
QUARTERLY REPORT

For the period ended:

March 27, 2016



**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
March 27, 2016

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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 “Remington UK” refers to Remington Outdoor (UK) Ltd., (7) the term “Outdoor Services” refers to Outdoor Services, LLC and (8) 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 or decreases in commodity prices, fluctuations in exchange rates, 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, including shifts by consumers to value priced products, could adversely affect the demand and mix of 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, including potential impairments of long-term assets.
- 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 and consumer 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.
- Government orders, protocol and negotiations increase volatility and uncertainty in our results. Orders placed by the U.S. or foreign governments tend to be disproportionately large in value, which will affect net sales, the length of time that we carry inventory and other performance metrics from period-to-period. Procedures that we are required to follow relating to acquisition and negotiations can increase uncertainty in the contracting process, making it difficult for us to predict our supply and inventory needs.
- 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 various hedging instruments to hedge against price fluctuations of anticipated commodity purchases. However, we cannot assure you that our hedging activity will be effective risk management 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.
- The manufacture, sale and purchase of firearms, certain firearms parts/accessories 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, certain firearms parts/accessories 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.
- Our operations expose us to potential liability under regulations relating to anti-corruption, trade controls, economic sanctions and similar laws. Our ability to comply with these laws is dependent upon sufficient internal procedures and monitoring of the activity at both the corporate level and on the level of individual employees or other agents. While we believe we are in compliance with applicable regulations, a reach or investigation of violations could result in civil or criminal liability or a loss of key contracts.
- 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. Failure to maintain the strength of our brands may affect our market position and thus our financial condition.
- The Company has received various incentives for the development, construction and renovation of buildings and equipment in Huntsville, Alabama and Lonoke, Arkansas. These incentives are subject to certain claw back provisions. These provisions include commitments to achieve incentive targets associated with employment, capital and payroll. The inability to achieve these targets may require repayment of certain funds already received and thus impact our financial condition.

Any forward-looking statement speaks only as of the date on which it is made, and, except as required by law, 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.

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>
	March 27, 2016	December 31, 2015	March 29, 2015
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 123.7	\$ 118.4	\$ 160.5
Trade Receivables, net of \$0.4, \$0.7, and \$1.0 allowance for bad debts, respectively	182.1	99.2	162.0
Inventories	229.2	217.7	197.0
Prepaid Expenses and Miscellaneous Receivables	16.6	11.8	30.9
Assets Held for Sale	1.5	1.5	-
Deferred Tax Assets	-	-	54.6
Total Current Assets	553.1	448.6	605.0
Property, Plant and Equipment, net of accumulated depreciation	240.6	242.1	242.0
Goodwill	80.0	80.1	80.2
Intangible Assets, net of accumulated amortization	94.2	95.6	102.5
Other Assets	18.0	18.8	18.1
Total Assets	\$ 985.9	\$ 885.2	\$ 1,047.8
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current Liabilities			
Accounts Payable	\$ 92.7	\$ 85.0	\$ 80.4
Short-Term Borrowings	6.9	7.4	7.5
Current Portion of Product Liability	10.0	9.0	5.6
Accrued Expenses	118.2	118.4	123.8
Total Current Liabilities	227.8	219.8	217.3
Long-Term Debt, net of current portion	881.9	813.4	841.6
Retiree Benefits, net of current portion	77.9	77.9	62.8
Product Liability, net of current portion	17.2	17.2	13.9
Deferred Tax Liabilities	34.4	34.0	18.9
Other Long-Term Liabilities	50.6	51.5	44.2
Total Liabilities	1,289.8	1,213.8	1,198.7
Commitments and Contingencies (Note 13)			
Common Stock, Issued 351,623, 351,623 and 173,182 shares, respectively	0.2	0.2	0.2
Less: Treasury Stock	(0.2)	(0.2)	-
Paid-in Capital	11.1	10.7	18.6
Accumulated Other Comprehensive Loss	(89.7)	(91.8)	(71.4)
Accumulated Deficit	(224.9)	(247.1)	(98.2)
Total Parent's Deficit	(303.5)	(328.2)	(150.8)
Noncontrolling Interest Deficit	(0.4)	(0.4)	(0.1)
Total Stockholders' Deficit	(303.9)	(328.6)	(150.9)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 985.9	\$ 885.2	\$ 1,047.8

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	
	March 27, 2016	March 29, 2015
Net Sales	\$ 218.0	\$ 201.3
Cost of Goods Sold	151.3	158.2
Gross Profit	66.7	43.1
Selling, General and Administrative Expenses	31.4	42.8
Research and Development Expenses	3.6	4.4
Other Expense	1.1	2.1
Operating Income (Loss)	30.6	(6.2)
Interest Expense	15.3	15.6
Income (Loss) Before Income Taxes and Noncontrolling Interests	15.3	(21.8)
Income Tax Benefit	(6.9)	(8.6)
Net Income (Loss)	22.2	(13.2)
Add: Net Loss Attributable to Noncontrolling Interest	-	-
Net Income (Loss) Attributable to Controlling Interest	\$ 22.2	\$ (13.2)
 Net Income (Loss) Applicable to Common Stock	 \$ 22.2	 \$ (13.2)
 Net Income (Loss) Per Common Share, Basic	 \$ 63.90	 \$ (78.56)
Net Income (Loss) Per Common Share, Diluted	\$ 63.90	\$ (78.56)
 Weighted Average Number of Shares Outstanding, Basic	 346,584	 167,875
Weighted Average Number of Shares Outstanding, Diluted	346,584	167,875

Net Sales are presented net of Federal Excise taxes of \$17.4 and \$16.0 for the three months ended March 27, 2016 and March 29, 2015.

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)

