Model 700 Synthetic stock is relatively thin in the butt section and is currently stuffed with foam to help absorb some of the “hollow” sound encountered when the stock is tapped on. Consideration should be given to both increasing the wall thickness and to a change in material. The Model 597 rimfire and the Model 710 bolt-action centerfire both sport very solid feeling and sounding stocks which are substantially cheaper to produce than the current Model 700 Synthetic stock.

In addition to the “cheap” feel of the Model 700 Synthetic stock, its styling is dated. Originally designed as a plastic version of the trusted wood stock, checkering patterns were included in the molded design of the synthetic stock. Now that synthetics have gained acceptance in the market place, it is not a prerequisite that they follow along the same lines with respect to appearance as their wood counterpart. Changes in stock texturing or rubber over-molded panels in the grip and fore end areas of synthetic stocks are beginning to take the place of the more traditional checkering patterns. A great example is the Sako Model 75 Synthetic.

Requirements for a redesigned Model 700 Synthetic stock are:

- Must feel and sound more durable and solid than the current stock
- Must utilize either a texturing change or rubber over-molded panels in the grip and fore end areas
- Must take advantage of new technologies currently under evaluation by R&D to create a non-slip rubberized surface through the injection molding process
- Must minimize or eliminate “swirls” in the stock found in the current synthetic stock

The redesigned synthetic stock will be utilized on the higher price point BDL Synthetic models, providing further brand differentiation from the entry level ADL Synthetic models.

- **Model 700 Classic** – The Model 700 Classic will continue through 2004 and 2005. 2005 will mark the 25th anniversary of the Limited Edition classic and will likely mean the end of the series. Caliber offerings for 2004 and 2005 are:
 - 2004 – 8mm Mauser
 - 2005 - .35 Remington
- **Model 700 ADL LS Short Action** – In continued focus to manage Remington's relationship with Wal Mart, the Model 700 ADL LS will be offered in a short-action platform exclusive to Wal Mart in 2003. Calibers will be .243 Win and .308 Win.

Model	MSP	NSP (Wal Mart)	Volume
Model 700 ADL LS .243 Win	\$419	\$390	2000 units
Model 700 ADL LS .308 Win	\$419	\$390	2000 units

- **Model 700 ADL LS Ultra Mag** – In an effort to continue to improve category growth at Wal Mart, a third version of the Wal Mart exclusive Model 700 ADL LS will be offered in .300 Remington Ultra Magnum in 2004.

Model	MSP	NSP (Wal Mart)	Volume
Model 700 ADL LS .300 RUM	\$449	\$418	4000 units

- **Model 700 EtronX** – A .30-06 hunting version of the Model 700 EtronX is currently in test at R&D. The new design capitalizes on means to reduce cost on the firearm to appoint where the hunting version of the EtronX will be available at retail for \$800-\$900. Also underway is the ASICS program intended to miniaturize and further reduce cost of the EtronX concept. **The future of the EtronX concept lies in Remington's success or failure to effectively promote the benefits of the concept to the consumer through hands-on demonstrations, product focused advertising, intensified PR and incentive based promotion at the retail level (on both sides**

of the counter). To date, the EtronX program has been a major product success hindered by a market acceptance failure.

Production/Quality Control – Focus must be maintained on the part of manufacturing on monitoring and insuring the quality and integrity of the Model 700 brand. Emphasis must be placed on consistency and standardization within manufacturing processes. Focus should also be placed on cost reducing measures which improve margins, but do not detract from the perceived quality of the product.

Pricing Considerations – Pricing will be reviewed annually in order to determine the most effective pricing strategy from year to year. Market dynamics and conditions are constantly changing, making meaningful forecasting models for pricing marginally effective at best. Pricing strategies will likely continue to be driven by necessity and opportunistic events and conditions. For forecasting purposes the following price increases per year will be used with the understanding that the percentages may fluctuation up or down in any given year.

