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EDITED TRANSCRIPT

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PRESENTATION

Operator

Good morning, and welcome to the Olin Corporation Third Quarter 2017 Earnings Conference Call. All participants will be in listen only mode. Should you need assistance please signal a conference specialist by pressing the star key followed by zero. After today's presentation there will be an opportunity to ask questions. To ask a question you may press star and then one on your touchtone phone. To withdraw that question please press star and then two. Please note this event is being recorded.

I would now like to turn the conference over to Larry Kromidas. Please go ahead.

Larry P. Kromidas - *Olin Corporation - Director of IR and Assistant Treasurer*

Thank you, Brian. Good morning, everyone.

Before we begin this morning, I want to remind everyone that this presentation, along with associated slides and the question-and-answer session following our prepared remarks, will include statements regarding estimates of future performance. Please note that these are forward-looking statements, and actual results could differ materially from those projected. Some of the factors that could cause actual results to differ from our projections are described without limitations in the Risk Factors section of our most recent Form 10-K and in our third quarter earnings press release.

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A copy of today's transcript and slides will be available on our website in the Investors section under Calendar of Events. The earnings press release and other financial data and information are available under Press Releases.

With me this morning are John Fischer, Olin's Chairman, President and Chief Executive Officer; Pat Dawson, Executive Vice President and President, Epoxy and International; John McIntosh, Executive Vice President, Synergies and Systems; Jim Varilek, Executive Vice President and President, Chlor Alkali Products and Vinyls and Services; and Todd Slater, Vice President, Chief Financial Officer.

Now I'll turn the call over to John Fischer. John?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

Thank you, Larry. Good morning, and thank you for joining us today. During this morning's call, we will first discuss our third quarter results and review our outlook for the fourth quarter. If you turn to Slide 3, I will review the third quarter.

Third quarter 2017 adjusted EBITDA was $265.5 million. As a result of the flooding from hurricane Harvey, Olin was forced to reduce production at its Freeport, Texas facility from late August through mid-October due to logistics constraints, customer outages and raw material availability. Other Olin plants that supply customers in Texas were also impacted by the hurricane.

Olin's third quarter 2017 adjusted EBITDA was reduced by $42.7 million as a result of hurricane Harvey, representing $12.9 million of incremental costs incurred to continue operation and $29.8 million of unabsorbed fixed manufacturing costs and reduced profit from lost sales.

Chlor Alkali Products and Vinyls third quarter 2017 segment earnings were reduced by $24 million and Epoxy third quarter 2017 segment earnings were reduced by $18.7 million as a result of the hurricane.

Excluding the impact of the hurricane, Olin would have earned approximately $308 million of adjusted EBITDA in the third quarter of 2017. Consistent with our discussion last quarter, we experienced a $95.1 million sequential decline in maintenance turnaround and outage costs in the third quarter compared to the second quarter of 2017. In addition, the Chlor Alkali Products and Vinyls business experienced improved caustic soda pricing compared to the second quarter, which was partially offset by lower ethylene dichloride pricing. The Epoxy business improved sequentially, benefiting from improved margins over hydrocarbon costs, lower turnaround and outage costs. Excluding the impact of the hurricane, the Epoxy business would have earned approximately $41 million of adjusted EBITDA in the third quarter of 2017, which was consistent with the level of earnings that we had been forecasting. This would have been the best earnings quarter for the Epoxy business since it was acquired by Olin.

Winchester continued to experience softer commercial demand in the third quarter. Third quarter 2017 commercial ammunition sales declined approximately 20% compared to third quarter 2016 levels.

Now turning to the business segments. First, with Chlor Alkali Products and Vinyls, which is summarized on Slide 4. Third quarter 2017 sales of $881.2 million increased 13% over third quarter of 2016 sales. The increase reflects higher caustic soda pricing, partially offset by lower ethylene dichloride pricing and lower volumes resulting from hurricane Harvey. Chlor Alkali products and Vinyls third quarter 2017 adjusted EBITDA, $236.5 million, increased 48% or $76.5 million year-over-year. The improvement in adjusted EBITDA reflects an overall improvement in pricing of approximately $112 million, partially offset by the $24 million of additional costs, unabsorbed fixed manufacturing costs and reduced profit and lost sales associated with the hurricane. Electricity costs driven by higher natural gas prices and maintenance turnaround costs have also increased from third quarter 2016 levels. Chlor Alkali Products and Vinyls business forecast grew sequentially in the fourth quarter of 2017 from the third quarter, driven by improved caustic soda, chlorine, hydrochloric acid and bleach prices and lower ethylene costs. Fourth quarter 2017 ethylene dichloride pricing is now forecast to decline compared to the third quarter, although we expected that pricing to begin to improve at year-end.

Late in the third quarter, we made $209.4 million payment to The Dow Chemical company to secure a 20-year supply of ethylene at producer economics. Depending on ethane cost and market-based ethylene prices, this supply agreement is expected to generate annual cost savings of approximately $40 million to $50 million.

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Now turning to pricing. Caustic soda prices in the Olin system increased approximately 6% in the third quarter of 2017 compared to the second quarter and were 36% higher than third quarter of 2016 levels. These improved caustic soda prices reflect strength in both domestic and export markets. Domestic contract caustic soda index increased $35 per ton in the third quarter and the spot export index increased $90 per ton in the third quarter. Olin will realize the benefit from these increases beginning in the fourth quarter. We expect additional increases in the caustic soda pricing this season in the fourth quarter. If caustic soda prices remain constant at the levels we experienced in the third quarter, the positive impact on adjusted EBITDA would be approximately $100 million in 2018.