	<u>For the three months ended</u>	
	<u>March 27, 2016</u>	<u>March 29, 2015</u>
Net Income (Loss)	\$ 22.2	\$ (13.2)
Other Comprehensive Income (Loss):		
Net Foreign Currency Translation Adjustments	(0.3)	-
Net Derivative Gains (Losses), net	2.4	(1.0)
Total Other Comprehensive Income (Loss)	<u>2.1</u>	<u>(1.0)</u>
Comprehensive Income (Loss)	<u>24.3</u>	<u>(14.2)</u>
Total Comprehensive Income (Loss) Attributable to Controlling Interests	<u>\$ 24.3</u>	<u>\$ (14.2)</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 three months ended March 27, 2016	For the three months ended March 29, 2015
<u>Operating Activities</u>		
Net Income (Loss)	\$ 22.2	\$ (13.2)
Adjustments:		
Depreciation	5.9	6.3
Amortization	1.3	1.4
Retirement Plans' Expense (Income)	0.2	(0.4)
Deferred Income Taxes	2.0	(8.2)
Share Based Compensation Charges	0.4	1.1
Other Non-Cash Charges	2.4	2.3
Changes in Operating Assets and Liabilities:		
Trade Receivables	(82.9)	(48.9)
Inventories, net	(14.8)	22.4
Prepaid Expenses and Other Assets	(4.9)	5.1
Accounts Payable	10.8	6.0
Contributions to Retirement Plans	(0.2)	(0.2)
Other Liabilities	9.4	(2.3)
Net Cash Used in Operating Activities	<u>(48.2)</u>	<u>(28.6)</u>
<u>Investing Activities</u>		
Purchase of Property, Plant and Equipment	(6.5)	(8.1)
Net Cash Used in Investing Activities	<u>(6.5)</u>	<u>(8.1)</u>
<u>Financing Activities</u>		
Proceeds from Revolving Credit Facilities	96.3	52.9
Payments on Revolving Credit Facilities	(29.1)	(18.0)
Debt Issuance Costs	-	(0.6)
Principal Payments on Debt	(0.5)	(0.7)
Payment of Stock Dividends	(0.1)	-
Proceeds from State and Local Incentives	0.5	5.0
Book Overdraft	(6.7)	-
Net Cash Provided by Financing Activities	<u>60.4</u>	<u>38.6</u>
Effect of Exchange Rate Changes on Cash	(0.4)	-
Change in Cash and Cash Equivalents	5.3	1.9
Cash and Cash Equivalents at Beginning of Period	118.4	158.6
Cash and Cash Equivalents at End of Period	<u>\$ 123.7</u>	<u>\$ 160.5</u>
Supplemental Cash Flow Information:		
Cash Paid During the Period for:		
Interest	\$ 7.0	\$ 5.5
Income Taxes	(0.2)	-
Noncash Financing and Investing Activities:		
Accrued Capital Expenditures	1.7	8.7

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, 2016	\$ 0.2	\$ (0.2)	\$ 10.7	\$ (91.8)	\$ (247.1)	\$ (328.2)	\$ (0.4)	\$ (328.6)
Net Income					22.2	22.2	-	22.2
Other Comprehensive Income				2.1		2.1		2.1
Share-Based Compensation			0.4			0.4		0.4
Balance, March 27, 2016	<u>\$ 0.2</u>	<u>\$ (0.2)</u>	<u>\$ 11.1</u>	<u>\$ (89.7)</u>	<u>\$ (224.9)</u>	<u>\$ (303.5)</u>	<u>\$ (0.4)</u>	<u>\$ (303.9)</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					(13.2)	(13.2)	-	(13.2)
Other Comprehensive Loss				(1.0)		(1.0)		(1.0)
Share-Based Compensation			1.1			1.1		1.1
Balance, March 29, 2015	<u>\$ 0.2</u>	<u>\$ -</u>	<u>\$ 18.6</u>	<u>\$ (71.4)</u>	<u>\$ (98.2)</u>	<u>\$ (150.8)</u>	<u>\$ (0.1)</u>	<u>\$ (150.9)</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”), Remington Outdoor (UK) Ltd. (“Remington UK”), and a 75% interest in Mountain Khakis, LLC (“Mountain Khakis”). On April 29, 2015, Remington sold substantially all of the assets and liabilities of Mountain Khakis. The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The accompanying unaudited interim condensed and consolidated financial statements have been prepared (i) in accordance with GAAP applicable to interim financial statements and (ii) consistent with 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 GAAP have been omitted. 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, 2015. 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 approximately 13 weeks of operations and ends on the last Sunday of the quarter, except for the last quarter which ends on December 31.

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

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

Recurring Fair Value Measurements

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of March 27, 2016 and the effects of master netting agreements:

	Level 1	Level 2	Level 3	Netting Adjustments	Net Fair Value
Assets:					
Interest Rate Derivative Contracts	\$ -	\$ 0.8	\$ -	\$ (0.8)	\$ -
Total Assets	\$ -	\$ 0.8	\$ -	\$ (0.8)	\$ -
Liabilities:					
Commodity Derivative Contracts	\$ -	\$ 7.5	\$ -	\$ -	\$ 7.5
Interest Rate Derivative Contracts	-	1.4	-	(0.8)	0.6
Total Liabilities	\$ -	\$ 8.9	\$ -	\$ (0.8)	\$ 8.1

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2015 and the effects of master netting agreements:

	Level 1	Level 2	Level 3	Netting Adjustments	Net Fair Value
Assets:					
Interest Rate Derivative Contracts	\$ -	\$ 1.7	\$ -	\$ (1.5)	\$ 0.2
Total Assets	\$ -	\$ 1.7	\$ -	\$ (1.5)	\$ 0.2
Liabilities:					
Commodity Derivative Contracts	\$ -	\$ 11.6	\$ -	\$ -	\$ 11.6
Interest Rate Derivative Contracts	-	1.5	-	(1.5)	-
Total Liabilities	\$ -	\$ 13.1	\$ -	\$ (1.5)	\$ 11.6

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of March 29, 2015 and the effects of master netting agreements:

	Level 1	Level 2	Level 3	Netting Adjustments	Net Fair Value
Assets:					
Commodity Derivative Contracts	\$ -	\$ 0.4	\$ -	\$ (0.4)	\$ -
Interest Rate Derivative Contracts	-	1.6	-	(1.6)	-
Total Assets	\$ -	\$ 2.0	\$ -	\$ (2.0)	\$ -
Liabilities:					
Commodity Derivative Contracts	\$ -	\$ 11.3	\$ -	\$ (0.4)	\$ 10.9
Interest Rate Derivative Contracts	-	1.8	-	(1.6)	0.2
Total Liabilities	\$ -	\$ 13.1	\$ -	\$ (2.0)	\$ 11.1

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. The fair values of all derivative instruments are presented on a net basis on the condensed consolidated balance sheet.

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

Other Fair Value Measurements

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 \$686.6, \$637.9, and \$831.3 as of March 27, 2016, December 31, 2015, and March 29, 2015, respectively, and a carrying value of \$906.0, \$839.1, and \$870.7 as of March 27, 2016, December 31, 2015, and March 30, 2015, respectively. The fair value of the Company's fixed rate notes was measured using the quoted trading price of its notes at March 27, 2016, December 31, 2015, and March 29, 2015, which is considered a Level 2 input.

Concentrations of Credit Risk

There were no single customer sales that exceeded 10% of total sales in each of the three months ended March 27, 2016 and March 29, 2015.

