QUARTERLY REPORT

For the period ended:

June 29, 2014

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

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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 "Outdoor Services" refers to Outdoors Services, LLC, (7) the term ''EOTAC'' refers to EOTAC, LLC, (8) the term "Mountain Khakis" refers to Mountain Khakis, LLC, (9) the term "AAC" refers to Advanced Armament Corp., LLC, (10) the term "Barnes" refers to Barnes Bullets, LLC, (11) the term "Para" refers to Para USA, LLC, (12) the term "TAPCO" refers to The American Parts Company, Inc., (13) the term "TMRI" refers to TMRI, Inc., (14) the term "Remington UK" refers to Remington Outdoor (UK) Ltd., (15) the term "SMK" refers to Tech Group (UK) Ltd., (16) the term "Storm Lake" refers to Storm Lake, Inc., (17) the term "Great Outdoors" refers to Great Outdoors Holdco, LLC and *(18) 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 7 – Debt."*

FINANCIAL AND OTHER INFORMATION

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

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

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

FORWARD-LOOKING STATEMENTS

Some of the statements in this Quarterly Report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements relating to trends in the operations and financial results and 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 (and in some cases have affected) our actual results and could cause such results to differ materially from estimates or expectations reflected in such forward-looking statements.

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

- Our ability to make scheduled payments of principal or interest on, or to refinance our obligations with respect to, our indebtedness, as well as our ability to comply with the

covenants and restrictions contained in the instruments governing such indebtedness, will depend on our future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors beyond our control, including the responses of competitors, changes in customer inventory management practices, changes in customer buying patterns, regulatory developments and increased operating costs, all of which could materially adversely affect our business.

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

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

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

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

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

- We face risks related to acquisition, including achieving the intended benefits of our acquisitions, which depends in part on the integration of products and internal operating systems in a timely and efficient manner. Such integration may be unpredictable, and subject to delay because the products and systems typically were developed independently and were designed without regard to such integration. If we cannot successfully integrate such products and internal operating systems on a timely basis, we may lose customers and our business and

results of operations may be harmed. In addition, we could incur impairment charges if an acquired business performs below expectations.

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

- Sales made to Wal-Mart accounted for approximately 10% of our total sales for both of the six months ended June 29, 2014 and June 30, 2013. Our sales to Wal-Mart are generally not governed by a written long-term contract between the parties. In the event that Wal-Mart were to significantly reduce or terminate its purchases of firearms, ammunition and/or other products from us, our financial condition or results of operations could be adversely affected.

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

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

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

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

Remington Outdoor Company, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(Dollars in Millions, Except for Number of Stock Shares)

	Unaudited June 29, 2014	December 31, 2013 *As Recast*	*Unaudited* June 30, 2013 *As Recast*
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 159.3	$ 269.5	$ 40.4
Trade Receivables, net of $0.9, $1.2, and $0.8 allowance for bad debts, respectively	174.1	104.3	230.2
Inventories, net	333.5	267.9	216.7
Prepaid Expenses and Miscellaneous Receivables	22.5	28.6	14.7
Deferred Tax Assets	48.5	35.9	38.6
Total Current Assets	737.9	706.2	540.6
Property, Plant and Equipment, net	216.3	182.5	151.7
Goodwill	83.2	84.6	90.6
Intangible Assets, net	108.5	109.3	104.6
Debt Issuance Costs, net	24.3	25.1	21.1
Other Assets	17.9	19.3	12.0
Total Assets	$ 1,188.1	$ 1,127.0	$ 920.6
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' DEFICIT			
Current Liabilities			
Accounts Payable	$ 85.5	$ 96.5	$ 97.1
Short-Term Borrowings	7.5	9.4	5.3
Current Portion of Product Liability	7.5	5.9	6.8
Current Portion of Income Taxes Payable	-	-	10.9
Accrued Expenses	151.9	138.9	120.6
Total Current Liabilities	252.4	250.7	240.7
Long-Term Debt, net	896.2	814.1	644.0
Retiree Benefits, net	45.1	45.7	64.2
Product Liability, net	10.2	10.2	9.2
Deferred Tax Liabilities	34.1	36.1	16.1
Other Long-Term Liabilities	40.1	24.4	23.2
Total Liabilities	1,278.1	1,181.2	997.4
Commitments and Contingencies (Note 14)			
Common Stock, Issued 173,182, 166,989 and 166,989 shares, respectively	0.2	0.2	0.2
Less: Treasury Stock	-	-	(3.4)
Paid-in Capital	16.9	10.2	0.9
Accumulated Other Comprehensive Loss	(55.2)	(53.7)	(71.9)
Accumulated Deficit	(51.6)	(10.8)	(2.5)
Total Parent's Deficit	(89.7)	(54.1)	(76.7)
Noncontrolling Interest Equity (Deficit)	(0.3)	(0.1)	(0.1)
Total Stockholders' Deficit	(90.0)	(54.2)	(76.8)
Total Liabilities, Mezzanine Equity and Stockholders' Equity (Deficit)	$ 1,188.1	$ 1,127.0	$ 920.6

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

Remington Outdoor Company, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
(Dollars in Millions, except for Earnings Per Share Data)

	For the three months ended		For the six months ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
		As Recast		*As Recast*
Net Sales	$ 214.7	$ 353.2	$ 469.9	$ 673.4
Cost of Goods Sold	151.8	225.5	349.6	435.3
Gross Profit	62.9	127.7	120.3	238.1
Selling, General and Administrative Expenses	68.2	57.6	115.5	110.5
Research and Development Expenses	4.8	4.1	10.1	7.7
Impairment Charges	-	-	-	0.6
Other Expense	2.2	1.4	11.3	2.8
Operating Income	(12.3)	64.6	(16.6)	116.5
Interest Expense	16.1	8.1	30.6	19.1
Income (Loss) Before Income Taxes and Noncontrolling Interests	(28.4)	56.5	(47.2)	97.4
Income Tax Provision (Benefit)	(5.3)	20.7	(12.3)	34.9
Net Income (Loss)	(23.1)	35.8	(34.9)	62.5
Add: Net Loss Attributable to Noncontrolling Interest	0.2	0.1	0.2	0.1
Net Income (Loss) Attributable to Controlling Interest	$ (22.9)	$ 35.9	$ (34.7)	$ 62.6
Net Income (Loss) Applicable to Common Stock	$ (22.9)	$ 35.9	$ (34.7)	$ 62.6
Net Income (Loss) Per Common Share, Basic	$ (138.02)	$ 220.40	$ (208.88)	$ 384.80
Net Income (Loss) Per Common Share, Diluted	$ (138.02)	$ 216.68	$ (208.88)	$ 378.31
Weighted Average Number of Shares Outstanding, Basic	166,325	162,762	166,258	162,762
Weighted Average Number of Shares Outstanding, Diluted	166,325	165,557	166,258	165,558

Net Sales are presented net of Federal Excise taxes of $16.2 and $30.6 for the three months ended June 29, 2014 and June 30, 2013, respectively, and $34.3 and $55.7 for the six months ended June 29, 2014 and June 30, 2013, respectively.

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

Remington Outdoor Company, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(Dollars in Millions)

	For the three months ended		For the six months ended	
	June 29, 2014	June 30, 2013 *As Recast*	June 29, 2014	June 30, 2013 *As Recast*
Net Income (Loss)	$ (23.1)	$ 35.8	$ (34.9)	$ 62.5
Other Comprehensive Income (Loss):				
Net Foreign Currency Translation Adjustments	0.1	-	0.4	-
Net Derivative Gains (Losses), net	1.6	(6.4)	(1.9)	(9.4)
Total Other Comprehensive Income (Loss)	1.7	(6.4)	(1.5)	(9.4)
Comprehensive Income (Loss)	(21.4)	29.4	(36.4)	53.1
Add: Comprehensive Loss Attributable to Noncontrolling Interests	0.2	0.1	0.2	0.1
Total Comprehensive Income (Loss) Attributable to Controlling Interests	$ (21.2)	$ 29.5	$ (36.2)	$ 53.2

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

Remington Outdoor Company, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in Millions)

	For the six months ended June 29, 2014	For the six months ended June 30, 2013 *As Recast*
Operating Activities		
Net Income (Loss)	$ (34.9)	$ 62.5
Adjustments:		
Impairment Charges	-	0.6
Depreciation	10.3	8.6
Amortization	5.3	4.9
Retirement Plans' Income	(0.5)	(0.2)
Deferred Income Taxes	(13.5)	(2.3)
Share Based Compensation Charges	4.1	-
Excess Tax Benefits Realized on Exercised Stock Options	(1.8)	-
Other Non-Cash Charges	0.2	(3.4)
Changes in Operating Assets and Liabilities (net of effects from acquisitions):		
Trade Receivables	(69.8)	(98.9)
Inventories, net	(67.0)	(13.3)
Prepaid Expenses and Other Assets	8.2	1.7
Accounts Payable	(6.6)	11.2
Income Taxes Payable	-	12.2
Contributions to Retirement Plans	(0.2)	(10.9)
Other Liabilities	11.3	32.1
Net Cash Provided by (Used in) Financing Activities	(154.9)	4.8
Investing Activities		
Purchase of Property, Plant and Equipment	(36.8)	(30.6)
Acquisition of Businesses, net of Cash Acquired	(1.9)	(7.6)
Net Cash Used in Investing Activities	(38.7)	(38.2)
Financing Activities		
Proceeds from Revolving Credit Facilities	94.0	-
Payments on Revolving Credit Facilities	(23.7)	-
Debt Issuance Costs	(2.7)	(0.5)
Principal Payments on Debt	(3.7)	(4.8)
Proceeds from Exercised Stock Options	0.9	-
Acquisition of Stock	(6.2)	-
Excess Tax Benefits Realized on Exercised Stock Options	1.8	-
Proceeds from State and Local Incentives	16.0	-
Book Overdraft	6.7	-
Net Cash Provided by (Used in) Financing Activities	83.1	(5.3)
Effect of Exchange Rate Changes on Cash	0.3	-
Change in Cash and Cash Equivalents	(110.2)	(38.7)
Cash and Cash Equivalents at Beginning of Period	269.5	79.1
Cash and Cash Equivalents at End of Period	$ 159.3	$ 40.4
Supplemental Cash Flow Information:		
Cash Paid During the Period for:		
Interest	$ 24.5	$ 21.0
Income Taxes	5.5	24.6
Noncash Financing and Investing Activities:		
Accrued Capital Expenditures	16.8	0.9
Capital Lease Obligations Incurred	0.7	-

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

Remington Outdoor Company, Inc.

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 *As Recast*	Controlling Interest Stockholders' Equity (Deficit) *As Recast*	Non-Controlling Interest	Total Stockholders' Equity (Deficit) *As Recast*
Balance, January 1, 2013	$ 0.2	$ (3.4)	$ 0.9	$ (62.5)	$ (65.1)	$ (129.9)	$ -	$ (129.9)
Net Income, *As Recast*					62.6	62.6	(0.1)	62.5
Other Comprehensive Loss				(9.4)		(9.4)		(9.4)
Balance, June 30, 2013	$ 0.2	$ (3.4)	$ 0.9	$ (71.9)	$ (2.5)	$ (76.7)	$ (0.1)	$ (76.8)

	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit *As Recast*	Controlling Interest Stockholders' Equity (Deficit) *As Recast*	Non-Controlling Interest	Total Stockholders' Equity (Deficit) *As Recast*
Balance, January 1, 2014, *As Recast*	$ 0.2	$ -	$ 10.2	$ (53.7)	$ (10.8)	$ (54.1)	$ (0.1)	$ (54.2)
Net Loss					(34.7)	(34.7)	(0.2)	(34.9)
Other Comprehensive Loss				(1.5)		(1.5)		(1.5)
Share-Based Compensation			4.1			4.1		4.1
Exercise of Stock Options		1.5	0.8		(1.4)	0.9		0.9
Tax Benefits Related to Stock Plans			1.8			1.8		1.8
Acquisition of Stock		(6.2)				(6.2)		(6.2)
Stock Issuances		4.7			(4.7)	-		-
Balance, June 29, 2014	$ 0.2	$ 0.0	$ 16.9	$ (55.2)	$ (51.6)	$ (89.7)	$ (0.3)	$ (90.0)

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

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"), RA Brands, L.L.C. and Outdoor Services, LLC. FGI Opco also owns 100% of FGI Finance, Inc. ("FGI Finance"). Remington, in turn, owns Advanced Armament Corp., LLC ("AAC"), Para USA, LLC ("Para"), a 99% interest in TMRI, Inc. ("TMRI"), Remington Outdoor (UK) Ltd. ("Remington UK"), Great Outdoors Holdco, LLC ("Great Outdoors"), a 75% interest in Mountain Khakis, LLC ("Mountain Khakis"), and an 84% interest in EOTAC, LLC ("EOTAC"). The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

These unaudited interim 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, 2013. These unaudited interim statements include all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the periods presented. The results for the three month period may not be indicative of a full year's result. Certain amounts reported in prior periods have been reclassified to conform to the presentation at June 29, 2014.