With the improvements in caustic soda export pricing, approximately 20% of Olin's caustic soda is currently being exported. Although chlorine prices in the third quarter of 2017 were similar to second quarter levels, we believe there is positive pricing momentum for chlorine. Third quarter 2017 monthly chlorine contract price indices have increased by $15 a ton, which will primarily benefit the fourth quarter. Additionally, there are chlorine price increase announcements of $25 to $30 per ton that were effective October 1. Hydrochloric acid prices also increased in the third quarter of 2017 and were 35% higher than the second quarter level. They are forecast to increase further in the fourth quarter.

Finally, bleach business experienced improved volumes in the third quarter.

Operator

I'm sorry this is the operator I'm going to pull you out separately to check for sound quality so if you give me one moment I'm going to put it on audio and we're just going to look at your line.

Operator

Pardon me. This is the operator. I have reconnected the speakers and if they would like to begin.

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

Okay. This is John again. I apologize for whatever happened here. I'm going to go back and start with the Chlor Alkali Products and Vinyls section, which is on Slide 4. Third quarter 2017 sales of $881.2 million increased 13% over third quarter of 2016 sales. The increase reflects higher caustic soda pricing, partially offset by lower ethylene dichloride pricing and lower volumes resulting from Hurricane Harvey. Chlor Alkali Products and Vinyls third quarter 2017 adjusted EBITDA of $236.5 million increased 48% or $76.5 million year-over-year. The improvement in adjusted EBITDA reflects an overall improvement in pricing of approximately $112 million, partially offset by $24 million of additional costs, unabsorbed fixed manufacturing costs and reduced profit from lost sales associated with Hurricane Harvey.

Electricity costs, driven by higher natural gas prices, and maintenance turnaround costs also increased from third quarter 2016 levels.

The Chlor Alkali Products and Vinyls business is forecast to improve sequentially in the fourth quarter of 2017 from the third quarter, driven by improved caustic soda, chlorine, hydrochloric acid and bleach prices and lower ethylene costs. Fourth quarter 2017 ethylene dichloride pricing is now forecast to decline compared to third quarter, although we expect ethylene dichloride pricing to begin to improve by year-end.

Late in the third quarter, we made the $209.4 million payment to The Dow Chemical Company to secure a 20-year supply of ethylene at producer economics. Depending on ethane cost and market-based ethylene prices, this supply agreement is expected to generate annual savings of approximately $40 million to $50 million.

Now turning to pricing. Caustic soda pricing in the Olin system increased approximately 6% in the third quarter 2017 compared to the second quarter and were 36% higher than the third quarter of 2016 levels. These improved caustic soda prices reflect strength in both the domestic and export markets.

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The domestic contract caustic soda index increased $35 per ton in the third quarter and the spot export index increased $90 per ton in the third quarter. Olin will realize benefit from these increases beginning in the fourth quarter.

We expect additional increases in the caustic soda price indices in the fourth quarter. If caustic soda prices remained constant at the levels we experienced in the third quarter, the positive impact on adjusted EBITDA would be approximately $100 million in 2018.

With the recent improvements in the caustic soda export pricing, approximately 20% of Olin's caustic soda is currently being exported. Although chlorine prices in the third quarter of 2017 were similar to the second quarter levels, we believe there is positive pricing momentum for chlorine. The third quarter 2017 monthly chlorine contract price indices have increased by $15 per ton, which will primarily benefit the fourth quarter. Additionally, there are chlorine price increase announcements of $25 to $30 per ton that were effective October 1. Hydrochloric acid prices also increased in the third quarter of 2017 and were 35% higher than the second quarter level. They are forecast to increase further in the fourth quarter.

Finally, the bleach business experienced improved volumes in the third quarter of 2017 compared to the third quarter of last year, driven by the new plant at the Freeport, Texas facility. On a full year basis, bleach volumes are forecast to grow approximately 10%.

Olin continues to maintain a positive long-term view of caustic soda prices. This is summarized on Slide 5 and a couple of recent facts to support that. In 2017, caustic soda exports from the United States are forecast to increase approximately 10% to a record level of approximately 3.5 million tons. Through August, caustic soda exports have increased approximately 8% year-over-year, with exports to Australia increasing approximately 60% from last year's levels. At the same time, caustic exports from both Europe and China continue to trend down, while caustic soda imports into Europe continue to trend up.

Let us move ahead now to the performance of our Epoxy segment, which is summarized on Slide 6. Third quarter 2017 Epoxy sales increased by approximately 4% or $19.8 million compared to the third quarter 2016 levels as a result of higher product pricing, partially offset by lower volumes associated with Hurricane Harvey.

Third quarter 2017 Epoxy adjusted EBITDA of $22.7 million declined approximately $10 million year-over-year, principally due to the $18.7 million of additional costs, unabsorbed fixed manufacturing costs and reduced profits from the lost sales associated with Hurricane Harvey. In the third quarter, the higher product prices more than offset the impact of higher raw material costs, primarily associated with benzene and propylene pricing. As we've discussed during the first half of 2017, the Epoxy business experienced a significant increase in hydrocarbon costs, which compressed margins. These increases, depending on the region, were approximately 35% for benzene and 31% for propylene. As a result, during the first half of 2017, price increases were initiated to offset these higher raw material input costs. The announced price increases have been successful, and during the third quarter, these price increases more than offset the higher year-over-year hydrocarbon costs.