Model	2004 % Increase	2005 % Increase
Model 700 ADL	+1.0%	+1.0%
Model 700 ADL SYN	+1.0%	+1.0%
Model 700 Regular	+2.0%	+1.5%
Model 700 Stainless	+1.5%	+1.5%
Model 700 Titanium	+1.0%	+1.5%
Model 700 EtronX	NC	NC
Model 700 Long Range	+2.0%	+1.5%

Product Strategy 2003 – Model Seven

While the Model Seven product category has nowhere near the breadth of the Model 700, the strategies for growth are essentially the same. While less emphasis in the short term will be placed on new materials, the same

strategies with respect to manufacturing quality, costs, and line item effectiveness do apply.

Model Seven Regular – No new product introductions are planned for 2003.

Model Seven Stainless – No new product introductions are planned for 2003.

Production/Quality Considerations – The same principles that apply to the Model 700 also apply to the Model Seven. See topic description above.

Pricing Considerations - The same principles that apply to the Model 700 also apply to the Model Seven. See topic description above. Pricing recommendations for the Model Seven in 2003 are as follows:

Model	2003 % Increase
Model Seven Regular	+3.0%
Model Seven Stainless	+3.5%

Product Deletions – No Model Seven product deletions are planned for 2003. See Appendix xx for a comprehensive listing of product deletions.

Product Strategy 2004 & Beyond – Model Seven

The same product strategy applied to the Model 700 will apply to the Model Seven. The product category will be managed to maintain margins and volume through incremental improvement intended to reduce cost and/or improve the brand's perception in the market. Topics for consideration are:

- Synthetic stock redesign (See Model 700 topic above)
- Reducing weight in the magnum products through the utilization of high strength alloys for barrels

Pricing strategies will follow closely the strategies applied to the Model 700. Price increases will be based on opportunistic potential and/or necessity to maintain profitability.

Model	2004 % Increase	2005 % Increase
Model Seven Regular	+2.0%	+1.5%
Model Seven Stainless	+1.5%	+1.5%

Product Strategy 2003 – Other New Product Opportunities

Model 673 Guide Rifle – In 1965, Remington introduced the Model 600 Magnum Carbine bolt-action centerfire rifle. Chambered originally for .350 Remington Magnum and later for 6.5mm Remington Magnum, the Model 600 Magnum Carbine featured a beech and walnut lumber laminate stock and 18.5” barrel with a full length, synthetic ventilated rib. Today, these firearms are widely sought after by collectors and enthusiasts.

For 2003, Remington plans to introduce the next generation rifle based on the lineage of the old Model 600 Magnum Carbine. Based on the Model Seven Magnum platform, the Model 673 Guide Rifle will feature a nearly identical stock to the old Model 600 Magnum with a 22” barrel with a full length, steel ventilated rib. The Model 673 Guide Rifle will be chambered in .350 Remington Magnum and .300 Remington SA Ultra Mag. It should be noted that the .350 Remington Magnum, absent from the Ammunition line for sometime will be reintroduced by the Ammunition group to accompany the new Model 673.

Model	MSP	NSP	1st Yr. Volume
Model 673 Guide Rifle .350 Rem Mag	\$619	\$565	1500 units
Model 673 Guide Rifle 300 RSAUM	\$619	\$565	1500 units

Product Strategy 2004 & Beyond – Other Product Opportunities

New Centerfire Bolt-Action Rifle (C-BAR) – While the Model 700/Seven categories are still enjoying healthy volumes and profit margins, both products are relatively mature in their life-cycle. The Model 700 will certainly continue to occupy and drive a significant portion of the future of the Remington Arms Company. However, Remington must be proactive and look to new technologies, materials, and manufacturing methods to design and implement a new product family that is cutting edge from an accuracy and performance perspective and more cost effective to manufacture than current products. As the next generation of premium centerfire bolt-action rifles, the C-BAR’s design should take the following into consideration:

- Accuracy capability that is unprecedented in a production grade bolt-action centerfire rifle through production methods that result in product consistency and predictability
- Crisp fire control that sets the standard for the industry in performance, reliability and safety.
- Utilization of state of the art materials that yield unprecedented strength, yet allow for a lighter weight product.
- Use of high performance recoil reduction technology.
- Designed for ease of manufacturing through parts commonality from caliber to caliber and assembly that is easily repeatable and lends itself to standardized processes.

