
QUARTERLY REPORT

For the period ended:

June 28, 2015



**REMINGTON OUTDOOR COMPANY,
INC.**

(Exact name of company as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

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)

REMINGTON OUTDOOR COMPANY, INC.

Quarterly Report

June 28, 2015

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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 term “FGI Holding” refers to FGI Holding Company, LLC, (3) the term “FGI Opco” refers to FGI Operating Company, LLC, (4) the term “FGI Finance” refers to FGI Finance, Inc., (5) the term “Remington” refers to Remington Arms Company, LLC and its direct and indirect subsidiaries, (6) the term “Mountain Khakis” refers to Mountain Khakis, LLC, (7) the term “AAC” refers to Advanced Armament Corp., LLC, (8) the term “Barnes” refers to Barnes Bullets, LLC, (9) the term “Remington UK” refers to Remington Outdoor (UK) Ltd., (10) the term “Outdoor Services” refers to Outdoor Services, LLC and (11) the terms “2020 Notes,” “Term Loan B,” “ABL,” “ABL Revolver” and “Promissory Note” have the respective meanings given to them in the “Notes to Consolidated Financial Statements – note 6 – 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, financial results, 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 and annual reports could affect 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.
- Our ability to make scheduled payments of principal and 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 and capital expenditures, 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 and growth; (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 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. Therefore, 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.
- Commodity prices, including those for lead, copper, steel, brass, zinc, oil and natural gas have historically experienced significant volatility primarily due to the global supply of and demand for the commodity as well as other factors such as the global economic environment. We currently purchase copper and lead commodity option and swap contracts to hedge against price fluctuations of anticipated commodity purchases. However, we cannot assure you that our hedging activity will be effective to shield us against significant volatility in the price of lead or zinc or other commodities, which 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 suppliers of these materials could increase our cost of operations. Such a disruption may result from or be amplified by the volatility of and uncertainty in the U.S. and global financial markets.
- 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 and less leverage 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 the degree to which we are leveraged.
- We are subject to business risks unique to companies engaged in supplying defense-related equipment and services to the U.S. government and other governments, including the use of indefinite delivery, indefinite quantity (“IDIQ”) contracts that are funded by government appropriations under which the customer places orders at its discretion. Our failure to realize anticipated revenues from IDIQ contracts, or the loss of, or a significant reduction in, government funding, for any program in which we participate, could have a material adverse effect on our sales and earnings and thus negatively affect our business, financial condition, results of operations or cash flows.

- Sales made to Wal-Mart accounted for approximately 9.7% and 9.8% of our total sales for the six months ended June 28, 2015 and June 29, 2014, respectively, and approximately 9.0% of our total sales for the year ended December 31, 2014. Our sales to Wal-Mart are generally not governed by a written long-term contract between the parties. In the event that Wal-Mart were to significantly reduce or terminate its purchases of firearms, ammunition and/or other products from us, our financial condition or results of operations could be adversely affected.
- 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.
- Product recalls, class action and product liability litigation, as well as unfavorable publicity or public perception of the firearms industry generally, could adversely impact our operating results and reputation and may result in the delayed release of new products and offerings.
- Recent changes in leadership, as well as start-up and realignment activities, including the acquisition of our facility in Huntsville, Alabama and related closure of several of our other facilities, will require additional attention, which could divert management's focus from our continuing operations and delay our ability to ship products and provide services to certain customers.

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
Condensed Consolidated Balance Sheets
(Dollars in Millions, Except for Number of Stock Shares)

	<i>Unaudited</i>		<i>Unaudited</i>
	June 28, 2015	December 31, 2014	June 29, 2014
ASSETS			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 109.5	\$ 158.6	\$ 159.3
Trade Receivables, net of \$1.0, \$1.1, and \$0.9 allowance for bad debts, respectively	175.3	113.1	174.1
Inventories	201.7	219.8	333.5
Prepaid Expenses and Miscellaneous Receivables	13.8	36.1	22.5
Deferred Tax Assets	45.3	48.8	48.5
Total Current Assets	<u>545.6</u>	<u>576.4</u>	<u>737.9</u>
Property, Plant and Equipment, net	245.1	241.1	216.3
Goodwill	80.3	80.2	83.2
Intangible Assets, net	99.3	103.9	108.5
Debt Issuance Costs, net	20.5	22.7	24.3
Noncurrent Deferred Tax Assets	0.8	-	-
Other Assets	18.4	19.0	17.9
Total Assets	<u>\$ 1,010.0</u>	<u>\$ 1,043.3</u>	<u>\$ 1,188.1</u>
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' DEFICIT			
<u>Current Liabilities</u>			
Accounts Payable	\$ 94.1	\$ 68.6	\$ 85.5
Short-Term Borrowings	6.9	8.1	7.5
Current Portion of Product Liability	10.7	4.4	7.5
Accrued Expenses	134.9	131.7	151.9
Total Current Liabilities	<u>246.6</u>	<u>212.8</u>	<u>252.4</u>
Long-Term Debt, net	847.7	828.2	896.2
Retiree Benefits, net	62.4	63.3	45.1
Product Liability, net	13.9	13.9	10.2
Deferred Tax Liabilities	-	22.0	34.1
Other Long-Term Liabilities	49.9	40.9	40.1
Total Liabilities	<u>1,220.5</u>	<u>1,181.1</u>	<u>1,278.1</u>
Commitments and Contingencies (Note 13)			
Common Stock, Issued 173,581, 172,003 and 173,182 shares, respectively	0.2	0.2	0.2
Less: Treasury Stock	(0.2)	-	-
Paid-in Capital	-	17.5	16.9
Accumulated Other Comprehensive Loss	(71.2)	(70.4)	(55.2)
Accumulated Deficit	(139.2)	(85.0)	(51.6)
Total Parent's Deficit	<u>(210.4)</u>	<u>(137.7)</u>	<u>(89.7)</u>
Noncontrolling Interest Deficit	(0.1)	(0.1)	(0.3)
Total Stockholders' Deficit	<u>(210.5)</u>	<u>(137.8)</u>	<u>(90.0)</u>
Total Liabilities, Mezzanine Equity and Stockholders' Equity (Deficit)	<u>\$ 1,010.0</u>	<u>\$ 1,043.3</u>	<u>\$ 1,188.1</u>

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

Remington Outdoor Company, Inc. and Subsidiaries
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 28,	June 29,	June 28,	June 29,
	2015	2014	2015	2014
Net Sales	\$ 202.1	\$ 214.7	\$ 403.4	\$ 469.9
Cost of Goods Sold	148.2	151.8	306.4	349.6
Gross Profit	53.9	62.9	97.0	120.3
Selling, General and Administrative Expenses	55.4	68.2	98.2	115.5
Research and Development Expenses	4.5	4.8	8.9	10.1
Other Expense	1.8	2.2	3.9	11.3
Operating Loss	(7.8)	(12.3)	(14.0)	(16.6)
Interest Expense	14.4	16.1	30.0	30.6
Loss Before Income Taxes and Noncontrolling Interests	(22.2)	(28.4)	(44.0)	(47.2)
Income Tax Benefit	(7.3)	(5.3)	(15.9)	(12.3)
Net Loss	(14.9)	(23.1)	(28.1)	(34.9)
Add: Net Loss Attributable to Noncontrolling Interest	-	0.2	-	0.2
Net Loss Attributable to Controlling Interest	\$ (14.9)	\$ (22.9)	\$ (28.1)	\$ (34.7)
Net Loss Applicable to Common Stock	\$ (14.9)	\$ (22.9)	\$ (28.1)	\$ (34.7)
Net Loss Per Common Share, Basic	\$ (88.26)	\$ (138.02)	\$ (166.96)	\$ (208.88)
Net Loss Per Common Share, Diluted	\$ (88.26)	\$ (138.02)	\$ (166.96)	\$ (208.88)
Weighted Average Number of Shares Outstanding, Basic	168,453	166,325	168,164	166,258
Weighted Average Number of Shares Outstanding, Diluted	168,453	166,325	168,164	166,258

Net Sales are presented net of Federal Excise taxes of \$16.9 and \$16.2 for the three months ended June 28, 2015 June 29, 2014, respectively, and \$32.9 and \$34.3 for the six months ended June 28, 2015 and June 29, 2014, respectively.

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

Remington Outdoor Company, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(Dollars in Millions)

	For the three months ended		For the six months ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net Loss	\$ (14.9)	\$ (23.1)	\$ (28.1)	\$ (34.9)
Other Comprehensive Loss:				
Net Foreign Currency Translation Adjustments	-	0.1	-	0.4
Net Derivative Gains (Losses), net	0.3	1.6	(0.8)	(1.9)
Total Other Comprehensive Loss	<u>0.3</u>	<u>1.7</u>	<u>(0.8)</u>	<u>(1.5)</u>
Comprehensive Loss	(14.6)	(21.4)	(28.9)	(36.4)
Add: Comprehensive Loss Attributable to Noncontrolling Interests	-	0.2	-	0.2
Total Comprehensive Loss Attributable to Controlling Interests	<u>\$ (14.6)</u>	<u>\$ (21.2)</u>	<u>\$ (28.9)</u>	<u>\$ (36.2)</u>

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

Remington Outdoor Company, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in Millions)

	For the six months ended June 28, 2015	For the six months ended June 29, 2014
<u>Operating Activities</u>		
Net Loss	\$ (28.1)	\$ (34.9)
Adjustments:		
Depreciation	12.4	10.3
Amortization	2.8	5.3
Retirement Plans' Income	(0.8)	(0.5)
Deferred Income Taxes	(17.3)	(13.5)
Share Based Compensation Charges	2.2	4.1
Excess Tax Benefits Realized for Stock and Options	(2.4)	(1.8)
Other Non-Cash Charges	5.0	0.2
Changes in Operating Assets and Liabilities:		
Trade Receivables	(64.9)	(69.8)
Inventories, net	14.6	(67.0)
Prepaid Expenses and Other Assets	21.6	8.2
Accounts Payable	27.4	(6.6)
Income Taxes Payable	(0.4)	-
Contributions to Retirement Plans	(0.1)	(0.2)
Other Liabilities	1.6	11.3
Net Cash Used in Operating Activities	<u>(26.4)</u>	<u>(154.9)</u>
<u>Investing Activities</u>		
Purchase of Property, Plant and Equipment	(20.3)	(36.8)
Acquisition of Businesses, net of Cash Acquired	-	(1.9)
Proceeds from Sale of Subsidiary, net	9.2	-
Net Cash Used in Investing Activities	<u>(11.1)</u>	<u>(38.7)</u>
<u>Financing Activities</u>		
Proceeds from Revolving Credit Facilities	106.2	94.0
Payments on Revolving Credit Facilities	(85.5)	(23.7)
Debt Issuance Costs	(0.6)	(2.7)
Distribution	(48.6)	-
Principal Payments on Debt	(2.8)	(3.7)
Proceeds from Exercised Stock Options	0.4	0.9
Acquisition of Stock	(0.2)	(6.2)
Excess Tax Benefits Realized for Stock and Options	2.4	1.8
Proceeds from State and Local Incentives	12.5	16.0
Book Overdraft	4.4	6.7
Net Cash Provided by Financing Activities	<u>(11.8)</u>	<u>83.1</u>
Effect of Exchange Rate Changes on Cash	0.2	0.3
Change in Cash and Cash Equivalents	<u>(49.1)</u>	<u>(110.2)</u>
Cash and Cash Equivalents at Beginning of Period	158.6	269.5
Cash and Cash Equivalents at End of Period	<u>\$ 109.5</u>	<u>\$ 159.3</u>
Supplemental Cash Flow Information:		
Cash Paid During the Period for:		
Interest	\$ 27.9	\$ 24.5
Income Taxes	0.3	5.5
Noncash Financing and Investing Activities:		
Accrued Capital Expenditures	8.1	16.8
Capital Lease Obligations Incurred	-	0.7

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

Remington Outdoor Company, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity (Deficit) and Accumulated Comprehensive Income (Loss) (Unaudited)
(Dollars in Millions)