Post Hurricane Harvey, we have again experienced increases in benzene and propylene costs. North American benzene costs have increased approximately 7%, and propylene costs have increased by approximately 25% from August levels. These raw material cost increases will negatively impact fourth quarter 2017 costs. Further price increases had been initiated to offset these higher raw material costs.

Despite the unplanned outage in the second quarter and the effects of Hurricane Harvey, Epoxy volumes improved the approximately 8% year-over-year, excuse me, for the first 9 months of 2017. We saw year-over-year volume improvements in both North America and Europe, and as a reminder, increased Epoxy volumes benefit our Chlor Alkali Products and Vinyls segment by improving Chlor Alkali operating rates and making additional caustic soda available for sale.

And as we look ahead, Epoxy fourth quarter 2017 segment results will reflect a 35-day planned maintenance turnaround at our production facility in Stade, Germany, in addition to the forecasted benzene and propylene cost increases. The majority of the fourth quarter Hurricane Harvey impact will also be experienced by the Epoxy business.

For the full year 2017, we expect Epoxy business will have both improved volumes and pricing year-over-year, but these benefits are forecasted to be more than offset by the higher hydrocarbon costs, increased turnaround and outage costs and the impact of Hurricane Harvey. As a result, we now believe that the full year 2017 Epoxy adjusted EBITDA will be in the $80 million to $85 million range.

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Let's discuss our Winchester business, which is summarized on Slide 7. Third quarter 2017 Winchester sales increased approximately 10% compared to third quarter 2016. Third quarter 2017 Winchester adjusted EBITDA of $22 million declined approximately $19 million from third quarter 2016 adjusted EBITDA. The decrease in sales and adjusted EBITDA was the result of lower commercial ammunition volumes, partially offset by higher military sales. The third quarter 2017 adjusted EBITDA was also impacted by a less favorable product mix, lower selling prices and higher commodity and other material costs compared to third quarter 2016. Year-to-date, commodity and other material costs have increased approximately $6 million compared to 2016.

Winchester continues to experience lower levels of commercial ammunition demand. During the third quarter 2017, Winchester experienced an approximate 20% year-over-year decline in commercial ammunition sales, which is consistent with the year-to-date decline. This decline has been broad-based across Winchester's commercial customers. Winchester customers have been reducing inventory and, in most cases, their 2000 sales of ammunition have exceeded their 2017 purchases. Winchester has benefited from year-over-year increases in military sales during the third quarter of 2017. The benefit from higher military sales is forecast to continue into 2018.

Now I would like to discuss the outlook for the fourth quarter, which is on Slide 8. We're forecasting fourth quarter 2017 adjusted EBITDA to be approximately $280 million, with upside opportunities and downside risks of approximately 5%. Our fourth quarter 2017 estimate of adjusted EBITDA includes an unfavorable impact of $10 million to $15 million from Hurricane Harvey. The Chlor Alkali Products and Vinyls business in the fourth quarter is forecast to benefit from stronger year-over-year volumes and pricing across most products and lower ethylene costs due to our recent ethylene investment. Ethylene dichloride pricing is forecast to decline sequentially from the third quarter to the fourth quarter.

Epoxy fourth quarter 2017 segment results will reflect the $35 planned maintenance turnaround -- 35-day planned maintenance turnaround at our production facility in Stade, Germany. As displayed on Slide 15 in the appendix, overall chemicals planned maintenance turnaround and outages costs are forecast to increase by approximately $17 million in the fourth quarter compared to the third quarter of 2017. Winchester's fourth quarter 2017 segment earnings are expected to be below fourth quarter 2016 levels due to the continuation of lower commercial ammunition sales and higher commodity and other material costs.

Before turning the call over to Todd, I want to conclude by stating that while we were significantly challenged by maintenance turnarounds and outages during the second quarter and further impacted by Hurricane Harvey in our third and fourth quarters, the pricing and volume fundamentals of both the chemical businesses, Chlor Alkali and Epoxy, continue to improve. This gives us confidence regarding our fourth quarter and confidence in the years beyond.

With that, I'll turn the call over to Todd.

Todd A. Slater - *Olin Corporation - CFO and VP*

Thanks, John. Let's turn to our cash flow forecast, which is on Slide 9. During 2017, we expect to generate approximately $430 million of free cash flow before dividend payments and before the $209 million ethylene investment, which was made late in the third quarter. Our expectation is that by the end of 2017, the combination of debt reduction and EBITDA growth will reduce our net debt-to-EBITDA leverage ratio to approximately 3.6x.

Starting with the midpoint of our full year adjusted EBITDA forecast of $945 million on the far left of the waterfall chart, we add back $10 million in taxes, reflecting proceeds from the income tax refund. In 2017, we believe that the book effective tax rate will be in the 20% to 25% range, but we do not expect to be a cash taxpayer in 2017. This reflects the utilization of net operating loss carryforwards created over the last 2 years. We expect net operating loss carryforwards to provide a cash tax shield of approximately $70 million in 2017.