It is important to note that the realistic timeframe for the introduction of the C-BAR exceeds the scope of this three-year plan, however it is important to begin the conceptualization of this project within the next two to three years. **Although current centerfire rifle order positions are solid with the Model 710 and Model 700, history in the autoloading shotgun market has taught us that displacement within the market is only as far away as the next major product innovation. Remington must be proactive in this regard.**

Centerfire Repeating Rifles

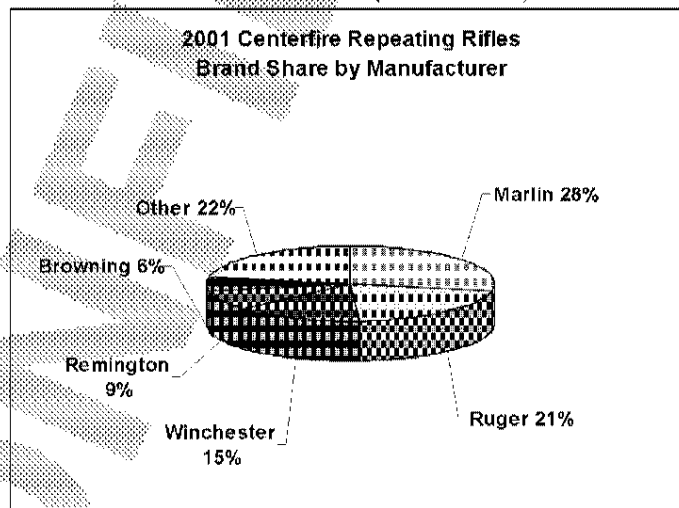
The U.S. domestic market for centerfire repeating rifles is estimated to be 358M units annually with an estimated retail sales value of \$114MM.

Sales volume and market share are estimated as follows:

**2001 Domestic Repeating Centerfire Rifle Market
Estimated Sales by Manufacturer¹⁴
(Units in M's)**

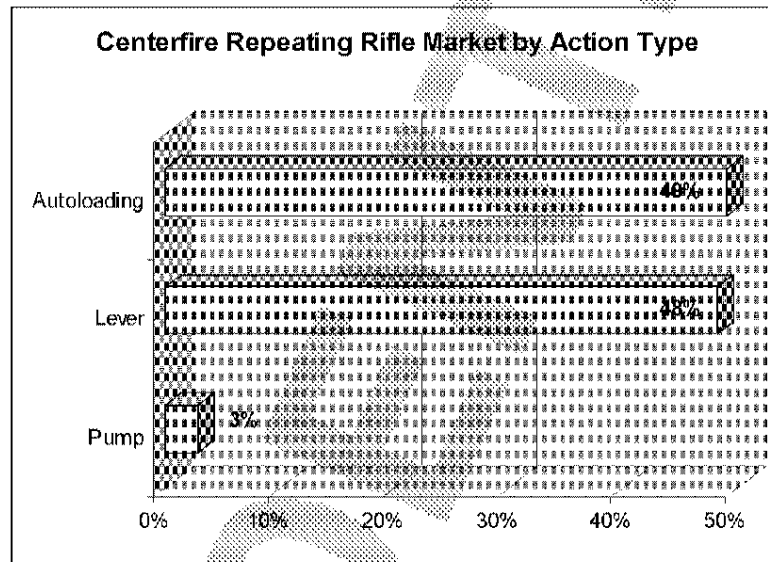
Manufacturer	Units
Marlin	101
Ruger	75
Winchester	53
Remington	28
Browning	22
Other	79
Total	358

