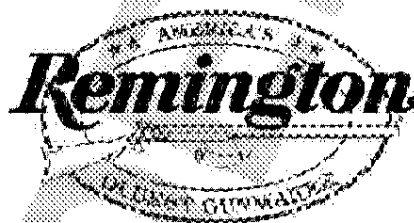


CONFIDENTIAL TRADE SECRET

REMINGTON ARMS COMPANY, INC.

FIREARMS DIVISION



FIREARMS THREE YEAR STRATEGIC MARKETING PLAN

(2004-2006)

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FIREARMS STRATEGIC MARKETING PLAN, 2004 – 2006

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EXECUTIVE SUMMARY

Vision Statement – No other manufacturer of firearms, ammunition or accessories has the rich history, the brand strength, the length and depth of product, or the world class personnel of the Remington Arms Company. These strengths place Remington in an industry-leadership position in terms of integrity, customer service and new product innovation. A solid, thoughtfully executed marketing plan based on sound product management will ensure Remington's dominant role in the world firearms marketplace over the long term. This Strategic Marketing Plan is the path towards that goal.

Mission Statement – When charting a path for the future Firearms Division's guiding principles will be three fold:

1. Manage the current product line for maximum profitability, maximum sustainability and in accordance with a detailed strategic framework.
2. Build a new firearms portfolio that is without peer by harnessing Remington's considerable technical talent and intellectual competency.
3. Service the needs of the market place with speed, accuracy and an eye to the future.

Business Objectives, Shotguns – In summary, the three year business objectives for shotguns are:

- Autoloading Shotguns - Grow market share 10% by taking advantage of specialty markets, launching a serious quality improvement effort for the Model 1100/11-87 and by creating a revolutionary new autoloader that will outperform anything currently available. In addition, grow margins by significantly cost reducing current product.
- Pump Action Shotguns - In pump action shotguns, the goal is to gain at least 5% share through a two-pronged approach. The first phase of the plan is to improve the cosmetic appeal of the Wingmaster and the Express/Special Purpose lines. Phase two is a cost reduction effort in Express guns that will be reflected in price to take share away from Remington's low-cost competitors.
- Break Action Shotguns/Special Product Opportunities – The goals in Remington's Over/Under shotgun business are to grow market share from less than 1% to 6% by 2006 and to build sustainable margins into the O/U line. In addition, special products such as a price-point bolt action slug shotgun will open new and lucrative markets for Remington.
- Extra Shotgun Barrels – In the short term growth in the extra barrel business will come from expanded offerings in 16, 20 and 28 gauge as well as more accurate rifled slug barrels. Long term growth in extra barrels will come from offerings for the Model 2100 New Gas Autoloading Shotgun.

Business Objectives, Rifles – In summary, the three year business objectives for rifles are:

- Autoloading Rimfire Rifles – Entrench the Model 597 in the marketplace through a continued focus on quality and value. **Additionally, the objective is to grow the Model 597 business from the current 50M units annually to an aggressive 65M units annually by 2005.** This will be accomplished through a concentrated effort on product innovation and by focusing on the specific needs of customers through special makeup opportunities. Manufacturing will also be challenged to improve profitability on the Model 597 through cost reducing efforts that have a neutral or positive impact on value to the consumer.
- Manual Action Rimfire Rifles – Remington will re-establish itself in the bolt-action rimfire market through the introduction of the Model 504 rifle. The Model 504 will provide Remington with an attractive margin position while filling a current void in the marketplace for a high-quality bolt-action rimfire rifle without a \$1M price tag. The Model 504 must scream value by providing outstanding accuracy, flawless performance and quality workmanship found only in higher priced platforms. **Market share objectives for the Model 504 are 5%-7% share of the total bolt-action rimfire market (7.5M – 10M units annually) by 2005.**
- Bolt Action Centerfire Rifles – Remington will protect and maintain the market share and margin positions enjoyed by the Model 700 series of bolt-action centerfire rifles. This will be accomplished through a continued focus on improving quality and manufacturing throughput while responding in a more timely fashion to the individual needs of the customer. **Significant emphasis will be placed over the course of the next three years to refresh the Model 700 line and to grow the Model 710 line through the addition of more caliber offerings.**
- Repeating Centerfire Rifles – The Model 7400/7600 series of repeating rifles have peaked in their product life cycle and are currently in decline. **The present designs do not adequately meet the standards and expectations of the market with respect to reliability (particularly the Model 7400) and application (no magnum capability).** The short term focus will be on preserving sales levels in the category, with a longer-term (3year) focus on the introduction of a new autoloading centerfire rifle platform which effectively meets the expectations of the market while providing Remington with annual volumes in the 25M-30M unit range.
- In-Line Muzzleloading Rifles – Despite an early charge upon the introduction of the Model 700ML, volumes have declined and leveled off in the 7M-9M units per year range. **Opportunities for growth exist for Remington primarily through a low-priced, clam pack muzzleloader based on the Model 710 platform.**

Shotgun Market Summary

According to estimates the 2002 shotgun market represented approximately 1.15 million units in annual sales volume with a retail sales value of \$351,000,000¹. In 2001, NSGA studies reported 1.15 million purchases valued at \$363,000,000.

SAAMI reporting for 2002 factory shipments of shotguns showed an industry increase of 6.4% in units and 2.1% in dollars from the previous year. Remington's performance revealed increases of 7% in units and 8.5% in dollars². While up overall, downturns were most evident in Remington's autoloading shotgun category and indicate loss of share to the competition that has been an ongoing trend for several years.

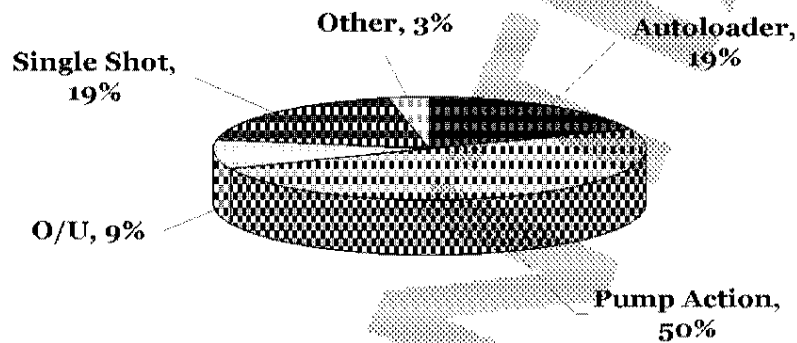
The domestic shotgun market is composed of four principal product categories: Autoloading, Pump Action, Break Action and other types such as Bolt Action that are typically low-volume specialty categories. Estimates of volumes averaged over the last three years by category are:

2002 Shotgun Sales Volume By Action Type in Units³

| <u>Action Type</u> | <u>Units (M)</u> |
|--------------------|------------------|
| Autoloading | 217 |
| Pump Action | 575 |
| Over and Under | 104 |
| Single Shot | 218 |
| Other | 34 |
| TOTAL | 1148 |

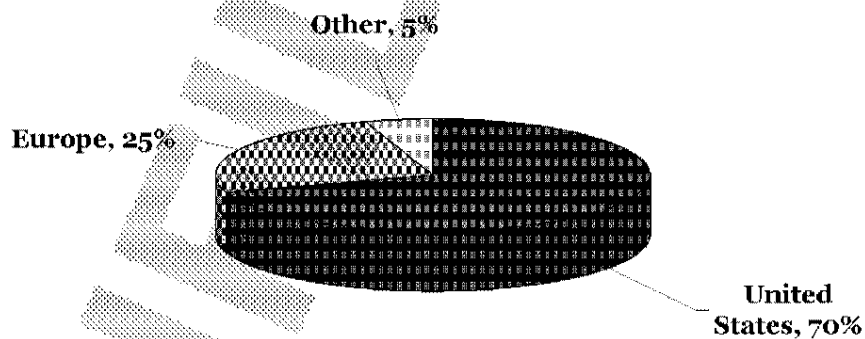
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1. Combined analysis of SAAMI Reporting Year End 2002, NSGA Retail Sales Study 2002, US Customs Data 2002
 2. Remington Sales Information System for 2002
 3. Combined analysis of SAAMI Reporting Year End 2002, NSGA Retail Sales Study 2002

**2002 Shotgun Market Share by Action Type
(% of Units)**



The shotgun market in the U.S. dominates the world in units sold.

**World Shotgun Sales
(% of World Sales, excluding Ex-USSR & China)**



Shotgun purchases worldwide are still focused heavily on hunting and other sporting uses, despite a growing personal defense segment in the U.S.

SHOTGUN INDUSTRY ANALYSIS

The shotgun market in the U.S. is comprised of 6 major manufacturers, who together total over 90% of domestic sales. They are: Remington®, Mossberg®, Browning®/US Repeating Arms Co® (USRAC), New England Firearms® (NEF)/Harrington & Richardson® (H&R), Beretta® and Benelli® (Benelli is actually owned by Beretta Group, but they are perceived as separate entities due to very different product offerings). These six differ in terms of their pricing, customer profiles and brand perception. Additionally, the big six differentiate themselves from each other in the amount of print advertising they buy and the subsequent benefits they apparently get from it.

1. “Customer Profiles”

- Traditionally, the typical shotgun customer has been conveniently categorized as male, around 40 years old, living in the Southeast or Midwest region of the U.S., with an annual income level of \$20K-\$50K and who purchases a shotgun primarily for hunting purposes. The problem with such broad definitions is that they can too easily ignore important segments of the buying public. This can hinder product innovation by not concentrating on what customers or potential customers want in terms of product *outcomes*. It is therefore more effective to group information together using outcome-based segmentation, where the focus is on the end result. With this method a proposed feature or product is rated for importance and how well it is currently satisfied in the market place. Simply put, the path forward in establishing future “customer profiles” will be to more effectively determine what product traits are the most important and at the same time the least satisfied

2. Brand Perception

- The perception of shotgun product value among the big six is highly relative. The most telling indicator of value in today’s shotgun market is to examine the most recent average price points among the various product categories as compared to sales volume in units. Based on this, the following generalizations can be made about the big six:
 - **Remington** – Most Remington shotgun products are considered a good value for a relatively moderate price. The fact that all Remington shotguns are American made is still seen as favorable to domestic customers. The Model 870 is considered the standard for pump action shotguns but Remington autoloading shotguns are exhibiting symptoms of a life cycle in decline.

- **Mossberg** – After exiting the autoloading shotgun category by discontinuing the Model 9200, Mossberg has returned to its place as solely a low-cost pump action shotgun manufacturer. Mossberg products are the choice for the consumer who wants to spend as little as possible when buying a pump shotgun, regardless of quality.
- **Browning/USRAC** – The product line from Browning/Winchester is considered high quality and features familiar brand names. These shotguns are typically positioned above Remington but below Beretta/Benelli in price and are perceived as excellent values given the many useful features.
- **NEF/H&R** – Now owned by Marlin, New England Firearms/Harrington & Richardson manufactures inexpensive break action, single shot shotguns. As such, NEF/H&R virtually owns the domestic single shot market, despite some loss of share to cheaper imports.
- **Beretta** – Beretta's perceived market position is the provider of high quality shotguns for sportsmen and competitors of discriminating taste. Higher priced than Remington and even Browning/Winchester, Beretta has made significant progress in gaining market share in the past 10 years. This is in direct contradiction to the "price is everything" school of thought.
- **Benelli** – Shotguns from Benelli are widely considered high performance at a higher than average price. In fact, most of Benelli's advertising now sports the slogan "Performance worth the price". Benelli is now a major competitor in the autoloading and pump action category. Benelli and Beretta together control a significant portion of the total domestic shotgun market.
- **Turkish & Russian Imports** – Relatively new to the domestic shotgun scene, inexpensive imported shotguns from Turkey and Russia have made a significant impact on the US market in terms of market share and pricing influence. The vast majority of these guns are cheaply made and in some cases highly suspect in terms of safety. The extremely low price, however, has attracted its share of followers.

Inexpensive Import Shotguns - Background

Imported firearms from Turkey and Russia are made up of shotguns in the following three categories: Autoloader, Pump-Action and Break-Action¹. These inexpensively made firearms are rapidly becoming a significant portion of domestic sales in the United States and are threatening Remington's market share. According to the US International Trade Commission, *over \$20.5 million worth of shotgun product was brought into the United States in 2002 alone.*

The Sporting Arms and Ammunition Manufacturers Institute, or SAAMI, is an association of leading firearm, ammunition and component manufacturers that has been actively involved since 1926 in setting industry standards for product quality, technical specification and the safe, responsible use of firearms². SAAMI members voluntarily submit themselves to this regulation both as a matter of industry-wide common sense and as a matter of public interest. None of the gun manufacturers in Turkey or Russia are members of SAAMI or even the European CIP, and without compliance to rigid specifications these shotguns are automatically suspect in terms of adherence to quality or safety standards.

The National Shooting Sports Foundation, or NSSF, is the leading trade association of the firearms and ammunition industry. Founded in 1961, the NSSF is a non-profit organization whose mission is to promote a better understanding of, and a more active participation in the shooting sports. The NSSF manages a variety of public-service programs whose goals include education, safety, and ethical, responsible firearms ownership³. None of the gun manufacturers in Turkey or Russia are members of the NSSF and do nothing in the US regarding public service.

Manufacturers of Turkish Shotguns

The most well-known manufacturers of Turkish shotguns are clustered in the Istanbul and Konya/Uzumlu areas. The number of U.S. representatives of these three major manufacturers is growing. Unfortunately this is creating a cloudy picture in the marketplace of multiple brand names on virtually identical firearms.

Huglu Shotguns, Inc. is named for the town where the factory resides in central Turkey. According to their own FAQ page, Huglu makes over 65,000 shotguns annually. Huglu shotguns are imported by H-Legacy (formerly Huglu USA) based in Rigby, Idaho. Nearly identical guns are also made for other buyers and are marketed in the United States under the **Traditions** brand out of Old Saybrook, CT and under the **Diamond** brand distributed by Adco Sales, Inc out of Woburn, MA.

1. U.S. Imports for Consumption Data, Foreign Trade Division, U.S. Census Bureau 2003

2. www.saami.org, 3/03

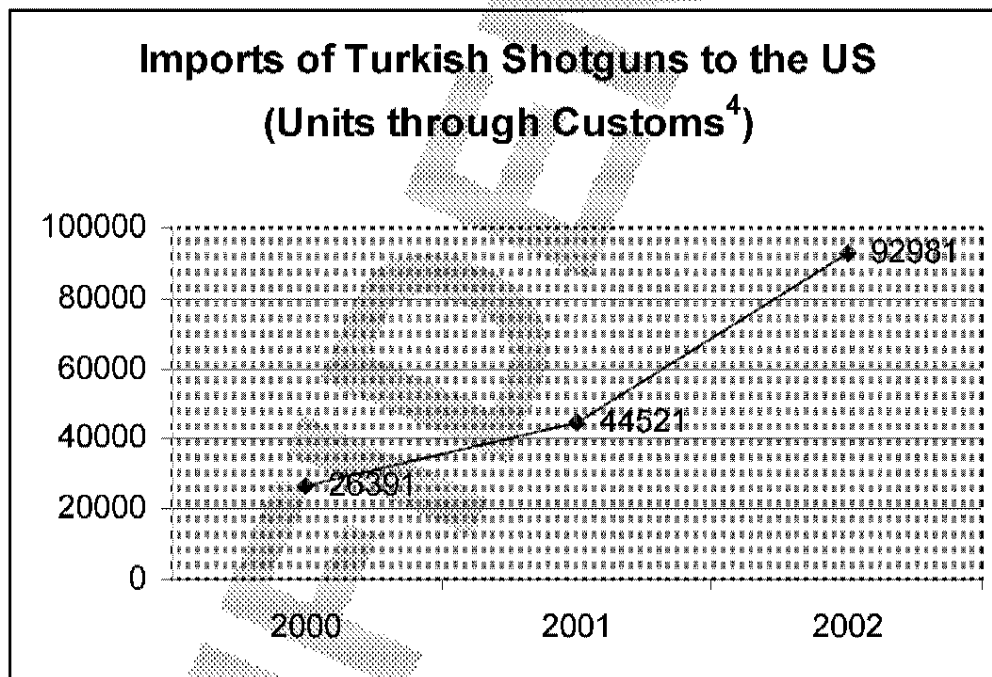
3. www.nssf.org, 3/03

Akkar manufactures shotguns that are marketed in the United States under the trademark “**Charles Daly**”. These guns are distributed by Lipsey’s Inc. in Baton Rouge, Louisiana and include a full line of over/under, autoloading and pump-action shotguns.

Sarsilmaz is located in Duzce, Turkey and exports over/under, autoloading and pump-action shotguns, including law enforcement offerings, to the United States.

Historical Trend 2000-2002 – Turkish Shotguns

Shotgun imports from Turkey have experienced a substantial increase in the period 2000-2002. Year-end US Customs data for this time period reveal that Turkish shotguns have experienced a **252% change** in terms of units shipped.



These quantities represent a valuation⁵ (including insurance and freight costs) of:

\$4,134,400 for 2000

\$6,974,200 for 2001

\$14,564,600 for 2002

4. U.S. International Trade Commission database, 2003

5. Ibid

Manufacturers of Russian Shotguns

Izhevsky Mekhanichesky Zavod is located in the Udmurtia Republic of Russia and is the largest source of Russian-made shotguns for export to the United States. These shotguns are marketed under the trademark **“Baikal”** and imported by **European American Armory Corporation (EAA)** based in Sharpes, Florida.

EAA also imports the **Izhmash Saiga-12** shotgun made in Izhevsk, Russia. The Saiga-12 is an autoloading 12 gauge shotgun that is a derivative of the AK-47 military rifle.

Historical Trend 2000-2002 – Russian Shotguns

While not nearly as dramatic as import numbers from Turkey, shotgun imports from Russia have experienced a solid increase during the period 2000-2002 in terms of pure numbers. US Customs data for this time period reveal that Russian shotguns have experienced a 20.4% change in terms of units shipped.



These quantities represent a valuation⁸ (including insurance and freight costs) of:

\$4,990,100 for 2000

\$5,881,000 for 2001

\$6,008,100 for 2002

7. US International Trade Commission Database, 2003

8. Ibid

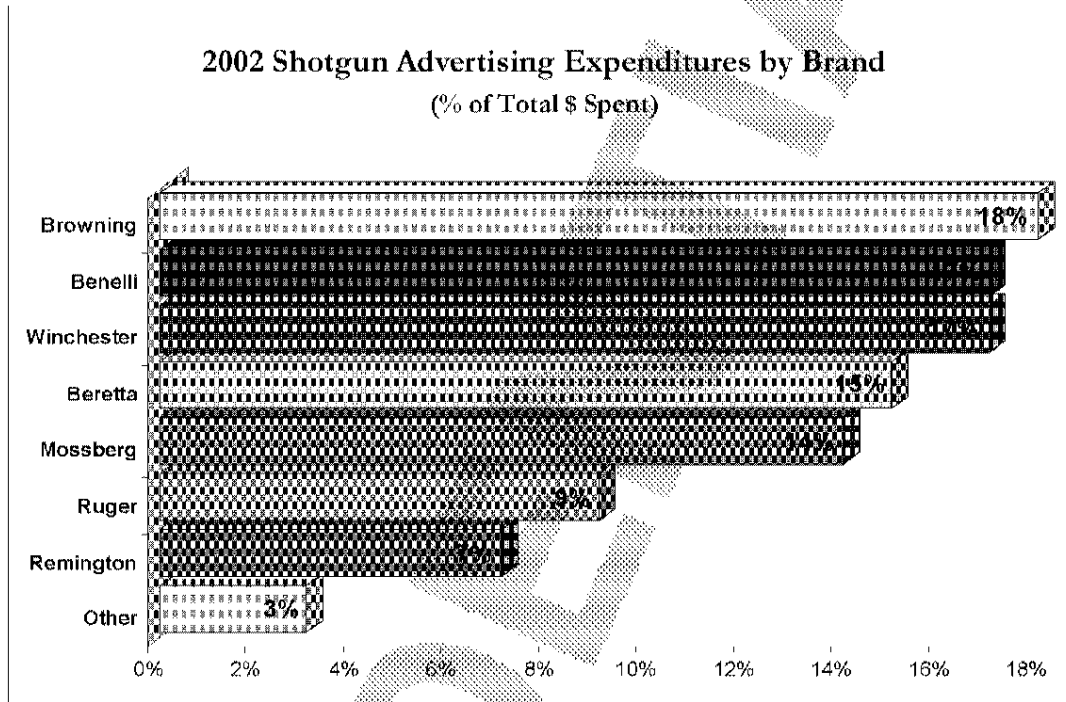
Action

According to the U.S. Department of Commerce, both Turkey and Russia are classified as Market Economies, which means that they theoretically operate on market principles of cost and pricing structures. What is not known is if the firearms manufacturers in these countries who make foreign like products are the beneficiaries of government subsidies that allow them to "dump" product on the U.S. home market. The prices of these firearms suggest an unfair advantage when compared to normal values, but as yet there has been no determination on whether dumping is taking place as defined by Title VII of the Tariff Act of 1930.

