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

Small Caliber Ammunition Industrial Base
Past-Present-Future

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Dave Council
Director, Military Program Management
Olin Corporation, Winchester Division
dwcouncil@olin.com
(618) 258-3511
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

Winchester Ammunition

Military
Primary Ammunition Products:
Centerfire rifle, centerfire pistol, and buckshot for US and foreign military operations

Law Enforcement
Primary Ammunition Products:
Centerfire pistol, centerfire rifle, slugs & buckshot for federal, state, and municipal law enforcement agencies

Industrial
Primary Ammunition Products:
8 Gauge and rimfire PAT for industrial plants and the construction industry

Commercial
Primary Ammunition Products:
Shotshells, centerfire rifle, centerfire pistol, and rimfire for hunters and recreational target shooters

Operations

<table>
<thead>
<tr>
<th>Winchester Plant Site</th>
<th>Products Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Alton, Illinois</td>
<td>Shotshells&lt;br&gt;Small caliber centerfire rifle &amp; pistol cartridges&lt;br&gt;Industrial products: 8 gauge shotshells</td>
</tr>
<tr>
<td>Oxford, Mississippi</td>
<td>Rimfire ammunition&lt;br&gt;Powder-actuated tool (PAT) loads</td>
</tr>
<tr>
<td>Geelong, Australia</td>
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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