QUARTERLY REPORT

For the quarterly period ended:

June 30, 2013

REMINGTON OUTDOOR COMPANY, INC.

(Exact name of company as specified in its charter)

Also known as Freedom Group, Inc.

Delaware	**26-0174491**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

870 Remington Drive
P.O. Box 1776
Madison, North Carolina 27025-1776
(Address of principal executive offices) (Zip Code)

(336) 548-8700
(Company’s telephone number, including area code)

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References in this report to (1) the terms ''we,'' ''us,'' ''our,'' the ''Company," "Remington Outdoor Company'' and ''Remington Outdoor'' refer to Remington Outdoor Company, Inc. and its subsidiaries on a consolidated basis, (2) the terms ''FGI'' and "Freedom Group" refer to Freedom Group, Inc., the former legal name of the Company, (3) the term "FGI Holding" refers to FGI Holding Company, LLC, (4) the term "FGI Opco" refers to FGI Operating Company, LLC, (5) the term "FGI Finance" refers to FGI Finance, Inc., (6) the term ''Remington'' refers to Remington Arms Company, LLC and its direct and indirect subsidiaries, (7) the term ''EOTAC'' refers to EOTAC, LLC, (8) the term "Mountain Khakis" refers to Mountain Khakis, LLC, (9) the term "AAC" refers to Advanced Armament Corp., LLC, (10) the term "Barnes" refers to Barnes Bullets, LLC, (11) the term "Para" refers to Para USA, LLC, (12) the term "TAPCO" refers to The American Parts Company, Inc., (13) the term "LAR" refers to LAR Manufacturing, Inc., (14) the term "Dublin Dog" refers to Dublin Dog Company, (15) the term "TMRI" refers to TMRI, Inc., (16) the term "Remington UK" refers to Remington Outdoor (UK) Ltd., and *(17) "2020 Notes," "Term Loan B," "ABL," and "ABL Revolver" have the respective meanings given to them in the "Notes to Consolidated Financial Statements –note 7 – Debt."*

FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, all references to "dollars" and "$" in this Quarterly Report are to, and all monetary amounts in this Quarterly Report are presented in, U.S. dollars. Unless otherwise indicated, the financial information contained in this Quarterly Report has been prepared in accordance with generally accepted accounting principles in the United States ("GAAP").

Certain monetary amounts, percentages and other figures included in this Quarterly Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

In this Quarterly Report, we refer to and rely on publicly available information regarding our industry and our competitors. Although we believe the information is reliable, we cannot guarantee the accuracy and completeness of the information and have not independently verified it.

FORWARD-LOOKING STATEMENTS

Some of the statements in this Quarterly Report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements relating to trends in the operations and financial results and the business and the products of Remington Outdoor Company, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend" and other similar expressions.

Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects on us. Such forward-looking statements are not guarantees of future performance. The following important factors, and those important factors described elsewhere in our earlier quarterly reports could affect (and in some cases have affected) our actual results and could cause such results to differ materially from estimates or expectations reflected in such forward-looking statements.

- We are subject to the effects of general global economic and market conditions. Increases in commodity prices, higher levels of unemployment, higher consumer debt levels, declines in consumer confidence, uncertainty about economic stability and other economic factors that may affect consumer spending or buying habits could adversely affect the demand for products we sell. Persistent economic uncertainty or a deterioration of economic conditions could have a material adverse effect on our business, results of operations and financial condition.

- Continued volatility and disruption in the credit and capital markets may negatively impact our revenues and our or our suppliers' or customers' ability to access financing on favorable terms or at all.

- Our ability to make scheduled payments of principal or interest on, or to refinance our obligations with respect to, our indebtedness, as well as our ability to comply with the covenants and restrictions contained in the instruments governing such indebtedness, will depend on our future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors beyond our control including the responses of competitors, changes in customer inventory management practices, changes in customer buying patterns, regulatory developments and increased operating costs, all of which could materially adversely affect our business.

- The degree to which we are leveraged could have important consequences, all of which could materially adversely affect our business, including the following: (i) our ability to obtain additional financing for working capital or other purposes in the future may be limited; (ii) a substantial portion of our cash flow from operations is dedicated to the payment of principal and interest on our indebtedness, thereby reducing funds available for operations; (iii) certain of our borrowings are at variable rates of interest, which could cause us to be vulnerable to increases in interest rates; and (iv) we may be more vulnerable to economic downturns and be limited in our ability to withstand competitive pressures.

- The development of rural property in many locations has curtailed or eliminated access to private and public lands previously available for hunting, and the continuation of the development of rural property could materially adversely affect our industry as well as our business and results of operations.

- A significant portion of our sales are seasonal. As a result of the seasonal nature of our sales, our historical working capital financing needs generally have exceeded cash provided by operations during certain parts of the year. Our ability to meet our debt service and other obligations depends in significant part on customers purchasing our products during the fall hunting season. Notwithstanding our cost containment initiatives and continuing management of costs, a decrease in demand during the fall hunting season for our higher priced, higher margin products would require us to further reduce costs or increase our reliance on borrowings under our credit facility to fund operations. If we are unable to reduce costs or increase our borrowings sufficiently to adjust to such a reduction in demand, our financial condition and results of operations could be adversely affected.

- Lead, copper, steel, brass and zinc prices historically have experienced significant increases and volatility primarily due to increased global demand. Furthermore, fuel and energy costs have increased and have remained volatile over the same time period, although at a slower rate of increase. We currently purchase copper and lead commodity swap contracts to hedge against price fluctuations of anticipated commodity purchases. With the volatility of pricing that we have recently experienced, there can be no assurance that we will not see further material adverse changes in commodity pricing or energy costs, and such further changes, were they to occur, could have a material adverse impact on our consolidated financial position, results of operations, or cash flows.

- We utilize numerous raw materials, including steel, zinc, lead, copper, brass, plastics, gunpowder, and wood, as well as manufactured parts, which are purchased from one or a few suppliers. Any disruption in our relationship with these suppliers could increase our cost of operations. Such a disruption may result from or be amplified by the recent volatility of and uncertainty in the U.S. and global financial markets.

- Achieving the benefits of our acquisitions will depend in part on the integration of products and internal operating systems in a timely and efficient manner. Such integration may be unpredictable, and subject to delay because the products and systems typically were developed independently and were designed without regard to such integration. If we cannot successfully integrate such products and internal operating systems on a timely basis, we may lose customers and our business and results of operations may be harmed.

- We face significant domestic and international competition and our competitors vary according to product line. Certain of these competitors are subsidiaries of large corporations with substantially greater financial resources than we have. There can be no assurance that we will continue to compete effectively with all of our present competition, and our ability to so compete could be adversely affected by our leveraged condition.

- The manufacture, sale and purchase of firearms and ammunition are subject to extensive governmental regulation on the federal, state and local levels. Changes in regulation could materially adversely affect our business by restricting the types of products we manufacture or sell or by imposing additional costs on us or our customers in connection with the manufacture or sale of our products. Regulatory proposals, even if never enacted, may affect firearms or ammunition sales as a result of consumer perceptions. While we do not believe that existing federal and state legislation relating to the regulation of firearms and ammunition will have a material adverse effect on our sales, no assurance can be given that more restrictive regulations, if proposed or enacted, will not have a material adverse effect on us in the future.

- As a manufacturer of firearms, we were previously named as a defendant in certain lawsuits brought by municipalities or organizations challenging manufacturers' distribution practices and alleging that the defendants have also failed to include a variety of safety devices in their firearms. Our insurance primarily excludes coverage regarding such claims. In the event that additional such lawsuits are filed, or if certain legal theories advanced by plaintiffs are generally accepted by the courts, our financial condition and results of operations could be adversely affected.

- Unfavorable publicity or public perception of the firearms industry could adversely impact our operating results and reputation.

Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. Except as required by law, we undertake no obligation to publicly revise our forward-looking statements to reflect events or circumstances that arise after the date of this quarterly report.

Remington Outdoor Company, Inc. and Subsidiaries (also known as Freedom Group, Inc.)

Condensed Consolidated Balance Sheets

(Dollars in Millions, Except Par Value of Stock)

	Unaudited June 30, 2013	December 31, 2012	*Unaudited* June 30, 2012
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 40.4	$ 79.1	$ 7.9
Trade Receivables, net of $0.8, $0.7, and $1.0 allowance for bad debts, respectively	230.2	130.8	195.4
Inventories, net	216.7	201.9	186.3
Prepaid Expenses and Miscellaneous Receivables	13.1	20.1	12.5
Deferred Tax Assets	32.8	17.9	26.8
Assets Held for Sale	1.6	2.2	2.2
Other Current Assets	15.2	14.5	12.7
Total Current Assets	550.0	466.5	443.8
Property, Plant and Equipment, net	151.7	134.1	117.3
Goodwill	90.6	85.2	67.7
Intangible Assets, net	104.6	108.0	110.7
Debt Issuance Costs, net	21.1	22.6	21.5
Other Assets	17.9	14.2	13.0
Total Assets	$ 935.9	$ 830.6	$ 774.0
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' DEFICIT			
Current Liabilities			
Accounts Payable	$ 97.1	$ 83.0	$ 75.5
Short-Term Borrowings	5.3	8.0	5.2
Current Portion of Product Liability	6.8	7.2	5.5
Current Portion of Income Taxes Payable	10.9	-	-
Accrued Expenses	120.6	87.7	90.5
Total Current Liabilities	240.7	185.9	176.7
Long-Term Debt, net	644.0	645.9	593.8
Retiree Benefits, net	64.2	75.3	63.5
Product Liability, net	9.2	9.2	12.3
Deferred Tax Liabilities	18.4	11.3	16.3
Other Long-Term Liabilities	23.2	20.4	19.1
Total Liabilities	999.7	948.0	881.7
Commitments and Contingencies (Note 14)			
Preferred Stock, Series A, at aggregate liquidation preference	-	-	30.4
Total Mezzanine Equity	-	-	30.4
Common Stock: 166,989 shares issued	0.2	0.2	0.2
Less: Treasury Stock	(3.4)	(3.4)	(3.4)
Paid-in Capital	0.9	0.9	-
Accumulated Other Comprehensive Loss	(71.9)	(62.5)	(59.5)
Accumulated Earnings (Deficit)	10.5	(52.6)	(75.3)
Total Parent's Deficit	(63.7)	(117.4)	(138.0)
Noncontrolling Interest Equity	(0.1)	-	(0.1)
Total Stockholders' Deficit	(63.8)	(117.4)	(138.1)
Total Liabilities, Mezzanine Equity and Stockholders' Equity	$ 935.9	$ 830.6	$ 774.0

The accompanying notes are an integral part of these consolidated financial statements.

Remington Outdoor Company, Inc. and Subsidiaries (also known as Freedom Group, Inc.)

Condensed Consolidated Statements of Operations (Unaudited)

(Dollars in Millions, except for Earnings Per Share Data)

	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net Sales	$ 353.2	$ 233.8	$ 673.4	$ 439.4
Cost of Goods Sold	224.9	153.7	434.5	289.0
Gross Profit	128.3	80.1	238.9	150.4
Selling, General and Administrative Expenses	57.6	46.0	110.5	84.9
Research and Development Expenses	4.1	3.2	7.7	6.3
Loss on Extinguishment of Debt	-	54.3	-	54.3
Other Expense	1.4	1.2	3.4	3.3
Operating Income (Loss)	65.2	(24.6)	117.3	1.6
Interest Expense	8.1	11.5	19.1	27.9
Income (Loss) before Income Taxes and Noncontrolling Interests	57.1	(36.1)	98.2	(26.3)
Income Tax Provision (Benefit)	20.9	(14.0)	35.2	(10.5)
Net Income (Loss)	36.2	(22.1)	63.0	(15.8)
Add: Net Loss Attributable to Noncontrolling Interest	0.1	0.2	0.1	0.2
Net Income (Loss) Attributable to Controlling Interest	$ 36.3	$ (21.9)	$ 63.1	$ (15.6)
Net Income (Loss) Attributable to Controlling Interest	$ 36.3	$ (21.9)	$ 63.1	$ (15.6)
Accretion of Preferred Stock	-	(0.8)	-	(1.5)
Net Income (Loss) Applicable to Common Stock	$ 36.3	$ (22.7)	$ 63.1	$ (17.1)
Net Income (Loss) Per Common Share, Basic	$ 222.82	$ (139.28)	$ 387.82	$ (104.81)
Net Income (Loss) Per Common Share, Diluted	$ 219.06	$ (139.28)	$ 381.27	$ (104.81)
Weighted Average Number of Shares Outstanding, Basic	162,762	162,762	162,762	162,674
Weighted Average Number of Shares Outstanding, Diluted	165,557	162,762	165,558	162,674

Net Sales are presented net of Federal Excise taxes of $30.6 and $20.2 for the three months ended June 30, 2013 and 2012, respectively, and $55.7 and $35.9 for the six months ended June 30, 2013 and 2012, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

Remington Outdoor Company, Inc. and Subsidiaries (also known as Freedom Group, Inc.)
Condensed Consolidated Statements of Comprehensive Loss (Unaudited)
(Dollars in Millions)

	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net Income (Loss)	$ 36.2	$ (22.1)	$ 63.0	$ (15.8)
Other Comprehensive Income (Loss):				
Net Derivative Losses	6.4	1.6	9.4	0.6
Total Other Comprehensive Loss	6.4	1.6	9.4	0.6
Comprehensive Income (Loss)	29.8	(23.7)	53.6	(16.4)
Add: Comprehensive Loss Attributable to Noncontrolling Interests	0.1	0.2	0.1	0.2
Total Comprehensive Income (Loss) Attributable to Controlling Interests	$ 29.9	$ (23.5)	$ 53.7	$ (16.2)

The accompanying notes are an integral part of these consolidated financial statements.

Remington Outdoor Company, Inc. and Subsidiaries (also known as as Freedom Group, Inc.)

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in Millions)

	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Operating Activities		
Net Income (Loss)	$ 63.0	$ (15.8)
Adjustments:		
Depreciation and Amortization	13.5	13.4
Loss on Extinguishment of Debt	-	54.3
Loss on Disposal of Property, Plant and Equipment	0.3	0.1
Contributions to Retirement Plans	(10.9)	(1.2)
Retirement Plans' (Income) Expense	(0.2)	(1.4)
Deferred Income Taxes	(2.0)	(9.9)
Share Based Compensation Charges	-	0.2
Other Non-Cash (Credits) Charges	(3.1)	0.2
Changes in Operating Assets and Liabilities, net of effects of acquisitions:		
Trade Receivables, net	(98.9)	(86.7)
Inventories, net	(13.3)	(53.1)
Other Current Assets	0.8	(1.9)
Other Noncurrent Assets	0.1	0.4
Accounts Payable	11.2	24.0
Other Liabilities	44.3	(18.1)
Net Cash Provided by (Used in) Operating Activities	4.8	(95.5)
Investing Activities		
Purchase of Property, Plant and Equipment	(30.6)	(9.5)
Proceeds from Sale of Property, Plant and Equipment	-	0.1
Acquisition of Businesses, net of Cash Acquired	(7.6)	(4.9)
Net Cash Used in Investing Activities	(38.2)	(14.3)
Financing Activities		
Principal Payments on Debt	(4.7)	(502.2)
Proceeds from Issuance of Debt	-	576.7
Payments on Revolving Credit Facilities	-	(81.6)
Proceeds from Revolving Credit Facilities	-	101.3
Debt Issuance Costs	(0.5)	(22.1)
Payments on Capital Leases	(0.1)	(0.2)
Change in Book Overdraft	-	9.0
Net Cash Provided by (Used In) Financing Activities	(5.3)	80.9
Change in Cash and Cash Equivalents	(38.7)	(28.9)
Cash and Cash Equivalents at Beginning of Period	79.1	36.8
Cash and Cash Equivalents at End of Period	$ 40.4	$ 7.9
Supplemental Cash Flow Information:		
Cash Paid During the Period for:		
Interest	$ 21.0	$ 68.3
Income Taxes	24.6	5.7
Noncash Financing and Investing Activities:		
Capital Expenditures in Accounts Payable	0.9	0.5

The accompanying notes are an integral part of these consolidated financial statements.