One remedy is to file a petition with both the Import Administration and the United States International Trade Commission. If an industry believes that injury is taking place due to unfair competition through subsidization or dumping of a foreign product, it may request the imposition of antidumping or countervailing duties through this petition. To ensure that there is sufficient support by domestic industry for the investigation into the alleged injury, the petitioner(s) must represent at least 25% of domestic production. Remington alone fits the bill here, as it represents between 28% and 29% of the domestic shotgun market. Remington will therefore explore this remedy as a means of redress in 2003-2004.

To help protect Remington's 870 Express business from threats of this kind, cost reduction efforts that are reflected in price will be necessary in addition to an honest estimation of overall pricing strategy in this category. The feasibility of wholesale price reduction to drive volume or the introduction of cash rebates will be evaluated for 2004.

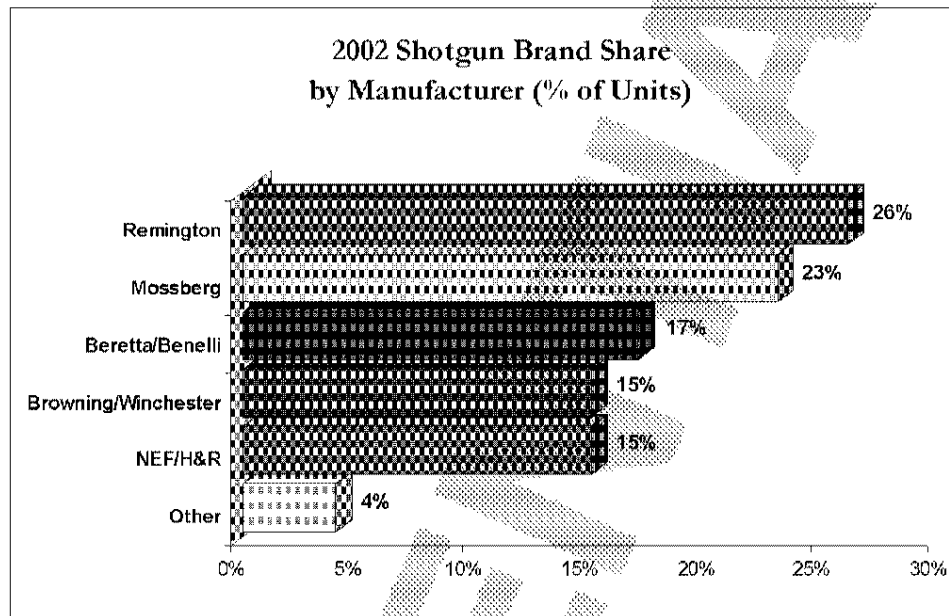
3. Advertising Expenditures by Manufacturer



- Shotgun advertising dollars spent by major manufacturers totaled nearly \$5.3MM in 2002. Of that, Browning/USRAC (35% of total), Beretta Group, which include both Beretta and Benelli (32% of total), and Mossberg (14% of total) accounted for 81%, or \$4.3MM of the cumulative advertising expenditures.
- **Remington's expenditures for shotgun advertising were only 7%, or \$0.398MM of the total, which represents a decrease of nearly \$100,000 from 2001. Given the breadth of Remington's shotgun line and the fact that it's clearly losing share in the shotgun market, this number is unacceptably low.** This trend of decreased ad spending is the opposite of what should be taking place and is an obvious improvement opportunity for Remington.

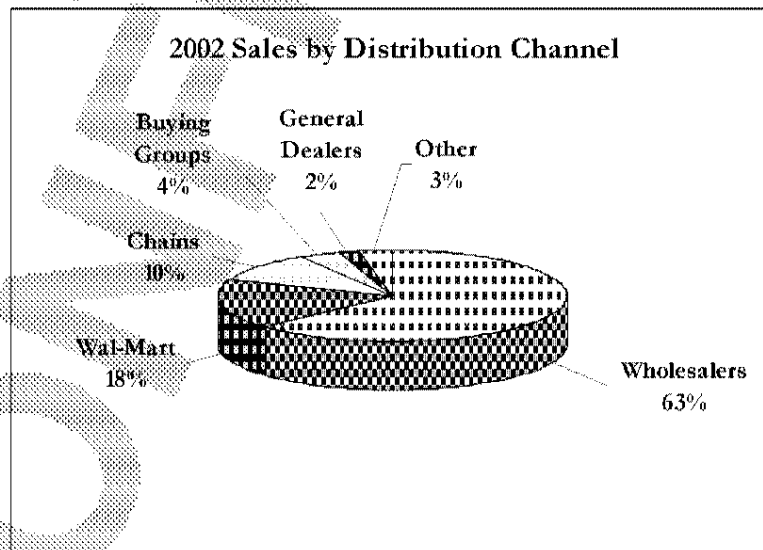
4. 2002 AdFacts Study

2002 data from SAAMI and US Customs reveals the following market share by brand:



Remington still maintains a dominant brand position, despite some loss of share in the autoloading category. Looking at the entire shotgun market, Remington's loss of share is somewhat mitigated by both brand recognition and a strong mix of pump action and autoloader offerings. Among major manufacturers, only Browning/USRAC and Beretta/Benelli have similarly broad shotgun portfolios.

In terms of Remington's shotgun distribution channels, analysis reveals the following data as a percentage of units purchased:



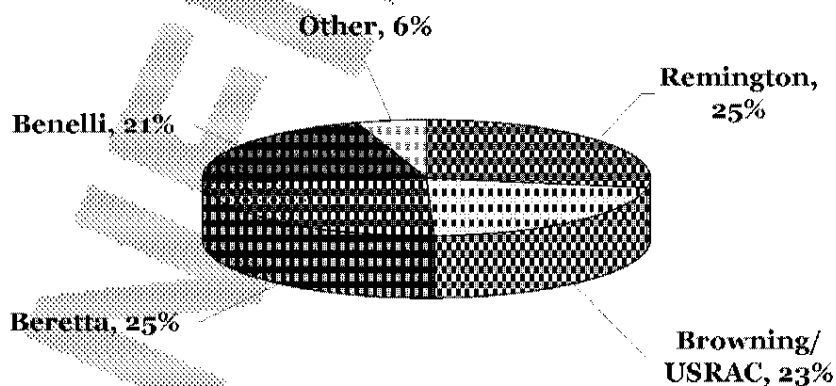
Market Category Summary

AUTOLOADING SHOTGUNS

The domestic autoloading shotgun market, as estimated from a combined analysis of SAAMI, NSGA, and US Customs data shows 210-220M units sold annually with a retail sales value of \$110-120MM. Sales volumes and market share as estimated for the last three years of the domestic market are:

| <u>BRAND</u> | <u>UNITS (M)</u> |
|----------------|------------------|
| Remington | 53 |
| Browning/USRAC | 49 |
| Beretta | 54 |
| Benelli | 47 |
| Other | <u>14</u> |
| TOTAL | 217 |

**2002 Autoloading Shotgun Brand Share
(% of Units)**



Remington Segment Performance

Remington's autoloading shotgun line includes the Model 1100, Model 11-87 and the SP-10. 2002 sales totaled nearly 53M units, or \$24.7MM in revenue. This represents a 3.3% decrease in units and an 11.1% decrease in revenue from 2001 actuals. Worldwide Remington performance for the autoloading category follows:

| Autoloading Shotguns | 1998 Actual | 2000 Act. | 2001 Act. | 2002 Act. | 2003 Est. | 2003 P.O. |
|-----------------------------|--------------------|------------------|------------------|------------------|------------------|------------------|
| Units Sales (M) | 62.3 | 79.3 | 54.6 | 52.8 | 56.3 | 55.5 |
| Sales Dollars (\$MM) | 26.7 | 36.9 | 27.8 | 24.7 | 26.7 | 26.5 |
| Standard Margin (\$MM) | 11.4 | 18.3 | 11.5 | 10.5 | 11.0 | 10.9 |
| Standard Margin % Sales | 42.5% | 49.5% | 41.4% | 42.3% | 41.2% | 40.9% |

Competitive Outlook

- The domestic autoloading shotgun market has undergone significant recent changes. During the last two decades, an overseas manufacturer (Beretta Group) has managed to climb to the top in terms of share and hold a dominant position for several years. As recently as 10 years ago, Remington enjoyed that dominant position, staying steady at 35-40% share of units. Unfortunately, the most reliable data from the past 3 years reveals a steady decline in Remington autoloader share to 25% in 2002.
- Data also reveals that the autoloader percentage of the total domestic shotgun market is holding when viewed against a 5 year history. In other words, when the overall shotgun market fluctuates, the percentage that is in the autoloading category has remained steady at 18-20% of the total. Remington's piece of the pie, however, has continued to shrink.
- This loss of share in autoloaders is the result of several factors:
 - Products that are perceived to be in the declining stage of their life cycles.
 - Relatively high manufacturing cost, which limits the flexibility to cut prices and gain share.
 - Shortfalls in product performance and features when compared to the competition in the same price range.

Remington's major competitors in the domestic autoloading shotgun market are Browning/USRAC, Beretta and Benelli. These three manufacturers, together with Remington, make up over 90% of all units sold in the U.S.

Beretta/Benelli (Beretta Group)

Beretta's key autoloading shotgun products are the AL390, AL391 Urika, ES100 Pintail and the new A391 Xtrema. At this writing, the **AL390** is being sold exclusively to Walmart. Since its introduction two years ago, the 2 3/4" and 3" chambered **AL391 Urika** has gained significant favor in the auto shotgun market. It features 12 and 20 gauge self-compensating gas-operated actions, select walnut wood/synthetic stock and fore-end, and is available in field and competition versions spanning 37 SKUs.

The **A391 Xtrema** is a 12 gauge 2 3/4", 3" and 3 1/2" capable gas-operated autoloading shotgun that is available in wood and synthetic versions. The 2002 introduction of the Xtrema has been too recent to draw any conclusions about its market acceptance. However, according to sales trends across the industry, the 12 gauge 3 1/2" shotgun market has experienced a significant downturn over the past two years causing most shotgun manufacturers with 3 1/2" guns to offer promotions of various kinds to move product. Beretta's introduction of a 3 1/2" capable autoloader at this time is a curious strategic move.

The **ES100 Pintail** is an inertia-operated 12 gauge gun and like the Urika is chambered for 2 3/4" and 3" shells. The Pintail was once the flagship of the Beretta auto shotgun line, but is now only available in synthetic stock and fore-end versions covering six SKUs.

Benelli's main autoloading shotguns are the Super Black Eagle (SBE), M1 series and Montefeltro. The **SBE** is Benelli's premier autoloader, and is a 12 gauge only, 3 1/2" capable inertia-operated gun that comes in wood and synthetic versions. The **M1** is also 3 1/2" chambered and comes in 12 or 20 gauge field. The M1 comes in field versions, but is also the basis for Benelli's LE/tactical shotgun platforms. The **Montefeltro** is a 3" chambered gun that only comes in 12 gauge, wood and blued metal offerings. All Benelli shotguns are based on an extremely simple inertia-operated action that is renowned for its reliability and durability.

Browning/USRAC

The **Gold** is the only autoloading shotgun design that Browning offers. There are several versions but all have the same gas-operated action, "speed loading" feature and magazine cut-off. Available in wood or synthetic, field or competition grade, the Gold comes in 12 or 20 gauge. Browning has separated this gun into 3" and 3 1/2" models and has made some differentiation with a "Classic" that sports a semi-humpback receiver and a stock with a much straighter comb.

Since **USRAC (Winchester)** discontinued the Model 1400 nearly 10 years ago, it had no autoloading shotgun until the introduction of the **Super X2**. This gun is essentially a clone of the Browning Gold without the "speed loading" feature. The SX2 comes in wood and synthetic versions and will cycle 2 3/4" and 3" 12 gauge loads.

Net wholesale pricing information for the major autoloader shotguns is as follows:

| Manufacturer | Model | Net Wholesale Price (After FET) |
|---------------------|--------------------|--|
| Beretta | AL 391 | \$650-\$832 |
| Beretta | A391 Xtrema | \$745-\$819 |
| Beretta | Pintail | \$500-\$691 |
| Benelli | SBE | \$907-\$1017 |
| Benelli | M1 | \$696-\$902 |
| Benelli | Montefeltro | \$663-\$686 |
| Browning | Gold | \$599-\$839 |
| Winchester | SX2 | \$512-\$743 |
| Remington | 1100 | \$328-\$556 |
| Remington | 11-87 | \$451-\$580 |

S.W.O.T Analysis (Strengths, Weaknesses, Opportunities, Threats)

Remington Autoloaders – Strengths

- The Remington shotgun receiver design is considered highly efficient due to its relatively small size. Short and compact, it allows the overall gun length to be minimal. Its solid steel construction also minimizes the stock dimensions where they meet the receiver, allowing for a narrower grip and generally better handling.
- The lines of the Remington autoloader are widely regarded as pleasing to the eye. The fact that several competitors have tried to imitate Remington lines validates this observation.
- The gas operation of the gun makes for a softer recoiling platform.
- Remington autoloaders come in a wide array of standard options, including numerous hunting, law enforcement, and competition variations.
- Remington autoloaders are the most accessorized autoloaders on the market, allowing for nearly endless modification and customization.

Remington Autoloaders – Weaknesses

- The weight of the all-steel Remington makes it the heaviest auto in its class. This is a problem for youth shooters, women, or anyone who carries it all day.
- Remington autos, particularly the 11-87, are perceived to have a less than desirable balance. The barrel contour on the magnum-chambered guns tends to make them heavier towards the muzzle than the competition, and more difficult to swing on target.
- The Remington action and feeding design, although state of the art in its day is an overly complex system relative to today's standards. This is a problem from a reliability standpoint, as more parts generally means that more can go wrong.
- Cleaning and Maintenance. The design of the gas system is not "self cleaning". The fouling that occurs on the outside of the magazine tube requires frequent cleaning or the gun may begin to malfunction. This is not perceived to be a shooter-friendly trait.
- The receiver markings and embellishments that are currently used are dated and not perceived as high quality.
- Remington wood fore-ends have a reputation as easy to crack or break.
- The 11-87 Super Magnum is widely perceived to have shortfalls in reliability and has experienced a decline in sales since its introduction that exceeds the norm.

Remington Autoloaders – Opportunities

- **1100/1187 Premier:** Immediate opportunities exist to improve the cosmetics of Remington autoloading shotguns. Simple changes that enhance the visual appeal of these guns will be pursued including embellishment changes, etc.
- A redesign for greater simplicity will be explored. This can benefit the category by reducing part count, thereby improving reliability and reducing unit cost.
- Longer term a new autoloading shotgun design is needed.

Remington Autoloaders – Threats

- The most serious threats to the current Remington autoloading line are the Beretta AL391, the Benelli Montefeltro/Super 90/Super Black Eagle, and the Browning Gold/Winchester SX2. The Beretta and Benelli guns are stand-alone products, while the Winchester SX2 is a virtual clone of the Browning Gold. All of these autoloaders come in 12 and 20 gauge. The Beretta and Browning/Winchester guns are gas operated 2-3/4" and 3" capable, while the Benelli guns are inertia operated. It appears that overall the 12 gauge 3 1/2" market is slowing down, as major manufacturers are opting to chamber their new offerings in 2-3/4" and 3" for their 12 gauge product lines. Furthermore, the introduction of Hevi-Shot high

performance shotgun ammunition makes the need for 3 ½" 12 gauge guns even less of a growth category.

- All of these competitive guns are generally considered high quality and high performance by the market place. Remington's testing of competitive offerings reveals that while these guns are not flawless performers, they do tend to outperform Remington autoloaders across the range of ammunition that's loosely termed "light target loads to 3" heavy magnums".

Autoloading Shotgun Product Strategy – Overview

Remington's strategy to regain a dominant position in the auto shotgun category will have three parts:

1. Build demand for the existing autoloading line by redesigning it for greater reliability/lower cost and improving its aesthetic appeal.
2. Expand the offering of customer specials and the targeting of under-emphasized or untapped markets such as niche-competition and collector markets.
3. By far the most important strategic initiative is the effort to design a revolutionary new gas autoloader that outperforms the competition at a competitive price. Introduction of such a product, coupled with a strong marketing and advertising plan, can place Remington back on top of the autoloading shotgun market.

Autoloading Shotgun Product Strategy – 2004

In support of the strategic vision mentioned above, new autoloading shotgun product for 2004 will include the following:

- **Model 1100:** A 20 gauge version of 2003's successful 12 gauge Tournament Skeet will be offered. Research with the National Skeet Shooting Association indicates that the segment of shooters who use 20 gauge guns is growing, and is in fact now the majority. Like the 12 gauge version, the 20 gauge version will feature a 26" barrel, polished blue metal, gloss finish "B" grade wood, and the "Tournament Skeet" roll mark. Positioning strategy is as follows:

| Model | MSP | NSP | 1 st Year Volume | Margin |
|------------------------------|-------|-------|-----------------------------|--------|
| 1100 20 ga. Tournament Skeet | \$651 | \$582 | 1000 | 35% |

- Logical expansion of the Model 1100 Classic Field category means a lightweight 20 gauge offering. This Model 1100 will have a 26" barrel, polished blue steel, high gloss wood and feature the classic white diamond grip cap, white line spacers, one-piece butt plate and inclusion of the "Classic Field" roll mark.

| Model | MSP | NSP | 1 st Year Volume | Margin |
|--------------------------|-------|-------|-----------------------------|--------|
| 1100 20 ga Classic Field | \$574 | \$513 | 2000 | 39% |

- **Model 11-87:** Building on the highly successful introduction of 2003's 12 gauge Model 1187 Premier featuring a tribute to Dale Earnhardt, Sr., a 20 gauge version will be offered in 2004. This gun will be the second in a 4-year collectible series of guns honoring Dale. Like the 12 gauge gun, the 20 gauge version will offer polished blue metal, high gloss walnut stock and fore-end, and high-definition, tributary embellishments with 24 kt gold accents including Earnhardt's portrait and signature. As a gesture of respect, a portion of the proceeds will be donated to the Dale Earnhardt Foundation, Inc.

| Model | MSP | NSP | 1 st Year Volume | Margin |
|----------------------------|-------|-------|-----------------------------|--------|
| 11-87 20 ga Dale Earnhardt | \$729 | \$651 | 2000 | 32% |

- **Redesigned 11-87 Super Magnum:** The overall quality problems with the 11-87 Super Magnum have had negative repercussions with respect to sales, to the point of affecting the perception of the 3", or "regular" 11-87. Orders for 11-87 Super Magnums in 2000 were over 21,000 units. Since that time, continuous functional and quality problems have eroded that order position to just above 5,000 units spread over a total of 8 versions in 2003. The engineering evaluation of the gun's basic design is that it is only marginally up to the task of handling 2 3/4" to 3 1/2" 12 gauge shells interchangeably as originally specified. This evaluation further states that the flaws are in the basic design and the requirement to shoot 2 3/4" to 3 1/2" 12 gauge shells is stretching the design limits of the current gun.

The assignment therefore for Ilion Engineering in 2003-2004 is to start over and redesign the gun to achieve the originally specified functionality and reliability. Exiting the 3 1/2" autoloader category would leave Remington with nothing to fill the void and would give share directly to the competition. This is clearly an unacceptable alternative.

Pricing Considerations - Due to the competitive pressure mentioned above, there are no planned price increases for the autoloading shotgun line in 2004.

Product Deletions - A comprehensive list of product deletions is included in Appendix A.

