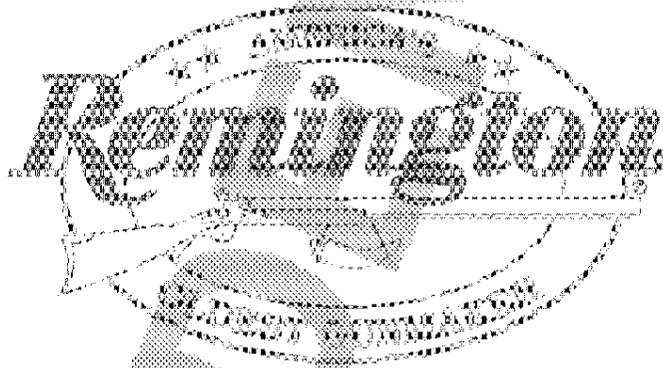


CONFIDENTIAL TRADE SECRET

REMINGTON ARMS COMPANY, INC.

FIREARMS DIVISION



FIREARMS THREE YEAR STRATEGIC MARKETING PLAN

(1998-2000)

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FIREARMS STRATEGIC MARKETING PLAN - 1998 - 2000

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Business Review

1996 was a very challenging year for Remington's firearm business. After enjoying more than five consecutive years of progressive growth in unit sales and dollar volume, the company experienced a 19.2% downturn in volume last year. This softness was primarily the result of declining demand by the Marts. Wal*Mart's focus to lower working capital and increase turns, along with their heavy inventory carryover from 1995 resulted in a 47% decline in dollar shipments for 1996. K-Mart, a credit cripple, conducted business predicated on a bank budget which resulted in a 52% decline in dollar shipments. Combined, *the Marts accounted for a \$27.5 million dollar reduction in firearm shipments from the previous year.* Business with our other channel partners was essentially unchanged from 1995.

Overall, *the 19% reduction in shipments resulted in a 12% decline in dollar sales for the company in 1996. Taking the hardest hit, shotgun unit sales were down 28% resulting in a 25% decline in dollar volume. Another hard hit area was the Centerfire rifle category which experienced a 7% reduction in units and a 1% reduction in dollars.* Despite a record year for bolt action sales, repeating rifle sales were off by 45% in units and 42% in dollars which ruined category performance results.

Second and third quarter orders continued to decline resulting in a revenue growth that was significantly below plan. As a result, decisions were made to reduce Ilion's manufacturing workforce in October, followed by a 30 day plant shutdown in December. Although tough, *these decisions had a positive impact on year end inventories, allowing only a 12% increase in units over 1995, with closing results similar to 1994.*

The following matrix provides a quick look at statistical specifics regarding 1996's performance when compared to the previous six years.

	1990 <u>Actual</u>	1991 <u>Actual</u>	1992 <u>Actual</u>	1993 <u>Actual</u>	1994 <u>Actual</u>	1995 <u>Actual</u>	1996 <u>Actual</u>	1997 <u>Budget</u>
Unit Sales	397.0	490.0	581.0	633.0	661.5	761.9	615.8	650.0
Sales Dollars (MM)	117.3	130.3	153.5	163.3	176.2	202.6	178.5	181.9
Gross Margin (MM)	39.0	25.1	35.6	44.8	53.8	68.7	52.1	57.3
Gross Margin % Sales	33.2	19.3	23.2	27.4	30.5	33.9	29.2	31.5
Operating Income	(2.8)	(4.5)	.3	8.1	14.0	28.4	(1.3)	19.7
Ending Inventory (Units, MM)	263.6	164.2	111.9	70.3	95.2	82.1	92.0	115.3

Business Outlook

In general, *overall growth of the firearms market is anticipated to be flat or slightly declining in the future.* Contributing factors to this trend are an increase in the average age of the hunting population, less public access to hunting land, a 65% or more decrease in FFL holders over the last three years, and increasing restrictions in International markets. *Despite these challenges, Remington can achieve share growth at the expense of competition by executing timely introductions of high quality and high value products which create competitive advantages.*

After having completed the second quarter of 1997, performance is on track to meet the budget requirements in terms of unit sales and net sales dollars. *Gross profit, however, is expected to be below budget.* This is due to an unfavorable mix, caused by fewer sales of centerfire rifles, the Bernadelli bankruptcy, unexpected quality cost and increased manufacturing cost attributable to Mayfield startup cost and Ilion idle mills charges.

1997's booked orders for shotguns have exceeded budget expectations, rebounding nicely from a disappointing 1996. *Softness in centerfire rifle orders is a major concern, with year-to-date bookings running approximately 27% behind last year.* We do, however, expect strengthening in this category as firm orders are received from the Marts and seasonal reorders are placed by resellers. Due to the high gross profit per unit of centerfire rifles, focus is being given to special non catalog offerings which should boost sales for this category later this year.

Building on the design and strengths of the M700, *our new Bolt Action Muzzleloader has revolutionized the black powder firearms industry segment.* 1997 orders for the 700 Muzzleloader have nearly doubled since last year's introduction, making this category of bolt action product our number one selling class of rifle. Competition quickly responded with similar offerings that may infringe on Remington's issued patent. The matter is currently under legal review.

Pressure on pricing has been very intense particularly at the Marts. Value added products in both shotguns and rifles are gaining shelf space with the mass merchants. Savage and Mossberg are the principal competitors which have put pressure on our 700 ADL and 870 Express businesses. It is clear that our *net pricing for these products by trade channel has become a source of irritation for the Marts when compared to Big Box competition supplied by two step distribution.*

Pricing and programming revisions will be required to keep distributive channels competitive for 1998. Additionally, to improve standard gross margin, close attention must be paid to cost as we look toward the future.

Remington's Firearm Business will position itself for long term profitable growth by combining technological strength with intense focus on cost cutting, and innovative new products supported by strong marketing programs. This is our blueprint for the future.

Strategic Business Objectives

Today's business environment requires our company to pursue emerging markets with a clear competitive advantage. To be successful, we must focus not only on satisfying customer needs better and quicker than our competition, but we must strive to exceed customers' expectations. To accomplish these objectives, the firearms business will *pursue the following seven key business strategies.*

- Strive for delivered cost leadership.
- Deliver quality products that represent outstanding value.
- Improve and expand positions in value-added and differentiated firearms products.
- Aggressively pursue and grow business in law enforcement and military markets.
- Expand our global market positions on an opportunistic basis.
- Become the industry leader in firearms technology, both product and manufacturing based competences.
- Improve working capital efficiency.

Continuous annual improvement in sales, earnings and market share are the results of successful business strategies. *Tactically, our strategies will be pursued* by:

- Providing customers with account specific products and services.
- Responding to new product trends before they are well established volume generators.
- Significantly shortening the development and manufacturing lead times of new or differentiated products.
- Using integrated marketing communications to exploit synergy's between firearms and ammunition in a way that provides competitive advantage.

- Investing in new manufacturing equipment which will lower cost and improve quality.
- Exploring alternative sourcing of raw materials and sub assemblies in the global marketplace.

Our primary business objective is to provide the company with sustained growth in sales and earnings. This will be achieved by identifying opportunistic markets with innovative new products that support premium margins.

Our 1998 business objectives by major product categories are as follows:

	Sales \$(MM)	Std Gross Margin \$(MM)	Std Gross Margin % Sales	Gross Margin Var. vs 1997 %
Shotguns	\$93.1	\$27.9	29.9%	3.0%
Rimfire				
Ilion	1.9	0.6	32.9	0.4
Mayfield	17.7	6.2	35.0	1.0
Centerfire	75.5	32.6	43.2	(1.5)
Black Powder	17.0	7.1	41.8	4.0
Custom Guns	2.2	0.2	9.3	(8.2)
Extra Barrels	5.4	2.5	46.5	2.3
Total Firearms	\$218.8	\$77.1	36.2%	(0.4)%

Shotgun Market Summary

Estimates indicate that 1996's domestic shotgun market represented approximately 1,300,000 units in annual sales volume with a retail sales value of \$332,000,000. A year earlier, the National Sporting Goods Association (NSGA) reported that the retail market totaled 1,445,000 shotgun purchases valued at \$362,000,000.¹

SAMMI's reporting of 1996 factory shipments of shotguns, which does not include several major U.S. manufacturers and all importers, showed an industry decline of 23% in units and 21% in dollars from the previous year.² Remington's performance was slightly worse, down 28% in units and 25% in dollars. This downturn, primarily due to declining demand of the company's less expensive Express shotguns, was a result of tighter inventory management practices by the mass merchants.

The domestic shotgun market is composed of four principal product categories. 1996 volume estimates by product category are as follows:

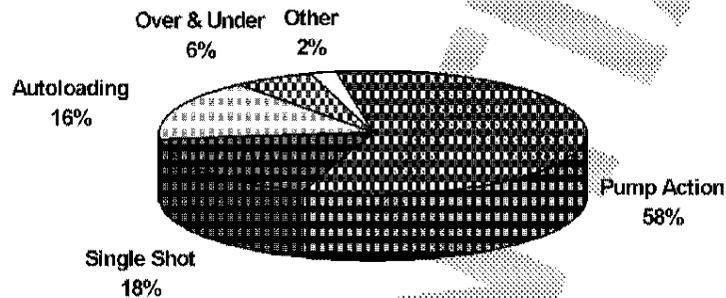
1996 Shotgun Sales Volume By Action Type

<u>Action Type</u>	<u>Units (M)</u>
Autoloading	215
Over & Under	75
Single Shot	238
Pump Action	772
Other	<u>20</u>
Total	1320

¹ Combined analyses of Gunmark Benclux - 1997, P.P.I. Research - 1995, BATF Production 1995 and NSGA Retail Sales Study - 1996.

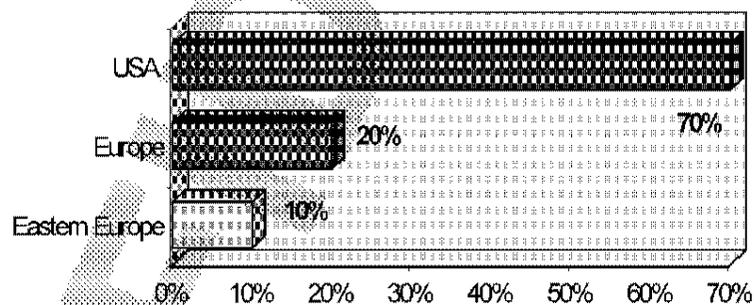
² SAMMI Reporting - Year end 1996.

1996 Shotgun Market Share By Action Type



The U.S. market represents the lion's share of the world shotgun market.

Breakdown of World Sales of Shotgun³ (% of World Sales) (Excluding Ex USSR and Communist Countries)

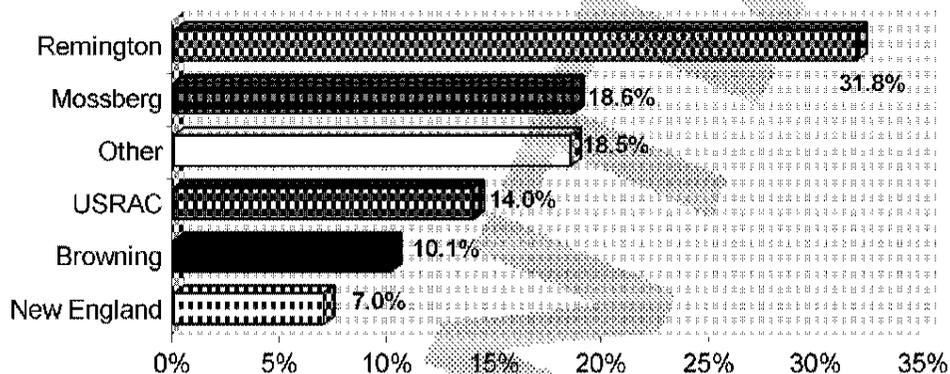


Both the U.S. and World shotgun markets are focused on hunting and inanimate shooting end uses. *The pump shotgun dominates the U.S. market as the action of choice, commanding nearly 60% market share in terms of unit sales.*

According to the 1996 NSGA Brand Share Report for Shotguns, market share by major manufacturer is as follows:

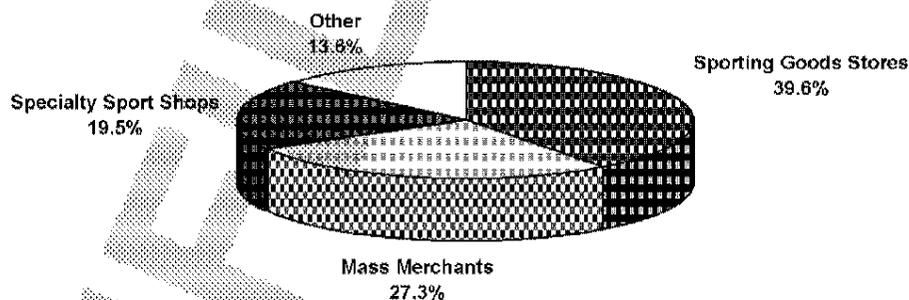
³ Herstal/Clinvest - 1995

Shotgun Brand Share⁴ (% of Units)



In addition, shotgun distribution by trade channel as reported by the NSGA in units and dollars are:⁵

1996 Shotgun Distribution Channels (% of Units)



The distribution trends in units sales from '95 to '96 are significant. They are:

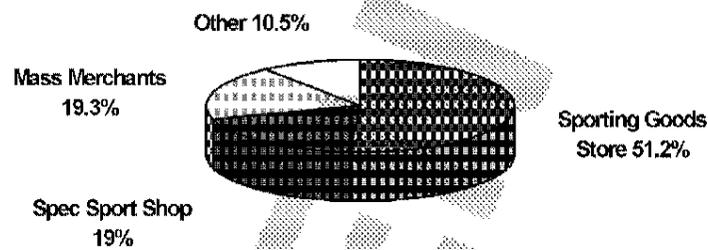
- A 5% increase in sales by Sporting Goods Stores.
- A 4% increase in sales by Specialty Sport Shops.

⁴ NSGA Retail Sales Study - 1996.

⁵ Ibid.

- A small 1% increase in Mass Merchants sales.
- A decline of nearly 11% in other distribution, believed to be the direct result of FFL reductions.

1996 Shotgun Distribution Channels (% in Dollars)



The significance of this data is the change in distribution dollars by channel from 1995 to 1996.

- An increase of 15.9% in dollar volume by Sporting Goods Stores.
- Essentially unchanged dollar volume for Specialty Sports Shops and Mass Merchants.
- A 17.3% decrease in dollar volume by other distribution, again attributed to FFL reductions.

^o NSGA Retail study - 1996

AUTOLOADING SHOTGUNS

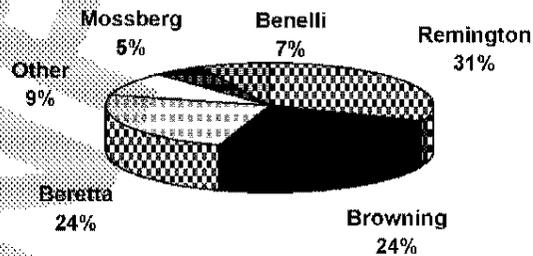
■ Market Share Overview

The *domestic autoloading shotgun market is estimated to be 215M units annually with retail sales value of \$95-105MM.*

Sales volumes and market share are estimated for the domestic market as follows:

<u>Brand</u>	<u>Units (M)</u>
Remington	66
Browning	52
Beretta	51
USRAC	--
Mossberg	11
Benelli	15
Other	<u>20</u>
Total	215

Autoloading Shotgun
Market Share ⁷(% of Units)



⁷ Sources: Combined analysis of P.P.I. Research - 1995, Herstal Clinvest - 1996, Gunmark Benlux - 1997 and Actual Mossberg Sales Documents.

Remington's short term market share objective for autoloading shotguns will be to hold share in all product categories. Longer term, new product introductions will grow share and increase profitability.

Market Share Goals

<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
31%	31%	36%	44%

■ **Remington Segment Performance**

Remington's autoloading shotgun segment includes 11-87 Premier, 11-96 Euro Lightweight 1100 and SP10 Magnum models. *1996 sales totaled 66M units, accounting for \$27.4MM in revenue which is a 30% decrease in units and a 16% decrease in revenue from 1995 actuals.* Our worldwide performance for this category follows:

	<u>1995</u> <u>Actual</u>	<u>1996</u> <u>Actual</u>	<u>1997</u> <u>Rev. 1F</u>	<u>1997</u> <u>P.O.</u>
Unit Sales (M)	94.3	66.3	57.1	63.2
Sales Dollars (\$MM)	32.8	27.4	23.9	25.5
Standard Margin (\$MM)	14.9	12.5	9.0	9.4
Standard Margin % Sales	45.4	45.7	37.4	36.7

The principal issues facing this product segment are:

- Mature product life cycles of core offerings
- Cost of manufacture
- Product performance and features when compared to competition
- Category fragmentation

■ Competitive Analysis

The market for autoloading shotguns has evolved over the past few years as a result of new products utilizing new technology. The popularity of turkey hunting and increased use of heavy steel shot loads has driven much of the large bore product development. As a result of these new products, higher expectations for performance and reliability have been established.

The major competition in the autoloading shotgun market includes Browning, Beretta, Mossberg and Benelli. Consistent rumors within the trade indicate that Ruger is developing a new autoloading shotgun. USRAC (Winchester) discontinued the M/1400 a few years ago, and it is expected that it will be replaced by a clone of one of Browning's designs.

Mossberg participates in the low-end market with their M/9200. This product is a M/11-87 clone that is priced \$188 less than the M/11-87 at wholesale, after programs. Due to its less than desirable quality and performance, this gun is not viewed as a serious competitive threat.

During the last five years Beretta, Browning and Benelli have introduced new autoloading designs that are eroding Remington's market position. The Browning Gold is a gas operated shotgun that is offered in 10, 12 and 20 gauges. Both the 12 and 20 gauge versions function 2 3/4" and 3" shells interchangeably. Mid-year 1997, Browning introduced a 12 gauge 3 1/2" version of the Gold Hunter that functions light 2 3/4" loads to 3 1/2" loads interchangeably. This offering sets a new standard in the autoloading shotgun market by providing all the same features as the current Gold Hunter including the same standard receiver size. With styling similar to the M/11-87 and weighing a half a pound less, the Gold is well balanced and offers features such as speed loading and an aluminum receiver. The Gold Hunter (12 or 20 gauge) sells for \$49 more than the M11-87 after sales programs and discounts and the new Gold 3 1/2" sells for \$167 more than the M11-87.

Beretta's flagship autoloading shotgun is the AL390. Offered in both 12 and 20 gauges, the AL390 handles 2 3/4" and 3" shells interchangeably and utilizes an aluminum receiver. The AL390 features a magazine cutoff with Beretta's stock drop and cast spacer system and is about a half pound lighter than the M/11-87. The standard AL390 sells for approximately \$100 more than the M/11-87 after sales programs and discounts.

Benelli has positioned itself as the industry's performance leader with the introduction of the Montefeltro Super 90 and Super Black Eagle. The Super Black Eagle is an inertia operated 12 gauge that handles 3½" magnum shells to 2¾" target loads. Features include a magazine cutoff that is incorporated in the carrier system, an adjustable drop shim system for the stock, and an aluminum receiver. The Super Black Eagle weighs a half a pound less than a M/11-87. With the versatility of 12 gauge 3½" capability, the Super Black Eagle commands a dealer price that is approximately \$400 higher than the M/11-87.

Also inertia operated, Benelli's Montefeltro Super 90 is offered in both 12 and 20 gauge versions which function 2¾" to 3" loads. The Super 90 features a stock fit adjustment system as well as Benelli's carrier system design that acts like a magazine cutoff. The 12 gauge gun weighs two thirds of a pound less than the M/11-87. The Super 90 sells for \$190 more than the M/11-87 to the dealer.

A review of the Remington autoloading shotgun line illustrates Remington's quandary in this segment, essentially the line is fragmented and outdated. The basic design of the line is over 30 years old. In addition to being costly to manufacture, the line incorporates an excessive number of parts relative to today's standards.

The M/11-96 Euro Lightweight and M/11-87 are both 12 gauge only designs that function 2¾" to 3" shells interchangeably. The M/11-96 is significantly lighter than the M/11-87 and is acting as a stop gap, maintaining share until a new gun can be brought to market. ***The lack of a "shoot everything" 20 gauge offering makes Remington noncompetitive in the 20 gauge category.***

The M/1100 is offered in both 12 and 20 gauge, but it is chambered only for either 2¾" shells or for 3" rounds. The M/1100 Synthetic does not offer the features or value of the M/11-87 and is priced accordingly. The M/1100 20 gauge is also offered with high gloss wood finish and polished metal. Historically, these guns have been able to maintain a price commensurate with the M/11-87; however, with the introduction of competitive "shoot all" 20 gauge products, demand for the M/1100 is fading because of eroding value of the product.

The SP-10 Magnum, unique in design, is Remington's entry in the heavy payload market. Although plagued with function and quality issues early after introduction, through quality improvements, the SP-10 now competes favorably with competition.

■ Product Strategy - 1998

M/11-96 Euro Lightweight

The M/11-96, utilizing a steel receiver, offers reduced weight and superb balance. While offering the upland hunter a 12 gauge gun that feels like a 20 gauge, the M/11-96 has the potential to bridge the gap in Remington's product line until a new shotgun can be developed. Although it was introduced in early 1996, trade shipments are not expected to begin until August 1997. As a result, no product changes are planned for this model in 1998. *Focus in 1998 for the M/11-96 Euro Lightweight will be on producing a quality product in a timely and reliable manner and servicing the market with the current offerings.*

M/11-87

A return to niche marketing is planned for the M/11-87 in 1998. With the increased popularity of turkey hunting, a special version of the M/11-87 will be offered. *The current M/11-87 SPS-T Camo will be upgraded by adding fiber optic sights and a straight rifled choke tube.* In addition, this product will be part of an exclusive National Wild Turkey Federation's 25th anniversary series offering.

Deer hunting with shotguns remains popular. With the advances made in sabot ammunition and bolt action shotguns, accuracy and performance expectations have been raised. *Improvement in the accuracy of Remington's fully rifled cantilever barrels is needed to keep this product category competitive.*

M/1100

As a result of new product introductions, the M/1100 continues to maintain modest volumes. Remington's product strategy will focus on niche products next year. Below are descriptive details concerning *three new versions of the M/1100 planned for 1998.*

First, given the Sporting 28's ability to capture a portion of the growing use of small bore shotguns in sporting clays, *a Sporting 20 will be added to the catalog in 1998.* This gun will be built on the LT-20 frame and configured similarly to the Sporting 28 except it will feature a 28" barrel.

In addition to the Sporting 20, *a M/1100 Synthetic Youth turkey gun will be added to the catalog.* Selected to be part of the NWTF 25th Anniversary Series, this

gun will be chambered for 3" shells and set-up similar to the M/11-87 SPS-T Camo with fiber optic sights and a special turkey choke tube. This new product offers a small frame hunter all the same features of the 12 gauge M/11-87 in a smaller, more manageable package.