Beginning with the 2013 fiscal year, the Company adopted a calendar year/5-4-4 based fiscal month reporting period. Under the new fiscal cycle, each reporting quarter contains 13 weeks of operations and ends on the last Sunday of the quarter, except for the last quarter which ends on December 31.

Change in Accounting Principle

On January 1, 2014, the Company changed its accounting policy for inventory supplies. Prior to the change, ancillary items used in production were capitalized when they were purchased and recognized as components of cost of goods sold when used. In order to streamline the purchasing process, improve production and management efficiencies, and align operational purchases with production, supply inventories will now be expensed as a component of cost of goods sold when purchased. Financial information for all periods presented has been retrospectively adjusted to reflect the change in accounting policy. As a result of the accounting change, accumulated deficit as of January 1, 2013 increased from $(52.6) as originally reported to $(65.1) and accumulated earnings as of January 1, 2014 decreased from $3.7 as originally reported to a deficit of $(10.8).

The following table summarizes the effects of the change in accounting principle on the Company's condensed consolidated statement of operations for the three months ended June 30, 2013:

(dollars in millions, except for share data)	**As Originally Stated**	**As Adjusted For Accounting Policy Change**
Cost of Goods Sold	$ 224.9	$ 225.5
Operating Income	65.2	64.6
Income Tax Provision	20.9	20.7
Net Income Attributable to Controlling Interests	36.3	35.9
Basic Net Income Per Share	$ 222.82	$ 220.40
Diluted Net Income Per Share	$ 219.06	$ 216.68

The following table summarizes the effects of the change in accounting principle on the Company's condensed consolidated statement of operations for the six months ended June 30, 2013:

(dollars in millions, except for share data)	As Originally Stated	As Adjusted For Accounting Policy Change
Cost of Goods Sold	$ 434.5	$ 435.3
Operating Income	117.3	116.5
Income Tax Provision	35.2	34.9
Net Income Attributable to Controlling Interests	63.1	62.6
Basic Net Income Per Share	$ 387.82	$ 384.80
Diluted Net Income Per Share	$ 381.27	$ 378.31

The following table summarizes the effects of the change in accounting principle on the Company's condensed consolidated balance sheet as of June 30, 2013:

	As Originally Stated	As Adjusted For Accounting Policy Change
Deferred Tax Assets	$ 32.8	$ 38.6
Other Current Assets	15.2	-
Total Current Assets	$ 550.0	$ 540.6
Other Noncurrent Assets	17.9	12.0
Total Assets	$ 935.9	$ 920.6
Long-Term Deferred Tax Liabilities	18.4	16.1
Total Liabilities	$ 999.7	$ 997.4
Accumulated Earnings (Deficit)	10.5	(2.5)
Total Stockholders' Deficit	$ (63.8)	$ (76.8)

The following table summarizes the effects of the change in accounting principle on the Company's condensed consolidated statement of cash flows for the six months ended June 30, 2013:

	As Originally Stated	As Adjusted For Accounting Policy Change
Net Income	$ 63.0	$ 62.5
Deferred Income Taxes	(2.0)	(2.3)
Prepaid Expenses and Other Assets	0.9	1.7
Net Cash Used in Operating Activities	$ 4.8	$ 4.8

2. Business Combinations

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

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

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

Storm Lake, Inc. ("Storm Lake")

On August 16, 2013, the Company, through its subsidiary, TMRI, acquired certain assets and assumed certain liabilities of Storm Lake for approximately $5.5 (the "Storm Lake Acquisition") including cash, fees and escrow payments. Storm Lake manufactures and markets pistol barrels.

Purchase Price Allocations

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

	SMK[1]	Storm Lake[1]
Accounts Receivable	$ 0.5	$ 0.2
Inventory	1.9	0.1
Property, Plant, and Equipment	0.2	1.6
Goodwill	2.3	1.4
Identifiable Intangible Assets	1.7	2.2
Total Assets Acquired	$ 6.6	$ 5.5
Current Liabilities	$ 0.2	$ -
Total Liabilities Assumed	$ 0.2	$ -
Total Assets Acquired Less Liabilities Assumed	6.4	5.5
Estimated Acquisition Cost	$ 6.4	$ 5.5

[1] Goodwill is expected to be deductible for tax purposes.

Pro Forma Financial Information (Unaudited)

The following unaudited pro forma results of operations assume that the acquisitions occurred as of January 1, 2013, adjusted for the impact of certain items, such as increased amortization expense and the related income tax effects. Income taxes are provided at the estimated statutory rate. This unaudited pro forma information should not be relied upon as necessarily being indicative of historical results that would have been obtained if the acquisitions had actually occurred on that date, nor of the results that may be obtained in the future.

For the Periods Ended	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Net Sales	$ 353.2	$ 674.8
Operating Profit	64.6	116.5
Net Income Attributable to Controlling Interest	35.9	62.6

3. 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.

Recurring Fair Value Measurements

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

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

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2013 and the effects of master netting agreements:

	Level 1	Level 2	Level 3	Netting Adjustments	Net Fair Value
Assets:					
Commodity Derivative Contracts	$ -	$ 2.1	$ -	$ (2.1)	$ -
Interest Rate Derivative Contracts	-	3.9	-	(2.4)	1.5
Total Assets	$ -	$ 6.0	$ -	$ (4.5)	$ 1.5
Liabilities:					
Commodity Derivative Contracts	$ -	$ 2.7	$ -	$ (2.1)	$ 0.6
Interest Rate Derivative Contracts	-	2.4	-	(2.4)	-
Total Liabilities	$ -	$ 5.1	$ -	$ (4.5)	$ 0.6

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2013 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	-	4.1	-	(2.6)	1.5
Total Assets	$ -	$ 4.5	$ -	$ (3.0)	$ 1.5
Liabilities:					
Commodity Derivative Contracts	$ -	$ 9.8	$ -	$ (0.4)	$ 9.4
Interest Rate Derivative Contracts	-	2.6	-	(2.6)	-
Total Liabilities	$ -	$ 12.4	$ -	$ (3.0)	$ 9.4

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 15.

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

Other Fair Value Measurements and Concentrations of Credit Risk

Due to their liquid nature, the carrying values of cash and cash equivalents, trade receivables, accounts payable and other accrued liabilities are considered representative of their fair values. The Company's debt had an estimated fair value of $920.0, $839.9, and $659.3 as of June 29, 2014, December 31, 2013, and June 30, 2013, respectively, and a carrying value of $903.7, $823.5, and $649.3 as of June 29, 2014, December 31, 2013, and June 30, 2013, respectively. The fair value of the Company's fixed rate notes was measured using the active quoted trading price of its notes at June 29, 2014, December 31, 2013, and June 30, 2013, which is considered a Level 2 input.

The Company also has concentrations of credit risk with certain customers. Approximately 9.1% and 6.8% of total sales for the three months ended June 29, 2014 and June 30, 2013, respectively, and 9.8% and 9.0% of total sales for the six months ended June 29, 2014 and June 30, 2013, respectively, consisted of sales made to one customer from all reportable business segments.

4. Inventories

	June 29, 2014	December 31, 2013	June 30, 2013
Raw Materials	$ 86.5	$ 91.4	$ 92.4
Semi-Finished Products	47.2	48.7	44.4
Finished Products	199.8	127.8	79.9
Total	$ 333.5	$ 267.9	$ 216.7

5. Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the periods ended June 29, 2014, December 31, 2013, and June 30, 2013 by reporting segment are as follows:

Goodwill by Segment:	June 29, 2014	Changes [1]	December 31, 2013	June 30, 2013
Firearms	$ 57.4	$ (1.4)	$ 58.8	$ 58.1
Ammunition	23.9	-	23.9	23.9
All Other	1.9	-	1.9	8.6
Total Goodwill	$ 83.2	$ (1.4)	$ 84.6	$ 90.6

[1] Goodwill decreased by $1.4 due to recent acquisitions, related purchase price accounting adjustments and changes in foreign currency exchange rates. Recent acquisitions resulted in $1.8 of capitalized goodwill which was offset by a $3.2 decrease for purchase price accounting adjustments. The purchase accounting adjustments resulted in a $0.9 increase in fixed assets, $0.9 increase in trade names and a $1.4 increase in definite-lived intangible assets.

Intangible Assets Other Than Goodwill

Indefinite-Lived Intangible Assets

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

Indefinite-Lived Intangible Assets:	June 29, 2014	Changes [1]	December 31, 2013	June 30, 2013
Trade Names, net	$ 73.0	$ 1.0	$ 72.0	$ 70.6

[1] Trade names increased $0.9 due to purchase accounting adjustments made in the acquisition of Storm Lake and $0.1 due to increases in foreign currency exchange rates.

Definite-Lived Intangible Assets

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

Definite-Lived Intangible Assets:	June 29, 2014	Changes [1]	December 31, 2013	June 30, 2013
Customer Relationships, net	$ 32.8	$ (0.9)	$ 33.7	$ 28.9
License Agreements, net	-	(0.5)	0.5	1.1
Developed Technology, net	2.1	(0.3)	2.4	3.4
Other, net	0.6	(0.1)	0.7	0.6
Total Definite-Lived Intangible Assets, net	$ 35.5	$ (1.8)	$ 37.3	$ 34.0

[1] The carrying value of the Company's definite-lived intangible assets decreased by $1.8 due to amortization which was offset by $1.4 of increases from purchase accounting adjustments and a $0.1 increase from changes in foreign currency exchange rates. Amortization expense of intangible assets was $1.6 and $1.7 for the three months ended June 29, 2014 and June 30, 2013, respectively, and $3.3 and $3.4 for the six months ended June 29, 2014 and June 30, 2013, respectively. Customer Relationships increased by $1.3 and Other intangible assets increased by $0.1 due to purchase accounting adjustments resulting from the acquisition of Storm Lake and will be amortized over estimated useful lives of 7.0 and 5.0 years, respectively.

6. Accrued Liabilities

Accrued Liabilities consisted of the following at:

	June 29, 2014	December 31, 2013	June 30, 2013
Product Safety Warnings[1]	$ 23.2	$ 1.5	$ 3.6
Settlement Reserve [2]	29.7	-	-
Excise Tax	16.2	21.5	30.4
Marketing	15.7	28.2	21.1
Incentive Compensation	7.8	37.1	24.9
Other	59.3	50.6	40.6
Total	$ 151.9	$ 138.9	$ 120.6

[1] Includes $21.8 remaining accrual related to the Model 700™ and Model Seven™ rifles as of June 29, 2014, refer to note 14.

[2] Settlement reserve for Model 700™, refer to note 19.