Autoloading Shotgun Product Strategy – 2005 and Beyond

Looking past 2004, the long term development strategy for autoloading shotguns is:

1. **Centennial Anniversary:** 2005 marks Remington's 100 year anniversary in the autoloading shotgun market. It was 1905 when Remington introduced the Model 11 in 12 gauge. Since that time, there have been 4 other major models of Remington autoloader, with the Model 1100 and Model 11-87 still in the line. To commemorate this historic event, all Remington autoloading shotguns will be roll marked with a commemorative mark on the receiver to provide a once in a lifetime opportunity to the world to own one of these guns. In addition, a limited number of Model 1100 5-gauge sets (12, 16, 20, 28, .410) will be offered with the roll mark already mentioned, high quality "Centennial" embellishments on the receiver and B grade wood. This limited set will command a premium price in the MSP range of \$3500. Artwork and marketing plans are already underway with Remington's Licensing department.
2. **Model 2100, New Gas Autoloader:** Also in this "Centennial Year" Remington will introduce a new gas-operated autoloading shotgun with features and benefits that will lead the autoloading industry for the foreseeable future. This revolutionary new gun will be positioned as a premium-end product that is near the Beretta 391 in price (Average net wholesale price after FET of \$680). For 2005, only two barrel lengths will be offered, a 26" barrel and 28" barrel. These two offerings will be wood stock and fore-end only for first year introduction. It will initially be a premier grade, gloss finish, 12 gauge 2 3/4" to 3" capable gun. Follow-on introductions of synthetic or camouflage guns will take place in 2006-2007. The design goals are:
 - Make this the lightest weight autoloader on the market by utilizing high tech materials/metallurgy and modern manufacturing principles. In conjunction with the weight objective, the gun must balance properly, or "between the hands".
 - Despite the light weight, the new gun will use technological advances and innovative design to tame recoil to a higher degree than has ever been done before. The net effect will be a dramatically softer-recoiling shotgun.
 - A new action system featuring bottom feed/bottom eject will be employed that eliminates whole categories of malfunction while maintaining the highest safety standards in the industry. The specified maximum malfunction rate for this gun is set at 0.5%. This is not an arbitrary number but a threshold that has been set by Remington's two largest marketing targets: the Beretta 391 and Browning Gold.

- The new gun will have ergonomic and handling characteristics that are second to none. It will fit better, point better, balance better, and perform better than anything Remington has done in the past.
- This new autoloader must be much more robust and wear-resistant than anything currently offered. A compensating rate-reducing device will be part of the action design that mitigates fatigue on the gun and improves functionality over a wider range of ammunition. Light 2 3/4" loads up to 3" magnums will cycle the action uniformly without the use of dubious "gas regulation" systems.
- A lockable, FAA-approved hard gun case will come standard. The nature of the modular barrel system on this gun means that two barrels can fit in the case along with various accessories while maintaining the exterior dimensions of a current combo shotgun box for 5-pack and shipping purposes.
- The manufacturing strategy employed to make this new gun will be as revolutionary as the design itself. All of the standard manufacturing bottlenecks will be avoided through the use of heavy outsourcing of finished parts and new assembly methods. As this strategy is proven it has significant implications for the manufacturing methodology of all Remington guns.

| Model | MSP | NSP | 1 st Year Volume | Margin |
|--------------------------|-------|-------|-----------------------------|-----------|
| Model 2100, New Gas Auto | \$749 | \$669 | 15000 | 34%/\$204 |

Second year volumes are forecast at 20M units, third year forecast is 25M units. It is expected that manufacturing costs will be reduced in the 2nd and 3rd year, thus improving margin significantly.

Pricing Considerations - Pricing changes for 2004 and beyond will be closely tied to two factors; internal cost fluctuations and external market pressures. The guiding strategy for all Remington shotguns will continue to be holding or increasing margins without pricing the product out of the market.

Internally, production costs including operating overhead can change dramatically and in relatively short order. Obstacles to production can compound the problem if inefficient manufacturing and high scrap rates spiral out of control. Because of this, changes in price on Remington shotguns are somewhat speculative.

In terms of external influences, thoughtful product comparisons with competitive offerings will be an ongoing process. As benefits and features are compared between

Remington autoloading shotguns and the rest of the market, pricing changes will become clear depending on the market climate at that time.

Despite these cautions, it's important to attempt to anticipate changes in the Consumer Price Index and factor inflation into a planned pricing strategy for autoloading shotguns.

Market Category Summary

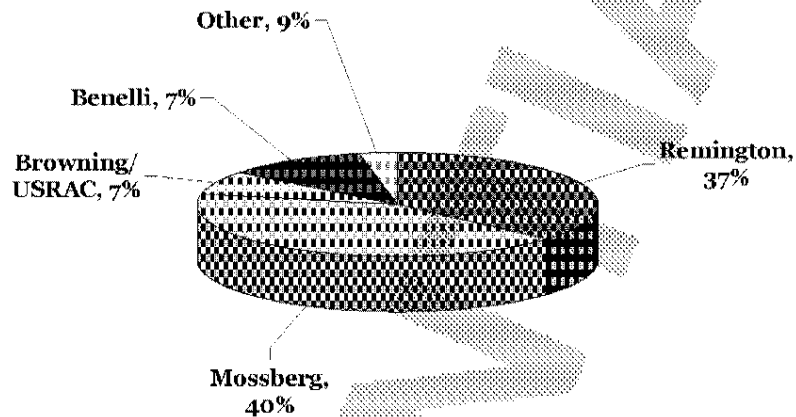
PUMP ACTION SHOTGUNS

The domestic pump action shotgun market is estimated to be 620-650M units annually with a retail sales value of \$120-130MM.

Sales volumes and market share as estimated for the last three years of the domestic market are:

| <u>BRAND</u> | <u>UNITS (M)</u> |
|----------------|------------------|
| Remington | 244 |
| Browning/USRAC | 46 |
| Mossberg | 270 |
| Benelli | 46 |
| Other | <u>59</u> |
| TOTAL | 660 |

**2002 Brand Share of Pump Action Shotguns
(% of Units)**



Remington Segment Performance

Remington's pump action shotgun line includes the Model 870, in both the Wingmaster and Express versions. 2002 sales totaled 256.5M units, or \$60.7MM in revenue. This represents a 15% increase in units and a 14.3% increase in revenue from 2001 actuals. Worldwide Remington performance for the pump action shotgun category follows:

| Pump Action Shotguns | 1999 Actual | 2000 Act. | 2001 Act. | 2002 Act. | 2003 Fcst. | 2003 P.O. |
|-----------------------------|--------------------|------------------|------------------|------------------|-------------------|------------------|
| Units Sales (M) | 314.1 | 243.4 | 223.0 | 256.5 | 244.6 | 258.1 |
| Sales Dollars (\$MM) | 70.2 | 57.8 | 53.1 | 60.7 | 59.0 | 59.6 |
| Standard Margin (\$MM) | 24.8 | 22.3 | 16.1 | 20.3 | 19.0 | 18.3 |
| Standard Margin % Sales | 35.3% | 38.5% | 30.2% | 33.5% | 32.2% | 30.7% |

Competitive Outlook

- **Remington**

Remington still enjoys a well recognized brand and loyal following in the Model 870. Long considered the standard in pump action shotguns, the Model 870 has been copied both in terms of function and appearance by numerous firearms manufacturers over the years. Because the pump action buyer is generally not as fixated on high tech "newness", the 870 has not been as sensitive to life cycle decline as Remington's autoloaders. 870 Pump action shooters seem to value basic functionality, reliability, aesthetics and cost over serious product

innovation. In other words, there are only so many ways to make a pump-action shotgun. The price point of the average pump action shotgun is in the \$190-\$200 range, which keeps most major manufacturers focused on producing a lower cost product, fulfilling the needs of special markets and/or improving cosmetic appeal to gain share. This has been a key part of Mossberg's success in the pump action shotgun segment. In short, the pump-action shotgun shooter is looking for a dependable *shooting tool*.

Remington's major competitors in the domestic pump action shotgun market are Mossberg, Browning/USRAC, and Benelli. These three manufacturers, together with Remington, make up over 90% of all units sold in the United States.

Mossberg

After discontinuing the Model 9200 autoloading shotgun, Mossberg's focus on its pump action business has made it the leading producer of this category of shotgun. Mossberg offers three main models: **1. The Model 835 Ulti-Mag**, which is a 12 gauge only 3 1/2" capable pump gun that is primarily a synthetic camouflage offering, but includes two SKUs of plain synthetic and wood. The softness of the 3 1/2" 12 gauge market has prompted a promotional push from Mossberg in the first quarter of this year. All Ulti-Mags come with ported barrels. **2. The Model 500**, which is an economically priced pump gun that is chambered for 12, 20 and .410 gauge. The Model 500 is offered in 32 SKUs, and comes in wood and synthetic, field and personal defense versions (known as the Persuader/Cruiser). **3. The Model 590** is a special purpose cylinder bore 12 gauge that features a 9 shot magazine capacity. This gun also comes in a double-action only version, and is intended to appeal to the liability-conscious law enforcement market. Mossberg also sells the super low-cost **Maverick** line of pump action shotguns. These are only available in 12 gauge with black synthetic stock and fore-end. In addition Mossberg currently has the shotgun contract with the U.S. Army.

Benelli

A notable exception to these statements has been the introduction of the **Benelli Nova** pump action shotgun in 1999. This gun features synthetic stock and fore-end and a unique polymer-coated receiver that houses their standard rotary lock-up design. Additionally, the Nova has some radically different stock and fore-end geometry that makes the gun instantly identifiable as a Benelli product. This new gun was an almost immediate success, giving Benelli more than an 11% share in pump action shotguns in its first year. However, field reports indicate that the gun's weakness may be fragility in its fire control assembly and in the action bar/fore-end assembly. This and the gun's relatively high price have eroded that share to just above 7%.

Net wholesale pricing information for the major pump action shotguns is as follows:

| Manufacturer | Model | Net Wholesale Price (After FET) |
|---------------------|----------------------------|--|
| Mossberg | 835 Ulti-Mag | \$208-\$322 |
| Mossberg | 500 | \$167-\$247 |
| Mossberg | 590 SP | \$221-\$346 |
| Mossberg | Maverick | \$122-\$144 |
| Winchester | 1300 | \$216-\$336 |
| Benelli | Nova | \$292-\$413 |
| Remington | 870 Wingmaster | \$348-\$472 |
| Remington | 870 Special Purpose | \$342-\$363 |
| Remington | 870 Express | \$196-\$296 |

S.W.O.T. Analysis

Remington Pump Action Shotguns – Strengths

- After 53 years in production, the Remington Model 870 is still widely considered to be the pinnacle of pump action shotgun design. The Model 870 has a reputation for strength, durability and reliability that has made it the first choice of America's law enforcement agencies. This is significant because of the message it sends to the sporting shotgun community about the soundness of the product.
- At its core the 870 is remarkably simple and easy to maintain. It has a high tolerance for dirt and debris that makes it suitable for more demanding field conditions.
- The Wingmaster is widely viewed as one of the most visually appealing pump action shotgun designs of all time.

Remington Pump Action Shotguns – Weaknesses

- The 870 Express is intended to be a low cost pump gun for the public who wants a no-nonsense shooting tool. In this market segment, however Mossberg has the dominant share. On average, Mossberg shotguns are priced well below a comparable 870, which makes holding share for Remington a challenge.

- In addition, low-cost imports from the former Soviet Union and Turkey have made major inroads into the domestic shotgun market. Standardized testing of these products reveals quality and safety levels that are highly questionable. For consumers that only care about price and not about reliability or product integrity these imports clearly have some appeal.

Remington Pump Action Shotguns – Opportunities

- The main opportunities to improve the Model 870 market position are:
 - **Express/Special Purpose:** Cost reduce the 870 Express/SP without sacrificing the quality or functionality that have placed them where they are today. Providing high value to the marketplace and protecting Remington's margins is a vital part of this plan.
 - **Wingmaster:** Improve the aesthetics and handling of the Wingmaster, also while maintaining its reputation as a high quality firearm.
 - Pursue special order opportunities with wholesalers and chain accounts, especially in terms of seasonal specials and hunting combos.

Remington Pump Action Shotguns – Threats

- Mossberg continues to threaten Remington's pump action shotgun business by undercutting Remington's Express line prices, particularly with its low-end Maverick line. In this market segment, cost can matter more than looks or reliability, as evidenced by Mossberg's high sales volumes of a product that is marginal in terms of looks and handling. The same can be said of the ultra-low cost imports such as the Charles Daly pump action shotgun. Also, the Turkish and Russian imports mentioned above threaten Remington pump action shotgun share in the same way.
- The Nova has the potential to gain share if Benelli can improve the fragility of the design and lower its price.

Pump Action Shotgun Product Strategy – Overview

- Because it is already a solid, well-established design, the emphasis for improving the 870 will revolve around cost reduction and cosmetics.
- **Express/Special Purpose:** In the short term, pump action shotgun strategy will be to hold market share while lowering the cost of manufacturing, particularly on Express guns. Recognizing the magnitude of this challenge, the integrity of the Model 870 must be preserved throughout the cost reduction process.
- **Wingmaster:** Improvements to the Wingmaster will be implemented to help rebuild its aesthetic appeal. This will primarily take the form of finer

embellishments and better cosmetics in checkering. Commemorative and special make opportunities will be pursued as well.

Pump Action Shotgun Product Strategy – 2004

- **Model 870 Express Turkey/Deer Camo Combo** – For the 2004 Spring program, a new 12 gauge combo gun will be introduced featuring both a turkey and deer hunting configuration. This combo will include a 21” VT barrel with extended Turkey Extra Full choke tube and a 23” fully rifled cantilever barrel, all on a camouflaged stock and fore-end Model 870. This represents a superior value for the buyer as these extra features translate into a mere \$100 upcharge while Remington makes an extra \$15 per gun over a standard Express combo.

| Model | MSP | NSP | 1 st Year Volume | Margin |
|--------------------|-------|-------|-----------------------------|--------|
| 870 EXP Camo Combo | \$399 | \$321 | 2000 | 32% |

- **Model 870 SPS** – For 2004 Remington will introduce a fully rifled, cantilever scope mount deer gun chambered in 20 gauge. The growing popularity of 20 gauge slug hunting in the Eastern US makes this a logical product introduction. Furthermore, Remington’s ammunition group will be offering two new 20 gauge slug loads in 2004 which makes co-introduction an efficient use of marketing resources. Until recently, the accuracy of a 20 gauge slug load fell short of specifications. However, significant engineering improvements have achieved the desired level of accuracy/performance.

| Model | MSP | NSP | 1 st Year Volume | Margin |
|---------------------------|-------|-------|-----------------------------|--------|
| 870 SPS 20 ga. FR CL Deer | \$435 | \$346 | 2000 | 45% |

- **Model 870 Express** - For 2004, Remington engineering staff will begin the process of incorporating material and process changes that will lower the cost of manufacture. Initially, the use of MIM parts where they make sense will help in this regard. Additionally, Ilion Engineering will work toward the development of a lower cost camouflage application method for Express guns known as Kolorfusion™. *This new method of camo application has annual savings potential of over \$60,000.*
- **Model 870 Wingmaster** - The Wingmaster will see some cosmetic improvements in 2004. The original fine line roll marking on the receiver will return, along with some “sculpted engraving” options featuring tasteful and understated artwork. Another improvement opportunity on the stock and fore-end

is a return to the “Fleur de Lis” checkering pattern of yesteryear. The advent of laser checkering now makes this technically and financially possible.

- All vent rib shotguns in the Remington line will incorporate changes that improve Remington’s shotgun point of impact when using SAAMI sight picture.

Pricing Considerations - Due to the competitive pressure mentioned above, there are no price increases planned for the pump action category in 2004.

Product Deletions – A 2004 product deletion list is included in Appendix A.

Pump Action Shotgun Product Strategy – 2005 and Beyond

- Long term, the path for the 870 Express will include a continuing cost reduction effort that harnesses modern materials science and design. By accumulating significant cost savings, Remington can make concrete steps towards the goal of squeezing Mossberg out of the dominant share position for pump action shotguns. ***This strategy does not include any planned price increases for the 870 Express for at least 2 years.*** Growth in margin must come from cost savings.
- Another priority will be to expand the 870 law enforcement products to maximize volumes in this segment of pump guns and dramatically improve response time with buyers. To achieve this, a new process is underway to dramatically streamline the way law enforcement products are made. More detail on this can be had in the section titled “Core Strategy – Law Enforcement Firearms” page 114. Exclusives with wholesalers and chain accounts in the personal defense segment will also be part of this plan.
- In an attempt to increase the appeal of the synthetic pump action shotgun line, a design effort will be initiated to add insert-molded or overmolded rubber on synthetic stocks and fore-ends. The Winchester SX2 for 2002 had a rubber “Duratouch” coating that appears to be selling well, and the Beretta Xtrema features rubber “grip pads” on the stock and fore-end. A cost-effective change that incorporates a similar feature will be pursued.
- Following on the introduction of 2003’s R₃ recoil pad technology for synthetic stock guns, a version for wood guns is underway. Provided that the cost of a wood version of the R₃ makes them feasible, they can eventually be introduced on O/U, Premier, Wingmaster and target guns and marketed as a performance improvement. ***Target cost for a high performance recoil pad is \$5. It’s estimated that this will command at least a \$10 premium per gun.***

Market Category Summary

BREAK ACTION SHOTGUNS – OVER/UNDER

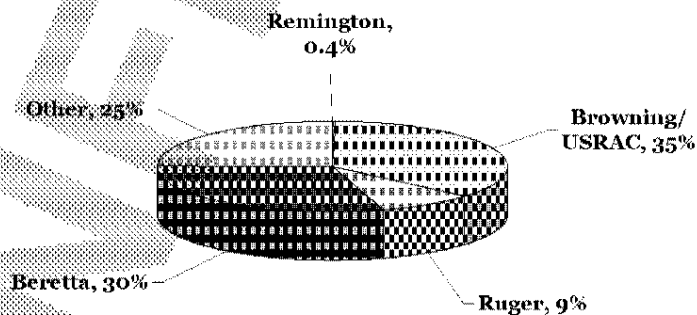
The domestic break action shotgun market is actually two markets; the over/under shotgun market and the single shot shotgun market. For purposes of clarity, the two markets will be analyzed separately.

The over/under (O/U) market is estimated to be 110-120M units annually with a retail sales value of \$80-90MM.

O/U volumes and market share as averaged domestically for the last three years are:

| <u>BRAND</u> | <u>UNITS (M)</u> |
|----------------|------------------|
| Remington | .5 |
| Browning/USRAC | 40 |
| Ruger | 12 |
| Beretta | 35 |
| Other | <u>28</u> |
| TOTAL | 115 |

2002 Brand Share of O/U Shotguns
(% of Units)



Competitive Outlook

- **Remington**

Since the original Model 32, Remington has had a number of forays into the O/U market including the Model 3200, Peerless, Model 396 and the Model 300 Ideal. All of these products have missed the mark of large-scale customer acceptability because of a host of factors including:

- Overweight product
 - Incorrect handling/balance
 - Poor wood to metal fit
 - Incorrect Pricing
 - Unacceptable malfunction rate
 - Substandard aesthetic appeal
- Efforts to re-introduce a high quality over/under shotgun in the last few years have been hampered by several issues, including insufficient knowledge of customer expectations and poor communication between Marketing and Manufacturing. Success with the Model 870 and Model 11-87 as pump action and autoloading shotguns respectively did not transfer automatically to successful O/U production. For one, the higher expectations of fit and finish are difficult to obtain with the mass production mentality. Attention to detail, including metal polish and bluing, wood to metal fit, checkering, engraving and repeatable 100% assembly are only a few of the customer expectations of a higher priced product for discriminating sportsmen.
 - Marketing is committed to re-entering the O/U shotgun market and looks forward to occupying a secure position with this level of customer in the years ahead. Remington's presence must be in the global marketplace with the likes of Beretta, Browning, and Ruger.

The largest share in the domestic O/U market belongs to Browning/USRAC. Browning offers the popular Citori line and Winchester has the Feather line of O/U shotguns. Together they control almost 35% of the market, which represents about 40M units in annual sales.

The Beretta Group, which in the O/U arena includes Beretta and Franchi, enjoys more than 30% of domestic share, which translates into nearly 35M units annually.

Together Beretta Group, Browning/USRAC and Ruger control over 75% of domestic O/U sales annually.