Third, the non-catalog scope combination package offered in 1997 will be continued into 1998 as a non-catalog offering. Featuring the M/1100 Synthetic FR CL, plus a scope and ring package, this combo package offers the dealer a turn key opportunity to provide enhanced value and service to his customer.

In addition to the above listed new products for the M/1100 family, roll embellishment will be added to the receivers of the LT-20 field guns. However the Special Field series will remain non-embellished.

SP-10 Magnum

As noted earlier, the performance of the SP-10 has improved over the past few years. *For 1998, the SP-10 Camo will be replaced with a special NWTF 25th Anniversary Edition.* With the exception of added fiber optic sights and the NWTF marking, this gun will basically be the same as the current SP-10 Camo. A 26" version of the SP-10 Camo was offered on a limited non-catalog basis in 1997 and will become a catalog offering in 1998.

■ Product Strategy - 1999 And Beyond

NAS

A New Autoloading Shotgun (NAS) is planned for 1999 introduction. The core criteria driving the NAS program are:

- *Improved Reliability*
- *Improved Durability*
- *Easy to Use*
- *Reduced Weight*
- *Improved Quality*
- *Reduced Cost Of Manufacture (Improved Margin Opportunity)*

Both 12 and 20 gauge offerings are to be included in the NAS family. They are all to feature "shoot everything" capability. Three basic categories being planned are:

- ***12 Gauge Synthetic 2¾" - 3½" Capable:*** *This gun, featuring synthetic stock & fore-end with matte metal finish, is designed to "shoot everything" from 2¾" target loads to heavy 3½" lead loads.* New technology may be employed with the use of synthetic and alloys. This gun will be positioned as a Special Purpose shotgun targeted at the turkey and waterfowl hunting markets.
- ***12 Gauge Wood 2¾" - 3" Capable:*** *Built to "shoot everything" from 2¾" target loads to heavy 3" lead loads, this gun will feature walnut stock and fore-end, cut checkering and polished blue metal finish.* The frame should be consistent in size with the current M/11-87. For Law Enforcement purposes, a version of this gun should be configured that will function 2¾" - 3" shells interchangeably, even with a 14" barrel.
- ***20 Gauge Wood 2¾" - 3" Capable:*** *Built on a smaller frame than the 12 Gauge Wood version, this gun is to "shoot everything" from 2¾" target loads to heavy 3" lead loads and will feature walnut stock and fore-end, cut checkering and polished blue metal finish.* As with the 12 Gauge Wood should also be incorporated.

As noted above, three distinct frame sizes may be required for the NAS. While providing a traditional look and balance, the basic frame for the 12 Gauge Wood needs to be the same length as the M/11-87. The frame for the 20 Gauge Wood needs to be scaled down consistent with competitive offerings. The frame size for the 3½" synthetic version of the NAS may not be longer than the "traditional" 12 gauge since the Browning Gold has recently set the benchmark for this specification.

In addition to specific frame sizes, the following features are to be considered as the NAS is developed:

- Inertia operated rotary bolt similar to the Benelli design or a new and improved gas operated system that is as reliable as inertia/recoil.
- Recoil reduction (shoot like a gas autoloader)
- Speed loading capability

- Magazine cutoff
- Quick detachable choke tube system
- Adjustable sighting system option
- Adjustable stock options (LOP and drop)
- Choke tube and wrench storage
 - Multiple barrel lengths and configurations
 - Deer Barrels - 22"
 - Turkey Barrel - 21"
 - Vent Rib Field Barrels - 26", 28" & 30"
 - Vent Rib Target Barrels - 28" & 30"

The NAS must be developed to yield a 45% gross profit margin. Pricing and forecast volumes for the NAS are as follows:

Model	MSP	Net Selling Price	1 st Year Volume
12 Gauge Synthetic 2¾" - 3½" Capable	\$399	\$327	20,000 Units
12 Gauge Wood 2¾" - 3" Capable	\$450	\$369	25,000 Units
20 Gauge Wood 2¾" - 3" Capable	\$450	\$369	10,000 Units

Model 11-87

The Model 11-87 will be replaced by the NAS as this new gun comes on line. In the interim, the Model 11-87 product line will be managed to maximize earnings while protecting volume. Slow moving SKU's will be trimmed from the line and differentiated products targeted at niche markets will be pursued on an opportunistic basis. New receiver embellishment artwork will also be entertained for 1999 to keep focus on the product.

Model 11-96 Euro Lightweight

The Model 11-96 will continue to be offered in limited SKU's even as the NAS is introduced. It has the potential to fill a niche market for lightweight, low recoil upland shotguns not adequately addressed by the NAS.

Model 1100

The Model 1100 line will be managed in the same manner as the Model 11-87, maximize earnings while protecting sales volume. As the NAS family of 12 and 20 gauge products enter the hunting market, the corresponding Model 1100 SKU's will be discontinued. Target grade guns will be maintained and expanded in the M1100/11-87 product lines with refinements that meet the needs of inanimate shooters. Since the NAS will only be offered in 12 and 20 gauges, manufacturing capability for the 28 gauge and .410 bore Model 1100 offerings should be maintained (if this can be done economically). Offering these guns on an every other year basis should result in sufficient orders to justify a production run.

SP-10 Magnum

No notable new products are planned for the SP-10 line. The SP-10 is expected to maintain a strong position in the heavy payload market for the next few years. However, as the NAS is introduced, some SP-10 demand is expected to migrate to the NAS.

BREAKACTION SHOTGUNS

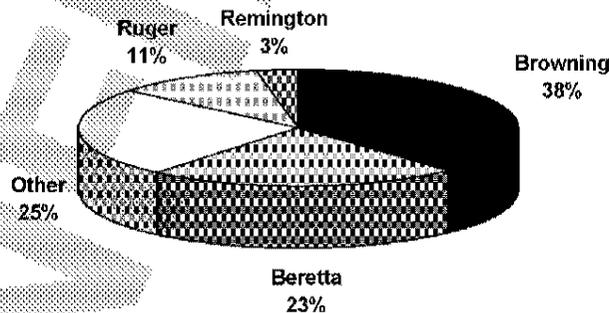
■ Market Share Overview

Over and Unders:

The domestic Over and Under shotgun market is estimated to be 75M units annually with a retail sales value of \$60MM. Volume breakdown by manufacturer is as follows:

<u>Brand</u>	<u>Units (M)</u>
Browning	29
Beretta	17
Ruger	8
Remington	2
Other	19
Total	75

Over And Under Shotgun
Market Share in Units ⁸



Browning continues to be the leader in the domestic O/U market. However, estimates indicate that Beretta has increased their share of the market by about 8% over the last four years. This is significant, since *the Over and Under market is believed to have contracted between 7 and 9% during this same four year period.*

⁸ Sources: Combined Analyses of Gunmark Benelux - 1997, P.P.I. Research - 1995, IBAIF Production - 1995.

The future of the O/U market looks promising due to the increasing popularity of inanimate shooting and increased global restrictions on pump and autoloading shotguns. Our strategy for this segment will be to develop a U.S. manufactured replacement for the Peerless which is lower cost, higher quality and profitable.

**Over And Under
Market Share Goals**

<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
3%	4%	12%	17%

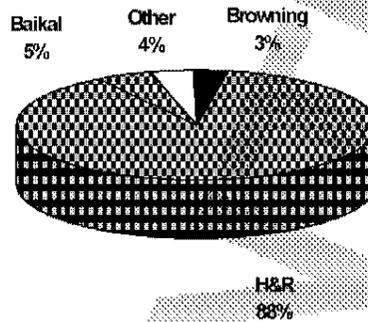
Single Barrel Break Actions:

This is a polarized market with products either being very low priced or very high priced. The low priced products are typically used for hunting while the high priced products are used almost exclusively for trap shooting.

The domestic Single Shot, Break Action market is estimated to be 238,000 units annually with a retail sales value of \$19MM.

<u>Brand</u>	<u>Units (M)</u>
H&R	210
Browning	7
Baikal	12
Other	9
TOTAL	238

**Single Barrel Break Action
Market Share (% of Units)⁹**



H & R dominates this category in terms of unit sales with its economy priced hunting products. With very low sales of the 90-T Trap Guns, Remington's participation in this market is almost non-existent. *When the 90-T inventory is depleted the product will be discontinued.*

An opportunity, however, does exist for Remington to participate in the economy priced hunting segment of this market. *Our strategy will be to develop a family of single shot shotguns that are low cost, high margin products positioned under the Remington brand.*

**Single Barrel Break Action
Market Share Goals**

<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
0%	0%	30%	35%

⁹ Sources: Combined analysis of Gunmark Benelux -1997, P.P.I. Research - 1995, IBAIF Production - 1995.

■ Remington Segment Performance

Remington markets the Peerless, 396 Target O/U and the 90-T Super Single Trap gun in the Break Action segment. *Profitability has been negative for the Ilion produced Peerless and 396 because the designs are too labor intensive.* Quality and cosmetic concerns have also hindered the sales of Remington's O/U products.

The 90-T is a sourced product that has faced strong competitive pressure from Browning in the last several years. The gun is over priced and only moves if promoted which yields no profit from these sales. Longer term, a write off will be required to completely clear inventory.

Category Performance is dismal as shown below:

	1995 <u>Actual</u>	1996 <u>Actual</u>	1997 <u>Rev. 1F</u>	1997 <u>P.O.</u>
Unit Sales	1740	3273	1365	1516
Sales Dollars (\$MM)	1.4	2.4	1.4	1.5
Standard Margin (\$MM)	(0.2)	(0.1)	(0.3)	(0.5)
Standard Margin % Sales	(16.2)	(5.5)	(23.7)	(30.8)

■ Competitive Analysis

Over and Under Shotguns:

Remington's principal competitors in the O/U market are Browning, Beretta and Ruger. USRAC has withdrawn from this market. As noted earlier, Browning is the current share leader in the domestic O/U market. However, market intelligence indicates Browning's margins on the Citori line are substandard. *Beretta has gained share in recent years and this trend is expected to continue with the completion of their new US manufacturing and assembly facility.*

Browning's entry in the O/U market is the Citori which is offered in four gauges and a variety of configurations from light weight upland guns to high grade target offerings. The Citori line features back-boring on 12 and 20 gauges, interchangeable chokes on all gauges, and smaller frames on the small gauge guns. Browning has developed an excellent reputation of quality, durability and value with

this line of O/U's. The Citori Hunting competes most closely with the Peerless and is priced \$188 higher (after sales programs and discounts). Their Model 425 Sporting Clays competes with Remington's Model 396 Sporting and sells for \$241 less (after sales programs and discounts).

The Beretta product line is comprised of the S686 and S687 series. These guns are basically the same with the S687 series featuring higher grade wood and engraving. The S686 Silver Essential and the S686 Onyx compete with the Peerless. The Essential is a no-frills, 12 gauge shotgun that offers the basic O/U features. The S686 Onyx features cosmetic upgrades from the Essential and is available in both 12 and 20 gauge. The Essential is priced \$66 less than the Peerless and the Onyx is priced \$207 higher than the Peerless (after sales programs and discounts).

The Beretta S687 Silver Pigeon, offered in both 12 and 20 gauge, features a highly embellished, coined finish receiver and select wood. It is comparable to the Model 396 and sells for \$66 less (after sales programs and discounts).

Ruger competes in this market with the Red Label family of O/U's. The Red Label, featuring stainless steel receivers, is offered in 12, 20 and 28 gauges. The Standard Red Label sells for \$17 less than the Peerless (after sales programs and discounts). The Red Label Sporting Clays does not offer the same features as the Model 396 and actually competes more directly with the Peerless, selling for only \$62 more (after sales programs and discounts).

Remington competes in this market with the Peerless Field Grade O/U and the Target Grade Model 396. The Peerless has developed a reputation as a good shooting gun that points well. The Achilles heel of the Peerless is that it is not very attractive. Cosmetically, the Peerless is not competitive with the Citori or the S686. As a result, market demand has declined. A reduction in price in 1997 has renewed interest in the Peerless; however, ***high manufacturing costs make the Peerless unprofitable.***

The introduction of the Model 396 Target Grade guns has helped sustain Remington's presence in the O/U market. Based on the Peerless action, the Model 396 offers improved fit and finish, as well as additional features such as upgraded wood, coined receiver finish and enhanced scroll work. The Model 396 is quickly gaining market acceptance. A price reduction in 1997 generated an improved order position as compared to 1996. ***As with the Peerless, the Model 396 also generates negative earnings.***

Single Barrel Break Action Shotguns:

The largest segment of the single barrel break action shotgun market is for economy priced hunting products. Estimates indicate that 80% of this market is comprised of 20 gauge and .410 bore guns. H&R/New England Firearms dominates this segment with the Topper and the Pardner. Remington does not currently participate in this market.

The Topper and Pardner are essentially the same gun, marketed under different brands. The Topper is marketed under the H&R brand and the Pardner is marketed under the New England Firearms label. Both models are chambered for the .410 bore through 12 gauge including the 16 gauge. The Pardner is also offered in 10 gauge. These guns feature an external hammer design with automatic shell ejection. Positioned as the higher-end product, the Topper line options include nickel plated frames, walnut or laminated stocks, interchangeable chokes and barrel porting. The basic Pardner features birch stock and fixed choke barrels with limited options. Special use products such as fully rifled deer guns and camouflaged turkey guns are offered in both lines. Wholesale prices start at \$68 for the Pardner and \$74 for the Topper (after sales programs and discounts).

The high-end segment of the single barrel break action shotgun market is dominated by Browning with the BT-100 Trap. The BT-100 is offered in several configurations and a host of options. The base price of the BT-100 is \$900 less than the base price of Remington's 90-T. As a result, without significant promotional incentives, the 90-T is not price competitive in the market.

■ Product Strategy - 1998

Over and Under Shotguns:

Peerless/Model 396

There are no product additions or deletions planned for the Peerless or Model 396 for 1998. Focus will be on reducing the cost of manufacturing with consideration being given to 1999 new product plans.

Single Barrel Break Action Shotguns:

90-T

The 90-T will be discontinued in 1998.

■ **Product Strategy - 1999 And Beyond**

Over and Under Shotguns:

Peerless/Model 396

The Peerless and Model 396 will be replaced by a new generation O/U family in 1999.

New Generation Over & Under Family

A new family of O/U shotguns is planned for 1999 introduction. This family will be based on the Peerless action with several mechanical and styling improvements.

The driving design criteria for the new O/U family are:

- Reliability
- Durability
- Improved Styling
- Improved Fit And Finish
- Reduced Manufacturing Cost
- Improved Profitability

The new O/U family program initially is to be focused on the 12 gauge products, but should evolve to include small bore offerings long term. All versions will have a family look and will be non-side plate designs. The 12 gauge guns are scheduled for 1999 introduction, followed by the small bore guns in 2000. The following categories are planned:

- **12 Gauge Field:** *This gun is to be a field grade O/U with polished blue metal and 60 gloss wood finish. Barrel lengths will be 26", 28" and 30". Barrels will be chambered for 3" shells and come with Rem chokes. Consideration will be given to a version with 3½" chambers. The frame*

and fore-end iron will feature tasteful scroll engraving. Stock dimensions will be the same as the Peerless along with the use of a soft solid recoil pad. The 12 gauge field offering should weigh no more than 7½ lbs. with 28" barrels.

- ***12 Gauge "Sporter":*** *This gun, the same as the 12 Gauge Field, except with reduced features and finish, will be positioned as an economically priced entry level O/U.* Features include matte metal finish, no scroll engraving, synthetic or hardwood stock with flat finish and open barrels. The stock will have a reduced checkering pattern and utilize a vented recoil pad. Barrels will be chambered for 3" shells and come with Rem Chokes. Consideration will be given to other areas that will further reduce cost. Such as the extensive use of synthetics to replace both wood and metal parts.
- ***Small Bore Field:*** *20 gauge, 28 gauge and .410 bore products will be included in this series of offerings. Styled the same as the 12 Gauge Field and built on smaller frames that are operationally identical,* these guns should weigh 6½ pounds or less. The 20 gauge guns will be offered with 26" and 28" barrels and chambered for 3" shells. Both the 28 gauge and .410 bore offerings will have 26" barrels with a 2¾" chamber in the 28 gauge and 3" in the .410. All of the small gauge offerings will include Rem Chokes.
- ***12 & 20 Gauge Sporting:*** *These guns are to be styled similarly to the Model 396.* The stock and fore-end will feature semi-fancy walnut with target dimensions. The frame and fore-end iron should be a coined finish with enhanced scroll embellishment. Barrels will be overbored in 28", 30" and 32" with 2¾" chambers, extended forcing cones and sporting clays choke tubes. The vent rib is to be 10mm tapered to 8mm and styled differently than the field guns. The side ribs are to be vented or open if the correct look can be obtained. The 12 gauge Sporting should weigh between 8 and 8¾ pounds with 30" barrels.

In addition to the above criteria and specifications, the following should be considered as the new O/U family is developed:

- New Safety / Barrel Selector Mechanism
- New Fore-end Latch Design
- Lower Top Lever

- Improved Top Lever Operation
- Brazed Side Ribs
- Enhanced Rib Design
- Improved Fits
- Reduced Cost (\$502 Target For 12 Gauge Field)
- New Receiver Styling
- Improved Action Opening and Closing Operation
- Redesigned Stock and Fore-end Styling and Ergonomics

For the new O/U family to be successful, Marketing's styling and cost objectives must not be compromised.

Standard gross profit is targeted at 35% for the new O/U family. Pricing and volume forecasts are as follows:

<u>Model</u>	<u>Production Year</u>	<u>MSP</u>	<u>Net Selling Price</u>	<u>1st Year Volume</u>
12 Gauge Sporter	1999	\$799	\$643	3,000 Units
12 Gauge Field	1999	\$959	\$772	2,500 Units
20 Gauge Field	2000	\$1,099	\$886	1,200 Units
28 Gauge & .410 Bore Field	2001	\$1,269	\$1,023	1,000 Units
12 Gauge Sporting	2000	\$1,495	\$1,465*	700 Units
20 Gauge Sporting	2000	\$1,635	\$1,602*	500 Units

* Custom Shop Program Applies

Single Shot Break Action Shotguns:

Sportsman Model 99

Remington will introduce a line of economy priced single shot break action shotguns in 1999. This line will be marketed under the Sportsman brand as the Model 99 and be positioned to compete directly with the H&R/New England Firearms products. The Model 99 will be offered in 12 gauge, 20 gauge and .410 bore. Manufacturing cost of the Model 99 must be under \$40 to allow for competitive pricing and acceptable margins.

The driving criteria for the Model 99 are:

- *Reliability*
- *Competitive Quality*
- *Value Position / High Price*
- *Low Manufacturing Cost*

The above criteria must be met while maintaining fits and finishes that are comparable to competitive products. The Model 99 must be functional and reliable and offer basic features such as automatic shell ejection and a top tang safety. The following basic versions of the Model 99 are planned for 1999 introduction:

- *12 Gauge Synthetic: This gun will feature matte metal finish, synthetic stock and fore-end and a 28" plain barrel with bead sight.* Chambered for 3" shells, the 12 Gauge Synthetic will be offered with Rem chokes and weigh approximately 6 pounds.
- *20 Gauge Synthetic: Configured the same as the 12 Gauge Synthetic offering, the 20 Gauge Synthetic will feature a 26" barrel and should weigh approximately 5 pounds. A youth version of the 20 gauge will also be offered incorporating a 23" barrel and LOP that is one inch shorter.*
- *.410 Bore Synthetic: Configured the same as the 20 gauge gun, the .410 Bore Synthetic will feature fixed chokes. A youth version of the .410 bore will also be offered with the LOP one inch shorter and a 23" barrel.*

In order to maximize volume and market share, several additional configurations of the Model 99 will be required in future years. The following will be considered for future line expansion:

- 12 Gauge 3½" Special Purpose Models
- Camouflaged Offerings
- Fully Rifled Deer Guns
- Barrel Porting Options
- Wood Stock Options

The Model 99 is projected to provide 40% gross profit. Pricing and volume forecasts for 1999 are as follows:

<u>Model</u>	<u>MSP</u>	<u>Net Selling Price</u>	<u>1st Year Volume</u>
12 Gauge Synthetic	\$89	\$72	20,000 Units
20 Gauge Synthetic	\$89	\$72	40,000 Units
.410 Bore Synthetic	\$79	\$64	40,000 Units

90-T

The 90-T will be discontinued in 1999. Any remaining inventory will be sold at a significant discount or written off.

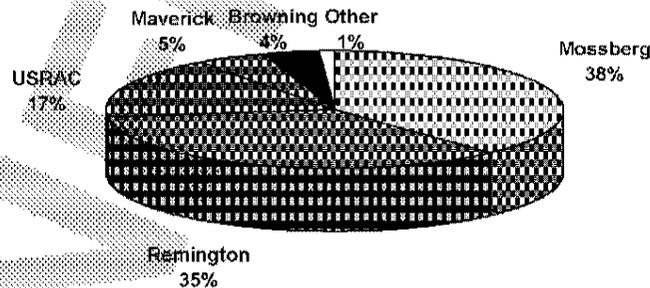
PUMP ACTION SHOTGUNS

■ Market Share Overview

The domestic pump action market is estimated to be 700-800M units annually with net industry sales valued at \$130-150MM. Remington's estimate of competitive volume and market share for the domestic market is as follows:

<u>Brand</u>	<u>Units (M)</u>
Remington	270
Browning	27
Mossberg	295
Maverick	35
USRAC	135
Other	10
TOTAL	772

**Pump Action Shotgun
Market Share ¹⁰ (% of Units)**



Mossberg's business is heavily dependent on the Marts and has been boosted across all distribution channels by increasing sales of their M835, 3½" 12 gauge. Presently, Mossberg has no competition in the economy 3½" 12 gauge pump action

¹⁰ Sources: Combined analysis of Gunmark Benelux -1997, P.P.I. Research - 1995, BATT Production - 1995.

market. *Our strategy is to quickly penetrate this market by offering a 3½" capable version of the 870 Express in 1998. Pricing and gross profit of this product will be superior to the regular 870 Express.*

**Pump Action Shotguns
Market Share Goals**

<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
35%	38%	39%	41%

■ **Remington Segment Performance**

Remington's pump action business includes 870 Express, 870 Wingmaster and 870 Police models. 1996 sales in this segment totaled 241M units accounting for \$49MM in revenue. *86% of Remington's 1996 sales in the pump action category can be attributed to the economy priced Express.*

Last year, Express sales volume was down 27% from the previous year. This decrease was the result of soft market conditions amplified by mass merchants trimming inventory at the store level.

For 1997, Remington is anticipating an increase in Express sales volume of approximately 8%. Key to this recovery is strengthening business at the Marts and strong "pull through" consumer promotions.