7. Debt

Long-term debt consisted of the following at:

	June 29, 2014	December 31, 2013	June 30, 2013
7.875% Senior Secured Notes due 2020 (the "2020 Notes")	$ 250.0	$ 250.0	$ 250.0
Seven Year Term Loan B (the "Term Loan B")	568.7	569.9	398.0
Credit Facility (the "ABL Revolver" or "ABL")	70.3	-	-
Promissory Note	12.5	-	-
Other Debt [1]	2.2	3.6	1.3
Subtotal	$ 903.7	$ 823.5	$ 649.3
Less: Current Portion	(7.5)	(9.4)	(5.3)
Total	$ 896.2	$ 814.1	$ 644.0

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

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

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

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

Term Loan B

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

Borrowings under the Term Loan B bear interest at an annual rate of either (a) the LIBOR rate (with a floor of 1.25%) plus a spread or (b) the base rate (with a floor of 2.25%) plus a spread. The Term Loan B has annual amortization payments due each year in an amount equal to 1% of the original principal balance thereof, with the balance due at maturity. FGI Opco may at any time after December 17, 2014, without premium or penalty, voluntarily prepay the Term Loan B in whole or in part, and prior to December 17, 2014, voluntarily prepay the Term Loan B, in whole or in part, subject, in certain circumstances, to a payment of a 1% premium of the amount prepaid. The Term Loan B also had an accordion feature that has been exercised on two occasions.

At June 29, 2014, the weighted average interest rate on the Term Loan B was 5.5%.

ABL Revolver

The ABL is a five-year $225.0 Asset-Based Revolving Credit Facility, including sub-limits for letters of credit and swingline loans. On June 27, 2014, the ABL Revolver was modified to increase the maximum borrowings by $75.0 from the pre-existing $150.0 maximum borrowing limit. The amendment extended the maturity date of the ABL Revolver to June 27, 2019 and modestly refined the borrowing base and fee calculations. FGI Holding's and FGI Opco's existing wholly-owned direct and indirect domestic subsidiaries other than Outdoor Services are either a borrower or guarantor under the ABL Revolver. FGI Opco may designate, at its discretion, from time to time, certain subsidiaries that are not borrowers or guarantors. The ABL Revolver has a first lien claim on the ABL Priority Collateral, in addition to a second lien claim on the Term Loan B collateral other than real property.

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

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

As of June 29, 2014, there was $70.3 of outstanding borrowings under the ABL Revolver with a 2.9% weighted average interest rate. Approximately $105.0 in additional borrowings, including the minimum availability requirement of $33.75, was available at June 29, 2014.

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 in the second year of a four year issuance equal to 10% of the original principal balance. Principal and interest payments commence on the second anniversary date of the Promissory Note and are due between 30 and 150 days after such date for the first eight years of the term and 90 days after such date for the remaining years of the term. If the Company meets certain employment goals for the year preceding the principal and interest payment dates, the annual principal and related interest for that payment period will be forgiven. If the Company partially meets those employment goals, then the principal and interest for that year will be partially forgiven on a pro-rata basis. If the Company closes the facility in Huntsville, Alabama or relocates that facility prior to the maturity date of the Promissory Note, any previously forgiven principal and interest amounts will be reinstated and payable as of the date of such closing or relocation less any vested amounts.

Other Debt

Short-Term Borrowings consist of an unsecured, fixed interest agreement for financing premiums on the Company's insurance policy. The interest rate under this annual agreement was 2.0% and matures in November 2014.

The Company was in compliance with its debt covenants at June 29, 2014 and outstanding standby letters of credit were approximately $13.7.

During 2014, the Company obtained an $11.2 surety bond in order to appeal certain litigation judgments. This surety bond is not recognized on our condensed consolidated balance sheet as of June 29, 2014.

8. Stock Compensation

Restricted Stock/Restricted Units

The following table summarizes restricted common unit/share activity for the six months ended June 29, 2014:

	Restricted Common Units/Shares Outstanding	Weighted-Average Grant Date Fair Value	Units/Shares Vested
Balance at December 31, 2013	10,300	$ 2,700.88	4,487
Granted [1]	1,635	3,089.85	925
Balance at June 29, 2014	11,935	$ 2,754.17	5,412

[1] Compensation expense was approximately $1.4 and $4.1 for the three and six months ended June 29, 2014, respectively. There was no compensation expense for the three and six months ended June 30, 2013. During the six months ended June 29, 2014, the Company also recognized $5.1 related to the tax gross ups on the issuance of the restricted shares. The compensation expense and related tax gross ups are included in Other Expense on the consolidated statement of operations. The Company expects to recognize an additional $18.9 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 of December 31, 2013) (the "Plan"). The Plan is designed to provide a means by which certain current employees, officers, non-employee directors and other individual service providers may be given an opportunity to benefit from increases in the value of Remington Outdoor common stock (the "Common Stock"), through the grant of awards. Remington Outdoor, by means of the Plan, seeks to retain the services of such eligible persons and to provide incentives for such persons to exert maximum efforts for the success of Remington Outdoor and its subsidiaries.

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

Also on May 14, 2008, the 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.

Since all of the Company's outstanding options vested by March 2013, no additional compensation expense is expected to be recognized. During the three and six months ended June 29, 2014, the Company did not recognize any compensation expense. For the three and six months ended June 30, 2013, the Company recognized less than $0.1 in expense related to these options.

A summary of the stock option activity for the Plan for the six months ended June 29, 2014 is as follows:

	Number of Awards	**Weighted-Average Exercise Price**
Awards outstanding at December 31, 2013	5,445	$ 389.05
Exercised and Repurchased [1]	1,994	447.83
Awards outstanding at June 29, 2014	3,451	$ 355.09
Awards vested at June 29, 2014	3,451	$ 355.09
Shares available for grant at June 29, 2014	6,854	

[1] In the six months ended June 29, 2014, the Company received approximately $0.9 for 1,994 of exercised vested stock options. The Company then disbursed approximately $6.2 to repurchase the 1,994 of exercised vested stock options.

9. Stockholders' Equity

The Company is authorized to issue 200,000 shares of $0.01 par value preferred stock as approved by the Board. As of June 29, 2014, there were 190,000 shares of preferred stock approved for issuance as Series A preferred stock, with no other approved classes of preferred stock issued or outstanding. There were 186,977 shares issued and zero shares outstanding of the Company's Series A preferred stock for all periods presented.

The Company is also authorized to issue 200,000 shares of $0.01 par value common stock. Changes in the Company's common stock for the six months ended June 29, 2014 and June 30, 2013 are as follows:

Common Stock	Issued	Held in Treasury	Outstanding
Shares of Common Stock at December 31, 2012	166,989	(4,227)	162,762
Shares of Common Stock at June 30, 2013	166,989	(4,227)	162,762
Shares of Common Stock at December 31, 2013	171,547	-	171,547
Issuances [1]	1,635	-	1,635
Shares of Common Stock at June 29, 2014	173,182	-	173,182

[1] During the six months ended June 29, 2014, the Company issued 1,519 shares of common stock and utilized 475 shares held in treasury to satisfy 1,994 exercised stock option awards. The Company granted 1,635 shares of restricted common stock awards and released all 1,519 shares that were held in treasury and issued an additional 116 shares of common stock for the grant. Refer to note 8.

10. 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 their related tax effects for the three months ended June 29, 2014 and June 30, 2013 is as follows:

Three Months Ended June 29, 2014	Before Taxes	Taxes	After Taxes
Foreign currency translation adjustments [1, 2]	$ 0.1	$ -	$ 0.1
Net derivatives: [3]			
Net unrealized gains (losses) recognized in OCI	1.6	(0.6)	1.0
Net (gains) losses reclassified into earnings	1.0	(0.4)	0.6
Net derivative gains (losses) [2]	$ 2.6	$ (1.0)	$ 1.6
Other Comprehensive Income (Loss) [2]	$ 2.7	$ (1.0)	$ 1.7
Three Months Ended June 30, 2013			
Net derivatives: [3]			
Net unrealized gains (losses) recognized in OCI	$ (9.3)	$ 3.5	$ (5.8)
Net (gains) losses reclassified into earnings	(1.0)	0.4	(0.6)
Other Comprehensive Income (Loss) [2]	$ (10.3)	$ 3.9	$ (6.4)

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

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

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

Each component of OCI and their related tax effects for the six months ended June 29, 2014 and June 30, 2013 is as follows:

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

Six Months Ended June 30, 2013	**Before Taxes**	**Taxes**	**After Taxes**
Net derivatives: [3]			
Net unrealized gains (losses) recognized in OCI	$ (14.9)	$ 5.7	$ (9.2)
Net (gains) losses reclassified into earnings	(0.3)	0.1	(0.2)
Other Comprehensive Income (Loss) [2]	$ (15.2)	$ 5.8	$ (9.4)

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

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

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

11. 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		**Six Months Ended**	
	June 29, 2014	**June 30, 2013**	**June 29, 2014**	**June 30, 2013**
Numerator:				
Net income (loss) attributable to controlling interest	$ (22.9)	$ 35.9	$ (34.7)	$ 62.6
Denominator:				
Weighted average common shares outstanding (basic)	166,325	162,762	166,258	162,762
Weighted average common shares outstanding (diluted)	166,325	165,557	166,258	166,558
Income (Loss) per Common Share:				
Basic	$ (138.02)	$ 220.40	$ (208.88)	$ 384.80
Diluted	$ (138.02)	$ 216.68	$ (208.88)	$ 378.31
Common Share Equivalents of Potentially Dilutive Securities:				
Restricted Stock	6,523	-	6,523	-
Stock Options	3,451	803	3,451	803
Total	9,974	803	9,974	803

12. Income Taxes

The effective tax rate on continuing operations for the six months ended June 29, 2014 and June 30, 2013 was 26.1% and 35.8%, respectively. The difference between the actual effective tax rate and the federal statutory rate of 35% is principally due to state income taxes, permanent differences, and utilization of available tax credits as of June 29, 2014 and June 30, 2013. In addition, the effective tax rate for the six months ended June 29, 2014 was impacted by an increase to the Company's valuation allowance of $3.7 for certain state tax credits. The valuation

allowance was recorded as the result of changes in the corporate income tax regime for New York State due to legislation enacted effective March 31, 2014. The Company believes that the deferred tax asset related to the New York State tax credits carried forward is no longer more likely than not to be realized as a result of the enacted legislation. United States income taxes have not been accrued on the earnings of Remington UK because the Company intends to indefinitely reinvest these funds outside of the United States.

13. Retiree Benefits

Defined Benefit Pension Plans:

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

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

	Three Months Ended		Six Months Ended	
	June 29, 2014	**June 30, 2013**	**June 29, 2014**	**June 30, 2013**
Interest Cost	$ 2.9	$ 2.6	$ 5.8	$ 5.2
Expected Return on Assets	(3.9)	(3.8)	(7.8)	(7.6)
Recognized Net Actuarial (Gains) Losses	0.6	0.9	1.2	1.8
Net Periodic Pension (Benefit)/Cost	$ (0.4)	$ (0.3)	$ (0.8)	$ (0.6)

The Company made approximately $0.1 of contributions to its Plans in the six months ended June 29, 2014. The Company expects to make aggregate cash contributions totaling approximately $0.3 to the Plans during the current fiscal year.

Other Postretirement Benefit Plans

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

	Three Months Ended		Six Months Ended	
	June 29, 2014	**June 30, 2013**	**June 29, 2014**	**June 30, 2013**
Interest Cost	$ 0.2	$ 0.2	$ 0.4	$ 0.4
Net Periodic Post-Retirement Cost	$ 0.2	$ 0.2	$ 0.4	$ 0.4

14. 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 seven years, some of which contain firm commitments to purchase specified minimum quantities.