Remington Outdoor Company, Inc. and Subsidiaries (also known as Freedom Group, Inc.)
Condensed Statement of Stockholders' Deficit, Mezzanine Equity and Comprehensive Loss (Unaudited)
(Dollars in Millions)

	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Earnings (Deficit)	Controlling Interest Stockholders' Deficit	Non-Controlling Interest	Total Stockholders' Deficit	Mezzanine Equity Preferred Stockholders
Balance, December 31, 2011	$ 0.2	$ (3.4)	$ -	$ (58.9)	$ (58.4)	$ (120.5)	$ 0.1	$ (120.4)	$ 28.9
Net Loss					(15.6)	(15.6)	(0.2)	(15.8)	
Other Comprehensive Loss				(0.6)		(0.6)		(0.6)	
Share-Based Compensation			0.2			0.2		0.2	
Accretion of Preferred Stock			(0.2)		(1.3)	(1.5)		(1.5)	1.5
Balance, June 30, 2012	$ 0.2	$ (3.4)	$ -	$ (59.5)	$ (75.3)	$ (138.0)	$ (0.1)	$ (138.1)	$ 30.4

	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Earnings (Deficit)	Controlling Interest Stockholders' Deficit	Non-Controlling Interest	Total Stockholders' Deficit	Mezzanine Equity Preferred Stockholders
Balance, December 31, 2012	$ 0.2	$ (3.4)	$ 0.9	$ (62.5)	$ (52.6)	$ (117.4)	$ -	$ (117.4)	$ -
Net Income (Loss)					63.1	63.1	(0.1)	63.0	
Other Comprehensive Loss				(9.4)		(9.4)		(9.4)	
Balance, June 30, 2013	$ 0.2	$ (3.4)	$ 0.9	$ (71.9)	$ 10.5	$ (63.7)	$ (0.1)	$ (63.8)	$ -

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of Presentation

The accompanying unaudited interim consolidated financial statements include those of Remington Outdoor Company, Inc. ("Remington Outdoor Company," "Remington Outdoor," or the "Company", also known as "Freedom Group, Inc." or "Freedom Group") and its subsidiaries. Remington Outdoor owns 100% of FGI Holding Company, LLC ("FGI Holding"), which in turn owns 100% of FGI Operating Company, LLC ("FGI Opco"). FGI Opco includes the financial results of Remington Arms Company, LLC ("Remington"), Barnes Bullets, LLC ("Barnes"), RA Brands, L.L.C. and Outdoor Services, LLC. FGI Opco also owns 100% of FGI Finance, Inc. ("FGI Finance"). Remington, in turn, owns Advanced Armament Corp., LLC ("AAC"), Para USA, LLC ("Para"), a 99% interest in TMRI, Inc. ("TMRI"), Remington Outdoor (UK) Ltd. ("Remington UK"), a 75% interest in Mountain Khakis, LLC ("Mountain Khakis"), and an 84% interest in EOTAC, LLC ("EOTAC"). On October 19, 2012, the Company changed its legal name from Freedom Group, Inc. to Remington Outdoor Company, Inc. The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company and its subsidiaries as of and for the year ended December 31, 2012. These unaudited interim statements include all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the periods presented. The results for the three month period may not be indicative of a full year's result. Certain amounts reported in prior periods have been reclassified to conform to the presentation at June 30, 2013.

2. Business Combinations

As discussed below, the Company has made various acquisitions. These acquisitions are being accounted for as business combinations using the acquisition method, in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), 805 "Business Combinations" whereby the final purchase price (including assumed liabilities) is allocated and pushed down to the assets acquired based on their estimated fair market values at the date of the acquisition.

Para

On January 30, 2012, the Company acquired certain assets and assumed certain liabilities of Para USA, Inc. for approximately $5.0 (the "Para Acquisition"), including cash, fees, debt repayments and escrow payments. The Para Acquisition was funded with cash from operating activities and its operations are consolidated with Remington. Para manufactures and sells 1911 style handguns. Para's high capacity frame and light double action (LDA™) trigger systems are part of the innovation that Para has brought to the well-known 1911 design.

The American Parts Company, Inc. ("TAPCO")

On November 2, 2012, the Company, through its Remington subsidiary, acquired certain assets and assumed certain liabilities of TAPCO for approximately $14.1 (the "TAPCO Acquisition") including cash, fees, a working capital adjustment, and escrow payments. The TAPCO Acquisition was funded with cash from operating activities and its operations are consolidated with Remington. TAPCO is a designer and marketer of American-made aftermarket accessories and replacement parts for handguns, rifles, shotguns, modern sporting rifles and other tactical firearms.

LAR Manufacturing, Inc. ("LAR")

On November 12, 2012, the Company, through its Remington subsidiary, acquired certain assets and assumed certain liabilities of LAR for approximately $10.0 (the "LAR Acquisition") including cash, fees and escrow payments. The LAR Acquisition was funded with cash from operating activities and its operations are consolidated with Remington. LAR manufactures parts for firearms.

(dollars in millions, except share and per share amounts) – Unaudited

TMRI

On December 31, 2012, the Company, through its Remington subsidiary, acquired the convertible preferred stock of TMRI for approximately $7.4 (the "TMRI Acquisition") including cash, fees and escrow payments. The TMRI Acquisition was funded with cash from operating activities and its operations are consolidated with Remington. On February 5, 2013, the Company exercised its right to convert the preferred stock to voting common stock. The Company has a 99.1% ownership interest in TMRI. TMRI manufactures and sells rifles, as well as firearm components.

Tech Group (UK) Ltd. ("SMK")

On March 28, 2013, the Company, through its subsidiary, Remington UK, acquired certain assets and assumed certain liabilities of SMK for approximately $6.4 (the "SMK Acquisition") including cash, fees and escrow payments. The SMK Acquisition was funded with cash from operating activities and its operations are consolidated with Remington. SMK, based in the United Kingdom, imports and distributes airguns.

The results of operations for SMK are included in our consolidated financial statements beginning on its acquisition date. The Company's consolidated financial statements include $1.9 of revenues and $0.2 in operating income related to the SMK Acquisition for the six months ended June 30, 2013.

Purchase Price Allocations

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed in accordance with FASB ASC 805 "Business Combinations":

	SMK[1,2]	TMRI[2,3]	LAR[1,2]	TAPCO[1,2,3]	Para[1]
Cash	$ -	$ 0.2	$ -	$ -	$ 0.1
Accounts Receivable	0.5	1.2	0.6	1.2	0.1
Inventory	1.5	1.1	3.3	4.8	2.4
Other Current Assets	-	-	-	-	0.2
Property, Plant, and Equipment	0.2	1.1	1.1	0.3	1.9
Goodwill	4.2	4.7	5.1	8.0	1.4
Identifiable Intangible Assets	-	-	-	-	3.0
Other Long-Term Assets	-	-	-	0.1	-
Total Assets Acquired	$ 6.4	$ 8.3	$ 10.1	$ 14.4	$ 9.1
Current Liabilities	$ -	$ 0.9	$ 0.1	$ 0.3	$ 2.0
Other Non-Current Liabilities	-	-	-	-	2.1
Total Liabilities Assumed	$ -	$ 0.9	$ 0.1	$ 0.3	$ 4.1
Total Assets Acquired Less Liabilities Assumed	6.4	7.4	10.0	14.1	5.0
Estimated Acquisition Cost	$ 6.4	$ 7.4	$ 10.0	$ 14.1	$ 5.0

[1] Goodwill is expected to be deductible for tax purposes.
[2] Purchase price allocation is preliminary and subject to valuations which are not yet complete.
[3] The purchase prices associated with the TAPCO Acquisition and TMRI Acquisition increased $1.1 and $0.1, respectively, related to working capital adjustments.

Pro Forma Financial Information (Unaudited)

The following unaudited pro forma results of operations assume that the acquisitions occurred as of January 1, 2012, adjusted for the impact of certain items, such as the elimination of intercompany sales and cost of sales, recognition of write-up in cost of sales as inventory is sold and the related income tax effects. Income taxes are provided at the estimated statutory rate. This unaudited pro forma information should not be relied upon as necessarily being indicative of historical results that would have been obtained if the acquisitions had actually occurred on that date, nor of the results that may be obtained in the future.

(dollars in millions, except share and per share amounts) – Unaudited

For the Periods Ended	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Net Sales	$ 353.2	$ 241.9	$ 674.8	$ 454.7
Operating Income (Loss)	65.2	(22.0)	117.4	1.2
Net Income (Loss)	36.3	(20.3)	63.2	(15.9)

3. Fair Value Measurements

FASB ASC 820 “Fair Value Measurements and Disclosures” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date (that is, an exit price). The exit price is based on the amount that the holder of the asset or liability would receive or need to pay in an actual transaction (or in a hypothetical transaction if an actual transaction does not exist) at the measurement date. In some circumstances, the entry and exit price may be the same; however, they are conceptually different. The accounting standards also establish a three-level hierarchy that prioritizes the inputs used in fair value measurements. The hierarchy consists of three broad levels as follows:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable inputs other than quoted prices within Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These include certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring Fair Value Measurements

The following table presents assets measured at fair value on a recurring basis as of June 30, 2013, December 31, 2012 and June 30, 2012:

	Level 1	Level 2	Level 3	Total
As of June 30, 2013:				
Assets:				
Derivatives [1, 2]	$ -	$ 4.1	$ -	$ 4.1
Liabilities:				
Derivatives [1, 2]	-	(12.0)	-	$ (12.0)
As of December 31, 2012:				
Assets:				
Derivatives [1]	-	5.8	-	5.8
Liabilities:				
Derivatives [1, 2]	-	2.6	-	2.6
As of June 30, 2012:				
Assets:				
Derivatives [1]	-	0.2	-	0.2
Liabilities:				
Derivatives [1, 2]	-	1.6	-	1.6

[1] The fair value of the commodity option and swap contracts is primarily determined using observable inputs of similarly quoted commodity options and swap contracts that are actively

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traded on an exchange. Most of the Company's derivative contracts are not listed on an exchange and are measured based on observable inputs such as spot and future commodity prices.

[2] The fair value of the interest rate swap was determined using standard valuation models and observable market inputs which are classified as Level 2 inputs. Inputs used in the valuation model include interest rates, forward rates, and discount rates that are derived from London Inter Bank Offered Rate ("LIBOR") and U.S. Treasury rates. Refer to note 15.

Recurring Fair Value Measurements

The following table presents assets measured at fair value on a nonrecurring basis as of June 30, 2013:

	Level 1	Level 2	Level 3	Impairment
As of June 30, 2013				
Assets Held for Sale [1]	$ -	$ -	$ 1.6	$ 0.6

[1] During the period ended June 30, 2013, the Company recognized a $0.6 impairment charge related to the building and property held for sale in North Haven, Connecticut. The former facility has been deemed held for sale since December 2010 and its carrying value has been previously reduced twice since its determination. Prior to the current period's reduction, it was determined that the idle facility's best and highest use would be in commercial development and the Company used recent sales prices in the local commercial real estate market as its unobservable inputs. The Company still believes the facility's best and highest use is in commercial development, but valued the facility at $1.6 based on the local real estate market as its unobservable inputs.

Other Fair Value Measurements and Concentrations of Credit Risk

Due to their liquid nature, the carrying values of cash and cash equivalents, trade receivables, accounts payable, book overdrafts, income taxes payable and receivable, and other noncurrent accrued liabilities are considered representative of their fair values. The Company's debt had an estimated fair value of $659.3, $658.9, and $613.4 as of June 30, 2013, December 31, 2012, and June 30, 2012, respectively, and a carrying value of $649.3, $653.9, and $599.0 as of June 30, 2013, December 31, 2012, and June 30, 2012, respectively. The fair value of the Company's fixed rate notes was measured using the active quoted trading price of its notes at June 30, 2013, December 31, 2012, and June 30, 2012, which is considered a Level 2 input.

The Company also has concentrations of credit risk with certain customers. Approximately 6.8% and 9.8% of total sales for the three months ended June 30, 2013 and 2012, respectively, and 9.0% and 11.7% of total net sales for the six months ended June 30, 2013 and 2011, respectively, consisted of sales made to one customer from all reportable business segments.

4. Inventories, Net

As of	June 30, 2013	December 31, 2012	June 30, 2012
Raw Materials	$ 92.4	$ 86.8	$ 72.9
Semi-Finished Products	44.4	41.3	37.4
Finished Products	79.9	73.8	76.0
Total	$ 216.7	$ 201.9	$ 186.3

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5. Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the periods ended June 30, 2013, December 31, 2012, and June 30, 2012 by reporting segment are as follows:

Goodwill by Segment:	June 30, 2013	Adjustment [1]	December 31, 2012	Adjustment [2]	June 30, 2012
Firearms	$ 58.1	$ 4.3	$ 53.8	$ 10.2	$ 43.6
Ammunition	23.9	-	23.9	-	23.9
All Other	8.6	1.1	7.5	7.3	0.2
Total Goodwill	$ 90.6	$ 5.4	$ 85.2	$ 17.5	$ 67.7

[1] The Company acquired SMK during the current period which resulted in $4.2 of capitalized goodwill in its firearms segment. Goodwill associated with the TAPCO Acquisition and TMRI Acquisition increased $1.1 and $0.1, respectively, related to working capital adjustments. Refer to note 2 for additional information.

[2] Goodwill increased $17.5 as a result of purchase accounting related to the acquisitions of TAPCO, LAR, Dublin Dog, and TMRI. Goodwill in the Firearms segment increased $5.1 from the LAR Acquisition and $4.6 from the TMRI Acquisition. These increases in the Firearms segment also included $0.5 related to the Para Acquisition's final purchase price valuation. Goodwill in the All Other segments increased $6.9 from the TAPCO Acquisition and $0.4 from the Dublin Dog Acquisition.

Intangible Assets Other Than Goodwill

Indefinite-Lived Intangible Assets

The following table summarizes information related to the carrying amount of the Company's indefinite-lived intangible assets:

Indefinite-Lived Intangible Assets:	June 30, 2013	Adjustment	December 31, 2012	Adjustment [1]	June 30, 2012
Trade Names, net	$ 70.6	$ -	$ 70.6	$ 0.7	$ 69.9

[1] Trade names increased $0.8 from the acquisition of intellectual property distinct from the Company's recent business acquisitions.

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Definite-Lived Intangible Assets

The following table summarizes information related to the gross carrying amounts, accumulated amortization, and net carrying amounts of the Company's definite-lived intangible assets:

Definite-Lived Intangible Assets:	June 30, 2013	Adjustment/ Amortization	December 31, 2012	Adjustment/ Amortization	June 30, 2012
Customer Relationships, gross	$ 47.8	$ -	$ 47.8	$ -	$ 47.8
Accumulated amortization	(18.9)	(1.6)	(17.3)	(1.6)	(15.7)
Customer Relationships, net	$ 28.9	$ (1.6)	$ 30.5	$ (1.6)	$ 32.1
License Agreements, gross	8.5	-	8.5	-	8.5
Accumulated amortization	(7.4)	(0.6)	(6.8)	(0.6)	(6.2)
License Agreements, net	$ 1.1	$ (0.6)	$ 1.7	$ (0.6)	$ 2.3
Developed Technology, gross	14.3	-	14.3	-	14.3
Accumulated amortization	(10.9)	(1.0)	(9.9)	(1.0)	(8.9)
Developed Technology, net	$ 3.4	$ (1.0)	$ 4.4	$ (1.0)	$ 5.4
Other, gross	4.1	-	4.1	-	4.1
Accumulated amortization	(3.5)	(0.2)	(3.3)	(0.2)	(3.1)
Other, net	$ 0.6	$ (0.2)	$ 0.8	$ (0.2)	$ 1.0
Total Definite-Lived Intangibles, gross	$ 74.7	$ -	$ 74.7	$ -	$ 74.7
Total accumulated amortization [1]	(40.7)	(3.4)	(37.3)	(3.4)	(33.9)
Total Definite-Lived Intangible Assets, net	$ 34.0	$ (3.4)	$ 37.4	$ (3.4)	$ 40.8

[1] Amortization expense of intangible assets was $1.7 and $1.8 for the three months ended June 30, 2013 and June 30, 2012, respectively, and $3.4 and $3.5 for the six months ended June 30, 2013 and June 30, 2012, respectively.