Additionally, we currently expect to exit 2017 with unused net operating loss carryforwards to provide a cash tax shield in the future years of approximately $75 million to $85 million.

Column 3 shows the capital spending we expect in 2017 of approximately $315 million. This includes annual maintenance capital spending of between $125 million and $175 million. During -- I'm sorry, $275 million to $225 million.

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During 2017, we expect a multi-year project to implement a new enterprise resource planning, manufacturing and engineering systems across the heritage Olin and the acquired Dow Chlorine Products businesses. The project includes the required information technology infrastructure. The objective of the project is to standardize business processes across the chemicals operation with the objective of maximizing cost-effectiveness, efficiency and control across our global operation. The project is anticipated to be completed during 2020. When completed, we expect the IT project to provide both annual cost savings and a return on our investment.

The total capital spending for this multi-year IT project is forecast to be $250 million, and the associated expenses are forecast to be $100 million. 2017 is expected to include approximately $40 million of capital spending and approximately $7 million of expenses associated with this project.

In third quarter 2017, the IT project expenses of $2.9 million have been included as an add-back to determine adjusted EBITDA. The add-back of these incremental expenses will continue through the completion of the IT project.

Now turning to the fourth column. Last year, Olin entered into a program to accelerate the collection of receivables, which created a permanent working capital reduction of $126 million in 2016. We expanded this program during 2017 and expect to realize an additional $50 million reduction in receivables.

We now expect that the inventory reduction at Winchester will be offset by the increased receivables in Chlor Alkali Products and Vinyls and Epoxy as a result of higher product prices. In the next column, one-time items include integration and cash restructuring cost of approximately $50 million. This is consistent with our prior forecast.

The next column represents an estimate of interest expense. We have approximately 30% of our debt at variable interest rates and we're forecasting 2017 interest rates will be higher than those we experienced in 2016.

On the far right column, we are forecasting approximately $90 million of free cash flow after paying our normal quarterly dividends totaling approximately $132 million for the year and the $209 million investment for 20 years of additional ethylene at producer economics.

Finally, last Wednesday, on October 25, Olin's Board of Directors declared a dividend of $0.20 on each share of Olin common stock. The dividend is payable on December 11, 2017, to shareholders of record at the close of business on November 10, of 2017. This is the 364th consecutive quarterly dividend to be paid by the company.

Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

We will now begin the question and answer session. To ask a question you may press star and then one on your touchtone phone. If you're using a speakerphone, we do ask that you pick up the handset before pressing the keys. To withdraw your question in the queue, please press star and then two. At this time, we will pause momentarily to assemble our roster. Our first question comes from Frank Mitsch with Wells Fargo. Please go ahead.

Frank Joseph Mitsch - *Wells Fargo Securities, LLC, Research Division - MD & Senior Chemicals Analyst*

Yeah good morning gentlemen and congrats on a record quarter in chlor alkali. John, as I listen to you talk about where the pricing trends are and so on, if I think about normalized, ex Harvey, $308 million of EBITDA in Q3, $293 million of EBITDA in Q4, essentially the back half of the year, ex Harvey, is at a $600 million run rate. Is there any reason why if we were to annualize that and -- for a full year, is there any reason why $1.2 billion plus in EBITDA is not achievable in 2018?

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John E. Fischer - *Olin Corporation - Chairman, CEO & President*

The only thing I would say, Frank, is there will be a period in first half of the year where there are some outages that will have some negative impact on that. But generally, I would say, the answer to your question is yes. Because as we've said, 2018 outage costs will be meaningfully lower than they were in 2017.

Frank Joseph Mitsch - *Wells Fargo Securities, LLC, Research Division - MD & Senior Chemicals Analyst*

All right, terrific. And then, a question on Winchester. Since this was one of the -- I mean, obviously, Chlor Alkali did very well. But on Winchester, can you talk about the interplay between pricing and raw materials and when you might be able to catch up your prices to the increase in your metals costs?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

The problem that you have overall right now, Frank, is you have a market that's vastly oversupplied. So there's a lot of competition going on for market share on price. We have seen recently, because of the step-up in copper prices, Winchester has announced price increases, and both of their primary competitors in North America have indicated they're going to do that. I would expect to see benefit from that starting in 2018.

Frank Joseph Mitsch - *Wells Fargo Securities, LLC, Research Division - MD & Senior Chemicals Analyst*

Terrific, thank you so much.

Operator

Next question comes from Jason Freuchtel with SunTrust. Please go ahead.

Jason Alexander Freuchtel - *SunTrust Robinson Humphrey, Inc., Research Division - Associate*

Hey, good morning. How should we think about the proportion of your contracts that renew in late 2017? And what has been the tone of those contract discussions so far?

James A. Varilek - *Olin Corporation - EVP and President of Chlor Alkali Vinyls & Services*

Jason, this is Jim Varilek. I would say that the tone has been positive in that we've had a change in terms of the supply-demand dynamics, and they're more favorable to the producer side right now. So the contract discussions have been positive, and we continue to make improvements on the profitability of the contracts.

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

And, Jason, what we've said is the average duration of our cost of contracts during the 3- to 5-year range, so something in the neighborhood of 25% to 30% renew every year.

