



**Sidoti & Company**

**Emerging Growth Institutional  
Investor Forum**

**March 28, 2007**

# **Olin Attendees**

**Joseph D. Rupp**

**Chairman, President & Chief Executive Officer**

**John E. Fischer**

**Vice President & Chief Financial Officer**

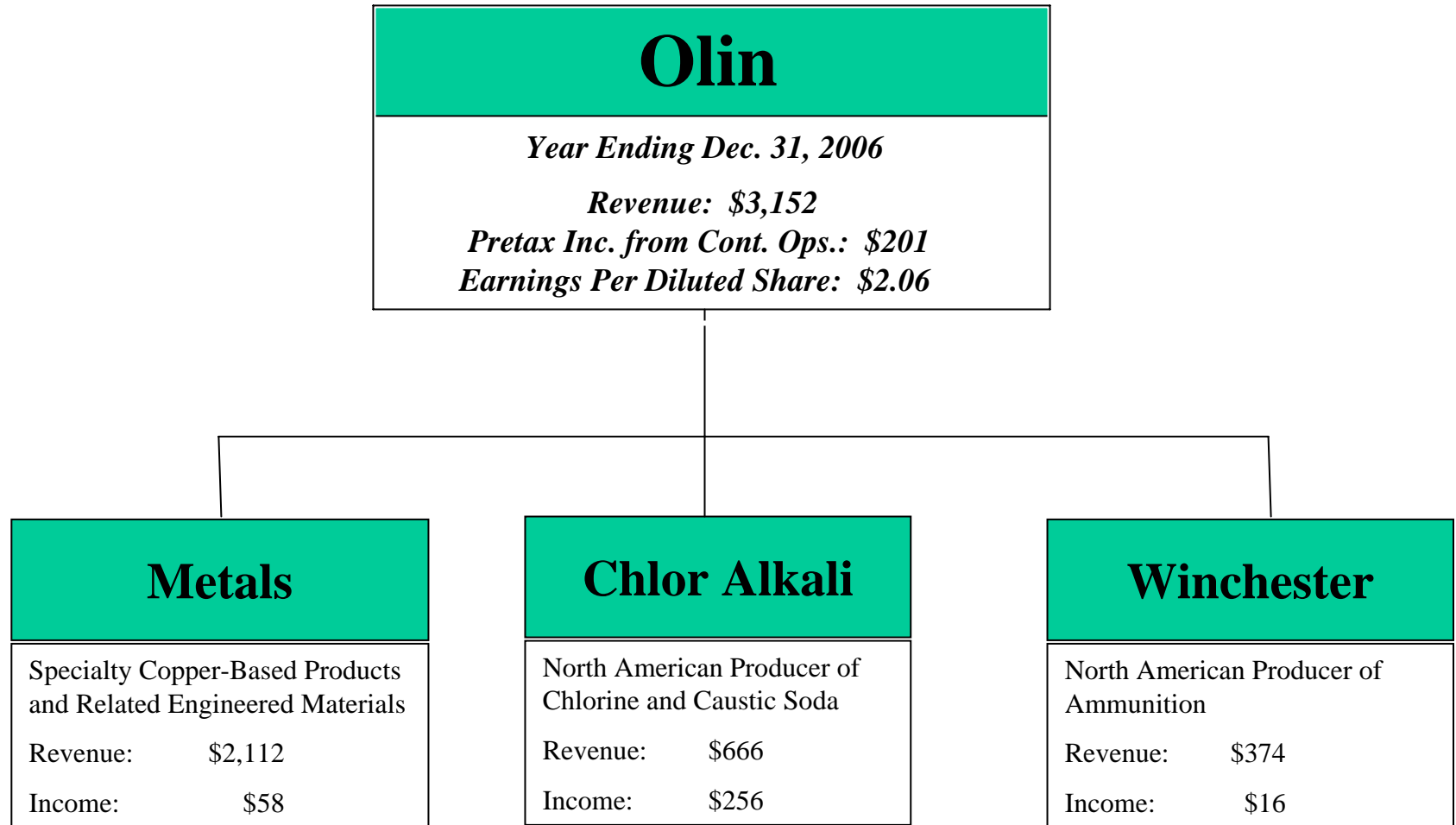
**John L. McIntosh**

**Vice President & President, Chlor Alkali Products**

**Larry P. Kromidas**

**Assistant Treasurer & Director, Investor Relations**

# Company Overview



All financial data are for the year ending 2006 and in millions of U.S. dollars, except EPS. Shown above is income before taxes from continuing operations. Additional information is available on Olin's website [www.olin.com](http://www.olin.com) in the Investor Relations section.