Estimated annual amortization for definite-lived intangible assets over the next five calendar years and beyond is as follows:

Year	Amortization Expense
2013 (remainder of fiscal year)	$ 3.2
2014	4.6
2015	3.9
2016	3.2
2017	2.5
Thereafter	16.6
Total	$ 34.0

6. Accrued Liabilities

Accrued Liabilities consisted of the following at:

	June 30, 2013	December 31, 2012	June 30, 2012
Excise Tax	$ 30.4	$ 21.6	$ 20.0
Incentive Compensation	24.9	6.4	9.3
Marketing	21.1	21.8	15.8
Book Overdraft	-	-	9.0
Other	44.2	37.9	36.4
Total	$ 120.6	$ 87.7	$ 90.5

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7. Debt

Long-term debt consisted of the following at:

	June 30, 2013	December 31, 2012	June 30, 2012
Seven Year Term Loan B (the "Term Loan B")	$ 398.0	$ 399.8	$ 326.8
7.875% Senior Secured Notes due 2020 (the "2020 Notes")	250.0	250.0	250.0
Credit facility (the "ABL Revolver" or "ABL")	-	-	19.7
Other Debt [1]	1.3	4.1	2.5
Subtotal	$ 649.3	$ 653.9	$ 599.0
Less: Current Portion	(5.3)	(8.0)	(5.2)
Total	$ 644.0	$ 645.9	$ 593.8

[1] Other Debt consists of borrowings under outstanding notes issued by Mountain Khakis, short-term financings for insurance premiums and capital lease obligations.

7.875% Senior Secured Notes due 2020

The 2020 Notes are guaranteed by Remington Outdoor, FGI Holding and each of FGI Opco's wholly-owned domestic restricted subsidiaries that are borrowers or guarantors under the ABL and Term Loan B (collectively, the "Guarantors"). Interest is payable on the 2020 Notes semi-annually on May 1 and November 1 of each year.

The Issuers may redeem some or all of the 2020 Notes at any time prior to May 1, 2015 at a price equal to 100% of the principal amount thereof, accrued and unpaid interest plus the make-whole premium. The make-whole premium is the greater of (1) 1.0% of the then outstanding principal amount of the 2020 Notes or (2) the excess of the present value of the redemption price of the 2020 Notes on May 1, 2015 plus all required interest payments due on the 2020 Notes through May 1, 2015 (excluding accrued but unpaid interest), computed using the discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points over the then outstanding principal amount of the 2020 Notes. In addition, the 2020 Notes will be redeemable in whole or in part including accrued and unpaid interest at the redemption prices set forth below beginning on May 1 of each of the noted years:

Period Redemption Price	
2015	105.906%
2016	103.938%
2017	101.969%
2018 and thereafter	100.000%

The Issuers may also redeem up to 35% of the outstanding 2020 Notes on or prior to May 1, 2015 with the proceeds of certain equity offerings at the redemption price of 107.875%.

The 2020 Notes and guarantees, with the exception of Remington Outdoor's guarantee, which is unsecured, are secured by a third-priority lien on substantially all existing and future assets of FGI Holding, the Issuers and the subsidiary guarantors that secure the ABL and the Term Loan B, other than real property which is only secured by the Term Loan B. The collateral consists of substantially all of the Guarantors' (other than Remington Outdoor's) tangible and intangible assets, other than real property and certain other exceptions. The indenture governing the 2020 Notes contains covenants which include, among others, limitations on restricted payments; incurrence of indebtedness; issuance of disqualified stock and preferred stock; merger, consolidation or sale of all or substantially all assets; transactions with affiliates; and dividend and other payments. The 2020 Notes also include customary events of default.

Term Loan B

The Term Loan B agreement was entered into by FGI Opco, as the borrower, and is guaranteed by FGI Holding and each of FGI Opco's wholly-owned direct and indirect domestic subsidiaries, excluding Outdoor Services. FGI Opco may designate, at its discretion, from time to time, certain subsidiaries that are not guarantors. The Term Loan B has a first priority lien on all of FGI Opco and the Guarantors' tangible and intangible assets, including 100% of the subsidiaries' capital stock, but excluding accounts receivable, inventory and certain general intangibles, including intellectual property (the "ABL Priority Collateral"). The Term Loan B will have a second priority lien on all ABL Priority Collateral.

Borrowings under the Term Loan B bear interest at an annual rate of either (a) the LIBOR rate (with a floor of 1.25%) plus a spread or (b) the base rate (with a floor of 2.25%) plus a spread. The Term Loan B requires amortization payments due every three months in an amount equal to 0.25% of the original principal balance thereof, with the balance due at maturity. FGI Opco may at any time after the first anniversary of the Issue Date, without premium or penalty, voluntarily prepay the Term Loan in whole or in part, and prior to the first anniversary of the Issue Date, voluntarily prepay the Term Loan B in whole or in part subject, in certain circumstances to a payment of a 1% premium of the amount prepaid.

At June 30, 2013, the weighted average interest rate on the Term Loan B was 5.5%.

ABL Revolver

The ABL Revolver is a five-year $150.0 Asset-Based Revolving Credit Facility, including sub-limits for letters of credit and swingline loans. Subject to certain terms and conditions, the borrowing limit under the ABL may be increased to $255.0. FGI Holding and FGI Opco's existing wholly-owned direct and indirect domestic subsidiaries other than Outdoor Services are either a borrower or guarantor under the ABL. FGI Opco may designate, at its discretion, from time to time, certain subsidiaries that are not borrowers or guarantors. The ABL has a first lien claim on the ABL Priority Collateral, in addition to a second lien claim on the Term Loan B collateral other than real property.

Borrowings under the ABL bear interest at an annual rate of either (a) the LIBOR rate plus a spread or (b) the base rate plus a spread. The LIBOR and base rate spreads fluctuate based on the amount of available borrowing capacity under the ABL as provided in the ABL. The ABL includes an unused line fee of 0.375% that will be charged at an annual rate to be paid monthly in arrears. FGI Opco will pay a fee on letters of credit equal to the applicable LIBOR margin and a fronting fee equal to 0.125% per annum, in each case to be paid monthly in arrears.

The Credit Facilities contain customary covenants applicable to FGI Opco and its subsidiaries, other than certain unrestricted subsidiaries. The Credit Facilities contain certain covenants, as well as restrictions on, among other things, the ability of FGI Opco and its subsidiaries to: incur debt; incur liens; declare or make distributions to stockholders; make loans and investments; repay debt; enter into mergers, acquisitions and other business combinations; engage in asset sales; amend or modify governing documents; engage in businesses other than business as currently conducted; and enter into transactions with affiliates. The Credit Facilities include customary events of default, including cross-defaults to the 2020 Notes and other indebtedness.

As of June 30, 2013, there were no outstanding borrowings under the ABL. Approximately $141.3 in additional borrowings, including the minimum availability requirement of $22.5, was available at June 30, 2013.

The Company was in compliance with its debt covenants at June 30, 2013 and outstanding standby letters of credit were approximately $8.6.

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Other Debt

In conjunction with its acquisition of Mountain Khakis, the Company assumed individual notes payable that were paid in full by May 2013. The interest rates on these notes ranged between 10% and 12%. Short-Term Borrowings contains an unsecured, fixed interest agreement for financing premiums on the Company's insurance policy. The interest rate under this annual agreement was 2.0% and matures in November 2013.

8. Stock Compensation

Restricted Stock/Restricted Units

The following table summarizes restricted common unit/share activity for the six months ended June 30, 2013:

	Restricted Common Units/Shares Outstanding	Weighted-Average Grant Date Fair Value	Units/Shares Vested
Balance at December 31, 2012	1,515	$ 445.38	1,515
Balance at June 30, 2013	1,515	$ 445.38	1,515

Since all shares of restricted stock were vested at the beginning of the period, no compensation costs were recognized during the three or six months ended June 30, 2013.

Stock Options

On May 14, 2008, the board of directors of FGI (the "FGI Board") adopted the American Heritage Arms, Inc. 2008 Stock Incentive Plan (the "Plan"). The Plan is designed to provide a means by which certain current employees, officers, non-employee directors and other individual service providers may be given an opportunity to benefit from increases in the value of FGI common stock (the "Common Stock"), through the grant of awards. FGI, by means of the Plan, seeks to retain the services of such eligible persons and to provide incentives for such persons to exert maximum efforts for the success of FGI and its subsidiaries.

The awards under the Plan may be in the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards and stock unit awards. The maximum aggregate number of shares of Common Stock that may be issued under all awards granted to participants under the Plan is 24,247 shares, including approximately 1,234 shares which are restricted shares and not stock options, subject to certain adjustments as set forth in the Plan.

Also on May 14, 2008, the FGI Board adopted the form of Nonqualified Stock Option Award Agreement (the "Form Award Agreement"). The Form Award Agreement outlines terms relating to stock option awards, including (i) the exercise price per share of each option granted, which shall be the fair market value of a share of the Common Stock on the date of grant (as defined in the Plan), (ii) the vesting schedule of the options granted, and (iii) acceleration provisions upon the occurrence of a change in control, termination of employment without cause or termination of employment for good reason.

All of the Company's outstanding options had vested by March 2013 and no additional compensation expense is expected to be recognized. For the three and six months ended June 30, 2013, the Company recognized less than $0.1 in expense related to these options.

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A summary of the stock option activity for the Plan for the six months ended June 30, 2013 is as follows:

	Number of Awards	Weighted-Average Exercise Price
Awards outstanding at December 31, 2012	5,445	$ 389.05
Awards outstanding at June 30, 2013	5,445	$ 389.05
Awards vested at June 30, 2013	5,445	$ 389.05
Shares available for grant at June 30, 2013	13,047	

9. Mezzanine and Stockholders' Equity

The Company is authorized to issue 200,000 shares of $0.01 par value preferred stock as approved by the FGI Board. As of June 30, 2013, there were 190,000 shares of preferred stock approved for issuance as Series A with no other approved classes of preferred stock issued or outstanding. The Company is also authorized to issue 200,000 shares of $0.01 par value common stock. Activity in the Series A preferred stock and common stock is summarized below:

Series A Preferred Stock	Issued	Held in Treasury	Outstanding
Shares of Preferred Stock at June 30, 2012	186,977	(168,327)	18,650
Purchases [1]	-	(18,650)	(18,650)
Shares of Preferred Stock at December 31, 2012	186,977	(186,977)	-
Shares of Preferred Stock at June 30, 2013	186,977	(186,977)	-

Common Stock	Issued	Held in Treasury	Outstanding
Shares of Common Stock at June 30, 2012	166,989	(4,227)	162,762
Shares of Common Stock at December 31, 2012	166,989	(4,227)	162,762
Shares of Common Stock at June 30, 2013	166,989	(4,227)	162,762

[1] In August 2012, the Company repurchased all 18,650 shares of its outstanding Series A preferred stock.

10. Other Comprehensive Income (Loss)

Each component of Other Comprehensive Income (Loss) ("OCI") and their related tax effects for the three and six months ended June 30, 2013 and 2012 is as follows:

Three Months Ended June 30, 2013	Before Tax	Tax Effect	After Tax [2]
Net derivatives: [1]			
Net derivative gains (losses) recognized in OCI	$ (9.3)	$ 3.5	$ (5.8)
Net derivative (gains) losses reclassified into earnings	(1.0)	0.4	(0.6)
Other comprehensive income (loss)	$ (10.3)	$ 3.9	$ (6.4)

Three Months Ended June 30, 2012	Before Tax	Tax Effect	After Tax [2]
Net derivatives: [1]			
Net derivative gains (losses) recognized in OCI	$ (3.1)	$ 1.2	$ (1.9)
Net derivative (gains) losses reclassified into earnings	0.4	(0.1)	0.3
Other comprehensive income (loss)	$ (2.7)	$ 1.1	$ (1.6)

Six Months Ended June 30, 2013	**Before Tax**	**Tax Effect**	**After Tax [2]**
Net derivatives: [1]			
Net derivative gains (losses) recognized in OCI	$ (14.9)	5.7	(9.2)
Net derivative (gains) losses reclassified into earnings	(0.3)	0.1	(0.2)
Other comprehensive income (loss)	$ (15.2)	$ 5.8	$ (9.4)

Six Months Ended June 30, 2012	**Before Tax**	**Tax Effect**	**After Tax [2]**
Net derivatives: [1]			
Net derivative gains (losses) recognized in OCI	$ (2.3)	$ 0.9	$ (1.4)
Net derivative (gains) losses reclassified into earnings	1.3	(0.5)	0.8
Other comprehensive income (loss)	$ (1.0)	$ 0.4	$ (0.6)

[1] Net derivative gains and losses that are reclassified out of Accumulated Other Comprehensive Income (Loss) ("AOCI") are recognized in their entirety in Cost of Sales on the Company's condensed consolidated statement of operations in the same reporting period. For additional information on the Company's derivative instruments that are designated as cash flow hedges refer to note 15.

[2] Amounts net of tax appear on the Consolidated Statements of Comprehensive Income (Loss).

11. Net Income Per Share

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated (in millions, except share and per share amounts):

	Three Months Ended June 30, 2013	**Three Months Ended June 30, 2012**	**Six Months Ended June 30, 2013**	**Six Months Ended June 30, 2012**
Numerator:				
Net income (loss) attributable to controlling interest	$ 36.3	$ (21.9)	$ 63.1	$ (15.6)
Accretion of preferred stock	-	(0.8)	-	(1.5)
Net income (loss) applicable to common shareholders	$ 36.3	$ (22.7)	$ 63.1	$ (17.1)
Denominator:				
Weighted average common shares outstanding (basic)	162,762	162,762	162,762	162,674
Weighted average common shares outstanding (diluted)	165,557	162,762	165,558	162,674
Income (Loss) per Common Share:				
Basic	$ 222.82	$ (139.28)	$ 387.82	$ (104.81)
Diluted	$ 219.06	$ (139.28)	$ 381.27	$ (104.81)
Common Share Equivalents of Potentially Dilutive Securities:				
Stock Options	803	5,445	803	5,445

12. Income Taxes

The effective tax rate on continuing operations for the six months ended June 30, 2013 and 2012 was 35.8% and 39.9%, respectively. The difference between the actual effective tax rate and the federal statutory rate of 35% is principally due to state income taxes, permanent differences, and utilization of available tax credits as of June 30, 2013 and 2012. U.S. income taxes have not been accrued on the earnings of Remington UK because the Company's intent is to indefinitely reinvest these funds outside of the U.S.

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13. Retiree Benefits

Defined Benefit Pension Plans:

The Company sponsors two defined benefit pension plans and a supplemental defined benefit pension plan for certain of its employees. For disclosure purposes, the three defined benefit plans have been combined and are collectively referred to as the "Plans". Vested employees who retire will receive an annual benefit equal to a specified amount per month per year of credited service, as defined by the Plans.

The following tables summarize the components of net periodic pension cost for the Plans for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Service Cost	$ -	$ -	$ -	$ 0.1
Interest Cost	2.6	2.8	5.2	5.5
Expected Return on Assets	(3.8)	(4.3)	(7.6)	(8.6)
Recognized Net Actuarial (Gains) Losses	0.9	0.7	1.8	1.3
Net Periodic Pension (Benefit)/Cost	$ (0.3)	$ (0.8)	$ (0.6)	$ (1.7)

As a result of the Company's restructuring activities, the Company notified the Pension Benefit Guaranty Corporation ("PBGC") that the closure of the manufacturing facility in North Haven, Connecticut would be considered a cessation of operations event under ERISA Section 4062(e). The PBGC determined that the Company's 4062(e) unfunded liability was approximately $10.1 for the Marlin pension plan. The Company funded the $10.1 from available cash and cash equivalents during the first quarter of 2013.

In addition to the $10.1 contributed in the first quarter of 2013, the Company expects to make aggregate cash contributions totaling approximately $0.6 to the Plans during the current fiscal year. As of June 30, 2013, the Company has contributed approximately $0.5 to the Plans.