	<u>1995 Actual</u>	<u>1996 Actual</u>	<u>1997 Rev. 1F</u>	<u>1997 P.O.</u>
Unit Sales (M)	334	241	244	213
Sales Dollars (\$MM)	68.4	49.3	48.5	42.1
Standard Margin (\$MM)	25.2	16.6	10.9	9.4
Standard Margin % Sales	36.8	33.6	22.5	22.4

The major issues facing this segment are market pricing pressures, cost competitiveness and the lack of a 3½" 12 gauge product in the Express product category.

■ Competitive Analysis

Economy Priced Pump Action Shotguns:

The largest segment of the pump action shotgun market is the economy price product segment. Mossberg, Maverick and USRAC are Remington's major competitors. There are also several imported products that are typically viewed as non-competitors due to low price and poor quality.

Mossberg has two entries in this market: Model 500 and Model 835. The Model 500 is offered in 12 gauge, 20 gauge and .410 bore and is available in several configurations including vent rib barrel versions to short barrel home defense guns. Over the past several years Mossberg has increased its home defense sales by offering options such as extended magazines and pistol grip stocks to the general public. The basic Model 500 sells for \$21 less than the equivalent M/870 Express after sales programs and discounts.

The Mossberg Model 835 is the only economy priced 3½" 12 gauge pump action shotgun on the market. The 835 is offered in several configurations from walnut stock guns to camouflaged synthetics. Sales of the Model 835 have helped stabilize Mossberg's market share. The basic Model 835 with wood stock sells for \$3 more than the basic Model 870 Express (after sales programs and discounts).

Mossberg owns and operates Maverick Arms. Maverick sells a low-end product that is assembled in the US from parts manufactured in Mexico. The Maverick product line is limited to a handful of 12 gauge SKU's, with the basic Maverick selling for \$58 less than the Model 870 Express.

USRAC competes in this market with the Model 1300 which is offered in both 12 gauge and 20 gauge. Like the Mossberg 500, the Model 1300 addresses both the hunting market as well as the home defense market. USRAC has increased their number of variations offered in the home defense configurations, to a total of eight SKU's, two of which are new for 1997.

Several imported low priced products are available in this market, however, due to poor quality and reliability, most are not competitive. *Brolin Industries introduced the Hawk HP9 in 1996. Imported from China, it is a knock-off of the Model 870 with an extended magazine. This gun so closely resembles the Model 870 it appears several parts may be interchangeable. Given the similarities in shape and styling, Remington is currently investigating trade dress infringement*

action. The Hawk HP9 sells for approximately \$60 less than the Model 870 Express at wholesale.

Remington's entry in the economy shotgun market is the Model 870 Express which is a family of 12 gauge, 20 gauge, 28 gauge and .410 bore shotguns. The Express line is mechanically the same as the higher end Wingmaster line with the difference between the two being mostly cosmetic. The Express line features matte metal finish and birch or synthetic stocks. The *Model 870 Express variations include vent rib field guns, fully rifled deer guns and a short barreled home defense gun. Remington does not offer features such as extended magazines and pistol grip stocks to the general public.*

Upper-End Pump Action Shotguns:

The market for upper-end pump action shotguns is small when compared to the size of the economy priced shotgun market. Remington and Browning are the two major manufacturers participating in this market.

Browning offers the BPS in 10, 12, 20 and 28 gauge versions. The 12 gauge BPS is available in 3" as well as 3 1/2" configurations. The BPS features bottom ejection and steel receivers. Several field models are available with walnut stocks and polished metal. A version with synthetic stock and matte metal finish is also offered as the Stalker series. All barrels are back-bored and feature choke tubes. Although the BPS has a solid reputation in the market, sales have slowed. As a result, Browning increased their sales program discounts in 1997. The field grade 12 gauge BPS now sells for only \$13 more than the Model 870 Wingmaster after program discounts.

The Remington Model 870 sets the standard in the pump action shotgun market. However, demand for the Model 870 Wingmaster and SPS line has decreased over the past few years. This is a mostly due to the proliferation of economy price products offering similar features at significantly lower prices. The Wingmaster line features walnut stocks, polished metal and light contour barrels in 12 gauge. The SPS line offers synthetic stocks and fore-ends and matte metal finish. The SPS line is differentiated from the Express line by featuring options such as cantilever deer barrels, slings and special choke tubes. Focus in 1998 will be to further differentiate the SPS line by adding value to the category.

Law Enforcement Pump Action Shotguns:

The market for law enforcement pump action shotguns is following the same trend as the economy price market, the customer is buying on price. Remington historically dominated this market, but has been steadily losing share in recent years because of intensified competition from Mossberg and to a lesser extent USRAC.

Mossberg has gained acceptance and share by providing additional features at a lower price with the Model 500. They have also been quick to respond to market trends. As a result, many deem the quality of the Model 500 adequate even though it is not as good as the Model 870. To further reinforced this perception, the Model 500 has passed the U.S. government's MILSPEC 3443E while the Model 870 has not. The Mossberg 500 sells for approximately \$100 less than an equivalent Model 870 Police offering.

USRAC's Model 1300 Defender is priced similarly to the Mossberg 500, \$100 under the Model 870 Police. However, USRAC is not positioned well in this market and share is small. The Model 1300 currently does not present significant competition in the law enforcement market.

■ Product Strategy - 1998

Economy Priced Pump Action Shotguns:

M/870 Express

This market is value / price sensitive. The Model 870 Express line is hampered by the lack of features such as camouflage and 12 gauge 3½" capability. Remington will introduce two camouflaged products to the current Model 870 Express line, as well as, a family 12 gauge 3½" Express offerings.

The new camouflaged products will be targeted at the turkey hunting market and will feature camouflaged stock and fore-end only. They are:

- *Express 12 Gauge Synthetic Turkey Camo: This gun will be the same as the standard Express Turkey gun with 21" vent rib barrel, except it will*

feature camouflaged synthetic stock and fore-end. Advantage camouflage will be used.

- ***Express 20 Gauge Synthetic Youth Turkey Camo:*** This 20 gauge gun will be configured similar to the 12 Gauge Synthetic Express Turkey Camo with 21" vent rib barrel and standard full choke tube. The stock on this youth gun will have a 13" LOP. Advantage camouflage will be used.

In addition to the above two turkey offerings, **Remington will introduce the Model 870 Express Super Magnum, chambered for 12 gauge 3½" shells.** The Express Super Magnum will feature a receiver that is the same length as the traditional 12 gauge Express and will be styled the same as the current Express except it will incorporate a ventilated recoil pad. The 870 Express Super Magnum will accept standard Express 12 gauge 3" extra barrels. The following **four versions on the Model 870 Express Super Magnum are planned for 1998 introduction:**

- ***Express Super Magnum Field:*** Configured similarly to the current Express 12 gauge wood offering, this gun will feature black matte metal finish, flat wood finish and a vented recoil pad. The 28" barrel will be chambered for 3½" shells and include a Mod Rem Choke.
- ***Express Super Magnum Synthetic:*** Configured the same as the Express Super Magnum Field, this version will feature a black synthetic stock and fore-end and a 26" vent rib barrel.
- ***Express Super Magnum Combo:*** This two barrel combo will include the Express Super Magnum Field gun with a 26" vent rib barrel, plus the current Express 12 gauge rifle sighted, fully rifled extra barrel.
- ***Express Super Magnum Synthetic Camo Turkey:*** This gun will feature the Express Super Magnum combined with a 23" vent rib barrel and turkey choke tube. The stock and fore-end will be synthetic and the entire gun will be camouflaged with the Advantage pattern.

The pricing and volume forecasts for the addition to the Model 870 Express family are as follows:

<u>Model</u>	<u>MSP</u>	<u>Net Selling Price</u>	<u>1st Year Volume</u>
Express Super Mag Field	\$249	\$204	23,000
Express Super Mag Synthetic	\$254	\$208	2,000
Express Super Mag Combo	\$346	\$284	3,500
Express Super Mag Turkey Camo	\$314	\$257	3,500
Express Super Mag Turkey 12 Ga.	\$274	\$225	4,000
Express Super Mag turkey 20 Ga. Youth	\$274	\$225	1,500

Upper-End Pump Action Shotguns:

M/870 Wingmaster & SPS

As with the M/1187, a return to niche marketing is planned for the M/870 Wingmaster and SPS line for 1998. Two special non-catalog products will be offered to conservation organizations as banquet guns. Ducks Unlimited will purchase 3,500 M/870 Wingmaster 12/28 with special DU roll engraving and semi-fancy wood. National Wild Turkey Federation will purchase 1,100 M/870 Wingmaster 12/21 with NWTF roll engraving and semi-fancy wood. Also, a special NWTF 25th anniversary M/870 SPS-T Camo will be cataloged for 1998, featuring fiber optic sights and a straight rifled turkey super full choke tube

In addition to the above conservation offerings, roll engraving will also be featured in 1998 on both M/870 Wingmaster 20 gauge field SKU's.

Performance expectations in shotgun slug hunting have continued to grow over the past few years. Improvements in the accuracy of Remington's fully rifled cantilever barrels are needed to keep this product category competitive.

Law Enforcement Pump Action Shotguns:

M/870 Police

Many agencies develop requirements for unique specifications and configurations of shotguns. Accordingly, the Law Enforcement market will be approached on an opportunistic basis in 1998. A special make up gun for the INS as well as options such as a pistol grip short stock and Teflon coating the barrel and receiver will be considered. There has also been increased interest in REM CHOKES and a standard back order special option may be added in 1998. The series of polished blue M/870 Police will be reviewed and the slow moving SKU's will be discontinued as existing inventory is consumed.

■ Product Strategy - 1999 And Beyond

Economy Priced Pump Action Shotguns:

M/870 Express

*The market for economy priced pump action shotguns is expected to continue to demonstrate sensitivity to price and value as a result of competitive pressures. The M/870 Express and Express Super Magnum will remain the cornerstone of Remington's pump action shotgun line well into the next century. Adding features such as a lower cost camouflage coating and cantilever option will be considered. **The major focus in the M/870 Express product area must be on reducing cost. A concentrated cost reduction initiative is mandatory!***

Upper-End Pump Action Shotguns:

M/870 Wingmaster & SPS

There are no significant product additions or deletions planned for the M/870 Wingmaster or SPS lines in 1999 or 2000. Consideration will be given to discontinuing slow moving SKU's. New receiver artwork will be entertained for 1999. The anniversary edition M/870 SPS-T Camo gun will be replaced with a standard offering.

Law Enforcement Pump Action Shotguns:

M/870 Police

The long term plan for the M/870 Police is to continue to streamline the line of catalog products to the key standard SKU's while maintaining the ability to produce special order versions of these SKU's on a special order basis.

Rimfire Rifle Market Summary

The size of the domestic rimfire rifle market is estimated to be between 550-650M units. The retail sales value of this market is believed to be worth approximately \$97MM.¹¹ Autoloading rimfire rifles comprise about 80% (500M units) of this total.

Mass merchants sell approximately 75% of all rimfire rifles and 56% of all autoloading rimfire rifles .Principal competitors in this market are Marlin and Ruger.

Estimates for 1995 sales volume and market share by brand are as follows:

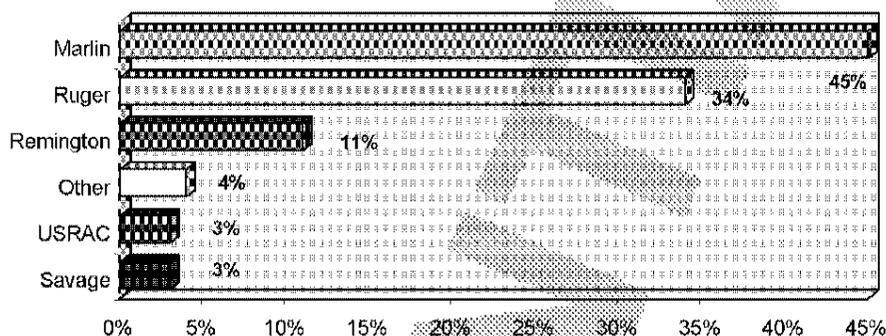
1995 Rimfire Rifle Market (All Action Types)¹²

<u>Brand</u>	<u>Units (M)</u>
Remington	71
Ruger	210
Marlin	280
Winchester	18
Savage	15
Other	25
Total	619

¹¹ Combined Analysis of BATF Production Figures - 1995, SAMMI Factory Shipments - 1996, Herstal Clinvest - 1995 and Gnumark Benclux - 1996 (Proof House Reporting)

¹² Ibid.

Rimfire Rifle Brand Share By Brand (% of Units)



Remington does not have a fair share of the rimfire rifle market. This situation developed from an aging product offering and the failure of the 522 Viper to establish a solid position in the autoloading segment. New products such as the 597 family of autoloaders will enable Remington to increase share approximately 6% in 1997 and 9% in 1998.

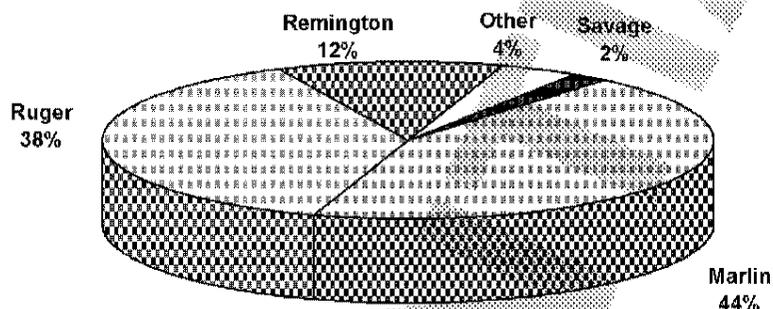
AUTOLOADING RIMFIRE RIFLES

■ Market Share Overview

The domestic autoloading rimfire rifle market is estimated to be approximately 500M units.

<u>Brand</u>	<u>Units (M)</u>
Remington	61
Ruger	200
Marlin	230
USRAC	-
Savage	10
Other	<u>20</u>
Total	521

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



Remington's future position in this market will be determined by the degree of success of the new 597 series of autoloading rimfires. Significant share growth with superior margins will be pursued through low cost manufacturing, timely delivery, high quality standards and product differentiation.

Market Share Goals

<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
15%	24%	30%	30%

■ **Remington Segment Performance**

Remington's autoloading rimfire rifle category includes the 522 Viper, 552 Speedmaster and our new family of 597 rifles. Three SKU's are offered in the 597 series, two standard 22 LR's and one 22 Win Mag.

Remington's 522 Viper business was down approximately 60% in 1996 from the previous year. This decline was primarily caused by poor quality of goods shipped in 1994 and early 1995 (which seemed to be most acute at Wal-mart), along with the fact that the trade knew we were building a new rimfire rifle and a factory to manufacture it. As a result, they reacted to this news by not placing stocking orders

in early 1996 in an effort to flush warehouse inventory and minimize their exposure to slow moving product.

The 522 Viper does not have a bright future. Saddled with quality problems and high manufacturing cost, the 522 will be discontinued in 1998. The Viper could be successfully repositioned if \$35.00 of cost could be removed from the rifle.

The 552 Speedmaster will remain positioned as our high-end rimfire autoloader. Margins have improved significantly over the last several years, assisted by aggressive price increases. Volume should remain moderately attractive in this limited niche category.

Our first shipments of 597 product were made in June of this year. ***Based on current orders and future forecast, the business will have no problems meeting our Budget Shipment Objective of 75M units for 1997. This performance of course, will be highly dependent on our new production facility delivering quality product on schedule.*** Currently, we are behind schedule by approximately six weeks which will adversely affect our ability to sell-in product as promised to our customers.

Our worldwide performance for the autoloading rimfire rifle category follows:

	<u>1995</u> <u>Actual</u>	<u>1996</u> <u>Actual</u>	<u>1997</u> <u>Rev. 1F</u>	<u>1997</u> <u>P.O.</u>
Unit Sales	70,523	27,540	76,600	77,843
Sales Dollars (\$MM)	7.8	3.1	10.0	10.3
Standard Margin (\$MM)	1.8	0.9	3.5	3.6
Standard Margin % Sales	23.4	27.8	34.7	35.0

The principal issues facing this product segment are all with the 597 family of products.

- Will the plant produce a quality product?
- Will production be on schedule?
- Will manufacturing cost be within budget?
- Is intellectual property secured?

■ Competitive Analysis

Remington's leading competitors in the Autoloading Rimfire Rifle market are Marlin, Ruger and Savage. As mentioned earlier, Marlin and Ruger currently dominate this market with over 80% volume share. Remington's smaller presence has mostly been dependent upon the Model 522 Viper for the past few years. *Significant share gain is expected as the new Model 597 family reaches the market.*

Marlin participates in this market with several autoloading offerings. The most popular is their Model 60. This rifle is chambered for 22 LR and features a tubular magazine and is offered in a low priced promotional version with a carbon steel barrel and birch stock. A higher priced version includes a stainless barrel with laminated stock. *The basic Model 60 wholesale price is \$14 less than the Viper and \$18 less than the Model 597 (after sales programs and discounts).* The Model 60 SS sells for \$36 less than the Model 597 LSS at wholesale (after sales programs and discounts).

In addition to the Model 60 family, Marlin offers a series of clip magazine 22 caliber rifles. The action design of these rifles is similar to the Model 60 except they all feature 10 or 7 shot clips that extend below the "belly" of the stock. Marlin added two new guns in this category for 1998. *The Model 7000 is a heavy barreled synthetic stock rifle* that features an 18" barrel, swivel studs and 1" scope rings. The Model 7000 sells for \$17 more than then Viper and \$13 more than the Model 597 (at wholesale, after sales programs and discounts).

The Model 975 is Marlin's other new autoloader for 1998. Positioned as a promotional model, the Model 975 features a carbon steel barrel and synthetic stock and is priced \$18 and \$22 less than the Viper and Model 597 respectively (at wholesale, after sales programs and discounts).

The Marlin Model 995SS is basically the same gun as the Model 975 except it features a stainless barrel and is priced \$41 less then the Model 597 LSS.

Marlin also markets the Model 922 Magnum. This rifle is chambered for the 22 WMR and features a 20½" carbon steel barrel, walnut stock with recoil pad, and a 7 shot clip magazine. The Model 922 Magnum has a reputation for mediocre reliability and function. *The Model 922 Magnum sells for \$31 more than the Model 597 Magnum (at wholesale, after sales programs and discounts).*

The Ruger Model 10/22 is generally held to be standard for quality and value in this market. Over the years the 10/22 has built a reputation of quality and a loyal following. *The 10/22 is available in several configurations that are traditionally styled and feature a 10 shot rotary clip magazine.* The 10/22 lends itself to customization and, as a result, a myriad of after-market accessories has been developed.

The 10/22-RB is Ruger's standard rifle. It features a carbon steel barrel, adjustable sights and birch stock. This gun sells for \$11 more than the Model 597 (at wholesale, after sales programs and discounts).

In addition to the standard 10/22-RB, Ruger offers several mid-priced versions combining carbon or stainless barrels with birch, walnut and synthetic stocks. Their high-end catalog stainless offering, the K10/22-RBI, features an international style walnut stock and is priced \$12 under the Model 597 LSS (at wholesale, after sales programs and discounts). Ruger also manufactures a laminated stainless 10/22 (exclusively for Wal*Mart) that features a laminated stock, sling with swivels, and scope adapter. Wholesale pricing for this gun is not available, but Wal*Mart sells it at retail for \$188.

Ruger also offers a heavy barrel target version of the 10/22. The 10/22T features a forged carbon steel heavy barrel and laminated stock. With the availability of after-market barrels and stocks, the 10/22T does not offer a high price-to-value relationship at \$243 MSP. Sales for this rifle have been reported as slow.

Savage competes with the Model 64 family of 22 LR autoloading rifles. The Model 64, offered with a carbon steel barrel and wood or synthetic stock, sells for \$25 less than the Viper or Model 597 (at wholesale, after sales programs and discounts). Based on quality and reputation these products are not considered to be significant competition at this time.

Remington currently has three models of autoloading rimfire rifles; Models 572 Speedmaster, 522 Viper and the new 597 family. First, the Model 572 Speedmaster, (the only domestic autoloader that functions 22 Long Rifle, 22 Long and 22 Shorts) is a high-end product that features a tubular magazine and walnut stock and fore-end and wholesales at a price of \$255.

The Model 522 Viper, was introduced in 1993. Offering a 10 shot magazine clip and unique styling, the 522 Viper is positioned as a mid-priced offering with reliability and technical advances as its major selling features. *Unfortunately, poor*

quality and undesirable attributes such as a heavy trigger force hurt the sales and reputation of the Viper. Orders for the Viper have declined dramatically over the past two years. *At the current wholesale price of \$114, the Viper is not considered a viable product in the market.*

Remington has the potential to gain significant share with the new Model 597 family of 22 LR and 22 WMR rifles. The Model 597 features an aluminum receiver with innovative action design and simple trigger mechanism making the design inherently reliable. Additional features include a staggered clip magazine, last shot hold open and adjustable sights. The receiver of the Model 597 is dove-tailed as well as drilled and tapped for scope mounting. *Initial reports indicate this family of rifles will be well accepted in the market if function and reliability expectations are met.*

The Model 597 family is comprised of three rifles for 1997. The basic gun, the Model 597, is chambered for 22 LR and features a carbon steel barrel and synthetic stock. At \$119 MSP, it is well positioned between Ruger's 10/22 and Marlin's Models 60 and 975. *Also chambered for 22 LR, the Model 597 LSS offers the basic features of the Model 597 combined with a stainless barrel and laminated stock with swivel studs.* Priced at \$199 MSP, the Model 597 LSS is slightly higher than Ruger's 10/22. Lastly, *the Model 597 Magnum is essentially the same gun as the basic Model 597 except the Magnum is chambered for the 22 WMR and features a proprietary bolt, synthetic stock and carbon steel barrel.* Initial reports indicate this gun is very reliable and it is competitively priced at \$229 MSP.

■ Product Strategy - 1998

Model 552 Speedmaster

There are no new products planned for the Model 552. Focus should be on maintaining quality and reducing manufacturing cost for 1998.

Model 522 Viper

To be a viable product offering, the Model 522 Viper needs to be repositioned as a promotional product at a dramatically reduced price. However, the \$35 reduction in manufacturing cost required for this strategy to be successful is not realistic. *The Model 522 Viper will be discontinued in 1998. Excess inventory will be closed out to Kmart in the fourth quarter. No carryover of Viper inventory into 1998 is anticipated.*

A formal plan for parts and repair support of the Viper will be developed. This plan will address maintaining the ability to repair Vipers for a reasonable period of time while maintaining minimal parts inventory. A purchase-exchange program similar to the M/742 - M/7400 program will be included in this plan.