	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Controlling Interest Stockholders' Equity (Deficit)	Non- Controlling Interest	Total Stockholders' Equity (Deficit)
Balance, January 1, 2014	\$ 0.2	\$ -	\$ 10.2	\$ (53.7)	\$ (10.8)	\$ (54.1)	\$ (0.1)	\$ (54.2)
Net Loss					(34.7)	(34.7)	(0.2)	(34.9)
Other Comprehensive Loss				(1.5)		(1.5)		(1.5)
Share-Based Compensation			4.1			4.1		4.1
Exercise of Stock Options		1.5	0.8		(1.4)	0.9		0.9
Tax Benefits Related to Stock Plans			1.8			1.8		1.8
Acquisition of Stock		(6.2)				(6.2)		(6.2)
Stock Issuances		4.7			(4.7)	-		-
Balance, June 29, 2014	<u>\$ 0.2</u>	<u>\$ -</u>	<u>\$ 16.9</u>	<u>\$ (55.2)</u>	<u>\$ (51.6)</u>	<u>\$ (89.7)</u>	<u>\$ (0.3)</u>	<u>\$ (90.0)</u>

	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Controlling Interest Stockholders' Equity (Deficit)	Non- Controlling Interest	Total Stockholders' Equity (Deficit)
Balance, January 1, 2015	\$ 0.2	\$ -	\$ 17.5	\$ (70.4)	\$ (85.0)	\$ (137.7)	\$ (0.1)	\$ (137.8)
Net Loss					(28.1)	(28.1)	-	(28.1)
Other Comprehensive Loss				(0.8)		(0.8)		(0.8)
Share-Based Compensation			2.2			2.2		2.2
Exercise of Stock Options		-	0.4		-	0.4		0.4
Tax Benefits Related to Stock Plans			2.4		-	2.4		2.4
Distribution			(22.5)		(26.1)	(48.6)		(48.6)
Acquisition of Stock		(0.2)				(0.2)		(0.2)
Balance, June 28, 2015	<u>\$ 0.2</u>	<u>\$ (0.2)</u>	<u>\$ -</u>	<u>\$ (71.2)</u>	<u>\$ (139.2)</u>	<u>\$ (210.4)</u>	<u>\$ (0.1)</u>	<u>\$ (210.5)</u>

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

REMINGTON OUTDOOR COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in millions, except share and per share amounts) – Unaudited

1. Basis of Presentation

The accompanying unaudited interim condensed and consolidated financial statements include those of Remington Outdoor Company, Inc. (“Remington Outdoor Company,” “Remington Outdoor,” or the “Company”) 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”) and RA Brands, L.L.C. FGI Opco also owns 100% of FGI Finance, Inc. (“FGI Finance”). Remington, in turn, owns Advanced Armament Corp., LLC (“AAC”) and Remington Outdoor (UK) Ltd. (“Remington UK”). On April 29, 2015, the Company sold substantially all of the assets and liabilities of its interest in Mountain Khakis, LLC (“Mountain Khakis”). The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries, including Mountain Khakis through the date of its sale. All significant intercompany accounts and transactions have been eliminated.

The accompanying unaudited interim condensed and consolidated financial statements have been prepared i) in accordance with U.S. generally accepted accounting principles (U.S. GAAP) applicable to interim financial statements and ii) pursuant to the rules and regulations of the SEC for reporting interim financial information. Pursuant to such rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted. The balance sheet as of December 31, 2014, included in this quarterly report, was derived from the audited financial statements as of and for the year ended December 31, 2014 and does not include all disclosures required by U.S. GAAP. As such, the unaudited interim condensed and 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, 2014. 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.

The Company uses a calendar year/5-4-4 based fiscal month reporting period. Under this fiscal cycle, each reporting quarter contains 13 weeks of operations and ends on the last Sunday of the quarter, except for the last quarter which ends on December 31.

The Company has approximately \$10.0 of cash in a restricted account in order to collateralize certain vendor financing arrangements.

2. Fair Value Measurements

ASB 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,

REMINGTON OUTDOOR COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in millions, except share and per share amounts) – Unaudited

discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring Fair Value Measurements

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of June 28, 2015 and the effects of master netting agreements:

	Level 1	Level 2	Level 3	Netting Adjustments	Net Fair Value
Assets:					
Commodity Derivative Contracts	\$ -	\$ 0.1	\$ -	\$ (0.1)	\$ -
Interest Rate Derivative Contracts	-	2.0	-	(1.7)	0.3
Total Assets	\$ -	\$ 2.1	\$ -	\$ (1.8)	\$ 0.3
Liabilities:					
Commodity Derivative Contracts	\$ -	\$ 11.6	\$ -	\$ (0.1)	\$ 11.5
Interest Rate Derivative Contracts	-	1.7	-	(1.7)	-
Foreign Currency Derivative Contracts	-	-	-	-	-
Total Liabilities	\$ -	\$ 13.3	\$ -	\$ (1.8)	\$ 11.5

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2014 and the effects of master netting agreements:

	Level 1	Level 2	Level 3	Netting Adjustments	Net Fair Value
Assets:					
Interest Rate Derivative Contracts	\$ -	\$ 2.7	\$ -	\$ (1.9)	\$ 0.8
Total Assets	\$ -	\$ 2.7	\$ -	\$ (1.9)	\$ 0.8
Liabilities:					
Commodity Derivative Contracts	\$ -	\$ 9.7	\$ -	\$ -	\$ 9.7
Interest Rate Derivative Contracts	-	1.9	-	(1.9)	-
Total Liabilities	\$ -	\$ 11.6	\$ -	\$ (1.9)	\$ 9.7

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of June 29, 2014 and the effects of master netting agreements:

	Level 1	Level 2	Level 3	Netting Adjustments	Net Fair Value
Assets:					
Commodity Derivative Contracts	\$ -	\$ 1.1	\$ -	\$ (1.1)	\$ -
Interest Rate Derivative Contracts	-	2.7	-	(2.1)	0.6
Total Assets	\$ -	\$ 3.8	\$ -	\$ (3.2)	\$ 0.6
Liabilities:					
Commodity Derivative Contracts	\$ -	\$ 2.7	\$ -	\$ (1.1)	\$ 1.6
Interest Rate Derivative Contracts	-	2.1	-	(2.1)	-
Foreign Currency Derivative Contracts	-	0.5	-	-	0.5
Total Liabilities	\$ -	\$ 5.3	\$ -	\$ (3.2)	\$ 2.1

The fair values of the Company's derivative contracts are determined using standard valuation models and observable market inputs which are classified as Level 2 inputs. Inputs used in the valuation models include spot and future prices, interest rates, forward rates, and discount rates that are based on London Inter Bank Offered Rate ("LIBOR") and U.S. Treasury rates. Refer to note 14.

All of the Company's derivative instruments are currently subject to master netting agreements which allow gain and loss positions with the same counterparty to be netted when settled. 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

REMINGTON OUTDOOR COMPANY, INC. AND SUBSIDIARIES
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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.

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 and other accrued liabilities are considered representative of their fair values. The Company's debt had an estimated fair value of \$799.0, \$813.2, and \$920.0 as of June 28, 2015, December 31, 2014, and June 29, 2014, respectively, and a carrying value of \$854.6, \$836.3, and \$903.7 as of June 28, 2015, December 31, 2014, and June 29, 2014, respectively. The fair value of the Company's fixed rate notes was measured using the active quoted trading price of its notes at June 28, 2015, December 31, 2014, and June 29, 2014, which is considered a Level 2 input.

The Company also has concentrations of credit risk with certain customers. Approximately 10.0% and 9.1% of total sales from all reportable business segments for the three months ended June 28, 2015 and June 29, 2014, respectively, and 9.7% and 9.8% of total sales for the six months ended June 28, 2015 and June 29, 2014, respectively, consisted of sales made to one customer.

3. Inventories

	June 28, 2015	December 31, 2014	June 29, 2014
Raw Materials	\$ 66.9	\$ 69.5	\$ 86.5
Semi-Finished Products	34.0	31.2	47.2
Finished Products	100.8	119.1	199.8
Total	\$ 201.7	\$ 219.8	\$ 333.5

4. Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the periods ended June 28, 2015, December 31, 2014, and June 29, 2014 by reporting segment are as follows:

Goodwill by Segment: ¹	June 28, 2015	Changes ¹	December 31, 2014	June 29, 2014
Firearms	\$ 43.2	\$ (0.1)	\$ 43.3	\$ 46.0
Ammunition	23.9	-	23.9	23.9
All Other	13.2	0.2	13.0	13.3
Total Goodwill	\$ 80.3	\$ 0.1	\$ 80.2	\$ 83.2

¹ Goodwill increased by \$0.1 due to changes in foreign currency exchange rates. Refer to note 15 for additional information on the changes in segment presentation.

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 28, 2015	Changes ¹	December 31, 2014	June 29, 2014
Trade Names, net	\$ 68.9	\$ (1.0)	\$ 69.9	\$ 73.0

¹ Indefinite-lived intangible assets decreased by \$1.0 due to the sale of the assets and liabilities of the Company's interest in Mountain Khakis.

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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 28, 2015	Changes ¹	December 31, 2014	June 29, 2014
Customer Relationships, net	\$ 27.4	\$ (3.1)	\$ 30.5	\$ 32.8
License Agreements, net	-	-	-	-
Developed Technology, net	2.5	(0.3)	2.8	2.1
Other, net ²	0.5	(0.2)	0.7	0.6
Total Definite-Lived Intangible Assets, net	\$ 30.4	\$ (3.6)	\$ 34.0	\$ 35.5

¹ The carrying value of the Company’s definite-lived intangible assets decreased \$3.6 due to \$2.7 of amortization expense and \$0.9 due to the sale of the assets and liabilities of the Company’s interest in Mountain Khakis. Amortization expense of intangible assets was \$1.3 and \$1.6 for the three months ended June 28, 2015 and June 29, 2014, respectively, and \$2.7 and \$3.3 for the six months ended June 28, 2015 and June 29, 2014, respectively.

² Represents patents, in-process technology and non-compete agreements.

5. Accrued Liabilities

Accrued Liabilities consisted of the following at:

	June 28, 2015	December 31, 2014	June 29, 2014
Product Safety Reserve ¹	\$ 11.5	\$ 13.3	\$ 21.8
Settlement Reserve ¹	26.9	28.3	29.7
Excise Tax	16.7	18.5	16.2
Marketing	12.8	21.6	15.7
Incentive Compensation	2.0	2.2	7.8
Other	65.0	47.8	60.7
Total	\$ 134.9	\$ 131.7	\$ 151.9

¹ Refer to note 13 for additional information on the settlement reserve and the product safety reserve.

6. Debt

Long-term debt consisted of the following at:

	June 28, 2015	December 31, 2014	June 29, 2014
7.875% Senior Secured Notes due 2020 (the “2020 Notes”)	\$ 250.0	\$ 250.0	\$ 250.0
Seven Year Term Loan B (the “Term Loan B”)	563.6	564.7	568.7
Credit Facility (the “ABL Revolver” or “ABL”)	27.2	6.5	70.3
Promissory Note	12.5	12.5	12.5
Other Debt ¹	1.3	2.6	2.2
Subtotal	\$ 854.6	\$ 836.3	\$ 903.7
Less: Current Portion	(6.9)	(8.1)	(7.5)
Total	\$ 847.7	\$ 828.2	\$ 896.2

¹ Other Debt consists of borrowings under short-term financings for insurance premiums and capital lease obligations.

7.875% Senior Secured Notes due 2020

The 2020 Notes, co-issued by FGI Opco and FGI Finance (the “Issuers”) are guaranteed by Remington Outdoor, FGI Holding and each of FGI Opco’s wholly-owned domestic restricted subsidiaries that are borrowers or

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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 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 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 Revolver and the Term Loan B, other than real property which only secures the Term Loan B. The collateral consists of substantially all of FGI Opco’s and 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. These covenants are subject to important exceptions, including, for example, the ability to incur certain indebtedness such as indebtedness under the credit agreement and capital lease indebtedness, and the ability to make certain restricted 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’s 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 has 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 has annual amortization payments due each year in an amount equal to 1% of the original principal balance thereof, with the balance due at the April 2019 maturity date. FGI Opco may voluntarily prepay the Term Loan B in whole or in part without premium or penalty. The Term Loan B also had an accordion feature that has been exercised on two occasions.