3. Inventories

	March 27, 2016	December 31, 2015	March 29, 2015
Raw Materials	\$ 72.5	\$ 62.1	\$ 64.1
Semi-Finished Products	43.1	39.7	30.4
Finished Products	113.6	115.9	102.5
Total	\$ 229.2	\$ 217.7	\$ 197.0

4. Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the periods ended March 27, 2016, December 31, 2015, and March 29, 2015 by reporting segment are as follows:

Goodwill by Segment:	March 27, 2016	December 31, 2015	March 29, 2015
Firearms	\$ 43.2	\$ 43.2	\$ 43.3
Ammunition	23.9	23.9	23.9
Consumer	12.9	13.0	13.0
Total Goodwill	\$ 80.0	\$ 80.1	\$ 80.2

Intangible Assets Other than Goodwill

The following table summarizes the carrying amounts of intangible assets other than goodwill for the periods ended March 27, 2016, December 31, 2015, and March 29, 2015:

	March 27, 2016	December 31, 2015	March 29, 2015
<i>Indefinite-Lived Intangible Assets:</i>			
Trademarks	\$ 67.7	\$ 67.6	\$ 69.9
<i>Definite-Lived Intangible Assets:</i>			
Customer Relationships	24.2	25.5	29.3
Developed Technology	1.9	2.1	2.7
Other	0.4	0.4	0.6
Total Intangible Assets Other than Goodwill	\$ 94.2	\$ 95.6	\$ 102.5

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

The following table summarizes changes related to the carrying amounts of the Company’s definite-lived intangible assets for the three months ended March 27, 2016:

Definite-Lived Intangible Assets:	March 27, 2016	Changes ¹	December 31, 2015
Customer Relationships, net	\$ 24.2	\$ (1.3)	\$ 25.5
Developed Technology, net	1.9	(0.2)	2.1
Other, net ²	0.4	-	0.4
Total Definite-Lived Intangible Assets, net	\$ 26.5	\$ (1.5)	\$ 28.0

¹ Amortization expense of intangible assets was \$1.3 and \$1.4 for the three months ended March 27, 2016 and March 29, 2015, respectively. The remainder of the changes related to foreign currency translation adjustments.

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

5. Accrued Liabilities

Accrued Liabilities consisted of the following at:

	March 27, 2016	December 31, 2015	March 29, 2015
Settlement Reserve	\$ 25.4	\$ 26.1	\$ 28.1
Excise Tax	17.0	18.1	15.4
Marketing	11.1	15.0	10.0
Product Safety Reserve	10.7	10.9	12.2
Interest	12.0	4.4	11.5
Other	42.0	43.9	46.6
Total	\$ 118.2	\$ 118.4	\$ 123.8

6. Debt

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-03, “Presentation of Debt Issuance Costs”. The new guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. This guidance was effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. The Company implemented the new guidance beginning in the first quarter of 2016 and all prior period information has been retrospectively adjusted.

The effect of the change on the financial statement line items was to reduce assets and long-term debt by \$17.2, \$18.3 and \$21.6 as of March 27, 2016, December 31, 2015, and March 29, 2015, respectively.

In accordance with ASU 2015-03, the Company’s long-term debt consisted of the following as of March 27, 2016, December 31, 2015 and March 29, 2015:

	March 27, 2016		
	Total Debt	Debt Issuance Costs	Net Debt
7.875% Senior Secured Notes due 2020 (the “2020 Notes”)	\$ 250.0	\$ (5.8)	\$ 244.2
Seven Year Term Loan B (the “Term Loan B”)	559.8	(9.0)	550.8
Credit Facility (the “ABL Revolver” or “ABL”)	82.6	(2.4)	80.2
Promissory Note	12.5	-	12.5
Other Debt ¹	1.1	-	1.1
Subtotal	\$ 906.0	\$ (17.2)	\$ 888.8
Less: Current Portion	(6.9)	-	(6.9)
Total	\$ 899.1	\$ (17.2)	\$ 881.9

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December 31, 2015

	Total Debt	Debt Issuance Costs	Net Debt
2020 Notes	\$ 250.0	\$ (6.1)	\$ 243.9
Term Loan B	559.6	(9.6)	550.0
ABL Revolver	15.4	(2.6)	12.8
Promissory Note	12.5	-	12.5
Other Debt ¹	1.6	-	1.6
Subtotal	\$ 839.1	\$ (18.3)	\$ 820.8
Less: Current Portion	(7.4)	-	(7.4)
Total	\$ 831.7	\$ (18.3)	\$ 813.4

March 29, 2015

	Total Debt	Debt Issuance Costs	Net Debt
2020 Notes	\$ 250.0	\$ (7.0)	\$ 243.0
Term Loan B	564.9	(11.5)	553.4
ABL Revolver	41.4	(3.1)	38.3
Promissory Note	12.5	-	12.5
Other Debt ¹	1.9	-	1.9
Subtotal	\$ 870.7	\$ (21.6)	\$ 849.1
Less: Current Portion	(7.5)	-	(7.5)
Total	\$ 863.2	\$ (21.6)	\$ 841.6

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 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.

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. 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 March 27, 2016, the weighted average interest rate on the Term Loan B was 5.5%.

ABL Revolver

The ABL Revolver is a \$225.0 Asset-Based Revolving Credit Facility, including sub-limits for letters of credit and swingline loans, which has a June 2019 maturity. 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

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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.

As of March 27, 2016, the Company had \$82.6 of outstanding borrowings under the ABL Revolver with a 2.94% weighted average interest rate. At March 27, 2016, the Company had the ability to borrow an additional approximately \$70.1 under the ABL Revolver (the “Excess Availability”). 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. 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. As of December 31, 2015, the Company had met the criteria for the year preceding and no principal and interest payments are due in 2016.

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 is 3.13% and the agreement matures in November 2016.

The Company was in compliance with its debt covenants at March 27, 2016 and outstanding standby letters of credit were approximately \$15.2.

7. Stock Compensation

Restricted Stock/Restricted Units

There were no changes in the restricted common unit/shares for the three months ended March 27, 2016 as compared to the year ended December 31, 2015:

	Restricted Common Units/Shares Outstanding	Weighted-Average Grant Date Fair Value	Units/Shares Vested
Balance at December 31, 2015	9,469	\$ 2,023.74	7,236
Balance at March 27, 2016	9,469	\$ 2,023.74	7,242

Compensation expense was approximately \$0.2 and \$1.1 for the three months ended March 27, 2016 and March 29, 2015, respectively. Compensation expense is included in Other Expense on the consolidated statement of operations. The Company expects to recognize an additional \$1.6 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

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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. In the first quarter of 2016, the Board amended the Plan to increase the maximum number of Common Stock awards that may be granted under the Plan from 48,500 to 56,000. No other changes were made to the Plan.

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 56,000 shares, including 1,234 shares which are restricted shares and not stock options, subject to certain adjustments as set forth in the Plan.

Also on May 14, 2008, the 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.

For the three months ended March 27, 2016 and March 29, 2015, the Company recognized \$0.1 and \$0 of compensation expense, respectively. The Company expects to recognize \$1.8 in remaining compensation expense through 2020 related to the outstanding options.