Jason Alexander Freuchtel - *SunTrust Robinson Humphrey, Inc., Research Division - Associate*

Okay, great. And then how should we think about maybe the timing and the impact of those contract renewals to the P&L?

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John E. Fischer - *Olin Corporation - Chairman, CEO & President*

I think you'll see gradual improvement over a 3- to 4-year period as the contracts renew and the yield on those contracts improve.

Jason Alexander Freuchtel - *SunTrust Robinson Humphrey, Inc., Research Division - Associate*

Okay. But if -- I guess if they renew in the fourth quarter, should we expect an impact to the P&L in the first quarter of '18?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

Yes, they renew annually. So you would see a step-up in '18 in the first quarter that would apply throughout the year.

Jason Alexander Freuchtel - *SunTrust Robinson Humphrey, Inc., Research Division - Associate*

Okay, great. And then, I guess, in terms of your expectations for 1% to 2% demand growth in caustic soda, what end markets are you expecting to see strength and weakness? And could there potentially be any upside to that forecast?

James A. Varilek - *Olin Corporation - EVP and President of Chlor Alkali Vinyls & Services*

Jason, this is Jim. I would say the strongest markets right now that we're seeing are the aluminum markets, pulp and paper markets, on a global basis. We're not really seeing weakness in anything. The markets are generally strong around the world. So that's what we're seeing. Could there be upside? I would say, yes, there could be upside to that, and we are seeing strong demand globally.

Jason Alexander Freuchtel - *SunTrust Robinson Humphrey, Inc., Research Division - Associate*

Ok great thank you.

Operator

Next question comes from Don Carson with Susquehanna Financial Group. Please go ahead.

Donald David Carson - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

John, a couple of questions. First on Chlor Alkali, you commented how you've increased your proportion of export sales up to 20%. How high can you go on export sales? What kind of flexibility do you have there? And it would seem that, as you've shown on Slide 19, between the higher realizations and the faster realizations you get there, that, that would be preferable to some of your domestic business.

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

Don, we could probably reach 25%. And that's probably the limit of our facilities and our capability.

Donald David Carson - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Okay. And then a follow-up on Winchester. You used to talk about post-surge stable EBITDA outlook of $125 million. You've kind of cut your guidance for this year for $115 million, $125 million down to right around $100 million. Any change in what you think the permanent earnings

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outlook for that business is? And the reduced commercial shipments we're seeing, is that a pipeline drawdown, or is it reduced final demand? Because I noticed that next date is down about 8% year-to-date. Clearly, with a more friendly administration in place, it doesn't seem to be quite the same urgency to buy firearms and ammunition.

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

Don, I would say, I think we do believe, longer term, we would be able to average $125 million of EBITDA. I think we made the comment in the remarks that the majority of our large commercial customers have sold more ammunition this year than they've bought, so that we would say there's clearly a pipeline drawdown. It's very difficult for us to know what's happening at the actual consumer level. So I would go back to there's clearly a pipeline drawdown this year.

Donald David Carson - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

And then, final question. Now that the 2-year Reverse Morris Trust anniversary has passed, what are the future plans with respect to whether you retain or divest Winchester?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

We have not made any comments regarding our plans with Winchester other than I would say, it continues to be a very good return-on-capital business and a very good cash flow business for Olin.

Donald David Carson - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Ok thank you.

Operator

The next question comes from Arun Viswanathan with RBC Capital Markets. Please go ahead.

Arun Shankar Viswanathan - *RBC Capital Markets, LLC, Research Division - Analyst*

Great thanks, good morning. I just wanted to ask a question on some of your comments earlier. So if I heard you correctly, I think you said that if third quarter pricing holds, that would add an incremental $100 million of EBITDA next year. And then there's more price increases on the table for Q4, I think IHS reflected $40 in the index last night. So if all of that holds, I guess, and you're at the $1.2 billion run rate already, you take off maybe $50 million for maintenance, is it fair to assume that the actual run rate that you're starting with next year is about $1.25 billion? Is that right or...

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

I think I'd leave that math to you. We agree that IHS had $40 and is forecasting another $5 in the fourth quarter. Just keep in mind, we typically realize about half of index price increases.

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Arun Shankar Viswanathan - *RBC Capital Markets, LLC, Research Division - Analyst*

Okay, great. And then maybe you can just discuss the EDC market. You did say that you expect some recovery in Q4. Just curious as to what would drive that and how ethylene plays into that thanks?

James A. Varilek - *Olin Corporation - EVP and President of Chlor Alkali Vinyls & Services*

Arun, this is Jim Varilek. The drivers of the EDC market are obviously mostly in Asia. There's some cost push, but there's also the pull on the demand. And the reason we expect fourth quarter to show a little bit of an uptick towards the end of the year is 2 factors. There's generally a restocking that takes place in PVC during that point in time, and so we expect some degree of pull. And there's also dynamics in Europe associated with the mercury capacity on Chlor Alkali that will take down the Chlor Alkali capacity, but also will increase -- as a result of that will increase EDC purchases and should help bring us into a little bit better situation than we've experienced the last few months

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Arun Shankar Viswanathan - *RBC Capital Markets, LLC, Research Division - Analyst*

And then, just lastly, on Epoxy, you noted that your operating rates should continue to improve, and would allow for greater caustic soda uptick. What's your expectation for Epoxy for next year if you think this year is maybe $80 million to $85 million? Do you expect growth next year thanks?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

We have not given any guidance. I would tell you, based on our long-term view, we should expect growth in EBITDA in '18 versus '17 in Epoxy.