Browning

The Browning **Citori** is the largest selling O/U in the domestic market today at 35M units annually. The Citori is available in various versions of field and target grades covering nearly 100 SKUs. The Citori comes in 12, 20, 28 and .410 gauge, and is offered in 26", 28", 30" and 32" barrels.

The easiest way to digest this wide range of guns is to divide it into Field and Target/High-Grade. The Field guns are the **525, Lightning, White Lightning and Feather**, and offer polished blue metal and various styles of stock and fore-end in high-gloss wood. These are the less expensive O/Us in the Browning line, but account for the majority of sales. The Target/High-Grade guns are the **XS, XT, Gran Lightning, Privelege and Esprit**, and offer select wood, ported barrels, some with adjustable stocks and some with engraved sideplates.

The Winchester brand of O/U is the **Supreme**, and is a lower priced O/U than the Citori field grade guns. It is offered in field and sporting versions covering only 4 SKUs. The Supreme comes in at an average \$250 less than the comparable Citori product.

Beretta

A close second in terms of volumes is Beretta with 30-32M units sold annually. The main Beretta O/U offerings are the **686 and 687 Field** family, which together include 74 SKUs. The 686 family is comprised of the **Whitewing, Onyx and Silver Pigeon**. The **Whitewing** has the lowest price in the Beretta line, and features 12 and 20 gauge guns with checkered A grade gloss-finished walnut and chambered for 3" shells. The **Onyx** also comes in 12 and 20 gauge, 3" or 3 1/2" chambers, select walnut with cut checkering and Schnabel fore-end. The **Silver Pigeon** is offered in 12, 20 or 28 gauge, and also has select walnut and Schnabel fore-end.

The 687 Field family includes the **Ultralight, the Silver Pigeon II, the Gold Pigeon and the Diamond Pigeon**. The **Ultralight** is a 12 gauge 2 3/4" only gun, and offers checkered select walnut in gloss or matte finishes. The **Silver Pigeon II** is offered in 12 or 20 gauge with 3" chambers and also has select walnut, but with an oil finish. The **Gold Pigeon and Diamond Pigeon** guns are 12, 20, 28 or .410 gauge, and come with highly selected walnut with a gloss finish. All of the 687 Field family come with Schnabel fore-end.

Ruger

There are essentially two O/U shotgun offerings from Ruger: the **Red Label and Woodside** models. The **Red Label** features 12, 20 or 28 gauge actions with pistol grip, English straight or Sporting Clays stocks. It is the least expensive O/U model in the Ruger line. The **Woodside** is a 12 gauge 3" chambered gun only, and also comes with a pistol grip, English straight or Sporting Clays stock. Ruger's **Engraved** models are essentially Red Labels offered with engraved stainless steel receivers in 12, 20 or 28 gauge and only come with pistol grip or Sporting Clays stocks.

Net wholesale pricing information for the major O/U shotguns is as follows:

| Manufacturer | Model | Net Wholesale Price (After FET) |
|---------------------|-------------------------|--|
| Browning | Field Grade | \$1106-\$2788 |
| Browning | Target Grade | \$1181-\$2651 |
| Beretta | 686 Family | \$856-\$1707 |
| Beretta | 687 Field Family | \$1233-\$4122 |
| Ruger | Red Label | \$813-\$960 |
| Ruger | Woodside | \$1098 |
| Winchester | Supreme | \$909-\$1018 |
| Remington | Model 332 | \$970 |

S.W.O.T. Analysis

Remington Over/Under Shotguns – Strengths

In this century, the O/U marketplace has only truly embraced one O/U design from Remington, namely the Model 32. If imitation is the sincerest form of flattery, then Krieghoff's Model K-80 is quite a complement, as it is based directly on the Remington Model 32. The K-80 is a very pricey O/U, and the fact that high quality gun makers like Krieghoff would copy a Remington is evidence that the basic design is sound. Recognizing this, the exterior design and dimensions of the original Model 32 are the inspiration behind Remington's new O/U offering, the Model 332.

Remington Over/Under Shotguns – Weaknesses

To reiterate, Remington's O/U shortcomings have been:

- Poor handling and balance for the application for which the guns were designed.
- Unacceptable cosmetics like inconsistent wood/metal fit, poorly executed embellishments and lines that lack style.
- High malfunction rates when compared to the competition.
- Prices that are too high given the weaknesses already listed.

Remington Over/Under Shotguns – Opportunities

If a reliable, high quality O/U shotgun can be made at a competitive price, Remington can increase its market share provided the marketing tools are in place to support its introduction. Based on its pedigree status, the new Model 332 provides the best chance for Remington's re-entry into the O/U market. A sustained product life cycle with multiple offerings is the goal.

Remington Over/Under Shotguns – Threats

1. Well-established O/U product lines from Beretta, Browning/USRAC and Ruger provide the buying public with a wide variety of O/U shotguns at equally varying price levels. In short, there is already a lot from which to choose.
2. The perception from the public that Remington is irresolute with its O/U shotgun plan creates hesitation in purchasing until it is clear that Remington will not change the basic design the following year.
3. Controlling the cost of the O/U product is extremely important. The most effective way to ensure that the O/U line is profitable is to significantly reduce the cost of manufacture. Cost overruns can kill the product.
4. The quality of the O/U product is also of paramount importance. The buying public will not embrace a new O/U unless the functional and cosmetic quality of the gun is solidly entrenched.

Over/Under Shotgun Product Strategy – Overview

- Remington's strategic direction will be to re-enter the O/U market with quality, sustainable products and grow share over the long term.
- To affect this strategy the plan will have three parts.
 - Establish and entrench the new Model 332 by providing a quality shotgun that has the right characteristics at a competitive price to similar offerings from Beretta and Browning. The public must be assured that Remington will continue with the Model 332 and not discontinue it in a year or two.
 - Streamline and cost-reduce the manufacturing aspect of this gun. This is vitally important to the long term health of the category. Various tactics will be employed to bring the cost of manufacture down so that solid margins become a reality. Alternative fabrication methods and strategic outsourcing of parts will be part of this plan.
 - Eventually expand the offerings of the Model 332 to grow volume. Different configurations and gauge offerings will validate the line and go a long way towards allaying public skepticism about Remington's resolve in its O/U products.

Over/Under Shotgun Product Strategy – 2004

- MCD must budget sufficient resources towards print media exposure to support the Model 332 as the worthy successor of the original Model 32.
- In response to the requests from the trade, the Model 332 will be offered as a “premier” level gun with high gloss wood, polished blue steel and more historically accurate engraving.
- 2003 was a cost reduction year for the Model 332. A focused effort to streamline the production process resulted in a reduction of part and assembly cost to improve margins.
- Marketing will continue the communication/education effort with Manufacturing in regard to quality standards. Quality reviews started in 2002 by the Model 332 Quality Audit Team will be ongoing to ensure that standards are being upheld, especially as the cost reduction effort takes shape.

Over/Under Shotgun Product Strategy – 2005 and Beyond

- Now that the quality standards and cost reduction measures are in place it will be time to expand the O/U line with a high grade gun. This model of 332 will have select grade walnut, high luster blued metal, and engraved sideplates that follow the Model 332 heritage of understated, elegant embellishments. Having a field grade *and* a high grade gun is an important part of legitimizing the O/U line.
- In addition, a target grade Model 332 will be explored for the Sporting Clays shooter. This gun should have a redesigned stock with straighter comb, a more pronounced sweep to the grip, and a semi-beavertail fore-end. Porting, back-boring and lengthened forcing cones will be available as well.
- Now that the current O/U has become more cost-effective, the next best way to validate the Model 332 in the marketplace is to introduce a 16/20 gauge version with a smaller, lightweight frame and low overall weight. Today’s upland game hunter demands the option of a small frame O/U, and 20 gauge is the most popular of the small frame O/U shotguns. Remington R&D in Elizabethtown KY has already begun the design process around the 16/20 gauge Model 332. Completion of this design work will take place for a 2005 introduction of this product.
- **Market share goals for the Model 332 (% of total domestic units) are:**
 - 2004 – 2%
 - 2005 – 6%
 - 2006 – 10%
 - 2007 – 14%

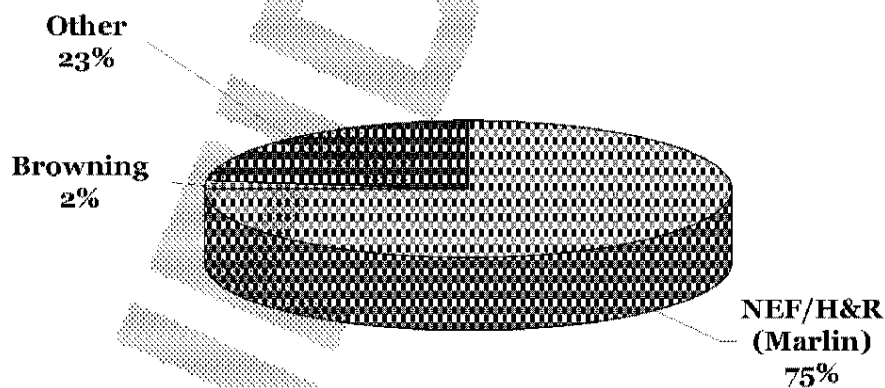
BREAK ACTION SHOTGUNS – SINGLE SHOT

The domestic single shot shotgun market is estimated to be 220-240M units annually with a retail sales value of \$20-25MM.

Volumes and market share as averaged domestically for the last three years are:

| <u>BRAND</u> | <u>UNITS (M)</u> |
|--------------|------------------|
| H&R/NEF | 173 |
| Browning | 5 |
| Other | 54 |
| TOTAL | 232 |

**2002 Single Shot Shotgun Brand Share
(% of Units)**



Competitive Outlook

H&R/NEF is still the market leader in the single shot shotgun category. The vast majority of single shot products are low priced, high volume guns whose average retail price is under \$100. Browning is the exception with its BT-99, which is a single shot trap gun whose market sector is clearly small in comparison to the lower end product. Small volumes and high cost of manufacture caused Remington to discontinue its own single shot trap gun, the 90-T, in 1999.

It's interesting to note that H&R/NEF's share has eroded in recent years as lower cost imports from China and the former USSR are making inroads domestically. After many years of 85%+ share for H&R/NEF, the imports have doubled their market share since 1997, leaving H&R/NEF with only 75% in 2002.

Remington does not compete in this category, and there are no firm plans to do so in the near future. However, there may be opportunities to enter this market if a product can be introduced that is low enough cost and can be positioned properly. Most likely this would be a heavily outsourced product to keep overhead low. The design would have to be simple and safe. One possibility is to build a single shot shotgun based on the very simple Rolling Block action. This was last done in 1891 with the Model 1 and Model 2 Rolling Block Shotgun. Marketing will work with R&D and Manufacturing to determine if such a product fits into Remington's strategic framework.

A Remington single shot shotgun would have to come with a cost of no more than \$40 and a net price of less than \$75 to achieve a profit margin of 34-35%. This would yield around \$20 gross profit per gun. First year volumes could be expected at 30M units.

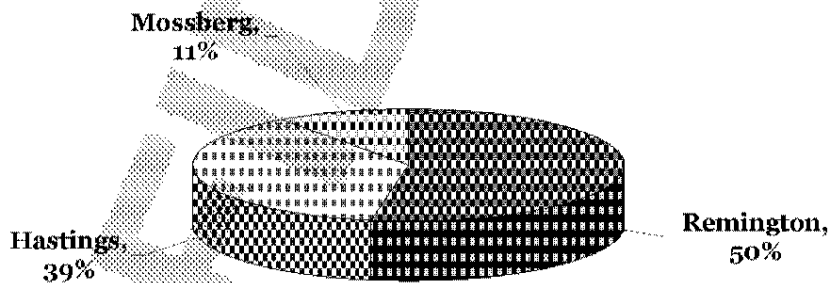
EXTRA SHOTGUN BARRELS

Market Summary

The extra shotgun barrel market is estimated to be nearly 66M-70M units annually and includes the following three manufacturers.

| <u>BRAND</u> | <u>UNITS (M)</u> |
|--------------|------------------|
| Remington | 33 |
| Hastings | 26 |
| Mossberg | 7 |
| TOTAL | 66 |

Extra Shotgun Barrel Brand Share
(% of Units)



Remington Segment Performance

Remington's extra shotgun barrel line includes Model SP-10, Model 11-87, Model 1100, and Model 870 extra barrels. 2002 sales totaled 33.3M units, or \$4.5MM in revenue. This represents a 13.3% decrease in units and a 13.5% decrease in revenue from 2001 actuals. Worldwide Remington performance for the extra shotgun barrel category follows:

| Extra Barrels | 1999 Actual | 2000 Act. | 2001 Act. | 2002 Act. | 2003 Fcst. | 2003 P.O. |
|-------------------------|--------------------|------------------|------------------|------------------|-------------------|------------------|
| Units Sales (M) | 39.2 | 31.9 | 38.4 | 33.3 | 35.9 | 37.0 |
| Sales Dollars (\$MM) | 5.0 | 4.2 | 5.2 | 4.5 | 5.2 | 5.5 |
| Standard Margin (\$MM) | 2.8 | 2.5 | 2.6 | 2.2 | 2.7 | 3.0 |
| Standard Margin % Sales | 56.8% | 58.2% | 49.4% | 50.1% | 52.1% | 54.2% |

Competitive Outlook

In terms of gross profit, extra shotgun barrels have some of the best margins in Remington shotgun products, with a SGM of almost \$72 per unit, or over 50%.

Remington's main competition in this market is from **Hastings®**, who manufactures extra barrels and choke tubes not only for Remington but for Browning, Ithaca and Beretta shotguns as well. Hastings has a reputation for good levels of quality and enjoys respectable sales with its replacement barrels for Remington shotguns. Hastings barrels are offered for the Model 870, Model 1100 and Model 11-87, and come with interchangeable chokes. The Hastings Paradox® line is comprised of fully rifled 12 and 20 gauge barrels, and offers rifled sight and scope mount options. The Hastings barrel line for Remington shotguns spans over 40 SKUs and carries a distributor price after discounts and terms of 5%-10% less than comparable Remington product.

Mossberg® also offers replacement barrels for Remington shotguns, but only in 12 gauge and only for the Model 870. Their line includes 7 SKUs and is almost entirely made up of deer barrels. The distributor price after discounts and terms is around 5% less than comparable Remington barrels, but the perceived low quality of the Mossberg product does not make them a serious threat.

Extra Shotgun Barrel Product Strategy

- **2004-2005:** Extra barrel strategy for the near term will include the addition of:
 - 16 gauge slug barrels for the Model 870 Wingmaster and Express.
 - 12 gauge 870 Express barrel in 30" length. This will be the first 30" barrel available for this category, and is a direct response to numerous requests from the trade.
 - 28 gauge 1100 barrel in 27" length. This is also a response to long term comments that the current barrel is too short at 25" and would appeal more to target shooters at 27".
 - 20 gauge Model 870 and Model 11-87 barrels in fully rifled cantilever versions.
- **2005-2007:** Long term, the strategic direction will be closely tied to the introduction of the Model 2100 New Gas Autoloader. Its design will allow for replacement barrels that are fully rifled and have provisions for scope mounts and rifle sights.
- **2006:** New rifling technologies will be explored that have performance improvement potential. Polygonal and microgroove rifling will be evaluated for greater accuracy enhancement. This can be incorporated into existing 870, 1100 and 11-87 barrels to drive incremental sales.

New extra shotgun barrels for 2003-2004 are as follows:

| 2003-2004 XBL Model | MSP | Net Selling Price | 1st Year Volume | Margin |
|-------------------------------|--------------|--------------------------|------------------------|---------------|
| 870 Wing 16/20 Deer RS | \$142 | \$103 | 1000 | 30% |
| 870 EXP 16/20 Deer RS | \$101 | \$73 | 1000 | 37% |
| 1100 28/27 VT RC | \$191 | \$152 | 1000 | 43% |
| 870 20/18.5 FR CL | \$228 | \$181 | 2000 | 60% |
| 870 EXP 12/30 VT RC | \$134 | \$106 | 3000 | 58% |

SPECIAL PRODUCT OPPORTUNITIES - SHOTGUNS

Model 710 Slug Shotgun

As a low cost centerfire platform, the Model 710 rifle has few equals. Equipped with a detachable box magazine, a 3x9 scope and a suggested retail price of \$425, the Model 710 rifle has quickly gained a reputation as an accurate rifle and an outstanding value. If the design can be converted for a high performance slug round, then there will be nothing like it in the marketplace.

Remington's ammunition group is in the conceptual stages of developing a high performance slug round called the NXS, or New Experimental Slug. 28 gauge is the largest gauge that means the fewest design changes to the existing Model 710. This would therefore be a collaborative effort between Firearms and Ammunition that has attractive profit potential.

The North American Hunting Club reports that there are 13 states that have slug-only laws for hunting big game. Within those states there are an estimated 2 million slug hunters. A price point slug gun featuring a new high performance slug round, relatively high magazine capacity, inherent Model 710 accuracy and a pre-mounted scope will offer more to the public than anything currently available from the competition. The performance advantages of the Model 710 as a slug platform are:

- Inherently strong three-lug lockup
- Button rifled barrel for maximum accuracy
- Assuming a 28 gauge slug, then 4 round capacity is possible
- A bore-sighted scope is standard
- Familiar Model 710 rifle design

Pricing strategy for the new slug gun is as follows:

| Model | MSP | NSP | 1st Year Volume | Margin |
|-------------------------------|--------------|--------------|-----------------------------------|---------------|
| 710 Slug Gun, 28 gauge | \$349 | \$300 | 15000 | 51% |

First year SGM would be over \$1.7MM.

Challenges

- The conceptual new slug round is still in the early stages, so designing a package that can deliver high down-range energy with sufficient lethality is an engineering challenge. Due to the required energy, this will also mean that the round must be designed such that it will not fit into a regular 28 gauge shotgun. ***This new product is therefore not expected to be ready for introduction until 2005-2006.***
- 11 of the 13 slug-only states will not allow slug guns smaller than 20 gauge. A similar problem was encountered with the introduction of copper solid sabot rounds. At that time the problem was overcome by direct contact and subsequent education of the various state DNRs (Dept's of Natural Resources). Once sufficient proof is provided that the new product has the requisite lethality, then it is anticipated that approval by the individual DNRs will not be far behind. Based on previous experience the contact and education phase with the state agencies will begin at least 1 year from announcement to the trade.
- The geometry of the Model 710 system is such that 28 gauge appears to be the best gauge to use that will fit into the existing envelope. Despite what looks like a simple development effort, there will be several design challenges around the bolt head/extractor, magazine box, barrel, etc. This will also take time and require a full R&D effort. Remington R&D will be ready to support this development schedule beginning 1st Quarter 2005.
- Obviously there is no data to suggest what the rifling should be for this new gun. Because of the unknowns with the NXS ammo, it is not yet possible to predict what rifling geometry or twist rate will provide the maximum in accuracy. As the ammunition development progresses these questions will be answered, but will require significant testing to qualify the design.

Rimfire Rifle Market Summary

The U.S. domestic rimfire market is estimated to be in the range of 680M units sold annually. 30% of rimfire rifles sold in the U.S. are sold at Wal Mart. 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.

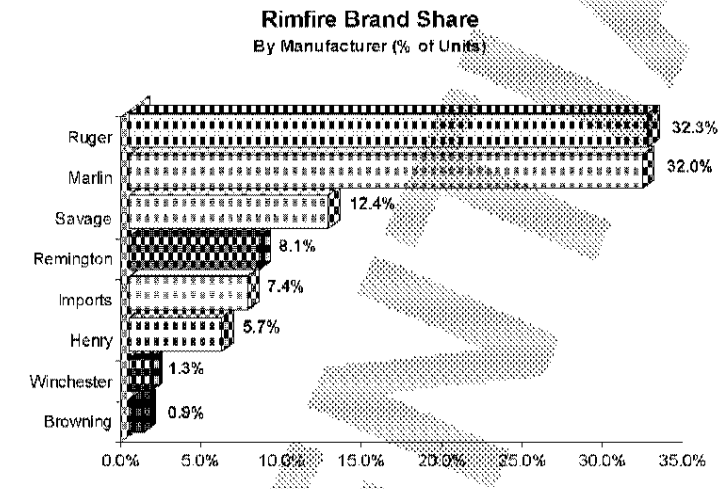
Category leaders by a wide margin are Sturm, Ruger & Co. and Marlin Firearms. Product sales by these two manufacturers constitute 60% of the total rimfire rifle market. Total 2002 sales volumes by manufacturer are listed below.