At June 28, 2015, the weighted average interest rate on the Term Loan B was 5.5%.

ABL Revolver

The ABL is a five-year \$225.0 Asset-Based Revolving Credit Facility, including sub-limits for letters of credit and swingline loans. On June 27, 2014, the ABL Revolver was modified to increase the maximum borrowings by \$75.0 from the pre-existing \$150.0 maximum borrowing limit. The amendment extended the maturity date of the ABL Revolver to June 27, 2019 and modestly refined the borrowing base and fee calculations. FGI Holding’s 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 Revolver. FGI Opco may designate, at its discretion, from time to time, certain subsidiaries that are not borrowers or guarantors. The ABL Revolver 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.

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Borrowings under the ABL Revolver 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 Revolver as provided in the ABL Revolver. The ABL Revolver 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 ABL Revolver and the Term Loan B (together, 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 28, 2015, there were \$27.2 of outstanding borrowings under the ABL Revolver with a 2.37% weighted average interest rate. Approximately \$147.9 in additional borrowings were available under the ABL at June 28, 2015 (the “Excess Availability”). Under the ABL, if the Excess Availability falls below \$33.75, the Company will be required to comply with certain restrictive covenants including covenants related to permitted investments, repurchase of capital stock, incurrence of indebtedness, sales of assets and dividend distributions. In addition, if Excess Availability falls below \$22.5, lenders have the right to enforce collections and amounts owed to FGI Opco on certain accounts and collateral.

Promissory Note

In February 2014, the Company entered into a Promissory Note (the “Promissory Note”) with the city of Huntsville, Alabama for \$12.5. Borrowings from the Promissory Note bear interest at an annual rate of 5.0% per annum. The Promissory Note has an eleven-year term with annual amortization payments due each year beginning on the second anniversary of the issuance equal to 10% of the original principal balance. Principal and interest payments commence on the second anniversary date of the Promissory Note and are due between 30 and 150 days after such date for the first eight years of the term and 90 days after such date for the remaining years of the term. If the Company meets certain employment goals for the year preceding the principal and interest payment dates, the annual principal and related interest for that payment period will be forgiven. If the Company partially meets those employment goals, then the principal and interest for that year will be partially forgiven on a pro-rata basis. If the Company closes the facility in Huntsville, Alabama or relocates that facility prior to the maturity date of the Promissory Note, any previously forgiven principal and interest amounts will be reinstated and payable as of the date of such closing or relocation less any vested amounts. Principal on the Promissory Note begins to vest in March 2020, then ratably over the next three fiscal years.

Other Debt

Short-Term Borrowings consist of an unsecured, fixed interest agreement for financing premiums on the Company’s insurance policy. The interest rate under this annual agreement was 2.25% and matures in November 2015.

The Company was in compliance with its debt covenants at June 28, 2015 and outstanding standby letters of credit were approximately \$14.0.

During 2014, the Company obtained an \$11.2 surety bond in order to appeal certain litigation judgments. This surety bond is not recognized on our condensed consolidated balance sheet as of June 28, 2015.

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7. Stock Compensation

Restricted Stock/Restricted Units

The following table summarizes restricted common unit/share activity for the six months ended June 28, 2015:

	Restricted Common Units/Shares Outstanding	Weighted-Average Grant Date Fair Value	Units/Shares Vested
Balance at December 31, 2014	10,756	\$ 2,717.37	6,553
Forfeited ¹	(112)	3,089.85	
Repurchased ²	(685)	2,885.53	
Balance at June 28, 2015	9,959	\$ 2,076.20	6,571

¹ In connection with the departure of certain officers, 112 shares of unvested restricted common stock were forfeited.

² In connection with the departure of certain officers, the Company disbursed approximately \$0.2 to repurchase 685 shares of restricted common stock.

Compensation expense related to restricted share incentive awards was approximately \$1.0 and \$2.1 for the three and six months ended June 28, 2015, respectively. Compensation expense related to restricted share incentive awards was approximately \$1.4 and \$4.1 for the three and six months ended June 29, 2014. During the six months ended June 29, 2014, the Company also recognized \$5.1 related to the tax gross ups on the issuance of the restricted shares. The compensation expense and related tax gross ups are included in Other Expense on the consolidated statement of operations. The Company expects to recognize an additional \$4.0 in compensation expense through 2017 for the non-vested restricted shares.

Stock Options

On May 14, 2008, the Company’s Board of Directors (the “Board”) adopted the Remington Outdoor Company, Inc. 2008 Stock Incentive Plan (formerly the American Heritage Arms, Inc. 2008 Stock Incentive Plan, as amended and restated through December 31, 2013) (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 Remington Outdoor common stock (the “Common Stock”), through the grant of awards. Remington Outdoor, 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 Remington Outdoor 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, subject to certain adjustments as set forth in the Plan.

Also on May 14, 2008, the 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.

The Company recognized approximately \$0.1 in compensation expense for each of the three and six months ended June 28, 2015, as a result of option modifications related to the departure of certain employees. For

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the three and six months ended June 29, 2014, the Company did not recognize any compensation expense related to the options. Since all of the Company’s outstanding options are fully vested, no additional compensation expense is expected to be recognized.

A summary of the stock option activity for the Plan for the six months ended June 28, 2015 is as follows:

	Number of Awards	Weighted-Average Exercise Price
Awards outstanding at December 31, 2014	3,451	\$ 300.72
Exercised ¹	(1,690)	\$ 255.00
Awards outstanding at June 28, 2015	1,761	\$ 344.59
Awards vested at June 28, 2015	1,761	\$ 344.59
Shares available for grant at June 28, 2015	4,650	

¹ In the six months ended June 28, 2015, the Company received approximately \$0.4 for 1,690 of exercised vested stock options.

8. Stockholders’ Equity

The Company is authorized to issue 200,000 shares of \$0.01 par value preferred stock as approved by the Board. As of June 28, 2015, there were 190,000 shares of preferred stock approved for issuance as Series A preferred stock, with no other approved classes of preferred stock issued or outstanding. There were 186,977 shares issued and zero shares outstanding of the Company’s Series A preferred stock for all periods presented.

The Company is also authorized to issue 200,000 shares of \$0.01 par value common stock. Changes in the Company’s common stock for the six months ended June 28, 2015 and June 29, 2014 are as follows:

Common Stock	Issued	Held in Treasury	Outstanding
Shares of Common Stock at December 31, 2013	171,547	-	171,547
Issuances ¹	1,635	-	1,635
Shares of Common Stock at June 29, 2014	173,182	-	173,182
Shares of Common Stock at December 31, 2014	172,003	-	172,003
Issuances ²	1,690	-	1,690
Repurchases ²	-	(685)	(685)
Forfeitures ²	(112)	-	(112)
Shares of Common Stock at June 28, 2015	173,581	(685)	172,896

¹ During the six months ended June 29, 2014, the Company issued 1,635 shares of restricted common stock awards, of which 1,519 shares were released from treasury and issued an additional 116 shares of common stock for the grant.

² During the six months ended June 28, 2015, the Company issued 1,690 shares of common stock to satisfy exercised stock option awards. The Company also repurchased 685 restricted shares and 112 shares were forfeited. Refer to note 7.

9. Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) (“AOCI”) on the Company’s condensed consolidated balance sheet is attributable to the parent company. There was no other comprehensive income (loss) (“OCI”) attributable to noncontrolling interests in the Company’s less-than-wholly-owned subsidiaries in the periods presented.

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The components of OCI and their related tax effects for the three months ended June 28, 2015 and June 29, 2014 are as follows:

Three Months Ended June 28, 2015	Before Taxes	Taxes	After Taxes
Foreign currency translation adjustments ^{1,2}	\$ 0.1	\$ -	\$ 0.1
Net derivatives: ³			
Net unrealized gains (losses) recognized in OCI	(2.7)	1.0	(1.7)
Net (gains) losses reclassified into earnings	3.0	(1.1)	1.9
Net derivative gains (losses) ²	\$ 0.3	\$ (0.1)	\$ 0.2
Other Comprehensive Income (Loss) ²	\$ 0.4	\$ (0.1)	\$ 0.3

Three Months Ended June 29, 2014	Before Taxes	Taxes	After Taxes
Foreign currency translation adjustments ^{1,2}	\$ 0.1	\$ -	\$ 0.1
Net derivatives: ³			
Net unrealized gains (losses) recognized in OCI	1.6	(0.6)	1.0
Net (gains) losses reclassified into earnings	1.0	(0.4)	0.6
Net derivative gains (losses) ²	\$ 2.6	\$ (1.0)	\$ 1.6
Other Comprehensive Income (Loss) ²	\$ 2.7	\$ (1.0)	\$ 1.7

¹ U.S. income taxes are not accrued on foreign currency translation adjustments.

² Amounts net of tax appear on the condensed consolidated statements of comprehensive income (loss).

³ Net derivative gains and losses that are reclassified out of AOCI are recognized in their entirety in Cost of Sales on the Company's condensed consolidated statement of operations in the reporting period during which they were realized. For additional information on the Company's derivative instruments that are designated as cash flow hedges, refer to note 14.

The components of OCI and their related tax effects for the six months ended June 28, 2015 and June 29, 2014 are as follows:

Six Months Ended June 28, 2015	Before Taxes	Taxes	After Taxes
Foreign currency translation adjustments ^{1,2}	\$ -	\$ -	\$ -
Net derivatives: ³			
Net unrealized gains (losses) recognized in OCI	(6.4)	2.5	(3.9)
Net (gains) losses reclassified into earnings	5.1	(2.0)	3.1
Net derivative gains (losses) ²	\$ (1.3)	\$ 0.5	\$ (0.8)
Other Comprehensive Income (Loss) ²	\$ (1.3)	\$ 0.5	\$ (0.8)

Six Months Ended June 29, 2014	Before Taxes	Taxes	After Taxes
Foreign currency translation adjustments ^{1,2}	\$ 0.4	\$ -	\$ 0.4
Net derivatives: ³			
Net unrealized gains (losses) recognized in OCI	(4.7)	1.8	(2.9)
Net (gains) losses reclassified into earnings	1.6	(0.6)	1.0
Net derivative gains (losses) ²	\$ (3.1)	\$ 1.2	\$ (1.9)
Other Comprehensive Income (Loss) ²	\$ (2.7)	\$ 1.2	\$ (1.5)

¹ U.S. income taxes are not accrued on foreign currency translation adjustments.

² Amounts net of tax appear on the condensed consolidated statements of comprehensive income (loss).

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³ Net derivative gains and losses that are reclassified out of AOCI are recognized in their entirety in Cost of Sales on the Company's condensed consolidated statement of operations in the same reporting period during which they were realized. For additional information on the Company's derivative instruments that are designated as cash flow hedges, refer to note 14.

10. Net Loss 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):

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Numerator:				
Net loss attributable to controlling interest	\$ (14.9)	\$ (22.9)	\$ (28.1)	\$ (34.7)
Denominator:				
Weighted average common shares outstanding (basic)	168,453	166,325	168,164	166,258
Weighted average common shares outstanding (diluted)	168,453	166,325	168,164	166,258
Loss per Common Share:				
Basic	\$ (88.26)	\$ (138.02)	\$ (166.96)	\$ (208.88)
Diluted	\$ (88.26)	\$ (138.02)	\$ (166.96)	\$ (208.88)

Common Share Equivalents of Potentially Dilutive Securities:

Restricted Stock	3,388	6,523	3,388	6,523
Stock Options	1,761	3,451	1,761	3,451
Total	5,149	9,974	5,149	9,974

11. Income Taxes

The effective tax rate on continuing operations for the six months ended June 28, 2015 and June 29, 2014 was 36.1% and 26.1%, 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 28, 2015 and June 29, 2014.

In addition, the effective tax rate for the six months ended June 29, 2014 was impacted by an increase to the Company's valuation allowance of \$3.7 for certain state tax credits. The valuation allowance was recorded as the result of changes in the corporate income tax regime for New York State due to legislation enacted effective March 31, 2014. The Company believes that the deferred tax asset related to the New York State tax credits carried forward is no longer more likely than not to be realized as a result of the enacted legislation. United States income taxes have not been accrued on the earnings of Remington UK because the Company intends to indefinitely reinvest these funds outside of the United States.