A summary of the stock option activity for the Plan for the three months ended March 27, 2016 is as follows:

	Number of Awards	Weighted-Average Exercise Price
Awards outstanding at December 31, 2015	665	\$ 492.26
Awards Granted	34,453	\$ 56.99
Awards outstanding at March 27, 2016	35,118	\$ 65.23
Awards vested at March 27, 2016	665	\$ 492.26
Awards available for grant at March 27, 2016	3,536	

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 March 27, 2016, 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 400,000 shares of \$0.01 par value common stock. The Company had 173,182 shares of common stock issued and outstanding at March 27, 2016. There were no changes in the Company’s common stock for the three months ended March 27, 2016.

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Common Stock	Issued	Held in Treasury	Outstanding
Shares of Common Stock at December 31, 2015	351,623	(685)	350,938
Shares of Common Stock at March 27, 2016	351,623	(685)	350,938

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.

Each component of OCI and its related tax effects for the three months ended March 27, 2016 and March 29, 2015 is as follows:

Three Months Ended March 27, 2016	Before Taxes	Taxes	After Taxes
Foreign currency translation adjustments ^{1,2}	\$ (0.3)	\$ -	\$ (0.3)
Net derivatives: ³			
Net unrealized gains (losses) recognized in OCI	0.2	(0.1)	0.1
Net (gains) losses reclassified into earnings	3.7	(1.4)	2.3
Net derivative gains (losses) ²	\$ 3.9	\$ (1.5)	\$ 2.4
Other Comprehensive Income (Loss) ²	\$ 3.6	\$ (1.5)	\$ 2.1
Three Months Ended March 29, 2015			
Foreign currency translation adjustments ^{1,2}	\$ -	\$ -	\$ -
Net derivatives: ³			
Net unrealized gains (losses) recognized in OCI	(3.7)	1.4	(2.3)
Net (gains) losses reclassified into earnings	2.1	(0.8)	1.3
Net derivative gains (losses) ²	\$ (1.6)	\$ (0.6)	\$ (1.0)
Other Comprehensive Income (Loss) ²	\$ (1.6)	\$ (0.6)	\$ (1.0)

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

² Amounts net of tax appears 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 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 Income (Loss) Per Share

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

Three Months Ended	March 27, 2016	March 29, 2015
Numerator:		
Net income (loss) applicable to common shareholders	\$ 22.2	\$ (13.2)
Denominator:		
Weighted average common shares outstanding (basic)	346,584	167,875
Weighted average common shares outstanding (diluted)	346,584	167,875
Income (loss) per common share:		
Basic	\$ 63.90	\$ (78.56)
Diluted	\$ 63.90	\$ (78.56)

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The following table shows the common equivalent shares related to non-vested restricted stock and stock options that were not included in the computation of diluted earnings per share, as their effect would have been antidilutive:

Three Months Ended	March 27, 2016	March 29, 2015
Common Share Equivalents of Potentially Dilutive Securities:		
Restricted stock	4,353	3,784
Stock options	35,118	3,451
Total	39,471	7,235

11. Income Taxes

The effective tax rate on continuing operations for the three months ended March 27, 2016 and March 29, 2015 was (45.1%) and 39.4%, respectively.

The difference between the actual effective tax rate and the federal statutory rate of 35% for the three months ended March 27, 2016 was principally due to an increase in deferred tax liabilities associated with intangible assets and an income tax benefit recorded in continuing operations as a result of income tax expense recorded in other comprehensive income due to the ASC 740 intraperiod allocation rules.

The difference between the actual effective tax rate and the federal statutory rate of 35% for the three months ended March 29, 2015 was principally due to state income taxes and permanent differences.

As of March 27, 2016, a valuation allowance of \$96.7 was recorded against deferred tax assets in accordance with the provisions of ASC 740. Realization of deferred tax assets is largely dependent upon future profitable operations and the reversals of existing temporary differences. Although there can be no assurance that such events will occur, the valuation allowance may be reversed in future periods to the extent that related deferred income tax assets no longer require a valuation allowance under the provisions of ASC 740.

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 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	March 27, 2016	March 29, 2015
Service Cost	\$ 0.1	\$ -
Interest Cost	2.6	2.4
Expected Return on Assets	(3.6)	(3.9)
Recognized Net Actuarial (Gains) Losses	0.9	0.9
Net Periodic Pension Benefit	\$ -	\$ (0.6)

The Company made approximately \$0.1 of contributions to its Plans in the three months ended March 27, 2016. The Company expects to make aggregate cash contributions totaling approximately \$0.4 to the Plans during the current fiscal year.

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Other Postretirement Benefit Plans

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

Three Months Ended	March 27, 2016	March 29, 2015
Interest Cost	\$ 0.2	\$ 0.2
Net Periodic Post-Retirement Cost	\$ 0.2	\$ 0.2

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 specified costs. The Company's assumption of financial responsibility was largely limited to a fixed amount that has now been fully paid, and due to a reduction in expected litigation due to factors including, among others, increased prevalence of insurance and passage of time, 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. 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. 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 involving post-Asset Purchase occurrences, 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 specified 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 exists. At March 27, 2016, December 31, 2015, and March 29, 2014, the Company's accrual for product liability cases and claims was \$27.2, \$26.2, and \$19.5, respectively.

As of March 29, 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. If we are not successful in our defense of these cases, we cannot predict the potential damages for which we would be held liable.

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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 regularly monitored and managed and the Company utilizes derivative instruments to mitigate the effects of those market risks.

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. The fair values of all derivative instruments are presented on a net basis on the condensed consolidated balance sheet. Refer to note 2 for the net fair value presentation of the Company's derivative instruments as presented on the condensed consolidated balance sheet.

Cash Flow Hedges

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 \$4.2 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 March 27, 2016, the fair values of the Company's outstanding swap contracts were \$(7.5) and hedged firm commitments of an aggregate notional amount of 27.6 million pounds of copper and lead and will settle over the next 13 months. At December 31, 2015, the fair values of the Company's outstanding swap contracts were \$(11.6) and hedged firm commitments of an aggregate notional amount of 39.2 million pounds of copper and lead and were expected to settle over the next 16 months. At March 29, 2015, the fair values of the Company's outstanding swaps contracts were \$(10.9) and hedged firm commitments of an aggregate notional amount of 74.1 million pounds of copper and lead and were expected to settle over the next 22 months.

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	March 27, 2016	December 31, 2015	March 29, 2015
Assets				
Commodity Contracts	Prepaid Expenses and Misc. Receivables	\$ -	\$ -	\$ 0.1
Commodity Contracts	Other Assets	-	-	0.3
Total Assets ¹		\$ -	\$ -	\$ 0.4
Liabilities				
Commodity Contracts	Accounts Payable	\$ 7.4	\$ 11.1	\$ 8.9
Commodity Contracts	Other Long-Term Liabilities	0.1	0.5	2.4
Total Liabilities ¹		\$ 7.5	\$ 11.6	\$ 11.3

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 March 27, 2016 and March 29, 2015:

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 March 27, 2016				
Commodity Contracts	\$ 0.1	Cost of Sales	\$ (2.3)	\$ -
Three Months Ended March 29, 2015				
Commodity Contracts	\$ (2.3)	Cost of Sales	\$ (1.3)	\$ -

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

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 March 27, 2016 and will decrease on an incremental basis annually to \$150.0 by its settlement date.