Other Postretirement Benefit Plans

The following tables summarize the components of net periodic post-retirement cost for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Interest Cost	$ 0.2	$ 0.1	$ 0.4	$ 0.3
Net Periodic Pension (Benefit)/Cost	$ 0.2	$ 0.1	$ 0.4	$ 0.3

14. Commitments and Contingencies

Purchase Commitments

The Company has various purchase commitments for services incidental to the ordinary conduct of business, including, among other things, a services contract with its third party warehouse provider. Such commitments are not at prices in excess of current market prices. Included in the purchase commitment amounts are the Company's purchase contracts with certain raw material suppliers, for periods ranging from one to seven years, some of which contain firm commitments to purchase specified minimum quantities.

Contingencies

The Company is subject to various lawsuits and claims with respect to product liabilities, governmental regulations and other matters arising in the normal course of business. Pursuant to an asset purchase agreement (the "Purchase Agreement") on December 1, 1993, Remington acquired certain assets and assumed certain liabilities (the "Asset Purchase") of the sporting goods business formerly operated by E. I. du Pont de Nemours and Company ("DuPont") and one of DuPont's subsidiaries (together with DuPont, the "1993 Sellers"). Under the Purchase Agreement, the Company generally bears financial responsibility for all product liability cases and claims relating to occurrences after the closing of the Asset Purchase, except for certain costs relating to certain shotguns, for all cases and claims relating to discontinued products and for limited other costs. Because the Company's assumption of financial responsibility for certain product liability cases and claims involving pre-Asset Purchase occurrences was limited to a fixed amount that has now been fully paid, and with the 1993 Sellers retaining liability in excess of that amount and indemnifying the Company in respect of such liabilities, the Company believes that product liability cases and claims involving occurrences arising prior to the Asset Purchase are not likely to have a material adverse effect upon the financial condition, results of operations or cash flows of the Company. Moreover, although it is difficult to forecast the outcome of litigation, the Company does not believe, in light of relevant circumstances (including the current availability of insurance for personal injury and property damage with respect to cases and claims involving occurrences arising after the Asset Purchase, the Company's accruals for the uninsured costs of such cases and claims and the 1993 Sellers' agreement to be responsible for a portion of certain post-Asset Purchase shotgun-related product liability costs, as well as the type of firearms products made by the Company) and the passage of time, that the outcome of all pending post-Asset Purchase product liability cases and claims will be likely to have a material adverse effect upon the financial condition, results of operations or cash flows of the Company. Nonetheless, in part because the nature and extent of manufacturer liability based on the manufacture and/or sale of allegedly defective products (particularly as to firearms and ammunition) is uncertain, there can be no assurance that the Company's resources will be adequate to cover pending and future product liability and other product related occurrences, cases or claims, in the aggregate, or that such a material adverse effect upon the Company's financial condition, results of operations or cash flows will not result therefrom. Because of the nature of its products, the Company anticipates that it will continue to be involved in product liability and product related litigation in the future. As of June 30, 2013, the Company had eight class action cases pending relating to breach of warranty claims concerning certain of its firearms products where economic damages were being claimed.

The Company's accruals for losses relating to product liability cases and claims include accruals for all probable losses for which the amount can be reasonably estimated. Based on the relevant circumstances (including the current availability of insurance for personal injury and property damage with respect to cases and claims involving occurrences arising after the Asset Purchase, the Company's accruals for the uninsured costs of such cases and claims and the 1993 Sellers' agreement to be responsible for a portion of certain post-Asset Purchase shotgun-related product liability costs, as well as the type of firearms products made by the Company), the Company does not believe with respect to product liability and product related cases and claims that any reasonably possible loss exceeding amounts already recognized through the Company's accruals has been incurred. At June 30, 2013, December 31, 2012, and June 30, 2012, the Company's accrual for product liability cases and claims was \$16.0, \$16.4, and \$17.8, respectively.

The Company is conducting remediation of oil-related contamination at a former facility in Connecticut. Costs for the remediation are not expected to be material.

15. Derivatives

The Company's activities are exposed to several market risks which could have an adverse effect on its earnings and financial performance. As part of the Company's risk management program, these market risks are continually monitored and managed and the Company frequently utilizes derivative instruments to mitigate the effects of those market risks. Commodity options and swap contracts have been used to minimize price risk associated with the purchase of raw materials used in its manufacturing and interest rate swaps have been used to minimize interest risk associated with its variable-rate debt. Commodity options and swap contracts are agreements to buy and sell a quantity of commodities at predetermined prices on predetermined future dates. An interest rate swap is an agreement between two parties to exchange streams of future interest cash flows based on a specified principal amount. The Company does not enter into derivative instruments for trading or speculative purposes.

On the date that the Company enters into derivative contracts, it designates and documents all relationships between the derivative instrument and the hedged item, as well as its risk management objective and strategy. All derivative instruments are recognized at their fair value on the Company's condensed consolidated balance sheet in the applicable line items: prepaid expenses and miscellaneous receivables; other assets; accounts payable; accrued expenses; and other long-term liabilities. For those derivative instruments subject to master netting agreements where netting of payments is allowable, the fair values of derivative transactions are presented on a net basis in the condensed consolidated balance sheet. For those derivative instruments subject to master netting agreements where netting of payments is not allowable or that are not subject to master netting agreements, the fair values of derivative transactions are presented on a gross basis in the condensed consolidated balance sheet. The fair value amounts recognized for derivative instruments are offset against the fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral.

Treatment of gains and losses resulting from changes in the fair values of derivative instruments is dependent on the instruments' designation and qualification as hedging instruments. The effective portion of changes in the fair values of derivative instruments that qualify as cash flow hedges are recorded in AOCI and are reclassified into the same line item of the condensed consolidated statement of operations as the hedged item is recorded during the same period the hedged item affects earnings. The ineffective portion of changes in the fair values of derivatives qualifying as cash flow hedges is immediately recognized into earnings. For those derivatives that were not designated or that did not qualify as hedging instruments, their changes in fair values are immediately recognized into earnings within the same line item of the condensed consolidated statement of operations as the hedged item is recorded. Cash flows from derivative instruments are classified in the same category as cash flows from the hedged item in the condensed consolidated statement of cash flows.

Cash Flow Hedges

The Company enters into copper and lead commodity contracts to mitigate price fluctuations on future commodity purchases. The Company had historically entered into commodity options contracts for copper and lead. As copper and lead prices began to decline, the Company changed its derivative instruments in favor of commodity swap contracts, whereby future needs for copper and lead are made at a predetermined fixed price at a predetermined future date without initial premium disbursements at the contract's commencement date. By May 2012, the Company had either sold or settled all of its lead and copper options contracts.

Both commodity options and swap contracts qualify for and have been designated as cash flow hedges. Changes in the fair values of the commodity options and swap contracts are recorded in AOCI until sales of ammunition that included previously hedged purchases of copper and lead have been recognized. Based on current market prices, approximately $3.4 (net of income taxes) of the net loss related to cash flow hedges included in AOCI is expected to be recognized into earnings within the next twelve months. All derivative instruments designated as cash flow hedges are expected to settle by April 2015.

Commodity Options

Since May 2012, the Company has not had any outstanding commodity options contracts. In 2011 and 2012, the Company sold some of its outstanding options contracts prior to the original settlement date, which resulted in a loss that was recognized in AOCI. This loss was reclassified into earnings three months beyond the original settlement dates, which was when the previously hedged notional volume was expected to be recognized as cost of sales. During the six months ended June 30, 2013, the options contracts' remaining $0.5 loss was fully reclassified into earnings. At June 30, 2013, there were no commodity options contracts' gains or losses recognized in AOCI.

(dollars in millions, except share and per share amounts) – Unaudited

Commodity Swaps

At June 30, 2013, the fair values of the Company's outstanding swap contracts were $(9.4) and hedged firm commitments of an aggregate notional amount of 67.4 million pounds of copper and lead. The commodity swap contracts outstanding at June 30, 2013 will settle over the next 22 months. At December 31, 2012, the fair values of the Company's outstanding swap contracts were $5.8 and hedged firm commitments of an aggregate notional amount of 44.5 million pounds of copper and lead and will settle by December 2014. At June 30, 2012, the fair values of the Company's outstanding swaps contracts were $(1.4) and hedged firm commitments of an aggregate notional amount of 48.3 million pounds of copper and lead and will settle by December 2013.

The following table presents the net fair value of the Company's derivative instruments that were designated as cash flow hedges and their presentation on the condensed consolidated balance sheet at the following dates:

Derivatives Designated as Cash Flow Hedges	Balance Sheet Location	June 30, 2013	December 31, 2012	June 30, 2012
Assets				
Commodity Swaps	Prepaid Expenses and Miscellaneous Receivables	$ -	$ 5.5	$ -
Commodity Swaps	Other Assets	-	0.3	0.2
Total Assets		$ -	$ 5.8	$ 0.2
Liabilities				
Commodity Swaps	Accounts Payable	$ 6.9	$ -	$ 1.6
Commodity Swaps	Other Long-Term Liabilities	2.5	-	-
Total Liabilities		$ 9.4	$ -	$ 1.6

The following table presents the impact changes in fair values of derivatives designated as cash flow hedges had on earnings and AOCI, net of taxes, for the indicated periods:

Derivatives Designated as Cash Flow Hedges	Gain (Loss) Recognized in OCI	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI into Earnings (Effective Portion)	Gain (Loss) Recognized in Earnings (Ineffective Portion and Amounts Excluded from Effectiveness Testing)
Three Months Ended June 30, 2013:				
Commodity Swaps	$ (5.8)	Cost of Sales	$ 0.8	$ (0.2)
Total [1]	$ (5.8)		$ 0.8	$ (0.2)
Three Months Ended June 30, 2012:				
Commodity Options	$ (0.6)	Cost of Sales	$ (0.3)	$ -
Commodity Swaps	(1.3)	Cost of Sales	-	-
Total [1]	$ (1.9)		$ (0.3)	$ -
Six Months Ended June 30, 2013:				
Commodity Options	$ -	Cost of Sales	$ (0.5)	$ -
Commodity Swaps	(9.2)	Cost of Sales	0.9	(0.2)
Total [1]	$ (9.2)		$ 0.4	$ (0.2)
Six Months Ended June 30, 2012:				
Commodity Options	$ (0.8)	Cost of Sales	$ (0.8)	$ -
Commodity Swaps	(0.6)	Cost of Sales	-	-
Total [1]	$ (1.4)		$ (0.8)	$ -

[1] For information on the tax effects and post-tax net gains and losses on derivative instruments reflected in OCI, refer to note 10.

(dollars in millions, except share and per share amounts) – Unaudited

Economic Hedges

Interest Rate Swap

The Company uses interest rate swaps to manage its exposure to interest rate volatility by swapping a portion of its floating rate debt into fixed-rate debt. These interest rate swaps effectively allow the Company to pay a fixed rate of interest. In April 2012, the Company refinanced its debt in part with a floating rate term loan. In order to minimize the effects volatility in LIBOR benchmark interest rates could have on its earnings, the Company entered into an interest rate swap agreement in July 2012. Changes in the fair value of the interest rate swap are immediately recognized in earnings as the derivative did not qualify for hedge accounting.

The interest rate swap settles on the 19th day of each month commencing on April 19, 2013 and will settle on April 19, 2018. The notional amount of the interest rate swap was $275.0 on the April 2013 commencement date and will decrease annually to $150.0 by its settlement date.

The following table presents the fair value of the Company's derivative instruments that were not designated as hedging instruments:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	June 30, 2013	December 31, 2012	June 30, 2012
Assets				
Interest Rate Swap	Other Assets	$ 4.1	$ -	$ -
Total Assets		$ 4.1	$ -	$ -
Liabilities				
Interest Rate Swap	Accrued Expenses	$ 2.6	$ 1.9	$ -
Interest Rate Swap	Other Long-Term Liabilities	-	0.7	-
Total Liabilities		$ 2.6	$ 2.6	$ -

The following table presents the pre-tax effect that changes in the fair values of derivatives not designated as hedging instruments had on earnings for the indicated periods:

Derivatives Not Designated as Hedging Instruments	Location of Gain Recognized in Earnings	Gain (Loss) Recognized in Earnings
Three Months Ended June 30, 2013:		
Interest Rate Swap	Interest Expense	$ 3.4
Three Months Ended June 30, 2012:		
Interest Rate Swap	Interest Expense	$ -
Six Months Ended June 30, 2013:		
Interest Rate Swap	Interest Expense	$ 3.7
Six Months Ended June 30, 2012:		
Interest Rate Swap	Interest Expense	$ -

Master Netting Agreements

All of the Company's derivative instruments are currently subject to master netting agreements and payments for the derivative contracts are allowed to be netted. Netting of payments for derivative instruments are allowable if the aggregate amount of transactions payable by one party exceeds the aggregate amount of transactions that are receivable by that party and if paid in the same currency. In the event of default, an early termination penalty payable to the non-defaulting party can be reduced by amounts payable to the defaulting party if the non-defaulting party so chooses. The fair values of all derivative instruments are presented on a net basis on the condensed consolidated balance sheet.

The following table presents the gross amounts of derivative instruments that were designated as cash flow hedges and their reconciliation to amounts on the condensed consolidated balance sheet at the following dates:

(dollars in millions, except share and per share amounts) – Unaudited

	Gross Amounts of Offsetting Items	Gross Amounts Offset on the Balance Sheet	Net Amounts of Offsetting Items on the Balance Sheet	Gross Amount of Items Not Offset on the Balance Sheet	Net Amounts in Total
As of June 30, 2013:					
Derivative Assets	$ 4.5	$ (0.4)	$ 4.1	$ -	$ 4.1
Derivative Liabilities	(12.4)	0.4	(12.0)	-	(12.0)
Total Amounts	$ (7.9)	$ -	$ (7.9)	$ -	$ (7.9)
Derivative Assets	$ 6.1	$ (0.3)	$ 5.8	$ -	$ 5.8
Derivative Liabilities	(0.3)	0.3	-	(2.6)	(2.6)
Total Amounts	$ 5.8	$ -	$ 5.8	$ (2.6)	$ 3.2
As of June 30, 2012:					
Derivative Assets	$ 0.8	$ (0.8)	$ -	$ -	$ -
Derivative Liabilities	(2.2)	0.8	(1.4)	-	(1.4)
Total Amounts	$ (1.4)	$ -	$ (1.4)	$ -	$ (1.4)

16. Segment Information

The Company's business is classified into two reportable segments: Firearms, which designs, manufactures, imports and markets primarily sporting shotguns, rifles, handguns, modular firearms and airguns; and Ammunition, which designs, manufactures and markets sporting ammunition and ammunition reloading components. The remaining operating segments, which include accessories and other gun-related products, licensed products, apparel and other pet accessories, are combined into the All Other category. Other corporate items include amounts not allocated to the individual segments, including retiree benefit expense (income), certain inventory accounting adjustments and inventory reserves. Retiree benefit expense resulted in income since January 1, 2012 due to changing the Company's policy to amortize actuarial gains and losses over the participants' average remaining life expectancy and employ the corridor approach for all of our retirement plans. The Company chose not to allocate the impact of the accounting policy change to segments beginning in the first quarter of 2012. In addition, the Company did not allocate certain inventory accounting adjustments and inventory reserves to our revenue generating segments beginning in the second quarter of 2012.