During the quarter ended June 28, 2015 the Company experienced a change in ownership as defined under Internal Revenue Code Section 382. Section 382 serves to limit the utilization of certain pre-change losses and credits. Based on information currently available, the Company does not believe that the Section 382 limitation will prevent the Company from using its pre-change tax attributes. However, it is possible that based on the results of the Company's operations for the remainder of 2015 some of its tax attributes may become subject to a Section 382 limitation which would require the Company to record a valuation allowance for those deferred tax assets.

12. 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

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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 table summarizes the components of net periodic pension cost for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Interest Cost	\$ 2.4	\$ 2.9	\$ 4.9	\$ 5.8
Expected Return on Assets	(3.9)	(3.9)	(7.9)	(7.8)
Recognized Net Actuarial (Gains) Losses	0.9	0.6	1.8	1.2
Net Periodic Pension (Benefit)/Cost	\$ (0.6)	\$ (0.4)	\$ (1.2)	\$ (0.8)

The Company made approximately \$0.1 of contributions to its Plans in the six months ended June 28, 2015. The Company expects to make aggregate cash contributions totaling approximately \$0.3 to the Plans during the current fiscal year.

Other Postretirement Benefit Plans

The following table summarizes the components of net periodic post-retirement cost for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Interest Cost	\$ 0.1	\$ 0.2	\$ 0.3	\$ 0.4
Net Periodic Post-Retirement Cost	\$ 0.1	\$ 0.2	\$ 0.3	\$ 0.4

13. Commitments and Contingencies

Purchase Commitments

The Company has various purchase commitments for services incidental to the ordinary course 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 four 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

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(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 28, 2015, the Company had two 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 28, 2015, December 31, 2014, and June 29, 2014, the Company's accrual for product liability cases and claims was \$24.6, \$18.3, and \$17.7, respectively.

In April 2014, the Company announced a product safety warning and recall notice directed towards the public and its consumers concerning certain models of bolt action centerfire rifles with X-Mark Pro® ("XMP®") triggers, manufactured from May 1, 2006 to April 9, 2014. Through June 28, 2015, the Company had expensed \$30.9 associated with the product safety warning and recall notice, of which zero was expensed in the six months ended June 28, 2015, \$25.3 was expensed in the six months ended June 29, 2014, and \$5.6 was expensed in the remainder of the year ended December 31, 2014. At June 28, 2015, the accrual balance for the product safety warning and recall notice was \$11.5.

In July 2014, the Company entered into a Memorandum of Understanding to settle the economic loss claims related to certain models of bolt action centerfire firearms with a trigger mechanism containing a trigger connector as well as the product safety warning and recall. In December 2014, the Company entered into a Settlement Agreement of the economic loss claims related to the trigger connector and claims related to the product safety warning and recall. The parties requested settlement approval from the Court, and thereafter received preliminary approval. The parties are awaiting a final decision, which is expected to be received in late 2015. Through June 28, 2015, the Company had expensed \$29.7 associated with the settlement reserve, of which zero was expensed in the six months ended June 28, 2015, \$24.7 was expensed in the six months ended June 29, 2014, and \$5.0 was expensed in the year ended December 31, 2013. At June 28, 2015, the accrual balance for the settlement reserve was \$26.9.

The Company is conducting remediation of oil-related contamination at a former facility; however, costs are not expected to be material.

14. 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 are used to minimize price risk associated with

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the purchase of raw materials used in its manufacturing. Interest rate swaps are used to minimize interest rate risk associated with the Company's variable-rate debt. Foreign currency swaps are used to mitigate foreign currency exchange rate risks associated with sales and procurement activities made in currencies other than the U.S Dollar. 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. A foreign currency swap is an agreement between two parties to exchange two currencies on a specified date at a specified exchange rate. 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 on 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 on 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 upon 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 on 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 in earnings on 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 on the condensed consolidated statement of cash flows.

All of the Company's current derivative instruments are 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. Refer to note 3 for the net fair value presentation of the Company's derivative instruments as presented on the condensed consolidated balance sheet.

Cash Flow Hedges

Commodity Contracts

The Company enters into copper and lead commodity swap and option contracts to mitigate price fluctuations on future commodity purchases. Both commodity option and swap contracts qualify for and have been designated as cash flow hedges and changes in the fair values of these contracts are recorded in AOCI until sales of ammunition that included previously hedged purchases of copper and lead have been recognized. Approximately \$5.6 of the net commodity contracts' loss (net of deferred taxes) included in AOCI is expected to be reclassified into earnings within the next twelve months.

At June 28, 2015, the fair values of the Company's outstanding swap contracts were \$(11.5) and hedged firm commitments of an aggregate notional amount of 62.4 million pounds of copper and lead. The commodity swap

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contracts outstanding at June 28, 2015 will settle over the next 22 months. At December 31, 2014, the fair values of the Company's outstanding swap contracts were \$(9.7) and hedged firm commitments of an aggregate notional amount of 77.7 million pounds of copper and lead and will settle over the next 24 months. At June 29, 2014, the fair values of the Company's outstanding swaps contracts were \$(1.6) and hedged firm commitments of an aggregate notional amount of 32.8 million pounds of copper and lead and will settle over the next 21 months.

Foreign Currency Swaps

The Company enters into foreign currency swaps to hedge certain portions of forecasted cash flows denominated in foreign currencies. When the U.S. Dollar appreciates against the foreign currencies, the decline in foreign currency cash flows is partially offset by gains in the fair values of the foreign currency swaps. When the U.S. Dollar depreciates against the foreign currencies, the increase in foreign currency cash flows is partially offset by losses in the fair values of the derivative instruments. All of the Company's foreign currency swaps qualify for and have been designated as cash flow hedges. Changes in the fair values of these contracts are recognized in AOCI until the corresponding foreign denominated receivables/payables are collected/remitted. The Company settled all of its foreign currency swaps during 2014 and had no outstanding foreign currency swaps contracts at June 28, 2015 and December 31, 2014. At June 29, 2014, the fair values of the Company's foreign currency swaps were \$(0.5) and the total notional amount was \$26.4.

The following table presents the fair value of the Company's derivative instruments that were designated as cash flow hedges on a gross basis without the effect of master netting agreements at the following dates:

Derivatives Designated as Cash Flow Hedges	Balance Sheet Location	June 28, 2015	December 31, 2014	June 29, 2014
Assets				
Commodity Contracts	Prepaid Expenses and Misc. Receivables	\$ 0.0	\$ -	\$ 0.7
Commodity Contracts	Other Assets	0.1	-	0.4
Total Assets ¹		\$ 0.1	-	\$ 1.1
Liabilities				
Commodity Contracts	Accounts Payable	\$ 9.6	\$ 7.1	\$ 2.7
Foreign Currency Swaps	Accounts Payable			0.5
Commodity Contracts	Other Long-Term Liabilities	2.0	2.6	-
Total Liabilities ¹		\$ 11.6	\$ 9.7	\$ 3.2

¹ For information on the effect master netting agreements have on the Company's derivative instruments qualifying as cash flow hedges and their estimated fair values, refer to note 2.

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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 three months ended June 28, 2015 and June 29, 2014:

Derivatives Designated as Cash Flow Hedges	Gain (Loss) Recognized in OCI	Location of 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 28, 2015				
Commodity Contracts	\$ (1.6)	Cost of Sales	\$ (1.8)	\$ -
Foreign Currency Swaps	-	Selling, General and Administrative Expenses	-	-
Total ¹	\$ (1.6)		\$ (1.8)	\$ -
Three Months Ended June 29, 2014				
Commodity Contracts	\$ 1.8	Cost of Sales	\$ (0.5)	\$ -
Foreign Currency Swaps	(0.8)	Selling, General and Administrative Expenses	(0.1)	-
Total ¹	\$ 1.0		\$ (0.6)	\$ -

¹ For information on the tax effects and pre-tax net gains and losses on derivative instruments reflected in OCI, refer to note 9.

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 six months ended June 28, 2015 and June 29, 2014:

Derivatives Designated as Cash Flow Hedges	Gain (Loss) Recognized in OCI	Location of 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)
Six Months Ended June 28, 2015				
Commodity Contracts	\$ (4.0)	Cost of Sales	\$ (3.2)	\$ -
Foreign Currency Swaps	-	Selling, General and Administrative Expenses	-	-
Total ¹	\$ (4.0)		\$ (3.2)	\$ -
Six Months Ended June 29, 2014				
Commodity Contracts	\$ (2.5)	Cost of Sales	\$ (0.9)	\$ -
Foreign Currency Swaps	(0.4)	Selling, General and Administrative Expenses	(0.1)	-
Total ¹	\$ (2.9)		\$ (1.0)	\$ -

¹ For information on the tax effects and pre-tax net gains and losses on derivative instruments reflected in OCI, refer to note 9.

Economic Hedges

Interest Rate Swap

The Company uses interest rate swaps to manage volatility in LIBOR benchmark interest rates by swapping a portion of its variable-rate debt with fixed-rate debt. These interest rate swaps effectively allow the Company to pay a fixed rate of interest. 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 swaps settle on the 19th day of each month concluding with the April 19, 2018 settlement. The notional amount of the interest rate swaps was \$175.0 at June 28, 2015 and will decrease annually to \$150.0 by its settlement date.

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The following table presents the fair value of the Company’s derivative instruments that were not designated as hedging instruments on a gross basis without the effect of master netting agreements at the following dates:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	June 28, 2015	December 31, 2014	June 29, 2014
Assets				
Interest Rate Swaps	Other Assets	\$ 2.0	\$ 2.7	\$ 2.7
Total Assets ¹		\$ 2.0	\$ 2.7	\$ 2.7
Liabilities				
Interest Rate Swaps	Accrued Expenses	\$ 1.7	\$ 1.9	\$ 2.1
Total Liabilities ¹		\$ 1.7	\$ 1.9	\$ 2.1

¹ For information on the effect master netting agreements have on the Company’s economic hedges and their estimated fair values, refer to note 2.

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 three months ended June 28, 2015 and June 29, 2014:

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized in Earnings	Gain (Loss) Recognized in Earnings
Three Months Ended June 28, 2015		
Interest Rate Swaps	Interest Expense	\$ (0.1)
Three Months Ended June 29, 2014		
Interest Rate Swaps	Interest Expense	\$ 1.4

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 six months ended June 28, 2015 and June 29, 2014:

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized in Earnings	Gain (Loss) Recognized in Earnings
Six Months Ended June 28, 2015		
Interest Rate Swaps	Interest Expense	\$ 1.4
Six Months Ended June 29, 2014		
Interest Rate Swaps	Interest Expense	\$ 2.0

15. Segment Information

The Company’s business is classified into two reportable segments: Firearms, which designs, manufactures, imports and markets primarily sporting shotguns, rifles, handguns and modular firearms; 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, gun parts, airguns, licensed products, apparel and other pet accessories, are combined into the Consumer category. Other corporate items include amounts not allocated to the individual segments, including the product safety warning and recall notice, retiree benefit expense (income), certain inventory accounting adjustments and inventory reserves. The Company uses gross profit to evaluate performance for its reporting segments.

In 2015, the chief operating decision makers (the “CODM”) changed the way it views and evaluates performance for its operating segments by reclassifying some of the entities or parts of entities that comprise the Company’s two reporting segments into different segments. In particular, the CODM moved airguns and gun parts to the Consumer category and changed the way it allocates accrued discounts to its segments. The CODM also changed the name for the operating segments that do not meet the requirements of being a reportable segment from “All Other” to “Consumer”. The CODM changed the way it evaluates the business as part of a realignment to focus more on strategic direction in order to focus on core operational processes. The change in segment measure of

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profitability has been applied retrospectively, and all prior period segment information presented has been adjusted accordingly.