2002 Rimfire Market (Estimated Sales Volume by Manufacturer)¹

| <u>BRAND</u> | <u>UNITS (M)</u> |
|--------------|------------------|
| Ruger | 219 |
| Marlin | 217 |
| Savage | 84 |
| Remington | 55 |
| Imports | 50 |
| Henry | 39 |
| USRAC | 9 |
| Browning | <u>6</u> |
| TOTAL | 679 |

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

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 2002, of the 237M units of rimfire rifles sold by Wal*Mart, 53% of said volume was comprised of products retailing at a price less than \$150.00². 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.

1. 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 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

² 2002 Wal*Mart F.O.S. Data - confidential

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.

2. Brand Perception

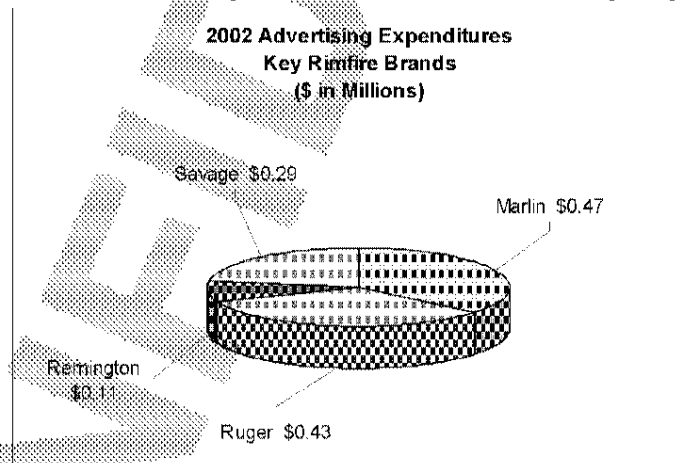
- Although no known comparative study is known to exist with respect to measuring brand perception exclusive to rimfire rifles, some conclusions can be drawn from Sports Market Research Group’s (SMRG) 2000 study of the overall (centerfire & rimfire) market³, as well as through general knowledge gained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

³ SMRG’s U.S. Marketing 2000 Annual Report - Rifles

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.

2002 Total Print Ad Expenditures – Rimfire Rifles by Key Brands⁶

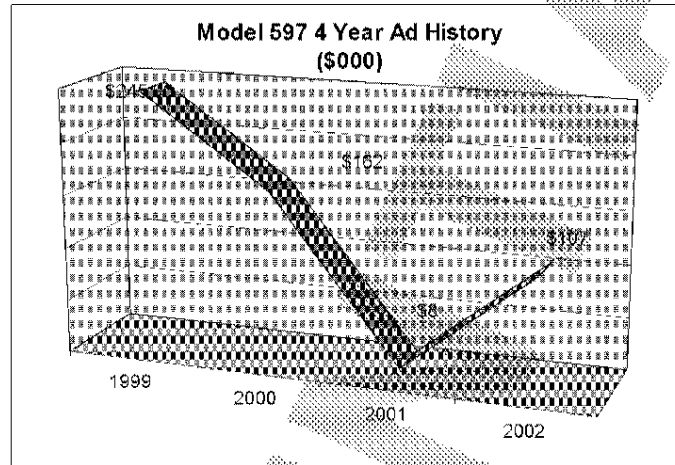


The chart above paints a clear picture of the emphasis Marlin and Ruger place on protecting their brand share in the rimfire market through the support of advertising dollars. In order to successfully gain share in the rimfire market, Remington must provide additional advertising support to generate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

⁴ 2001 AD Facts Firearms Advertising History

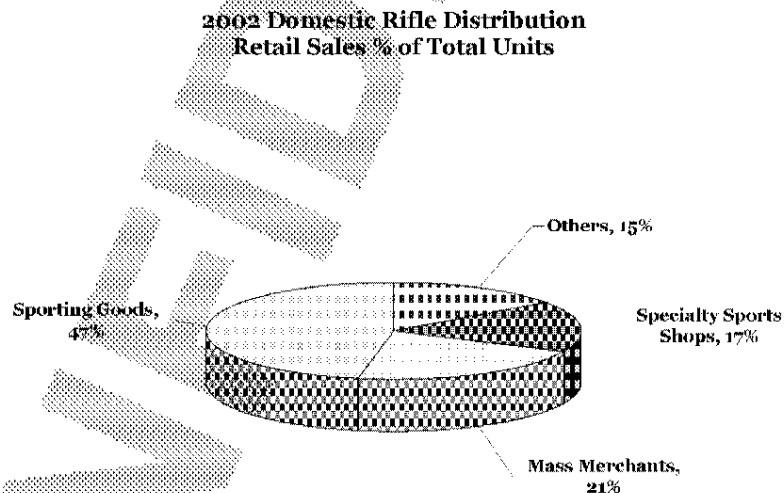
⁵ Ibid

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



Distribution Analysis – Rimfire Rifles

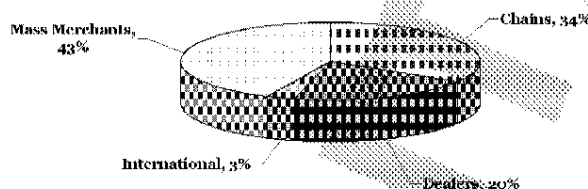
Listed below is the total retail distribution for all rifles (centerfire and rimfire) as reported by the 2001 NSGA Retail Study.⁶



Listed below is the total 2002 retail distribution for Remington rimfire rifles.

⁶ 2001 NSGA Retail Study.

**2002 Remington Rimfire Rifle Distribution
Retail Sales % of Total Units**



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

2002 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.

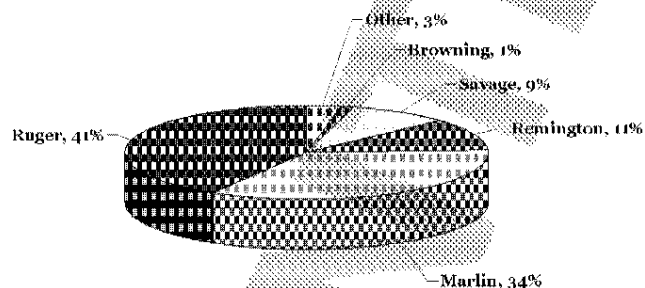
**2002 Autoloading Rimfire Rifle Market
Estimated Sales By Manufacturer**

| <u>BRAND</u> | <u>UNITS (M)</u> |
|--------------|------------------|
| Ruger | 194 |
| Marlin | 162 |
| Remington | 53 |
| Savage | 42 |
| Other | 16 |
| Browning | <u>6</u> |
| TOTAL | 473 |

2002 Autoloading Rimfire Rifle Brand Share

(% of Units)

**2002 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. 2002 sales consisted of 49.6M units or \$6.8MM in revenue. Volume and revenue changes from 2001 to 2002 were a decrease of 2.7% in volume and an 8% increase in revenue. Reasons for the revenue increase center around a richer mix of high margin magnum product shipped in the 4th Quarter of 2002.

| Model 597 | 1998 Actual | 1999 Actual | 2000 Actual | 2001 Actual | 2002 Actual | 2003 FCS/F | 2003 Budget |
|------------------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|
| Unit Sales (M) | 64.2 | 56.9 | 57 | 51 | 49.6 | 55.8 | 50.5 |
| Sales Dollars (\$MM) | \$7.6 | \$7.7 | \$6.9 | \$6.3 | \$6.8 | \$8.7 | \$7.1 |
| Standard Margin (\$MM) | \$2.1 | \$1.8 | \$1.3 | \$1.0 | \$1.2 | \$2.0 | \$1.5 |
| Standard Margin (%) | 27.0% | 23.5% | 18.8% | 15.5% | 17.6% | 22.7% | 21.7% |

The Mayfield based Model 597 family dominates Remington's presence in the category, consisting of 49.6M of the total volume of the 51.2M autoloading rimfire rifles sold. The remaining 1.6M 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, two .22WMR and one .17HMR sku, 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 and .17HMR 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 and .17HMR.

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 | \$92 |
| Savage | Model 64 SSHB | \$155 |
| Savage | Model 64 Scoped | \$95 - \$103 |
| Remington | Model 597 Syn | \$116 |
| Remington | Model 597 SS | \$153 |
| Remington | Model 597 LSS | \$191 |
| Remington | Model 597 HB | \$186 |
| Remington | Model 597 Mag 22WMR | \$229 |
| Remington | Model 597 Mag 17HMR | \$247 |
| Remington | Model 597 Mag HB | \$282 |

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

Strengths

- Button rifled barrel produces an inheritably accurate product
- Widely available through a broad range of distribution
- State-of-the-art manufacturing facility produces a consistent product
- Newly introduced 17HMR offering created a halo effect renewing interest in the product family as a whole.

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

- Past performance with special make opportunities have yielded significant volume and can result in improved margins
- Special chain store offerings could result in category growth by giving chain customers unique, profitable offerings to compete regionally.

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 – 2004

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 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 Tasco has been identified as a candidate for this project. Initial thoughts were to make this product an exclusive for Wal*Mart conditional upon Wal*Mart's commitment to grow the 597 business significantly. However, Wal*Mart's reluctance

to express interest and adopt this concept have sparked discussions with Sales internally to launch this platform as a chain-only offering.

| Model | MSP | NSP (Chain) | 1st Yr. Volume |
|---------------------|-----------|-------------|----------------|
| 597 SS Scoped Combo | \$ 175.00 | \$ 166.00 | 5000 |

Model 597 Performance Improvement – While the performance of the Model 597 has improved considerably since its inception, room for improvement remains. Magazine related malfunctions, although significantly reduced, continue to pose an issue in the marketplace. Primary concerns center around difficulties in loading the magazine box to capacity and feeding rounds reliably out of the magazine box during normal operation. A proposal has been placed with R&D to overcome and resolve these issues once and for all. R&D has been given leeway by Marketing to explore alternative materials, finishes, coatings and even pursue dimensional changes if needed to bring this issue to rest.

Pricing Considerations – A price increase of 4% was taken in 2003 across the Model 597 line. Due to the difficult market conditions in 2003 which are anticipated to carry over into 2004, no price increase for 2004 is planned at this time. A noted exception would be in the event that R&D is able in short order to bring resolution to the remaining magazine issues. Such as resolution may result in an increased product cost, thus requiring a slight pricing adjustment to maintain margins. Such an increase would be acceptable provided that there are tangible claims that can be made with respect to improvement in performance.

Product Deletions – No product deletions are planned for 2004.

Product Strategy – 2005 & 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.
- A Heavy Barrel Laminate version of the 597 Magnum .17HMR has been designed and tabled for introduction at a later date. While it is not anticipated that this product will be needed in 2004, it is likely that its introduction in 2005 will be helpful.

Pricing Considerations – Market conditions will be monitored to determine if opportunistic price increases may be available.

MANUAL ACTION RIMFIRE RIFLES

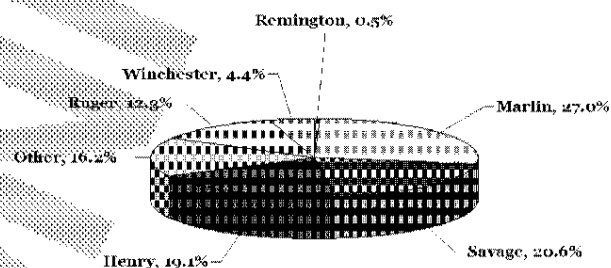
Manual action rimfire rifles can be categorized as pump action, lever action and bolt action firearms. 2002 sales estimates place the total manual action rimfire rifle U.S. domestic market at 204M units. Of the category, bolt action rifles dominate the total volume, accounting for 75% of the category volume, or 153M units annually. A break down by manufacturer is listed below.

2002 Manual Action Rimfire Market Estimated Sales by Manufacturer

| <u>BRAND</u> | <u>ACTION TYPE</u> | <u>UNITS (M)</u> |
|-----------------|--------------------|------------------|
| Marlin | Bolt | 55 |
| Savage | Bolt | 42 |
| Henry | Lever | 39 |
| Other (Imports) | Bolt | 33 |
| Ruger | Bolt | 25 |
| USRAC | Lever | 9 |
| Remington | Pump | 1 |
| TOTAL | | 204 |

2002 Manual Action Rimfire Brand Share (% of Units)

2002 Manual Action Rimfire Rifles
(Brand Share by Manufacturer)



Remington Segment Performance

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. 2003 market indications are that while the .17 HMR models are maintaining popularity, sales have softened considerably due to limited availability of .17HMR ammunition in the trade. Presently, there is only

one source of supply, CCI, for .17HMR ammunition in the world. Even Remington Ammunition product offerings are sourced from CCI.

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 rimfire rifles.

Ruger

Based on the popular M77 centerfire rifle series, the **Ruger M77/22** 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 10/22. 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 10M-16M 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 Whsle 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 – 2004

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 is designed and positioned as a premier platform. Capitalizing on Remington's core competency in building exceptional performance for the relative price paid 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, with .22 Magnum and .17 Hornady Magnum Rimfire offerings to follow in 2005. 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 high grade grip cap medallion and laser cut checkering
- Platform is expandable up to the .221 Remington Fireball centerfire cartridge, but will require a longer receiver (similar to centerfire short action vs. long action principle).

| Model | Caliber | MSP | Cost | NSP | Margin (After F&D) | 1st Yr Fcst |
|-------|---------|-----------|-----------|-----------|--------------------|-------------|
| 504 | .22LR | \$ 529.00 | \$ 280.00 | \$ 472.80 | 31% | 7500 |
| 504 | .22WMR | \$ 549.00 | \$ 280.00 | \$ 490.67 | 33% | 1000 |
| 504 | .17HMR | \$ 549.00 | \$ 280.00 | \$ 490.67 | 33% | 1500 |

Product Strategy – 2005 & Beyond

Mohawk 22 Bolt Action Rimfire Rifle – 2002 Point of Sale data at Wal Mart alone show over 36M units of \$99 retail bolt-action rimfire rifles sold. Of that figure, nearly one third of the sales were youth sized products. An additional 30M units were sold at a retail price point between \$150 and \$200. 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 sub \$150 retail price point. Remington needs to pursue 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. The product should be a two tier platform with a \$129

MSP offering being a single shot trainer style rifle based on a platform that is expandable to a tubular magazine fed \$159 MSP offering generating an additional 15M units in sales.

| Item | MSP | NSP | Cost | Margin (After FET) | Annual Volume |
|-------------|-------|-------|------|--------------------|---------------|
| Mohawk 22 | \$129 | \$118 | \$75 | 30% | 15M Units |
| Mohawk 22TM | \$159 | \$145 | \$87 | 33% | 15M 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 2002 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 2002 report of factory shipments shows little change in factory shipments over 2001 levels. 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. **Remington Arms Company showed an 8% increase in centerfire rifles shipments in 2002 over 2001 figures.** This increase was attributed primarily to continued strength of the Model 710 bolt-action rifle, produced in the Mayfield Kentucky factory. **Model 710 shipments in 2002 were up 25% over 2001 levels.** 2003 order positions for the Model 710, although still strong, appear that they will plateau at 2002 levels.

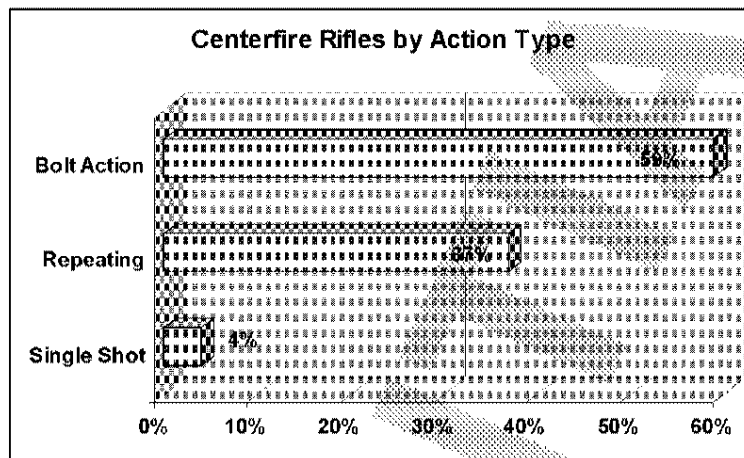
Market momentum has slowed for 2003 across the entire centerfire rifle category. Order positions exceeding plant capacity have are no longer a luxury. Special make items have helped fill some of the void. **To date, special make ups in the centerfire rifle category account for 15M-20M units or \$6.75MM.**

The centerfire rifle segment is essentially composed of three product categories. 2002 volume estimates by category are as follows:

| <u>Category</u> | <u>Units (M)</u> |
|------------------------|------------------|
| Bolt Action | 560 |
| Repeating ⁸ | 361 |
| Single Shot | 42 |
| Total | 963 |

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

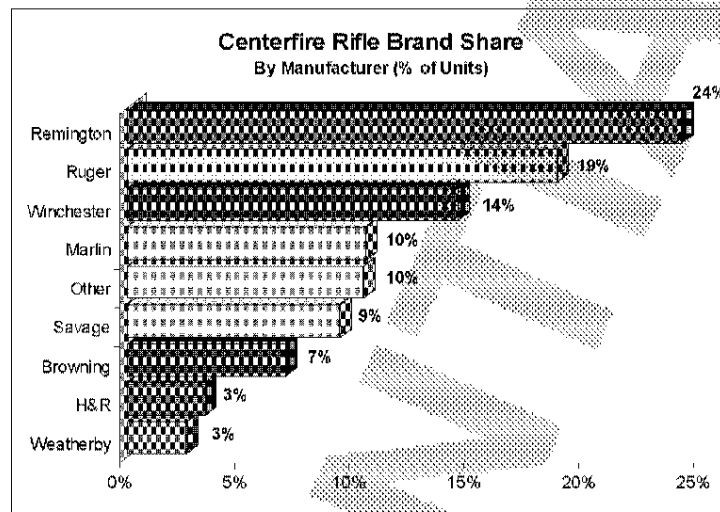
⁸ Includes Autoloading, Pump & Lever Action



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:

| <u>BRAND</u> | <u>UNITS (M)</u> |
|--------------|------------------|
| Remington | 225 |
| Ruger | 182 |
| USRAC | 140 |
| Marlin | 101 |
| Other | 100 |
| Savage | 90 |
| Browning | 67 |
| H&R | 33 |
| Weatherby | <u>25</u> |
| TOTAL | 963 |

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.**

S 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, and titanium alloys. 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.

⁹ SMRG's U.S. Marksmanship, 2001 Annual Report

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 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.
- **Sturm, 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. 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

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

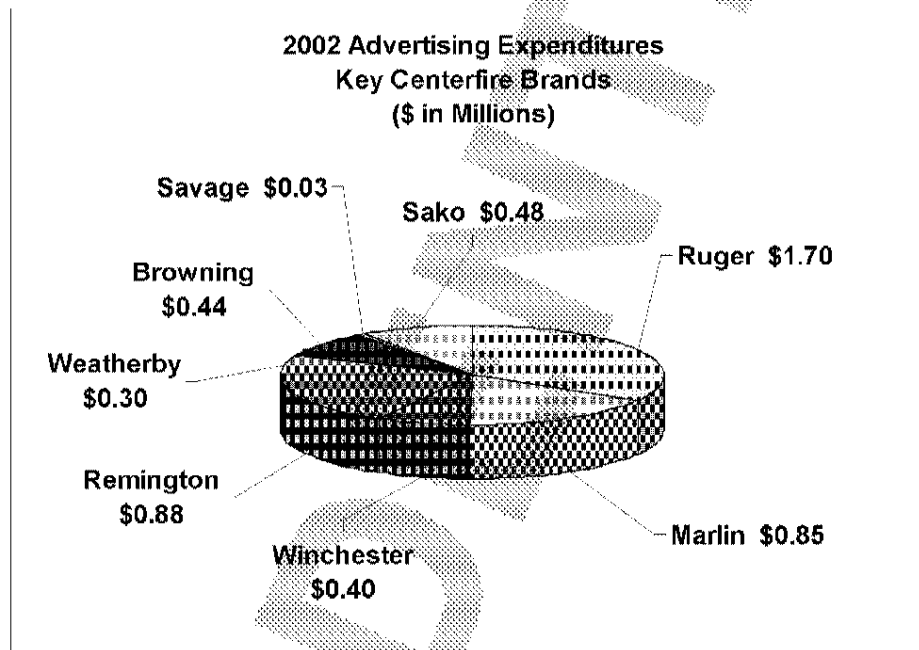
Western and Southwestern regions of the United States. It is interesting to note that in a survey conducted by SMRG, Winchester deviated from the other manufacturers with 64% of respondents stating that Winchester's brand name was influential in their purchase decision, placing greater emphasis on these 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 reputation for being an accurate product. This reinforces Savage's position on the price/value scale. Of recent note, Savage introduced an innovative new concept for 2003 named the **Accutrigger**. The Accutrigger allows the end user to safely adjust trigger pull weights down to 1.5lbs. This new product has been well received in the marketplace and it is anticipated that Accutrigger product will have a negative impact on Remington Varmint rifle orders booked under the 2004 Spring Gun Program.
- **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.