# Olin Vision

To be a leading Basic Materials company delivering attractive, sustainable shareholder returns

- Being low cost, high quality producer, and #1 or #2 supplier in the markets we serve
- Providing excellent customer service and advanced technological solutions
- Following our customers globally where we can do it profitably
- Generating returns above the cost of capital over the economic cycle

# Olin Corporate Strategy

**Olin Corporation Goal: Superior Shareholder Returns**

TRS in Top Third S&P Mid Cap 400

ROCE Over Cost of Capital Over the Cycle

1. Build on current leadership positions in Chlor-Alkali, Metals and Ammunition
  - Improve operating efficiency and profitability
  - Integrate downstream selectively
  - Expand globally where profitable
2. Allocate resources to the businesses that can create the most value
3. Manage financial resources to satisfy legacy liabilities

# 2006 Highlights

- Highest earnings per share level since 1996
- Second consecutive record year for Chlor Alkali Products division
- Capital expenditures for bleach expansion projects and rail transportation to improve margins and customer service
- Unprecedented copper, zinc and lead prices increase working capital requirements and production expense
- Customer surcharges and price increases implemented by Metals and Winchester divisions
- Metals closure of Waterbury Rolling Mills completed in June, New Haven Copper shutdown expected Q2 2007, annual savings expected to be \$11-\$12 million.

# 2006 Highlights Continued

- Metals restructuring charges were more than offset by LIFO inventory gains
- Winchester revenues increased 8% over 2005 primarily due to increased selling prices and commercial sales
- Tax dispute settled favorably with IRS resulting in a reduction in income tax expense of \$22 million
- Strong investment returns, lower discount rate and an \$80 million contribution reduce pension under-funding by \$148 million from year end 2005 levels
- Completed \$125 debt exchange extending maturity 5 years and lowering interest rate
- Year end cash and short-term investments were \$276 million

# First Quarter 2007 Outlook

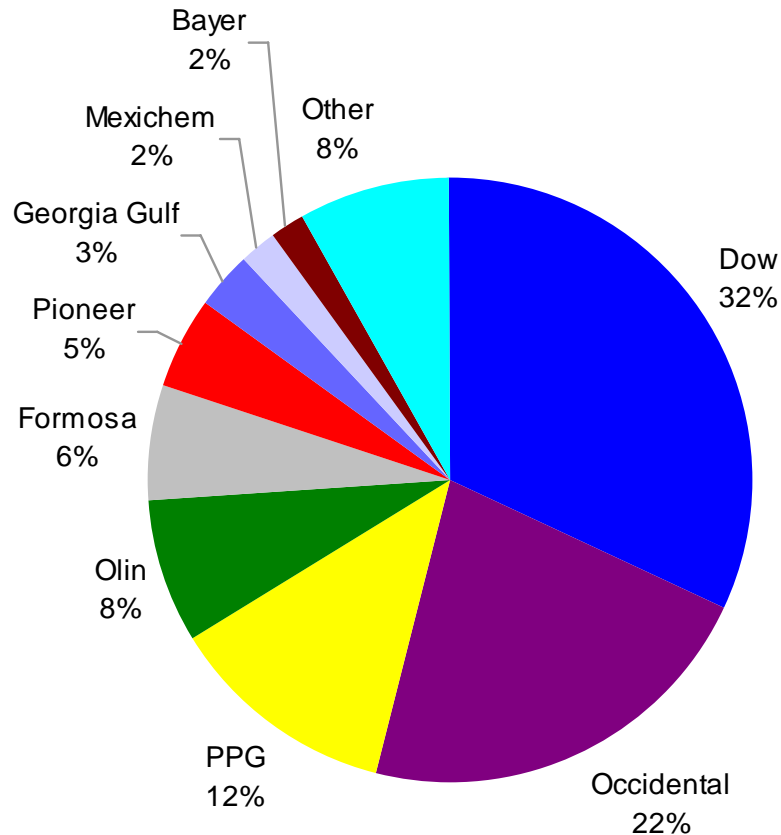
- Chlor Alkali expects lower ECU netbacks in Q1 2007 versus Q4 2006, but:
  - \$40 caustic price increase announced in Q4 2006
  - \$40/\$50 diaphragm/high grade caustic increase announced Q1 2007
  - \$25 chlorine increase announced in Q1 2007
- Metals earnings are projected to be comparable to Q1 2006 with lower volumes offset by higher pricing
- Winchester expects earnings to improve from Q1 2006 based on higher pricing and volumes, partially offset by higher commodity costs