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

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	March 27, 2016	December 31, 2015	March 29, 2015
Assets				
Interest Rate Swaps	Other Assets	\$ 0.8	\$ 1.7	\$ 1.6
Total Assets ¹		\$ 0.8	\$ 1.7	\$ 1.6
Liabilities				
Interest Rate Swaps	Accrued Expenses	\$ 1.4	\$ 1.5	\$ 1.8
Total Liabilities ¹		\$ 1.4	\$ 1.5	\$ 1.8

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 March 27, 2016 and March 29, 2015:

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized in Earnings	Gain (Loss) Recognized in Earnings
Three Months Ended March 27, 2016		
Interest Rate Swaps	Interest Expense	\$ 1.0
Three Months Ended March 29, 2015		
Interest Rate Swaps	Interest Expense	\$ 1.5

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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, silencers, other gun-related products, licensed products and lifestyle products, including apparel and pet accessories, are aggregated into the Consumer category. Other corporate items include certain corporate managed activities, such as pension income and expense, commodities, certain inventory adjustments and inventory write downs that are not allocated to our revenue generating segments. Because these items are either one-time or unusual charges or items that do not directly impact site productivity, they are not allocated to our revenue generating segments in order to show results on a comparable basis within the revenue generating segments.

Results for the Company’s reporting segments for the three months ended March 27, 2016 and March 29, 2015 are as follows:

Three Months Ended	March 27, 2016	March 29, 2015
Net sales from external customers:		
Firearms	\$ 115.3	\$ 89.6
Ammunition	86.1	86.3
Consumer	16.6	25.4
Total net sales from external customers	\$ 218.0	\$ 201.3
Net sales between segments:		
Firearms	\$ -	\$ 0.1
Ammunition	-	-
Consumer	-	1.9
Eliminations	-	(2.0)
Total net sales between segments	\$ -	\$ -
Gross profit:		
Firearms	\$ 31.9	\$ 17.6
Ammunition	28.2	24.7
Consumer	4.8	9.6
Other Corporate Items	1.8	(8.8)
Consolidated gross profit	\$ 66.7	\$ 43.1
Operating expenses	36.1	49.3
Interest expense	15.3	15.6
Income (loss) before income taxes and noncontrolling interests	\$ 15.3	\$ (21.8)

16. New Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting (Topic 718)”. This guidance changes the accounting for certain aspects of share-based payments to employees. The guidance will become effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance on its financial statements and the timing of adoption.

In March 2016, the FASB issued ASU 2016-08, “Revenues from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)”. The standard is intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations by amending certain existing illustrative examples and adding additional illustrative examples to assist in the

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application of the guidance. The guidance is effective January 1, 2018 with early adoption permitted. The Company is currently evaluating the impact of this guidance on its financial statements and the timing of adoption.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”. The new standard revises the current guidance for lessees, lessors and sale-leaseback transactions. The guidance is effective in 2019 with early adoption permitted. The Company is currently evaluating the impact of this guidance on its financial statements and the timing of adoption.

17. Subsequent Events

On May 5, 2016, the Company announced its plan to close the Mayfield, Kentucky firearms production facility in an effort to become more organizationally focused and competitive. The production at this facility will be consolidated into the Company’s Huntsville, Alabama facility. The Company notified affected employees of this decision on May 5, 2016.

Subsequent events have been evaluated through May 13, 2016, 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 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 Mountain Khakis, LLC (“Mountain Khakis”). The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries, including Mountain Khakis.

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

- Company Overview
- Current Market Conditions
- Recent Company Developments
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Company Overview

We are a leading global manufacturer of firearms, ammunition and related products for commercial, military and law enforcement markets with a diverse portfolio of category-defining brands, including *Remington*, *Marlin*, *Bushmaster*, *Barnes Bullets*, *Advanced Armament Corp.*, and *DPMS*, among others. We are America’s oldest manufacturer of firearms and ammunition with our *Remington* brand dating back to 1816. We are one of the largest 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 and related industries. This scale enables us to deliver our products throughout the United States and internationally to approximately 55 countries.

Remington represents an iconic brand born from a passion for precision and a pride in craftsmanship dating back to Eliphalet Remington. From the beginning, Remington built its reputation on these two core principles. We are celebrating our 200th anniversary this year and intend to use this milestone to ensure that pride and precision are engrained in everything we do and that our culture embodies these principles for years to come.

Current Market Conditions

In the firearms segment, the market for modern sporting rifles (“MSR”) products has seen higher demand in the opening price point segments. We experienced a strong, but disciplined demand in late 2015 and the first quarter of 2016 after the tragic events in Paris and San Bernardino. In response to the demand for opening price point products, we launched the QRC rifle, an entry level price point Bushmaster MSR. The overall handgun market continues to grow; however, this growth is primarily in the polymer pistol, subcompact and micro pistol categories. We recently launched the Remington RM380 Micro Pistol as our first introduction into the growing handgun market for self-defense and concealed carry pistols.

While the ammunition segment continues to experience a slowdown in demand for premium category centerfire and shotshell products, demand for rimfire ammunition remains at historical levels and above production capacities, with a continued shift toward value centerfire target and range ammunition. In response to this demand, we recently launched the new 9mm and .223 Remington UMC range buckets and the new American Clay and Field Shotshell target ammunition.

Recent Company Developments

Plant Consolidation

On May 5, 2016, we announced our plan to close the Mayfield, Kentucky firearms production facility in an effort to become more organizationally focused and competitive. The production at this facility will be consolidated into the Company's Huntsville, Alabama facility. The Company notified affected employees of this decision on May 5, 2016. See "Item 6 — Other Information".

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

Adjusted EBITDA should not be considered as an alternative to net income (loss), as an indicator of our performance, as an alternative to net cash provided by operating activities, as a measure of liquidity, or as an alternative to any other measure prescribed by GAAP. 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 (Loss) to Adjusted EBITDA.

Results of Operations

Three Month Period Ended March 27, 2016 as Compared to the Three Month Period Ended March 29, 2015

Net Sales

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

Three Months Ended	March 27, 2016	Percentage of Total	March 29, 2015	Percentage of Total	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Firearms	\$ 115.3	52.9%	\$ 89.6	44.5%	\$ 25.7	28.7%
Ammunition	86.1	39.5	86.3	42.9	(0.2)	(0.2)
Consumer	16.6	7.6	25.4	12.6	(8.8)	(34.6)
Total	\$ 218.0	100.0%	\$ 201.3	100.0%	\$ 16.7	8.3%

Firearms

Net sales for the three months ended March 27, 2016 were \$115.3 million, an increase of \$25.7 million, or 28.7%, as compared to the three months ended March 29, 2015. MSR sales increased \$24.7 million. Sales of shotguns, handguns and other firearms increased \$2.8 million, \$2.0 million and \$1.5 million, respectively. These increases were partially offset by decreased sales of rimfire and centerfire rifles of \$5.3 million. The increases were primarily due to the recognition of a governmental shipment and a mini-surge in MSR sales, as well as increased sales of 783's and Marlin Lever guns.