**Centerfire Repeating Rifle
Brand Share (% of Units)**



¹⁴ Combined estimate of BATF, SAAMI, and NASGW 2001 Data

The centerfire repeating rifle category is comprised of three basic action types: Autoloading, Pump and Lever. A breakdown by action type is as follows:



The overall centerfire repeating rifle market picture is not a pretty one, especially for Remington. Volumes across the category have diminished, particularly in the pump and autoloading rifle categories in which Remington competes. **Perhaps the most significant and overwhelming reason for this decline in market size is the popularity of bolt-action centerfire rifles.** This environment has been created by the rising prices of repeating centerfire rifles and compounded by the increasing number of affordable bolt-action centerfire rifles in the market.

Remington Segment Performance

Remington participates in the category with the Model 7400 series of autoloading centerfire rifles and Model 7600 pump action centerfire rifles. **Sales volume in 2001 for the entire category totaled 28M units and accounted for \$10.6MM in revenue. These figures account for a 20% decrease in the category from 2000 sales levels.**

<u>Model 7400</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2002</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>FCST</u>	<u>PO</u>
Unit Sales (M)	26.7	27.2	24.0	19.5	21.0	21.9
Sales Dollars (\$MM)	\$8.4	\$8.8	\$8.1	\$6.8	\$7.2	\$7.5
Standard Margin (\$MM)	\$3.4	\$3.6	\$3.5	\$2.8	\$2.8	\$2.7
Standard Margin (%)	41.0%	40.5%	42.8%	40.4%	36.6%	35.9%
<u>Model 7600</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2002</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>FCST</u>	<u>PO</u>
Unit Sales (M)	13.5	12.6	11.3	8.5	8.0	8.5
Sales Dollars (\$MM)	\$3.9	\$3.8	\$3.7	\$2.7	\$2.6	\$2.7
Standard Margin (\$MM)	\$1.5	\$1.4	\$1.5	\$1.0	\$0.9	\$0.9
Standard Margin (%)	39.3%	38.0%	40.4%	38.4%	35.0%	34.1%

It is apparent from the information above that the category is challenged from Remington's perspective. **With an exponential decline in unit sales volume on a year to year basis, Remington is faced with some very key impending decisions with respect to the long term future of the product category.** Primary reasons for the decline in sales for the Model 7400/7600 series are:

- *Unfavorable general market conditions for the 7400/7600 category with respect to consumer preferences geared toward bolt-action rifles*
- *Favorable pricing for bolt-action rifles appealing to the traditional repeating rifle customer*
- *Dated design of the Model 7400/7600 is not competitive with today's product offerings (i.e. not capable of handling magnum cartridges)*
- *Poor reputation for quality and reliability, particularly in the Model 7400 series*
- *Lack of recent focus through advertising efforts to promote the product and generate consumer awareness*

Competitive Outlook

The following section will briefly address competitive offerings in the centerfire repeating rifle category. It is important to note that the "other" category listed earlier in the section is comprised mostly of surplus military rifle imports and assault rifle type configurations. Due to the scope of

Remington's business, only sporting rifles will be addressed. The three basic action types (autoloader, pump, and lever) will each be summarized.

Autoloading Centerfire Rifles

Browning

The Browning BAR is the principle competitor to the Model 7400. The BAR is a gas operated autoloading rifle and is offered in an unbelievable 46 sku's. The BAR is available in varying grades, ranging from the all-purpose synthetic Stalker series, to the high-grade Safari series equipped with high polished blued metal with fancy fine line engraving and fancy walnut. Caliber offerings range from .243 Win to .338 Win Mag. New for 2002, the BAR is also offered in the .300 WSM caliber. All models feature detachable magazine boxes.

Ruger

Ruger participates in the autoloading centerfire segment primarily with the Mini-14/Mini-30 series of carbine rifles. Based off of the military M-1 carbine style, the Mini-14/Mini-30 series rifles are gas operated with a detachable rotary magazine. Available in wood and synthetic stock configurations and a choice of stainless or blued steel, the Mini-14/Mini-30 series of rifles are chambered for .223 Rem and 7.62x39 cartridges.