Contingencies

The Company is subject to various lawsuits and claims with respect to product liabilities, governmental regulations and other matters arising in the normal course of business. Pursuant to an asset purchase agreement (the "Purchase Agreement") on December 1, 1993, Remington acquired certain assets and assumed certain liabilities (the "Asset Purchase") of the sporting goods business formerly operated by E. I. du Pont de Nemours and Company ("DuPont") and one of DuPont's subsidiaries (together with DuPont, the "1993 Sellers"). Under the Purchase Agreement, the Company generally bears financial responsibility for all product liability cases and claims relating to occurrences after the closing of the Asset Purchase, except for certain costs relating to certain shotguns, for all cases and claims relating to discontinued products and for limited other costs. Because the Company's assumption of financial responsibility for certain product liability cases and claims involving pre-Asset Purchase occurrences was limited to a fixed amount that has now been fully paid, and with the 1993 Sellers retaining liability in excess of that amount and indemnifying the Company in respect of such liabilities, the Company believes that product liability cases and claims involving occurrences arising prior to the Asset Purchase are not likely to have a material adverse effect upon the financial condition, results of operations or cash flows of the Company. Moreover, although it is difficult to forecast the outcome of litigation, the Company does not believe, in light of relevant circumstances (including the current availability of insurance for personal injury and property damage with respect to cases and claims involving occurrences arising after the Asset Purchase, the Company's accruals for the uninsured costs of such cases and claims and the 1993 Sellers' agreement to be responsible for a portion of certain post-Asset Purchase shotgun-related product liability costs, as well as the type of firearms products made by the Company) and the passage of time, that the outcome of all pending post-Asset Purchase product liability cases and claims will be likely to have a material adverse effect upon the financial condition, results of operations or cash flows of the Company. Nonetheless, in part because the nature and extent of manufacturer liability based on the manufacture and/or sale of allegedly defective products (particularly as to firearms and ammunition) is uncertain, there can be no assurance that the Company's resources will be adequate to cover pending and future product liability and other product related occurrences, cases or claims, in the aggregate, or that such a material adverse effect upon the Company's financial condition, results of operations or cash flows will not result therefrom. Because of the nature of its products, the Company anticipates that it will continue to be involved in product liability and product related litigation in the future. As of June 29, 2014, the Company had three class action cases pending relating to breach of warranty claims concerning certain of its firearms products where economic damages were being claimed. Refer to note 19.

The Company's accruals for losses relating to product liability cases and claims include accruals for all probable losses for which the amount can be reasonably estimated. Based on the relevant circumstances (including the current availability of insurance for personal injury and property damage with respect to cases and claims involving occurrences arising after the Asset Purchase, the Company's accruals for the uninsured costs of such cases and claims and the 1993 Sellers' agreement to be responsible for a portion of certain post-Asset Purchase shotgun-related product liability costs, as well as the type of firearms products made by the Company), the Company does not believe with respect to product liability and product related cases and claims that any reasonably possible loss exceeding amounts already recognized through the Company's accruals has been incurred. At June 29, 2014, December 31, 2013, and June 30, 2013, the Company's accrual for product liability cases and claims was $17.7, $16.1, and $16.0, respectively.

In April 2014, the Company announced a product safety warning and recall notice directed towards the public and its consumers concerning the *Remington* Model 700™ and Model Seven™ rifles with X-Mark Pro® ("XMP®") triggers, manufactured from May 1, 2006 to April 9, 2014. As of June 29, 2014, the Company had expensed $25.3 associated with the product safety warning and recall notice.

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

15. Derivatives

The Company's activities are exposed to several market risks which could have an adverse effect on its earnings and financial performance. As part of the Company's risk management program, these market risks are

continually monitored and managed and the Company frequently utilizes derivative instruments to mitigate the effects of those market risks. Commodity options and swap contracts are used to minimize price risk associated with the purchase of raw materials used in its manufacturing. Interest rate swaps are used to minimize interest rate risk associated with the Company's variable-rate debt. Foreign currency swaps are used to mitigate foreign currency exchange rate risks associated with sales and procurement activities made in currencies other than the U.S Dollar. Commodity options and swap contracts are agreements to buy and sell a quantity of commodities at predetermined prices on predetermined future dates. An interest rate swap is an agreement between two parties to exchange streams of future interest cash flows based on a specified principal amount. A foreign currency swap is an agreement between two parties to exchange two currencies on a specified date at a specified exchange rate. The Company does not enter into derivative instruments for trading or speculative purposes.

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

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

All of the Company's current derivative instruments are subject to master netting agreements and payments for the derivative contracts are allowed to be netted. Netting of payments for derivative instruments are allowable if the aggregate amount of transactions payable by one party exceeds the aggregate amount of transactions that are receivable by that party and if paid in the same currency. In the event of default, an early termination penalty payable to the non-defaulting party can be reduced by amounts payable to the defaulting party if the non-defaulting party so chooses. The fair values of all derivative instruments are presented on a net basis on the condensed consolidated balance sheet. Refer to note 3 for the net fair value presentation of the Company's derivative instruments as presented on the condensed consolidated balance sheet.

Cash Flow Hedges

Commodity Contracts

The Company enters into copper and lead commodity swap and option contracts to mitigate price fluctuations on future commodity purchases. Both commodity option and swap contracts qualify for and have been designated as cash flow hedges and changes in the fair values of these contracts are recorded in AOCI until sales of ammunition that included previously hedged purchases of copper and lead have been recognized. Approximately $2.6 of the net commodity contracts' loss (net of deferred taxes) included in AOCI is expected to be reclassified into earnings within the next twelve months.

At June 29, 2014, the fair values of the Company's outstanding swap contracts were $(1.6) and hedged firm commitments of an aggregate notional amount of 32.8 million pounds of copper and lead. The commodity swap contracts outstanding at June 29, 2014 will settle over the next 21 months. At December 31, 2013, the fair values of the Company's outstanding swap contracts were $(0.6) and hedged firm commitments of an aggregate notional amount of 46.2 million pounds of copper and lead and will settle by July 2015. At June 30, 2013, the fair values of the Company's outstanding swaps contracts were $(9.4) and hedged firm commitments of an aggregate notional amount of 67.4 million pounds of copper and lead and will settle by March 2015.

Foreign Currency Swaps

The Company enters into foreign currency swaps to hedge certain portions of forecasted cash flows denominated in foreign currencies. When the U.S. Dollar appreciates against the foreign currencies, the decline in foreign currency cash flows is partially offset by gains in the fair values of the foreign currency swaps. When the U.S. Dollar depreciates against the foreign currencies, the increase in foreign currency cash flows is partially offset by losses in the fair values of the derivative instruments. All of the Company's foreign currency swaps qualify for and have been designated as cash flow hedges. Changes in the fair values of these contracts are recognized in AOCI until the corresponding foreign denominated receivables/payables are collected/remitted. Approximately $0.3 of the foreign currency swaps' loss (net of deferred taxes) included in AOCI is expected to be reclassified into earnings within the next twelve months.

At June 29, 2014, the fair values of the Company's foreign currency swaps were $(0.5) and the total notional amount was $26.4. The Company's foreign currency swaps will settle over the next 6 months. At December 31, 2013, the fair values of the Company's foreign currency swaps were approximately zero and the total notional amount was $43.8. The Company was not engaged in foreign currency derivative contracts at June 30, 2013.

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

Derivatives Designated as Cash Flow Hedges	Balance Sheet Location	June 29, 2014	December 31, 2013	June 30, 2013
Assets				
Commodity Contracts	Prepaid Expenses and Misc. Receivables	$ 0.7	$ 1.4	$ 0.3
Commodity Contracts	Other Assets	0.4	0.7	0.1
Total Assets [1]		$ 1.1	$ 2.1	$ 0.4
Liabilities				
Commodity Contracts	Accounts Payable	$ 2.7	$ 2.7	$ 5.2
Foreign Currency Swaps	Accounts Payable	0.5	-	-
Commodity Contracts	Other Long-Term Liabilities	-	-	4.6
Total Liabilities [1]		$ 3.2	$ 2.7	$ 9.8

[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 3.

The following table presents the impact changes in fair values of derivatives designated as cash flow hedges had on earnings and AOCI, net of taxes, for the three months ended June 29, 2014 and June 30, 2013:

Derivatives Designated as Cash Flow Hedges	Gain (Loss) Recognized in OCI	Location of Loss Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI into Earnings (Effective Portion)	Gain (Loss) Recognized in Earnings (Ineffective Portion and Amounts Excluded from Effectiveness Testing)
Three Months Ended June 29, 2014				
Commodity Contracts	$ 1.8	Cost of Sales	$ (0.5)	$ -
Foreign Currency Swaps	(0.8)	Selling, General and Administrative Expenses	(0.1)	-
Total [1]	$ 1.0		$ (0.6)	$ -
Three Months Ended June 30, 2013				
Commodity Contracts	$ (5.8)	Cost of Sales	$ 0.8	$ (0.2)
Total [1]	$ (5.8)		$ 0.8	$ (0.2)

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

The following table presents the impact changes in fair values of derivatives designated as cash flow hedges had on earnings and AOCI, net of taxes, for the six months ended June 29, 2014 and June 30, 2013:

Derivatives Designated as Cash Flow Hedges	Gain (Loss) Recognized in OCI	Location of Loss Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI into Earnings (Effective Portion)	Gain (Loss) Recognized in Earnings (Ineffective Portion and Amounts Excluded from Effectiveness Testing)
Six Months Ended June 29, 2014				
Commodity Contracts	$ (2.5)	Cost of Sales	$ (0.9)	$ -
Foreign Currency Swaps	(0.4)	Selling, General and Administrative Expenses	(0.1)	-
Total [1]	$ (2.9)		$ (1.0)	$ -
Six Months Ended June 30, 2013				
Commodity Contracts	$ (9.2)	Cost of Sales	$ 0.4	$ (0.2)
Total [1]	$ (9.2)		$ 0.4	$ (0.2)

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

Economic Hedges

Interest Rate Swap

The Company uses interest rate swaps to manage volatility in LIBOR benchmark interest rates by swapping a portion of its variable-rate debt with fixed-rate debt. These interest rate swaps effectively allow the Company to pay a fixed rate of interest. Changes in the fair value of the interest rate swap are immediately recognized in earnings as the derivative did not qualify for hedge accounting.

The interest rate swaps settle on the 19th day of each month commencing on April 19, 2013 and concluding with the April 19, 2018 settlement. The notional amount of the interest rate swaps was $225.0 at June 29, 2014 and will decrease annually to $150.0 by its settlement date.

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

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	June 29, 2014	December 31, 2013	June 30, 2013
Assets				
Interest Rate Swaps	Other Assets	$ 2.7	$ 3.9	$ 4.1
Total Assets [1]		$ 2.7	$ 3.9	$ 4.1
Liabilities				
Interest Rate Swaps	Accrued Expenses	$ 2.1	$ 2.4	$ 2.6
Total Liabilities [1]		$ 2.1	$ 2.4	$ 2.6

[1] For information on the effect master netting agreements have on the Company's economic hedges and their estimated fair values, refer to note 3.

The following table presents the pre-tax effect that changes in the fair values of derivatives not designated as hedging instruments had on earnings for the three months ended June 29, 2014 and June 30, 2013:

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized in Earnings	Gain (Loss) Recognized in Earnings
Three Months Ended June 29, 2014		
Interest Rate Swaps	Interest Expense	$ 1.4
Three Months Ended June 30, 2013		
Interest Rate Swaps	Interest Expense	$ 3.4

The following table presents the pre-tax effect that changes in the fair values of derivatives not designated as hedging instruments had on earnings for the six months ended June 29, 2014 and June 30, 2013:

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized in Earnings	Gain (Loss) Recognized in Earnings
Six Months Ended June 29, 2014		
Interest Rate Swaps	Interest Expense	$ 2.0
Six Months Ended June 30, 2013		
Interest Rate Swaps	Interest Expense	$ 3.7

16. Segment Information

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

Results for the Company's reporting segments for the three months ended June 29, 2014 and June 30, 2013 are as follows:

Three Months Ended	June 29, 2014	June 30, 2013
Net sales from external customers:		
Firearms	$ 94.2	$ 215.5
Ammunition	105.3	110.7
All Other	15.2	27.0
Total net sales from external customers	$ 214.7	$ 353.2

Three Months Ended	**June 29, 2014**	**June 30, 2013**
Net sales between segments:		
Firearms	$ 0.4	$ 0.4
Ammunition	-	0.2
All Other	1.3	0.6
Eliminations	(1.7)	(1.2)
Total net sales between segments	$ -	$ -

Three Months Ended	**June 29, 2014**	**June 30, 2013**
Gross profit:		
Firearms	$ 15.2	$ 74.4
Ammunition	33.0	38.2
All Other	6.9	11.8
Other Corporate Items	7.8	3.3
Consolidated gross profit	$ 62.9	$ 127.7
Operating expenses	75.2	63.1
Interest expense	16.1	8.1
Income (loss) before income taxes and noncontrolling interests	$ (28.4)	$ 56.5

Results for the Company's reporting segments for the six months ended June 29, 2014 and June 30, 2013 are as follows:

Six Months Ended	**June 29, 2014**	**June 30, 2013**
Net sales from external customers:		
Firearms	$ 229.0	$ 410.0
Ammunition	208.8	211.0
All Other	32.1	52.4
Total net sales from external customers	$ 469.9	$ 673.4
Net sales between segments:		
Firearms	$ 0.5	$ 0.4
Ammunition	-	0.7
All Other	3.6	1.4
Eliminations	(4.1)	(2.5)
Total net sales between segments	$ -	$ -
Six Months Ended	**June 29, 2014**	**June 30, 2013**
Gross profit:		
Firearms	$ 57.9	$ 142.0
Ammunition	70.3	73.2
All Other	14.1	23.4
Other Corporate Items	(22.0)	(0.5)
Consolidated gross profit	$ 120.3	$ 238.1
Operating expenses	136.9	121.6
Interest expense	30.6	19.1
Income (loss) before income taxes and noncontrolling interests	$ (47.2)	$ 97.4

17. Restructuring

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

As a result of the initiative, the Company disbursed approximately $0.6 during the six months ended June 29, 2014. With exception to severance related costs which are recognized as administrative expenses, all restructuring charges are recognized as costs of goods sold in the Company's consolidated statement of operations.