Results for the Company's reporting segments for the three months ended June 28, 2015 and June 29, 2014 are as follows:

Three Months Ended	June 28, 2015	June 29, 2014
Net sales from external customers:		
Firearms	\$ 88.2	\$ 81.4
Ammunition	93.5	104.9
Consumer	20.4	28.4
Total net sales from external customers	\$ 202.1	\$ 214.7
Net sales between segments:		
Firearms	\$ 0.2	\$ 0.4
Ammunition	-	-
Consumer	7.0	1.3
Eliminations	(7.2)	(1.7)
Total net sales between segments	\$ -	\$ -
Gross profit:		
Firearms	\$ 18.2	\$ 10.0
Ammunition	31.9	32.5
Consumer	7.0	12.6
Other Corporate Items	(3.2)	7.8
Consolidated gross profit	\$ 53.9	\$ 62.9
Operating expenses	61.7	75.2
Interest expense	14.4	16.1
Loss before income taxes and noncontrolling interests	\$ (22.2)	\$ (28.4)

Results for the Company's reporting segments for the six months ended June 28, 2015 and June 29, 2014 are as follows:

Six Months Ended	June 28, 2015	June 29, 2014
Net sales from external customers:		
Firearms	\$ 177.6	\$ 204.9
Ammunition	179.8	206.2
Consumer	46.0	58.8
Total net sales from external customers	\$ 403.4	\$ 469.9
Net sales between segments:		
Firearms	\$ 0.3	\$ 0.5
Ammunition	-	-
Consumer	8.9	3.6
Eliminations	(9.2)	(4.1)
Total net sales between segments	\$ -	\$ -
Gross profit:		
Firearms	\$ 35.8	\$ 47.7
Ammunition	56.6	68.3
Consumer	16.6	26.3
Other Corporate Items	(12.0)	(22.0)
Consolidated gross profit	\$ 97.0	\$ 120.3
Operating expenses	111.0	136.9
Interest expense	30.0	30.6
Loss before income taxes and noncontrolling interests	\$ (44.0)	\$ (47.2)

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16. Restructuring and Start-Up Costs

In March 2014, the Company acquired a facility in Huntsville, Alabama. Since that time, the Company has been working to make improvements at the facility, including the creation of a new shooting range and state of the art research and development facility, in addition to the installation of production equipment. As of June 28, 2015, the Company had received a total of \$28.6 of various state and local incentives for the development, construction and renovation of buildings and equipment, including \$12.5 received in the six months ended June 28, 2015. The state incentives received by the Company are subject to claw back provisions. These provisions include commitments to increase full-time employees and meet minimum estimated payroll and specified capital investments. The Company must certify it has met the commitments for up to eleven years for a majority of the incentives. Measurement for the incentives begins March 31, 2016 and continues for eleven years. In 2014, the Company also received \$1.9 of proceeds and entered into a \$12.5 Promissory Note with the city of Huntsville in exchange for the purchase of the facility in Huntsville. All or portions of the Promissory Note may be forgiven if certain conditions are met, such as certain headcount and salary thresholds, which would be recognized as income at such time. Principal on the Promissory Note begins to vest in March 2020, then ratably over the next three fiscal years. The Company is also eligible to be reimbursed for training and recruiting costs.

In May 2014, the Company announced a vertical integration initiative that will result in the closure of its facilities in Lawrenceville, Georgia, St. Cloud, Minnesota, Elizabethtown, Kentucky, West Jordan, Utah, Kalispell, Montana, and Pineville, North Carolina. The production at these facilities, along with the production of the Bushmaster and R1 lines at the Ilion, New York facility, will be moved to the Company's Huntsville, Alabama facility.

In May 2013, the Company announced an expansion at its Lonoke ammunition factory. The new production facility came on-line in late 2014. As of June 28, 2015, the Company had received various incentives of which a \$0.5 grant is subject to claw back provisions. The first measurement occurred on July 1, 2015; however, the Company requested and received an extension until June 30, 2016 to meet the headcount and average wage requirements.

The Company considers restructuring costs as those one-time costs related to severance, retention, and relocation; equipment transfer, site prep and carrying costs; contract terminations; and other non-cash costs such as the write-off of inventory and inefficiency variances related to the consolidation of facilities. The Company's current estimate at June 28, 2015 to complete its restructuring initiatives related to the Huntsville facility, the vertical integration initiative and the Lonoke expansion is in a range of \$28.0 to \$33.0, including costs incurred to date of \$27.3. As a result of these restructuring activities, the Company disbursed approximately \$1.7 during the three months ended June 28, 2015, approximately \$3.1 during the six months ended June 28, 2015 and approximately \$6.6 to date net of incentives received. At June 28, 2015, the Company had \$6.1 accrued for restructuring costs.

The Company considers start-up costs as those one-time costs related to opening a new facility, introducing a new product or service, conducting business in a new territory or conducting business with a new class of customers. These costs include core and support team expenses, consulting, legal expense and the write-off of inefficiency variances directly related to a new facility prior to its becoming fully operational. The Company's current estimate at June 28, 2015 to complete its start-up initiatives related to the Huntsville facility, the vertical integration initiative and the Lonoke expansion is in a range of \$20.0 to \$25.0, including costs incurred to date of \$19.4.

Retention related costs, certain variance write-offs and inventory write-offs are recognized in cost of goods sold, with the remaining restructuring charges being recognized as administrative expenses in the Company's consolidated statement of operations. For the three months ended June 28, 2015, approximately \$2.4 of restructuring and start-up costs were recognized in cost of goods sold and approximately \$4.6 of restructuring and start-up costs were recognized as administrative expenses in the Company's consolidated statement of operations. For the six months ended June 28, 2015, approximately \$6.2 of restructuring and start-up costs were recognized in cost of goods sold and approximately \$5.6 of restructuring and start-up costs were recognized as administrative expenses in the Company's consolidated statement of operations.

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Cumulative restructuring and start-up costs incurred to date, costs incurred in the three months ended June 28, 2015 and costs incurred in the six months ended June 28, 2015 by cost type are as follows:

	Cumulative Costs Incurred to Date	Costs Incurred During the Three Months Ended June 28, 2015	Costs Incurred During the Six Months Ended June 28, 2015
Severance and Other Employee Benefits	\$ 9.0	\$ 1.6	\$ 2.1
Equipment Transfer and Plant Preparation Costs	2.0	1.3	1.4
Contract Terminations	1.6	-	-
Costs to Consolidate Facilities	14.7	1.9	2.7
Total Restructuring Cost	\$ 27.3	\$ 4.8	\$ 6.2
Total Start-Up Costs	19.4	2.2	5.6
Total Restructuring and Start-Up Costs	\$ 46.7	\$ 7.0	\$ 11.8

17. Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (“FASB”) issued ASU 2015-03 “Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.” ASU 2015-03 simplifies the presentation of debt issuance costs. Under the new guidance, debt issuance costs would be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected. The new guidance will become effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company does not believe adoption of the new guidance will affect the Company’s results of operations.

In January 2015, the FASB issued ASU 2015-01 “Income Statement – Extraordinary and Unusual Items (Subtopic 225-20).” ASU 2015-01 eliminates the concept of extraordinary items and the current presentation and disclosure requirements surrounding them. Extraordinary items are events and transactions that were deemed both unusual in nature and infrequent in occurrence. The new guidance will become effective for fiscal periods beginning after December 15, 2015 and early adoption occurs at the beginning of the fiscal year. The Company adopted the provisions in the accounting update on January 1, 2015 and it did not affect the Company’s results of operations.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued accounting guidance that amends existing guidance on revenue recognition. The new guidance is based on principles that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods and services. The guidance requires additional disclosures regarding the nature, amount, timing, and uncertainty of cash flows and both qualitative and quantitative information about contracts with customers and applied significant judgments. The new authoritative guidance will become effective in the first quarter of 2018, using one of two retrospective methods of adoption. The Company has not determined which method it will adopt and is evaluating the effects the new guidance will have on its consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08 “Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” ASU 2014-08 amended existing criteria used to identify a discontinued operation. Under the new guidance, the disposal of a component or group of components is required to be reported as a discontinued operation if the disposal represents a strategic shift that will have a major effect on the Company’s operations. On January 1, 2015, the Company adopted the provisions of the new guidance and does not believe it will have a material effect on its consolidated financial statements

18. Subsequent Events

Subsequent events have been evaluated through August 20, 2015, 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”) 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”) and RA Brands, L.L.C. FGI Opco also owns 100% of FGI Finance, Inc. (“FGI Finance”). Remington, in turn, owns and includes the financial results of Advanced Armament Corp., LLC (“AAC”) and Remington Outdoor (UK) Ltd. (“Remington UK”). On April 29, 2015, the Company sold substantially all of the assets and liabilities of its 75% interest in Mountain Khakis, LLC (“Mountain Khakis”).

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. We are America’s oldest and largest manufacturer of firearms and ammunition with our *Remington* brand dating back to 1816. We are actively preparing for our bicentennial in 2016. This effort involves leveraging a combination of consumer touch points to activate new and existing *Remington* loyalists and introducing limited-edition anniversary products. We are one of the only major U.S. manufacturers of both firearms and ammunition, which provides a significant competitive advantage and supports our market leadership position. Our approximately 3,400 employees represent the largest domestic manufacturing presence in the firearms space. This scale enables us to deliver our products throughout the United States and internationally to approximately 40 countries.

During the second quarter, we announced changes to our senior management team and our Board of Directors (the “Board”). These changes were intended to accelerate an ongoing transformation as we seek to optimize operations and improve the foundational processes to deliver consistently superior quality across all of our products and services. We believe that by focusing on core operational processes, we are building a solid strategic foundation to ensure we meet the needs of our customers. We continue to look for opportunities to improve quality and efficiencies in our manufacturing facilities as we strive to extend our leadership in an increasingly demanding global marketplace. Accordingly, we continue our pursuit to introduce new and innovative 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.

Current Sales Demand

In the firearms segment, we continue to see industry commoditization in key categories, including MSR's and 1911s, which is driving lower average selling prices in these categories. The ammunition segment is experiencing a slowdown in demand for premium category centerfire ammunition and we have experienced losses of market share in certain of these categories. We continue to see depleted channel inventory for ammunition recover, in particular our shotshell ammunition. Demand for rimfire ammunition is staying well above our production capacity.

Recent Company Developments

Q2 2015 Leadership Changes

On June 9, 2015, we announced a series of changes to senior management and the Board:

Departure of Certain Officers and Directors

George Kollitides II stepped down as Chief Executive Officer and Executive Chairman of the Board and Ronald E. Kolka, our Chief Financial Officer and Director of the Board, retired. Mr. Kollitides entered into a one year consulting agreement under which he will serve as a Senior Advisor, providing advisory and transition services to the Company. Walter McLallen IV and James J. Pike announced their retirement as Directors and Vice Chairmen of the Board.

Marcotuli Named Chief Executive Officer

Jim "Marco" Marcotuli, age 56, was appointed to serve as President, Chief Executive Officer and Interim Chairman of the Board. Mr. Marcotuli has served as Co-Lead Director of the Board since September 2014. Mr. Marcotuli has served as a Senior Operating Executive with Cerberus Operations and Advisory Company, LLC, ("Cerberus") since June 2014. Prior to joining Cerberus, he served as President and CEO of North American Bus Industries, a Cerberus portfolio company from 2009 to 2013.

Leadership Changes Subsequent to Q2 2015

Jackson Named Chief Financial Officer

On July 21, 2015, it was announced that Stephen P. Jackson, Jr., age 47, would be returning to the Company to serve as the Chief Financial Officer, effective August 15, 2015. Mr. Jackson served as the Executive Vice President and Chief Financial Officer of Driven Brands, Inc. since October 2013. From February 2013 until October 2013, Mr. Jackson served as Executive Vice President and Chief Accounting & Administrative Officer of Remington and from January 2012 until February 2013, he served as Executive Vice President and Chief Strategy & Acquisition Integration Officer of Remington. From March 2009 until January 2012, he served as Chief Financial Officer and Treasurer of Remington. From April 2006 until March 2009, Mr. Jackson served as Chief Financial Officer, Secretary and Treasurer of Remington.

Geisler Appointed to Board

On July 30, 2015, the Board appointed James E. Geisler to serve as a member of the Board, effective immediately. Mr. Geisler has worked with Cerberus since June 2014 and is currently serving as the interim Chief Executive Officer of DynCorp, a Cerberus portfolio company. Prior to joining Cerberus, he served as both Chief Operating Officer and Chief Financial Officer of CreoSalus. From 1999 until 2009, Mr. Geisler held several positions at United Technologies Corporation, including co-Chief Financial Officer and head of Acquisitions and Strategy. Mr. Geisler is a graduate of the University of Kentucky and received an MBA from the University of Virginia. Mr. Geisler will serve on the Audit Committee of the Board.