Model 597

The following four new versions of the Model 597 are planned for 1998:

- **Model 597B:** Utilizing the same carbon steel barrel and action as the basic Model 597, the 597B will feature a birch stock with swivel studs, low gloss finish and no checkering.
- **Model 597 SS:** The SS version will be the same as the current Model 597 LSS, except it will feature the same black synthetic stock of the basic Model 597.
- **Model 597 Magnum LS:** The 597 Magnum LS will be the same as the current Model 597 Magnum except the synthetic stock will be replaced with a gray laminated stock with swivel studs. The finish and shape of this stock will be the same as the brown laminated stock used on the Model 597 LSS.
- **Model 597 Custom Target:** Combined with a custom ergonomic shaped laminated stock, the 597 Custom Target will feature a custom heavy barrel with 22 LR target chamber and a target trigger assembly. A model 597 Magnum Custom Target is also being considered.

<u>Model</u>	<u>MSP</u>	<u>Net Selling Price</u>	<u>1st Year Volume</u>
597 B	\$149	\$122	10,000 Units
597 SS	\$159	\$130	10,000 Units
597 Magnum LS	\$269	\$221	2,000 Units
597 Custom Target	\$449	\$405	500 Units

■ Product Strategy - 1999 and Beyond

Model 552 Speedmaster

There are no new products planned for the Model 552 in 1999 and beyond. Consideration will be given to offering special configurations of this gun on a customer specific basis. If sales volume falls below threshold levels it will be discontinued.

Model 597

The competitive response to the Model 597 is expected to come in the form of added value or reduced price. *The focus for the Model 597 line in 1999 and beyond must be on maintaining world class product quality while holding manufacturing costs at 1997 levels. In order to reach volume objectives careful consideration will be given to expanding the Model 597 product line-up.* Adding value to the offering by cataloging a gun-with-scope as a package or adding sling and swivels will be considered.

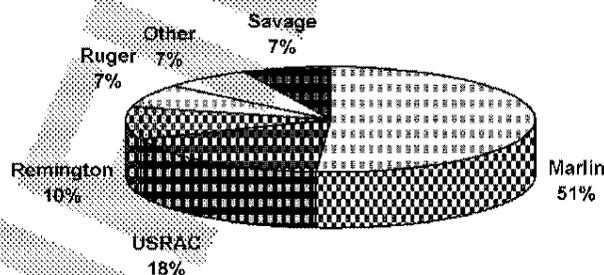
PUMP AND BOLT ACTION RIMFIRE RIFLES

■ Market Share Overview

This market segment is comprised of all manually operated actions including lever actions. Sales estimates and market share for this category follows:

<u>BRAND</u>	<u>UNITS (M)</u>
Remington	10
Ruger	7
Marlin	50
USRAC	18
Savage	7
Other	6
TOTAL	98

**Pump and Bolt Action Rimfire Rifle
Market Share**



Marlin is the industry leader in this market segment by a wide margin. Winchester is a significant competitor with almost all its volume coming from the lever action 94-22.

The stability of this market looks good in the future. While no exceptional growth is expected, there are opportunities to expand sales with differentiated and upgraded products that address niche markets. Our strategy for this market will be

to evolve our current products in a way that adds value and performance to the category.

**Manually Operated Rimfire Rifle
Market Share Goals**

<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
10%	12%	14%	14%

■ **Remington Segment Performance**

Remington's Pump and Bolt Action Rimfire Rifle segment includes 572, 541-T, 541-HB and 581-S. 1996 net sales totaled 9M units accounting for \$2.0MM in revenue. This is a 37% decrease in units and a 40% decrease in revenue from 1995 actuals. Our worldwide performance for this category follows:

	<u>1995 Actual</u>	<u>1996 Actual</u>	<u>1997 Rev. 1F</u>	<u>1997 P.O.</u>
Unit Sales	14,371	9,015	4,648	7,111
Sales Dollars (\$MM)	3.3	2.0	1.0	1.6
Standard Margin (\$MM)	1.0	0.6	0.2	0.4
Standard Margin % Sales	30.6	32.1	23.0	22.5

The principal issues facing this product segment are:

- Cost of manufacture
- Mature product life cycles of core offerings.
- Product features which require improvement.

■ **Competitive Analysis**

Remington's leading competitors in this market are Marlin, USRAC, Ruger and Savage. Marlin currently dominates this market with over 50% volume share followed by USRAC at 18%. Both Marlin and USRAC offer a variety of bolt action

and lever action products. Savage and Ruger are also serious competitors in this market, offering primarily bolt action rifles.

Marlin's product line consists of fourteen bolt action and two lever action SKU's. Included in their bolt action rimfire rifle line are the Models 15YN and 25MN. These are both promotional rifles that compete most closely with Remington's Model 581-S. The Model 15 YN is a single shot 22 LR with birch stock that is popular with organizations such as the Boy Scouts and 4-H Club, as well as the mass merchants. This gun has a reputation for marginal quality and reliability. It's wholesale price of only \$108 (\$60 less than the Model 581-S net wholesale) is one of its most important features. The Model 25MN is chambered for 22 WMR and features a metal clip magazine and birch stock. The Model 25MN sells for \$55 less than the Model 581-S (at wholesale after sales programs and discounts).

The remainder of the Marlin sporter bolt action line is comprised of the Models 880, 881, 882 and 883. This is a good-better-best scenario. The Models 880 & 881 are 22 LR caliber and the Models 882 & 883 are 22 WMR. These guns feature the same basic action design, clip magazines and a variety of stock configurations. Both carbon steel and stainless steel versions are available. Pricing runs from \$139 to \$171 (net wholesale after sales programs and discounts).

Marlin offers the Model 2000L which is a heavy barrel target gun with adjustable target stock and target grade sights. The Model 2000L wholesales at \$379.

Marlin also offers two lever action 22 LR rifles. The Model Golden 39AS features a tubular magazine and traditional lever action styling. The Golden 39AS competes most directly with Remington's Model 572 and wholesales for \$20 more (after sales programs and discounts).

Marlin's other lever action is the Model 1897 Century Limited which is a limited edition of the Model 39AS introduced in 1997. This gun features high grade walnut and gold embellishment. Priced at \$639 wholesale, the Model 1897 CL does not compete directly with any Remington product offerings.

USRAC offers two models in the rimfire rifle category. The Model 52B is a high grade re-introduction of an early Winchester clip fed, bolt action design. It features a walnut stock with cut checkering, grip cap and fore-end tip. The barrel is

24" and is chambered for 22 LR. *The 52B wholesales for \$96 more than the Model 541-T* (after sales programs and discounts).

The USRAC Model 9422 is a family of lever action 22 caliber rifles featuring a tubular magazine and traditional lever action styling. Options include birch, walnut and laminated stocks and fore-ends as well as a youth stock. *The Model 9422 line, on average, wholesales for about \$25 more than the Model 572* (after sales programs and discounts).

Ruger introduced the Model 96, a lever action version of the Model 10/22 in 1996. The Model 96 is currently offered in 22 LR and 22 WMR. The styling of the Model 96 is the same as the standard Model 10/22 and also features the same rotary magazine clip. *The Model 96 wholesales for approximately \$38 less than the Model 572* (after sales programs and discounts).

Ruger also offers the Model 77/22 which is a bolt action with rotary clip magazine. Offered both in 22 LR and 22 WMR, options include walnut, synthetic and laminated stock as well as carbon and stainless steel barrel. *The basic Model 77/22 sports a walnut stock and carbon steel barrel and wholesales for \$27 less than the Model 541-T* (after sales programs and discounts). *The high-end Model 77/22 features a laminated stock and stainless steel heavy barrel. In 22 LR or 22 WMR this gun wholesales for \$29 less than the Model 541-T HB* (after sales programs and discounts).

Savage competes in this market with four 22 Cal. bolt action rifles. All feature the same basic action design and are offered in both right and left hand versions. *The Model 93 is chambered for 22 WMR and features a clip magazine. It is available in a carbon steel barrel, birch stock version as well as a stainless synthetic model. These range in wholesale prices from \$47 to \$65 less than the Model 581-S* (after sales programs and discounts).

The Savage Mark II is chambered for 22 LR, features a clip magazine and is available in a laminated stock, heavy barrel configuration. Other versions include a stainless barrel with synthetic stock and a carbon steel barrel with birch stock. Even a left hand version is available. *The Mark II wholesale prices range from \$30 to \$78 less than the Model 581-S* (after sales programs and discounts).

On the low-end Savage's offering in this category is the Mark I which is a single shot version of the Mark II that features a birch stock and carbon steel barrel. The Mark I is available in a standard version as well as a youth iteration.

The Mark I is popular with organizations such as the Boy Scouts and 4-H Club as well as mass merchants because of its promotional price. Selling at \$77 net wholesale, the Mark I price is \$83 less than the Model 581-S.

Savage's top of the line bolt action 22, Model 900 is a series of heavy barrel target rifles. The Model 900 is available in a standard target version as well as Biathlon and Silhouette configurations. These range in net wholesale prices from \$225 to \$324. The basic Model 900 is \$98 less than the Model 541-T HB (after sales programs and discounts).

Remington currently has three entries in the pump and bolt action market. The Model 572 Fieldmaster, (the only domestically manufactured pump action 22), is a high-end pump action 22 caliber rifle featuring a tubular magazine and functions 22 Long Rifle, 22 Long and 22 Short ammunition interchangeably. Sales volume for the Model 572 Fieldmaster has remained fairly constant.

In addition to the Model 572, Remington offers two bolt action 22 rifles. The Model 581-S is the least expensive in the line and features a birch stock, carbon steel barrel and clip magazine. A kit is supplied with the gun to convert it to a single shot. The Model 581-S has an excellent reputation for reliability and accuracy and is the gun of choice for organizations such as the Boy Scouts and 4-H Club. Unfortunately, due to the relatively high price of the Model 581-S, penetration into this market is limited. At \$160 net wholesale, the 581-S is significantly more expensive than competitive products (\$60 over the Marlin's Model 15YN and \$83 over the Savage Mark I).

The Model 541, positioned as a high-end 22 bolt action rifle, features a walnut stock with cut checkering, carbon steel barrel and clip magazine. It is offered with a standard (Model 541-T) and heavy barrel (Model 541-T HB) contours. The Model 541-T and 541-T HB are well accepted in the market and have earned a reputation for superior accuracy. However, with the proliferation of attractively priced competitive products offering options such as laminated stocks, stainless steel barrels and 22 WMR chambering, demand for Model 541-T line has declined significantly in recent years.

■ Product Strategy - 1998

Model 572 Fieldmaster

There are no new products planned for the Model 572. Focus should be on maintaining quality and reducing manufacturing cost for 1998.

Model 581-S, Model 541-T & Model 541-T HB

The Models 541-T and 541-T HB have earned a reputation for outstanding accuracy. *The most significant issues facing this line are cost, poor quality magazine box quality and limited options. The poor quality of the plastic magazine clip has been a constant source of customer complaints for many years.* The design and function of this clip is not consistent with the positioning of this rifle. A new well designed clip that is either metal or an engineered synthetic is needed. *In addition to addressing the magazine clip issue, new options and features are needed to make the Model 541-T line more competitive. The following features will be considered for 1998 introduction as SHOT Show special offerings:*

- Stainless Steel Heavy Barrel
- Laminated Stock
- Restyled Walnut Stock
- 22 WMR Capability

Two SHOT Show special offerings are planned for 1998:

- **M/541-T HB LSS**: This gun is to be the same as the M/541-T HB except it will feature a brown laminated stock without grip cap or fore-end tip, satin finished stainless heavy barrel, and new magazine clip.
- **M/541-T Magnum**: This gun is to be the same as the current M/541-T except it will be chambered for 22 WMR and feature a new magazine. The styling of the stock is also to be revised to give this gun a new look.

■ Product Strategy - 1999 And Beyond

Model 572 Fieldmaster

There are no new products planned for the Model 572. Consideration will be given to offering special configurations of this gun on a customer specific basis.

Model 581-S , Model 541-T & Model 541-T HB

The complete catalog line of bolt action rimfire rifles will be revised in 1999. The two 1998 SHOT Show introductions (M/541-T LSS & M/541-T Magnum) will be cataloged in 1999. The current M/541-T will be replaced with an offering featuring the new magazine box along with the restyled stock of the M/541-T Magnum. The M/541-T HB will be discontinued (Replaced by the M/541-T HB LSS). In addition, the new magazine box will be added to the M/581-S. *The following is a summary of the proposed 1999 catalog line:*

- **M/541-T HB LSS:** This gun is the same as the M/541-T HB except it features a brown laminated stock without grip cap or fore-end tip, satin finished stainless heavy barrel and new magazine clip. (1998 SHOT Show Special Offering)
- **M/541-T Magnum:** This gun is to be the same as the current M/541-T except it will be chambered for 22 WMR and feature a new magazine. The styling of the stock is also to be revised to give this gun a new look. (1998 SHOT Show Special Offering)
- **M/541-T (Re-style):** This is to be the same as the current M/541-T except it will feature the new magazine box and restyled stock.
- **M/581-S:** This is to be the same as the current M581-S except it is to feature the new magazine box.

Competitive pricing pressures in this market will continue to limit pricing flexibility. In order to improve margins, manufacturing cost must be addressed. A focus on cost reduction is paramount for this strategy to be financially successful.

<u>Model</u>	<u>MSP</u>	<u>Net Selling Price</u>	<u>1st Year Volumes 1999</u>
M/541-T HB LSS	\$389	\$320	1,500
M/541-T Magnum	\$369	\$303	1,000
M/541-T (Re-Style)	\$349	\$286	1,000
M/581-S	\$179	\$147	1,000

Single Shot Bolt Action

As noted earlier, *there is a market for a low cost, single shot bolt action 22 LR rifle which represents an opportunity for Remington to grow share.* The market is split between youth organizations with target shooting programs and mass merchants sales to new shooters. *A new single shot bolt action rimfire rifle chambered in both 22 LR and 22 WMR will be considered. Promotionally priced, the rifles would be marketed under the Sportsman brand and targeted at niche markets.* To be competitive, the rifle must meet minimum requirements that should be addressed in product development:

- Single Shot Design
- User Friendly Operation
- Adjustable Sights
- Moderate Cosmetics
- Easy Serviceability
- Above Average Reliability (For The Category)
- Above Average Accuracy (For The Category)
- Low Price

The first year Pricing and volume are projected as follows:

<u>Cost</u>	<u>MSP</u>	<u>Net Selling Price</u>	<u>1st Year Volumes</u>
\$46	\$99	\$81	25,000

Centerfire Rifle Market Summary

Upon analyzing data supplied by various national organizations in our industry, it can be concluded that the size of the 1996 domestic centerfire rifle market is approximately 1,050,000 units in annual sales.¹³ The annual retail sales value of this market is estimated to be about \$315MM.

SAMMI's reporting of 1996 factory shipments of centerfire rifles which does not include several major U.S. manufacturers and all importers showed an industry decline of 12% in units and 10% in dollars from the previous year.¹⁴ ***Remington's performance was significantly better than industry results, down only 7% in units and 1% in dollars during 1996.*** This downturn was product specific and primarily due to decreased sales of Remington's 7400 and 7600 repeating rifles and a late softening of long range Varmint bolt actions.

During the last five years the centerfire bolt action rifle market has expanded. This expansion has been led by Remington and resulted primarily from the introduction of new products. The upturn began in 1992 with the announcement of stainless synthetic and specialty long range, bolt action, hunting rifles. These offerings evolved for the next several years gaining market share for the company. In 1995 Remington partnered with Wal*Mart in the development of the Model 700 ADL Synthetic, a low cost, high value product with outstanding gross margins. This gun incrementally grew Remington's M700 sales by nearly 40,000 units in the first year it was offered even though it was not cataloged. The upswing continued into much of 1996, breaking historical sales records for total M700 unit shipments.

Market momentum did however slow in the fourth quarter of 1996 with industry shipments of centerfire rifles showing a 22% decline in units and a 21% decline in dollars from the fourth quarter of 1995. The trend continued in 1997 with first quarter industry performance down 23.7% in units and 27.3% in dollars from the first quarter of 1996. Remington performance was considerably worse, down 36.8% in units and 33.3% in dollars¹⁵. The reasons for this decline are:

¹³ Combined analyses of Gunmark Benelux - 1997, P.P.I. Research - 1995, BATF Production 1995 and NSGA Retail Sales Study - 1996.

¹⁴ SAMMI Reporting - Year End 1996.

¹⁵ Ibid.

- Market saturation/ Over capacity
- Intensified Competition
- Inventory Carryover at Wholesale
- Price Escalation

A clear picture of the aforementioned M700 sales trends are detailed in the matrix below.

Remington Sales Volume - Bolt Action M700

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>Fcst</u> <u>1997</u>
700	98,937	106,348	111,775	148,775	151,165	120,000
700 Stainless	<u>18,671</u>	<u>21,179</u>	<u>23,896</u>	<u>23,620</u>	<u>37,959</u>	<u>42,000</u>
Total 700	117,608	127,527	135,896	176,193	189,125	162,000
Marts	---	---	---	51.5	38.2	22.5
Non-Marts	---	---	---	124.7	150.9	139,500

The domestic centerfire rifle market is composed of three principal product categories. 1996 volume estimates by product category are as follows:

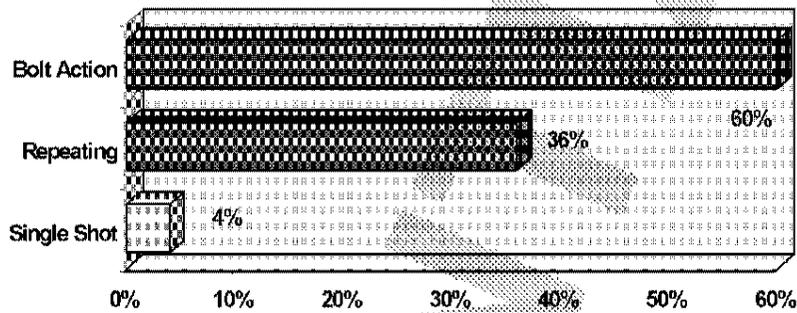
**1996 Centerfire Rifle Sales Volume
By Product Category¹⁶**

<u>Category</u>	<u>Units (M)</u>
Bolt Action	635
Repeating ¹⁷	414
Single Shot	<u>38</u>
Total	1087

¹⁶ Combined analyses of Gunmark Benlux - 1997, P.P.I. Research - 1995, BATF Production 1995 and NSGA Retail Sales Study - 1996.

¹⁷ Includes Autoloading, Pump, and Lever Actions.

**1996 Centerfire Rifle Market Share
By Action Type**



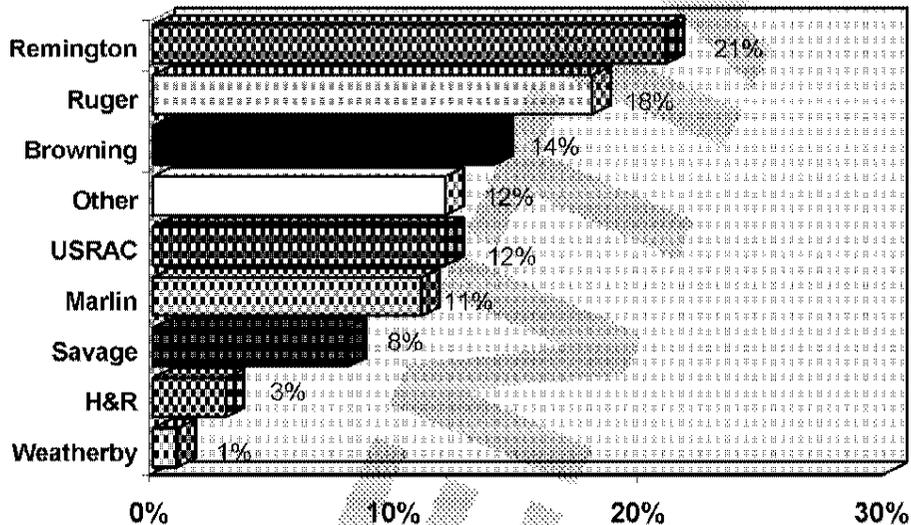
The bolt action rifle dominates the U.S. centerfire rifle market, commanding a conservative 60% market share in terms of unit sales.

Unit sales estimates based on combined analysis of the best available data suggest the following breakdowns by major manufacturer.

1995 Centerfire Rifle Unit Sales (M Units)

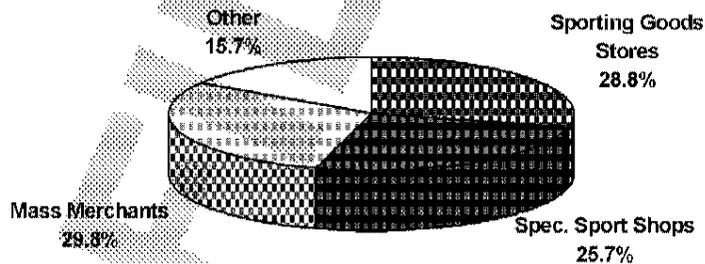
<u>Manufacturer</u>	<u>Total</u>
Remington	227
USRAC	132
Ruger	198
Marlin	116
Weatherby	13
H&R	31
Browning	149
Savage	86
Other	<u>135</u>
Total	1087

Centerfire Rifle Brand Share (% of units)¹⁸



Rifle distributions by trade channel as reported by the NSGA in units and dollars are:¹⁹

1996 Rifle Distribution Channels (% of Units)



Key trends in unit sales distribution from '95 to '96 are:

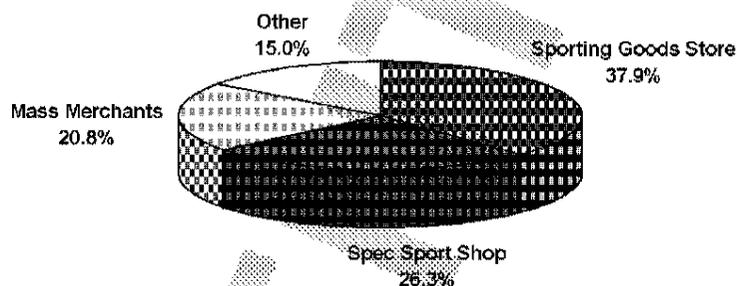
- A 6.5% increase in sales by Sporting Goods Stores
- A 6.7% increase in sales by Specialty Sport Shops or Pro Shops.
- No significant change in Mass Merchant sales.

¹⁸ Combined analyses of Gunmark Benclux - 1997, P.P.I. Research - 1995, BATF Production 1995 and NSGA Retail Sales Study - 1996.

¹⁹ NSGA Retail Sales Study - 1996.

- A 13.9% decrease in other distribution -- believed to be the direct result of the drastic decline in FFL's.

1996 Centerfire Rifle Distribution Channels (in Dollars)



The changes in distribution dollars of rifles from 1995 to 1996 follow closely to that of distribution units mentioned previously. Specifically:

- A 12.7% increase in rifle sales dollars by Specialty Sporting Goods Stores.
- A .8% increase in dollar volume by Specialty Sport Shops.
- No change in rifle dollar volume by Mass Merchants.
- A 12.2% decrease in rifle dollar volume by other distribution, again attributed to FFL reductions.