¹¹ SMRG's U.S. Marketrac 2001 Annual Report

¹² Savage Arms 2003 Product Catalog

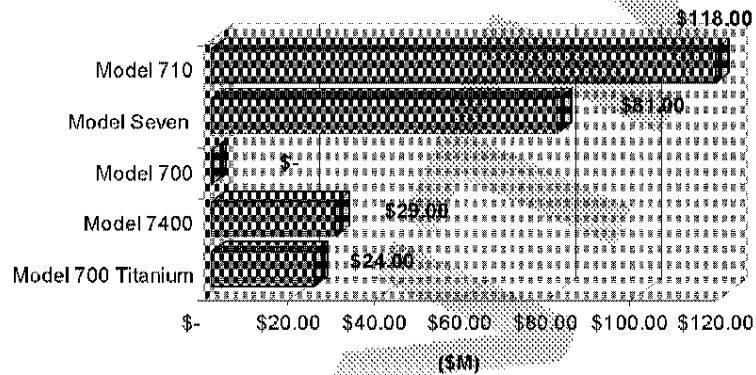
2002 Total Print Ad Expenditures – Centerfire Rifle



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 frantically to protect their piece of the centerfire rifle category.

2002 Remington Centerfire Ad Expenditures by Product Group

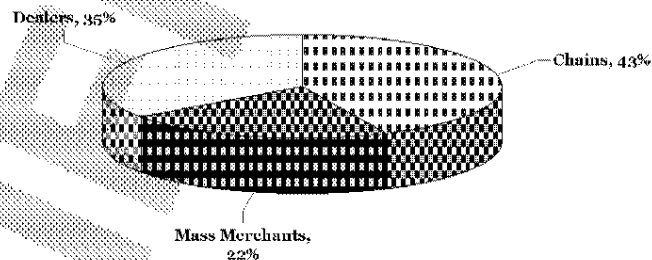
Remington Ad Expenditures By Centerfire Product



Distribution Analysis – Centerfire Rifles

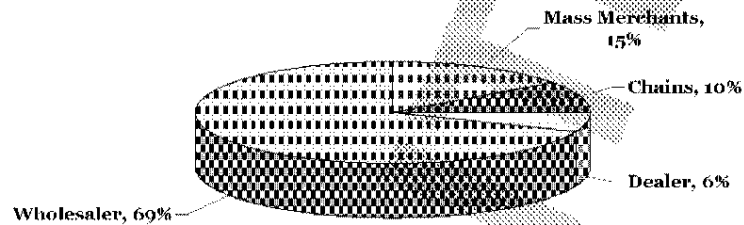
The table below portrays the estimated distribution through normal retail channels in the U.S. domestic market of Remington-centerfire rifles.

Remington Centerfire Rifle Distribution
Retail Sales % of Total Units



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

Remington Centerfire Wholesale Distribution



BOLT-ACTION CENTERFIRE RIFLES

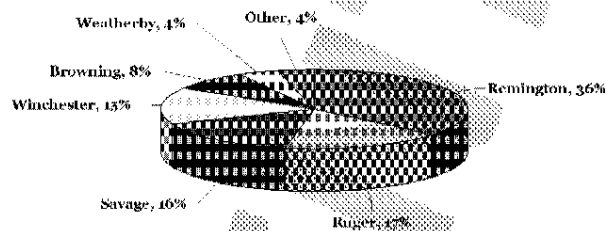
2002 Sales estimates have determined the U.S. domestic bolt-action centerfire rifle market to be approximately 560M units annually with a retail sales value of \$196MM. A break down of retail sales by manufacturer is listed below.

2002 Bolt-Action Centerfire Rifle Market Estimated Sales by Manufacturer

| <u>BRAND</u> | <u>UNITS (M)</u> |
|--------------|------------------|
| Remington | 210 |
| Ruger | 98 |
| Savage | 90 |
| Winchester | 87 |
| Browning | 45 |
| Weatherby | 25 |
| Other | <u>21</u> |
| TOTAL | 576 |

2002 Bolt-Action Centerfire Rifle Brand Share (% of Units)

2002 Bolt-Action Centerfire Rifles
(Brand Share by Manufacturer)



Remington currently occupies a dominant brand position in the bolt-action centerfire rifle market. 2002 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 with the addition of magnum caliber offerings. 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. 2002 sales volume consisted of 220M units or \$84 MM in revenue. Overall volume and revenue changes from 2001 to 2002 were increases of 13% and (2%) respectively. Despite a gain in volume, revenue dollars decreased as the mix of high margin stainless guns to lower margin blued guns weakened.

| Model 700 Sportsman | 1999 | 2000 | 2001 | 2002 | 2003 | 2003 |
|----------------------------|---------------|---------------|---------------|---------------|-------------|---------------|
| | Actual | Actual | Actual | Actual | FCST | Budget |
| Unit Sales (M) | 0 | 0 | 40 | 49.6 | 56.9 | 57 |
| Sales Dollars (\$MM) | 0 | 0 | \$10.4 | \$13.2 | \$14.9 | \$14.6 |
| Standard Margin (\$MM) | 0 | 0 | \$4.9 | \$6.2 | \$7.7 | \$6.9 |
| Standard Margin (%) | 0 | 0 | 46.7% | 46.9% | 48.2% | 47.2% |

| Model 700 Regular | 1999 | 2000 | 2001 | 2002 | 2003 | 2003 |
|--------------------------|---------------|---------------|---------------|---------------|-------------|---------------|
| | Actual | Actual | Actual | Actual | FCST | Budget |
| Unit Sales (M) | 113.8 | 103.1 | 101.5 | 122.1 | 97.8 | 115.3 |
| Sales Dollars (\$M) | \$37.3 | \$37.5 | \$37.5 | \$45.3 | \$37.4 | \$44.4 |
| Standard Margin (\$MM) | \$16.9 | \$17.4 | \$17.7 | \$21.2 | \$17.2 | \$20.2 |
| Standard Margin (%) | 45.5% | 46.5% | 47.2% | 46.8% | 45.9% | 45.4% |

*Includes Model Seven Regular

| Model 700 Stainless | 1999 | 2000 | 2001 | 2002 | 2003 | 2003 |
|----------------------------|---------------|---------------|---------------|---------------|-------------|---------------|
| | Actual | Actual | Actual | Actual | FCST | Budget |
| Unit Sales (M) | 29.1 | 33.8 | 47.3 | 30.5 | 26.5 | 34.2 |
| Sales Dollars (\$M) | \$13.1 | \$16.7 | \$23.1 | \$15.4 | \$13.9 | \$18.0 |
| Standard Margin (\$MM) | \$6.9 | \$8.9 | \$12.1 | \$8.0 | \$6.7 | \$9.1 |
| Standard Margin (%) | 52.7% | 53.5% | 52.3% | 51.9% | 48.2% | 50.3% |

**Includes Model Seven Stainless

| Model Seven Regular | 1999 | 2000 | 2001 | 2002 | 2003 | 2003 |
|----------------------------|---------------|---------------|---------------|---------------|-------------|---------------|
| | Actual | Actual | Actual | Actual | FCST | Budget |
| Unit Sales (M) | * | 5.8 | 5.8 | 11.0 | 16.6 | 12.0 |
| Sales Dollars (\$M) | * | \$2.0 | \$2.0 | \$4.2 | \$6.8 | \$5.0 |
| Standard Margin (\$MM) | * | \$0.9 | \$0.9 | \$1.9 | \$2.8 | \$2.2 |
| Standard Margin (%) | * | 45.5% | 44.9% | 44.1% | 41.5% | 43.2% |

*** Includes Model 673 Guide Rifle

| Model Seven Stainless | 1999 | 2000 | 2001 | 2002 | 2003 | 2003 |
|------------------------------|---------------|---------------|---------------|---------------|-------------|---------------|
| | Actual | Actual | Actual | Actual | FCST | Budget |
| Unit Sales (M) | ** | 3.5 | 3.9 | 6.5 | 5.0 | 7.0 |
| Sales Dollars (\$M) | ** | \$1.5 | \$1.7 | \$2.9 | \$2.3 | \$3.2 |
| Standard Margin (\$MM) | ** | \$0.8 | \$0.9 | \$1.6 | \$1.2 | \$1.8 |
| Standard Margin (%) | ** | 54.5% | 57.0% | 56.1% | 54.3% | 55.4% |

The Model 700 series clearly is the dominant player in the bolt-action centerfire rifle category for Remington. Accounting for approximately 70% 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 family 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 and the Model 673 which is a derivative of the Model Seven.

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. It is note worthy to mention that the Model 710 has captured approximately one-third of the entry level scoped rifle market with only two sku's. While demand appears to have peaked for now on these two sku's in 2003, the introduction of magnum calibers in 2004 should allow the Model 710 to maintain or slightly improve its market share position.

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 Super 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 Super Shadow in calibers .270 Win, .30-06, and 7mm Rem Mag and the new WSM calibers (.270, 7mm, 300) to Wal Mart. These offerings are intended to compete with the Remington Model 710 and Savage package guns. Non-scoped versions of the Model 70 Super 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 2002, 16M of the Model 70 scoped packages were purchased at retail.¹³ This figure is down from 22M units in 2001, however 2003 data indicates that the Model 70 offerings at Wal Mart in the WSM family are likely to offset some of Winchester's market share erosion at Wal Mart.

Weatherby

For 2003 Weatherby offered its Japanese manufactured **Vanguard Synthetic** and **Vanguard Stainless** models to the trade. Weatherby is directly targeting Remington's Model 700 ADL line and BDL SS lines with these offerings. Boasting an accuracy guarantee, adjustable trigger, hinged floorplate magazine and a price tag that is within \$10 of the Model 700 ADL Synthetic (Vanguard Synthetic), the **Vanguard line represents a significant threat to Remington's core rifle business.**

Tikka

New for 2003, the Tikka **T3** was introduced as a price point offering targeted directly at Remington's core Model 700 line. Tikka is a brand owned and operated by Sako Finland (a holding of the Beretta Group). The new T3 is available in wood, synthetic and stainless synthetic models featuring detachable magazines and a guaranteed accuracy of a 1" group prior to leaving the factory. Fortunately present manufacturing capacities for the Tikka lines only approach 15M units annually. A proverbial drop in the bucket for the time being. **However, should the Italians place further emphasis on engaging the U.S. market, the Tikka will undoubtedly pose a serious threat to Remington.**

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

¹³ 2002 Wal Mart POS Data - CONFIDENTIAL

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 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 |
| Weatherby | Vanguard SYN | \$340 |
| Tikka | T3 | \$375 |
| Remington | 700 ADL | \$397 |
| Remington | 700 ADL SYN | \$342 - \$360 |
| 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 stocked "Ultimate Shadow" 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) and Winchester Super Short Magnum (WSSM) 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 and WSSM caliber offerings. The A-Bolt's principle competitors are the Remington Model 700 BDL and BDL SS as well as Weatherby and Ruger 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.

New for 2003, the **Model 673 Guide Rifle** created a great deal of momentum in the Remington bolt-action rifle segment. A modern-day version of the now highly collectable Model 600 Magnum, the Model 673 features a laminate stock with alternating light and dark strips and sports a machined steel ventilated rib with iron sights on it's 22" magnum contour barrel. 2003 caliber offerings consist of the reintroduced .350 Remington Magnum and .300 Rem SA Ultra Mag chamberings.

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 | \$483 - \$503 |
| Winchester | M70 Classic Stainless | \$522 - \$542 |
| Browning | A-Bolt Hunter | \$451 - \$612 |
| Browning | A-Bolt Stalker | \$470 - \$546 |
| Browning | A-Bolt Stainless Stalker | \$598 - \$634 |
| Remington | 700 BDL | \$467 - \$494 |
| Remington | 700 BDL SS | \$503 - \$530 |
| Remington | 700 LSS | \$565 - \$575 |
| Remington | 700 Mountain | \$512 - \$547 |
| Remington | Seven | \$490 - \$508 |
| Remington | Seven Stainless | \$499 - \$527 |
| Remington | 673 Guide Rifle | \$565 |

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.

**Wholesale Pricing Comparison
Specialty Centerfire Rifle – Bolt Action**

| Manufacturer | Model | Net Wholesale Price |
|--------------|----------------------|---------------------|
| Ruger | M77 MKII Target | \$476 |
| Winchester | M70 Coyote | \$460 - \$479 |
| Winchester | M70 Stealth | \$522 |
| Browning | Eclipse M-1000 | \$769 |
| Browning | Eclipse Hunter | \$748- \$766 |
| Remington | Model 700 VS | \$555 - \$572 |
| Remington | Model 700 VLS | \$496 |
| Remington | Model 700 VSSF | \$668 |
| Remington | Model 700 Sendero SF | \$686 - \$695 |
| Remington | Model 700 Titanium | \$847 |

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
- Dated Cosmetics of Line

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 2004 – Model 710 Sportsman

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 2003. 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.

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

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. This recommendation is based upon the current softening of demand for the Model 710 and in the centerfire rifle market in general.

Product Deletions – No deletions are planned for 2003.

Product Strategy 2005 & 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 only a \$10 increase in cost to the current synthetic receiver insert is being evaluated by Manufacturing and R&D. Plans are to either introduce this at the 2004 SHOT Show or for the 2005 catalog year depending upon availability.

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 an extruded receiver. This will be viewed and marketed as a significant product enhancement. 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. Traditional pricing strategies can quickly change this product’s position in the market as a price point firearm.

Product Strategy 2004 – 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 CDL (Classic Deluxe) – One common thread of feed back that has been received from the firearms trade is that the current Model 700 BDL is dated in its styling. Consumers appear to be trending away from the high gloss wood stock rifles and are looking for more subtle finish techniques. Satin finish stocks and low luster, but high grade metal finishes appear to be the current trend. In response to these changes in consumer tastes, Remington will for 2004, introduce the Model 700 CDL (Classic Deluxe) featuring a satin finished walnut stock with black fore end tip and grip cap and glass bead finish barreled action with no iron sights. Barrel lengths will be 24” for standard calibers and 26” for magnum calibers.

| Model | MSP | NSP | 1st Yr. Volume |
|---------------------------|------------|------------|----------------------------------|
| Model 700 CDL 243 Win | \$512 | \$467 | 1250 units |
| Model 700 CDL 7mm-08 Rem | \$512 | \$467 | 1000 units |
| Model 700 CDL 270 Win | \$512 | \$467 | 1500 units |
| Model 700 CDL 30-06 | \$512 | \$467 | 2500 units |
| Model 700 CDL 7mm Rem-Mag | \$532 | \$485 | 1000 units |
| Model 700 CDL 300 Win Mag | \$532 | \$485 | 1000 units |
| Model 700 CDL 7mm RUM | \$542 | \$494 | 500 units |
| Model 700 CDL 300 RUM | \$542 | \$494 | 500 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 | \$959 | \$875 | 300 units |
| Model 700 Titanium .300 RSAUM | \$959 | \$875 | 300 units |

Model 700 Classic 2004 – For the 24th straight year, the Model 700 Classic will be offered in a limited edition caliber. The 2004 offering will be the 8mm Mauser (8x57).

| Model | MSP | NSP | 1 st Yr. Volume |
|------------------------------|-------|-------|----------------------------|
| Model 700 Classic 8mm Mauser | \$512 | \$467 | 2500 units |

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. Total weight of the rifle will be 6.75lbs. 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 | 1 st Yr. Volume |
|------------------------------------|-------|-------|----------------------------|
| Model 700 LV SF .17 Rem | \$689 | \$628 | 1500 Units |
| Model 700 LV SF .221 Rem. Fireball | \$689 | \$628 | 1500 Units |
| Model 700 LV SF .22-250 Rem | \$689 | \$628 | 2500 Units |
| Model 700 LV SF .223 Rem | \$689 | \$628 | 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** – 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

At the present time, centerfire rifle order positions are at approximately half of their position for the same time period this year. Year end projections indicate that 2003 orders will constitute only 65%-70% of 2002 orders. Trade inventories for centerfire rifles from Remington and our competitors are at a perilous level. Needless to say, price increases under these conditions will not be received with great enthusiasm by the trade. It is the position of this writer that no price increase be taken in the centerfire rifle arena for 2004.

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

Product Strategy 2005 & 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 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 synthetic models. A scaled down version of this stock without the rubber overmolded panels will also be incorporated into the entry level 700 line as indicated in the text below.

- **Model 700 Stainless Improved Corrosion Resistance Project** – In conjunction with a stock redesign, Marketing has tasked Ilion Engineering to explore protective coatings for our stainless steel products that will take the premium Model 700 stainless rifles to an entirely new level with respect to corrosion and abrasion resistance above and beyond the competition. While stainless steel used

in most firearms does offer some benefit with respect to corrosion resistance over standard carbon steel, corrosion proof it is not. By developing a polymer impregnated electroless nickel type coating that maintains the popular “stainless” look, Remington will have a tangible, marketable feature that can be touted over the competition. It is the intention of Marketing to add this feature to premium BDL SS, LSS, and Mountain LSS models to truly bring the models to a true all-weather, all condition state.

- **Model 700 SP (Special Purpose) Line** – While the current ADL synthetic line has proven to be a popular and profitable category for Remington, competitive pressures and market driven expectations will soon leave the current ADL synthetic line in a truly non-competitive state. The Weatherby Vanguard, Tikka T3, Ruger M77 and Winchester M70 Super Shadow all feature enhancements that the ADL Synthetic does not have. Intentions are to phase out the current ADL Synthetic line in 2005 and replace it with the new Model 700 SP and Model 700 SPS line in 2005. These models will feature a scaled-down (no overmolded panels) version of the redesigned stock, along with a hinged floorplate magazine and R3 recoil pad. The Model 700 SP will feature a satin blued carbon steel barreled action with a clean barrel. The Model 700 SPS line will feature a non-coated 416 stainless steel clean barreled action.

| Model | MSP | NSP | 1 st Yr. Volume |
|---|-------|-------|----------------------------|
| Model 700 SP (Special Purpose) | \$395 | \$353 | 35000 units |
| Model 700 SPS (Special Purpose Stainless) | \$455 | \$415 | 30000 units |

- **Model 700 Classic** – 2005 will mark the 25th anniversary of the Limited Edition classic and will likely be notated by a tasteful enscription on the floorplate or a medallion in the stock.. Caliber offerings for a longer term view are:
 - **2005** – 6.5 Rem Mag
 - **2006** - .35 Remington (100th Anniversary of this cartridge)
 - **2007** - .300 Remington Ultra Mag
 - **2008** - 416 Remington

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.

Product Strategy 2004 – Model Seven

- **Model Seven Stainless** – For 2004, the Model Seven SS line will feature a newly designed synthetic stock equipped with a R3 recoil pad. Product sku's will remain unchanged. The new stock design features many of the concepts to be applied to the Model 700 stock redesign program. While there are no overmolded rubber grip inserts, the new Model Seven stock design features some unique design and texturing in the grip and fore end areas.
- **Model Seven Youth Synthetic** – Designed in conjunction with the stock redesign plan discussed above, the current Model Seven Youth rifle with birch stock will be replaced in 2004 with a synthetic stocked version. Unlike other Remington youth synthetic stocks, the Model Seven stock tool was designed to take 1" LOP out behind the grip area rather than off the butt stock end. The result is that the new youth stock will accept the R3 recoil pad, a feature that has been sought after in the Remington youth line. Of significant note, this line change will result in approximately \$16-\$18 margin improvement as a result of the savings from eliminating the costly birch stock and replacing it with an \$8 - \$10 synthetic stock.

| Model | MSP | NSP | 1st Yr. Volume |
|------------------------------|------------|------------|----------------------------------|
| Model Seven YTH SYN .223 Rem | \$410 | \$374 | 500 |
| Model Seven YTH SYN .243 Win | \$410 | \$374 | 2000 |
| Model Seven YTH SYN .260 Rem | \$410 | \$374 | 500 |
| Model Seven YTH SYN 7mm-08 | \$410 | \$374 | 1750 |

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. No price increase is recommended for the Model Seven line in 2004.