The Company's current estimate at June 29, 2014 to complete its restructuring initiatives is in a range of $20.0 to $25.0. Cumulative costs incurred since inception and costs incurred in the three and six months ended June 29, 2014 by cost type is as follows:

	Cumulative Costs Incurred to Date	Costs Incurred During the Three Months Ended June 29, 2014	Costs Incurred During the Six Months Ended June 29, 2014
Severance and Other Employee Benefits	$ 2.1	$ 2.1	$ 2.1
Equipment Transfer and Plant Preparation Costs	-	-	-
Contract Terminations	-	-	-
Contingency and Other Operating Costs	0.6	0.6	0.6
Total Costs	$ 2.7	$ 2.7	$ 2.7

18. Recent Accounting Pronouncements

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

In April 2014, the FASB issued accounting guidance that amends existing criteria used to identify a discontinued operation. Under the new guidance, the disposal of a component or group of components is required to be reported as a discontinued operation if the disposal represents a strategic shift that will have a major effect on the Company's operations. The new guidance also enhances existing disclosure requirements. The new authoritative guidance will become effective for disposals that occur in the first quarter of 2015 on a prospective basis. Early adoption is allowed, but only for disposals not reported in previously issued financial statements. The Company does not believe adoption of the new guidance will have a material effect on its consolidated financial statements.

19. Subsequent Events

On July 2, 2014, the Company entered into a Memorandum of Understanding to settle the economic loss claims related to the *Remington* Model 700™. As of June 29, 2014, the Company had accrued $29.7 associated with the Model 700™ settlement reserve, of which $5.0 was expensed in the twelve months ended December 31, 2013 and $24.7 was expensed in the three months ended June 29, 2014.

Subsequent events have been evaluated through August 29, 2014, 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"), RA Brands, L.L.C. and Outdoor Services, LLC. FGI Opco also owns 100% of FGI Finance, Inc. ("FGI Finance"). Remington, in turn, owns and includes the financial results of Advanced Armament Corp., LLC ("AAC"), Para USA, LLC ("Para"), a 99% interest in TMRI, Inc. ("TMRI"), Remington Outdoor (UK) Ltd. ("Remington UK"), Great Outdoors Holdco, LLC ("Great Outdoors"), a 75% interest in Mountain Khakis, LLC ("Mountain Khakis"), and an 84% interest in EOTAC, LLC ("EOTAC").

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

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

Company Overview

We are one of the leading firearms, ammunition and related products companies in the world. We are America's oldest and largest manufacturer of firearms and ammunition with our *Remington* brand dating back to 1816. We are one of the leading major U.S. manufacturers of both firearms and ammunition**,** which provides a significant competitive advantage and supports our market leadership position. Our approximately 3,800 employees represent the largest domestic manufacturing presence in the firearms and related industries. This scale enables us to deliver our products throughout the United States and internationally to over 60 countries.

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

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

We consistently introduce new and innovative products. In the remainder of 2014, we plan to introduce a new shotgun platform that is specifically designed for female and youth shooters. We also expect to introduce new handgun platforms, which will significantly expand our handgun offering beyond our current 1911 range and broaden our participation in new handgun market segments.

Within our *DPMS* Modern Sporting Rifle ("MSR") portfolio, we introduced the 308 GEN II firearm in 2014, which, while approximately two pounds lighter than competing products, enhances performance over those products. We also introduced a line of *DPMS* MSRs in hunting calibers, which will capitalize on the weight reduction technology developed in conjunction with the 308 GEN II.

During the remainder of 2014, we plan to introduce *Remington* SubSonic Suppressor Loads and a portfolio of advanced slug offerings, marketed under the *Barnes* brand. So far in 2014, we have introduced a *Remington* portfolio of advanced slug offerings, marketed under the *Remington* and *Barnes* name, as well as the new *Remington* Ultimate Defense Compact Handgun and Golden Saber Black Belt Handgun ammunition, and the new *Remington* Hypersonic Slug. In addition, we will celebrate the 75th anniversary of the *Remington Core-Lokt*, our best-selling centerfire hunting ammunition.

Current Sales Demand

In the first half of 2014, sales have declined, in particular our modern sporting rifles, or MSRs, handguns and centerfire rifles. Concern over more restrictive government legislation contributed to strong demand in 2013, which has now returned to more normalized levels. Firearm sales were also down in the second quarter of 2014, due to the fact that we ceased production and sales of our *Remington* Model 700™ during this time, while we focused on the product safety recall. In addition, because of the focus on the product safety recall, many of our new product introductions have delayed. We resumed production and sales of our *Remington* Model 700™ in the third quarter of 2014. Although sales for the six months ended June 29, 2014 are lower than the six months ended June 30, 2013, we believe our sales continue to remain above historical levels.

Recent Company Developments

New Facility

On March 6, 2014, we completed the acquisition of a facility in Huntsville, Alabama. We believe this facility will allow us to expand our firearm manufacturing capacity and expand our research and development capabilities.

Restructuring

On May 15, 2014, we announced a vertical integration initiative that will result in the closure of our facilities in Lawrenceville, Georgia, St. Cloud, Minnesota, Elizabethtown, Kentucky, West Jordan, Utah, Kalispell, Montana, Pineville, North Carolina and Kennesaw, Georgia. The production at these facilities, along with the production of the Bushmaster and R1 lines at our Ilion, New York facility, will be moved to our Huntsville, Alabama facility. The Company notified affected employees of this decision on May 15, 2014.

We estimate that the total costs associated with our restructuring initiatives will be in the range of $20.0 million to $25.0 million. Refer to note 17 under "Item 1. — Notes to Consolidated Financial Statements".

We anticipate that the vertical integration will provide improved efficiencies that are expected to ultimately increase margins and result in lower costs to customers and end users. The closures are expected to be completed by the end of August 2015.

Changes in Officers

E. Scott Blackwell resigned as President of the Company on March 24, 2014.

Colonel (Ret.) Matt Karres was named Chief of Staff of the Company on May 5, 2014, effective May 12, 2014. Colonel Karres has served in numerous leadership and combat roles for the Special Operations community for the past 24 years. In his most recent role, he served as Chief of Staff of the U.S. Army Special Forces Command, reporting directly to the Commanding General.

Product Safety Warning

On April 11, 2014, we announced a product safety warning and recall notice directed towards the public and our consumers concerning the *Remington* Model 700™ and Model Seven™ rifles with X-Mark Pro® ("XMP®") triggers, manufactured from May 1, 2006 to April 9, 2014. A Remington investigation determined that some XMP triggers might have excess bonding agent used in the assembly process which could, under certain circumstances, cause an unintentional discharge. While we have the utmost confidence in the design of the XMP trigger, we are undertaking this recall in the interest of consumer safety to remove any potential excess bonding agent applied in the assembly process.

As of June 29, 2014, we had accrued $25.3 million associated with the product safety warning and recall notice. Actual costs related to these actions will depend on several factors, including the number of consumers who respond to the recall and the costs of administration of the program. We are continually evaluating these factors.

Settlement Reserve

On July 2, 2014, we entered into a Memorandum of Understanding to settle the economic loss claims related to the *Remington* Model 700™. As of June 29, 2014, we had accrued $29.7 million associated with the Model 700™ settlement reserve, of which $5.0 million was expensed in the twelve months ended December 31, 2013 and $24.7 million in the three months ended June 29, 2014.

New Regulatory Developments

In 2013, as a result of several incidents of high-profile crimes by individuals involving firearms, President Obama announced 25 executive actions intended to reduce violent acts by individuals. These actions included requiring background checks for all gun sales, ensuring information on dangerous individuals is available to the background check system, helping to ensure that individuals receive mental health treatment, giving law enforcement additional tools to prevent and prosecute crime, encouraging gun owners to store guns safely, and making schools safer with more school resource officers. In addition, President Obama has announced additional executive actions in 2014, including actions directed at making it easier for states to provide mental health information to the national background check system. On April 17, 2013, the U.S. Senate voted down an amended version of the gun background check proposed by President Obama. No assurance can be given as to whether some or all of these actions will be adopted, and if they are adopted, the effect they may have on our business, results of operations and financial condition.

In addition to proposals at the federal level, we have seen increased regulatory activity at the state level that could restrict or otherwise prohibit the manufacture, sale, purchase, possession or use of firearms and ammunition. Since the start of 2013, more than a dozen states and Washington, D.C. have enacted new laws aimed at strengthening restrictions against guns. In contrast, many states have adopted laws to expand rights for gun owners. For example, on April 23, 2014, Georgia signed into law the "Safe Carry Protection Act", which allows licensed gun owners to carry their firearms into public places, including certain bars, nightclubs, school zones, churches and government buildings. No assurance can be given as to the effect such legislation may have on our business, results of operations and financial condition.

Future incidents of high-profile crimes 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.

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 Attributable to Controlling Interest to Adjusted EBITDA.

Results of Operations

Three and Six Month Periods Ended June 29, 2014 as Compared to the Three and Six Month Periods Ended June 30, 2013

Net Sales

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

Three Months Ended	June 29, 2014	Percentage of Total	June 30, 2013	Percentage of Total	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Firearms	$ 94.2	43.9%	$ 215.5	61.0%	$ (121.3)	(56.3)%
Ammunition	105.3	49.0	110.7	31.3	(5.4)	(4.9)
All Other	15.2	7.1	27.0	7.7	(11.8)	(43.7)
Total	$ 214.7	100.0%	$ 353.2	100.0%	$ (138.5)	(39.2)%

Six Months Ended	June 29, 2014	Percentage of Total	June 30, 2013	Percentage of Total	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Firearms	$ 229.0	48.8%	$ 410.0	60.9%	$ (181.0)	(44.1)%
Ammunition	208.8	44.4	211.0	31.3	(2.2)	(1.0)
All Other	32.1	6.8	52.4	7.8	(20.3)	(38.7)
Total	$ 469.9	100.0%	$ 673.4	100.0%	$ (203.5)	(30.2)%

Firearms

Net sales for the three months ended June 29, 2014 were $94.2 million, a decrease of $121.3 million, or 56.3%, as compared to the three months ended June 30, 2013. Our firearms sales experienced declines across all product categories. MSR and centerfire sales decreased $92.3 million, and sales of shotguns, handguns, rimfire rifle, and other firearms and firearms products decreased $9.2 million, $10.1 million, $3.6 million, and $6.1 million, respectively.

Net sales for the six months ended June 29, 2014 were $229.0 million, a decrease of $181.0 million, or 44.1%, as compared to the six months ended June 30, 2013. Our firearms sales experienced declines across all product categories. MSR and centerfire sales decreased $138.3 million, and sales of shotguns, handguns, rimfire rifles, and other firearms and firearms products decreased $13.3 million, $17.3 million, $3.6 million, and $8.5 million, respectively.