The Company uses gross profit to evaluate performance for its reporting segments. Results for the Company's reporting segments for the three months ended June 30, 2013 and 2012 are as follows:

Three Months Ended June 30,	**2013**	**2012**
Net sales from external customers:		
Firearms	$ 215.5	$ 145.8
Ammunition	110.7	79.6
All Other	27.0	8.4
Total net sales from external customers	$ 353.2	$ 233.8
Net sales between segments:		
Firearms	$ 0.4	$ 0.1
Ammunition	0.2	-
All Other	0.6	0.3
Eliminations	(1.2)	(0.4)
Total net sales between segments	$ -	$ -

Three Months Ended June 30,	**2013**	**2012**
Gross profit:		
Firearms	$ 74.6	$ 49.7
Ammunition	38.6	28.8
All Other	11.8	3.4
Other Corporate Items	3.3	(1.8)
Consolidated gross profit	$ 128.3	$ 80.1
Operating expenses	63.1	50.4
Loss on Extinguishment of Debt	-	54.3
Interest expense	8.1	11.5
Income before income taxes and noncontrolling interests	$ 57.1	$ (36.1)

Results for the Company's reporting segments for the six months ended June 30, 2013 and 2012 are as follows:

Six Months Ended June 30,	**2013**	**2012**
Net sales from external customers:		
Firearms	$ 410.0	$ 273.2
Ammunition	211.0	148.8
All Other	52.4	17.4
Total net sales from external customers	$ 673.4	$ 439.4
Net sales between segments:		
Firearms	$ 0.4	$ 0.1
Ammunition	0.7	-
All Other	1.4	0.5
Eliminations	(2.5)	(0.6)
Total net sales between segments	$ -	$ -
Gross profit:		
Firearms	$ 142.4	$ 91.7
Ammunition	73.6	49.8
All Other	23.4	7.7
Other Corporate Items	(0.5)	1.2
Consolidated gross profit	$ 238.9	$ 150.4
Operating expenses	121.6	94.5
Loss on Extinguishment of Debt	-	54.3
Interest expense	19.1	27.9
Income before income taxes and noncontrolling interests	$ 98.2	$ (26.3)

17. Recent Accounting Pronouncements

The Company has adopted the following accounting pronouncements since January 1, 2013:

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), 2013-02 "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which clarified the reclassification requirements of ASU 2012-12. Under FASB ASU 2013-02, significant items reclassified out of AOCI may be presented on the face of the financial statements, or in the accompanying footnotes. Significant reclassified items will be presented by the respective line items of net income only if those reclassified items are required to be reclassified to net income in their entirety in the same reporting period. Those significant items that are not required to be reclassified to net income in their entirety in the same period, such as pension and other post-retirement benefit period costs, can be cross-referenced to other disclosures in the accompanying footnotes. Since the new accounting guidance affects the presentation and disclosure requirements of AOCI, adoption of this standard did not impact the Company's results of operations, financial condition or equity. Refer to note 10 for additional information on the Company's AOCI.

The FASB issued ASU 2013-01 "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities," which augments the requirements of ASU 2011-11, "Disclosures About Offsetting Assets and Liabilities." Under both Updates, entities are required to disclose additional information about their derivatives instruments, repurchase agreements, and securities borrowing and lending transactions that are either offset in their statements of financial position or are subject to enforceable master netting agreements. Both standards were adopted since they became effective for interim and annual reporting periods beginning on January 1, 2013. The new standards will require additional disclosures, so adoption will not affect the Company's results of operations, financial condition, or equity. Refer to note 15 for additional information on the Company's derivative instruments and enforceable master netting agreements.

In July 2012, the FASB issued ASU 2012-02 "Testing Indefinite-Lived Intangible Assets for Impairment". The new Update allows entities to first perform a qualitative assessment to determine whether events and circumstances indicate that it is more likely than not that an indefinite-lived intangible asset is impaired. If it is determined that an indefinite-lived intangible asset is impaired, then the entity must compare the intangible asset's fair value to its carrying amount and record an impairment charge if that intangible asset's carrying amount exceeds its fair value. The intent of the new standard is to reduce the cost and complexity of impairment tests, so adoption of the new standard will not impact the Company's results of operations, financial condition, or equity.

18. Subsequent Events

Subsequent events have been evaluated through August 16, 2013, which is the date the financial statements were available to be issued.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying unaudited interim consolidated financial statements and related notes of Remington Outdoor Company, Inc. ("Remington Outdoor Company," "Remington Outdoor," or the "Company", also known as "Freedom Group, Inc." or "Freedom Group") and its subsidiaries. Remington Outdoor owns 100% of FGI Holding Company, LLC ("FGI Holding"), which in turn owns 100% of FGI Operating Company, LLC ("FGI Opco"). FGI Opco includes the financial results of Remington Arms Company, LLC ("Remington"), Barnes Bullets, LLC ("Barnes"), RA Brands, L.L.C. and Outdoor Services, LLC. FGI Opco also owns 100% of FGI Finance, Inc. ("FGI Finance"). Remington, in turn, owns Advanced Armament Corp., LLC ("AAC"), Para USA, LLC ("Para"), a 99% interest in TMRI, Inc. ("TMRI"), Remington Outdoor (UK) Ltd. ("Remington UK"), a 75% interest in Mountain Khakis, LLC ("Mountain Khakis"), and an 84% interest in EOTAC, LLC ("EOTAC").

Management's Discussion and Analysis of Financial Condition and Results of Operations is separated into the following sections:

- Company Overview
- Current Sales Demand
- Recent Company Developments
- EBITDA Measurements
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Policies and Estimates
- Recent Accounting Pronouncements
- Environmental Matters
- Regulatory Developments

Company Overview

We are one of the leading firearms, ammunition and related products companies in the world. With our *Remington* brand dating back to 1816, we are America's oldest and largest manufacturer of firearms and ammunition. We are the only major U.S. manufacturer of both firearms and ammunition, which provides a significant competitive advantage and supports our market leadership position. Our 12 manufacturing facilities and approximately 4,100 employees represent the largest domestic manufacturing presence in the firearms and related industries. This scale enables us to deliver our products throughout the United States and internationally to over 60 countries.

We have a strong management team that is aligned to capture market share and to execute against strategic opportunities. Management is focused on product innovation, manufacturing efficiency and high quality standards. We continue to look for opportunities to improve quality and efficiencies in our manufacturing facilities as we strive to extend our leadership as a branded lifestyle company in an increasingly demanding global marketplace. Accordingly, we have continued efforts to innovate new products, improve our production, sales and inventory processes, optimize margins, increase throughput and capacity at our facilities and enact other continuous improvement projects.

In addition, we are committed to enhancing our core businesses and positioning ourselves to take advantage of growth opportunities and improve our business by identifying and pursuing strategic add-on acquisitions or investments that expand and enhance our portfolio of brands, products and intellectual property. We seek to acquire highly complementary businesses that fill gaps in our brand, product, supply chain and intellectual property portfolio, extend our channel relationships, or otherwise grow or improve our total business.

Another of our core strategies is to consistently introduce new and innovative products. In 2013, we introduced the Remington Model 783 bolt-action centerfire rifle and we continue to grow and expand in the autoloading shotgun category with the introduction of the Versa Max Sportsman series. Additionally, 2013 marks the 50th anniversary of the Remington Model 1100, one of the most popular shotguns of all time. To memorialize this historic milestone, we have introduced a Limited Edition 50th anniversary model.

We also have a variety of new ammunition products including our Hypersonic Steel Shotshell product, the HyperSonic Rifle Bonded ammunition, the Hog Hammer, the new Ultimate Defense combination packs that are focused on the self defense markets, as well as the new Centerfire P&R HTP (High Terminal Performance) and target products focusing on our consumers' demands. In addition, the Barnes VOR-TX Rifle ammunition line continues to grow. Barnes also took the step this year successfully introducing a new TAC-XPD Defense ammunition line that has been engineered to provide the optimized solution for personal carry or home defense.

We are also engaged in selective efforts to promote certain products through marketing and promotional activities. Recognizing the great importance of social media in our industry, we began publishing our online magazine designed for hunters and shooters – Remington Country eZine. The online magazine is a quarterly publication available at no charge to subscribers and can be accessed at www.remington.com.

Management's strategy is to continue to introduce new products, enhance our sales and marketing efforts and improve overall performance in working capital and operating productivity. We also focus on expanding capacity, improving on delivery and building customer relationships. We continually look for manufacturing synergies to ensure that we are able to execute our strategic plans in order to enhance our place, both in the outdoor sporting goods market and in the military and law enforcement channels. We continue to pursue growth initiatives in our government, military, and law enforcement divisions along with broadening our brand awareness with selective licensing arrangements.

Current Sales Demand

Our industry is continuing to experience an increase in firearms and ammunition demand. Our company is experiencing very strong demand for traditional hunting and target shooting platforms in advance of this year's hunting season as well as continued strong demand for modern sporting rifles and handguns. Ammunition sales are also robust. The increase in demand has resulted in sales growth of over 50% in our firearms segment and over 40% in our ammunition segment during the six months ended June 30, 2013 versus the six months ended June 30, 2012. The year over year sales growth is not necessarily indicative of the increase in demand due to sales demand being greater than our current production capacity in many categories. As such, we continue to improve capacity with lean initiative, added shifts and additional capital investment.

Consumer concern over more restrictive governmental regulation on the federal, state and local levels has contributed to this increase in demand, although we believe numerous factors have contributed to a continuous upward trend across all our products and product lines. We believe that returning military personnel are likely to purchase firearms for recreational use. Our industry is also experiencing increased interest in recreational and shooting sports, as well as home defense. We are also experiencing a renewed interest in the outdoors, which is driving increased participation in hunting and target shooting.

We have a significant installed customer base that is generating steady and continuous growth of our revenue for firearms, ammunition, parts and accessories sales, which we believe will be positively impacted by the trends discussed above. Over the long term, we believe that the current increase in firearms demand will have sustained benefits for our industry, including increasing the overall user base of firearms, expanding the popularity of shooting sport categories, as well as providing an opportunity to cultivate new, and renew existing, long-term customer relationships across our portfolio of products and brands.

Recent Company Developments

Officer Appointment

Ronald E. Kolka was named Chief Financial Officer of the Company on August 6, 2013. Mr. Kolka has served as acting Chief Financial Officer of the Company since January 5, 2012. In addition, Mr. Kolka was appointed to serve as a director of the Company on February 11, 2013. Mr. Kolka served as the Chief Financial Officer for Cerberus Operations and Advisory Company LLC from December 2009 until being named acting Chief

Financial Officer of the Company. Prior to joining Cerberus, Mr. Kolka served as Chief Financial Officer for Chrysler Motors LLC.

Announcement of Intent to Sell the Company

A competitive sales process continues based on the December 18, 2012 Cerberus Capital Management announcement of its intention to sell its investment in our Company. Lazard Freres & Co. LLC has been engaged to assist the Company in its sale process.

Acquisition

On March 28, 2013, through our newly formed subsidiary, Remington UK, we acquired certain assets and assumed certain liabilities of Tech Group (UK) Ltd. ("SMK") for approximately $6.4 million (the "SMK Acquisition"). SMK, headquartered in the United Kingdom, imports and distributes airguns.

New and Proposed Legislation

On January 16, 2013, as a result of recent significant incidents of gun violence by individuals, President Obama announced a plan of 23 executive actions intended to reduce violent acts by individuals. These proposed actions include requiring background checks for all gun sales, ensuring information on dangerous individuals is available to the background check system, reinstating a federal assault weapons ban, restoring limits on ammunition magazines, helping to ensure that individuals receive mental health treatment, giving law enforcement additional tools to prevent and prosecute crime, encouraging gun owners to store guns safely, and making schools safer with more school resource officers. On April 17, 2013, the United States Senate voted down an amended version of the gun background check proposed by President Obama. No assurance can be given as to whether some or all of these actions will be adopted, and if they are adopted, the effect they may have on our business, results of operations and financial condition.

In addition to proposals at the federal level, we have seen increased activity at the state level that could restrict or otherwise prohibit the manufacture, sale, purchase, possession or use of firearms and ammunition. Several states have enacted new gun laws in 2013. No assurance can be given as to the effect such legislation may have on our business, results of operations and financial conditions.

Future incidents of gun violence could increase pressure to adopt some or all of the proposed regulations described above or spur additional regulatory proposals at the state and federal levels and call for the adoption of such proposals. Any such development might have a material adverse effect on our business, financial condition, results of operations or cash flows.

EBITDA Measurements

We use the term Adjusted EBITDA throughout this interim report. Adjusted EBITDA is not a measure of performance defined in accordance with GAAP. We use Adjusted EBITDA as a supplement to our GAAP results in evaluating certain aspects of our business, as described below. We calculate Adjusted EBITDA based on the definition in the indenture governing the 2020 Notes.

We believe that Adjusted EBITDA is useful to investors in evaluating our performance because such measures are commonly used financial metrics for measuring and comparing the operating performance of companies in our industry. We believe that the disclosure of Adjusted EBITDA offers additional financial metrics that, when coupled with the GAAP results and the reconciliation to GAAP results, provide a more complete understanding of our results of operations and the factors and trends affecting our business.

Adjusted EBITDA should not be considered as an alternative to net income (loss), as an indicator of our performance, as an alternative to net cash provided by operating activities, as a measure of liquidity, or as an alternative to any other measure prescribed by GAAP. There are limitations to using non-GAAP measures such as Adjusted EBITDA, although we believe that Adjusted EBITDA may make an evaluation of our operating performance more consistent because such measures remove items that do not reflect our core operations:

(i) other companies in our industry may define Adjusted EBITDA differently than we do and, as a result, such measures may not be comparable to similarly titled measures used by other companies in our industry; and

(ii) such measures exclude financial information that some may consider important in evaluating our performance.

We compensate for these limitations by providing disclosure of the differences between our EBITDA calculations and GAAP results, including providing a reconciliation of GAAP results to Adjusted EBITDA, to enable investors to perform their own analysis of our operating results. See "–Results of Operations–Adjusted EBITDA" for a reconciliation of Net Income Attributable to Controlling Interest to Adjusted EBITDA.

Because of these limitations, Adjusted EBITDA calculations should not be considered as a measure of the income generated by our business or discretionary cash available to us to invest in the growth of our business. Our management compensates for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA as a supplemental financial metric for evaluation of our operating performance. See our consolidated statements of operations and consolidated statements of cash flows in our consolidated financial statements included elsewhere in this interim report.

Results of Operations

Three and Six Month Period Ended June 30, 2013 as Compared to the Three and Six Month Period Ended June 30, 2012

Net Sales

The following table compares net sales by reporting segment for each of the periods presented:

Three Months Ended June 30,	2013	Percentage of Total	2012	Percentage of Total	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Firearms	$ 215.5	61.0%	$ 145.8	62.4%	$ 69.7	47.8%
Ammunition	110.7	31.3	79.6	34.0	31.1	39.1
All Other	27.0	7.7	8.4	3.6	18.6	221.4
Total	$ 353.2	100.0%	$ 233.8	100.0%	$ 119.4	51.1%
Six Months Ended June 30,	**2013**	**Percentage of Total**	**2012**	**Percentage of Total**	**Increase (Decrease)**	**Percentage Change**
(in millions except percentages)						
Firearms	$ 410.0	60.9%	$ 273.2	62.2%	$ 136.8	50.1%
Ammunition	211.0	31.3	148.8	33.8	62.2	41.8
All Other	52.4	7.8	17.4	4.0	35.0	201.1
Total	$ 673.4	100.0%	$ 439.4	100.0%	$ 234.0	53.3%

Firearms

Net sales for the three months ended June 30, 2013 were $215.5 million, an increase of $69.7 million, or 47.8%, as compared to the three months ended June 30, 2012. All of our firearms categories have experienced sales increases lead by centerfire of $48.9 million, and shotgun, handgun, rimfire and other firearms and firearms products of $7.4 million, $5.2 million, $3.2 million and $5.0 million, respectively. While concern about more restrictive government legislation contributed to the increased sales volumes, we continue to experience increases across all firearms platforms due to increased usage in recreational, shooting sports and home defense. We have been able to meet the increased demand with our capacity improvements over the prior year.

Net sales for the six months ended June 30, 2013 were $410.0 million, an increase of $136.8 million, or 50.1%, as compared to the six months ended June 30, 2012. All of our firearms categories have experienced sales increases lead by centerfire of $87.4 million, and shotgun, handgun, rimfire and other firearms and firearm products of $21.0 million, $15.3 million, $4.4 million and $8.7 million, respectively. While concern about more restrictive government legislation contributed to the increased sales volumes, we continue to experience increases across all firearms platforms due to increased usage in recreational and shooting sports and home defense. We have been able to meet the increased demand with our capacity improvements over the prior year.

Ammunition

Net sales for the three months ended June 30, 2013 were $110.7 million, an increase of $31.1 million, or 39.1%, as compared to the three months ended June 30, 2012. Sales of centerfire ammunition increased $11.4 million, while sales of shotshell ammunition increased $10.1 million. In addition, sales of rimfire ammunition increased $4.2 million, while sales in our other product lines increased $5.4 million. These increases were primarily the result of increased market demand supported by improved factory production.