Ruger also offers the Deerfield Carbine, chambered for the .44 Magnum centerfire pistol round and a blow-back operated PC carbine for law enforcement chambered for .40 S&W and .9mm pistol rounds.

Remington

The Remington Model 7400 series of gas-autoloading centerfire rifles are offered in both synthetic and wood versions. Both versions offer 22" barrel length models as well as 18 1/2" carbine models. Chambered in short and long-action calibers popular with deer hunters, the 7400 features a rotary lock up with four lugs and detachable magazine boxes. While popular with deer hunters in the U.S., the Model 7400 is also popular in Europe with International sales comprising 15%-20% of total unit sales. European volumes have dwindled over the course of the past five years. Primary reasons for this decline are issues related to reliability with respect to

feeding and to the growing popularity of the Browning BAR and other European manufacturers.

Wholesale Pricing Comparison Autoloading Centerfire Rifles

Manufacturer	Model	Net Wholesale Price
Browning	BAR SYN Stalker	\$566 - \$618
Browning	BAR SYN Stalker BOSS	\$660
Browning	BAR Lightweight	\$583 - \$636
Browning	BAR Safari	\$583 - \$636
Ruger	Mini 14	\$370 - \$433
Ruger	Mini 30	\$393 - \$433
Ruger	PC Carbine	\$352 - \$365
Remington	Model 7400 SYN	\$356
Remington	Model 7400 Wood	\$427

Pump Action Centerfire Rifles

Remington

Browning's recent withdrawal of the BPR from the market leaves Remington as the sole source supplier of pump action centerfire rifles. **The category as a whole however is not very popular with concentrated followings primarily in the Northeast U.S., particularly in Pennsylvania.** Total Model 7600 sales volume for 2001 was less than 10M units worldwide. With a design very similar in nature to that of the 7400 with respect to the receiver and fire control, the Model 7600 is available in the same basic configurations as the Model 7400.

Wholesale Pricing Comparison Pump Action Centerfire Rifles

Manufacturer	Model	Net Wholesale Price
Remington	Model 7600 SYN	\$331
Remington	Model 7600 Wood	\$402

Lever Action Centerfire Rifles

Remington does not currently participate in the lever action centerfire rifle market, nor are there foreseeable plans to do so. However, lever action centerfire rifles are a close substitute product for pump action centerfire rifles and it is important to at least understand the current offerings available in the market place.

Marlin

Marlin's basis in the lever action centerfire rifle category centers on the Model 1894 design. The Model 1894 design features an exposed hammer, tubular magazine fed action with side eject. The Model 1894 series are wood stocked configurations chambered for .44 Rem Mag, .44 S&W Special, and .357 Magnum. A stainless steel model is available as well. An 1894 Cowboy series is also in the lineup, targeted towards the Cowboy Action shooting market.

Also based on the Model 1894 design is the Model 1895 Big Bore series chambered for .450 Marlin and .45/70 Govt. The Model 444 is essentially a line extension of the Model 1895 chambered for .444 Marlin. Both the Model 1895 and Model 444 feature an exposed hammer, tubular magazine fed action with side eject. All models feature walnut stock and fore ends. One sku is available with a stainless steel barrel and action.

A popular offering with deer hunters is the Model 336 series. Also based on the Model 1894 design, the Model 336 series is chambered primarily in the popular and widely available .30/30 Winchester. Although the Model 336 is available primarily in wood stock configurations, a camouflaged synthetic stock model is offered as well. The Model 336 is also offered in a stainless steel version. Along with offerings from Winchester, Marlin lever action rifles are formidable competitors to the Remington Model 7600, especially in the Northeastern United States.