In the three and six months ended June 29, 2014, sales have declined, in particular MSR, handguns and centerfire rifles. We believe our firearms sales have returned to more normalized levels. Concern over more restrictive government legislation contributed to strong demand in the three and six months ended June 30, 2013. Firearm sales were also down in the second quarter of 2014, due primarily to the fact that we ceased production and sales of our *Remington* Model 700™ during this time, while we focused on the product safety recall. In addition, because of the focus on the product safety recall, many of our new product introductions have been delayed. We resumed sales of our *Remington* Model 700™ in the third quarter of 2014.

Ammunition

Net sales for the three months ended June 29, 2014 were $105.3 million, a decrease of $5.4 million, or 4.9%, as compared to the three months ended June 30, 2013. Sales of rimfire ammunition increased $1.6 million and sales in our other product lines increased $0.3 million. Sales of centerfire ammunition decreased $2.4 million, while sales of shotshell ammunition decreased $4.9 million.

Net sales for the six months ended June 29, 2014 were $208.8 million, a decrease of $2.2 million, or 1.0%, as compared to the six months ended June 30, 2013. Sales of rimfire ammunition increased $5.2 million and sales in our other product lines increased $3.0 million. Sales of centerfire ammunition decreased $1.2 million, while sales of shotshell ammunition decreased $9.2 million.

We believe our ammunition sales have returned to more normalized levels, but are still above historical levels.

All Other

Net sales were $15.2 million in all other businesses for the three months ended June 29, 2014; a decrease of $11.8 million, or 43.7%, as compared to the three months ended June 30, 2013. The $11.8 million decrease is primarily due to lower sales volumes in our various accessories businesses.

Net sales were $32.1 million in all other businesses for the six months ended June 29, 2014; a decrease of $20.3 million, or 38.7%, as compared to the six months ended June 30, 2013. The $20.3 million decrease is primarily due to lower sales volumes in our various accessories businesses.

With the return of firearms sales to more normalized levels, our accessories businesses have also experienced a return to more normalized levels, as many of our accessories are aftermarket products for firearms.

Cost of Goods Sold and Gross Profit

Our cost of goods sold includes all costs of material, labor and overhead associated with product manufacturing, except for transfer costs from our plants to our distribution center which are included in selling, general and administrative expense.

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

Three Months Ended	June 29, 2014	Percentage of Net Sales	June 30, 2013	Percentage of Net Sales	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Cost of Goods Sold						
Firearms	$ 79.0	83.9%	$ 141.1	65.5%	$ (62.1)	(44.0)%
Ammunition	72.3	68.7	72.5	65.5	(0.2)	(0.3)
All Other	8.3	54.6	15.2	56.3	(6.9)	(45.4)
Other Corporate Items	(7.8)	*	(3.3)	*	(4.5)	*
Total	$ 151.8	70.7%	$ 225.5	63.8%	$ (73.7)	(32.7)%
Gross Profit						
Firearms	$ 15.2	16.1%	$ 74.4	34.5%	$ (59.2)	(79.6)%
Ammunition	33.0	31.3	38.2	34.5	(5.2)	(13.6)
All Other	6.9	45.4	11.8	43.7	(4.9)	(41.5)
Other Corporate Items	7.8	*	3.3	*	4.5	*
Total	$ 62.9	29.3%	$ 127.7	36.2%	$ (64.8)	(50.7)%

Six Months Ended	June 29, 2014	Percentage of Net Sales	June 30, 2013	Percentage of Net Sales	Increase (Decrease)	Percentage Change
(in millions except percentages)						
Cost of Goods Sold						
Firearms	$ 171.1	74.7%	$ 268.0	65.4%	$ (96.9)	(36.2)%
Ammunition	138.5	66.3	137.8	65.3	0.7	0.5
All Other	18.0	56.1	29.0	55.3	(11.0)	(37.9)
Other Corporate Items	22.0	*	0.5	*	21.5	*
Total	$ 349.6	74.4%	$ 435.3	64.6%	$ (85.7)	(19.7)%
Gross Profit						
Firearms	$ 57.9	25.3%	$ 142.0	34.6%	$ (84.1)	(59.2)%
Ammunition	70.3	33.7	73.2	34.7	(2.9)	(4.0)
All Other	14.1	43.9	23.4	44.7	(9.3)	(39.7)
Other Corporate Items	(22.0)	*	(0.5)	*	(21.5)	*
Total	$ 120.3	25.6%	$ 238.1	35.4%	$ (117.8)	(49.5)%

*Not meaningful

Firearms

Gross profit for the three months ended June 29, 2014 was $15.2 million, a decrease of $59.2 million, or 79.6%, as compared to the three months ended June 30, 2013. Gross margin was 16.1% for the three months ended June 29, 2014 and 34.5% for the three months ended June 30, 2013. The decrease in gross profit was primarily due to lower sales volumes and an unfavorable sales mix across our product lines of $53.6 million and higher manufacturing costs of $5.9 million, partially offset by favorable pricing of $0.3 million.

Gross profit for the six months ended June 29, 2014 was $57.9 million, a decrease of $84.1 million, or 59.2%, as compared to the six months ended June 30, 2013. Gross margin was 25.3% for the six months ended June 29, 2014 and 34.6% for the six months ended June 30, 2013. The decrease in gross profit was primarily due to lower sales volumes and an unfavorable sales mix across our product lines of $80.6 million and higher manufacturing costs of $5.2 million, partially offset by favorable pricing of $1.7 million.

The decrease in our gross margins for the three and six months ended June 29, 2014 was primarily due to lower sales volumes of our higher margin product lines, in particular our MSRs, handguns and centerfire rifles, as well as lower fixed cost absorption from reduced volumes. Our gross profit was also impacted as a result of our ceasing production and sales of our *Remington* Model 700™ during this time, while we focused on the product safety recall. We resumed sales of our *Remington* Model 700™ in the third quarter of 2014.

The higher manufacturing costs are primarily due to unfavorable overhead variances and inventory adjustments.

Ammunition

Gross profit for the three months ended June 29, 2014 was $33.0 million, a decrease of $5.2 million, or 13.6%, as compared to the three months ended June 30, 2013. Gross margin was 31.3% for the three months ended June 29, 2014 and 34.5% for the three months ended June 30, 2013. The decrease in gross profit was primarily due to higher manufacturing and other costs of $4.3 million and lower sales volumes and an unfavorable sales mix in certain product lines of $4.2 million, partially offset by favorable pricing of $3.3 million.

Gross profit for the six months ended June 29, 2014 was $70.3 million, a decrease of $2.9 million, or 4.0%, as compared to the six months ended June 30, 2013. Gross margin was 33.7% for the six months ended June 29, 2014 and 34.7% for the six months ended June 30, 2013. The decrease in gross profit was primarily due to lower sales volumes and an unfavorable sales mix in certain product lines of $6.9 million, and higher manufacturing and other costs of $2.8 million, partially offset by favorable pricing of $6.8 million.

The higher manufacturing costs for the three and six months ended June 29, 2014 are primarily due to lower hedging gains and inventory adjustments.

All Other

Gross profit for the three months ended June 29, 2014 was $6.9 million, a decrease of $4.9 million, or 41.5%, as compared to the three months ended June 30, 2013 due to decreased demand in our accessories businesses, partially offset by increased demand in our apparel businesses. Gross margin was 45.4% for the three months ended June 29, 2014 and 43.7% for the three months ended June 30, 2013.

Gross profit for the six months ended June 29, 2014 was $14.1 million, a decrease of $9.3 million, or 39.7%, as compared to the six months ended June 30, 2013 due to decreased demand in our accessories businesses, partially offset by increased demand in our apparel businesses. Gross margin was 43.9% for the six months ended June 29, 2014 and 44.7% for the six months ended June 30, 2013.

Other Corporate Items

Gross profit for the three months ended June 29, 2014 was $7.8 million, an increase of $4.5 million, as compared to the three months ended June 30, 2013, primarily due to $5.3 million in lower manufacturing variances and $0.3 million in higher pension income, partially offset by $1.1 million in higher inventory accounting adjustments. Other Corporate Items also includes pension income and expense, certain inventory accounting adjustments, manufacturing variances, and inventory reserves that are not allocated to our revenue generating segments.

Gross profit for the six months ended June 29, 2014 was $(22.0) million, a decrease of $21.5 million, as compared to the six months ended June 30, 2013, primarily due to the $25.3 million charge for the product safety warning and recall and $6.6 million in higher inventory accounting adjustments, partially offset by $9.8 million in lower manufacturing variances and $0.6 million in higher pension income. Other Corporate Items also include pension income and expense, certain inventory accounting adjustments, manufacturing variances, and inventory reserves that are not allocated to our revenue generating segments.

Operating Expenses

Operating expenses consist of selling, general and administrative expenses, research and development expenses and other expenses. The following table sets forth certain information regarding operating expenses for the three and six months ended June 29, 2014 and June 30, 2013:

Three Months Ended	**June 29, 2014**	**Percentage of Net Sales**	**June 30, 2013**	**Percentage of Net Sales**	**Increase (Decrease)**	**Percentage Change**
(unaudited, in millions except percentages)						
Selling, General and Administrative Expenses	$ 68.2	31.8%	$ 57.6	16.3%	$ 10.6	18.4%
Research and Development Expenses	4.8	2.2	4.1	1.2	0.7	17.1
Other Expense	2.2	1.0	1.4	0.4	0.8	57.1
Total	$ 75.2	35.0%	$ 63.1	17.9%	$ 12.1	19.2%

Six Months Ended	**June 29, 2014**	**Percentage of Net Sales**	**June 30, 2013**	**Percentage of Net Sales**	**Increase (Decrease)**	**Percentage Change**
(unaudited, in millions except percentages)						
Selling, General and Administrative Expenses	$ 115.5	24.6%	$ 110.5	16.5%	$ 5.0	4.5%
Research and Development Expenses	10.1	2.1	7.7	1.1	2.4	31.2
Impairment Expense	-	-	0.6	0.1	(0.6)	(100.0)
Other Expense	11.3	2.4	2.8	0.4	8.5	*
Total	$ 136.9	29.1%	$ 121.6	18.1%	$ 15.3	12.6%

*Not meaningful

Total operating expenses for the three months ended June 29, 2014 were $75.2 million, an increase of $12.1 million, or 19.2%, as compared to the three months ended June 30, 2013.

Selling, general and administrative expenses increased $10.6 million, or 18.4%. The primary component of this $10.6 million increase was a $24.7 million charge for the Model 700™ settlement reserve. In addition, management fees increased $0.9 million, salaries and benefits expense increased $0.4 million, travel expense increased $0.4 million and information technology expense increased $0.4 million. These increases were partially offset by lower variable incentive compensation expense of $13.7 million, lower professional fees of $1.7 million and lower variable distribution expense of $0.8 million. The lower variable expenses are primarily the result of decreased sales volumes. The higher salaries, benefits, travel and information technology costs are primarily due to the vertical integration related to the new facility in Huntsville, Alabama. .

Research and development expenses increased $0.7 million, or 17.1%, as compared to the three months ended June 30, 2013, primarily due to increased prototype work.

Other expenses increased $0.8 million, or 57.1%, as compared to the three months ended June 30, 2013, primarily due to $1.4 million of stock compensation, partially offset by an increase in licensing and other income.

Total operating expenses for the six months ended June 29, 2014 were $136.9 million, an increase of $15.3 million, or 12.6%, as compared to the six months ended June 30, 2013.

Selling, general and administrative expenses increased $5.0 million, or 4.5%. The primary component of this $5.0 million increase was a $24.7 million charge for the Model 700™ settlement reserve. In addition, salaries and benefits expense increased $4.2 million, product liability expense increased $0.9 million, management fees increased $0.9 million, travel expense increased $0.8 million, and relocation expense increased $0.7 million. These increases were partially offset by lower variable incentive compensation expense of $19.8 million, lower professional fees of $2.7 million, lower legal expense of $1.8 million, lower variable commission expense of $1.6 million, and lower variable distribution expense of $1.2 million. The lower variable expenses are primarily the result of decreased sales volumes. The higher salaries, benefits, travel and relocation costs are primarily due to the vertical integration related to the new facility in Huntsville, Alabama.

Research and development expenses increased $2.4 million, or 31.2%, as compared to the six months ended June 30, 2013, primarily due to increased prototype work.