Distribution

On May 15, 2015, our owner, Cerberus Capital Management, L.P., on behalf of certain of its affiliated funds and accounts which together hold a controlling interest in the Company, (the "Cerberus Funds"), announced that it intended to facilitate a transaction, or a series of transactions, pursuant to which certain of the limited partners, shareholders and/or other investors in the Cerberus Funds (that hold indirect interests in the Company) would have the right to elect to: (i) monetize their indirect interests in the Company or (ii) remain invested in the Company through a newly formed special purpose vehicle (the "Transaction"). The Company paid a dividend to its stockholders on June 12, 2015 by using the proceeds of our December 2013 incremental Term Loan, which provided cash proceeds to Cerberus that were sufficient to consummate the Transaction. The distribution was previously approved by the Company's lenders in the December 2013 incremental Term Loan transaction. The actual amount distributed to all shareholders of record as of June 11, 2015 was approximately \$48.6 million.

Sale of Subsidiary

On April 29, 2015, the Company sold substantially all of the assets and liabilities of its interest in Mountain Khakis for approximately \$10.0 million.

Restructuring and Start-Up Costs

In March 2014, we completed the acquisition of a facility in Huntsville, Alabama. This facility will allow us to consolidate our firearm manufacturing capacity and consolidate our research and development capabilities. Initial production at our Huntsville facility began in the fall of 2014. We continue to make improvements, including the creation of a new shooting range and state of the art research and development facility, in addition to the installation of equipment in order to ramp up production.

In May 2014, we announced a vertical integration initiative that will result in the closure of our facilities in Lawrenceville, Georgia, St. Cloud, Minnesota, Elizabethtown, Kentucky, West Jordan, Utah, Kalispell, Montana and Pineville, North Carolina. The production at these facilities, along with the production of the Bushmaster and R1 lines at our Ilion, New York facility, are being relocated to our Huntsville, Alabama facility. The Company notified affected employees of this decision on May 15, 2014. We anticipate that the vertical integration will provide improved efficiencies that are expected to ultimately increase margins and result in lower costs.

In May 2013, we announced an expansion at our Lonoke ammunition factory. We believe the new production facility, which came on-line in late 2014, will significantly expand our centerfire pistol and revolver ammunition capacity.

We consider restructuring costs as those one-time costs related to severance, retention, and relocation; equipment transfer, site prep and carrying costs; contract terminations; and other non-cash costs such as the write-off of inventory and inefficiency variances related to the consolidation of facilities. We estimate that the total costs associated with our restructuring initiatives related to the Huntsville facility, the vertical integration initiative and the Lonoke expansion will be in the range of \$28.0 million to \$33.0 million, including costs incurred to date. For the six months ended June 28, 2015, the Company recognized \$6.2 million in restructuring charges. Through June 28, 2015, the Company has recognized \$27.3 million in cumulative restructuring charges.

We consider start-up costs as those one-time costs related to opening a new facility, introducing a new product or service, conducting business in a new territory or conducting business with a new class of customers. These costs include core and support team expenses, consulting, legal expense and the write-off of inefficiency variances directly related to a new facility prior to it becoming fully operational. We estimate that the total start-up costs related to the Huntsville facility, the vertical integration initiative and the Lonoke expansion will be in the range of \$20.0 million to \$25.0 million, including costs incurred to date. For the six months ended June 28, 2015, the Company incurred start-up costs of \$5.6 million. Through June 28, 2015 the Company has recognized \$19.4 million in cumulative start-up charges. Refer to note 16 under "Item 1. — Notes to Consolidated Financial Statements".

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 similar measures are commonly used 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. 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. There are, however, limitations to using non-GAAP measures such as:

- (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.

Because of these limitations, Adjusted EBITDA calculations should not be considered in isolation or 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.

We provide a reconciliation of Adjusted EBITDA to our GAAP results 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.

Results of Operations

In 2015, the chief operating decision makers (the “CODM”) changed the way it views and evaluates performance for its operating segments by reclassifying some of the entities or parts of entities that comprise the Company’s two reporting segments into different segments. In particular, the CODM moved airguns and gun parts to the Consumer category and changed the way it allocates accrued discounts to its segments. The CODM also changed the name for the operating segments that do not meet the requirements of being a reportable segment from “All Other” to “Consumer”. The CODM changed the way it evaluates the business as part of a realignment to focus more on strategic direction in order to focus on core operational processes. The change in segment measure of profitability has been applied retrospectively, and all prior period segment information presented has been adjusted accordingly.

Three and Six Month Periods Ended June 28, 2015 as Compared to the Three and Six Month Periods Ended June 29, 2014

Net Sales

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

Three Months Ended	June 28, 2015	Percentage of Total	June 29, 2014	Percentage of Total	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Firearms	\$ 88.2	43.6%	\$ 81.4	37.9%	\$ 6.8	8.4%
Ammunition	93.5	46.3	104.9	48.9	(11.4)	(10.9)
Consumer	20.4	10.1	28.4	13.2	(8.0)	(28.2)
Total	\$ 202.1	100.0%	\$ 214.7	100.0%	\$ (12.6)	(5.9)%

Six Months Ended	June 28, 2015	Percentage of Total	June 29, 2014	Percentage of Total	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Firearms	\$ 177.6	44.0%	\$ 204.9	43.6%	\$ (27.3)	(13.3)%
Ammunition	179.8	44.6	206.2	43.9	(26.4)	(12.8)
Consumer	46.0	11.4	58.8	12.5	(12.8)	(21.8)
Total	\$ 403.4	100.0%	\$ 469.9	100.0%	\$ (66.5)	(14.2)%

Firearms

Net sales for the three months ended June 28, 2015 were \$88.2 million, an increase of \$6.8 million, or 8.4%, as compared to the three months ended June 29, 2014. Sales of MSR and centerfire rifles increased \$23.2 million and sales of other firearms and firearms products increased \$1.0 million. These increases were partially offset by decreased sales of shotguns, handguns, and rimfire rifles of \$12.2 million, \$4.4 million, and \$0.8 million, respectively. The decline in shotgun sales was primarily caused by a soft turkey hunting season and a delayed response to changes in the market.

Net sales for the six months ended June 28, 2015 were \$177.6 million, a decrease of \$27.3 million, or 13.3%, as compared to the six months ended June 29, 2014. Sales of shotguns, handguns, and rimfire rifles decreased \$28.0 million, \$7.9 million, and \$2.4 million, respectively. These decreases were partially offset by increased sales of MSR and centerfire rifles of \$6.9 million and increased sales of other firearms and firearms products of \$4.1 million.

Ammunition

Net sales for the three months ended June 28, 2015 were \$93.5 million, a decrease of \$11.4 million, or 10.9%, as compared to the three months ended June 29, 2014. Sales of shotshell ammunition decreased \$7.4 million, while sales of centerfire ammunition decreased \$6.9 million and sales in our other ammunition product lines decreased \$1.8 million. These decreases were partially offset by increased sales of rimfire ammunition of \$4.7 million.

Net sales for the six months ended June 28, 2015 were \$179.8 million, a decrease of \$26.4 million, or 12.8%, as compared to the six months ended June 29, 2014. Sales of centerfire ammunition decreased \$16.6 million, while sales of shotshell ammunition decreased \$10.2 million and sales in our other ammunition product lines decreased \$4.8 million. These decreases were partially offset by increased sales of rimfire ammunition of \$5.2 million.

Consumer

Net sales for the three months ended June 28, 2015 were \$20.4 million, a decrease of \$8.0 million, or 28.2%, as compared to the three months ended June 29, 2014. The decrease is primarily due to lower parts sales of

\$3.8 million, lower clothing sales of \$2.3 million as a result of the sale of Mountain Khakis, and lower sales of airguns and accessories of \$1.8 million.

Net sales for the six months ended June 28, 2015 were \$46.0 million, a decrease of \$12.8 million, or 21.8%, as compared to the six months ended June 29, 2014. The decrease was primarily due to lower parts sales of \$9.8 million, lower clothing sales of \$1.7 million and lower sales of airguns and accessories of \$1.3 million.

Cost of Goods Sold and Gross Profit

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

Three Months Ended	June 28, 2015	Percentage of Net Sales	June 29, 2014	Percentage of Net Sales	Increase (Decrease)	Percentage Change
<i>(in millions except percentages)</i>						
Cost of Goods Sold						
Firearms	\$ 70.0	79.4%	\$ 71.4	87.7%	\$ (1.4)	(2.0)%
Ammunition	61.6	65.9	72.4	68.9	(10.8)	(14.5)
Consumer	13.4	65.7	15.8	55.6	(2.4)	(15.2)
Other Corporate Items	3.2	*	(7.8)	*	11.0	*
Total	\$ 148.2	73.3%	\$ 151.8	70.7%	\$ (3.6)	(2.4)%
Gross Profit						
Firearms	\$ 18.2	20.6%	\$ 10.0	12.3%	\$ 8.2	82.0%
Ammunition	31.9	34.1	32.5	31.0	(0.6)	(1.8)
Consumer	7.0	34.3	12.6	44.4	(5.6)	(44.4)
Other Corporate Items	(3.2)	*	7.8	*	(11.0)	*
Total	\$ 53.9	26.7%	\$ 62.9	29.3%	\$ (9.0)	(14.3)%

Six Months Ended	June 28, 2015	Percentage of Net Sales	June 29, 2014	Percentage of Net Sales	Increase (Decrease)	Percentage Change
<i>(in millions except percentages)</i>						
Cost of Goods Sold						
Firearms	\$ 141.8	79.8%	\$ 157.2	76.7%	\$ (15.4)	(9.8)%
Ammunition	123.2	68.5	137.9	66.9	(14.7)	(10.7)
Consumer	29.4	63.9	32.5	55.3	(3.1)	(9.5)
Other Corporate Items	12.0	*	22.0	*	(10.0)	*
Total	\$ 306.4	76.0%	\$ 349.6	74.4%	\$ (43.2)	(12.4)%
Gross Profit						
Firearms	\$ 35.8	20.2%	\$ 47.7	23.3%	\$ (11.9)	(24.9)%
Ammunition	56.6	31.5	68.3	33.1	(11.7)	(17.1)
Consumer	16.6	36.1	26.3	44.7	(9.7)	(36.9)
Other Corporate Items	(12.0)	*	(22.0)	*	10.0	*
Total	\$ 97.0	24.0%	\$ 120.3	25.6%	\$ (23.3)	(19.4)%

*Not applicable

Firearms

Gross profit for the three months ended June 28, 2015 was \$18.2 million, an increase of \$8.2 million, or 82.0%, as compared to the three months ended June 29, 2014. Gross margin was 20.6% for the three months ended June 28, 2015 and 12.3% for the three months ended June 29, 2014. The increase in gross profit was primarily due

to higher sales volumes of \$2.4 million, favorable pricing of \$1.5 million, and lower manufacturing costs of \$7.5 million. This increase was partially offset by an unfavorable sales mix of \$3.2 million as a result of a downward trend to lower price point and lower margin products. Process improvement initiatives resulted in lower manufacturing costs for the three months ended June 28, 2015.

Gross profit for the six months ended June 28, 2015 was \$35.8 million, a decrease of \$11.9 million, or 24.9%, as compared to the six months ended June 29, 2014. Gross margin was 20.2% for the six months ended June 28, 2015 and 23.3% for the six months ended June 29, 2014. The decrease in gross profit was primarily due to lower sales volumes of \$11.4 million and an unfavorable sales mix of \$10.4 million, partially offset by lower manufacturing costs of \$6.8 million and favorable pricing of \$3.1 million. The decrease in our gross margin for the six months ended June 28, 2015 was primarily due to increased use of discounts and certain extended payment terms to reduce our inventory as well as lower fixed cost absorption from reduced volumes. In addition, lower productivity and one time start up costs of \$4.3 million related to the vertical integration restructuring and shift of operations to Huntsville were factors in reducing our margins.