BOLT ACTION CENTERFIRE RIFLES

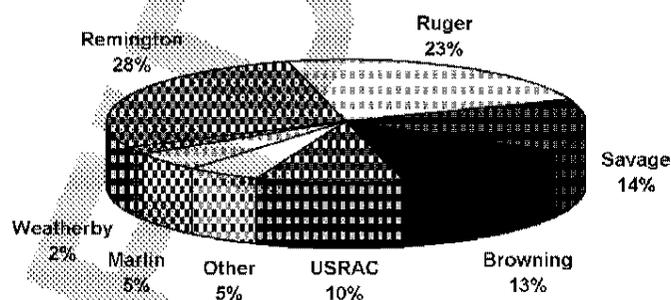
■ Market Share Overview

The domestic bolt action centerfire rifle market is estimated to be 635M units annually with retail sales value of \$238 - \$278M.

Sales volumes and market share are estimated by major manufacturer for the domestic market as follows:

<u>Manufacturer</u>	<u>Total</u>
Remington	176
USRAC	63
Ruger	146
Marlin	31
Weatherby	13
Browning	85
Savage	86
Other	35
Total	635

**Bolt Action Centerfire Rifle
Share:²⁰ (% Units)**



Remington's short term objective for bolt action centerfire rifles will be to hold share. Longer term, share gains will be dependent on technical innovations for existing products and the introduction of a new low cost, high margin, family of bolt action rifles that create a competitive advantage.

²⁰ Combined Analysis of BATF Data for 1995, SAMMI Factory Shipments - 1996, Herstal Clinvest 1995, Gunmark-Benelux - 1996 (Proof House Data) and NSGA Retail Study - 1996.

Market Share Goals

<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
28%	28%	31%	35%

■ Remington Segment Performance

Remington's centerfire bolt action rifle segment includes 700 and Seven models in many different configurations. *1996 sales totaled 189M units accounting for \$66.6MM in revenue. 1996 performance in units and dollars broke all known historical sales records for this product category.* Our recent worldwide performance follows:

	<u>1995</u> <u>Actual</u>	<u>1996</u> <u>Actual</u>	<u>1997</u> <u>Rev. 1F</u>	<u>1997</u> <u>P.O.</u>
Unit Sales	176,193	189,124	164,581	188,954
Sales Dollars (\$MM)	58.6	66.6	58.6	64.5
Standard Margin (\$MM)	28.7	34.1	26.2	28.1
Standard Margin % Sales	48.9	51.2	44.7	43.5

The principal issues facing this product segment are:

- Product quality
- Cost of manufacture
- Increased competitive pressures
- The speed of new product development which creates competitive advantage

■ Competitive Analysis

Remington is currently the market share leader in the Centerfire Bolt Action Rifle market. However, this position has been threatened in recent years as a result of aggressive competitive pricing, expanded competitive offerings and a saturation of high end niche markets.

The majority of the centerfire bolt action rifle market is currently serviced by seven major manufacturers. They are Remington, Marlin, USRAC, Browning, Ruger, Savage and Weatherby. Several smaller manufacturers comprise the remainder of this market.

Ruger, the second largest with respect to volume share, has core capabilities in investment casting that is principal in lowering manufacturing costs. As a result, Ruger has developed a reputation for a providing an excellent product for the money with the M77 line of bolt action centerfire rifles. The M77 is offered in several configurations including right and left hand versions. All standard M77 rifles feature a three position safety, floor-plate, integral scope rail and scope rings. Configurations range from the standard M77, which features polished blue metal and a cut checkered walnut stock, to a semi-custom M77 Express Rifle. Included in the standard catalog line are a variety of offerings combining laminated and synthetic stocks with carbon and stainless actions. Sporter weight as well as heavy barrel contours are also featured. ***The standard M77 line ranges in price from \$338 to \$402 (net wholesale). This is from \$50 to \$75 less than equivalent Remington products (at wholesale after sales programs and discounts).*** The M77 Express Rifle features high grade walnut, express sights and is chambered in dangerous game calibers. It is priced comparably to the Model 700 Custom rifles at \$961 wholesale.

Savage competes in this market with a line of economically priced bolt action rifles. Several configurations are offered; all based on the same action design. The combinations of features, options and calibers result in over 230 individual SKU's in the Savage line. Approximately 40% of these are left hand. The Savage line can be broken into three segments; economy priced rifles, mid priced hunting rifles and heavy barrel specialty rifles. The quality and reputation of the Savage brand has improved over the past few years.

The economy priced Savage line includes the Model 110 and Model 111. These guns feature birch or injection molded synthetic stocks combined with carbon steel actions. Both top load and detachable box magazines are available as youth and left hand versions. Savage has carved out a niche in this segment by

offering these guns with mounted scopes and packing the combo in hard gun cases. These "Packaged" guns sell for approximately the same net wholesale price as the Remington Model 700 ADL Synthetic. *The Model 110 and Model 111 series range in net wholesale price from \$229 to \$322.*

The Savage Model 114 and Model 116 are their high end hunting rifles. The Model 116 combines stainless steel actions with molded synthetic or walnut stocks. The Model 114 features carbon steel actions and walnut stocks. Options such as barrel fluting, detachable magazine boxes and muzzle brakes are offered. These are mid priced products when compared to the overall centerfire bolt action rifle market. *The Model 166 and Model 114 range in net wholesale price from \$322 to \$455 based on features. This is approximately \$34 to \$100 less than similar Model 700 offerings (after sales programs and discounts).*

The Savage Model 112 line consists of heavy barrel offerings combined with laminated or molded synthetic stocks. Both carbon and stainless barrel options are available. Stainless barrels are fluted. *The stainless versions of the Model 112 are priced \$100 to \$200 less than Remington's Model 700 Varmint rifles.* The Model 112 FV (carbon steel barrel and molded stock) sells for \$18 less than the Model 700 ADL Synthetic.

Browning competes in this market with the A-Bolt II family of rifles. The A-Bolt II, positioned as a high end product, is offered in both right and left hand configurations, all of which feature a detachable magazine box, 60° bolt rotation, and tang safety. The A-Bolt family is broken down into several sub-categories based on gun configuration and end use. Sights and the BOSS accuracy adjustment system are added cost options on most A-Bolt offerings. *The combinations of features, options and calibers result in approximately 175 individual SKU's in the A-Bolt II line.*

The standard rifle is the A-Bolt II Hunter which features a plain walnut stock, swivel studs, polished blue metal, adjustable sights and detachable magazine box. It is available in short action through long action magnum calibers. There is no embellishment on the A-Bolt II Hunter line. *With sights, the A-Bolt II Hunter sells for \$90 more than the Model 700 ADL or \$25 less than the Model 700 BDL (at wholesale after sales programs and discounts).* The price of the A-Bolt Hunter without sights is reduced by \$46.

The A-Bolt II Medallion, Micro Medallion and Gold Medallion are cosmetically upgraded versions of the A-Bolt Hunter. The Medallion features

scroll embellishment on the action, rosewood fore-end and grip caps. The Micro Medallion is a down sized version of the Medallion. The Gold Medallion offers the same features as the Medallion with the addition of gold fill on some of the embellishment, upgraded checkering and brass spacers in the stock. ***The A-Bolt II Medallion and Gold Medallion line wholesales approximately \$40 more than a similar Model 700 BDL and only \$9 more than the equivalent Model 700 BDL DM.***

Browning also offers the A-Bolt II Stalker line that is similar to the Model 700 BDL SS line. This series offers injection molded synthetic stocks combined with either stainless or carbon steel actions. ***The A-Bolt II Stainless Stalker wholesales for \$9 more than the Model 700 BDL SS DM.***

The A-Bolt II Varmint and Eclipse lines combine the A-Bolt II Hunter action with a laminated stock and the BOSS. The A-Bolt II Varmint is most comparable to the Model 700 VLS. Featuring a traditionally shaped stock and heavy carbon steel barrel, ***the A-Bolt II Varmint wholesales for \$106 more than the Model 700 VLS. The BOSS comprises approximately \$60 of this difference.*** The Eclipse is the same as the A-Bolt II Varmint except the stock is a thumbhole configuration and a standard weight barrel is available. The thumbhole stock is a \$100 up-charge over the traditional stock.

Browning introduced the BOSS option in 1994. The success of this introduction appears to be limited and is currently viewed as a high priced gimmick. ***Market intelligence indicates there is a significant excess inventory of A-Bolt rifles in the trade as well as in Browning's warehouse.*** Browning has aggressively adjusted prices downward in an attempt to relieve the excess inventory; however, additional action is expected as this tactic has not been completely successful thus far.

USRAC offers the Model 70 line of centerfire bolt action rifles. The basic design features 90° bolt rotation, three position safety, floor-plate magazine and is available in right and left hand configurations. The line is split between the Model 70 Classic and the Model 70. The distinction between the two is the Model 70 Classic incorporates a claw extractor design used on pre 1964 Model 70 rifles. This allows for controlled round feeding in the Model 70 Classic. This feature is marketed as added value allowing the Model 70 Classic to be positioned as a higher end product over the standard Model 70. The Model 70 push feed system is utilized in the USRAC economy priced Model 70 Ranger line.

The Model 70 Classic Sporter and Featherweight are most comparable to the Model 700 BDL. They feature walnut stocks, cut checkering, polished blue metal finish and floor-plate magazines. The Model 70 Classic Featherweight is a slimmed down version of the Sporter. They both wholesale for approximately the same price as the Model 700 BDL (after sales programs and discounts).

USRAC also offers a series of Model 70 Classic rifles with injection molded or composite stocks. These are combinations of carbon steel actions as well as stainless steel actions. The Model 70 Laredo is comparable to the Model 700 VS and Sendero family. They are both built on a composite stock supplied by the same vendor offering the same features. The Model 70 Laredo wholesales for the same price as the Model 700 VS (after sales programs and discounts).

The Model 70 Classic stainless family features a molded synthetic stock and stainless steel action. Again, this is very comparable to the Model 700 BDL SS and wholesales for \$4 less (after sales programs and discounts).

USRAC also offers a modest line of Model 70 Custom rifles. These compete with the Model 700 Safari line, but are high priced limited sales.

The low end of the Model 70 line is the Ranger series. This economy priced rifle is available in a full size version as well as a ladies/youth configuration. Both Model 70 Ranger offering feature polished blue metal, birch stocks and push feed bolts. The Model 70 Ranger competes most directly with the Model 700 ADL Synthetic and the Model Seven Youth. It's wholesale price falls between the two at \$304 (after sales programs and discounts).

The Browning BOSS accuracy system is available on most any USRAC Model 70 Classic offering. As with Browning, this option cost approximately \$60 at wholesale. In addition, USRAC offers sights at a \$23 option on several versions. *The combinations of features, options and calibers result in close to 150 individual SKU's in the Model 70 line.*

Marlin entered the centerfire bolt action rifle market in 1996 with the MR-7. Currently, the MR-7 only offers a walnut stock and polished blue action in three long action calibers. The MR-7 features a closed bolt face design that is a knock-off of the Model 700 and a detachable magazine box that is similar to the Browning A-Bolt II. The quality of the MR-7 appears to be consistent with Marlin's other products. With sights, the MR-7 sells at wholesale for \$ 36 less

than the Model 700 BDL (after sales programs and discounts). The same gun without sights is \$22 less.

Weatherby is the last major competitor in this market. Weatherby has built a reputation for expensive high end rifles designed around Weatherby Magnum calibers. These rifles historically competed more with Remington's Custom Gun offerings than the standard line. However, over the past few years Weatherby has contracted domestic manufacturing capabilities and expanded its line to include standard non-magnum calibers and lower priced rifles. In fact, Weatherby is selling a Mark V to Wal-Mart in 1997.

Weatherby also introduced a new magnum caliber in 1997. The .30-378 WBY MAG, positioned as the ultimate long range caliber, has a strong but limited following, further reinforcing the brand's reputation.

The Weatherby Mark V line now consists of several products ranging in wholesale price from \$498 to \$1,600. The Mark V series is still available in Weatherby's traditional magnum configurations as well as in several light weight non-magnum versions. These rifles include stainless actions combined with injection molded stocks, stainless actions with fluted barrels combined with fiberglass stocks and carbon steel actions with walnut stocks.

The Mark V Lightweight is new for 1997. It features a carbon steel action, walnut stock and floor plate style magazine. It is available in short action and long action calibers. The Mark V Lightweight sells for \$168 more than the Model 700 BDL.

The Lightweight Mark V Synthetic combines the same action as the Mark V Lightweight with an injection molded stock. At \$498, it lists for \$61 more than a Model 700 BDL.

Remington currently has two entries in this market. The Model 700 and Model Seven. The Model 700 is considered the standard in bolt action rifle design for strength and accuracy by many serious rifle shooters and is available in a host of varieties and options.

Model 700

The standard offering is the Model 700 BDL, which features a high gloss walnut stock, polished blue action and floor plate magazine. The Model 700 BDL DM is basically the same gun with a detachable box magazine. A lighter version of the BDL, Model 700 Mountain Rifle DM, features a slimmer stock and barrel, and weighs about ¾ of a pound less than the BDL. *These rifles wholesale between \$389 and \$424 (after sales programs and discounts)* and are available in limited left hand calibers.

The Model 700 BDL SS and BDL SS DM feature stainless actions and injection molded synthetic stocks. The difference between the two is the detachable magazine (DM) vs. floor plate magazine. *The Model 700 BDL SS & SS DM wholesale for \$443 and \$469.* A muzzle brake option is available on the Model 700 BDL SS DM-B for an additional \$45.

The Model 700 line of standard hunting rifles is rounded out with the lower priced Model 700 ADL series. The standard ADL features a walnut stock, polished blue action and a blind, top load magazine and wholesales at \$324. To attack the economy priced rifle market, a synthetic version was introduced in 1995 featuring an injection molded stock and matte finished barrel. As the lowest priced Model 700, the 700 ADL Synthetic wholesales at \$284 (after sales programs and discounts). *As noted earlier, this price is still significantly higher than the Savage Models 110 and 111.*

Remington expanded the market for long range rifles over the past few years with the introduction of the Model 700 VS and Sendero lines. These guns feature composite stocks with aluminum bedding blocks and heavy varmint barrels. Stainless actions with fluted barrels are also available. Due to the success of these new long range products, along with competitors reactions to rush similar products to the market, the long range rifle market is currently saturated. Additionally, Remington generated some new interest in 1997 with the introduction of the 7mm STW caliber in this line. As can be seen from customer interest in this new magnum caliber and Weatherby's new 30-338 Wby Mag, there appears to be a market developing for higher horsepower calibers.

Remington also offers the Model 700 Classic. This rifle, offered in a limited run "Classic" centerfire caliber each year, features a straight comb stock, classic rifle styling and polished blue action.

Model Seven

The Model Seven is a true bolt action carbine based on the Model 700 design. It is available in short action calibers only and features a floor plate magazine. The popularity of the Model Seven line has grown over the past few years as calibers and options have been added. The addition of the new 260 Rem to this line has also increased market attention.

The Model Seven is currently available in three versions: Standard, Youth and Stainless Synthetic. (1), The standard gun, equipped with a walnut stock, cut checkering and a polished blue 18 ½" barrel, is priced the same as the Model 700 BDL at \$389 (after sales programs and discounts). (2), The Model Seven Youth features the same action as the standard gun with the difference being the Youth is offered with a birch stock and a shorted length of pull. The Model Seven Youth wholesales at \$319 (after sales programs and discounts). (3), The Model Seven SS features a stainless action with a 20" barrel combined with an injection molded stock with floor plate magazine. This rifle is priced the same as the Model 700 BDL SS.

Despite the breadth of Remington's bolt action rifle line, opportunities for growth exist in both new developing markets as well as markets currently void of Remington offerings.

■ Product Strategy - 1998

Model 700

In the early 1990's Remington was the industry leader in left hand product offerings; however, due to efforts to maximize manufacturing efficiencies, several models were discontinued. This action allowed competition to move in and take advantage of the market void. *Remington now has an opportunity to regain some of this lost market by expanding the variety of left handed products in the Model 700 line in 1998. The Model 700 LSS LH that was offered as a 1997 SHOT Show Special will be added to the 1998 catalog.* This rifle features a gray laminated stock and stainless action. In addition to the 700 LSS LH, a left handed Model 700 VS will also be offered three calibers, resulting in a total of seven new cataloged left hand Model 700s for 1998.

As noted earlier, the market for long range rifles has become saturated. *In an effort to rejuvenate market demand for long range rifles, two additional varmint rifle product enhancements are planned for 1998. First, in addition to featuring a new stock, the Model 700 VLS will also feature a wider, beaver-tail style fore-*

end. The fore-end tip and grip cap will also be dropped. *Secondly, the Model 700 VS SF will be offered in three calibers with option barrel porting, (Model 700 VS SF-P).* Two longitudinal slots will be machined in the muzzle to reduce muzzle jump, allowing the shooter to stay on target during recoil. This is a desirable feature to the long range varmint shooter.

The Model 700 ADL Synthetic line will be extended by cataloging 1997 special make up products. *The following additional products will be cataloged in 1998:*

- *Model 700 ADL Synthetic 300 Win Mag*
- *Model 700 ADL Synthetic Youth (243 Win & 308 Win)*

The 1998 Model 700 Classic (8mm Rem Mag) will be configured the same as previous magnum offerings and will include sights. To be successful, a concurrent ammunition introduction will be required.

In addition to the new or revised offerings listed above, the focus on the Model 700 line should be on improved product quality and cost containment.

Model Seven

The Model Seven Youth 260 Rem, a 1997 special distributor make up product, will be added to the catalog in 1998. This is the only new product scheduled for the Model Seven family.

■ Product Strategy - 1999 And Beyond

Model 700

Two principal long term products are planned for the Model 700 line with both being coupled with ammunition introductions. First, the Model 700 EV (Electronic Varmint) is planned for 1999 introduction. Configured similar to a Model 700 VS SF, with the exception of the firing mechanism, the 700 EV will feature an electronic fire control and fire ammunition assembled with an electronic primer. The electronic fire control should eliminate any notable trigger break, creep and over-travel, all of which are deterrents to accuracy. Additionally,

the effective lock time of the Model 700 EV should be close to zero, further enhancing accuracy.

The use of electronics on firearms is expected to meet some resistance from the traditional consumer. The plan is to introduce the E-Gun into the market segment most focused on accuracy, varmint hunters, and later evolve the line into the larger mainstream hunting segments. It is also believed that this technology will be embraced by the military for specialty sniper rifles. The success of the electronic rifle will be contingent on the reliability and performance of a complete system (gun and ammunition).

A power source that is readily available, easily replaced, provides several hundred cycles, and has a long shelf life is an essential design criteria. Additional features to be considered for the Model 700 EV are:

- Adjustable Trigger
- Toggle On/Off Switch
- Power Source Monitor

With the exception of the electronic primer, this ammunition should be identical to conventional loads. Factory loaded ammunition must be affordable and readily available on the market as should component primers. The initial calibers offered to support the Model 700 EV should include:

- 223 Rem
- 22-250 Rem
- 220 Swift
- 243 Win
- 260 Rem
- 308 Win

Wholesale pricing for the Model 700 EV has been proposed at \$840 with a target margin of 50%. First year volumes for the varmint configuration in the above calibers is expected to be 7,500 units with potential for growth up to 10,000 units in the second full year. Additional calibers such as 270 Win, 30-06, and 7mm Rem Mag will be required as this technology migrates into mainstream hunting segments.

The second major new product introduction planned for the Model 700 line is a family of new beltless magnum calibers currently referred to as the "Ultra Mag" family. As proposed, the Ultra Mag family will provide significantly

improved ballistic performance over existing commercial magnum calibers. The 300 Remington Ultra Mag should become the benchmark in magnum performance. A complete family of calibers including 7mm, .300 and .338 class calibers should be included.

The cartridge is to be based on a larger beltless case design which will increase case capacity and allow for head space to be controlled by the case shoulder. Inherently, eliminating the belt should enhance accuracy over belted cases by reducing tolerance stack ups and improving bullet alignment to the bore. *The new cartridges should be sized so little, if any, modification to the basic Model 700 action is required.*

Model Seven

The Model Seven is well suited for the market it serves. Consideration will be given to extending the barrel on the standard gun from 18½" to 20". Additional line extensions such as a laminated stock version and a carbon action combined with a synthetic stock will also be reviewed.

Model 710

As shown earlier, the market for economy priced centerfire bolt action rifles has grown over the past five years. Remington's only product offering in this segment, the Model 700 ADL Synthetic, is overpriced and not truly competitive. The proposed Model 710 would address this market opportunity with a new rifle design that is a low cost, high margin, bolt action rifle targeted at the economy price market segment.

The development of the Model 710 should be based on the follow criteria:

- **Innovative Design**
- **Reduced Cost of Manufacture**
- **Reduced Manufacturing Lead Time**
- **Ease of Use**
- **Low Development Cost**
- **Low Capital Investment**
- **Above Average Standard Gross Profit Margin (45%)**

The Model 710 should provide the following features:

- Short, Long and Magnum Calibers
- Standard Barrel Lengths (22" -24")
- Synthetic and Wood Stock Versions
- Floor Plate or Magazine Box (Lowest Cost)
- Reasonable Bolt Action Trigger
- Scope Base Mounting Capability
- Optional Iron Sights
- Low Cost Metal Finish
- Right and Left Hand Configurations

Toward developing a family of economy priced products, the Model 710 will be marketed under the Sportsman brand along with the new low cost single barrel shotgun. The Model 710 will be sold as is scope combination packages as well as single rifles.

<u>Model</u>	<u>MSP</u>	<u>Net Selling Price</u>	<u>1st Year Volumes</u>
710	\$229	\$188	40,000

CENTERFIRE REPEATING RIFLES

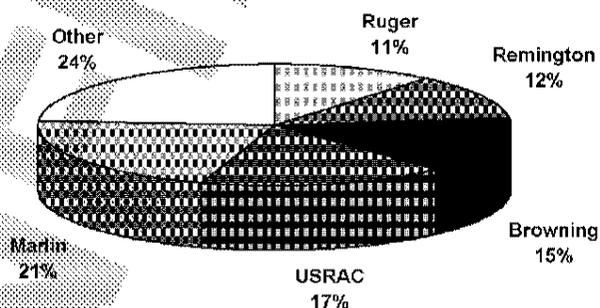
■ **Market Share Overview**

The domestic repeating centerfire rifle market is estimated to be 414M units annually with a retail sales value of \$88-\$103MM.