Other expenses increased $8.5 million as compared to the six months ended June 30, 2013, primarily due to $4.1 million of stock compensation expense and a $5.1 million tax gross up on the stock issuance, partially offset by an increase in licensing income of $0.3 million and lower losses on disposal of assets of $0.4 million.

Adjusted EBITDA

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

Three Months Ended	**June 29, 2014**	**June 30, 2013**	**Increase (Decrease)**	**Percentage Change**
(unaudited, in millions except percentages)				
Net Income (loss)	$ (23.1)	$ 35.8	$ (58.9)	(164.5)%
Adjustments:				
Depreciation	5.1	4.5	0.6	13.3
Interest	16.1	8.1	8.0	98.8
Income tax expense	(5.3)	20.7	(26.0)	(125.6)
Amortization of intangibles	1.6	1.7	(0.1)	(5.9)
Settlement Reserve	24.7	-	24.7	100.0
Other non-cash charges	1.2	-	1.2	100.0
Nonrecurring charges	3.6	3.3	0.3	9.1
Total	$ 23.9	$ 74.1	$ (50.2)	(67.7) %

Other non-cash charges of $1.2 million for the three months ended June 29, 2014 consisted of $1.4 million of stock compensation expense, a $0.1 million loss on disposal of assets, partially offset by $(0.3) million of retiree benefit income.

Nonrecurring charges of $3.6 million for the three months ended June 29, 2014 consisted of a $2.7 million expense for due diligence and project fees, $0.4 million in restructuring expenses, $0.4 million in relocation costs, $0.2 million in bank fees, and $0.2 million in purchase price accounting adjustments. These were partially offset by $(0.3) million of employee related income.

Six Months Ended	**June 29, 2014**	**June 30, 2013**	**Increase (Decrease)**	**Percentage Change**
(unaudited, in millions except percentages)				
Net Income (loss)	$ (34.9)	$ 62.5	$ (97.4)	(155.8)%
Adjustments:				
Depreciation	10.2	8.6	1.6	18.6
Interest	30.6	19.1	11.5	60.2
Income tax expense (benefit)	(12.3)	34.9	(47.2)	(135.2)
Amortization of intangibles	3.3	3.4	(0.1)	(2.9)
Impairment Expense	-	0.6	(0.6)	(100.0)
Settlement Reserve	24.7	-	24.7	100.0
Product Safety Warning	25.3	-	25.3	100.0
Other non-cash charges	3.8	-	3.8	100.0
Nonrecurring charges	12.0	8.1	3.9	48.1
Total	$ 62.7	$ 137.2	$ (74.5)	(54.3) %

Other non-cash charges of $3.8 million for the six months ended June 29, 2014 consisted of $4.1 million of stock compensation expense and $0.2 million in post employment benefit accruals. These were partially offset by $(0.5) million of retiree benefit income.

Nonrecurring charges of $12.0 million for the six months ended June 29, 2014 consisted of a $5.1 million tax gross up on a restricted stock issuance, $3.3 million in due diligence and project fees, $1.6 million in employee

related costs, $1.0 million in relocation costs, $0.4 million in restructuring costs, $0.4 million in bank fees, and $0.2 million in purchase price accounting adjustments.

Interest Expense

Interest expense was $16.1 million for the three months ended June 29, 2014, compared to $8.1 million for the three months ended June 30, 2013. The $8.0 million increase in interest expense over the three months ended June 30, 2013 was primarily due to $4.8 million of additional interest expense on our interest rate swap, $2.4 million of additional interest expense related to the Term Loan B incremental borrowing of $175.0 million in December 2013, $0.4 million of interest expense related to our ABL Revolver, $0.2 million of interest expense related to our newly acquired Huntsville facility, and $0.2 million of higher amortization expense related to debt acquisition costs.

Interest expense was $30.6 million for the six months ended June 29, 2014, compared to $19.1 million for the six months ended June 30, 2013. The $11.5 million increase in interest expense over the six months ended June 30, 2013 was primarily due to $5.7 million of additional interest expense on our interest rate swap, $4.6 million of additional interest expense related to the Term Loan B incremental borrowing of $175.0 million in December 2013, $0.6 million of higher amortization expense related to debt acquisition costs and amortization of bond discount, $0.4 million of interest expense related to our ABL Revolver, and $0.2 million of interest expense related to our newly acquired Huntsville facility.

Income Tax Provision

The effective tax rate on continuing operations for the six months ended June 29, 2014 and June 30, 2013 was 26.1% and 35.8%, respectively. The difference between the actual effective tax rate and the federal statutory rate of 35% is principally due to state income taxes, permanent differences, and utilization of available tax credits as of June 29, 2014 and June 30, 2013. In addition, the effective tax rate for the six months ended June 29, 2014 was impacted by an increase to our valuation allowance of $3.7 million for certain state tax credits. The valuation allowance was recorded as the result of changes in the corporate income tax regime for New York State due to legislation enacted effective March 31, 2014. We believe that the deferred tax asset related to the New York State tax credits carried forward is no longer more likely than not to be realized as a result of the enacted legislation. United States income taxes have not been accrued on the earnings of Remington UK because we intend to indefinitely reinvest these funds outside of the United States

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

Liquidity and Capital Resources

Cash Flows and Working Capital

Net cash used in operating activities was $154.9 million for the six months ended June 29, 2014 compared to net cash provided by operating activities of $4.8 million for the six months ended June 30, 2013. The significant changes comprising the $159.7 million increase in net cash used in operating activities for the six months ended June 29, 2014 compared to the six months ended June 30, 2013 resulted primarily from:

- inventory increasing by $67.0 million over the six months ended June 29, 2014 compared to an increase of $13.3 million over the six months ended June 30, 2013, a net increase in cash used of $53.7 million, due to higher inventory levels of finished goods. This increase is in part due to preparation for the vertical integration, to ensure we have enough inventories on hand while we work to consolidate our manufacturing operations. The decline in our firearms sales has also contributed to this decrease;
- other liabilities increasing by $11.3 million over the six months ended June 29, 2014 compared to an increase of $32.1 million over the six months ended June 30, 2013, a net increase in cash used of $20.8 million, primarily due to decreases in certain accruals associated with sales and marketing, income and

excise taxes and employee compensation compared to the prior year period. Declines in these accruals were offset by an additional reserve for the product safety warning;

- the recognition of a $34.9 million net loss over the six months ended June 29, 2014 compared to $62.5 million in net income over the six months ended June 30, 2013, a net increase in cash used of $97.4 million.

Net cash used in investing activities was $38.7 million for the six months ended June 29, 2014 and consisted of $37.0 million related to the purchase of property, plant and equipment and $1.9 million related to certain acquisitions. The disbursements were offset by $0.2 million of proceeds received for the disposal of equipment. Net cash used in investing activities of $38.2 million for the six months ended June 30, 2013 was related to the purchase of property, plant and equipment and the acquisitions of SMK and TAPCO.

Net cash provided by financing activities was $83.1 million for the six months ended June 29, 2014 and consisted primarily of $70.3 million in net borrowings from the ABL Revolver and a $6.7 million book overdraft. We also received $16.0 million of various state and local incentives. In addition, we received $0.9 million from exercised stock options and realized $1.8 million of tax benefits from those exercised options. For the six months ended June 29, 2014, we disbursed a total of $2.7 million for debt issuance costs. We also paid $1.5 million for principal payments on our Term Loan B and $2.2 million against outstanding balances on our financed insurance premiums and capital lease obligations. In addition, we disbursed $6.2 million to repurchase 1,994 shares of our outstanding common stock. Net cash used in financing activities was $5.3 million for the six months ended June 30, 2013 and was primarily related to payments for debt and debt issuance costs.

Sources and Uses of Liquidity

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

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

In June 2014, we amended our credit facility agreement which increased the borrowing capacity under our ABL Revolver by $75.0 million to $225.0 million and extended its maturity to June 2019. The amendment to our ABL Revolver resulted in $1.2 million of additional capitalized debt issuance costs that will be amortized on a straight-line basis over the ABL Revolver's term. In December 2013, we entered into a second incremental term loan (the "Incremental Term Loan") and borrowed an additional $175.0 million under the senior secured credit facility we initially entered into in April 2012. The additional borrowings will be used to repurchase some of our outstanding common stock and enhance liquidity for general corporate purposes. We were in compliance with our debt covenants at June 29, 2014 and had access to $105.0 million in borrowings under our ABL Revolver, including the minimum availability requirement of $33.75 million, and $13.7 million in outstanding letters of credit.

Based on our recent financing activities and access to additional borrowings under our Term Loan B, ABL Revolver and letters of credit, we believe the cash we generate internally from our operating activities provides us with an adequate financial pool that allows us to meet our short-term and strategic goals. Based on these factors, we believe our liquidity position is adequate to meet our financial commitments and manage our business.

Debt

As of June 29, 2014, we had outstanding indebtedness of approximately $903.7 million, which consisted of the following:

- $250.0 million of outstanding 2020 Notes;
- $568.7 million outstanding under our Term Loan B;
- $70.3 million outstanding under the ABL Revolver;
- $12.5 million outstanding under the Promissory Note; and
- $2.2 million of capital lease obligations and other debt.

Capital and Operating Leases and Other Long-Term Obligations

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

During the current fiscal year, we obtained an $11.2 million surety bond in order to appeal recent litigation judgments. We have not recognized a contingency for the judgments or the bond's value on our condensed consolidated balance sheet for the periods presented in this report.

Capital Expenditures

Gross capital expenditures for the six months ended June 29, 2014 and June 30, 2013 were $37.0 million and $30.6 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 2014 to be in the range of $70.0 million to $80.0 million, of which approximately $20.0 million is expected to be related to capital maintenance projects and the remainder related to capital expenditures for new assets in order to improve production and produce new products.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition, results of operations and cash flows are based upon our unaudited interim and audited annual consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Our significant accounting policies are described in note 1 of the consolidated financial statements and supplementary data included in our Annual Report on Form 10-K for the year ended December 31, 2013. 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, 2013. As stated in note 1 of Item 1. — Notes to Consolidated Financial Statements, we changed our accounting policy for the treatment of inventory parts. Beginning on January 1, 2014, inventory supply parts are now expensed when purchased. To enhance consistency, all financial information within this report has been retrospectively adjusted to

reflect the accounting change. There have been no other material changes in our significant accounting policies or critical accounting estimates since the end of fiscal 2013.

Environmental Matters

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

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

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

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

Based on information known to us, we do not expect current environmental regulations or environmental proceedings and claims to have a material adverse effect on our results of operations, financial condition or cash flows. However, it is not possible to predict with certainty the impact of future environmental compliance requirements or the cost of resolution of any future environmental proceedings and claims, in part because the scope of the remedies that may be required is not certain, liability under some federal environmental laws is under certain circumstances joint and several in nature, and environmental laws and regulations are subject to modification and changes in interpretation. There can be no assurance that environmental regulation will not become more burdensome in the future or that unknown conditions will not be discovered and that any such development would not have a material adverse effect on our business. We do not anticipate incurring any material capital expenditures for environmental control facilities for 2014.

Regulatory Developments

The manufacture, sale, purchase, possession, import, export, and use of firearms are subject to extensive federal, state and local governmental regulations. The primary federal laws are the National Firearms Act of 1934 ("NFA"), the Gun Control Act of 1968 ("GCA"), the Arms Export Control Act of 1976 ("AECA") and the Internal Revenue Code provisions applicable to the Firearms and Ammunition Excise Tax ("FAET"), which have been amended from time to time. The NFA, GCA, and permanent imports under these laws and the AECA, are administered and enforced by the Bureau of Alcohol, Tobacco, Firearms and Explosives through the Department of Justice; permanent and temporary exports under the AECA are administered and enforced by the Directorate of Defense Trade Controls through the Department of State and by the Bureau of Industry and Security through the Department of Commerce; and the FAET is administered and enforced by the Alcohol and Tobacco Tax and Trade Bureau through the Department of Treasury. We maintain valid federal licenses and registrations at our locations as required by these agencies for the Company to import, export, manufacture and sell firearms and ammunition. The NFA places various additional restrictions on certain firearms defined in that law and its regulations including fully automatic firearms, short barreled rifles, short barreled shotguns, silencers and destructive devices. We do manufacture or import limited products regulated under the NFA primarily for official government and law enforcement end users. The GCA places certain restrictions on the interstate sale of firearms, among other things.