Ammunition

Gross profit for the three months ended June 28, 2015 was \$31.9 million, a decrease of \$0.6 million, or 1.8%, as compared to the three months ended June 29, 2014. Gross margin was 34.1% for the three months ended June 28, 2015 and 31.0% for the three months ended June 29, 2014. The decrease in gross profit was primarily due to lower sales volumes and an unfavorable sales mix in certain product lines of \$11.1 million as a result of a downward trend to lower price point and lower margin products. This decrease was partially offset by lower manufacturing and other costs of 7.3 million and favorable pricing of \$3.2 million.

Gross profit for the six months ended June 28, 2015 was \$56.6 million, a decrease of \$11.7 million, or 17.1%, as compared to the six months ended June 29, 2014. Gross margin was 31.5% for the six months ended June 28, 2015 and 33.1% for the six months ended June 29, 2014. The decrease in gross profit was primarily due to lower sales volumes and an unfavorable sales mix in certain product lines of \$26.0 million, partially offset by lower manufacturing and other costs of \$9.3 million and favorable pricing of \$5.0 million.

The lower manufacturing costs for the three and six months ended June 28, 2015 were primarily due to more favorable manufacturing variances.

Consumer

Gross profit for the three months ended June 28, 2015 was \$7.0 million, a decrease of \$5.6 million, or 44.4%, as compared to the three months ended June 29, 2014. The decrease in gross profit was primarily due to lower sales volumes and an unfavorable sales mix in certain product lines of \$3.1 million, higher costs and inventory adjustments of \$2.0 million and unfavorable pricing of \$0.3 million. Gross margin was 34.3% for the three months ended June 28, 2015 and 44.4% for the three months ended June 29, 2014.

Gross profit for the six months ended June 28, 2015 was \$16.6 million, a decrease of \$9.7 million, or 36.9%, as compared to the six months ended June 29, 2014. The decrease in gross profit was primarily due to lower sales volumes and an unfavorable sales mix in certain product lines of \$7.0 million, higher costs and inventory adjustments of \$2.3 million and unfavorable pricing of \$0.4 million. Gross margin was 36.1% for the six months ended June 28, 2015 and 44.7% for the six months ended June 29, 2014.

Other Corporate Items

Other Corporate Items includes pension income and expense, certain inventory accounting adjustments, manufacturing variances, and inventory write-downs that are not allocated to our revenue generating segments. In 2014, Other Corporate Items also included the product safety warning and recall. Because these items are either one-time or unusual charges or items that do not directly impact productivity, they are not allocated to our revenue generating segments in order to show results on a comparable basis within the revenue generating segments.

Gross profit for the three months ended June 28, 2015 was \$(3.2) million, a decrease of \$11.0 million, as compared to the three months ended June 29, 2014, primarily due to \$9.3 million in higher unfavorable

manufacturing variances and \$2.5 million in lower pension income, partially offset by \$0.8 million in lower inventory accounting adjustments.

Gross profit for the six months ended June 28, 2015 was \$(12.0) million, an increase of \$10.0 million, as compared to the six months ended June 29, 2014. The increase was primarily due to a \$25.3 million charge for the product safety warning and recall that occurred in the six months ended June 29, 2014 but did not recur in the six months ended June 28, 2015, and lower inventory accounting adjustments of \$6.8 million. These decreases were partially offset by \$17.1 million in higher unfavorable manufacturing variances and \$5.0 million in lower pension income.

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 28, 2015 and June 29, 2014:

Three Months Ended	June 28, 2015	Percentage of Net Sales	June 29, 2014	Percentage of Net Sales	Increase (Decrease)	Percentage Change
(unaudited, in millions except percentages)						
Selling, General and Administrative Expenses	\$ 55.4	27.4%	\$ 68.2	31.8%	\$ (12.8)	(18.8)%
Research and Development Expenses	4.5	2.2	4.8	2.2	(0.3)	(6.3)
Other Expense	1.8	0.9	2.2	1.0	(0.4)	(18.2)
Total	\$ 61.7	30.5%	\$ 75.2	35.0%	\$ (13.5)	(18.0)%

Total operating expenses for the three months ended June 28, 2015 were \$61.7 million, a decrease of \$13.5 million, or 18.0%, as compared to the three months ended June 29, 2014.

Selling, general and administrative expenses decreased \$12.8 million, or 18.8%, as compared to the three months ended June 29, 2014. The primary component of this decrease was a \$24.7 million charge for the Model 700TM settlement reserve that occurred in the three months ended June 29, 2014, but did not recur in the three months ended June 28, 2015. This decrease was partially offset by an increase in legal expenses of \$5.1 million, higher product liability expenses of \$4.2 million and higher restructuring costs of \$2.3 million due to the vertical integration related to the new facility in Huntsville, Alabama.

Research and development expenses decreased \$0.3 million, or 6.3%, as compared to the three months ended June 29, 2014, primarily due to decreased prototype work.

Other expenses decreased \$0.4 million, or 18.2%, as compared to the three months ended June 29, 2014, primarily due to \$0.3 million of lower stock compensation expense, \$0.3 million of lower amortization expense, partially offset by \$0.2 in lower licensing income.

Six Months Ended	June 28, 2015	Percentage of Net Sales	June 29, 2014	Percentage of Net Sales	Increase (Decrease)	Percentage Change
(unaudited, in millions except percentages)						
Selling, General and Administrative Expenses	\$ 98.2	24.3%	\$ 115.5	24.6%	\$ (17.3)	(15.0)%
Research and Development Expenses	8.9	2.2	10.1	2.1	(1.2)	(11.9)
Other Expense	3.9	1.0	11.3	2.4	(7.4)	(65.5)
Total	\$ 111.0	27.5%	\$ 136.9	29.1%	\$ (25.9)	(18.9)%

Total operating expenses for the six months ended June 28, 2015 were \$111.0 million, a decrease of \$25.9 million, or 18.9%, as compared to the six months ended June 29, 2014.

Selling, general and administrative expenses decreased \$17.3 million, or 15.0%, as compared to the six months ended June 29, 2014. The primary component of this decrease was a \$24.7 million charge for the Model

700TM settlement reserve that occurred in the six months ended June 29, 2014, but did not recur in the six months ended June 28, 2015. This decrease was partially offset by an increase in legal expenses of \$4.8 million and higher restructuring costs of \$3.1 million due to the vertical integration related to the new facility in Huntsville, Alabama.

Research and development expenses decreased \$1.2 million, or 11.9%, as compared to the six months ended June 29, 2014, primarily due to decreased prototype work.

Other expenses decreased \$7.4 million, or 65.5%, as compared to the six months ended June 29, 2014, primarily due to lower stock compensation expense of \$1.9 million and a \$5.1 million tax gross up on a stock issuance that occurred in the six months ended June 29, 2014, but did not recur in the six months ended June 28, 2015. Other items impacting the decrease included lower amortization expense of \$0.6 million and higher other miscellaneous income of \$0.4 million. These items were partially offset by higher losses on disposal of assets of \$0.6 million.

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 28, 2015	June 29, 2014	Increase (Decrease)	Percentage Change
<i>(unaudited, in millions except percentages)</i>				
Net Loss	\$ (14.9)	\$ (23.1)	\$ 8.2	(35.5)%
Adjustments:				
Depreciation	6.2	5.1	1.1	21.6
Interest	14.4	16.1	(1.7)	(10.6)
Income tax benefit	(7.3)	(5.3)	(2.0)	37.7
Amortization of intangibles	1.3	1.6	(0.3)	(18.8)
Settlement Reserve	-	24.7	(24.7)	(100.0)
Other non-cash charges	1.2	1.2	-	-
Nonrecurring charges	18.2	3.6	14.6	405.6
Total	\$ 19.1	\$ 23.9	\$ (4.8)	(20.1)%

Other non-cash charges of \$1.2 million for the three months ended June 28, 2015 consisted of \$1.1 million of stock compensation expense and a \$0.5 million loss on disposal of assets that were partially offset by \$(0.4) million of retiree benefit income.

Nonrecurring charges of \$18.2 million for the three months ended June 28, 2015 consisted of a \$7.0 million in restructuring and start-up costs, \$5.1 million in litigation and lawsuit matters, \$4.0 million in employee related expenses, \$0.9 million in project and consulting fees, a \$0.8 million loss on the sale of a subsidiary, \$0.2 million in bank fees and \$0.2 million in relocation costs.

Six Months Ended	June 28, 2015	June 29, 2014	Increase (Decrease)	Percentage Change
<i>(unaudited, in millions except percentages)</i>				
Net Loss	\$ (28.1)	\$ (34.9)	\$ 6.8	(19.5)%
Adjustments:				
Depreciation	12.4	10.2	2.2	21.6
Interest	30.0	30.6	(0.6)	(2.0)
Income tax benefit	(15.9)	(12.3)	(3.6)	29.3
Amortization of intangibles	2.7	3.3	(0.6)	(18.2)
Settlement Reserve	-	24.7	(24.7)	(100.0)
Product Safety Warning	-	25.3	(25.3)	(100.0)
Other non-cash charges	1.9	3.8	(1.9)	(50.0)
Nonrecurring charges	25.3	12.0	13.3	110.8
Total	\$ 28.3	\$ 62.7	\$ (34.4)	(54.9)%

Other non-cash charges of \$1.9 million for the six months ended June 28, 2015 consisted of \$2.2 million of stock compensation expense and a \$0.5 million loss on disposal of assets that were partially offset by \$(0.8) million of retiree benefit income.

Nonrecurring charges of \$25.3 million for the six months ended June 28, 2015 consisted of \$11.8 million in restructuring and start-up costs, \$5.1 million in litigation and lawsuit matters, \$5.1 million in employee related expenses, \$1.6 million in project and consulting fees, a \$0.8 million loss on the sale of a subsidiary, \$0.5 million in bank fees and \$0.4 million in relocation costs.

Interest Expense

Interest expense was \$14.4 million for the three months ended June 28, 2015, compared to \$16.1 million for the three months ended June 29, 2014. The \$1.7 million decrease in interest expense over the three months ended June 29, 2014 was primarily due to \$1.5 million of lower interest expense on our interest rate swap, \$0.1 million of lower interest expense on the Term Loan B, and \$0.1 million of lower interest expense related to our ABL Revolver.

Interest expense was \$30.0 million for the six months ended June 28, 2015, compared to \$30.6 million for the six months ended June 29, 2014. The \$0.6 million decrease in interest expense over the six months ended June 29, 2014 was primarily due to \$0.6 million of lower interest expense on our interest rate swap.

Income Tax Provision

The effective tax rate on continuing operations for the six months ended June 28, 2015 and June 29, 2014 was 36.1% and 26.1%, 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 28, 2015 and June 29, 2014.

In addition, the effective tax rate for the six months ended June 29, 2014 was impacted by an increase to our valuation allowance of \$3.7 million for certain state tax credits. The valuation allowance was recorded as the result of changes in the corporate income tax regime for New York State due to legislation enacted effective March 31, 2014. We believe that the deferred tax asset related to the New York State tax credits carried forward is no longer more likely than not to be realized as a result of the enacted legislation. United States income taxes have not been accrued on the earnings of Remington UK because we intend to indefinitely reinvest these funds outside of the United States.

During the quarter ended June 28, 2015, we experienced a change in ownership as defined under Internal Revenue Code Section 382. Section 382 serves to limit the utilization of certain pre-change losses and credits. Based on information currently available, we do not believe that the Section 382 limitation will prevent us from using our pre-change tax attributes.

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 used in operating activities was \$26.4 million for the six months ended June 28, 2015 compared to net cash used in operating activities of \$154.9 million for the six months ended June 29, 2014. The significant changes comprising the \$128.5 million decrease in net cash used in operating activities for the six months ended June 28, 2015 compared to the six months ended June 29, 2014 resulted primarily from:

- inventory decreasing by \$14.6 million over the six months ended June 28, 2015 compared to an increase of \$67.0 million over the six months ended June 29, 2014, a net decrease in cash used of \$81.6 million, due primarily to lower levels of finished goods as a result of our focus on inventory management; and

- accounts payable increasing by \$27.4 million over the six months ended June 28, 2015 compared to a decrease of \$6.6 million over the six months ended June 29, 2014, a net decrease in cash used of \$34.0 million, primarily due to an increased focus on vendor payment terms.
- prepaid and other current assets decreasing by \$21.6 million over the six months ended June 28, 2015 compared to a decrease of \$8.2 million over the six months ended June 29, 2014, a net decrease in cash used of \$13.4 million, primarily due to the receipt of an income tax refund in the second quarter of 2015.