Ammunition

Net sales for the three months ended March 27, 2016 were \$86.1 million, a decrease of \$0.2 million, or 0.2%, as compared to the three months ended March 29, 2015. Sales of shotshell ammunition and centerfire ammunition decreased \$3.5 million and \$2.2 million, respectively. These decreases were partially offset by increased sales of rimfire ammunition of \$5.5 million. The ammunition segment continues to experience a slowdown in demand for premium category centerfire and shotshell products and there continues to be a shift toward value centerfire target and range ammunition.

Consumer

Net sales for the three months ended March 27, 2016 were \$16.6 million, a decrease of \$8.8 million, or 34.6%, as compared to the three months ended March 29, 2015. The decrease was primarily due to lower parts sales of \$5.6 million and lower sales in our other Consumer businesses of \$3.2 million. Our Consumer sales were down primarily due to the sale of Mountain Khakis and the impact of disruptions caused by our vertical integration initiative.

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	March 27, 2016	Percentage of Net Sales	March 29, 2015	Percentage of Net Sales	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Cost of Goods Sold						
Firearms	\$ 83.4	72.3%	\$ 72.0	80.4%	\$ 11.4	15.8%
Ammunition	57.9	67.2	61.6	71.4	(3.7)	(6.0)
Consumer	11.8	71.1	15.8	62.2	(4.0)	(25.3)
Other Corporate Items	(1.8)	*	8.8	*	(10.6)	(120.5)
Total	\$ 151.3	69.4%	\$ 158.2	78.6%	\$ (6.9)	(4.4)%
Gross Profit						
Firearms	\$ 31.9	27.7%	\$ 17.6	19.6%	\$ 14.3	81.3%
Ammunition	28.2	32.8	24.7	28.6	3.5	14.2
Consumer	4.8	28.9	9.6	37.8	(4.8)	(50.0)
Other Corporate Items	1.8	*	(8.8)	*	10.6	120.5
Total	\$ 66.7	30.6%	\$ 43.1	21.4%	\$ 23.6	54.8%

Firearms

Gross profit for the three months ended March 27, 2016 was \$31.9 million, an increase of \$14.3 million, or 81.3%, as compared to the three months ended March 29, 2015. Gross margin was 27.7% for the three months ended March 27, 2016 and 19.6% for the three months ended March 29, 2015. The increase in gross profit was primarily due to higher sales volumes of \$8.3 million, lower manufacturing costs of \$5.7 million due to better efficiencies and fewer disruptions at our plants, a favorable sales mix of \$1.2 million and favorable pricing of \$0.6 million, partially offset by higher accrued discounts of \$1.5 million.

Ammunition

Gross profit for the three months ended March 27, 2016 was \$28.2 million, an increase of \$3.5 million, or 14.2%, as compared to the three months ended March 29, 2015. Gross margin was 32.8% for the three months ended March 27, 2016 and 28.6% for the three months ended March 29, 2015. The increase in gross profit was primarily due to a favorable sales mix of \$7.6 million and favorable pricing of \$2.1 million, partially offset by higher manufacturing costs of \$5.2 million, higher accrued discounts of \$0.5 million and lower sales volumes of \$0.5 million.

The higher manufacturing costs for the three months ended March 27, 2016 were primarily due to hedging losses from our commodity swaps.

Consumer

Gross profit for the three months ended March 27, 2016 was \$4.8 million, a decrease of \$4.8 million, or 50.0%, as compared to the three months ended March 29, 2015. Gross margin was 28.9% for the three months ended March 27, 2016 and 37.8% for the three months ended March 29, 2015. The decrease in gross profit was primarily due to reduced volumes and unfavorable pricing.

Other Corporate Items

Other Corporate Items includes certain corporate managed activities, such as pension income and expense, commodities, certain inventory adjustments and inventory write-downs that are not allocated to our revenue generating segments. Because these items are either one-time or unusual charges or items that do not directly impact site 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 March 27, 2016 was \$1.8 million, an increase of \$10.6 million, or 120.5%, as compared to the three months ended March 29, 2015, primarily due to favorable manufacturing

variances. In the three months ended March 27, 2016, we experienced favorable variances, primarily related to commodities, while in the three months ended March 29, 2015, we experienced unfavorable variances related to commodities and inefficiencies resulting from lower production at our plants due to the product safety recalls and weather conditions.

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 each of the periods presented:

Three Months Ended	March 27, 2016	Percentage of Net Sales	March 29, 2015	Percentage of Net Sales	Increase (Decrease)	Percentage Change
(unaudited, in millions except percentages)						
Selling, General and Administrative Expenses	\$ 31.4	14.4%	\$ 42.8	21.3%	\$ (11.4)	(26.6)%
Research and Development Expenses	3.6	1.7	4.4	2.2	(0.8)	(18.2)
Other Expense	1.1	0.5	2.1	1.0	(1.0)	(47.6)
Total	\$ 36.1	16.6%	\$ 49.3	24.5%	\$ (13.2)	(26.8)%

Total operating expenses for the three months ended March 27, 2016 were \$36.1 million, a decrease of \$13.2 million, or 26.8%, as compared to the three months ended March 29, 2015.

Selling, general and administrative expenses decreased \$11.4 million, or 26.6%, primarily due to lower selling, marketing and commission expenses of \$5.0 million, lower restructuring costs of \$4.7 million and lower salaries, benefits and incentive compensation expense of \$1.6 million. The reductions resulted from our efforts to reduce spending, realizing benefits of our restructuring activities and fewer nonrecurring items.

Research and development expenses decreased \$0.8 million, or 18.2%, primarily due to reduced salaries and travel expense.

Other expenses decreased \$1.0 million, or 47.6%, primarily due to \$0.7 million of lower stock compensation expense and \$0.3 million of higher licensing income.