Sales volumes and market share are estimated for the domestic market as follows:

<u>BRAND</u>	<u>UNITS</u>
Remington	51
USRAC	69
Ruger	45
Marlin	85
Browning	64
Other	100
TOTAL	414

**Centerfire Repeating Rifle
Market Share²¹ (% Units)**



Remington has lost over 30% market share in this product category during the last four years. This situation is principally the result of erosion in product value caused

²¹ Combined Analysis of BATF Data for 1995, SAMMI Factory Shipments - 1996, Herstal Clinvest 1995, Gunmark-Benelux - 1996 (Proof House Data) and NSGA Retail Study - 1996.

by aggressive pricing strategies and available "not in kind" substitutes at significantly low prices. *Our objective for centerfire repeating rifles will be to increase sales volume by lowering price on a newly styled family of Special Purpose products.*

Market Share Goals

<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
12%	15%	19%	20%

■ **Remington Segment Performance**

Remington's centerfire repeating rifle segment includes 7400 autoloading and 7600 pump action models. 1996 sales totaled 35M units accounting for 12MM in revenue. This is a 45% decrease in units and a 42% decrease in revenue from 1995 actuals. Our world wide performance for this category follows:

	<u>1995</u> <u>Actual</u>	<u>1996</u> <u>Actual</u>	<u>1997</u> <u>Rev. 1F</u>	<u>1997</u> <u>P.O.</u>
Unit Sales	64,297	35,456	33,120	39,439
Sales Dollars (\$MM)	21.3	12.3	11.2	13.0
Standard Margin (\$MM)	10.1	5.6	4.2	4.8
Standard Margin % Sales	47.4	45.9	37.3	36.6

The principal issues facing this product segment are:

- Product quality
- Cost of manufacture
- Restrictive legislation
- Strengthening competition
- Handicaps of autoloading design/operation

■ **Competitive Analysis**

The Centerfire Repeating Rifle Market is comprised of three action types; autoloading, pump action and lever action. Remington's four major competitors in this market are Browning, Ruger, Marlin and USRAC. Additionally, an abundance of low priced imports have also been available since the mid 1990's.

Browning is the only manufacturer to offer all three action types. The Browning BAR is a gas operated autoloading rifle that features polished blue metal, walnut stock and fore-end, roll embellished receiver and detachable magazine box. Positioned as a high-end offering, the BAR is available in short action through magnum calibers. Browning's BAR meets markets expectations for quality and reliability however, market intelligence indicate the magnum rifle suffers from poor durability and breaks after a limited number of rounds (due to the extra recoil). The BAR competes directly with the Model 7400 and is wholesale priced \$109 more (after sales programs and discounts). Magnum calibers carry a \$40 premium.

In 1997 Browning introduced the BPR pump action rifle that is built on a modified BAR design and provides the same basic features. With respect to reliability, little is known of this new gun at this time; however, it is expected to be consistent with the Browning line. The BPR competes with the Model 7600 and sells for \$105 more (after sales programs and discounts). Magnum calibers carry a \$39 premium.

The Browning BLR is a lever action rifle that features a detachable box magazine and traditional styling. The magazine design allows the BLR to accommodate most modern calibers and is available from 22-250 Rem to 300 Win Mag. Like Browning's other rifles, the BLR is positioned in the upper-end of this market segment and wholesales for \$389 - \$411 (after sales programs and discounts).

Ruger's family of autoloading rifles, the Mini-14 and Mini Thirty, are built on the same basic action design with the caliber being the major distinguishing feature. The Mini-14 is chambered for the 223 Rem and the Mini Thirty for the 7.62 x 39mm. These rifles are gas operated, feature 18½" barrels, one piece birch stocks and heat shields and are styled after the M1 carbine. Both are available in carbon steel action as well as stainless steel. These rifles wholesale from \$320 to \$358 (after sales programs and discounts).

In addition to these sporting auto loaders, Ruger recently introduced the Ruger Carbine to the law enforcement market. This rifle addresses law

enforcement's trend toward pistol caliber carbines for additional fire. *The Ruger Carbine is a blow back design chambered for .40 Cal and 9mm that utilizes Ruger pistol magazines and features a 16¼" barrel combined with synthetic stock. The Ruger Carbine wholesales at \$333 net (after sales programs and discounts).*

Ruger also introduced their Model 96 lever action rifle in 44 Magnum in 1997. Developed from their Model 10/22 design, the Model 96 features a birch stock and rotary clip magazine, and is also chambered for 22 rimfire calibers. The Model 96 in 44 Magnum wholesales for \$247 (after sales programs and discounts).

Marlin offers a series of lever action rifles as well as two autoloading rifles. Their basic lever action rifle, the Model 1894, is a traditional exposed hammer design with tubular magazine and is chambered for pistol calibers. The Model 336CS, Model 444SS and Model 1895 are also lever action rifles that feature the same action design as the model 1894. These rifles are chambered for the 30-30 Win, 444 Marlin and 45-70 Gov't, respectively. The Marlin line of lever action rifles compete in the same hunting market as the Model 7600 and is wholesale priced from \$39 less to \$6 more based on caliber (after sales programs and discounts).

Marlin's Model 45 and Model 9 are autoloading "Camp Carbines" and are the same rifle except for the caliber (45 Auto and 9mm Luger, respectively). These Camp Carbines feature a one piece birch stock, steel receiver, removable clip magazine, last shot hold open, iron sights and a 16½" barrel. They are positioned as home defense rifles as well as "plinkers" for around the camp. These rifles wholesale for \$244 (after sales programs and discounts) and service a market segment void of a Remington offering.

USRAC participates in this market with the Model 94 which is a traditional lever action rifle featuring a tubular magazine, side ejection and external hammer. The Model 94 is chambered for rimmed cartridges including the 30-30 Win and 45 Colt. Several versions are available featuring different stock configurations and barrel lengths. Popular with cowboy action shooters and hunters in the Northeast, the Model 94 competes in the hunting market with the Model 7600 and wholesales \$29 less for a walnut stock gun and \$93 less for the birch stock Model 94 Ranger (after sales programs and discounts).

Remington participates in this market with a family of autoloading and pump action rifles. The Model 7400 is a gas operated autoloading rifle that features

polished blue metal, walnut stock and fore-end, iron sights and a removable four shot clip magazine. Chambered in popular short and long action calibers, the 7400 primarily targets the hunting market.

Due to several factors, market demand for the Model 7400 has declined significantly in recent years. 1996's mid year addition of roll-embellishment to the Model 7400 receiver created obsolete inventory both for Remington and the Trade, leading to confusion and disruption in the market place. This, along with the reoccurring quality issues of the 7400, can be attributed to part of the decline in demand. However, *the most significant market issue with the Model 7400 is the price.* In an effort to maintain margins, price has increased 14% since 1993. *At \$360 wholesale (after sales programs and discounts), the Model 7400 is now priced the same as quality bolt action rifles, causing the consumer to shift to either a bolt action or a lower cost competitive not in kind product.*

The Model 7400 is popular in Europe. As a result, we have produced a specially configured Model 7400 with a lower shotgun stock for our French distributor. However, autoloading rifles face restrictions in Europe requiring the distributor to modify the rifle to make the magazine box non-removable.

The Model 7600, a pump action rifle based on the same action as the Model 7400, features polished blue metal, walnut stock and fore-end, iron sights and a removable four shot clip magazine. As with the Model 7400, market demand for the Model 7600 has also recently eroded, with price being the leading cause of the decline. The Model 7600 competes with the new Browning BAR, lever action rifles and economy priced bolt action rifles. The Model 7600 has reached a price-demand threshold at \$294 net (after sales programs and discounts).

■ Product Strategy - 1998

Model 7400

The current Model 7400 line will be pruned for 1998. Focus will be on reducing cost and improving quality. Given it's cumbersome and not very "user friendly" operation, many improvements in this area should be considered for 1998 implementation.

Next year, the Model 7400 line will include a lower cost synthetic model that will feature matte metal finish and synthetic stock and fore-end. The new 7400 Synthetic will be offered in the same calibers as the standard wood rifles and be priced \$75 less at wholesale.

<u>Model</u>	<u>MSP</u>	<u>Net Selling Price</u>	<u>1st Year Volumes</u>
7400 Synthetic	\$355	\$291	15,000

To support the International market requirements, the special make up Model 7400 for France will be continued. Future consideration will be given to developing a Remington design for a non-detachable magazine to better satisfy the needs of this market.

Model 7600

As with the Model 7400, the current Model 7600 line will be continued for 1998 and focus will be on reducing cost and improving quality. The line will also be extended to include a synthetic version which will feature matte metal finish and synthetic stock and fore-end. The Model 7600 Synthetic will be offered in the same calibers as the standard wood rifles and be priced \$75 less at wholesale.

<u>Model</u>	<u>MSP</u>	<u>Net Selling Price</u>	<u>1st Year Volumes</u>
7600 Synthetic	\$330	\$271	9,000

■ Product Strategy - 1999 and Beyond

Model 7400 and Model 7600

The focus on cost reduction should be continued with the objective to save enough in manufacturing cost to allow for both improved margins and reduced price. Both the Model 7400 and Model 7600 lines will be analyzed in an effort to eliminate slow moving SKU's and improve manufacturing efficiencies.

Model 797 Carbine

As noted earlier, *Remington does not participate in the pistol caliber carbine market. This presents an opportunity for growth, therefore, Remington will investigate developing a new centerfire auto loading carbine rifle based on the Model 597 design. This carbine will primarily be targeted at the law enforcement market, but a sporting version will also be marketed. The Model 797 Carbine will be a blow back action chambered for pistol calibers.* The following features should be included:

- Calibers: 9mm, 40 S&W 45 Auto
- 16" - 17" Barrel With Adjustable Sights
- Black Matte Metal Finish
- Receiver Drilled & Tapped For Scope Mounting
- Side Ejection
- Last Shot Hold Open
- Manual Hold Open
- Trigger
 - Comparable To the Model 597 On Sporter Version
 - Double Action Trigger On Law Enforcement Version
- Slide Style Safety
- Detachable Magazine (10 Rounds Capacity)
- Magazine Safety On The Law Enforcement Version
- Loaded Round Indicator On The Law Enforcement Version
- Synthetic Stock With Sling Swivel Studs
- 6½ Pounds

In addition to the above features, consideration should be given to using an existing pistol magazine design for the standard offering. *Adapters should be designed to convert the magazine well to accept clips from other popular pistols.*

Compatibility of extra magazines with their side arms would be an important selling feature for law enforcement.

<u>Model</u>	<u>MSP</u>	<u>Net Selling Price</u>	<u>1st Year Volumes</u>
797 Carbine Sporter	\$309	\$254	10,000
797 Carbine Law Enforcement)	\$399	\$327	5,000

Muzzleloading Market Summary

The American black power rifle market is difficult to estimate for three principal reasons:

- The BATF does not compile statistics on this market.
- Most of the key players in this market are privately held.
- There is not an official industry association to publish statistics or set standards for black power products. (SAAMI's Board of Directors is currently considering the addition of black powder products to its area of control).

Estimates of the total black powder rifle market from industry insiders range from 400M to 600M units in annual sales volume. These estimates include traditional flintlock and percussion as well as modern in-line rifle products.

Information obtained from Thompson Center suggest the following facts about the domestic black powder market.

- The market consist of 3.5MM participants.
- Approximately 10% or 35M participants are traditionalist, those who wear buckskins on weekend rendezvous.
- 20% of the base black powder market participants crossover from archery. Another 35-40% crossover from traditional centerfire rifle usage.
- Nearly 70% of the total market sales for black powder rifles are with "in-line" type rifles.
- 87% of the entire muzzleloading rifle market is consumed in .50 caliber.

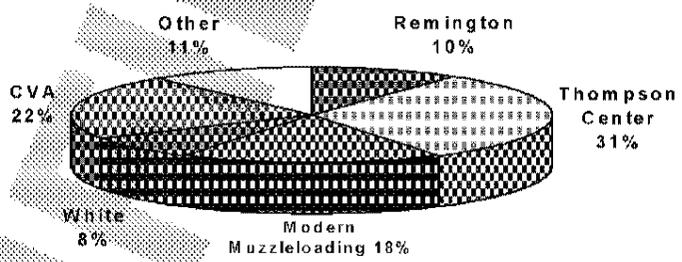
IN-LINE/BOLT ACTION MUZZLELOADERS

■ **Market Share Overview**

The domestic inline/bolt action muzzleloader market is estimated to be 450M units annually with retail sales value of \$77-\$99MM.

<u>BRAND</u>	<u>UNITS (M)</u>
Remington	45
Thompson Center	140
Modern Muzzleloading	80
White	35
CVA	100
Other	<u>50</u>
TOTAL	450

**In-Line/Bolt Action Muzzleloaders
Market Share²² (% Units)**



Remington's market share objective for muzzleloading in-line/bolt action rifles will be to increase share significantly during the next several years. This will be accomplished by expanding our product offering to address opportunistic niche markets.

²² Combined Analysis of BATF Data for 1995, SAMMI Factory Shipments - 1996, Herstal Clinvest 1995, Gunmark Benelux - 1996 (Proof House Data) and NSGA Retail Study - 1996.

Market Share Goals

<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
10%	15%	18%	18%

■ Remington Segment Performance

Remington entered the black power muzzleloading rifle market in 1996. *Our new product, the 700ML, revolutionized the "in-line" muzzleloading rifle category. In the first year, we gained an estimated 10% market share.* In 1997 our market share should nearly double; however, sales volume in 1998 and beyond is expected to decline due to increased competition and market saturation.

Remington was able to actually expand the existing market because the 700ML made the sport of black powder shooting more popular and easier to understand.

Our worldwide performance for this category follows:

	<u>1996</u> <u>Actual</u>	<u>1997</u> <u>Rev. 1F</u>	<u>1997</u> <u>P.O.</u>
Unit Sales	615,817	663,762	650,000
Sales Dollars (\$MM)	178.2	188.7	181.9
Standard Margin (\$MM)	75.4	68.7	66.8
Standard Margin % Sales	42.3	36.4	36.8

The principal issues facing this product segment are:

- Increased competition
- Patent infringement
- Market saturation

■ Competitive Analysis

The muzzleloading market is comprised of two main action types, the *in-line*, and the more traditional action *side lock*. The *side lock* uses either a flint with primer mix or a percussion cap for ignition. Traditionally styled, these guns feature an exposed side hammer with flint, primer tray and flash hole or a percussion cap with nipple. *The more modern and most popular action is the in-line. With this design the hammer or striker and nipple are "in line" with the bore reducing lock time and increasing reliability over the side lock rifle. Remington participates in the in-line market with the Model 700 ML family of rifles.*

Historically, the major competitors in this market have been Thompson Center, CVA (Connecticut Valley Arms), Modern Muzzleloading, White and Traditions. The popularity of in-line style muzzleloader rifles has led to product introductions by Ruger, Marlin Austin & Halleck and a host of smaller manufacturers.

Thompson Center, the largest supplier in this market, has developed a reputation for producing quality products at reasonable prices. T/C offers a complete line of US made traditional side lock rifles as well as in-line models. The line of traditional side lock rifles include models such as the Hawken, Renegade and Pennsylvania Hunter. Offered in several configurations, these rifles list at wholesale between \$214 and \$281.

T/C offers four different in-line rifles with a total of 35 individual SKU's (not counting value packs). The "System 1", introduced in 1997, features a conventional in-line design in which the striker is cocked by pulling back on the cocking lever and compressing the striker spring. The System 1 also features a thumb safety, removable breach plug and interchangeable 24" barrels in .32, .50 & .54 caliber as well as 12 gauge. Additional options include wood or synthetic stocks and carbon or stainless steel actions. Competing with the Model 700 ML family, the System 1 lists at wholesale between \$27 and \$82 less than equivalent versions of the M700 ML.

The Fire Hawk features a conventional in-line action, thumb safety, 24" barrel with fixed breech and is available in 50 and 54 caliber with 1-38" twist. Several options including carbon and stainless steel actions, synthetic and wood stocks and camouflaged stock are offered. The Fire Hawk lists at wholesale between \$31 and \$84 less than the Model 700 ML line.

The Thunder Hawk, also a conventional in-line rifle design, differs from the Fire Hawk as it requires the cocking lever to be pulled back and rotated down into a notch that acts as a safety catch. Available in several configurations including a clam shell value pack that combines the rifle with starter kit accessories, T/C's list price points for the in-line Thunder Hawk at wholesale range from \$93 to \$144 less than similar Model 700 ML specifications..

The last of T/C's in-line rifles is the Scout which resembles a lever action rifle with external hammer. Available with a 24" barrel as well as a 21" carbine, the Scout lists at wholesale for \$45 less than the Model 700 ML.

Knight Rifles, also referred to as Modern Muzzleloading, offers several models of in-line rifles covering the full spectrum of price points for a total of 62 SKU's (not counting value packs). The line consists of the LK-95 Wolverine, MK-85 and new DISC series of rifles.

The MK-85, their original in-line rifle introduced in 1985, was considered innovative at the time and set the early standard for the industry. Utilizing a traditional in-line design, the MK-85 features a 24" barrel with 1-28" twist in both .50 and .54 caliber, and is available with carbon or stainless steel actions, laminated wood or synthetic stocks with thumbhole and camouflage options, removable breech plug, adjustable trigger and a patented double safety system. Wholesale list prices for the MK-85 are \$102 to \$126 more than equivalent Model 700 ML specifications.

The Knight economy line is the LK-95 Wolverine which is a conventional in-line design similar to the MK-85. The Wolverine features a 22" barrel in .50 or .54 caliber with 1-28" twist, synthetic stocks with thumbhole and camouflage options, adjustable trigger, double safety system with stainless or carbon steel actions.. The Wolverine line lists at wholesale for \$85 to \$103 less than equivalent Model 700 ML rifles. The Wolverine "value pack" features the rifle packed in a plastic clam shell with starter kit accessories, video tape and sabot bullets for an additional \$20 at wholesale

In 1997, Knight introduced the DISC rifle which is a bolt action in-line design that utilizes a shotgun primer in place of a percussion cap providing for enhanced ignition and allowing greater powder charges. As a result, the DISC rifle is positioned as a magnum muzzleloading rifle. The DISC is available in .50 and .54 caliber, stainless or carbon steel action and 22" barrel with 1-28" twist and synthetic stock with optional camouflage. It is believed the use of a modern primer makes the DISC rifle a modern firearm subject to the regulations of the 1968 gun

control act. Also, Remington believes the action design of the DISC infringes on the Model 700 ML patents and legal action is progressing. The DISC rifles list at wholesale for \$19 less to \$18 more than equivalent Model 700 ML specifications.

CVA markets both in-line and side lock rifles targeted at the economy price product. Their line of side lock rifles sell at wholesale for as little as \$126.

The CVA family of in-line rifles consist of a total of 22 SKU's (not counting value packs) offered in the three models. The Apollo is a conventional in-line design with a large striker that is cocked by pulling it rearward while the AccuBolt and FireBolt are both bolt action designs that cock the striker by lifting the bolt handle.

The Apollo is available in several versions including carbon and stainless steel actions combined with wood and synthetic stocks. Barrels are all 24" with 1-32" twist and are available in both .50 and .54-caliber. *Wholesale pricing for the Apollo range from \$177 to \$210 based on configuration.* CVA also offers special RMEF (Rocky Mountain Elk Foundation) and Buckmasters editions of the Apollo for slightly more money.

The AccuBolt and FireBolt compete more directly with the Model 700 ML family. These two rifles utilize the same bolt action design. Remington believes this design infringes on Remington patents and legal action is being considered. In addition to a bolt action design, the AccuBolt and FireBolt feature synthetic stocks with thumb hole and camouflage options, stainless and carbon steel actions and fiber optic sights. The difference between the AccuBolt and the FireBolt is that the AccuBolt is shipped with a special bullet sizing tool matched to the bore of that given gun. *These guns range from \$55 to \$99 less than similar Model 700 ML rifles at list wholesale price.*

White Shooting Systems markets in-line rifles with both conventional and bolt action designs with a total of 20 individual SKU's. White has experienced financial difficulties over the past few years and is not considered a significant competitor at this time. However, Remington believes the design of their bolt action in-line infringes on the Model 700 ML patents.

The "SG" and "G" series rifles feature traditional actions and are available in .41, .50 and .54 caliber with carbon or stainless steel actions and synthetic, hard wood or laminated stocks. The White "SG" and "G" series rifles list at dealer for \$115 to \$8 less than similar Model 700 ML specifications.

The White bolt action in-line is marketed as the "W" and "A" series rifles. These rifles are available in .41, .50 and .54 caliber with stainless steel actions and composite or laminated stocks with slings. The White bolt action in-line rifles list at dealer for \$140 or more than similar Model 700 MLS specifications.

Traditions offers a full line of side lock and in-line muzzleloading rifles. Their side locks list at wholesale for under \$100 on the low-end and up to \$300 for the higher-end models. They also offer two models of in-line rifles with a total of 39 SKU's (not counting value packs). The Buckhunter series of rifles feature a traditional in-line action design and are available in .50 and .54 caliber with carbon or stainless steel actions, synthetic, hard wood or laminated stocks options. Barrels are 24" long with 1-32" twist for the .50 caliber and 1-48" for the .54 caliber. Ultra coat with Teflon is also a metal finish option. The Buckhunter series of rifles list at wholesale for over \$133 less than similar Model 700 ML specifications.

The Lightning is Tradition's bolt action in-line rifle. Remington believes this design infringes on the Model 700 ML patents and legal action is being considered. This rifle is offered in .50 and .54 caliber with 24" and 1-32" or 1-48" twist based on caliber with stainless or carbon steel actions, hard wood, laminated or synthetic stock as options. The Lightning series is priced at wholesale for \$95 to \$143 less than similar Model 700 ML offerings.

Austin & Halleck is a small manufacturer of higher end muzzleloading rifles. They offer one side lock rifle that is wholesale priced at \$299 and two bolt action in-line rifles. The Model 320 LR and Model 420 LR feature the same bolt action design. Remington believes this design infringes on the Model 700 ML patents and legal action is being considered. The Model 420 is available in .50 caliber and features a carbon steel action with a 26" barrel and a curly maple stock. The Model 320 LR is also offered in .50 caliber and it features a carbon or stainless steel action and synthetic stock. These rifles list a wholesale for \$170 to \$117 more than equivalent Model 700 ML specifications.

Marlin introduced an in-line muzzleloader in the fall of 1996. The Models MLS-50 and MLS-54 feature a traditional in-line design, stainless steel action with 22" barrels and synthetic stocks. They are listed at wholesale \$103 less than the Model 700 MLS.

Ruger entered the in-line market with the Model 77/50 which was introduced at the 1997 NRA Show in May. The Model 77/50 is a bolt action

design in-line that is configured similar to their Model 77 bolt action centerfire rifle. It features a 22" carbon steel barrel with 1-28" twist, hard wood stock and Model 77 styling. This is the same strategy Remington employed with the Model 700 ML. Remington believes the Model 77/50 infringes on the Model 700 ML patents and legal action is being considered. The Model 77/50 is anticipated to be priced at wholesale approximately 10% less than the Model 700 ML.