Arun Shankar Viswanathan - *RBC Capital Markets, LLC, Research Division - Analyst*

Ok thanks.

Operator

The next question comes from Aleksey Yefremov with Nomura Instinet. Please go ahead.

Aleksey V. Yefremov - *Nomura Securities Co. Ltd., Research Division - VP*

Thank you good morning everyone. Caustic soda prices in Asia jumped about $150 in recent weeks. How sustainable do you think that is? How do you think it might impact your business in coming months?

James A. Varilek - *Olin Corporation - EVP and President of Chlor Alkali Vinyls & Services*

Aleksey, this is Jim. I would say that the fundamentals that remain in place, whenever -- we've talked about this for actually for the last almost 2 years now, that the fundamentals with mercury shutdowns in Europe, with China keeping more product home and the environmental policies that are impacting the demand, you're starting to see that show up in pricing. And we don't see anything changing in the fundamentals without any capacity additions and so forth around the world that would change that. So we think it's very sustainable.

Aleksey V. Yefremov - *Nomura Securities Co. Ltd., Research Division - VP*

So I guess, just to make it clear, there were some short-term factors such as the hurricane and maybe some short-term shutdowns around the party Congress in China. So you don't think that the price may have overshoot that trend line in the short term?

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James A. Varilek - *Olin Corporation - EVP and President of Chlor Alkali Vinyls & Services*

Yes, I think there's going to be points of peaks that go quickly on pricing, others that go more slowly. But the trend line is still going to be the same.

Aleksey V. Yefremov - *Nomura Securities Co. Ltd., Research Division - VP*

Thank you And then turning to Epoxy. You mentioned that your raw material seems to be going up in the fourth quarter and also that you are raising prices. Does this mean that your net raw material margin is getting worse in the fourth quarter or getting better? And also, what is your outlook for the first quarter? Do you think you'll catch up with raw materials by then?

Pat D. Dawson - *Olin Corporation - EVP and President of Epoxy & International*

Yes, Aleksey, this is Pat Dawson. And what we're seeing is some compression here going into the fourth quarter since we got these unexpected spikes post hurricane Harvey. So we do have price increases that have been announced for both October and November. And typically, what you saw this year takes about a quarter to catch up with those increased raw material costs. So I think we'll be in a good position as we go into 2018.

Aleksey V. Yefremov - *Nomura Securities Co. Ltd., Research Division - VP*

Thank you.

Operator

The next question comes from John Roberts with UBS. Please go ahead.

John Ezekiel E. Roberts - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals*

Thank you. Was the Shintech permitting project in line with your expectations?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

I don't know that we had any expectations regarding anything like that. I think it's just a permit and if they go through with what is in that permit, we're 3 to 4 years from anything impacting the market.

John Ezekiel E. Roberts - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals*

Do your ethylene costs from Dow include any effect of the hurricane on Dow's production cost of ethylene?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

No.

John Ezekiel E. Roberts - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals*

Ok, thank you.

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Client Id: 77

Operator

The next question comes from Kevin McCarthy with Vertical Research Partners. Please go ahead.

Kevin William McCarthy - *Vertical Research Partners, LLC - Partner*

Yes, good morning. John, on Slide 5, you referenced the sunset of the mercury cell regulations in Europe as well as a reference to lower vinyls demand in China. Just wondering if you could talk about your expectations for available supply from Europe and China over the near term, directionally? And what that impact will be?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

Are you asking about exports from Europe and China?

Kevin William McCarthy - *Vertical Research Partners, LLC - Partner*

Well, I guess the available amount of Chlor Alkali coming out of those 2 regions of the world, obviously, the mercury cell phaseout's been going on for some time now. Is there incremental restriction in supply of caustic soda that you would see there? And then, analogous question, in China, do you see incremental restriction of supply there or not?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

The only thing we could -- a way to answer that is to look at the trend that we've seen in terms of exports of caustic soda out of Europe and out of China. And we have seen exports from Europe go from between an average of between 500,000 to 1 million tons a year, 5 years ago to what is a limit approaching 0 today. And occasionally, we get inquiries to ship caustic into Europe. So that's a big change. I would say, there's been a very similar pattern from China. There are still nominal quantities of exports that we see coming out of China, less than 0.5 million tons. And there was something in ECU North America this morning about a U.S. producer entering into a long-term contract to supply an alumina producer in China. And I think that's evidence of the declining exports out of both of those 2 regions.

Kevin William McCarthy - *Vertical Research Partners, LLC - Partner*

Thank you for that. And then second question, it's really a 2-parter on 2018 cash flow. You mentioned your IT project. I was wondering if you could tell us what the cash impact of that is expected to be in 2018 as well as any preliminary thoughts on your capital expenditure plans in 2018?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

Kevin, we would prefer to answer that in the fourth quarter when we're really prepared to give full guidance on all of the aspects of that cash flow.

Kevin William McCarthy - *Vertical Research Partners, LLC - Partner*

Ok fair enough. Thank you.

Operator

The next question comes from Eric Petrie with Citi. Please go ahead.