Net sales for the six months ended June 30, 2013 were $211.0 million, an increase of $62.2 million, or 41.8%, as compared to the six months ended June 30, 2012. Sales of centerfire ammunition increased $27.8 million, while sales of shotshell ammunition increased $20.3 million. In addition, sales of rimfire ammunition increased $5.6 million, while sales in our other product lines increased $8.5 million. These increases were primarily the result of increased market demand supported by improved factory production.

All Other

Net sales were $27.0 million in all other businesses for the three months ended June 30, 2013, an increase of $18.6 million, or 221.4%, as compared to the prior year period. The $18.6 million increase is primarily due to higher sales volumes in our various accessories and apparel businesses, including the impact of our newly acquired accessories businesses.

Net sales were $52.4 million in all other businesses for the three months ended June 30, 2013, an increase of $35.0 million, or 201.1%, as compared to the prior year period. The $35.0 million increase is primarily due to higher sales volumes in our various accessories and apparel businesses, including the impact of our newly acquired accessories businesses.

Cost of Goods Sold and Gross Profit

The Company's cost of goods sold includes all costs of material, labor and overhead associated with product manufacturing, except for transfer costs from our plants to our distribution center which are included in selling, general and administrative expense. The transfer costs totaled $0.4 million and $0.7 million for the three and six months ended June 30, 2013, respectively, and $0.4 million and $0.6 million for the three and six months ended June 30, 2012, respectively. Accordingly, our gross margins may not be comparable to those of other entities.

The table below compares cost of goods sold and gross profit by reporting segment for each of the periods presented:

Three Months Ended June 30,	**2013**	**Percentage of Net Sales**	**2012**	**Percentage of Net Sales**	**Increase (Decrease)**	**Percentage Change**
(in millions except percentages)						
Cost of Goods Sold						
Firearms	$ 140.9	65.4%	$ 96.1	65.9%	$ 44.8	46.6%
Ammunition	72.1	65.1	50.8	63.8	21.3	41.9
All Other	15.2	56.3	5.0	59.5	10.2	204.0
Other Corporate Items	(3.3)	*	1.8	*	(5.1)	*
Total	$ 224.9	63.7%	$ 153.7	65.7%	$ 71.2	46.3%
Gross Profit						
Firearms	$ 74.6	34.6%	$ 49.7	34.1%	$ 24.9	50.1%
Ammunition	38.6	34.9	28.8	36.2	9.8	34.0
All Other	11.8	43.7	3.4	40.5	8.4	247.1
Other Corporate Items	3.3	*	(1.8)	*	5.1	*
Total	$ 128.3	36.3%	$ 80.1	34.3%	$ 48.2	60.2%

Six Months Ended June 30,	2013	Percentage of Net Sales	2012	Percentage of Net Sales	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Cost of Goods Sold						
Firearms	$ 267.6	65.3%	$ 181.5	66.4%	$ 86.1	47.4%
Ammunition	137.4	65.1	99.0	66.5	38.4	38.8
All Other	29.0	55.3	9.7	55.7	19.3	199.0
Other Corporate Items	0.5	*	(1.2)	*	1.7	*
Total	$ 434.5	64.5%	$ 289.0	65.8%	$ 145.5	50.3%
Gross Profit						
Firearms	$ 142.4	34.7%	$ 91.7	33.6%	$ 50.7	55.3%
Ammunition	73.6	34.9	49.8	33.5	23.8	47.8
All Other	23.4	44.7	7.7	44.3	15.7	203.9
Other Corporate Items	(0.5)	*	1.2	-	(1.7)	*
Total	$ 238.9	35.5%	$ 150.4	34.2%	$ 88.5	58.8%

*Not meaningful

Firearms

Gross profit for the three months ended June 30, 2013 was $74.6 million, an increase of $24.9 million, or 50.1%, as compared to the prior-year period. Gross margin was 34.6% for the three months ended June 30, 2013 and 34.1% for the three months ended June 30, 2012. The increase in gross profit was primarily due to higher sales volumes and favorable sales mix across our product lines of $28.2 million and favorable pricing of $0.6 million, partially offset by higher other costs of $3.9 million.

Gross profit for the six months ended June 30, 2013 was $142.4 million, an increase of $50.7 million, or 55.3%, as compared to the prior-year period. Gross margin was 34.7% for the six months ended June 30, 2013 and 33.6% for the six months ended June 30, 2012. The increase in gross profit was primarily due to higher sales volumes and favorable sales mix across our product lines of $52.0 million and favorable pricing of $1.1 million, partially offset by higher other costs of $1.7 million and non-cash purchase price adjustments of $0.7 million related to our newly acquired businesses.

Ammunition

Gross profit for the three months ended June 30, 2013 was $38.6 million, an increase of $9.8 million, or 34.0%, as compared to the prior-year period. The increase in gross profit was primarily related to higher sales volumes and favorable sales mix across our product lines of $9.6 million and favorable pricing of $1.3 million, partially offset by higher other costs of $1.1 million. Gross margin was 34.9% for the three months ended June 30, 2013 and 36.2% for the three months ended June 30, 2012. The decrease in gross margin was primarily due to higher sales of lower margin rimfire and shotshell ammunition in the three months ended June 30, 2013 as compared to the prior-year period.

Gross profit for the six months ended June 30, 2013 was $73.6 million, an increase of $23.8 million, or 47.8%, as compared to the prior-year period. Gross margin was 34.9% for the six months ended June 30, 2013 and 33.5% for the six months ended June 30, 2012. The increase in gross profit was primarily related to higher sales volumes and favorable sales mix across our product lines of $20.2 million, favorable pricing of $1.9 million and lower other costs of $1.7 million.

All Other

Gross profit for the three months ended June 30, 2013 was $11.8 million, an increase of $8.4 million, or 247.1%, as compared to the prior-year period due to increased demand in our accessories and apparel businesses, including the impact of our newly acquired businesses. Gross margin was 43.7% for the three months ended June 30, 2013 and 40.5% for the three months ended June 30, 2012. The increase in gross margin was primarily due to higher margin sales volumes associated with our accessories businesses.

Gross profit for the six months ended June 30, 2013 was $23.4 million, an increase of $15.7 million, or 203.9%, as compared to the prior-year period due to increased demand in our accessories and apparel businesses, including the impact of our newly acquired businesses. Gross margin was 44.7% for the six months ended June 30, 2013 and 44.3% for the six months ended June 30, 2012. The increase in gross margin was primarily due to higher margin sales volumes associated with our accessories businesses, partially offset by non-cash purchase price adjustments related to our newly acquired accessories businesses of $0.7 million.

Other Corporate Items

Other Corporate Items consist primarily of pension income and expense, certain inventory accounting adjustments, and inventory reserves that are not allocated to our revenue generating segments. Retiree benefit expense resulted in income since January 1, 2012 due to changing the Company's policy to amortize actuarial gains and losses over the participants' average remaining life expectancy and employ the corridor approach for all of our retirement plans. The Company chose not to allocate the impact of the accounting policy change to segments beginning in the first quarter of 2012. In addition, the Company did not allocate certain inventory accounting adjustments and inventory reserves to our revenue generating segments beginning in the second quarter of 2012.

Operating Expenses

Operating expenses consist of selling, general and administrative expenses, research and development expenses and other expenses. The following table sets forth certain information regarding operating expenses for the three and six months ended June 30, 2013 and 2012:

Three Months Ended June 30,	**2013**	**Percentage of Net Sales**	**2012**	**Percentage of Net Sales**	**Increase (Decrease)**	**Percentage Change**
(unaudited, in millions except percentages)						
Selling, general, and administrative expenses	$ 57.6	16.3%	$ 46.0	19.7%	$ 11.6	25.2%
Research and development expenses	4.1	1.2	3.2	1.4	0.9	28.1
Loss on extinguishment of debt	-	-	54.3	23.2	(54.3)	(100.0)
Other expense	1.4	0.4	1.2	0.5	0.2	16.7
Total	$ 63.1	17.9%	$ 104.7	44.8%	$ (41.6)	(39.7)%

Six Months Ended June 30,	**2013**	**Percentage of Net Sales**	**2012**	**Percentage of Net Sales**	**Increase (Decrease)**	**Percentage Change**
(unaudited, in millions except percentages)						
Selling, general, and administrative expenses	$ 110.5	16.4%	$ 84.9	19.3%	$ 25.6	30.2%
Research and development expenses	7.7	1.1	6.3	1.4	1.4	22.2
Impairment expense	0.6	0.1	-	-	0.6	100.0
Loss on extinguishment of debt	-	-	54.3	12.4	(54.3)	(100.0)
Other expense	2.8	0.4	3.3	0.8	(0.5)	(15.2)
Total	$ 121.6	18.1%	$ 148.8	33.9%	$ (27.2)	(18.3)%

Total operating expenses for the three months ended June 30, 2013 were $63.1 million, a decrease of $41.6 million, or 39.7%, as compared to the prior-year period. Excluding the impact of the loss on extinguishment of debt that occurred in the three months ended June 30, 2012, total operating expenses for the three months ended June 30, 2013 increased $12.7 million, or 25.2%. Our operating expenses have increased primarily due to growth from acquisitions and from our investment in quality, lean and support functions. Selling, general and administrative expenses increased $11.6 million, or 25.2%. The primary components comprising this $11.6 million increase included higher costs associated with variable selling and marketing expense of $3.9 million, variable incentive compensation expense of $5.0 million as we continue to exceed our financial goals, an increase in salaries and benefits expense of $1.4 million, increased distribution expense of $1.8 million and increased professional fees of $0.7 million, partially offset by a decrease in product liability expense of $1.0 million. Research and development expenses increased $0.9 million, or 28.1%, as compared to the prior-year period, primarily due to increased prototype work. Other expenses increased $0.2 million as compared to the prior-year period, primarily due to losses on disposals of fixed assets and decreased licensing income.

Total operating expenses for the six months ended June 30, 2013 were $121.6 million, a decrease of $27.2 million, or 18.3%, as compared to the prior-year period. Excluding the impact of the loss on extinguishment of debt that occurred in the six months ended June 30, 2012, total operating expenses for the six months ended June 30, 2013 increased $27.1 million, or 28.7%. Our operating expenses have increased primarily due to growth from acquisitions and from our investment in quality, lean and support functions. Selling, general and administrative expenses increased $25.6 million, or 30.2%. The primary components comprising this $25.6 million increase included higher costs associated with variable selling and marketing expense of $8.8 million, variable incentive compensation expense of $10.7 million as we continue to exceed our financial goals, an increase in salaries and benefits expense of $4.0 million, increased distribution expense of $2.7 million and increased commissions expense of $0.6 million, partially offset by a decrease in product liability expense of $1.2 million. Research and development expenses increased $1.4 million, or 22.2%, as compared to the prior-year period, primarily due to increased prototype work. Impairment expense for the six months ended June 30, 2013 consisted of the further write down of certain fixed assets. Other expenses decreased $0.5 million as compared to the prior-year period, primarily due to decreased stock option expense and increased other income related to product services.

Adjusted EBITDA

The following tables illustrate the calculation of Adjusted EBITDA by reconciling Net Income Attributable to Controlling Interest to Adjusted EBITDA:

Three Months Ended June 30,	**2013**	**2012**	**Increase (Decrease)**	**Percentage Change**
(unaudited, in millions except percentages)				
Net Income (Loss) attributable to controlling interest	$ 36.3	$ (21.9)	$ 58.2	265.8%
Adjustments:				
Depreciation	4.5	3.8	0.7	18.4
Interest	8.1	11.5	(3.4)	(29.6)
Loss on extinguishment of debt	-	54.3	(54.3)	(100.0)
Income tax expense (benefit)	20.9	(14.0)	34.9	249.3
Amortization of intangibles	1.7	1.8	(0.1)	(5.6)
Other non-cash (income) expense	-	(0.8)	0.8	100.0
Nonrecurring charges	3.3	4.8	(1.5)	(31.3)
Total	$ 74.8	$ 39.5	$ 35.3	89.4 %

Other non-cash charges increased $0.8 million for the three months ended June 30, 2013, primarily due to $0.6 million in lower retiree benefit income and higher losses on disposal of assets. Other non-cash charges for the three months ended June 30, 2013 consisted of $(0.1) million of retiree benefit income, $(0.2) million of other non-cash charges/income, offset by $0.3 million in losses on disposal of assets.

Nonrecurring charges decreased $1.5 million for the three months ended June 30, 2013, primarily due to $1.3 million in lower project fees, $0.7 million in lower management fees, $0.4 million in lower Department of Defense ramp up fees, and $0.4 million in lower other nonrecurring charges, partially offset by $1.0 million in higher restructuring and process improvement costs and $0.3 million in higher employee related costs. Nonrecurring charges for the three months ended June 30, 2013 consisted primarily of $1.8 million in restructuring and process improvement costs, $0.8 million in employee related costs, $0.3 million in relocation, $0.2 million in project fees and $0.2 in bank fees.

Six Months Ended June 30,	2013	2012	Increase (Decrease)	Percentage Change
(unaudited, in millions except percentages)				
Net Income (Loss) attributable to controlling interest	$ 63.1	$ (15.6)	$ 78.7	504.5%
Adjustments:				
Depreciation	8.6	7.6	1.0	13.2
Interest	19.1	27.9	(8.8)	(31.5)
Loss on extinguishment of debt	-	54.3	(54.3)	(100.0)
Income tax expense (benefit)	35.2	(10.5)	45.7	435.2
Amortization of intangibles	3.4	3.5	(0.1)	(2.9)
Impairment Expense	0.6	-	0.6	100.0
Other non-cash (income) expense	-	(1.2)	1.2	100.0
Nonrecurring charges	8.1	9.3	(1.2)	(12.9)
Total	$ 138.1	$ 75.3	$ 62.8	83.4%

Other non-cash charges increased $1.2 million for the six months ended June 30, 2013, primarily due to $1.1 million in lower retiree benefit income, as well as higher losses on disposal of assets, partially offset by lower stock compensation expense. Other non-cash charges for the six months ended June 30, 2013 consisted of $(0.3) million of retiree benefit income, offset by $0.3 million in losses on disposal of assets.

Nonrecurring charges decreased $1.2 million for the six months ended June 30, 2013, primarily due to $2.2 million in lower project fees, $1.9 million in lower nonrecurring legal and other fees, $0.9 million in lower Department of Defense ramp up fees, $0.7 million in lower management fees, partially offset by $3.0 million in higher restructuring and process improvement costs, $1.4 million in purchase accounting adjustments, and $0.1 million in higher employee related costs. Nonrecurring charges for the six months ended June 30, 2013 consisted of $4.4 million in restructuring and process improvement costs, $0.9 million in employee related costs, $1.4 million in purchase accounting adjustments related to the step up of inventory of recent acquisitions, $0.6 million in relocation expenses, $0.4 million in project fees and $0.4 million in bank fees.

Interest Expense

Interest expense was $8.1 million for the three months ended June 30, 2013, and $11.5 million for the three months ended June 30, 2012. The $3.4 million decrease in interest expense over the prior year period was primarily due to interest income on our interest rate swap of $3.4 million.

Interest expense was $19.1 million for the six months ended June 30, 2013, and $27.9 million for the six months ended June 30, 2012. The $8.8 million decrease in interest expense over the prior year period was primarily due to the debt refinanced in 2012 at lower interest rates, resulting in a net decrease in interest expense of $3.8 million and interest income on our interest rate swap of $3.7 million. Lower debt acquisition costs of $0.7 million, and lower other interest expense of $0.6 million also contributed to the decrease in interest expense.

Income Tax Provision

Our effective tax rate on continuing operations for the six months ended June 30, 2013 and 2012 was 35.8% and 39.9%, respectively. The difference between the actual effective tax rate and the federal statutory rate of 35.0% is principally due to state income taxes, permanent differences and utilization of available tax credits as of June 30, 2013 and 2012. U.S. income taxes have not been accrued on the earnings of Remington UK because we intend to indefinitely reinvest these funds outside of the U.S.