Remington competes in this market with the Model 700 ML family of rifles with a total of seven SKU's. The Model 700 ML is a bolt action in-line design that is based on the Model 700 centerfire rifle. The strategy of designing this rifle to look and feel like the familiar Model 700 centerfire rifle has proven to be successful as many new muzzleloading shooters were drawn into this market segment. As noted earlier, patents have been awarded and others are pending based on this design. With the recent introduction of competitive bolt action designs, protecting the Model 700 ML patents will be instrumental in maintaining share.

The Model 700 ML and Model 700 MLS are available with 24" barrels in .50 and .54 caliber (1-28" twist), carbon or stainless actions and synthetic stocks with optional camouflage. The Model 700 ML Custom and Model 700 MLS Custom are offered through the Custom Shop with a thumbhole laminated stock. *The Model 700 ML family lists at wholesale from \$279 to \$377 for the standard catalog products and \$599 and \$672 for the two Custom Shop rifles.*

■ **Product Strategy - 1998**

Model 700 ML

Remington's success with the Model 700 ML has caused an increase in competition in this market segment by spurring new competitive bolt action products and attracting new entries into the market. The market is also polarized relative to price. *The Model 700 ML line is a mid-priced offering which does not compete directly with the economy priced products, however there is little room for increasing price. Some enhancement in margin is achievable through price, but this will be at the expense of volume. A manufacturing focus on cost reduction is needed.*

Continued success in market share will be contingent on two factors. Remington must protect the Model 700 ML patents and limit infringements as well as broaden the Model 700 ML product line.

A Model 700 ML Youth is planned for 1998 introduction. This rifle will offered in .50 caliber and feature a carbon steel action with 21" barrel, black synthetic stock with 12 3/8 length of pull and adjustable sights. Basically, it is the standard Model 700 ML with shorter barrel and stock. A new rifling twist will be considered in an effort to maximize accuracy with a shorter barrel.

In addition to the Model 700 ML Youth, consideration will be given to offering a "Value Pack", consisting of the M/700 ML packaged with a starter kit of Remington accessories such as a ball starter, powder measurer and bullets.

■ Product Strategy - 1999 and Beyond

Model 700 ML

Additional Model 700 ML line extensions will be considered for 1999 and beyond. The market for small caliber rifles such as .32 and .45 caliber will be investigated, as will the potential for a true carbine offering. Both of these options would require a new lighter barrel contour to keep the weight of the rifle manageable.

The current standard catalog line is limited to one traditional synthetic stock configuration. *The addition of wood stock options as well as thumbhole synthetic stocks will also be reviewed.*

Custom Gun - Market Summary

The custom gun market includes all customized rifles, shotguns and target grade over and unders. The size of the domestic custom gun market is estimated to be between 7 - 9 M units in annual sales with estimated retail values worth \$14 to \$18MM annually.

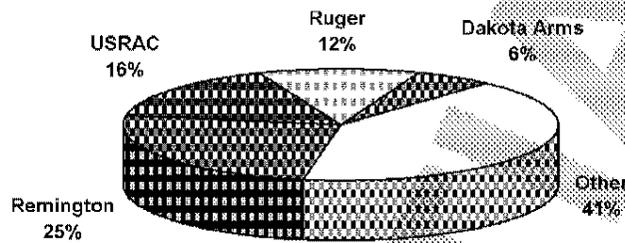
Custom Shop products are positioned to serve the upper-end rifle and shotgun markets. The majority of business in this segment (+90%), is represented by centerfire bolt action rifles. Customers tend to be serious rifle shooters or hunters in addition to those who wish to purchase firearms that are considered works of art. Custom gun buyers tend to be better educated and more affluent than the average firearm owner.

The four largest players in the custom gun market are Remington, Ruger, USRAC, and Dakota Arms. Smaller competitors are companies like McMillian, Robar, H/S Precision, and Lazzeroni. Whether large or small, all custom gun builders focus on high performance as the core selling feature of their product.

■ Market Share Overview

Competitive sales volumes and market share are estimated as follows:

<u>BRAND</u>	<u>UNITS (M)</u>
Remington	1800
USRAC	1400
Ruger	900
Dakota Arms	450
Other	<u>3000</u>
TOTAL	7350



Our objective for the custom shop firearms business is to increase market share to 35% over the next three years. This will be accomplished by significantly increasing and modernizing our marketing efforts of custom shop products. Specialty law enforcement and black powder products will also be important to this growth.

■ **Remington Segment Performance**

Over the last seven years, sales of custom guns have averaged approximately 2400 units per year.

Our worldwide performance for this category follows:

	<u>1995</u> <u>Actual</u>	<u>1996</u> <u>Actual</u>	<u>1997</u> <u>Rev. 1F</u>	<u>1997</u> <u>P.O.</u>
Unit Sales	2317	1911	1614	1896
Sales Dollars (\$MM)	1.9	1.7	1.4	1.4
Standard Margin (\$MM)	0.6	0.6	0.2	0.1
Standard Margin % Sales	29.9	35.6	17.5	4.6

The principal issues facing our custom shop business are:

- Poor product and customer service
- The absence of integrated marketing
- The lack of core strategy

■ Competitive Analysis

USRAC offers a custom version of the Model 70 bolt action rifle as well as the Model 94 lever action. Included in their line are express rifles, custom hunting rifles and highly embellished ornamental rifles and pricing is significantly higher than competing Remington products. Listed at wholesale for more than twice the price of the Model 700 Safari line, the Model 70 Custom Express is chambered for heavy magnum calibers and features express sights and a selected walnut stock. The Model 70 Custom Sharpshooter II series features a composite stock and stainless action with heavy barrel. The heavy barrel Sharpshooter is most comparable to the 40XB K.S. and list for \$269 more at wholesale while the Sporting Sharpshooter lists for \$456 more than the comparable Model 700 Custom Mountain Stainless.

Ruger competes in the custom gun market with the Model 77 Magnum Express and Model 77 express rifles with both featuring express sights, barrel band, Circassian walnut and steel hardware. The Model 77 Express rifle is chambered for standard calibers while the Magnum Express is chambered for heavy magnums. *These rifles compete with the Model 700 Safari and list for \$125 more at wholesale.*

Unlike USRAC, Ruger and Remington, Dakota Arms exclusively builds custom rifles. They offer a single shot rifle, the Dakota 10 and a bolt action rifle, the Dakota 76. These rifles are available in a wide range of calibers including several unique Dakota magnums. The line of Dakota rifle sells for significantly more than Remington's line of custom rifles.

The remainder of the competition in this market comes from smaller custom gun builders such as H/S Precision, Robar and McMillian, along with a host of others. *The common threads across all of the successful participants in this market is quality and performance.*

Remington maintains the largest custom shop of the major US firearms manufacturers. With the exception of the Model 40X line, most of Remington's custom offerings are based on production models that are hand assembled and tuned by the custom gun builder to provide the level of performance required in this market at an attractive price. The Model 700 and Model Seven are offered in several custom configurations including composite stock big game rifles to dangerous game rifles as well as hand engraved high grade rifles. A custom version of the Model 700 ML is also available. The Model 40X family is a line of heavy

barrel target rifles that feature stainless steel actions, adjustable triggers and wood or composite stocks.

■ **Product Strategy - 1998**

As competition in the custom gun market increases *Remington must focus on improving delivery time and quality of custom offerings* to remain competitive. In addition, new calibers and product features will be needed.

Model 700 Custom Rifles

There are no major product revisions planned for the line of Model 700 Custom rifles. Revisions will be limited to the addition of the 7mm STW caliber to the Models 700 AWR, 700 Mountain KS, 700 Mountain KS LH and 700 Mountain KS Stainless. Additionally, consideration will be given to offering a detachable magazine as an added price option for custom model 700's.

Model Seven Custom Rifles

There are no major product revisions planned for the line of Model Seven Custom rifles. Revisions will be limited to the addition of the new 260 Remington caliber to both the Model Seven KS and Seven MS.

Model 40X Custom Rifles

The line of 40XB rifles will be expanded by the addition of a laminated thumbhole stock version. The stock will be configured similarly to the stock used on the Model 700 ML and will be available in four colors.

■ **Product Strategy - 1999 and Beyond**

The addition of the complete family of the new Remington Ultra Mag calibers planned for 1999 is a natural for the line Custom Model 700's. Consideration will also be given to other caliber additions as well as adding options and features to existing lines to enhance the offerings. With the new capability to manufacture stocks in-house, *a custom wood stock version of the XP-100R will also be entertained.*

The focus on reduced delivery time and improved quality will be continued.
This must be an ongoing effort.

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Special Product Opportunities

■ Market Situation

Many areas of potential opportunity exist in specialty markets. These markets are usually very narrow relative to product type and end use. Examples of some niche markets which have evolved to represent significant business segments are:

- Cowboy Action Shooting
- Collectibles
- Handgun Hunting
- Specialty Law Enforcement/Military
- Home Security

Remington has chosen to review projects that offer prospects of premium margins which fit within our core competencies. For example, revolving pistols and single-shot rifles produced by Remington over 100 years ago represent potential products for addressing the Cowboy Action Shooting and the Collectibles markets. Re-introduction of the bolt action pistol in several configurations will certainly gain incremental business for Remington in the hunting and target shooting markets. Finally, production of specialty sniper rifles and home defense products will permit us to grow in lucrative markets that are global in scope.

Remington's business strategy in these segments will be to maximize margins by surgical selection of opportunities that fit with our manufacturing and marketing capabilities.

Principal business issues facing special projects are:

- Limited technical and manufacturing resources
- complete market understanding

■ Product Strategies - 1998

Rolling Block Evolution

A high grade limited edition Creedmoor style rolling block rifle was introduced in 1997. Sales vs. Forecast were disappointing because of its high retail price point and its positioning as a "Black Powder Only" cartridge rifle. For 1998, the rolling block will be offered in a lower cost hunting/sporting model in several popular smokeless calibers.

■ Product Strategies - 1999 and Beyond

SR-8

A test project is now underway to produce a modified version of the M700 which will accept the 338 LAPUA cartridge. This cartridge has gained global acceptance as the ultimate long range sniper round. Prospective business opportunities currently rest with the U.S. and Italian governments.

XP100 / XP100R

The re-introduction of these bolt action pistols are planned for next year. The total hunting handgun market is estimated to be 25-30M units per year. It is believed that Remington can obtain 2,500 - 3,000 units of incremental bolt action business by re-introducing XP100 products.

The following projects will receive further review and consideration:

- Specialty lightweight and portable sniper rifles
- H.D. autoloading shotguns
- Hepburn single shot rifles
- Black powder revolvers (new army style)
- Cartridge revolvers (M1890)

Extra Shotgun Barrel Market Summary

This market is greatly dependent upon the health of Remington's shotgun business. The category includes all catalog extra shotgun barrels for Remington models SP10 MAG, 11-87, 1100, 870 Wingmaster and 870 Express.

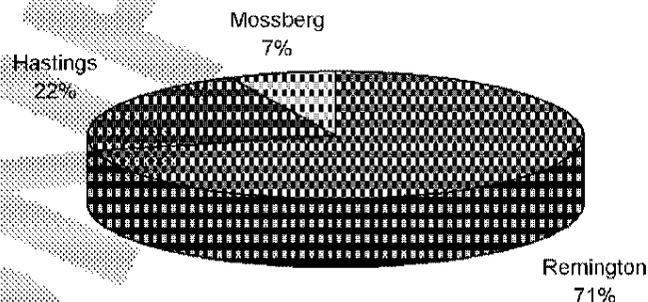
The growth of specialty markets such as deer and turkey have benefited the extra barrel business. Conversely, removable choke tubes have added flexibility to the product and hurt the sales of standard field grade extra barrels.

Principal competitors in the extra barrel business for Remington brand shotguns are Hastings and Mossberg. Both companies focus on deer barrels. Some of these products feature fully rifled bores and advanced sighting systems which greatly enhance product performance.

■ Market Share Overview

1995 competitive sales volumes and market share are estimated as follows:

<u>BRAND</u>	<u>UNITS (M)</u>
Remington	41
Hastings	13
Mossberg	4
TOTAL	58



Remington's objective for the extra barrel business is to improve product availability so that sales opportunities can be maximized. This will be accomplished through modified sales programming, front loaded production planning and new consumer advertising initiatives.

■ Remington Segment Performance

Extra shotgun barrels are one of the highest gross margin products in the shotgun product family. Through May of this year, SGM is nearly 39% or approximately \$46 per unit.

Our worldwide performance for this category follows:

	<u>1995</u> <u>Actual</u>	<u>1996</u> <u>Actual</u>	<u>1997</u> <u>Rev. 1F</u>	<u>1997</u> <u>P.O.</u>
Unit Sales	43,924	39,810	42,153	45,504
Sales Dollars (\$MM)	4.9	4.9	5.3	6.0
Standard Margin (\$MM)	2.8	2.6	2.3	2.9
Standard Margin % Sales	57.5	52.4	44.2	48.2

The principal issues facing our extra barrel business are:

- Poor availability in season (historical, but improving)
- Under performing deer barrels
- Lack of a 20 Ga. fully rifled deer barrel
- Lack of a 11-87 light contour deer barrel which can handle the entire spectrum of modern slug ammo.

■ Competitive Analysis

As noted, Remington has two primary competitors in the extra barrel market. Both Mossberg and Hastings market replacement barrels for Remington shotguns.

Mossberg currently offers a full line of replacement barrels for Mossberg shotguns including blued and camouflaged configurations. They also market nine replacement barrel SKUs for the Model 870. Included are rifle sighted and bead sighted barrels in

both blue and matte finishes. The quality of the Mossberg barrels is generally not comparable to Remington's, but acceptable to many who purchase based on price. Wholesale pricing for these barrels is 15%-20% lower than equivalent Remington specifications.

Hastings markets replacement barrels and choke tubes for Remington, Browning and Beretta shotguns. They offer several configurations and specifications. Hastings presents the most formidable competition with respectable quality and comparable pricing. Hastings developed their market by servicing business Remington was not able to service.

■ Product Strategy

The Model 870 Express 20 Gauge fully rifled rifle sighted barrel will be added as an extra barrel SKU in 1998. There are no other new products planned for extra barrels. Future consideration will be given to adding camouflaged specifications.

Inventory & Production Planning Considerations

Historically, a company could do well if it manufactured a good quality product that was sold at a fair price. Today, the business environment has changed. Product quality and manufacturing excellence is no longer enough to dominate in global markets. ***To be successful long term, Remington must be more responsive to customer demand than the competition. This will require flexibility, innovation, and most importantly, a change in our company culture.***

Information flow and technology is currently changing the business landscape. Best practices companies are building competitive advantages by reengineering their supply chains to align and integrate market demand, production, purchasing and distribution. Establishing “***Synchronized Intelligence***” is the first step towards streamlining processes, gaining efficiencies and building organizational flexibility.

Firearms marketing has made significant improvements in demand forecasting using tools provided within SAP R3. ***Planning cycle time has been reduced from weeks to days.*** As a result, information flow has improved from point of origin to point of consumption. Much work, however, remains to be done. Specific areas which require improvement are:

- Communications
- Forecasts
- Response Time

As we become more integrated, Remington can expect to see improvements in cash flows, margins and operating cost. Driving the financial metrics will be:

- More Inventory Turns
- Less Warehousing
- Reduced Product Handling
- Reduced Transportation Cost
- Improved Customer Satisfaction
- More Flexible Sourcing
- Fewer Dedicated Facilities

At Remington, planning and scheduling is characterized by long lead times, interplant dependency, vendor breakdowns and spiked yields of finished goods that occur late every month. Focus will be on leveling finished goods yields so that inventory turns can be increased, customer service improved and overtime reduced.

Our goal for the next three years is to reduce inventories and cost while improving customer service. *A 20% reduction in finished goods inventory will be pursued for 1998.* This will be achieved by integrating our business infrastructure into a customer driven supply chain.

Lastly, it is imperative that production, planning and finance work from a common production scheduling document. Currently, the plant utilizes a WIC's schedule as their commitment document. This differs from the corporate planning document based on SAP which interfaces with AMAP's.

This situation is a breeding ground for inaccurate forecast and misleading line item production efficiencies because of inconsistencies between the two systems. The corporation must migrate to a common planning system that will deliver one set of production metrics.

Product Service Considerations

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■ Background

Excellent product service has been one of the key elements in the long term success of Remington's firearm business. Traditionally, Remington promoted service from the factory for both parts and repairs through catalogs, owner's instruction manuals, reference manuals, field service manuals and other various marketing materials.

In the early 1990's, Arms' Service consisted of a Field Service Organization with four (4) dedicated Service Reps., a Phone Center of ten (10) CSRS', four (4) clerks, a Parts and Repair Center with twelve (12) repairmen, three (3) re-finishers (wood/metal) and twelve (12) other personnel in various functions.

Historically, Arms' Service was a stand-alone business unit (unit #12), generating approximately \$3.7 million in annual sales. Major portions of this revenue came from the sales of spare parts (\$2.8M), repairs (\$750M), and the Armorer school (\$200M). Gross profit for 1996 averaged \$965M (24.5%).

Repair History

The average number of *annual repairs ranged between 32,000 and 35,000* units. Unfortunately, *the turn-around time-to-repair averaged 12-14 weeks. In 1994, a corporate objective of two weeks turn-around was established.*

To attain this objective, several strategies were investigated, including a detailed "re-engineering" effort to streamline internal processes. *However, senior management decided that the most efficient method was to utilize our outside warranty repair network (authorized Service Centers).* Prior to this change, the Arms' Service group had been responsible for administering the warranty repair program including maintaining updated field manuals and parts catalogs. Downsizing resulted in the elimination of the four field service representatives leaving the company without the necessary resources to continue product material updates. As a result, *field manuals*

²³ Data for Product Service Considerations is an excerpt from the Strategic Marketing Plan (Customer/Arms Service) by Matt Marley, Manager, 1997.

soon became outdated, and due to a number of engineering changes, parts catalogs also became obsolete.

In summary, *Ilion's service group was left ill-equipped to handle the management of 235 Service Centers.* This situation developed due to Remington's "factory repair" philosophy that did not evolve with its' new strategic redirection. Remington's relationship with these Service Centers was at arms length and an infrastructure to collect and analyze malfunction data did not exist. Technical documentation was outdated and inaccurate, and the gunsmiths at the Service Centers needed training on Remington products.

Early in 1995, 20-25 strategically located Service Centers were re-evaluated based upon pre-established criteria of quality, service and turn-around time. By mid 1995, a "repair network" had been established in concert with K-Mart to reduce the volume of guns being forwarded to the factory. By the end of 1995, other networks were established for Wal-Mart and the general customer. *To-date, the majority of repairs have been executed with approximately twenty (20) outside Service Centers.*

Although our *average turn-around time-to-repair has dropped to eleven days, this profound strategic change in our repair philosophy, from "Factory Repair" to "Outside Service Centers", has been met with some major challenges.* With over 14,000 firearms repaired in 1996, significant problems still exist. They are:

- Customer relation skills of our warranty repair centers.
- Overall confusion with our customer base relative to Remington's current repair procedure/policy.
- Chargeable repair/policy.

Phone Center - Ilion

The responsibilities of the Ilion Arms Service Phone Center was historically threefold:

1. Provide general information regarding operation, maintenance, and history of Remington's firearms.
2. Place parts orders.
3. Counsel customers on firearms repairs.

The center was comprised of ten (10) CSRS' and four (4) clerical personnel. After the introduction of the 800 number two years ago, phone traffic during the "hunting season" was beyond the capabilities of 10 CSRS'. Lost call rates averaged 13%, approximately 31,000 phone calls. In addition to service duties, Ilion's Phone Center also supported Remington's Shooting School and the Custom Shop.

■ Summary of Current Status - 1997

Repairs

In April of 1997, Ilion's Arms' Service organization was down-sized and the Phone Center was re-located to Corporate Headquarters in Madison. A majority of the parts and repair personnel were reassigned to manufacturing.

The current procedure for processing firearm repairs is through our network of authorized Service Centers. Only specific malfunctions and certain repairs are returned to the Ilion site for disposition. An example of this is personal or product liability claims, M/396, over and unders, custom guns, and 1816s.

As previously stated, the Repair Department has been downsized by nearly 60%. Current staffing consists of four (4) repairmen and one-and-a-half (1.5) re-finishers. In addition to the permanent, full-time personnel, part-time support from Assembly is provided on an ad hoc basis.

At the present time there is an estimated 1,500 guns currently in-house for repair. This number will climb dramatically within the next six (6) to eight (8) weeks. The average factory repair turnaround time still remains at 10-12 weeks, whereas, at the Service Centers, the average turnaround time is eleven (11) days.

Although the turnaround time to repair has significantly improved, this is only one element of overall quality service. *Focused attention needs to be paid to our Field Service Operations, including, but not limited to, formal agreements, malfunction data gathering and analysis, phone etiquette training for repair centers, claim reimbursement and new product familiarization.*

In addition to the aforementioned initiatives, *we must drastically reduce the current quantity of warranty stations and actively manage with a close partnership a limited number of repair stations.*

Consumer Services

This is the first year that the Corporate Phone Center has the responsibilities for administering parts sales, providing status on gun repairs, and answering technical firearm product related questions.

A comprehensive "Customer Service" strategy is currently being developed and refined. The key points of this plan will incorporate:

- A communications plan which clearly explains Remington's new repair policies.
- Development of a Reporting/Database Management System
- Development of Root Cause Analysis to provide malfunction data to Quality Control.
- On-going training for CSRs.
- Work flow processing to consistently track and control phone coverage, part order fulfillment and aging repairs.

Critical to this transition, a business system was structured in Madison to process spare part orders and provide information on in-house repairs. With minor exceptions, all orders are now being placed at Corporate Headquarters, then transmitted to the Ilion facility where they are picked, packed, and shipped.

Issues of Current Concern

- Lack of clear strategic direction
- Our new Customer Service Representatives are not adequately trained on product consultation.
- Our CSR's are inexperienced (having not dealt with the volume of a peak cycle hunting season).
- Wholesalers, Dealers and Sales Representatives are uninformed as to the current process and rationale of our new service policy.
- The end-user is angry for multiple reasons.
 - Can't get information
 - Frustrated to learn that "factory service" is no longer available.

■ Future Requirements

The ability to provide an acceptable level of service has to be considered a "cost of doing business". First, a "Service Mission Statement" must be developed along with an agreed upon company-wide service level. Service is a discriminating factor that greatly influences the customer's next purchase decision. While customers may want to be loyal, they also want and, more importantly, expect to be satisfied from a service perspective. Return business is largely determined by how well customers are treated after the sale.