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Eric B Petrie - *Citigroup Inc, Research Division - Senior Associate*

Hi good morning. What are you seeing in China due to environmental regulations in the ECU chain? How much capacity do you think is impacted? And will that dynamic tighten or loosen into 2018?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

I think the most -- the thing we've seen that's the clearest is that we believe there's been between 4 million and 5 million tons of carbide-based EDC shutdown, which obviously spills back into an equivalent amount of chlorine that isn't being produced and, therefore, caustic that isn't being produced. And that's the most concrete information we have based on information we obtained through a study we had done in China.

Eric B Petrie - *Citigroup Inc, Research Division - Senior Associate*

Okay. A question on strategy. With rising export prices, how fast can you ramp up to exporting 25% of your production? And is this impacting renewals of your domestic contracts?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

We can ramp that up very quickly, probably over the course of a quarter. It obviously influences how we negotiate contracts domestically by how much supply we have to sell.

Eric B Petrie - *Citigroup Inc, Research Division - Senior Associate*

Ok thanks.

Operator

Next question comes from Steve Byrne with Bank of America Merrill Lynch. Please go ahead.

Steve Byrne - *BofA Merrill Lynch, Research Division - Director of Equity Research*

Yes, thank you. At current levels of profitability on Chlor Alkali, how close are you to having an attractive return, say, on an investment in either a brownfield Chlor Alkali or greenfield Chlor Alkali, your interest level in such? And if so, where would the incremental chlorine go?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

I think, at the moment, we would tell you our interest in a large greenfield facility is very close to 0. I would also say, and it shouldn't surprise anybody, that we have small opportunities to debottleneck about 5 different plants that we have. And we obviously look at that all the time. And the big driver is, if we did it, could we place the chlorine.

Steve Byrne - *BofA Merrill Lynch, Research Division - Director of Equity Research*

And just to follow on that. The -- your outlook for pricing for the various chlorinated products is fairly constructive, with the exception of EDC in the near term here. How much latitude do you have to shift volumes around to reduce the quantity to EDC?

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John E. Fischer - *Olin Corporation - Chairman, CEO & President*

I would tell you that the biggest single benefit that Olin is deriving from the acquisition of Dow is the multiple outlets that we have for chlorine. As we've said when we made the acquisition back in -- or announced it back in March of 2015, that we were going from 3 outlets to 19 outlets. And I would tell you, we have a lot of flexibility to move things around. We talked -- I talked earlier just about the lever from the Epoxy business being able to consume chlorine and liberate caustic soda, if you will. So we have a lot of flexibility. The other thing I would remind you of is, Olin, over the last 5 to 8 years, has been able to consistently, and through a strategy, grow its bleach business, which is an outlet for chlorine and has grown its on-purpose hydrochloric acid business, which is also an outlet for chlorine that plays into this, if you don't make EDC, what do you do with the chlorine.

Steve Byrne - *BofA Merrill Lynch, Research Division - Director of Equity Research*

And just lastly on that. Do you have a view on what the EBITDA impact might be looking 1 year out based on pricing levels right now on the chlorine side of the business? You made a comment earlier about this $100 million EBITDA impact from caustic pricing. Do you have a similar comment on chlorine?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

I would just say, we've consistently said, and I think there's a slide in there that says that a $10 change in the price of chlorine changes our annual EBITDA by $10 million. And I think we talked about the price increases that are in the index and the other ones that have been announced, the forecast of what do you expect to be realized.

Steve Byrne - *BofA Merrill Lynch, Research Division - Director of Equity Research*

Thank you.

Operator

Next question comes from Dmitry Silversteyn with Longbow Research. Please go ahead.

Dmitry Silversteyn - *Longbow Research LLC - Senior Research Analyst*

Good morning, thanks for taking my call. Can you provide -- I wasn't sure, maybe I missed it, but did you talk about the volume growth or actual volume declines in year-over-year in the Chlor Alkali and Vinyls division?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

We just said in Q3 that volumes in Chlor Alkali were down because of Hurricane Harvey.

Dmitry Silversteyn - *Longbow Research LLC - Senior Research Analyst*

Okay. But you didn't quantify by how much.

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John E. Fischer - *Olin Corporation - Chairman, CEO & President*

No, we did not.

Dmitry Silversteyn - *Longbow Research LLC - Senior Research Analyst*

Okay. In the 20% of your business now that's exported, I think you talked about 3.5 million tons or so that you're going to be exporting this year, how much of that has gone to markets that are typically served by the EU plants that are being converted or shut down or whatever is happening there with Mercury versus sort of new opportunities and you getting into new markets, in which you mentioned Australia being obviously very strong for you, probably from -- because of the declines of Chinese exports into that country. But if you were kind of looking at the EU-related businesses, how much of that 3.5 million do you think has gone into those markets?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

It's my point of view, Jim can comment, but at the moment, very little of that amount that's being exported out of North America in total is going to Europe. We commented on exports were up significantly to Australia. Jim, maybe you want to...

James A. Varilek - *Olin Corporation - EVP and President of Chlor Alkali Vinyls & Services*

Yes, that's correct. I think the majority of the increases that we're seeing out of the Gulf Coast are headed towards Australia, are headed towards Latin America as well, where there's strong demand in the markets that I mentioned earlier, which are the aluminum and pulp and paper markets.