We are subject to ongoing audits by federal and various state tax authorities. Depending on the outcome of these audits, we may be required to pay additional taxes. However, we do not believe that any additional taxes and related interest or penalties would have a material impact on our financial position, results of operations or cash flows.

Liquidity and Capital Resources

Cash Flows and Working Capital

Net cash provided by operating activities was $4.8 million for the six months ended June 30, 2013 compared to net cash used in operating activities of $95.5 million for the six months ended June 30, 2012. The significant changes comprising the $100.3 million improvement in net cash provided by operating activities for six months ended June 30, 2013 compared to the prior-year period resulted primarily from:

- inventory increasing by $13.3 million over the six months ended June 30, 2013 compared to an increase of $53.1 million over the six months ended June 30, 2012, a net increase in cash provided of $39.8 million, due to improving inventory turnover;
- other liabilities increasing by $44.3 million over the six months ended June 30, 2013 compared to a decrease of $18.1 million over the six months ended June 30, 2012, a net increase in cash provided of $62.4 million. This increase was primarily due to increases in certain accruals associated with sales and marketing, excise taxes, interest and employee compensation compared to the prior year period. These increases were primarily driven by improved performance compared to the prior year;
- the recognition of $63.1 million of net income over the six months ended June 30, 2013 compared to a net loss of $15.8 million over the six months ended June 30, 2012, a net increase in cash provided of $78.9 million. This increase was primarily due to the recognition of a $54.3 million loss during the six months ended June 30, 2012 as a result of our 2012 Refinancings.

These increases in cash provided by operating activities were partially offset by:

- accounts payable increasing $11.2 million over the six months ended June 30, 2013 compared to an increase of $24.0 million over the six months ended June 30, 2012, a net decrease in cash provided of $12.8 million. In early 2012, our accounts payable increased significantly as we aligned terms across our portfolio companies, which in many cases increased payment terms. These increases have now leveled off as this alignment process has been completed.
- accounts receivable increasing $98.9 million over the six months ended June 30, 2013 compared to an increase of $86.7 million over the six months ended June 30, 2012, a net decrease in cash provided of $12.2 million due primarily to increased sales, offset by improved customer payment terms associated with current year sales programs.

Net cash used in investing activities was $38.2 million for the six months ended June 30, 2013 and consisted of $30.6 million related to the purchase of property, plant and equipment and $7.6 million related to the SMK Acquisition and the TAPCO Acquisition. Net cash used in investing activities of $14.3 million for the six months ended June 30, 2012 was related to the Para Acquisition and the purchase of property, plant and equipment.

Net cash used in financing activities was $5.3 million for the six months ended June 30, 2013 and consisted of $4.8 million in debt payments and $0.5 million in payments of debt issuance costs. Net cash provided by financing activities was $80.9 million for the six months ended June 30, 2012 and was primarily related to the 2012 Refinancings. We received $250.0 million in proceeds from the issuance of the 2020 Notes and a net $326.7 million in borrowings under the Term Loan B. We used these proceeds to redeem $500.6 million in principal on our previously issued 11.25%/11.75% Pay-In-Kind Notes due 2015 and 10.25% Senior Secured Notes due 2015. We also made $22.1 million of disbursements for debt issuance fees related to the 2012 Refinancings and paid $1.8 million in other debt payments. We borrowed $19.7 million of net proceeds from our ABL and incurred a $9.0 million increase in our book overdraft.

Sources and Uses of Liquidity

We generally expect to fund expenditures for operations, administrative expenses, capital expenditures and debt service obligations with internally generated funds from operations, and to satisfy working capital needs from time to time with borrowings under our ABL. We believe that we will be able to meet our debt service obligations and fund our short-term and long-term operating requirements in the future with cash flow from operations and borrowings under the ABL, although no assurance can be given in this regard.

We continue to focus on managing our working capital by monitoring inventory, accounts receivable and accounts payable key performance indicators while recognizing that changes to our sales volumes and timing can impact our working capital strategies. Rather than issue stock, we have typically used debt financing as a means of raising capital and we use our debt financing to either meet noncurrent obligations or to lower our cost of capital.

In 2012, we refinanced our previously existing debt with the issuance of the 2020 Notes, the Term Loan B, and the ABL (the "2012 Refinancings"). The 2012 Refinancings materially improved our cost of capital and interest expense profile. We believe the Term Loan B will provide us with an avenue to efficiently pay down debt and delever over time. In 2012, we also entered into an additional $75.0 million Incremental Term Loan under the Term Loan B. The additional borrowing was used to repurchase FGI's remaining preferred equity, repay borrowings outstanding under the ABL, enhance liquidity for general corporate purposes and to continue to reinvest in the business.

In addition to the 2012 Refinancings, we believe the cash we generate internally from our operating activities provides us with an adequate financial pool that allows us to meet our short-term and strategic goals. Based on these factors, we believe our liquidity position is adequate to meet our financial commitments and manage our business.

Debt

As of June 30, 2013, we had outstanding indebtedness of approximately $649.3 million, which consisted of the following:

- $250.0 million of outstanding 7.875% Senior Secured Notes due 2020;
- $398.0 million outstanding under our Term Loan B; and
- $1.3 million of capital lease obligations and other debt.

As of June 30, 2013, there was no indebtedness outstanding under the ABL and approximately $141.3 million in borrowings were available, including the minimum availability requirement of $22.5 million. Standby letters of credit outstanding as of June 30, 2013 were $8.6 million.

Capital and Operating Leases and Other Long-Term Obligations

We maintain capital leases mainly for computer and mailroom equipment. We have several operating leases, including a lease for our Memphis warehouse that expires in June 2016, our Madison annex office that expires in August 2014, and leases for several of our manufacturing facilities that expire on various dates through 2018. We maintain various contracts including, among other things, a services contract with our third party warehouse provider. We also have various pension plan obligations, although we do not expect substantial future contributions at this time.

Capital Expenditures

Gross capital expenditures for the six months ended June 30, 2013 and 2012 were $30.6 million and $9.5 million, respectively, consisting primarily of capital expenditures both for new equipment related to the manufacture of firearms and ammunition and capital maintenance of existing facilities. We expect total capital expenditures for 2013 to be in the range of $75.0 million to $90.0 million, of which approximately $25.0 million is expected to be related to maintenance projects with the remainder related to capital expenditures for new assets and site improvements for new products and capacity.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition, results of operations and cash flows are based upon our unaudited interim and audited annual consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to inventories, supplies, accounts receivable, warranties, long-lived assets, product liability, revenue recognition (inclusive of cash discounts, rebates and sales returns), advertising and promotional costs, self-insurance, pension and post-retirement benefits, deferred tax assets and goodwill. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. As noted below, in some cases our estimates are also calculated with the assistance of independent advisors. Actual results may differ from these estimates under different assumptions or conditions.

Management has addressed and reviewed our critical accounting policies and considers them appropriate. We believe the following critical policies utilize significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue Recognition

Sales, net of an estimate for discounts, returns and allowances, and related cost of sales are recorded when risk of loss and title transfer to the customer. We continually evaluate our sales terms against criteria outlined in SEC Staff Accounting Bulletin 104, *Revenue Recognition*. We follow the industry practice of selling a limited amount of select firearms pursuant to a “dating” plan, allowing the customer to purchase these products commencing in December (the start of our dating plan year) and to pay for them on extended terms. Historically, use of the dating plan has had the effect of shifting some firearms sales from the second and third quarters to the first and fourth quarters. As a competitive measure, we offer extended terms on select ammunition purchases. However, use of the dating plans also results in deferral of collection of accounts receivable until the latter part of the year. Customers do not have the right to return unsold product. Management uses historical trend information and other economic data to estimate future discounts, returns, rebates and allowances.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful receivables for estimated losses resulting from the inability of our trade customers to make required payments. We provide an allowance for specific customer accounts where collection is doubtful and also provide an allowance for customer deductions based on historical collection and write-off experience. Additional allowances would be required if the financial conditions of our customers deteriorated.

Inventories

Our inventories are valued at the lower of cost or market. We evaluate the quantities of inventory held against past and future demand and market conditions to determine excess or slow moving inventory. For those product classes of inventory identified, we estimate their market value based on current and projected selling prices. If the projected market value is less than cost, we provide an allowance to reflect the lower value of that inventory. This methodology recognizes projected inventory losses at the time such losses are evident rather than at the time goods are actually sold.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is determined on a straight-line basis over the estimated useful life of the individual asset by major asset class as follows:

Buildings	20 to 43 years
Building and leasehold improvements	1 to 15 years
Machinery and equipment	7 to 15 years
Furniture and fixtures	7 to 10 years
Trailers and automotive equipment	3 to 5 years
Computer equipment	1 to 3 years

In accordance with FASB ASC 360 "Property, Plant, and Equipment", management assesses property, plant and equipment for impairment whenever facts and circumstances indicate that the carrying amount may not be fully recoverable. Maintenance and repairs are charged to operations; replacements and betterments are capitalized. Computer hardware and software, lighting and postage equipment under capital leases are amortized over the term of the lease. The cost and related accumulated depreciation applicable to assets sold or retired are removed from the accounts and the gain or loss on disposition is recognized in operations, included in the other income and expenses. Interest is capitalized in connection with the construction of major projects. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's useful life.

Goodwill, Goodwill Impairment and Intangible Assets

We adopted the provisions of FASB ASC 350 "Intangibles-Goodwill and Other" for goodwill and intangible assets pursuant to FASB ASC 350. On October 1 of each year, we test for impairment of goodwill by reporting unit. Beginning in 2011, we performed a qualitative assessment on some of our reporting units to determine whether it was more likely than not that their fair values were less than their carrying values. If their fair value was determined to be less than their carrying value, we proceeded to use a two-step approach, which was also used to test goodwill impairment for those reporting units where a qualitative assessment was not performed. In the first step of the two-step approach, we estimate the fair values of our reporting units using a combination of the present value of future cash flows approach, market approach and a transactional approach, all equally weighted, subject to a comparison for reasonableness to our market capitalization at the date of valuation. In addition, goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. For other intangible assets, the impairment test consists of a comparison of the fair value of the intangible assets to their respective carrying amount.

Reserves for Product Liability

We provide for estimated defense and settlement costs related to product liabilities when it becomes probable that a liability has been incurred and reasonable estimates of such costs are available. Estimates for accruals for product liability matters are based on historical patterns of the number of occurrences, costs incurred and a range of potential outcomes. We also utilize the assistance of independent advisors in analyzing the adequacy of such reserves. Due to the inherently unpredictable nature of litigation, actual results will likely differ from estimates and those differences could be material.

Employee Benefit Plans

We have defined benefit plans and post-retirement benefit plans that cover certain of our salaried and hourly paid employees. As a result of amendments to our defined benefit plans, future accrued benefits for all employees were frozen as of January 1, 2008. As of January 1, 2011, future accrued benefits for eligible participants in our other postemployment benefit ("OPEB") plans were also frozen.

We derive pension benefit expense from an actuarial calculation based on the defined benefit plans' provisions and management's assumptions regarding discount rate and expected long-term rate of return on assets. Management determines the expected long-term rate of return on plan assets based upon historical actual asset returns and the expectations of asset returns over the expected period to fund participant benefits based on the current investment mix of our plans. The discount rate is based on the yield of high quality fixed income investments expected to be available in the future when cash flows are paid. In addition, management also consults with independent actuaries in determining these assumptions. Our OPEB plans are unfunded but their discount rates are computed in a similar manner as those for our pension plans. The Marlin pension plan amortizes actuarial gains and losses that exceed 10% of either the projected benefit obligation or the market-related value of plan assets, whichever is greater as of the beginning of the year (the "corridor approach"), over the plan participants' average remaining life expectancy. The Marlin OPEB plan amortizes gains and losses over the plan participants' average remaining life expectancy and utilizes the corridor approach. Gains and losses in the Remington pension, Remington supplemental retirement and Remington OPEB plans are amortized over five years without using the corridor approach.

Reserves for Workers' Compensation Liability

We provide for estimated medical and indemnity compensation costs related to workers' compensation liabilities when it becomes probable that a liability has been incurred and reasonable estimates of such costs are available. Estimates for accruals for workers compensation liability matters are based on historical patterns of the number of occurrences, costs incurred and a range of potential outcomes. We also utilize the assistance of independent advisors in analyzing the adequacy of such reserves.

Income Taxes

For interim periods, we account for income taxes in accordance with ASC 740-270, using an estimated annual effective tax rate to determine income tax expense in the quarterly financial statements. Additionally, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded when it is more likely than not that the deferred tax asset will not be recognized. We file our income taxes in a consolidated tax return. Current and deferred tax expense is allocated to the members based on an adjusted separate return methodology. Our continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

Fair Value Measurements

Under current accounting guidance, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date (that is, an exit price). The exit price is based on the amount that the holder of the asset or liability would receive or need to pay in an actual transaction (or in a hypothetical transaction if an actual transaction does not exist) at the measurement date. In some circumstances, the entry and exit price may be the same; however, they are conceptually different. Fair value is generally determined based on quoted market prices in active markets for identical assets or liabilities. If quoted market prices are not available, we use valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs. In measuring fair value, we may make adjustments for risks and uncertainties, if a market participant would include such an adjustment in its pricing.

Recent Accounting Pronouncements

See note 17 under "Item 1 – Consolidated Financial Statements" for disclosure of recent accounting pronouncements.

Environmental Matters

Our operations are subject to a variety of federal, state and local environmental laws and regulations which govern, among other things, the discharge of hazardous materials into the air and water, handling, treatment, storage and disposal of such materials and remediation of contaminated soil and groundwater. We have programs in place that monitor compliance with these requirements and we believe our operations are in material compliance with them. In the normal course of our manufacturing operations, we are subject to occasional governmental proceedings and orders pertaining to waste disposal, air emissions and water discharges into the environment. We believe that we are in compliance with applicable environmental regulations in all material respects, and that the outcome of any such proceedings and orders will not have a material adverse effect on our business.

Under the terms of a legacy asset purchase agreement from 1993 ("Purchase Agreement") with E.I. DuPont Nemours & Company ("DuPont") relating to the Remington business ("Asset Purchase"), DuPont agreed to retain responsibility for certain pre-closing environmental liabilities. Remington also entered into an agreement with DuPont with respect to cooperation and responsibility for specified environmental matters. See "Item 4 – Legal Proceedings" and "Item 4 – Legal Proceedings—Certain Indemnities." To date, Remington has honored its responsibilities under the Purchase Agreement, but no assurance can be given that they will continue to do so in the future.

There are various pending proceedings associated with environmental liability for which DuPont and its affiliates have accepted liability. Our obligations in these cases are not expected to be material.

Marlin has also conducted other remediation activities at its former facilities. Costs for remediation are not expected to be material.

Based on information known to us, we do not expect current environmental regulations or environmental proceedings and claims to have a material adverse effect on our results of operations, financial condition or cash flows. However, it is not possible to predict with certainty the impact of future environmental compliance requirements or the cost of resolution of any future environmental proceedings and claims, in part because the scope of the remedies that may be required is not certain, liability under some federal environmental laws is under certain circumstances joint and several in nature, and environmental laws and regulations are subject to modification and changes in interpretation. There can be no assurance that environmental regulation will not become more burdensome in the future or that unknown conditions will not be discovered and that any such development would not have a material adverse effect on our business. We do not anticipate incurring any material capital expenditures for environmental control facilities for 2013.