Second, a commitment of resources must be made not only to include, but to enhance, the servicing of Remington's products. Although, Remington has invested large amounts of resources in designing, producing and marketing its' firearms, without a reputable service division, the company not only stands to lose repeat business, but also stands to jeopardize existing customer relationships, loyalties and reputation. There are several approaches to servicing our customers. Regardless of what approach is selected, the company must communicate, clearly and concisely, to our field organization, sales representatives and most importantly, our customer, what Remington's charter is for product service.

■ 1998 Requirements

Action plans that are currently being designed need to be approved and implemented as soon as possible. The critical aspect of this process will be obtaining the necessary resources and support to properly develop the repair network.

Within the next few months a plan must be developed that will establish and support Remington's strategic direction for service. This plan should consist of:

- A. Develop a Service Mission Statement and Strategy.
- B. Obtain service agreements (business contracts) with a select number of Remington certified Service Centers
- C. Provide qualified trained field service personnel (to educate and update the Service Centers current with latest product information.
- D. Develop Marketing strategies to promote firearms service.
- E. Focus greater resources on field service requirements: i.e. technical documentation, access to electronic databases and repair release information.
- F. Product Training, initial and recurrent, for Customer Service Reps.

■ **1999 and Beyond**

In mid 1998, paralleling the other service initiatives, a stand-alone business unit should be re-established with the primary objective to provide "Factory level Service" not only at Ilion's repair shop but through each of Remington's authorized Service Centers. This business unit would be responsible for supporting both internal and external repairs, providing service for both warranted and chargeable repairs and administering all parts distribution through one source.

1998 Product Addition & Deletion Summary

The following is a summary by SKU of product additions and deletions planned for 1998. Both catalog and non-catalog products are addressed. A total of 28 SKUs are planned for deletion in 1998. A threshold volume of 250 units was used to identify these products. A production run of these items would be considered if a special request is received for more than this minimum quantity.

There are a total of 50 new catalog SKUs planned for 1998. Of these, 17 replace deleted products, 10 are a result of adding 1997 non-catalog specials to the 1998 catalog, and 23 are truly a result of line extensions. In the face of a soft market for many of Remington's core product lines, the line extensions are an effort to reduce the negative impact of this softness on key production lines.

Also included are 18 new Custom Shop SKUs that result from adding new calibers and options to existing lines.

1998 New Products	
SKU	Description
4809	SP-10 10/26 Camo (Break-Up)
4821	SP-10 10/23 Turkey Camo (NWTF 25 Anniversary)
5259	M/11-87 NP SC 12/28 (Nickel Plated/Ported)
5251	M/11-87 SPS-T Camo (NWTF 25 Anniversary)
5373	M/1100 LT-20 Youth Turkey Camo (NWTF 25 Anniversary)
4944	M/870 SPS-T Camo (NWTF 25 Anniversary)
5089	M/870 Exp. Syn. 12/21 Turkey Camo (Advantage Stock & Fore-End)
5091	M/870 Exp. Syn. 20/21 Youth Turkey Camo (Advantage Stock & Fore-End)
5577	M/870 Express LH 12/28
5100	M/870 Express Super Magnum 12/28 - 3 1/2"
5102	M/870 Express Synthetic Super Magnum 12/26 - 3 1/2"
5104	M/870 Exp. Syn. Super Magnum Turkey Camo 12/23 - 3 1/2" (Advantage)
5114	M/870 Express Super Magnum Combo 12/26 - 3 1/2" VR RC & 12/20 3" FR RS
5397	M/1100 20/26 VR RC Gloss (With Fine Line Engraving)
9601	M/1100 20/28 VR RC Satin (With Fine Line Engraving)
9603	M/1100 20/26 VT RC Mag Satin (With Fine Line Engraving)
5377	M/1100 20/21 VT RC Youth (With Fine Line Engraving)
5399	M/1100 Sporting 20 (20/28 VR RC W/SC Tubes)
5075	M/870 Wing 20/26 VT RC Gloss (With Fine Line Engraving)
5073	M/870 Wing 20/28 VT RC Satin (With Fine Line Engraving)
7482	M/700 ADL Synthetic 300 Win Mag

7514	M/700 ADL Synthetic 223 Remington
7518	M/700 ADL Synthetic Youth 243 Win
7523	M/700 ADL Synthetic Youth 308 Win
5845	M/700 MTN DM 260 Remington
7489	M/700 VLS 22-250 Remington (New Stock)
7491	M/700 VLS 223 Remington (New Stock)
7493	M/700 VLS 8mm Remington (New Stock)
7495	M/700 VLS 243 Win (New Stock)
7497	M/700 VLS 7mm-08 Remington (New Stock)
7499	M/700 VLS 308 Win (New Stock)
7487	M/700 VLS 260 Remington (New Stock)
7549	M/700 VS LH 223 Remington
7548	M/700 VS LH 22-50 Remington
7551	M/700 VS LH 308 Win
6207	M/700 VSSF-P (Ported) 22-250 Remington
6205	M/700 VSSF-P (Ported) 220 Swift
6209	M/700 VSSF-P (Ported) 308 Win
5383	XP-100R 22-250 Remington
5385	XP-100R 223 Remington
5387	XP-100R 260 Remington
5389	XP-100R 35 Remington
6293	M/700 LSS LH 270 Win
6295	M/700 LSS LH 30-06
6297	M/700 LSS LH 7mm Remington Mag
6299	M/700 LSS LH 300 Win Mag
5876	M/700 Classic 8mm Remington Mag
4785	Seven Youth 260 Remington
7574	M/700 ML Youth 50 Cal - 21" Barrel, 1" Shorter LOP
9793	M/7400 Synthetic 243 Win
9794	M/7400 Synthetic 270 Win
9795	M/7400 Synthetic 280 Remington
9796	M/7400 Synthetic 30-06
9797	M/7400 Synthetic 308 Win
9783	M/7400 Synthetic 30-06 Carbine
5143	M/7600 Synthetic 243 Win
5145	M/7600 Synthetic 270 Win
5147	M/7600 Synthetic 280 Remington
5149	M/7600 Synthetic 30-06
5151	M/7600 Synthetic 308 Win
5153	M/7600 Synthetic 30-06 Carbine
6564	M/597 Sporter (Hardwood Stock)
6565	M/597 SS (Stainless Synthetic)
6566	M/597 Magnum LS (Laminated Stock)
4730	Seven KS 260 Remington
4756	Seven MS 260 Remington
5889	M/700 AWR 7mm STW
5633	M/700 Cust Mtn KS 7mm STW
5661	M/700 Cust Mtn KS LH 7mm STW

7118	M/700 Cust Mtn KS SS 7mm STW
TBD	40XB Thumb Hole Stock Single Shot 22-250 Remington
TBD	40XB Thumb Hole Stock Single Shot 260 Remington
TBD	40XB Thumb Hole Stock Single Shot 7.62 NATO
TBD	40XB Thumb Hole Stock Repeater 22-250 Remington
TBD	40XB Thumb Hole Stock Repeater 260 Remington
TBD	40XB Thumb Hole Stock Repeater 7.62 NATO
TBD	Rolling Block - Sporter 30-30 Win
TBD	Rolling Block - Sporter 444 Mar
TBD	Rolling Block - Sporter 45-70 Gov't
6552	M/597 Custom Target
6554	M/597 Magnum Cust Target

1997 SKU's Discontinued In 1998	
4811	SP-10 Camo 23"
9660	M/1187 SPS-T Camo
9605	M/1100 20/26 Skeel
5313	M/1100 20/26 VR RC Gloss
5403	M/1100 20/28 VR RC Satin
9597	M/1100 20/28 VT RC Mag Satin
5372	M/1100 20/21 VT RC Youth
5094	M870 SPS-T Camo
5074	M/870 Wing 20/26 VT RC Gloss
5068	M/870 Wing 20/28 VT RC Satin
5767	M/700 ADL 243 Win
5847	M/700 MTN DM 243 Win
6121	M/700 BDL DM 25-06 Rem
6249	M/700 BDL SS DM 243 Win
7541	M/700 BDL SS DM-B 300 WBY
7543	M/700 BDL SS DM-B 338 Win
5873	M/700 Classic 280 Rem
7488	M/700 VSL (Old Stock) 22-250 Rem
7490	M/700 VSL (Old Stock) 223 Rem
7494	M/700 VSL (Old Stock) 243 Win
7496	M/700 VSL (Old Stock) 7mm-08 Rem
7498	M/700 VSL (Old Stock) 308 Win
4669	M/7600 Buckmasters
4695	M/7400 Buckmasters
9792	M/522 Viper
7568	No. 1 Rolling Block 45-70
4830	90-T
4834	90-T HPAR

Pricing & Sales Programs Objectives

■ Pricing Overview

Remington has regularly raised prices on its firearms with an eye towards profitability. *The business unit has not negotiated price down with our resellers during periods of market softness which has helped build a position of strength for Remington brand firearms.* Several of our competitors, principally Browning and USRAC, have cut prices in 1997 to move bloated inventories of slow moving product. Most of these efforts have been directed toward centerfire rifles equipped with the B.O.S.S. system.

With intense pressure on earnings, *the challenge of the last several years has been to maximize the profit potential of Remington firearms without overpricing them.* Value maintenance with the end user has been our focus.

Historical pricing of Remington firearms by major product category follows:

Historical Firearms Pricing Model
(% Price Increase, Gross Sales)²⁴

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Shotguns	3.36%	2.92%	.79%	1.63%	.68%
Rimfire Rifles	2.57%	4.49%	1.96%	2.97%	N/C
Centerfire Rifles	.38%	1.72%	2.46%	3.49%	1.84%
Extra Barrels	2.78%	2.90%	3.28%	3.71%	N/C
Average	2.26%	2.56%	1.55%	2.58%	1.37%

²⁴ Average annual price increase is based on sales mix and revenue by major product category.

■ Pricing Proposals - 1998

Shotgun Highlights:

The most acute issue in this category is pricing of the 870 Express. Price has been held on 870 Express for three consecutive years due to competitive pressures from Mossberg and weakened market demand for economy priced shotguns.

For 1998, Remington will be seeking an average price increase of just over 4% for the category. This move will add approximately ten dollars per unit and nearly \$2.5MM in revenue to the bottom line next year.

Shotgun Pricing Forecast:

Peerless	+ 7.3%
SP10	+ 2.9%
11-87	+ 1.2%
11-96	N/C
1100	+ 1.2%
870 Wing	N/C
870 Police	+ 2.5%
870 Express	+ 4.1%

Rimfire Rifle Highlights:

Pricing will be held on all 597 models due to late availability of finished product which has been significantly behind plan. Ilion produced rimfire will also remain unchanged except for a small increase of 2.3% on 541 bolt actions.

Rimfire Pricing Forecast:

M597	N/C
M597 Stainless	N/C
M597 Magnum	N/C
M552	N/C
M572	N/C
M541	+ 2.3 %
M581	N/C

Centerfire Rifle Highlights:

Pricing of Remington's centerfire rifle line is at a historical high when compared to our major competition. We no longer offer a significant value/price selling proposition over several major competitors such as USRAC and Browning. Savage and Ruger have also strengthened their positions in this market because of low cost production competencies and quality improvements introduced and promoted in recent line extensions.

Remington pricing of bolt action product for 1998 will increase by two dollars per gun in all wood stocked models except for youth. Pricing for all bolt action stainless and specialty long range products will be held. Finally, pricing will be held for 7400 and 7600 repeating rifles. Our product strategy in this category includes introducing lower priced line extensions with Spartan features to restore sales volume and protect future profitability.

Centerfire Rifle Pricing Forecast

M700	N/C
M700 Stainless	N/C
M700 ML	N/C
M Seven	N/C
M7400	N/C
M7600	N/C

Other Products Forecast

Custom Guns	+ 2.8%
Extra Barrels	+ 3.1%
Barreled Actions	N/C

■ Pricing 1999 and Beyond

Raising prices will be very difficult in the future. It is anticipated that Wal*Mart, and to a lesser extent Kmart, will be most resistant to price increases. At present, these customers are seeking price reductions on many core items. Aggressive competition will also limit our flexibility in the pricing arena.

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%

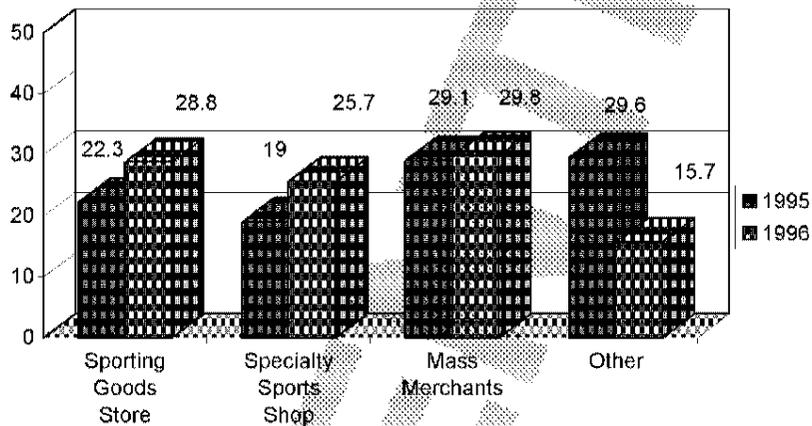
Distribution

The loss of nearly 180,000 federal firearms license holders during the last four years has had a drastic impact on Remington's distribution network. Basement bandits and small retailers who no longer can afford the increased cost of the license fee nor can meet the additional requirements established by the ATF are the major reasons for this reduction. In a nutshell, government has been very effective in reducing the number of sources where a law abiding citizen can purchase a firearm. This phenomenon has greatly contributed to a general decline in all firearms sales over the last 24 months.

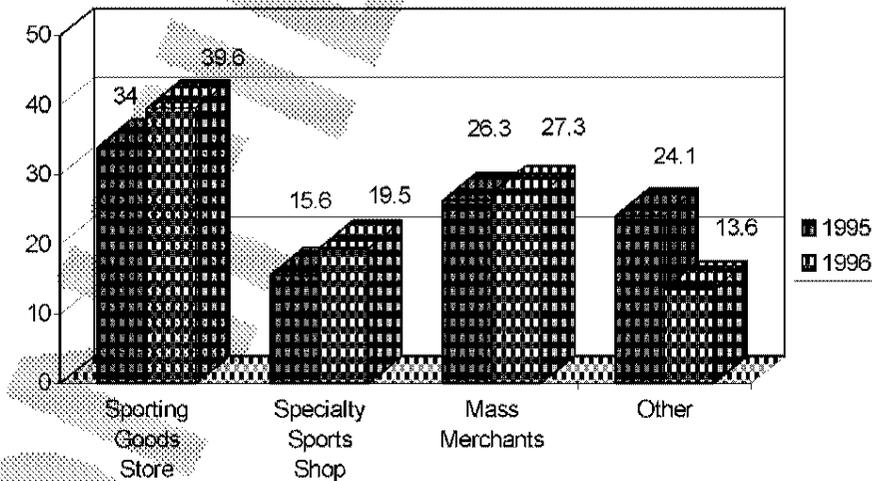
Remington services the marketplace utilizing three distinct channels of distribution. Direct sales are made to wholesalers, independent dealers and chains. Remington wholesaler business has been quite healthy and in fact, has shown significant growth during the last four years. Chain business has been up and down particularly at K-mart and Wal-mart; however, the "Big Boxes" such as Sports Authority, Jumbo Sports, Gartt Brothers and Sport-Mart are becoming more popular destinations to purchase sporting arms and ammunition. On the other hand, independent dealers have been declining in numbers due largely to the FFL issue discussed above and increasing competitive pressures. As a result, their percentage of the market is declining. This trend is also apparent in Remington's firearm business where full line dealers have declined by 75% over the last four years. *It is anticipated that Remington's dealer direct business will continue to trend downward in the future and will reach a point where this channel of distribution will no longer be attractive enough to service on a direct basis.*

Tracking by the National Association of Sporting Goods Dealers of firearm sales by outlet type can be seen in the charts below for rifles and shotguns.

Distribution Channels - Rifles²⁵
1995 Vs. 1996
(Percent of Units)



Distribution Channels - Shotguns
1995 Vs. 1996
(Percent of Units)



²⁵ 1996 Data from NSGA.

Remington's Distribution network poses both positives and negatives for the company. A competitive advantage is realized from serving many different channels of distribution because of the greater market access which is obtained from employment of this strategy. On the downside, channel conflict is created in pricing which in turn creates instability within the entire the distributive network. Several examples of classic channel conflict are:

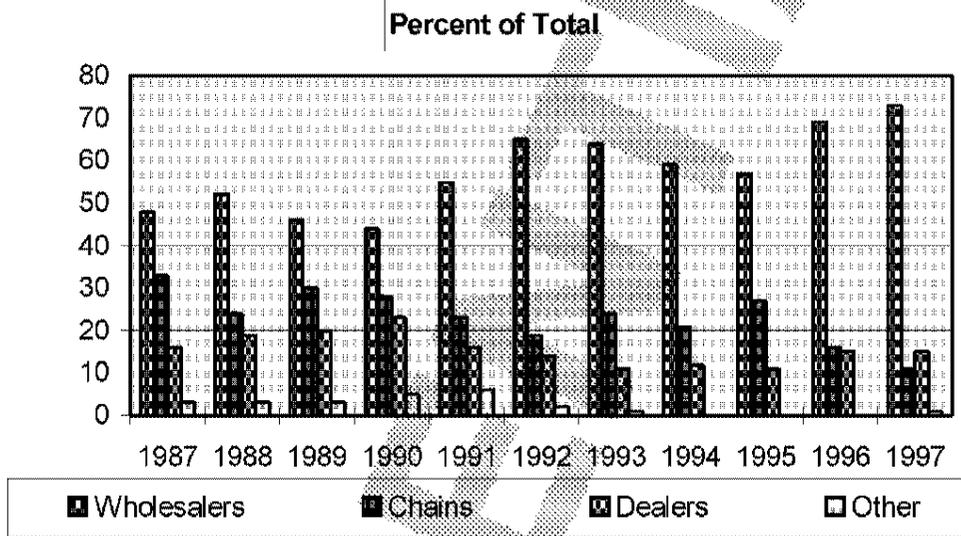
- Wholesalers selling NBS, Sports Inc. and appointed dealers at pricing levels below that of our direct sales programming for these channels.
- Mass merchant business being entertained by wholesalers with price and service being the core considerations.

Major competition does not employ distribution as broad as Remington's. This tends to create alliances in some markets and bar entry to others. ***It is clear that distribution strategy has a profound affect on trade perceptions and channel profitability. Remington's multi-channel distribution is characterized by differentiated distribution competing against each other for the same consumer dollars.*** As a result, margins are often depressed and profitability on Remington firearms is below that of competitive models.

There are several reasons why Remington has been the focus of this conflict. They are:

- The sheer strength of the Remington brand makes the line extremely important to all distribution channels.
- Demand for Remington firearms commands volume which cannot be easily replaced by competition.
- The wholesale and dealer trade channels rely on Remington's firearms dating as a major financial resource for their businesses.

Remington's historical sales by distribution channel are as follows:



Remington will continue to refine its distribution network in the future by focusing on sales programs, pricing and products which can be tailored to better meet the needs of the business and our customers. Our ultimate goal is to reduce channel conflict and improve profitability.

Advertising and Merchandising

During the last several years the majority of Remington's marketing communication dollars have been spent on brand advertising. While effective efforts like NASCAR have been employed, the *firearms business has lacked core product advertising which promotes awareness and motivates consumers to buy*. New products introduced within the last 24 months are also suffering from a lack of investment grade advertising. As a result, pull-through at retail for these products have been less than robust. A prime example of this is Remington's new Model 597 rimfire rifle. New products which could also fall into this trap are the Model 700 Muzzleloader and Model 11-96 Euro Lightweight.

For 1998, Remington must invest in feature benefit advertising which provides the consumer a compelling reason to purchase our product. A review of core items indicates that this effort is needed for the 11-87, 870 Wingmaster, Model 700 bolt action rifle, and 7400/7600 repeating rifles. In addition, major advertising campaigns are required to launch the 597 rimfire rifle family, introduce the new 870 Express 3 1/2" Super Magnum and the new low cost synthetic versions of the model 7400 and 7600 repeating rifles.

Remington has utilized rebate promotions on the model 870 Express for the past three years. In 1997, a model 700 bolt action rebate was tied to the purchase of Remington branded centerfire ammunition for the first time. The measured success of these rebates have been marginal at best. While they provide an excellent selling proposition to the trade, the actual redemption rates have been disappointing. *For 1998, Remington will abandon rebates on both shotguns and centerfire rifles. Our resources will be re-channeled toward producing higher grade advertising and initiating in-store merchandising for key categories.*

Our marketing communication focus for 1998 should be targeted on the following areas for firearms:

- Create feature benefit campaigns for the key categories mentioned above which develop the position of performance and value for Remington's firearms products.
- Develop new advertising campaigns that successfully introduce new products that were neglected in 1997 and are planned for 1998 introduction.

- Abandon costly rebate programs and replace them with useful merchandising tools which can assist selling efforts at retail.
- Carefully review available resources and tie in the synergy of firearms and ammunition wherever possible in all communication efforts.
- Develop a new corporate tag-line which creates a position for Remington in the consumer's mind. For example, "great guns deserve great ammunition, we make both".
- Review all sponsorships of magazine sweepstakes and promotions et el and determine the true value to the business via post audits.
- Tie in ammunition products with firearms products in specific advertising campaigns for the 700 Muzzeloder and the new family of 597 rimfire rifles.

Finally, ***Remington must improve its presence on the Internet.*** Our current web site is very limited in scope as it only provides information on the Shooting School, Powder Metal Parts and NASCAR. A new Remington web site is desperately need so that information on our core products can be obtained electronically via the Internet. ***This form of information sharing is viewed as more important than publishing our annual catalog. The Internet is without question, the major source of information for youth and working professionals.***

Remington's new web site should contain the following information:

- Catalog information on all core products (features, benefits, and specs.)
- A complete listing of firearm parts with schematics including direct order capability via credit card purchase.
- A complete list of certified warranty firearm repair centers, accessible by geographical area including address, phone and point of contact.
- A statement of Remington repair procedure (the steps to follow when service is required on a Remington firearm).
- A complete listing of Remington direct dealers by state or geographic area including major indirect retailers serviced by our wholesalers.
- Places to hunt and shoot (gun club listings, and a listing of public hunting areas on a state by state basis).
- Questions and answers. The posting of the most frequently asked 100 questions as determined by Consumer Services should be up on our web site to reduce incoming calls to Corporate Headquarters.

- Eventually, monitoring of the web site with an interactive end-user interface could be blended into the function of consumer information in an effort to improve Remington's customer service.

Remington is well behind our major competition in developing a professional Internet presence. Currently, Browning, Beretta, Ruger, Mossberg and Winchester all have comprehensive web pages that provide much of the information discussed above. *This form of communication is viewed as a competitive advantage.* Remington should give top priority to the construction of a new web site.

Three Year Outlook

CONFIDENTIAL

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