Winchester

Winchester participates in the lever action centerfire rifle category with the Model 94. Like the Marlin, the Winchester Model 94 is based on a highly successful design that has prevailed for over one hundred years. The Model 94 sports an exposed hammer, tubular magazine fed action with top eject. Essentially available in the same principle caliber offerings as the Marlin 1894 (.30/30, .357 Mag., .44 Mag) as well as .480 Ruger and .45 Colt, the Winchester Model 94 is a principle competitor to the Remington Model 7600.

Wholesale Pricing Comparison Lever Action Centerfire Rifles

Manufacturer	Model	Net Wholesale Price
Marlin	Model 336	\$243 - \$286
Marlin	Model 336 Stainless	\$346
Marlin	Model 1895	\$341 - \$375
Marlin	Model 1895 Stainless	\$411
Marlin	Model 1894	\$300
Marlin	Model 1894 Stainless	\$367
Winchester	Model 94	\$272 - \$338

S.W.O.T Analysis – Remington Repeating Centerfire Rifles

Strengths

- Strong brand recognition
- Familiar design leads to ease of use
- Unique product offering (Model 7600)
- Priced competitively

Weaknesses

- Dated design concept
- Product category is “out of favor”
- Less than stellar reputation for functioning properly
- Perceived as less accurate than bolt-action rifles
- Unable to accept magnum cartridges

Opportunities

- Re-establishment in European market through a concerted focus on improving product quality (Model 7400).
- Expansion of French market opportunities through introduction of standard line item with 2-shot non-detachable magazine
- Niche market opportunities in domestic market
- Entry and acceptance in the Law Enforcement markets

Threats

- Legislative pressures to eliminate or vastly restrict sale of pump and autoloading centerfire rifles to the public
- Continued pressure from competitors further eroding market share
- Growing popularity of lower price point bolt-action rifles acting as substitute product (Model 7600)
- Environmental conditions such as Chronic Wasting Disease threatening game populations

Product Strategy 2003 – Centerfire Repeating Rifles

Developing a meaningful strategy for the Remington centerfire repeating rifle product family is difficult at best. Current product offerings are well into the declining stages of the product life cycle. The overall market for pump and autoloading rifles is flat or slightly declining domestically. The world market size for these products is less than 150M units annually. Both of these factors present challenges in developing a new product family, requiring a product design that utilizes many of the same components from a parallel development effort such as the G.A.S. (Gas Autoloading Shotgun) project. Such an effort would have to be carefully evaluated closer to the launch of the G.A.S project in order to determine the feasibility of this concept.

Therefore, the near term strategy for Remington's centerfire repeating rifle business will be to maximize the opportunity for sales of the Model 7400 and Model 7600 through focused efforts to target product toward niche opportunities. Also in 2003, Remington will place a focused effort from an advertising perspective to aid in sparking consumer interest and create some momentum to "pull" demand through the retail sector. There has been no

advertising presence for this product category for at least three consecutive years.

Model 7400 Weathermaster – At the 2002 S.H.O.T. Show, Remington unveiled as a show special the Model 7400 Weathermaster chambered for .30-06. The Weathermaster is a Model 7400 Synthetic with a nickel-plated receiver and barrel, designed for added weather resistance. The Model 7400 Weathermaster proved successful at the S.H.O.T. Show, with orders exceeding the forecast volume of 1000 units. Despite the fact that the product is not cataloged, the Model 7400 Weathermaster is the third most popular sku for 2002 from an order perspective. For 2003, the Model 7400 Weathermaster will be a catalog product, offered in .270 Win and .30-06.

Model	MSP	NSP	1 st Yr. Volume
Model 7400 Weathermaster .270 Win	\$468	\$427	1000 units
Model 7400 Weathermaster .30-06	\$468	\$427	1500 units

Model 7400 2-Shot Non-Detachable Magazine – As stated earlier, the Model 7400 is popular in the European market, especially in France. However, in order for the Model 7400 to be legal for sale in France, the rifle must be fitted with a 2-shot only magazine box that can not be removed from the rifle. Past practices have involved shipping Remington's key French distributor standard product. The distributor then must modify the firearm to be legal for sale. Remington has devised a solution from the factory in a modified magazine box that only allows two rounds to be loaded in the magazine at a time and is pinned to the receiver preventing its removal.

