



2008 International Infantry & Joint Services Small Arms Systems Symposium & Expo

Small Caliber Ammunition Industrial Base Past-Present-Future

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Agenda

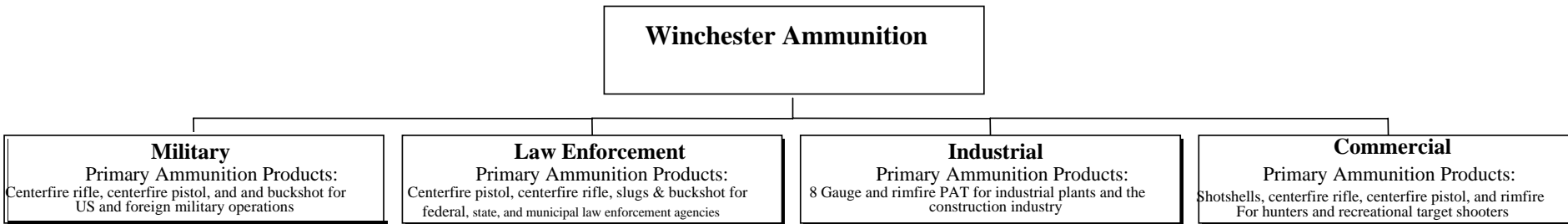
- **Winchester Overview**
- **The Past (2000 to 2003)**
Before OEF & OIF
- **The Ramp-Up (2004 to 2006)**
Urgent Buys and Second Source Start-Ups
- **The Present**
(Almost) All Systems Go
- **The Future**
Flexibility Required



Winchester Overview

- Winchester is in its 142nd year of operation and its 78th year as part of Olin Corporation.
- Winchester is a premier developer and manufacturer of small caliber ammunition for sale to domestic and international retailers, law enforcement agencies, and domestic and international militaries.
- Winchester is committed to conservation, the shooting sports, our nation’s hunting heritage, and support of the American Warfighter.

Core Businesses



Operations

Winchester Plant Site	Products Produced
East Alton, Illinois	Shotshells Small caliber centerfire rifle & pistol cartridges Industrial products: 8 gauge shotshells
Oxford, Mississippi	Rimfire ammunition Powder-actuated tool (PAT) loads
Geelong, Australia	Shotshells Small caliber centerfire rifle & pistol cartridges Rimfire ammunition Powder-actuated tool (PAT) loads



The Past: 2000 to 2003

- **Base Military Business at East Alton, IL Facility**
 - Well Established; Long History of US Government Supply
 - Prime Contracts for Pistol, Shotshell, Rimfire, Specialty Loads
 - Manufacturing Capacity Shared to Meet Demands of All Markets
- **Market Conditions for Military Small Cal Ammo Were Down**
 - Just Past the Low Point of '90s Drawdown
 - Weakened Second Tier Sub-contractor Base
 - Room to Grow



The Ramp Up (2004 to 2006)

- **“Urgent Buy” Contracts Awarded 2003 & 2004**
 - Prime Contracts for “Lake City” Line Items (5.56mm, 7.62mm and .50 Cal)
 - Full US TDP Compliance, with Minimum Tolerance for Exceptions
 - Demanding Start-up and Delivery Schedules
 - Utilized Manufacturing Capacity Available from Total Plant Pool
- **“Second Source” Contract Awarded to GD-OTS in 2005**
 - Winchester Sub-contractor on GD-OTS Team
 - Continuation and Addition of Products
 - Essentially Zero Tolerance for Exceptions to US TDP
- **Lessons & Adjustments**
 - Demands of Multiple New Product Start-ups (Equipment Set-up; Process Development; Employee Training; Supply Base Development; FATs; etc.)
 - New Quality Requirements (MIL STD 1916; Critical Defect Clauses; ISO 9001:2000; etc.)
 - New Customer Dynamic (PEO; PM-MAS; Critical Need)



The Present

- **Winchester is in its Fifth Year of Elevated Production**
 - **Start-ups Complete**
 - **Workforce Trained – *Ongoing***
 - **“Government Business” Culture Established – *Ongoing***
 - **Supply Base Established & Stabilized**
 - **Readiness at Peak Level**



The Future

- **Variables & Uncertainty – Politics & Budgets**
- **Potential Cost Impact of Commodities Must be Mitigated (Current ICAP Project with EPA Clauses)**
- **Readiness Achieved From Five Years of Investments In Human Capital, Equipment and Processes Should be Maintained**
- **Requirements (and Funding) Should be Established to Maintain Minimum Sustaining Production Rates**
- **If/When Drawdown Occurs:**
 - **Business Will Follow the Dollars**
 - **Winchester Capacity Will Redirect to Other Market Demands**
 - **Readiness Will Suffer**
 - **Start-up Costs will be Incurred Again During Next Ramp-up**
 - **Effects Amplified in A “Hard Landing” Scenario**