

It is recommended that we focus on profitability and subordinate market share. Lower production volumes will help strengthen market demand and longer term, have a positive impact on price and gross margins. Looking ahead, it is clear that cost cutting alone is not the complete answer to sustained profitability. Product and production innovations are absolutely imperative for firearms to maintain respectable gross margins in the future.

As shown below, firearms pricing forecasts are under future estimated increases in the Consumer Price Index for inflation.

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Shotguns	2.6%	1.5%	2.9%
Rimfire Rifles	N/C	2.4%	2.0%
Centerfire Rifles	N/C	1.9%	2.2%
Extra Barrels	2.8%	2.5%	2.9%