Regulatory Developments

The manufacture, sale, purchase, possession, import, export, and use of firearms are subject to extensive federal, state and local governmental regulations. The primary federal laws are the National Firearms Act of 1934 ("NFA"), the Gun Control Act of 1968 ("GCA"), the Arms Export Control Act of 1976 ("AECA") and the Internal Revenue Code provisions applicable to the Firearms and Ammunition Excise Tax ("FAET"), which have been amended from time to time. The NFA, GCA, and permanent imports under these laws and the AECA, are administered and enforced by the Bureau of Alcohol, Tobacco, Firearms and Explosives through the Department of Justice; permanent and temporary exports under the AECA are administered and enforced by the Directorate of Defense Trade Controls through the Department of State and by the Bureau of Industry and Security through the Department of Commerce; and the FAET is administered and enforced by the Alcohol and Tobacco Tax and Trade Bureau through the Department of Treasury. We maintain valid federal licenses and registrations at our locations as required by these agencies for the Company to import, export, manufacture and sell firearms and ammunition. The NFA places various additional restrictions on certain firearms defined in that law and its regulations including fully automatic firearms, short barreled rifles, short barreled shotguns, silencers and destructive devices. We do manufacture or import limited products regulated under the NFA primarily for official government and law enforcement end users. The GCA places certain restrictions on the interstate sale of firearms, among other things. The AECA requires approved licenses or other authorizations to be in place prior to the import or export of certain defense articles, firearms, ammunition and explosives. The FAET imposes a federal tax on the sale of or use by the manufacturer, producer or importer of firearms and ammunition. There is no assurance that the administrative branches responsible for approving import and export licenses, authorizations or transfers of NFA firearms or other firearms to our customers will do so in all cases, and failure to obtain such approvals could adversely affect our business. In addition, changes in the tax laws or rates could adversely affect our business.

In September 2004, the United States Congress declined to renew the Assault Weapons Ban ("AWB") which generally prohibited the manufacture of certain firearms defined under that statute as "assault weapons" as well as the sale or possession of “assault weapons” except for those that were manufactured prior to the law’s enactment. Various states and local jurisdictions have adopted their own version of the AWB and some of those apply to Bushmaster, DPMS and certain Remington sporting firearms products. We cannot guarantee that an “assault weapons” ban similar to the AWB, or another version thereof, will not be re-enacted. Legislation of this type, if enacted, could have a material adverse effect on our business.

On January 16, 2013, as a result of recent significant incidents of gun violence by individuals, President Obama announced 23 proposed executive actions intended to reduce violent acts by individuals. These proposed actions include requiring background checks for all gun sales, ensuring information on dangerous individuals is available to the background check system, reinstating an assault weapons ban, restoring limits on ammunition magazines, helping to ensure that individuals get mental health treatment, giving law enforcement additional tools to prevent and prosecute crime, encouraging gun owners to store guns safely, and making schools safer with more school resource officers. On April 17, 2013, the United States Senate voted down an amended version of the gun background check proposed by President Obama. No assurance can be given as to whether some or all of these actions will be adopted, and if they are adopted, the effect they may have on our business, results of operations and financial condition.

At the federal level, bills have been introduced in Congress to establish, and to consider the feasibility of establishing, a nationwide database recording so-called “ballistic images” of ammunition fired from new firearms. Should such a mandatory database be established, the cost to the Company and its customers could be significant, depending on the type of firearms and ballistic information included in the database. Other bills have been introduced in Congress in the past several years that would restrict or prohibit the manufacture, transfer, importation or sale of certain calibers of handgun ammunition, impose a tax and import controls on bullets designed to penetrate bullet-proof vests, impose a special occupational tax and registration requirements on manufacturers of handgun ammunition, and increase the tax on handgun ammunition in certain calibers. In addition to federal requirements, state and local laws and regulations may place additional restrictions on firearms and ammunition manufacture, sale, purchase, possession and use. For example, two states have established regulations requiring “ballistic imaging” registries of ammunition fired from new handguns. California passed handgun microstamping legislation that it intended to go into effect on January 1, 2010; however, implementation of that law is still on hold. Several other states require firearms to be sold with internal or external locking mechanisms. Within the past few years, at least four states introduced, or currently have, bills proposing requirements for “bullet serialization” for ammunition or “microstamping” capabilities for certain firearms. Some of these bills would apply to ammunition and firearms of the kind we produce. Generally, there are numerous other bills proposed at both the state and local levels that could restrict or otherwise prohibit the manufacture, sale, purchase, possession or use of firearms and ammunition. In summary, there can be no assurance that the regulation of firearms and ammunition will not become more restrictive in the future, and more restrictive legislation could have a material adverse effect on the business of the Company.

Several states have enacted new gun laws in 2013 intended to reduce violent acts by individuals. No assurance can be given as to the effect such legislation may have on our business, results of operations and financial condition.

Although numerous jurisdictions presently have mandatory waiting periods for the sale of handguns (and some for the sale of long guns as well), there are currently few restrictive state or municipal regulations applicable to handgun ammunition. Our firearms are covered under several recently enacted state regulations requiring guns to be sold with internal or external locking mechanisms. Some states are considering mandating certain design features on safety grounds, most of which would be applicable only to handguns. There can be no assurance that the regulation of firearms and ammunition will not become more restrictive in the future, and more restrictive legislation in this area could have a material adverse effect on the business of the Company.

We are no longer a defendant in any lawsuits brought by municipalities against participants in the firearms industry. In addition, legislation has been enacted in approximately 34 states precluding such actions. Similar federal legislation, entitled “The Protection of Lawful Commerce in Arms Act” was signed into law by President Bush on October 26, 2005, after being passed by the U.S. Senate in August 2005 and by the House of Representatives in October 2005. However, the applicability of the law to various types of governmental and private lawsuits has been challenged. Any court decision restricting the applicability of the law could adversely impact the business of the Company.

We believe that existing federal and state regulation regarding firearms and ammunition has not had a material adverse effect on our sales of these products to date. However, there can be no assurance that federal, state, local or foreign regulation of firearms and/or ammunition will not become more restrictive in the future and that any such development would not have a material adverse effect on our business either directly or by placing additional burdens on those who distribute and sell our products or those consumers who purchase our products. In addition, future incidents of gun violence could increase pressure to adopt some or all of the proposed regulations described above or spur additional regulatory proposals at the state and federal levels and call for the adoption of such proposals. Any such development might have a material adverse effect on our business, financial condition, results of operations or cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the normal course of our business operations due to our purchases of certain commodities and our ongoing investing and financing activities. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies and procedures governing our management of market risks and the use of financial instruments to manage exposure to such risks.

Certain of our financial instruments are subject to interest rate risk. As of June 30, 2013 and 2012, we had long-term borrowings of $644.0 million and $593.8 million, respectively, excluding $5.3 million and $5.2 million, respectively, classified as short-term debt and the current portion of long-term debt. Interest on borrowings from our Term Loan B and ABL is calculated using LIBOR and Alternate Base Rate interest rates. Assuming no changes in the monthly average variable-rate debt levels of $402.3 million and $16.3 million for the six months ended June 30, 2013 and 2012, respectively, we estimate that a hypothetical change of 100 basis points in the LIBOR and Alternate Base Rate interest rates would not impact interest expense at June 30, 2013 but would impact interest expense at June 30, 2012 by $0.2 million on an annualized pretax basis.

We purchase copper and lead commodity contracts to hedge against significant price fluctuations of anticipated commodity purchases. At June 30, 2013, the fair value of our outstanding swap contracts relating to firm commitments and anticipated purchases with an aggregate notional amount of 67.4 million pounds of copper and lead was $(9.4) million. At June 30, 2012, the fair value of our outstanding swap and option contracts relating to firm commitments and anticipated purchases with an aggregate notional amount of 48.3 million pounds of copper and lead was $(1.4) million. Assuming a hypothetical 10% increase in lead and copper commodity prices which are currently hedged at June 30, 2013 and 2012, we would experience an approximate $11.9 million and $7.7 million, respectively, increase in our cost of related inventory purchased on an annualized pretax basis, which would be partially offset by an approximate $2.7 million and $5.4 million, respectively, increase in the value of related hedging instruments.

We also purchase steel supplies for use in the manufacture of certain firearms, ammunition, and accessory products. Assuming a hypothetical 10% increase in steel prices at June 30, 2013 and 2012, we would experience an approximate $0.6 million and $0.4 million increase, respectively, in our cost of related inventory purchased on an annualized pre-tax basis.

Item 4. Legal Proceedings

Under the terms of the Purchase Agreement, DuPont and its affiliates retained liability for, and are required to indemnify us against, with respect to Remington:

- liability in excess of our limited financial responsibility for environmental claims and disclosed product liability claims relating to pre-closing occurrences; and
- liability for product liability litigation related to discontinued products.
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These indemnification obligations of DuPont and its affiliates are not subject to any survival period limitation. We have no current information on the extent, if any, to which DuPont and its affiliates have insured these indemnification obligations. Except for certain cases and claims relating to shotguns as described below, and except for all cases and claims relating to products discontinued prior to the Asset Purchase, we generally bear financial responsibility for the costs of product liability cases and claims relating to occurrences after the Asset Purchase and are required to indemnify DuPont and its affiliates against such cases and claims. See "—Certain Indemnities."

The main types of legal proceedings to which we are subject include:

- product liability litigation filed by individuals;
- product liability litigation filed by municipalities;
- economic class actions; and
- environmental litigation.

Product Related Litigation

We maintain insurance coverage for product liability claims subject to certain self-insured retentions on a per-occurrence basis for personal injury or property damage with respect to Remington (relating to occurrences arising after the Asset Purchase), Marlin, Bushmaster, DPMS and our other brands and products. We believe that our current product liability insurance coverage for personal injury and property damage is adequate for our needs. Our current product liability insurance policy provides for certain self-insured retention amounts per occurrence. The policy excludes from coverage any pollution-related liability. Based in part on the nature of our products, there can be no assurance that we will be able to obtain adequate product liability insurance coverage upon the expiration of the current policy. Our current product liability insurance policy expires December 1, 2013.

As a result of contractual arrangements, we manage the joint defense of product liability litigation involving *Remington* brand firearms and our ammunition products for both Remington and DuPont and its affiliates. As of June 30, 2013, approximately 54 individual bodily injury cases and claims were pending relating to firearms and our ammunitions products, primarily alleging defective product design, defective manufacture and/or failure to provide adequate warnings. Some of these cases seek punitive as well as compensatory damages. We have previously disposed of a number of other cases involving post-Asset Purchase occurrences involving *Remington* brand firearms and our ammunition products by settlement. The 54 pending cases and claims involve pre- and post-Asset Purchase occurrences for which we or DuPont bear responsibility under the Purchase Agreement. In addition, we have eight class action cases pending relating to breach of warranty claims concerning certain of our firearms products where economic damages are being claimed.

The relief sought in individual cases includes compensatory and, in some cases, punitive damages. Certain of the claims and cases seek unspecified compensatory and/or punitive damages. In others, compensatory damages sought may range from less than $50,000 to in excess of $1 million and punitive damages sought may exceed $1 million.

Of the individual post-Asset Purchase bodily injury cases and claims pending as of June 30, 2013, plaintiffs and claimants seek either compensatory and/or punitive damages in unspecified amounts or in amounts within these general ranges. In our experience, initial demands do not generally bear a reasonable relationship to the facts and circumstances of a particular matter, and in any event, are typically reduced significantly as a case proceeds. We believe that our accruals for product liability cases and claims, as described below, are a better quantitative measure of the cost of product liability cases and claims.

At June 30, 2013, our accrual for product liability and other product related cases and claims was approximately $16.0 million. The amount of our accrual for these liability cases and claims is based upon estimates developed as follows. We establish reserves for anticipated defense and disposition costs for of those pending cases and claims for which we are financially responsible. Based on those estimates and an actuarial analysis of actual defense and disposition costs incurred by us with respect to product liability cases and claims in recent years, we determine the estimated defense and disposition costs for unasserted product liability cases and claims. We combine the estimated defense and disposition costs for both pending cases and threatened, but unasserted, claims to determine the amount of our accrual for product liability and product related cases and claims. It is reasonably possible additional experience could result in further increases or decreases in the period in which such information is made available. We believe that our accruals for losses relating to such cases and claims are adequate. Our accruals for losses relating to product liability and product related cases and claims include accruals for all probable losses the amount of which can be reasonably estimated. Based on the relevant circumstances (including, with respect to Remington-based claims, the current availability of insurance for personal injury and property damage with respect to cases and claims involving occurrences arising after the Asset Purchase, our accruals for the uninsured costs of such cases and claims and DuPont's agreement to be responsible for a portion of certain post-Asset Purchase product liability costs, as well as the type of firearms products that we make), we do not believe with respect to product liability and product related cases and claims that any probable loss exceeding amounts already recognized through our accruals has been incurred.

Because our assumption of financial responsibility for certain Remington product liability cases and claims involving pre-Asset Purchase occurrences was limited to an amount that has now been fully paid, with DuPont and its affiliates retaining liability in excess of that amount and indemnifying us in respect of such liabilities, and because of our accruals with respect to such cases and claims, we believe that Remington product liability cases and claims involving occurrences arising prior to the Asset Purchase are not likely to have a material adverse effect upon our financial condition, results of operations or cash flows, nor do we believe at this time that there is an estimated range of reasonably possible additional losses. Moreover, although it is difficult to forecast the outcome of litigation, we do not believe, in light of relevant circumstances (including with respect to Remington-based claims, the current availability of insurance for personal injury and property damage with respect to cases and claims involving occurrences arising after the Asset Purchase, our accruals for the uninsured costs of such cases and claims and the agreement of DuPont and its affiliates to be responsible for a portion of certain post-Asset Purchase product liability costs, as well as the type of firearms products that we make), that the outcome of all pending product liability cases and claims will be likely to have a material adverse effect upon our financial condition, results of operations or cash flows. Nonetheless, in part because the nature and extent of liability based on the manufacture and/or sale of allegedly defective products (particularly as to firearms and ammunition) is uncertain, there can be no assurance that our resources will be adequate to cover pending and future product liability occurrences, cases or claims, in the aggregate, or that a material adverse effect upon our financial condition, results of operations or cash flows will not result therefrom. Because of the nature of our products, we anticipate that we will continue to be involved in product liability and product related litigation in the future. Because of the potential nature of injuries relating to firearms and ammunition, certain public perceptions of our products and recent efforts to expand liability of manufacturers of firearms and ammunition, product liability cases and claims, and insurance costs associated with such cases and claims, may cause us to incur material costs.

Litigation Outlook

We are involved in lawsuits, claims, investigations and proceedings, including commercial, environmental, trade mark, trade dress and employment matters, which arise in the ordinary course of business. We do not expect that the ultimate costs to resolve these matters will have a material adverse effect on our financial position, results of operations or cash flows.

Certain Indemnities

As of the closing of the Asset Purchase in December 1993 under the Purchase Agreement, Remington assumed:

- a number of specified liabilities, including certain trade payables and contractual obligations of DuPont and its affiliates;

- limited financial responsibility for specified product liability claims relating to disclosed occurrences arising prior to the Asset Purchase;

- limited financial responsibility for environmental claims relating to the operation of the Remington business prior to the Asset Purchase; and

- liabilities for product liability claims relating to occurrences after the Asset Purchase, except for claims involving products discontinued at the time of closing.

All other liabilities relating to or arising out of the operation of the Remington business prior to the Asset Purchase from DuPont are excluded liabilities ("Excluded Liabilities"), which DuPont and its affiliates retained. DuPont and its affiliates are required to indemnify us in respect of the Excluded Liabilities, which include, among other liabilities:

- liability in excess of our limited financial responsibility for environmental claims and disclosed product liability claims relating to pre-closing occurrences; and

- liability for product liability litigation related to discontinued products.

DuPont and its affiliates' overall liability in respect of their representations, covenants and the Excluded Liabilities under the Purchase Agreement, excluding environmental liabilities and product liability matters relating to events occurring prior to the purchase but not disclosed, or relating to discontinued products, is limited to $324.8 million. With a few exceptions, DuPont and its affiliates' representations under the Purchase Agreement have expired. We made claims for indemnification involving product liability issues prior to such expiration. See "—Product Related Litigation."

In addition, DuPont and its affiliates agreed in 1996 to indemnify Remington against a portion of certain product liability costs involving various shotguns manufactured prior to 1995 and arising from occurrences on or prior to November 30, 1999. These indemnification obligations of DuPont and its affiliates relating to product liability and environmental matters (subject to a limited exception) are not subject to any survival period limitation, deductible or other dollar threshold or cap. We and DuPont and its affiliates are also party to separate agreements setting forth agreed procedures for the management and disposition of environmental and product liability claims and proceedings relating to the operation or ownership of the Remington business prior to the Asset Purchase, and are currently engaged in the joint defense of certain product liability claims and proceedings. See "—Product Related Litigation."

Additionally as part of our recent acquisitions, the Company has received customary product liability, environmental and legal indemnifications.