Adjusted EBITDA

The following tables illustrate the calculation of Adjusted EBITDA by reconciling Net Income (Loss) to Adjusted EBITDA:

Three Months Ended	March 27, 2016	March 29, 2015	Increase (Decrease)	Percentage Change
(unaudited, in millions except percentages)				
Net Income (Loss)	\$ 22.2	\$ (13.2)	\$ 35.4	268.2%
Adjustments:				
Depreciation	5.9	6.2	(0.3)	(4.8)
Interest	15.3	15.6	(0.3)	(1.9)
Income tax benefit	(6.9)	(8.6)	1.7	(19.8)
Amortization of intangibles	1.3	1.4	(0.1)	(7.1)
Other non-cash charges	0.5	0.7	(0.2)	(21.8)
Nonrecurring charges*	1.0	7.1	(6.1)	(85.8)
Total	\$ 39.3	\$ 9.2	\$ 30.1	326.7%

*As defined in our Indenture

Other non-cash charges of \$0.5 million for the three months ended March 27, 2016 consisted primarily of \$0.4 million of stock compensation expense and \$0.1 million of retiree benefit expense. Other non-cash charges of \$0.7 million for the three months ended March 29, 2015 consisted primarily of \$1.1 million of stock compensation expense, partially offset by \$(0.4) million of retiree benefit income.

Nonrecurring charges of \$1.0 million for the three months ended March 27, 2016 consisted primarily of \$0.4 million in consulting fees, \$0.3 million in employee related expenses, \$0.2 million in bank fees and \$0.1 million in restructuring costs. Nonrecurring charges of \$7.1 million for the three months ended March 29, 2015 consisted primarily of \$4.8 million in restructuring and start-up costs, \$1.1 million in employee related expenses, \$0.8 million in project fees and consulting and \$0.3 million in bank fees.

Interest Expense

Interest expense was \$15.3 million for the three months ended March 27, 2016, compared to \$15.6 million for the three months ended March 29, 2015. The \$0.3 million decrease in interest expense over the three months ended March 29, 2015 was primarily due to \$0.5 million of lower interest expense related to our interest rate swap and \$0.1 million in lower interest expense related to our Term Loan B. These decreases were partially offset by \$0.3 million of higher interest expense related to our ABL Revolver.

Income Tax Provision

The effective tax rate on continuing operations for the three months ended March 27, 2016 and March 29, 2015 was (45.1%) and 39.4%, respectively.

The difference between the actual effective tax rate and the federal statutory rate of 35% for the three months ended March 27, 2016 was principally due to an increase in deferred tax liabilities associated with intangible assets and an income tax benefit recorded in continuing operations as a result of income tax expense recorded in other comprehensive income due to the ASC 740 intraperiod allocation rules.

The difference between the actual effective tax rate and the federal statutory rate of 35% for the three months ended March 29, 2015 was principally due to state income taxes and permanent differences.

At March 27, 2016, a valuation allowance of \$96.7 million was recorded against deferred tax assets in accordance with the provisions of ASC 740. Realization of deferred tax assets is largely dependent upon future profitable operations and the reversals of existing temporary differences. Although there can be no assurance that such events will occur, the valuation allowance may be reversed in future periods to the extent that related deferred income tax assets no longer require a valuation allowance under the provisions of ASC 740.

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.

Our continuing practice is to recognize interest and/or penalties related to income tax matters within income tax expense.

Liquidity and Capital Resources

Cash Flows and Working Capital

Net cash used in operating activities was \$48.2 million for the three months ended March 27, 2016 compared to net cash used in operating activities of \$28.6 million for the three months ended March 29, 2015. The significant changes comprising the \$19.6 million increase in net cash used in operating activities for the three months ended March 27, 2016 compared to the three months ended March 29, 2015 resulted primarily from:

- inventories increasing \$14.8 million over the three months ended March 27, 2016 compared to a decrease of \$22.4 million over the three months ended March 29, 2015, a net increase in cash used of \$37.2 million, due primarily to a focus on inventory management that occurred in 2015;
- trade receivables increasing by \$82.9 million over the three months ended March 27, 2016 compared to an increase of \$48.9 million over the three months ended March 29, 2015, a net increase in cash used of \$34.0 million, due primarily to realigning certain sales programs with market practices;

- prepaid expenses and other assets increasing by \$4.9 million over the three months ended March 27, 2016 compared to a decrease of \$5.1 million over the three months ended March 29, 2015, a net increase in cash used of \$10.0 million, due primarily to increased prepaids; offset by
- net income of \$22.2 million for the three months ended March 27, 2016 compared to a net loss of \$13.2 million for the three months ended March 29, 2015, a net decrease in cash used of \$35.4 million;
- other liabilities increasing by \$9.4 million over the three months ended March 27, 2016 compared to a decrease of \$2.3 million over the three months ended March 29, 2015, a net decrease in cash used of \$11.7 million, due primarily to the timing of interest payments; and
- deferred income taxes decreasing by \$2.0 million over the three months ended March 27, 2016 compared to an increase of \$8.2 million over the three months ended March 29, 2015, a net decrease in cash used of \$10.2 million, due primarily to the valuation allowance we established at the end of 2015.

Net cash used in investing activities was \$6.5 million for the three months ended March 27, 2016 compared to net cash used in investing activities of \$8.1 million for the three months ended March 29, 2015 and related to the purchase of property, plant and equipment.

Net cash provided by financing activities was \$60.4 million for the three months ended March 27, 2016 and consisted primarily of \$67.2 million in net borrowings under the ABL Revolver and \$0.5 million of various state and local incentives. These receipts were partially offset by a \$6.7 million book overdraft and \$0.5 million for principal payments on our debt and capital lease obligations. Net cash provided by financing activities was \$38.6 million for the three months ended March 29, 2015 and consisted primarily of \$34.9 million in net borrowings under the ABL Revolver and \$5.0 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. These receipts were partially offset by \$0.7 million for principal payments on our debt and capital lease obligations and \$0.6 million in payments for debt issuance costs.

Sources and Uses of Liquidity

We generally expect to fund expenditures for operations, administrative expenses, capital expenditures, debt service obligations and our working capital needs with internally generated funds from operations, existing cash and 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 near term with borrowings under the ABL Revolver and existing cash and cash flow from operations, 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 in market demand and timing can impact our working capital strategies.

We were in compliance with our debt covenants at March 27, 2016 and had access to \$70.1 million in borrowings under our ABL Revolver, which includes the minimum availability requirement of \$33.75 million, and \$15.2 million in outstanding letters of credit.

We have approximately \$10.0 million of cash in a restricted account in order to collateralize certain vendor financing arrangements.

Debt

As of March 27, 2016, we had outstanding indebtedness of approximately \$906.0 million, which consisted of the following:

- \$250.0 million of outstanding 2020 Notes;
- \$559.8 million outstanding under our Term Loan B;

- \$82.6 million outstanding under the ABL Revolver;
- \$12.5 million outstanding under the Promissory Note; and
- \$1.1 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 leases for facilities that expire on various dates through 2023. Specifically, our distribution center lease that expires in June 2016 has been addressed with a new 10 year lease. We also maintain contracts including, among other things, a services contract with our third party warehouse provider. We also have various pension plan obligations.

Capital Expenditures

Gross capital expenditures for the three months ended March 27, 2016 and March 29, 2015 were \$6.5 million and \$8.1 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 2016 to be in the range of \$45.0 million to \$55.0 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 2 of the consolidated financial statements and supplementary data included in our Annual Report on Form 10-K for the year ended December 31, 2015. 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, 2015.