# Olin's Chlor Alkali Strategy

- Be the preferred merchant supplier to non-integrated chlor alkali customers
- Continue to drive cost improvements through manufacturing and logistic optimization
- Continue our partnership philosophy with our customers
- Opportunities to increase the value of the business at modest capital investment
- Be a strong cash generator and value enhancer to Olin Corporation

# ***Olin Has Leading Capacity Share in Eastern U.S.***



- **4<sup>th</sup> Overall in U.S. Capacity**
- **Largest Producer East of the Mississippi River**
- **Olin Has 1.23 Million tons ECU Capacity Per Year <sup>(1)</sup>**
- **A \$10 / ECU Change Equates to an \$11 Million Change in Pretax Income at Full Capacity, or \$.10 per share @ 35% tax rate**

*Source: CMAI Chlor Alkali Report*

*(1) Includes 50% of SunBelt*

# Chlor Alkali Products

- 2005 & 2006 record years, peak ECU in Q1 '06:

Q3 '05	\$515	Q1 '06	\$590	Q3 '06	\$540
Q4 '05	\$545	Q2 '06	\$560	Q4 '06	\$520
- Chlorine and Caustic price increases announced in Q1 '07
- Higher transportation and energy costs
- \$1 change in Natural Gas MMBTU increases costs of Natural Gas-based producers by \$25 to \$35/ECU
- Natural Gas increases plus capacity reductions have created a more favorable long-term price outlook
- North American demand growth rate of 0.8% annually
- Net North American capacity has decreased since 2000

# North America Chlor Alkali Forecast

## North America Chlor Alkali Capacity Reductions 2000 Through 2006

Company	Location	Short Tons as Chlorine
Dow	Ft. Saskatchewan	610,000
Dow	Plaquemine, LA	375,000
Oxy Vinyls LP	Deer Park, TX	395,000
Formosa Plastics	Baton Rouge, LA	201,000
Pioneer	Tacoma, WA	214,000
Atofina	Portland, OR	187,000
La Roche	Gramercy, LA	198,000
OXY	Delaware City, DE	145,000
Holtra Chem	Orrington, ME	80,000
Holtra Chem	Acme, NC	66,000
Cedar Chem	Vicksburg, MS	40,000
Georgia Pacific	(3 locations)	24,000
Oremet	Albany, OR	5,000
Total Reductions		2,540,000

## North America Chlor Alkali Capacity Expansions 2000 Through 2006

Company	Location	Short Tons as Chlorine
Vulcan C-A	Geismer, LA	210,000
Equachlor	Longview, WA	80,000
Westlake	Calvert City, KY	80,000
SunBelt	McIntosh, AL	70,000
Oxy	Various Sites	<u>22,000</u>
Total Additions		462,000

## Announced Future Capacity Changes

Company	Location	Short Tons as Chlorine	Timing
Shintech	Plaquemine, LA	330,000	2007/2008
Bayer	Baytown, TX	220,000	Delayed
Oxy	Muscle Shoals, AL	(154,000)	2008
Pioneer	St. Gabriel, LA	<u>49,000</u>	2009
Total Announced Changes		445,000*	

\* Includes delayed capacity

*Reductions*                    **2,540,000**  
*Additions*                    **(462,000)**  
*Total Reductions*            **2,078,000**

