

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 such as the current bottleneck in Ilion's barrel shop 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.

Furthermore, regulatory and political forces can affect the future of Remington's shotgun products in a very unpredictable manner. The Department of Justice in California provides the most recent domestic example of how a seemingly simple gun lock mandate can change the face of the market. To market guns in California it is now necessary to include a state-tested and approved gun lock with the firearm or design an on-board system that can pass the required California DOJ test protocol. Both of these options increase the cost of firearms at the consumer level and may well keep some manufacturers from participating at all.

Overseas, political changes in Germany may mean an end to sales of repeating firearms in that country. Recent German legislative action can potentially outlaw the purchase of firearms that hold more than a single cartridge. According to the proposed law, an individual must store their firearms and ammunition including reloading supplies, in a government-approved armory. Furthermore, individuals who already own a firearm must "show cause" to purchase another. If this style of firearms regulations spreads to other European nations, Remington will face losing a significant portion of its International business.

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.

Model	2004 % Increase	2005 % Increase
Model 1100 Target	+1.0%	+0.5%
Model 1100 Synthetic	+1.0%	+0.5%
Model 11-87 Premier	+1.0%	+0.5%
Model 11-87 SP	+1.0%	N/C