Model	MSP	NSP	1 st Yr. Volume
Model 7400 2-Shot ND .280 Rem	\$493	\$449	600 units
Model 7400 Carbine 2-Shot ND .280 Rem	\$493	\$449	600 units

Production/Quality Considerations – Perhaps the most important issue pertaining to the repeating centerfire rifle category centers on the reliability issues with the Model 7400. Considerable emphasis needs to be placed on insuring that that the Model 7400 will reliably cycle and function consistently. Remington's European business is suffering as a result of poor performance in the field. A recent letter from Remington's key distributor in Italy noted that every Model 7400 received by them undergoes a rigorous evaluation and rework by their gunsmiths at their expense. The reputation

for poor performance has become so widespread that the distributor, after completing their evaluation and rework includes an insert in each gun box stating the following.

*We declare that the above mentioned rifle, after the forced test provided for by law at the National Proof House of Gardone Val Trompia **has undergone another shooting test using a congruous number of cartridges of the commercial choice in order to guarantee the correct functioning of its semi auto mechanism.***

The same letter indicated that of the last 400 Model 7400's that were received 50 of them or 12.5% did not reliably function with factory ammunition. These issues must be corrected. One of the key selling points behind the Model 7400 is that the firearm enables the shooter with the ability for rapid follow up shots. The benefit of this feature, of course, is lost when the rifle will not properly cycle ammunition. Each Model 7400 must with absolute certainty, function flawlessly with factory ammunition prior to leaving the Ilion facility.

Pricing Considerations - Due to declining sales and a softening market, no pricing recommendations are recommended for either the Model 7400 line or the Model 7600 line.

Product Deletions - No product deletions are planned for the Model 7400 or Model 7600 for 2003.

Product Strategy 2004 & Beyond - Centerfire Repeating Rifles

As stated earlier, the near term strategy for Remington's centerfire repeating rifle business will be to maximize the opportunity for sales of the Model 7400 and Model 7600 through focused efforts to target product toward niche opportunities. Through this strategy, along with efforts to improve the quality of the Model 7400, the focus will be on stabilizing order positions within the category on an annual basis.

New Centerfire Autoloading Rifle (C.A.R.) - It is with great hesitation that this writer includes a new product concept for a new centerfire autoloading rifle in this business plan considering the state of the market. However, consumer tastes and preferences do change over time and reliable

autoloading centerfire rifle using state of the art technology, could spark some enthusiasm in the category.

An evaluation by R&D and Manufacturing needs to be performed to project the resources required for such an effort. In order to keep development costs to a minimum, the C.A.R. should utilize many of the same components and design concepts generated by the current G.A.S. (Gas Autoloading Shotgun) project. General criteria for the C.A.R. are as follows:

- Gas autoloading design
- Must function ammo ranging from .243 Win to .300 Win Mag., as well as Remington Short Action Ultra Mag cartridges.
- Capability to function .223 Remington ammunition would be beneficial, but is not a prerequisite.
- Detachable box magazine
- 2-shot non-detachable magazine option for International.
- Utilization of recoil reduction technology.
- Synthetic and wood versions available.

Model	MSP	NSP	Annual Volume
Centerfire Auto Loading Rifle – S/A & L/A	\$560	\$511	25000 units
Centerfire Auto Loading Rifle – Magnum	\$580	\$529	10000 units

Pricing Considerations – Unless opportunity presents itself, rationalization for price increases in the Model 7400/7600 product lines will be difficult to come by. In all practicality, some level of increase will likely prove necessary in order to maintain margins. For forecasting purposes the following price increases per year will be used with the understanding that the percentages may fluctuation up or down in any given year.

Centerfire Repeating Rifle Price Increases 2004 & 2005

Category	2004 %	2005 %
Model 7400	1.5%	1.5%
Model 7600	1.0%	1.0%

CONFIDENTIAL