Product Deletions – See Appendix A 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.

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.

Product Strategy 2004– Model 673 Guide Rifle

- **Model 673 Guide Rifle** – For 2004, the Model 673 line will be expanded to include another classic caliber reintroduction, the 6.5 Rem Mag and the .308 Winchester chambering.

| Model | MSP | NSP | 1 Yr. Volume |
|-----------------------------------|-------|-------|--------------|
| Model 673 Guide Rifle 6.5 Rem Mag | \$619 | \$565 | 3000 units |
| Model 673 Guide Rifle .308 RSAUM | \$619 | \$565 | 1000 units |

Product Strategy 2005 & 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, especially in response to the new Savage Arms Accutigger design.
- 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.

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 346M units annually with an estimated retail sales value of \$112MM.

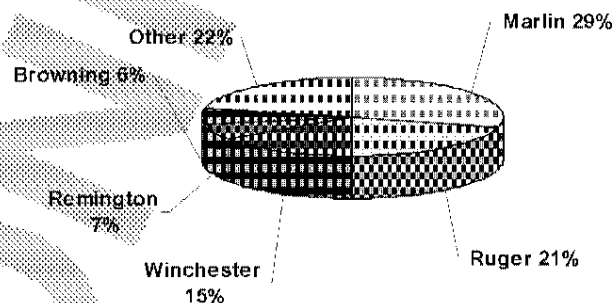
Sales volume and market share are estimated as follows:

**2002 Domestic Repeating Centerfire Rifle Market
Estimated Sales by Manufacturer¹⁴**

| <u>BRAND</u> | <u>UNITS (M)</u> |
|--------------|------------------|
| Marlin | 101 |
| Ruger | 73 |
| Winchester | 53 |
| Remington | 23 |
| Browning | 22 |
| Other | <u>75</u> |
| TOTAL | 346 |

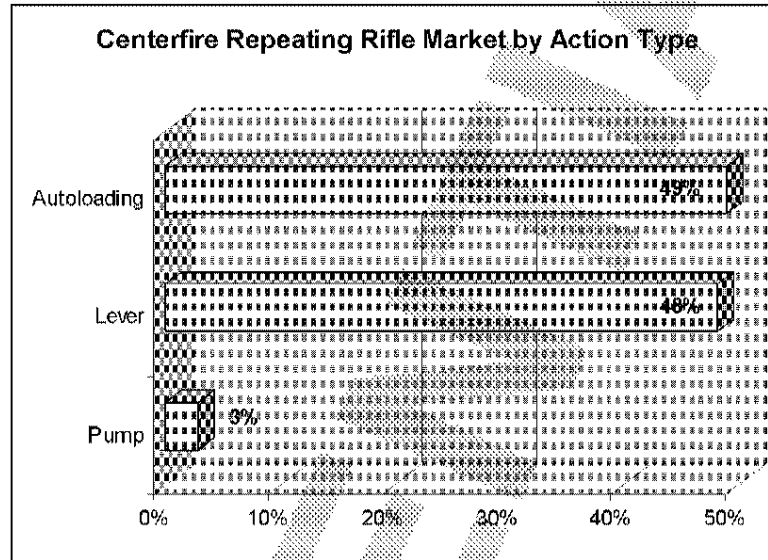
**Centerfire Repeating Rifle
Brand Share (% of Units)**

**2001 Centerfire Repeating Rifles
Brand Share by Manufacturer**



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 2002 for the entire category totaled 23M units and accounted for \$7.9MM in revenue. These figures account for a 18% decrease in the category from 2001 sales levels.

| Model 7400 | 1999 | 2000 | 2001 | 2002 | 2003 | 2005 |
|------------------------|--------|--------|--------|--------|-------|--------|
| | Actual | Actual | Actual | Actual | FCST | Budget |
| Unit Sales (M) | 27.2 | 24.0 | 19.5 | 16.0 | 12.6 | 20.6 |
| Sales Dollars (\$MM) | \$8.8 | \$8.1 | \$6.8 | \$5.6 | \$4.3 | \$7.1 |
| Standard Margin (\$MM) | \$3.6 | \$3.5 | \$2.8 | \$2.1 | \$1.5 | \$2.7 |
| Standard Margin (%) | 40.5% | 42.8% | 40.4% | 37.9% | 35.2% | 38.4% |
| Model 7600 | 1999 | 2000 | 2001 | 2002 | 2003 | 2005 |
| | Actual | Actual | Actual | Actual | FCST | PO |
| Unit Sales (M) | 12.6 | 11.3 | 8.5 | 7.1 | 10.8 | 9.0 |
| Sales Dollars (\$MM) | \$3.8 | \$3.7 | \$2.7 | \$2.3 | \$3.6 | \$3.1 |
| Standard Margin (\$MM) | \$1.4 | \$1.5 | \$1.0 | \$0.8 | \$1.4 | \$1.3 |
| Standard Margin (%) | 38.0% | 40.4% | 38.4% | 36.3% | 38.8% | 41.0% |

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 capability to accept magnum calibers*

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 | \$577 - \$630 |
| Browning | BAR SYN Stalker BOSS | \$673 |
| Browning | BAR Lightweight | \$595 - \$649 |
| Browning | BAR Safari | \$595 - \$649 |
| 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 2002 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 2004 – 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 sporting goods market for pump and autoloading rifles is flat or slightly declining domestically. The sporting 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 design concepts from a parallel development effort such as the Model 2100 New Gas Autoloading Shotgun project. In addition, further justification for the development of a new gas autoloading rifle should be tied into recent focus on pursuing an expanded presence in military markets in response to military interests in a new gas autoloading rifle to replace current bolt-action sniper rifles (i.e. M-24).

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. In addition, manufacturing has been directed to assign a team of engineers to help the Model 7400 line "limp" along until a new product platform is available. This team will focus on major factors which contribute to the rifle's inability to perform in the market. Bottomline is that the Model 7400 design is a design on the edge and is not manufacturing friendly.

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 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 are critical. 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. This further solidifies the fact that the current design is on the edge and that if Remington wishes to continue to play a part in this market, a new gun design is needed.

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.) – Despite a small sporting goods market, it would not be unreasonable to assume that with a new product, Remington could secure 25M-30M units in sales volume. Couple this figure with potential military contracts and this volume level could approach 50M pieces annually.

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. could in theory (but is not mandated to) utilize many of the same components and design concepts generated by the upcoming Model 2100 New Gas Autoloading Shotgun project. General criteria for the C.A.R. are as follows:

- Gas autoloading design utilizing recoil reduction technology.
- Must function ammo ranging from .243 Win to .338 Lapua (for military use) as well as Remington Short Action Ultra Mag cartridges.
- Capability to function .223 Rem. ammunition would be beneficial, but is not a prerequisite.
- Detachable box magazine. 2-shot non-detachable magazine option for International.
- Synthetic and wood versions available.
- Fire-control design with potential for adjustability

| Model | MSP | NSP | Annual Volume |
|---|------------|------------|----------------------|
| Centerfire Auto Loading Rifle – S/A & L/A | \$560 | \$511 | 15000 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.

In-Line Muzzleloading Rifle Market Summary

Market Share Overview

Reliable information pertaining to the in-line muzzleloading rifle market is difficult to come by at best. Muzzleloading firearms are not regulated by the BATF, nor do they have representation in an industry association. These two factors compounded by the fact that essentially all key players are privately held translate into a speculative view of the market based on assumptions from insiders and sketchy market research data.

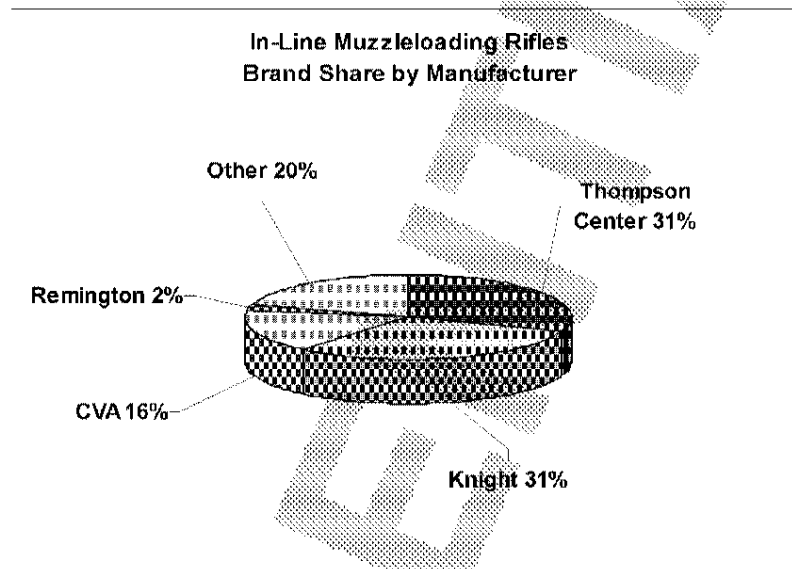
With the qualifying statement above in mind, the overall view of the market in this writer's opinion is that the U.S. domestic in-line muzzleloading market consists of 240M-400M units at a retail sales value of between \$56MM and \$90MM. A breakdown by manufacturer is as follows:

2002 In-Line Muzzleloading Rifle Market (Estimated Sales Volume by Manufacturer)

| <u>BRAND</u> | <u>UNITS (M)</u> |
|---------------------|-------------------------|
| Thompson Center | 75 |
| Knight | 75 |
| CVA | 40 |
| Remington | 5 |
| Other | <u>50</u> |
| TOTAL | 245 |

Brand Share – In-Line Muzzleloading Rifles

Compiled market data indicates the following brand share by manufacturer:



In-Line Muzzleloader Industry Analysis

Upon examining the data, one point is obvious. The muzzleloading market is dominated by players whose businesses rely almost exclusively on the manufacture and sale of black powder arms. Although some crossover does exist, the three key players in the in-line muzzleloading market, Thompson Center, Knight, and CVA have essentially divided the market into three price point segments. Knight dominates the higher end, Thompson Center the mid point and CVA carries the ball in the low price segment.

When the in-line muzzleloading rifle market emerged, Remington enjoyed a tremendous boost in business through the introduction of the Model 700 ML series of black powder rifles. In 1997 alone, Remington produced and shipped over 65M units of Model 700 ML rifles. When the in-line market first erupted, the Remington Model 700ML offered the shooter a familiar platform with an established reputation that was easy to use. Since that time the following has occurred:

- The market for premium in-line muzzleloading rifles has become saturated.
- Competitors have pursued a proactive approach to providing the market with differentiated product while the Remington design has remained essentially unchanged.

- The in-line muzzleloading rifle market has shifted from a high end product to more of a commodity approach with the market for entry level priced rifles and “grab and go” starter kits becoming the driving factor in the market.

Remington had very good reason for not further exploiting the in-line muzzleloading market. The Model 700 ML rifle consumed regular Model 700 centerfire capacity which is relatively fixed in nature. In addition, the Model 700ML line cost essentially the same to manufacture as its centerfire counterpart while earning nearly \$100 less per unit. These factors when weighed against an expanding bolt-action centerfire rifle category resulted in the sound decision to utilize the Iion plant’s rifle capacity to build bolt-action centerfire rifles at the expense of the muzzleloading line. As a result the Model 700 ML is perceived as a higher end, specialty product that is simply not competitive by today’s standards.

Remington Segment Performance

In 2002, Remington shipped 5.7M units at a total value of \$1.7MM. This was an 22% decrease in units and a 20% decrease in sales dollars. Competitive pressures from low-price offerings and late shipments are the primary contributors to this decrease in performance. Historical performance is as follows:

| Model 700 ML | 1999 | 2000 | 2001 | 2002 | 2003 | 2005 |
|------------------------|--------|--------|--------|--------|-------|--------|
| | Actual | Actual | Actual | Actual | FCST | Budget |
| Unit Sales (M) | 9.2 | 6.6 | 7.3 | 5.7 | 4.4 | 8.2 |
| Sales Dollars (\$MM) | \$2.4 | \$1.6 | \$2.1 | \$1.7 | \$1.4 | \$2.5 |
| Standard Margin (\$MM) | \$1.0 | \$0.6 | \$0.9 | \$0.6 | \$0.5 | \$0.9 |
| Standard Margin (%) | 40.9% | 36.5% | 41.0% | 38% | 36.3% | 35.7% |

*Includes carbon and stainless steel models

Competitive Outlook

Thompson Center

The **Black Diamond** series represents the core of T/C’s in-line offerings. Equipped with a patented “**Flame Thrower**” ignition system, the Black Diamond offers the shooter the advantage of using 209 shotshell primers as an ignition source. Also featured on the Black Diamond is a 26” standard length barrel for greater velocities. The Black Diamond is offered in nine different configurations varying by carbon or stainless steel, camouflaged stocks and fiber optic sights. The Black Diamond is also offered in a clam pack starter kit and in a .45 caliber configuration. All other offerings are .50 caliber. The Black Diamond is positioned as a “middle of the road” in-line muzzleloader. A new introduction from T/C that has sparked great interest in the premium muzzleloading line is the **Omega** muzzleloading rifle. The Omega features a falling-block type design which fully encloses a 209 shotshell primer for a sealed ignition and further promotes easy loading and extraction of spent primers.

Knight

Participating more in the higher end market is the **Knight DISC Rifle**. Utilizing the DISC ignition system which consists of a removable plastic insert to hold the primer, the DISC features 209 shotshell primer ignition. The DISC rifle is available in both .45 and .50 caliber configurations with choices in carbon or stainless steel, as well as camo stock offerings. The DISC rifle also features a bolt-action design which was subject to prior litigation for potential infringement on the Remington patent. The litigation was settled, allowing Knight to continue the manufacture of the DISC rifle. The DISC rifle is available in 24" barrel lengths as well as a 26" barrel length for greater velocities. Fiber optic sights are also offered on the DISC rifle. **The DISC is Knight's high-end offering, competing heavily with the Remington Model 700 ML.**

The **Knight Wolverine 209** is a traditional in-line muzzleloader featuring a straight pull cocking mechanism rather than the premium bolt-action design. Also equipped with the DISC ignition system, the Wolverine 209 utilizes shotshell primers as an ignition source. Available in .50 caliber only, the Wolverine is available in carbon or stainless steel with camo as an option as well. The Wolverine features fiber optic sights and a compact 22" barrel length. **The Wolverine competes with the Thompson Center Black Diamond in the "middle of the road" category.**

The **American Knight** is Knight Rifles true entry-level offering. With a traditional in line action design and an ignition system only capable of using the basic No. 11 percussion cap, the American Knight is truly a price point offering. The American Knight is available in a 22" barreled, blued finish version only. Not surprisingly, the American Knight is offered in the increasingly popular "value pack" configuration that includes all the shooter needs to get started with the exception of powder. **The American Knight competes primarily with the CVA product offerings.**

CVA

The premier offering from CVA is the **Eclipse Firebolt Ultra Mag 209** rifle. Equipped with a 26" fluted barrel and rubber coated stock, the Firebolt is targeted to compete with the mid priced Knight rifles. Like the Knight, the Firebolt is equipped with a 209 shotshell primer ignition system. As the name implies the Firebolt utilizes a bolt-action design in the cocking mechanism. The Firebolt is available in blued carbon steel or nickel plated versions with standard black, green or camo stock configurations. Caliber offerings are .45 and .50 caliber.

The first step down from the Firebolt in the CVA line is the **Hunterbolt** rifle. Also utilizing a bolt-action inspired cocking mechanism, the Hunterbolt features a 24" barrel in either blued or nickel plated finish. A three-way ignition system allows the use of 209 shotshell primers, musket caps, or No. 11 percussion caps. **The Hunterbolt rifle is the top seller in the CVA in-line family.**

Next in the CVA line is the **Eclipse 209 rifle**. The Eclipse utilizes a straight, in-line cocking mechanism. Also equipped with 209 shotshell primer capability, the Eclipse

ignition system can also be configured to accept musket caps and traditional No. 11 percussion caps. Offered in .50 caliber only, the Eclipse features a 24" barrel in either blued or nickel plated finishes. Black synthetic stocks are the only available configuration.

A true entry level rifle, CVA offers the Staghorn 209 with the basic blued version **retailing just below the \$100 mark**. Equipped with a straight pull cocking mechanism and 24" barrel, the Staghorn affords CVA a serious competitive advantage in the entry level category by offering the consumer a low-cost product that features 209 shotshell primer capability and fiber optic sights. Although the Staghorn is a "no frills" rifle, it serves its purpose well as a price point offering.

Remington

Remington participates in the in-line Muzzleloading rifle category with the Model 700 ML series of black powder arms. Utilizing many of the same features of the popular, time-tested Model 700 centerfire rifle design such as the bolt, action, and trigger, the Model 700 ML carries tremendous credibility on reputation alone. Regarded by some as the most accurate and dependable muzzleloader on the market, the Model 700 ML is available in a carbon steel, blued version with a 24" barrel, as well as the stainless steel MLS Magnum series equipped with 26" barrels for greater velocities. New for 2002, all Model 700 ML and Model 700 MLS Magnum rifles are equipped with a three-way ignition system capable of using 209 shotshell primers, musket caps and No. 11 percussion caps. The standard Model 700 ML is available in .50 caliber only, while the Model 700 MLS Magnum is also offered in a .45 caliber configuration. Viewed as a premium product, the Model 700 ML series of Muzzleloading rifles competes with the Knight DISC and Thompson Center Black Diamond, as well as with higher priced, low-volume specialty rifles.

Wholesale Pricing Comparison In-Line Muzzleloading Rifles

| Manufacturer | Model | Net Wholesale Price |
|-----------------|-----------------|---------------------|
| Thompson Center | Black Diamond | \$214 - \$290 |
| Knight | DISC | \$336 - \$384 |
| Knight | Wolverine | \$208 - \$248 |
| Knight | American Knight | \$136 |
| CVA | Firebolt | \$176 |
| CVA | Hunterbolt | \$120 - \$136 |
| CVA | Eclipse | \$96 |
| CVA | Staghorn | \$80 - \$88 |
| Remington | 700 ML | \$284 |
| Remington | 700 MLS Magnum | \$365 |

S.W.O.T. Analysis – Remington In-Line Muzzleloading Rifles

Strengths

- Design familiar to centerfire rifle users
- Strong brand recognition with association with Model 700
- Solid reputation for accuracy
- Utilizes many of the same components as Model 700

Weaknesses

- Lower margin earner when compared to Model 700 centerfire rifles.
- High retail price point limits volume in market.

Opportunities

- Pennsylvania, a strong deer hunting state has recently introduced legislation allowing in-line muzzleloading rifles, expanding the total in-line muzzleloading market size.
- More shifting of densely populated areas from centerfire deer hunting to primitive weapons and shotgun-only regions could create additional market opportunity.
- Due to the strong centerfire rifle market of recent years, relatively little focus has been placed on pursuing special make up opportunities to provide customers with differentiated product. A current effort on the table is a clam pack 700 ML for Sam's Club.

Threats

- Increased market focus on low-cost/low-priced entry level and combo packages.
- Although efforts to regulate in-line muzzleloaders and muzzleloaders utilizing 209 shotshell primers have been defeated, potential exists for these efforts to surface again.

Product Strategy – 2004 Remington In-Line Muzzleloaders

Model 700 ML Clampack – A proposal is currently in place with Sam's Club to market a Model 700 ML clampacked with a full array of accessories needed for the beginning blackpowder hunter. Prospects for securing this order are high and will perhaps be in place by the time this document is published.

| Model | MSP | NSP | Annual Volume |
|-----------------------|------------|------------|----------------------|
| Model 700 ML Clampack | \$269 | \$269 | 3500 units |

Pricing Considerations – The Model 700 ML is already positioned price wise at a competitive disadvantage. As stated above, efforts should be placed on taking cost out of the product to protect and improve margins rather than adding price that will certainly erode volumes.