Net cash used in investing activities was \$11.1 million for the six months ended June 28, 2015 and consisted of \$20.3 million related to the purchase of property, plant and equipment, partially offset by \$9.2 of net proceeds received from the sale of a subsidiary. Net cash used in investing activities of \$38.7 million for the six months ended June 29, 2014 was related to the purchase of property, plant and equipment and certain acquisitions.

Net cash used in financing activities was \$11.8 million for the six months ended June 28, 2015 and consisted primarily of a \$48.6 million distribution of indirect interests, \$2.8 million of principal payments on our debt, \$0.6 million of disbursements for debt issuance costs, and \$0.2 million for the repurchase of outstanding stock. These disbursements were partially offset by \$20.7 million in net borrowings from the ABL Revolver and the receipt of \$12.5 million of various state and local incentives which are restricted for use in connection with the acquisition, construction or improvement of property, plant and equipment. We also received \$0.4 million from exercised stock options, realized \$2.4 million of tax benefits from restricted stock modifications, and had a \$4.4 million book overdraft.

Net cash provided by financing activities was \$83.1 million for the six months ended June 29, 2014 and consisted primarily of \$70.3 million in net borrowings from the ABL Revolver and a \$6.7 million book overdraft, as well as the receipt of \$16.0 million of various state and local incentives. In addition, we received \$0.9 million from exercised stock options and realized \$1.8 million of tax benefits from the exercised options. These receipts were partially offset by disbursements of \$6.2 million for the repurchase of outstanding stock, \$2.7 million for debt issuance costs and \$3.7 million for principal payments on our debt.

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 Revolver. 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 Revolver, 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 June 2014, we amended our credit facility agreement which increased the borrowing capacity under our ABL Revolver by \$75.0 million to \$225.0 million and extended its maturity to June 2019. The amendment to our ABL Revolver resulted in \$1.2 million of additional capitalized debt issuance costs that will be amortized on a straight-line basis over the ABL Revolver's term. We were in compliance with our debt covenants at June 28, 2015 and had the ability to borrow an additional approximately \$147.9 million under the ABL (the "Excess Availability"). Under the ABL, if the Excess Availability falls below \$33.75 million, we will be required to comply with certain restrictive covenants including covenants related to permitted investments, repurchase of capital stock, incurrence of indebtedness, sales of assets and dividend distributions. In addition, if Excess Availability falls below \$22.5 million, lenders have the right to enforce collections and amounts owed to FGI Opco on certain accounts and collateral.

Based on our recent financing activities and access to additional borrowings under our Term Loan B, ABL Revolver and letters of credit, 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.

We also have an \$11.2 million surety bond in order to appeal certain litigation judgments. This surety bond is not recognized on our condensed consolidated balance sheet as of June 28, 2015.

Debt

As of June 28, 2015, we had outstanding indebtedness of approximately \$854.6 million, which consisted of the following:

- \$250.0 million of outstanding 2020 Notes;
- \$563.6 million outstanding under our Term Loan B;
- \$27.2 million outstanding under the ABL Revolver;
- \$12.5 million outstanding under the Promissory Note; and
- \$1.3 million of capital lease obligations and other debt.

Capital and Operating Leases and Other Long-Term Obligations

We maintain capital leases mainly for computer equipment. We have several operating leases, including a lease for our Memphis warehouse that expires in June 2016 and leases for several of our manufacturing facilities that expire on various dates through 2018. We also maintain 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. As a result of our recent restructuring initiatives, we prematurely terminated the operating leases on rented properties we have vacated and recognized a liability for the fair value of their termination costs. The fair value of lease termination costs is computed based on the remaining rental payments due under the pre-existing lease agreement and reduced by estimated sublease receipts that are reasonably expected for the property.

Capital Expenditures

Gross capital expenditures for the six months ended June 28, 2015 and June 29, 2014 were \$20.3 million and \$36.8 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 2015 to be in the range of \$55.0 million to \$65.0 million, of which approximately \$15.0 million is expected to be related to capital maintenance projects and the remainder related to capital expenditures for new assets in order to improve production and produce new products.

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. 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.

Our significant accounting policies are described in note 1 of the consolidated financial statements and supplementary data included in our Annual Report on Form 10-K for the year ended December 31, 2014. Our critical accounting estimates are described in Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2014. As stated in note 1 of Item 1. — Notes to Consolidated Financial Statements, we changed our accounting policy for the treatment of inventory parts. Beginning on January 1, 2014, inventory supply parts are now expensed when

purchased. To enhance consistency, all financial information within this report has been retrospectively adjusted to reflect the accounting change.

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, DuPont has honored its responsibilities under the Purchase Agreement, but no assurance can be given that it 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.

We have also conducted remediation activities at our 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 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 in some cases 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 2015.

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. These regulations are administered and enforced by government agencies including the Bureau of Alcohol, Tobacco, Firearms and Explosives, the Department of Justice, the Directorate of Defense Trade Controls, the Department of State, the Bureau of Industry and Security, the Department of Commerce, the Alcohol and Tobacco Tax and Trade Bureau, and the Department of Treasury.

We maintain valid federal licenses and registrations at our locations as required by these agencies for us 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 manufacture or import a limited number of products that are 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 or services. The FAET imposes a federal excise 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, as well as 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 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.

In 2013, as a result of several significant incidents of high-profile crimes by individuals involving firearms, President Obama announced 23 executive actions intended to reduce violent acts by individuals. These actions included requiring background checks for all gun sales, ensuring information on dangerous individuals is available to the background check system, 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 U.S. Senate voted down an amended version of the gun background check proposed by President Obama and no subsequent efforts to enact such legislation have proven successful. In addition, President Obama announced several executive actions in 2014, including actions directed at making it easier for states to provide mental health information to the national background check system. 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. Since the beginning of 2013, more than a dozen states and Washington, D.C. have enacted new laws aimed at strengthening restrictions against guns. For example, two states have established regulations requiring “ballistic imaging” registries of ammunition fired from new handguns. 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. In addition, California passed semi-automatic pistol microstamping legislation that went into effect in May 2013. Several other states require firearms to be sold with internal or external locking mechanisms.

Federal and some state regulations ban the use of lead based ammunition for certain types of hunting. Federally, it is unlawful to use lead-shot for waterfowl hunting. At the state level, California and Arizona currently ban the use of lead ammunition for any hunting in certain regions. Multiple lawsuits and proposed pieces of legislation have been introduced in recent years in an attempt by environmental groups to increase the restrictions on lead-based ammunition. Restrictions on lead-based ammunition could have an adverse effect on our traditional ammunition products but may benefit the sales of our copper, and other non-lead ammunition. 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 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 our business.

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 in 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 violence by individuals involving firearms 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

The primary market risks our financial instruments are exposed to are fluctuations in commodity prices and interest rates. These risks are monitored as part of our risk management control system, and we have established policies and procedures governing our management of market risks. Negotiating favorable prices of raw materials, matching raw material purchases with our short and long-term forecasts and engaging in hedge activities with derivative instruments are some of the strategies we use to manage these market risks. Our activity with derivative instruments is used exclusively as a risk management tool.

Commodity Price Risk

We negotiate with our suppliers to obtain the most favorable prices for our raw materials. We also enter into derivative financial instruments for those commodities that experience greater price volatility. We typically enter into commodity option and swap contracts for our anticipated purchases of copper and lead. At June 28, 2015, our commodity derivative instruments had a notional amount of 62.4 million pounds and will settle over the next 22 months. The fair values of the open commodity contracts resulted in an \$11.5 million liability. Assuming a hypothetical 10% increase in copper and lead commodity prices which are currently hedged at June 28, 2015, our cost for those related purchases would result in an \$8.3 million loss. Due to the increase in the related hedging instruments' fair values, the hypothetical cost would be offset by \$0.8 million.

Interest Rate Risk

Our Term Loan B and ABL Revolver bear interest at variable rates using LIBOR and Alternate Base Rate interest rates and are susceptible to interest rate fluctuations. We occasionally enter into interest rate swap agreements to manage this risk. Approximately \$590.8 million of our total outstanding debt at June 28, 2015 bears interest at variable rates. Assuming no changes in the monthly average variable-rate debt levels of \$568.5 million for the six months ended June 28, 2015, we estimate that a hypothetical change of 100 basis points in the LIBOR and Alternate Base Rate interest rates would increase interest expense by \$0.4 million for the six months ended June 28, 2015.

Item 4. Legal Proceedings

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;
- liability for product liability litigation related to discontinued products; and
- certain tax liabilities, employee and retiree compensation and benefit liabilities and intercompany accounts payable which do not represent trade accounts payable.

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.

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. 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, 2015.

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 28, 2015, approximately 39 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 39 pending individual cases and claims involve pre- and post-Asset Purchase occurrences for which we or DuPont bear responsibility under the Purchase Agreement.

The relief sought in individual product liability 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 28, 2015, 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.

The Company is involved in lawsuits, claims, investigations and proceedings, including commercial, environmental and employment matters, which arise in the ordinary course of business. From late 2012 through 2013, five class actions alleging economic harm were filed in four states (Florida, Missouri (two filings), Washington and Montana), all of which alleged claims of economic harm to gun owners due to an alleged defect. The Company believed all of these cases were without merit and has vigorously defended them. However, in order to avoid the uncertainties and expense of protracted litigation, following mediation, Remington and the plaintiffs entered into settlement discussions. Three of the cases have been voluntarily dismissed without prejudice pending the outcome of the potential settlement and the remaining two class actions are still pending. In late 2014, we entered into a Settlement Agreement of the economic loss claims related to the trigger connector and claims related to the product safety warning and recall. The parties requested settlement approval from the Court, and thereafter received preliminary approval. The parties are awaiting a final decision, which is expected to be received in late 2015.

At June 28, 2015, our accrual for product liability cases and claims was approximately \$24.6 million. The amount of our accrual for these liability cases and claims is based upon estimates. We establish reserves for anticipated defense and disposition costs for 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 class action 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 or class action 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 there from. 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, as well as class action cases and claims, and insurance costs associated with such cases and claims, may cause us to incur material costs.

Other Litigation

Two former employees filed suit against Remington in the federal court for the Southern District of New York in 2012 alleging breach of their employment agreements and failure to pay earn-outs due to one of the employees under an Asset Purchase Agreement and a Goodwill Agreement totaling \$8.0 million. On January 13, 2014, the district court entered its decision finding in favor of these employees. It awarded the \$8.0 million in earn-outs, plus back pay, attorneys' fees and pre-judgment interest. The district court subsequently issued two orders, one reducing the back pay award significantly, and the other eliminating the pre-judgment interest. The district court also denied some of the fees and costs sought by the plaintiffs, but upheld other portions of their requests. Thereafter both sides appealed to the United States Court of Appeals for the Second Circuit. The appellate court affirmed the trial court's decision in an opinion in June 2015. The total judgment, interest, attorneys' fees and costs is approximately \$10.5 million. The only issue remaining in dispute is the amount of attorneys' fees Remington owes on appeal. Remington does not anticipate additional appeals after the appellate fee issue is resolved.

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. In December 2014, we were named as a defendant in a wrongful death litigation case related to the use of one of our *Bushmaster* firearms in the 2012 shooting in Newtown, Connecticut. We do not expect that the ultimate costs to resolve this or any other matters will have a material adverse effect on our financial position, results of operations or cash flows. It is important to note, our products are protected under the Protection of Lawful Commerce in Arms Act (PLCAA), which prohibits "causes of action against manufacturers, distributors, dealers, and importers of firearms or ammunition products, and their trade associations, for the harm solely caused by the criminal or unlawful misuse of firearm products or ammunition products by others when the product functioned as designed and intended,"

Item 5. Risk Factors

There have been no other material changes to our Risk Factors from those disclosed in Item 1A of our 2014 Annual Report and Item 5 of our Quarterly Report for the period ended June 28, 2015.