The AECA requires approved licenses or other authorizations to be in place prior to the import or export of certain defense articles, firearms, ammunition and explosives. The FAET imposes a federal tax on the sale of or use by the manufacturer, producer or importer of firearms and ammunition. There is no assurance that the administrative branches responsible for approving import and export licenses, authorizations or transfers of NFA firearms or other firearms to our customers will do so in all cases, and failure to obtain such approvals could adversely affect our business. In addition, changes in the tax laws or rates could adversely affect our business.

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

In 2013, as a result of several significant incidents of high-profile crimes by individuals involving firearms, President Obama announced 25 executive actions intended to reduce violent acts by individuals. These actions include requiring background checks for all gun sales, ensuring information on dangerous individuals is available to the background check system, helping to ensure that individuals receive mental health treatment, giving law enforcement additional tools to prevent and prosecute crime, encouraging gun owners to store guns safely, and making schools safer with more school resource officers. In addition, President Obama has announced executive actions in 2014, including actions directed at making it easier for states to provide mental health information to the national background check system. On April 17, 2013, the U.S. Senate voted down an amended version of the gun background check proposed by President Obama. No assurance can be given as to whether some or all of these actions will be adopted, and if they are adopted, the effect they may have on our business, results of operations and financial condition.

At the federal level, bills have been introduced in Congress to establish, and to consider the feasibility of establishing, a nationwide database recording so-called "ballistic images" of ammunition fired from new firearms. Should such a mandatory database be established, the cost to the Company and its customers could be significant, depending on the type of firearms and ballistic information included in the database. Other bills have been introduced in Congress in the past several years that would restrict or prohibit the manufacture, transfer, importation or sale of certain calibers of handgun ammunition, impose a tax and import controls on bullets designed to penetrate bullet-proof vests, impose a special occupational tax and registration requirements on manufacturers of handgun ammunition, and increase the tax on handgun ammunition in certain calibers.

In addition to federal requirements, state and local laws and regulations may place additional restrictions on firearms and ammunition manufacture, sale, purchase, possession and use. Since the beginning of 2013, more than a dozen states and Washington, D.C. have enacted new laws aimed at strengthening restrictions against guns. For example, two states have established regulations requiring "ballistic imaging" registries of ammunition fired from new handguns. Within the past few years, at least four states introduced, or currently have, bills proposing requirements for "bullet serialization" for ammunition or "microstamping" capabilities for certain firearms. Some of these bills would apply to ammunition and firearms of the kind we produce. In addition, California passed semi-automatic pistol microstamping legislation that went into effect in May 2013. Several other states require firearms to be sold with internal or external locking mechanisms.

In contrast, many states have adopted laws to expand rights for gun owners. For example, on April 23, 2014, Georgia signed into law the "Safe Carry Protection Act", which allows licensed gun owners to carry their firearms into public places, including certain bars, nightclubs, schools zones, churches and government buildings. No assurance can be given as to the effect such legislation may have on our business, results of operations and financial condition.

Although numerous jurisdictions presently have mandatory waiting periods for the sale of handguns (and some for the sale of long guns as well), there are currently few restrictive state or municipal regulations applicable to handgun ammunition. Our firearms are covered under several recently enacted state regulations requiring guns to be sold with internal or external locking mechanisms. Some states are considering mandating certain design features

on safety grounds, most of which would be applicable only to handguns. There can be no assurance that the regulation of firearms and ammunition will not become more restrictive in the future, and more restrictive legislation in this area could have a material adverse effect on the business of the Company.

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

We believe that existing federal and state regulation regarding firearms and ammunition has not had a material adverse effect on our sales of these products to date. However, there can be no assurance that federal, state, local or foreign regulation of firearms and/or ammunition will not become more restrictive in the future and that any such development would not have a material adverse effect on our business either directly or by placing additional burdens on those who distribute and sell our products or those consumers who purchase our products. In addition, future incidents of 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, interest rates and foreign currency exchange rates. These risks are monitored as part of our risk management control system, and we have established policies and procedures governing our management of market risks. Negotiating favorable prices of raw materials, matching raw material purchases with our short and long-term forecasts and engaging in hedge activities with derivative instruments are some of the strategies we use to manage these market risks. Our activity with derivative instruments is used exclusively as a risk management tool.

Commodity Price Risk

We negotiate with our suppliers to obtain the most favorable prices for our raw materials. We also enter into derivative financial instruments for those commodities that experience greater price volatility. We typically enter into commodity option and swap contracts for our anticipated purchases of copper and lead. At June 29, 2014, our commodity derivative instruments had a notional amount of 32.8 million pounds and will settle over the next 21 months. The fair values of these open commodity contracts resulted in a $1.6 million liability. Assuming a hypothetical 10% increase in copper and lead commodity prices which are currently hedged at June 29, 2014, our cost for those related purchases would result in a $6.9 million loss. Due to the increase in the related hedging instruments' fair values, the hypothetical cost would be offset by $4.8 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 $639.0 million of our total outstanding debt at June 29, 2014 bears interest at variable rates. Assuming no changes in the monthly average variable-rate debt levels of $514.9 million for the six months ended June 29, 2014, we estimate that a hypothetical change of 100 basis points in the LIBOR and Alternate Base Rate interest rates would increase interest expense by $0.1 million for the six months ended June 29, 2014.

Foreign Currency Exchange Risk

While most of our sales are domestic and denominated in U.S. Dollars, we frequently receive international orders with proceeds denominated in foreign currencies. Since we are exposed to foreign currency fluctuations, we occasionally enter into foreign currency swap agreements to mitigate this risk. At June 29, 2014, our foreign currency derivative instruments had a notional amount of $26.4 million and will settle over the next 6 months. The fair values of our foreign currency swaps at June 29, 2014 resulted in a $0.5 million liability. Assuming a hypothetical unfavorable 10% change in foreign currency exchange rates which are currently hedged at June 29, 2014, we would incur a $1.9 million loss. Due to the increase in the related hedging instruments' fair values, the hypothetical cost would be offset by $1.9 million.

Item 4. Legal Proceedings

Certain Indemnities

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

- a number of specified liabilities, including certain trade payables and contractual obligations of DuPont and its affiliates;
- limited financial responsibility for specified product liability claims relating to disclosed occurrences arising prior to the Asset Purchase;
- limited financial responsibility for environmental claims relating to the operation of the Remington business prior to the Asset Purchase; and
- liabilities for product liability claims relating to occurrences after the Asset Purchase, except for claims involving products discontinued at the time of closing.

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

- liability in excess of our limited financial responsibility for environmental claims and disclosed product liability claims relating to pre-closing occurrences;
- liability for product liability litigation related to discontinued products; and
- certain tax liabilities, employee and retiree compensation and benefit liabilities and intercompany accounts payable which do not represent trade accounts payable.

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

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

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

Product Related Litigation

We maintain insurance coverage for product liability claims subject to certain self-insured retentions on a per-occurrence basis for personal injury or property damage with respect to Remington (relating to occurrences arising after the Asset Purchase), Marlin, Bushmaster, DPMS and our other brands and products. We believe that our current product liability insurance coverage for personal injury and property damage is adequate for our needs. Based in part on the nature of our products, there can be no assurance that we will be able to obtain adequate product liability insurance coverage upon the expiration of the current policy. Our current product liability insurance policy expires December 1, 2014.

As a result of contractual arrangements, we manage the joint defense of product liability litigation involving *Remington* brand firearms and our ammunition products for both Remington and DuPont and its affiliates. As of June 29, 2014, approximately 36 individual bodily injury cases and claims were pending relating to firearms and our ammunitions products, primarily alleging defective product design, defective manufacture and/or failure to provide adequate warnings; some of these cases seek punitive as well as compensatory damages. We have previously disposed of a number of other cases involving post-Asset Purchase occurrences involving *Remington* brand firearms and our ammunition products by settlement. The 36 pending individual cases and claims involve pre- and post-Asset Purchase occurrences for which we or DuPont bear responsibility under the Purchase Agreement.

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

Of the individual post-Asset Purchase bodily injury cases and claims pending as of June 29, 2014, plaintiffs and claimants seek either compensatory and/or punitive damages in unspecified amounts or in amounts within these general ranges. In our experience, initial demands do not generally bear a reasonable relationship to the facts and circumstances of a particular matter, and in any event, are typically reduced significantly as a case proceeds. We believe that our accruals for product liability cases and claims, as described below, are a better quantitative measure of the cost of product liability cases and claims.

In addition, we have three class action cases pending relating to breach of warranty claims concerning certain of our firearms products where economic damages are being claimed. Two of such cases involve claims of economic harm to gun owners due to an alleged defect. From late 2012 through 2013, five class actions alleging economic harm were filed in four states: Florida, Missouri (two filings), Washington and Montana. The classes identified in these class action suits have not yet been certified by the applicable courts. The Company believes all of these cases are without merit. The Company agreed to participate in out-of-court mediation with respect to all of these cases to explore whether a satisfactory resolution may be achieved. As a result of the mediation, and in an effort to resolve the litigation in its entirety, the Company entered into a Memorandum of Understanding to settle the economic loss claims on a nationwide basis. The parties are presently drafting a comprehensive settlement agreement, which will be submitted to the court for approval in late October, 2014. Final court approval of the proposed settlement is not expected until 2015. Three of the cases were voluntarily dismissed without prejudice pending the outcome of the mediation.

At June 29, 2014, our accrual for product liability and other product related cases and claims was approximately $17.7 million. The amount of our accrual for these liability cases and claims is based upon estimates developed as follows. We establish reserves for anticipated defense and disposition costs for those pending cases and claims for which we are financially responsible. Based on those estimates and an actuarial analysis of actual defense and disposition costs incurred by us with respect to product liability cases and claims in recent years, we determine the estimated defense and disposition costs for unasserted product liability cases and claims. We combine the estimated defense and disposition costs for both pending cases and threatened but unasserted claims to determine the amount of our accrual for product liability and product related cases and claims. It is reasonably possible additional experience could result in further increases or decreases in the period in which such information is made available. We believe that our accruals for losses relating to such cases and claims are adequate. Our accruals for losses relating to product liability and product related cases and claims include accruals for all probable losses the amount of which can be reasonably estimated. Based on the relevant circumstances (including, with respect to

Remington-based claims, the current availability of insurance for personal injury and property damage with respect to cases and claims involving occurrences arising after the Asset Purchase, our accruals for the uninsured costs of such cases and claims and DuPont's agreement to be responsible for a portion of certain post-Asset Purchase product liability costs, as well as the type of firearms products that we make), we do not believe with respect to product liability and product related cases and claims that any probable loss exceeding amounts already recognized through our accruals has been incurred.

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

Other Litigation

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

Item 5. Risk Factors

With the exception of the following, there have been no other material changes to our Risk Factors from those disclosed in Item 1A of our 2013 Annual Report:

The acquisition of our facility in Huntsville, Alabama and related closure of several of our other facilities will require additional attention and resources, which could divert management's focus from our continuing operations and delay our ability to ship products and provide services to certain customers.

On March 6, 2014, we completed the acquisition of a facility in Huntsville, Alabama. On May 15, 2014, we announced a vertical integration initiative that will result in the closure of our facilities in Lawrenceville, Georgia, St. Cloud, Minnesota, Elizabethtown, Kentucky, West Jordan, Utah, Kalispell, Montana, Pineville, North Carolina and Kennesaw, Georgia. The production at these facilities, along with the production of the Bushmaster and R1 lines at our Ilion, New York facility, will be moved to our Huntsville, Alabama facility. We expect the closures to be completed by the end of August 2015. The closure of these facilities will require additional attention and resources and could significantly divert our management's focus from continuing operations. Additionally, the timing and execution of the closure and related movement of certain machinery could delay our ability to ship products and provide service to certain customers. No assurance can be made that we will realize the benefits, if any, from the vertical integration initiative.