Dmitry Silversteyn - *Longbow Research LLC - Senior Research Analyst*

I guess what I was wondering is, out of that -- you mentioned that EU exports have gone from about 1 million tons down to 0. But that's for the market, obviously, not for you specifically. So I was wondering, of that 3.5 million tons, how much of that million -- of lost EU exports you were able to pick up, that's where I was going with the question.

James A. Varilek - *Olin Corporation - EVP and President of Chlor Alkali Vinyls & Services*

I would say that it's not a material amount, specifically, being picked up by Europe. It's more impacting the trade flows out of Europe than anything else.

Dmitry Silversteyn - *Longbow Research LLC - Senior Research Analyst*

Okay. So in other words, of saying that, would be that all of your export growth is really driven by the declines in Chinese exports, that you're basically filling the spot the Chinese are leaving behind, not so much the European reduced production?

James A. Varilek - *Olin Corporation - EVP and President of Chlor Alkali Vinyls & Services*

I would say that is correct, along with Latin America as well.

Dmitry Silversteyn - *Longbow Research LLC - Senior Research Analyst*

Okay. So really, the Mercury transition in EU is a non-effect for you guys?

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John E. Fischer - *Olin Corporation - Chairman, CEO & President*

I would say that, yes.

Dmitry Silversteyn - *Longbow Research LLC - Senior Research Analyst*

Okay, very good. And I just wanted to follow-up on the Winchester guidance for the quarter. I mean, you kind of gave it directionally, but you provided earlier in the year, $115 million to $125 million EBITDA guidance for Winchester. I'm assuming it's at the very low end if not below that for right now for the year?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

If you do the math, we said we expected Q4 to be similar to Q3. That would put you at about $100 million of EBITDA for the year.

Dmitry Silversteyn - *Longbow Research LLC - Senior Research Analyst*

That's what I thought. I just wanted to make sure I wasn't -- my math wasn't off, ok thank you.

Operator

Next question comes from Matthew Blair with Tudor, Pickering, Holt. Please go ahead.

Matthew Robert Lovseth Blair - *Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - Director, Chemicals and Refining Research*

Hey thanks good morning. You mentioned that Epoxy volumes for your system were up 8% year-over-year. What do you think the total market is growing at? And what areas of Epoxy are growing?

Pat D. Dawson - *Olin Corporation - EVP and President of Epoxy & International*

Yes, this is Pat Dawson. On Epoxy, I would say that there's really nothing impressive on the side of growth overall globally for Epoxy. Europe continues to grow around 4%, which was consistent with last year, a lot of that being driven by infrastructure spending in Europe. In North America, the good news there is the North American market, it contracted last year by about 4%, 5%. And this year, we're seeing improvement of positive growth, albeit very modest, most of that being due to oil and gas.

Matthew Robert Lovseth Blair - *Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - Director, Chemicals and Refining Research*

Great thank you. And then also, there's a comment that caustic demand, you're expecting it to rise 1% to 2% annually. Any thoughts on chlorine demand? Have you seen any -- do you think the overall market has grown in 2017? And what do you expect, going forward, for chlorine thanks?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

I think if you look at chlorine demand, it's forecast to grow at about half of what caustic is expected to grow at. So you know 1%, 0.5%, and a lot of that will ultimately be determined by what happens with things like PVC expansions that there was a comment earlier on Shintech.

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Matthew Robert Lovseth Blair - *Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - Director, Chemicals and Refining Research*

Thank you.

Operator

Next question is a follow-up from Jason Freuchtel with SunTrust. Please go ahead.

Jason Alexander Freuchtel - *SunTrust Robinson Humphrey, Inc., Research Division - Associate*

Hey thanks for taking my follow-ups. First, just a clarification on the impact of the EU. Would you say that your plant in Canada was previously seeing competition from imports from Europe and now, with less capacity coming out of Europe, you're facing less competition for capacity from that plant?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

Generally speaking, the exports that came out of Europe went West towards the East Coast of the United States. So your supposition is correct, and I would say that also has a marginally positive influence on the Niagara Falls plant than we have and also the Charleston, Tennessee plant that we have.

Jason Alexander Freuchtel - *SunTrust Robinson Humphrey, Inc., Research Division - Associate*

Ok thank you And then, also, do you believe the ban on recycled paper in China will impact the demand for caustic soda? And if so, is that impact included in your 1% to 2% demand growth? Thank you and good luck on the quarter.

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

Thank you. I would say that, that's a level of detail we are not able to forecast.

Operator

Next question comes from Richard O'Reilly with Revere Associates. Please go ahead.

Richard O'Reilly

Ok good morning gentlemen. I'm looking at your Slide 15 about the maintenance cost, the turnaround cost. And for the full year, that $212 million. Have you talked about what a normal or average year would look like, or what you think 2018 would look like in terms of maintenance cost?

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

We've said a normal year is somewhere between 2017, which was the $212 million in 2016, which was about $80 million.

Richard O'Reilly

Okay. Somewhere in between, okay. All right, hey, that's it thanks a lot.

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John E. Fischer - *Olin Corporation - Chairman, CEO & President*

Ok thank you.

Operator

This concludes our question-and-answer session. I would now like to turn the conference back over to John Fischer for any closing remarks.

John E. Fischer - *Olin Corporation - Chairman, CEO & President*

Thank you, all, for joining us today, and we look forward very much to talking to you about our fourth quarter results in 3 months. Thank you.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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