Annual demand growth at 0.8%/Yr = 110,000 Short Tons/Yr

Source: Olin Data

# Olin's Chlor Alkali Contracts

- Olin contracts nearly 100% of its chlorine and caustic sales
- On about two-thirds of the chlorine and caustic volumes, prices change quarterly, with a combination of formula-based and negotiated pricing, and the balance is renegotiated annually or semi-annually
- Many contracts have a one quarter lag in them, which delays price increases in a tightening market and delays decreases in a softening market
- Competitive forces dictate contract duration and terms

# Metals

- Olin is the leading manufacturer of copper alloy strip, and a leading manufacturer of brass rod in the U.S.
- Olin possesses leading technology position
  - 37 U.S. patents for High Performance Alloys
  - 40 U.S. patents on various proprietary processing and technical capabilities
- Olin is the leading copper alloy strip distributor in the U.S. with 8 service/distribution centers located in the U.S. and Puerto Rico, and 1 center located in Mexico

# Metals

- During 2006, copper and zinc prices increased 84% and 137%, respectively, compared to 2005, which increased operational costs and investment in working capital
- Higher natural gas prices and metal melting losses, due to higher metal prices, reduced earnings by \$21 million compared to 2005
- Improved product pricing partially offset higher costs
- Benefit from plant closures and other actions in 2007
- Implemented an inventory reduction program that reduced strip inventory levels by 10% in 2006 and is expected to further reduce balances 20% over the next two years and generate additional LIFO inventory gains

# Metals Outlook

- Moderating metals prices will help reduce metal melting losses and reduce working capital
- US dollar coin program should add volume for the strip business
- Expansion of our China distribution facility by adding stamping capabilities
- We believe that we are the low cost metals producer in the U. S. putting us in a preferred position with regards to profitability



# Winchester Products

## Products

Winchester ® sporting ammunition -- shot-shells, small caliber centerfire & rimfire ammunition

## End Uses

Hunters & recreational shooters, law enforcement agencies

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Small caliber military ammunition

Infantry and mounted weapons

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Industrial products -- 8 gauge loads & powder-actuated tool loads

Maintenance applications in power & concrete industries, powder-actuated tools in construction industry

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# Winchester

- Profits of \$15.8 million in 2006 more than doubled 2005 levels
- Eight price increases announced since the beginning of 2004 to offset higher commodity prices
- Continued increase in lead prices poses a challenge for 2007
- Olin, as part of the General Dynamics team, was awarded the second source small caliber ammunition contract in 2004. We expect military sales to be higher in 2007 than 2006 and 50% higher than 2004

# Financial Highlights

- Year end cash and short-term investments of \$276 million exceed outstanding debt by nearly \$25 million
- Exchanged \$125 million of 9.125% bonds due in 2011 for new 6.75% bonds due 2016
- \$80 million voluntary pension contribution in Q3 2006 coupled with higher discount rate and healthy returns on plan assets cut funded status shortfall by \$148 million to \$234 million
- 2007 pension expense expected to decrease by approximately \$15 million as compared to 2006

# Financial Highlights

(continued)

- Voluntary transition by 25% of Metals and Winchester hourly workers to Olin's defined contribution plan from the defined benefit pension plan
- Favorably settled all IRS audits through 2002 resulting in a \$22 million reduction in tax expense
- 2007 effective tax rate expected to be in the 34% to 35% range
- Capital spending levels, net of January sale leaseback transaction, are expected to be \$75 to \$80 million in 2007 with 65% allocated to Chlor-Alkali to complete bleach expansion and ongoing maintenance projects

# Investment Rationale

- Continued strong performance based on
  - Relatively high ECU prices
  - Cost reductions, moderating metals costs, better pricing and restructuring in Metals
  - Cost reductions, price increases and increased Military revenue in Winchester
- Strong financial discipline
- Commitment to investment grade credit rating
- At current price levels, dividend yield approximately 4.5%
- Dividend for 322 consecutive quarters

# Forward-Looking Statements

This presentation contains estimates of future performance, which are forward-looking statements and actual results could differ materially from those anticipated in the forward-looking statements. Some of the factors that could cause actual results to differ are described in the business and outlook sections of Olin's Form 10-K for the year ended December 31, 2006. This report is filed with the U.S. Securities and Exchange Commission.