Environmental Matters

Our operations are subject to extensive and frequently changing federal, state and local environmental laws and regulations, including those related to the discharge and release of hazardous materials into the environment, the handling, treatment, storage, disposal and remediation of, and exposure to, such materials. Failure to comply with environmental laws and regulations could result in severe fines and penalties. Certain environmental laws can impose joint and several liability without regard to fault on responsible parties, including past and present owners and operators of sites, related to the investigation and cleanup of contaminated properties.

Under the terms of the 1993 Purchase Agreement DuPont, 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 certain 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 and our obligations are not expected to be material. However, no assurance can be given that this will continue to be true in the future.

While we believe that we are in compliance with applicable environmental laws in all material respects and are not subject to any environmental proceedings or claims that would have a material adverse effect on our

business, we cannot assure you that future events, such as new or more stringent environmental laws and regulations, the discovery of currently unknown environmental conditions, any related claims, or more vigorous enforcement or a new interpretation of existing environmental laws and regulations would not have a material adverse effect on our business. We do not anticipate incurring any material capital expenditures for environmental control facilities for 2016.

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 January 2016, in light of recurring high-profile crimes by individuals involving firearms, President Obama announced executive actions that serve to, among other things, enhance background checks and broaden the definition of a “dealer” under current gun laws. Other objectives of the executive actions are to reduce sales of guns that are not required to be tracked and for which the seller is not required to conduct a background check, to increase reporting by dealers of unauthorized attempts to acquire guns, to provide greater access to information for sellers about prospective buyers of guns, to include mental health treatment and reporting as part to the firearm background check system, and to fund research in gun safety technology. The 2016 executive actions follow a previous attempt by President Obama to act through executive action in 2013, when he announced 23 executive actions intended to reduce violent acts by individuals, which were overridden by Congress. 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, in the past, been introduced in Congress in connection with increasing regulation of firearms, including with respect to the establishment of a nationwide database recording so-called “ballistic images” of ammunition fired from new firearms to restrict or prohibit the manufacture, transfer, importation or sale of certain calibers of handgun ammunition, to impose a tax and import controls on bullets designed to penetrate bullet-proof vests, to impose a special occupational tax and registration requirements on manufacturers of handgun ammunition, and to increase the tax on handgun ammunition in certain calibers. Should

these or any other such regulatory bills become law in the future, the cost to the Company and its customers could be significant.

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, some of which would apply to ammunition and firearms of the kind that we produce. Since the beginning of 2013, more than a dozen states and Washington, D.C. have enacted new laws aimed at strengthening restrictions against guns, which have included proposals in respect of the establishment of “ballistic imaging” registries of ammunition fired from new handguns or requirements for “bullet serialization” for ammunition or “microstamping” capabilities for certain firearms. California passed semi-automatic pistol microstamping legislation that went into effect in May 2013, and has resulted in the cessation of semi-automatic pistol sales in California by some large manufacturers.

Federal regulations ban, and certain states (including California, Utah and Arizona) either partially ban or encourage voluntary reductions in, the use of lead based ammunition for certain types of hunting, and environmental groups have been pushing for further restrictions on its use through litigation or proposing legislation. Additionally, numerous jurisdictions presently have mandatory waiting periods for the sale of handguns (and some for the sale of long guns as well), although 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, and some states are considering mandating certain design features on safety grounds, most of which would be applicable only to handguns. Further restrictions on lead-based ammunition or handgun ammunition or design could have an adverse effect on certain of our products or our costs associated with producing such products. No assurance can be given as to the effect such legislation may have on our business, results of operations and financial condition.

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” (“PLCAA”) 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 March 27, 2016, our commodity derivative instruments had a notional amount of 27.6 million pounds and will settle over the next 13 months. The fair values of these open commodity contracts resulted in a \$7.5 million liability. Assuming a hypothetical 10% increase in copper and lead commodity prices which are currently hedged at March 27, 2016, our cost for those related purchases would result in a \$3.2 million loss. Due to the increase in the related hedging instruments' fair values, the hypothetical cost would be offset by \$1.8 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 \$642.4 million of our total outstanding debt at March 27, 2016 bears interest at variable rates. Assuming no changes in the monthly average variable-rate debt levels of \$602.3 million for the three months ended March 27, 2016, 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 three months ended March 27, 2016.

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 (i) certain trade payables and contractual obligations of DuPont and its affiliates; (ii) limited financial responsibility for specified product liability claims and environmental claims relating to the operation of the Remington business prior to the Asset Purchase; and (iii) liabilities for product liability claims relating to certain occurrences after the Asset Purchase. 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.

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 1996, DuPont and its affiliates agreed to indemnify Remington in the future (without any survival period limitation or liability cap) in respect of certain product liability and environmental claims. 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 (for 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, which expires on December 1, 2016, 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.

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 March 27, 2016, we had a number of individual bodily injury cases and pre-litigation claims in various stages pending relating to firearms and our ammunitions products, primarily alleging defective product design, defective manufacture and/or failure to provide adequate warnings. The 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, including most recent post-Asset Purchase claims, compensatory damages sought may range from less than \$50,000 to in excess of \$1 million and punitive damages sought may exceed \$1 million, although initial demands have often been reduced as a case proceeds based on a review of the facts and circumstances of a particular matter. 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. In order to avoid the uncertainties and expense of protracted litigation, following mediation, Remington and the plaintiffs entered into settlement discussions. In late 2014, the parties requested settlement approval from the Court and are now awaiting a decision, which is not expected before the third quarter of 2016. 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.

At March 27, 2016, our accrual for product liability cases and claims was approximately \$27.2 million, which we believe is adequate. The amount of our accrual for these liability cases and claims is based upon estimates for all claims that can be reasonably estimated. 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. Based on the relevant circumstances (including, with respect to Remington-based claims, the current availability of insurance involving post-Asset Purchase occurrences, 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.

The Company's assumption of financial responsibility was largely limited to a fixed amount that has now been fully paid, and due to a reduction in expected litigation due to factors including, among others, increased prevalence of insurance and passage of time, 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. 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.

Other Litigation

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. Because our products are currently protected under the 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," we filed a motion to dismiss the suit. That motion was denied in April 2016 and a trial date was set for April 2018. Since then, we have filed a motion to strike plaintiff's amended complaint. 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.

Item 5. Risk Factors

There have been no other material changes to our Risk Factors from those disclosed in Item 1A of our 2015 Annual Report.

Item 6. Other Information

On May 5, 2016, the Company announced its plan to close the Mayfield, Kentucky firearms production facility in an effort to become more organizationally focused and competitive. The production at this facility will be moved and consolidated into the Company's Huntsville, Alabama facility. The Company notified affected employees of this decision on May 5, 2016. The actual plant closure and transition to Huntsville will take several months. The two facilities are roughly 250 miles apart.