VARIANCE HOLDBACK							
Previous Year Variances Released	(8)		1,200,000	1,200,000	1,200,000	-	1,600,000
Total Standard/Period/Holdback		$ 84,257,063	$ 7,300,000	$ 91,557,063	$ 92,014,563	$ 457,500	$ 6,328,750

Assumes Volume/Mix are the same for 2005 & 2006.

(1) Assume $125M is incremental to '05 "actual"
(2) Cost increase reflects change in design of existing component; new recoil pad ($2 premium per stock)
(3) Assume that approx. 25% ($183M) of total impact was included in '05 standards; with remaining impact in '06 ($567M)
(4) Assume full impact of 3% increase
(5) Updated to reflect analysis provided by Bruce Firman on 10/13 (reflects impact of fule price only; see Period Expense section for temporary boiler & O8
(6) '05 includes additional reserve for O/U; allowance for S&K transition (partial); assume '06 will still need amount for S&K
(7) '05 included continuation of 105CTi project which was not budgeted; '06 budget not yet developed (assume some carryover of 105CTi & SPL)
(8) assume impact in '06 is difference between ($1.6MM & $1.2MM) carryforwards of '05 & '06
(9) Assume 50% of raw variances & 75% of WIP variances are released to P&L in current year (except for lump sum which occurs in Q4 & will remain capi

Note: Analysis includes labor and utility related costs for entire Ilion site (i.e. Firearms/Arms Service/PMPd/Custom Shop