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

Product Strategy – 2005 & Beyond Remington In-Line Muzzleloaders

Experimental Ignition System

Ilion Engineering is currently reviewing the potential to utilize a .22 rimfire blank as an ignition source. Should the concept prove feasible and cost effective, the introduction of a new, more reliable source of ignition could give Remington an incremental boost in Model 700 ML sales. Careful consideration and review will need to be given to Federal interpretations by the BATF and state level DNR regulations as well.

Low-Cost Muzzleloader Starter Kit

In addition to the current effort with Sam's Club, consideration should be given to Remington providing a low-cost entry level muzzleloading kit to the market place. The product would come equipped with a rifle and all key accessories required for the beginning shooter to enter the sport of muzzleloading. The kit will be clam packed such that it could be effectively merchandised by large chains and mass merchants. Consideration should be given to launching this platform under the Model 710 brand if the product can be produced at a cost that would allow for adequate margin opportunity for Remington. Consideration may also be given to a sourced product to fill this void in the market. Target MSP would be \$229.

CUSTOM GUNS

Remington's Custom Shop products include all customized rifles and shotguns, both catalog and made-to-order. Historically, custom centerfire rifles account for around 98% of Remington's custom gun business. The high cost of custom firearms puts them well beyond the reach of the average consumer, which explains why custom firearms businesses everywhere are low volume affairs. Even the "biggest" of the custom gun makers have sales volumes only between 500 and 1800 units a year.

Remington Segment Performance

| Remington Custom Guns | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2003 |
|------------------------|--------|--------|--------|--------|--------|-------|-------|
| | Actual | Actual | Actual | Actual | Actual | PCST | PO |
| Unit Sales (M) | 2.9 | 1.4 | 1.4 | 1.3 | 1.0 | 0.9 | 1.2 |
| Sales Dollars (\$MM) | \$2.1 | \$1.4 | \$1.4 | \$1.4 | \$1.0 | \$0.9 | \$1.0 |
| Standard Margin (\$MM) | \$0.2 | \$0.3 | \$0.2 | \$0.6 | \$0.1 | \$0.1 | \$0.1 |
| Standard Margin (%) | 9.5% | 19.0%* | 11.7% | 42.1%* | 5.8% | 4.8% | 5.0% |

*Finance has stated that margins in these years were over inflated due to incorrect standard costs in the SAP system.

Over the last 3 years sales of Remington custom guns have averaged around 1000 units annually.

Business Overview

Traditionally Remington's Custom Shop has been more of a marketing tool and less of a money-making enterprise. Margin positions in the Remington Custom Shop have been challenged by high standard costs. These high standard costs are a direct result of the overhead allocation practices in the Ilion plant which allocate overhead at a flat rate per labor hour. Because the Custom Shop products are labor intensive by nature, overhead rates would not be expected to decline significantly with additional sales volume.

Instead, the Custom Shop's value has been as a high-profile showplace of the best that Remington has to offer. As such, the typical standard margins that are expected of the rest of the firearms business are not within the realistic realm of the Custom Shop as it is currently structured. As stated above, an increase in volumes would be unlikely to significantly reduce the high overhead rates carried by the Custom Shop. Increasing price to support 30%-40% standard margins would likely all but dry up any demand for Custom Shop products.

Another alternative would be to structure the Custom Shop as an entirely different company, similar to Remington's PMPD business with its own cost structure. Given the volumes of the Custom Shop, coupled with complex problems such as labor, location, and transfer pricing, this strategy is perhaps not the most practical long-term approach.

Core Strategy – Remington Custom Shop

Strategically, Remington needs to be in the Custom Gun market. Remington's presence in this market creates a halo effect over the entire line.

The most practical approach to define a strategy for the Custom Shop is to understand and accept the business for what it is. The Custom Shop represents Remington's best foot forward from a product standpoint. It is a showcase and an extension of the Sales and Marketing arm of the Firearms business. Given the nature of the cost structure in the Ilion Plant, if the Custom Shop is covering fixed costs, variable costs and overhead while generating a positive margin position, mission accomplished.

Listed below are some strategic objectives for the Custom Shop.

- **Focus on customer service and response.** Although the Custom Shop products are typically long lead time, make-to-order goods, an emphasis should be placed on letting the customer know the status of where their order stands. An example would be brief monthly updates to the customer on the status of their order.
- **Integrate into the website.** If ever there was a model of a sector of Remington's business that could use the website as a tool, it is the Custom Shop. Current efforts are underway to tie the Custom Shop into the website allowing customers on line communication for product specifications, available configurations and even eventual ordering capability.
- **Expand shotgun offerings.** Shotguns currently account for only 2% of the Custom Shop's business. As is the case in the Model 700 and Model Seven families, the expansion and implementation of core Custom Shop offerings in the shotgun line would spread a halo effect over said business.
- **Take an active role with Accounting.** Working hand in hand on a routine basis to insure standard costs are correct in SAP will provide a foundation to effectively monitor the true performance of the business.
- **Act as a "think tank" and "skunk works" arm of the Marketing Department.** As it is structured, the Custom Shop provides an effective means of rapid prototypes and previews of product concepts. Examples would be the new Model 700 Light Varmint concept.

LAW ENFORCEMENT PRODUCTS

Remington's Law Enforcement firearms are broken down into three main categories; the Model 870 Police, the Model 11-87 Police and the Model 700 Police. In standard catalog SKUs, the Model 870P comes in Wood stock and Synthetic stock versions as well as various Tactical (14" barrel) options. The Model 11-87P is a synthetic stocked gun only, and has only one 14" version as a catalog offering. The Model 700P is a synthetic stocked tactical rifle that is offered in both long and short action. Finally, though they comprise a much smaller segment of the category, it is worth noting that Remington also offers a Model 40-XB rifle to the LE community and furnishes the Department of Defense with the M-24 Sniper Weapon System. A comprehensive discussion of Remington's opportunities with the military product market is available as a separate document authored by Ed Schoppman.

Remington Segment Performance

| 870 Police | 1999 Actual | 2000 Act. | 2001 Act. | 2002 Act. | 2003 Fcst. | 2003 P.O. |
|-------------------------|--------------------|------------------|------------------|------------------|-------------------|------------------|
| Units Sales (M) | 13.9 | 16.4 | 18.3 | 21.8 | 18.2 | 18.2 |
| Sales Dollars (\$MM) | \$ 4.4 | \$ 5.3 | \$ 5.2 | \$ 8.1 | \$ 5.6 | \$ 5.6 |
| Standard Margin (\$MM) | 2.2 | 2.7 | 2.7 | 3.3 | 2.5 | 2.5 |
| Standard Margin % Sales | 49.1% | 51.1% | 43.2% | 40.2% | 44.4% | 44.4% |

| 11-87 Police | 1999 Actual | 2000 Act. | 2001 Act. | 2002 Act. | 2003 Fcst. | 2003 P.O. |
|-------------------------|--------------------|------------------|------------------|------------------|-------------------|------------------|
| Unit Sales (M) | 1.2 | 1.2 | 1.0 | 1.0 | 0.7 | 0.7 |
| Sales Dollars (\$MM) | \$ 0.6 | \$ 0.6 | \$ 0.5 | \$ 0.5 | \$ 0.3 | \$ 0.3 |
| Standard Margin (\$MM) | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Standard Margin % Sales | 55.3% | 55.3% | 51.8% | 51.8% | 52.1% | 52.1% |

| 700 Police | 1999 Actual | 2000 Act. | 2001 Act. | 2002 Act. | 2003 Fcst. | 2003 P.O. |
|-------------------------|--------------------|------------------|------------------|------------------|-------------------|------------------|
| Unit Sales (M) | 4.5 | 5.7 | 6.7 | 7.1 | 7.6 | 7.6 |
| Sales Dollars (\$MM) | \$ 2.6 | \$ 3.2 | \$ 3.7 | \$ 3.9 | \$ 4.3 | \$ 4.3 |
| Standard Margin (\$MM) | 1.4 | 1.7 | 2.0 | 2.0 | 2.2 | 2.2 |
| Standard Margin % Sales | 53.6% | 53.5% | 53.3% | 52.1% | 51.0% | 51.0% |

In terms of both unit sales and sales dollars, the Model 870 Police dominates Remington's LE business. There are two reasons for this: One is that almost every law enforcement vehicle unit in the United States is required to carry a shotgun of some type. The second reason is the fact that when lives are at stake, law enforcement officers insist on carrying the most reliable weapon available. The Remington Model 870 is widely perceived to be that weapon.

Core Strategy – Law Enforcement Firearms

As tabulated above, the LE firearms business is an important part of Remington's bottom line, accounting for roughly \$5MM per year in standard margin. Despite this fact, forecasting and planning for the business is difficult at best due to the highly unpredictable nature of the market. The LE segment is largely made up of "targets of opportunity" that can range from a few dozen units for a local police department to several thousand for the federal government. What's even more difficult from a planning perspective is that most of these are special make-ups, where a potential customer will specify various options that are not part of the catalog structure. Moreover, unforeseeable events like those of 9/11/01 can dramatically change the face of the LE/Military market and the firearms quantities/options that are needed.

Response

With that in mind it is imperative that the watchword for this business going forward is *flexibility*. As the world continues to change at breakneck speed and the War on Terror evolves, Remington's ability to respond quickly to the needs of the LE communities will be paramount. Timely responses to purchasing inquiries, solid planning with Manufacturing and on-time deliveries of firearms product must be the cornerstones of this strategic plan. If for no other reason, than servicing this market with speed and with the highest quality product is Remington's patriotic duty.

To that end a major restructuring of the way the LE firearms business operates is underway. The intent is to lead the industry in terms of special order firearms product and the speed with which these firearms are quoted, structured, built and delivered. From the sales/marketing end, an automated web-based quotation and structuring tool is being finalized that will dramatically decrease the response time to customers and dramatically increase the accuracy of the detail information on the quoted gun. On the manufacturing side, a designated area is planned where appropriate levels of major assemblies can be quickly configured into the special make gun as ordered. The goal is to deliver the product to the customer in 30 days or less from the time of order. This is a significant competitive advantage for Remington's LE business and has major implications for the way all special make product, LE and Sporting, will be run in the future.

Focus

To maximize the growing opportunities in the LE/Military markets, sufficient focus must be applied to each of the separate business segments. To achieve this it is highly recommended that the current structure be changed so that there are three distinct areas of responsibility.

1. Domestic Law Enforcement business
2. Federal Agencies business
3. Military Product business

STRATEGIC POSITION ON PRODUCT QUALITY

To those inside the company it is obvious that Remington has been troubled in recent years by quality concerns in its firearms business. In the past, maintaining product standards has been part adherence to process record, part selective fit of parts and assemblies, and part "know-how" that was learned on the bench. All three of these practices have been neglected to the point that core products (870s, 700s, 1100s, etc) are exhibiting unacceptable quality deficits. Furthermore, these quality control failures are the subject of increasing negative attention from key customers.

For Remington to maintain and grow share, this trend must be permanently reversed.

A single coherent strategy is needed to maintain a high-quality product line. Such a central plan avoids the organizational confusion that can cause duplication of effort, poor communication, and a drain on valuable resources. Ultimately this plan will have to come from Manufacturing. In support of this, ***Marketing's position going forward is that no new firearms products will be approved for shipment until all requisite testing has been administered and passed.*** To be clear, requisite testing is that level of test necessary to confirm new designs in which there have been changes or innovations that reflect on the safety or performance of the product. This position will help to avoid the problems that have been experienced recently with some products that did not undergo proper testing protocol and that are now significant problems at the consumer level.

Product Archive

For 2003-2004, a firearms product archive will be enacted that contains the approved samples of each gun in the line. This will reduce the confusion surrounding quality standards and provide a permanent record so that "quality drift" in the specifications of the gun is eliminated.

Increased Testing

For revolutionary new product like the Model 2100 gas-operated shotgun, the standard test protocol will be expanded to include a significant increase in functional testing. Extended field tests in hot/cold/clement conditions will be added to the plan prior to product launch to help ensure that the reliability and durability of the guns are at their maximum level.

APPENDIX A: **2004 Product Addition and Deletion Summary**

The following is a summary by SKU of product additions and deletions planned for 2004.

Product Additions for 2004 (Rifles)

| SKU | Description | Caliber |
|-------|---|------------------|
| 26368 | Model 700 Titanium Magnum 24" | 7mm RSAUM |
| 26354 | Model 700 Titanium Magnum 24" | 300 RSAUM |
| 26352 | Model 700 Classic | 8mm Mauser |
| 26440 | Model 700 BDL SS Camo RMEF Trade Gun | 300 Win Mag |
| 24683 | Model 673 Guide Rifle | 6.5mm Rem Mag |
| 24685 | Model 673 Guide Rifle | 308 Win |
| 24739 | Model Seven SS (New Stock Only – Existing RAMAC) | 243 Win |
| 24751 | Model Seven SS (New Stock Only – Existing RAMAC) | 260 Rem |
| 24741 | Model Seven SS (New Stock Only – Existing RAMAC) | 7mm-08 Rem |
| 24743 | Model Seven SS (New Stock Only – Existing RAMAC) | 308 Win |
| 29551 | Model Seven SS (New Stock Only – Existing RAMAC) | 7mm RSAUM |
| 29553 | Model Seven SS (New Stock Only – Existing RAMAC) | 300 RSAUM |
| 29539 | Model Seven SYN YTH | 223 Rem |
| 29541 | Model Seven SYN YTH | 243 Win |
| 29545 | Model Seven SYN YTH | 260 Rem |
| 29547 | Model Seven SYN YTH | 7mm-08 Rem |
| 27303 | Model 700 ADL SYN YTH | 270 Win |
| 27305 | Model 700 ADL SYN YTH | 30-06 |
| 26183 | Model 700 LV SF (Light Varmint, Stainless Fluted) | 17 Rem |
| 26185 | Model 700 LV SF (Light Varmint, Stainless Fluted) | 221 Rem Fireball |
| 26187 | Model 700 LV SF (Light Varmint, Stainless Fluted) | 223 Rem |
| 26189 | Model 700 LV SF (Light Varmint, Stainless Fluted) | 22-250 Rem |
| 26500 | Model 504 Bolt Action Rimfire | 22LR |
| 27412 | Model 710 Magnum | 7mm Rem Mag |
| 27414 | Model 710 Magnum | 300 Win Mag |
| TBD | Model 700 CDL (Classic Deluxe) | 243 Win |
| TBD | Model 700 CDL (Classic Deluxe) | 7mm-08 |
| TBD | Model 700 CDL (Classic Deluxe) | 270 Win |
| TBD | Model 700 CDL (Classic Deluxe) | 30-06 |
| TBD | Model 700 CDL (Classic Deluxe) | 7mm Rem Mag |
| TBD | Model 700 CDL (Classic Deluxe) | 300 Win Mag |
| TBD | Model 700 CDL (Classic Deluxe) | 7mm RUM |
| TBD | Model 700 CDL (Classic Deluxe) | 300 RUM |

Product Deletions for 2004 (Rifles)

| SKU | Description | Caliber |
|------|-----------------------------------|------------|
| 5869 | Model 700 Classic Limited Edition | 300 Savage |
| 6438 | Model 700 BDL SS RMEF | 300 RSAUM |
| 6402 | Model 700 EtronX | 22-250 Rem |
| 6400 | Model 700 EtronX | 220 Swift |
| 6404 | Model 700 EtronX | 243 Win |
| 6317 | Model 700 Sendero SF | 338 RUM |

New Products for 2004 (Shotguns & Extra Barrels)

| SKU | Description | Gauge/Caliber |
|-------|---|---------------|
| 29581 | 11-87 20/28 Premier Dale Earnhardt Ltd | 20 ga |
| 29883 | 11-87 12/28 SPS Waterfowl | 12 ga |
| 25427 | 1100 20/26 Classic Field | 20 ga |
| 29595 | 1100 20/26 Tournament Skeet | 20 ga |
| 29583 | 1100 28/27 Sporting | 28 ga |
| 26457 | 870 SPS 20/20 FR CL | 20 ga |
| 24971 | 870 Police 12/18 Tactical Response Shotgun | 12 ga |
| 25651 | 870 EXP 12/23 FR CL 12/21 VT RC-T Camo S&F Skyline | 12 ga |
| 25239 | 332 12/26 High Gloss, New Engraving (Same SKU) | 12 ga |
| 25237 | 332 12/28 High Gloss, New Engraving (Same SKU) | 12 ga |
| 25235 | 332 12/30 High Gloss, New Engraving (Same SKU) | 12 ga |
| 25287 | Model 11-87 Premier 12/30 (Same SKU Non-embellished) | 12 ga |
| 25289 | Model 11-87 Premier 12/28 (Same SKU Non-embellished) | 12 ga |
| 25291 | Model 11-87 Premier 12/26 (Same SKU Non-embellished) | 12 ga |
| 29909 | Model 11-87 Premier 12/28 (Same SKU Non-embellished) | 12 ga |
| 25357 | Model 11-87 Premier 12/23 Upland (Same SKU Non-embellished) | 12 ga |
| 25359 | Model 11-87 Premier 20/23 Upland (Same SKU Non-embellished) | 20 ga |
| 29831 | Model 11-87 Premier 12/21 FR CL (Same SKU Non-embellished) | 12 ga |
| 29591 | Model 11-87 Premier 20/28 (Same SKU Non-embellished) | 20 ga |
| 29593 | Model 11-87 Premier 20/26 (Same SKU Non-embellished) | 20 ga |
| 26975 | Model 870 Super Magnum 12/28 (Same SKU Non-embellished) | 12 ga |
| 25053 | Model 870 12/30 (Same SKU Non-embellished) | 12 ga |
| 25055 | Model 870 12/28 (Same SKU Non-embellished) | 12 ga |
| 25057 | Model 870 12/26 (Same SKU Non-embellished) | 12 ga |
| 25073 | Model 870 20/28 LW-20 (Same SKU Non-embellished) | 20 ga |
| 25075 | Model 870 20/26 LW-20 (Same SKU Non-embellished) | 20 ga |
| 25227 | Model 870 28/25 LW-SB (Same SKU Non-embellished) | 28 ga |
| 24987 | Model 870 410/25 LW-SB (Same SKU Non-embellished) | 410 Bore |
| 24455 | Model 1100 XBL 28/27 Sporting | 28 ga |
| 24495 | Model 870 XBL 16/20 RS RC | 16 ga |
| 24589 | Model 870 EXP XBL 12/20 | 12 ga |

Products Deletions for 2004 (Shotguns & Extra Barrels)

| SKU | Description | Gauge/Caliber |
|-------|--|---------------|
| 25341 | Model 11-87 Super Magnum SPS-T CL Camo | 12 ga |
| 29664 | Model 11-87 SPS-T 12/21 VT RC-T | 12 ga |
| 29837 | Model 11-87 SP 12/21 RS RC Deer | 12 ga |
| 29837 | Model 11-87 SP 12/21 Deer gun with Rifle Sights | 12 ga |
| 24883 | Model 870 SPS-T 12/20 RS TG Camo | 12 ga |
| 24873 | Model 870 SPS-T 12/20 RS TG Camo Youth | 12 ga |
| 24957 | Model 870 12/23 Super Magnum SPS-T CL Camo | 12 ga |
| 29857 | Model 11-87 Police 12/18 IC GR Syn w 7-shot ext | 12 ga |
| 24911 | Model 870 Police 12/18P BS-Trit Syn | 12 ga |
| 24612 | Extra Barrel Model 870 12/26 VT Skeet | 12 ga |
| 26223 | Extra Barrel Model 870 SP 12/28 Camo | 12 ga |
| 24547 | Extra Barrel Model 870 Wingmaster Deer 12/20 Left Hand | 12 ga |
| 24624 | Extra Barrel Model 11-87 Premier 12/26 Skeet | 12 ga |
| 24642 | Extra Barrel Model 11-87 Premier VT 12/30 | 12 ga |
| 24646 | Extra Barrel Model 11-87 Premier VT 12/26 | 12 ga |
| 29617 | Extra Barrel Model 11-87 SP 12/28 Camo | 12 ga |
| 29625 | Extra Barrel Model 11-87 Premier Deer 12/21 Left Hand | 12 ga |
| 29567 | Extra Barrel Model 1100 Deer 12/21 Left Hand | 12 ga |
| 24641 | Extra Barrel Model 11-87 Police 12/18 Rifle Sights | 12 ga |