FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the first quarter 2008 Olin Corporation earnings conference call. My name is Shequana and I will be your coordinator for today. (Operator Instructions).

I would now like to turn the presentation over to your host for today's call, Mr. Joseph Rupp, Chairman, President and CEO of Olin Corporation.

Please proceed, sir.

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

Good morning and thank you for joining us today. With me this morning are John Fischer, Vice President and Chief Financial Officer; John McIntosh, Vice President and President of our Chlor Alkali Products business; and Larry Kromidas, our Assistant Treasurer and Director of Investor Relations.

Last night we announced that first quarter 2008 earnings per share were $0.50, which more than doubled our first quarter 2007 earnings. We benefited from significant contributions from the Pioneer businesses we acquired last year, including realized synergies, record first quarter results from our Winchester business, and a significant reduction in our legacy pension expenses. Net income in the quarter was $37.3 million, compared to income from continuing operations of $16.6 million in the first quarter of 2007. First quarter 2008 sales were $399.1 million, compared to $255.5 million in the first quarter of 2007.

Chlor Alkali earnings improved 55% compared with the first quarter of 2007, which reflects the contributions and synergies from the Pioneer acquisition and improved pricing. Both the benefits from Pioneer and the pricing improvement allowed the business to overcome significant challenges in the quarter, including an operating rate of 82%. ECU netbacks were $580 during the quarter, compared to $500 during the first quarter of 2007. Winchester's record first quarter pretax earnings of $10.0 million reflect the combination of improved volumes and pricing.

During the quarter, we experienced a number of unplanned outages at our Chlor Alkali facilities that negatively impacted our ability to optimize our operations and increased our operating costs by approximately $2.0 million. These outages were primarily caused by a series of weather events in the eastern United States and Canada that disrupted electricity supplies and prevented the movement of railcars in Canada.

In the second quarter of 2008, Olin expects earnings to be in the $0.45 to $0.50 per diluted share range. Chlor Alkali earnings are expected to improve slightly compared to the first quarter, due to increased chlorine volumes and improved operating rates. ECU netbacks are expected to decrease slightly compared to the first quarter, as weaker chlorine prices and higher freight costs are expected to more than offset higher caustic soda prices. Winchester earnings are expected to decline compared to the first quarter, due to normal seasonal reductions in demand, but improve compared to the second quarter of 2007.

Now in more detailed discussion of our segment results, beginning with Chlor Alkali.

Chlor Alkali Products earned $67.0 million in the first quarter, which includes a $16.7 million contribution from the Pioneer operations. ECU netbacks, as I mentioned earlier, were $580 in the first quarter of 2008, which compares favorably to the first quarter 2007 ECU netbacks in the Olin system of $500. The operating rate in the quarter was 82%, which reflected a number of issues that I will discuss in a minute. Shipment volumes increased 50% year-over-year due to the inclusion of Pioneer; however, on a pro forma basis including Pioneer, volumes would have been down 11% in the first quarter of 2008 compared to the first quarter of 2007. This reduction in volumes resulted from lower levels of overall chlorine demand, especially by vinyls customers.

During the first quarter, we experienced a number of unplanned outages that negatively impacted our operations and affected our ability to service our customers on a timely basis. At both the St. Gabriel, Louisiana and McIntosh, Alabama plants, tornadoes disrupted the operations of our electricity suppliers and prevented us from operating. Our plants did not suffer any significant damage. The McIntosh facility, including SunBelt, experienced a three-day full outage as a result. We also experienced several disruptions of electricity supplies at our Niagara Falls, New York facility, due to cold weather. And finally, we experienced an almost continuous disruption at our Becancour, Canada facility due to consistent and heavy snow, which limited our ability to transport finished product to customers or to receive returning railcars. These issues ultimately led to the force majeure declaration for caustic soda in February. The various work arounds we were forced to employ reduced first quarter earnings by approximately $2.0 million.

We have experienced a steady improvement in our operating rate during the month of April and we are currently running in the mid-to-high 80% range. While chlorine demand has improved in the second quarter from the low levels of the first quarter, we are continuing to see some weakness across a variety of customers and do not expect a significant pickup from bleach until May. The weakness in chlorine demand is putting pressure on chlorine pricing, and we expect to see our second quarter ECU netbacks to decline compared to the first quarter, due to this weakness. Weakness in chlorine prices and higher freight costs will more than offset stronger caustic soda prices.

While we do expect caustic soda prices to improve in the second quarter of 2008 compared to the first quarter, we expect to realize additional benefits from the price increases which were announced in the first quarter, in the third quarter. The pricing in many of our caustic soda contracts is based on published indices, which were slow to reflect the first quarter price increase announcements. This will delay the implementation until the third quarter. In addition, due to the nature of many of our contracts, the recognition of price increase lags price announcements. As a result some of the $60 per ton caustic price increase announced last week will not be reflected until the first quarter of 2009. Taking into account all of these issues, we currently expect ECU netbacks in the third quarter of 2008 to improve compared to the second quarter. Finally, we recently announced a $100 per ton price increase for bleach and a $10 per ton increase for hydrochloric acid. These increases impact approximately 15% of the ECUs produced and sold, and represent an additional $10 to $15 of sales value for all ECUs produced. These are not reflected in our projected netbacks.

Our first quarter 2008 results included approximately $5.5 million of realized synergies despite the unusual operating conditions we experienced. During the quarter, we announced plans to shutdown the production operations of the acquired Dalhousie, New Brunswick, Canada facility. This action will generate $8 million to $10 million of annual cost savings, and was contemplated in our earlier projections of the Pioneer synergies. We currently believe the production shutdown will be completed by the end of the second quarter, and the cost savings will contribute to the third quarter results. We are now optimistic that we will exceed the $35 million estimate of annual synergies by at least $5 million.

During the quarter, we continued to experience increases in costs. Freight costs per ECU increased 35% from the first quarter 2007 to the first quarter of 2008. We also experienced increases in electricity costs. On a pro forma basis, assuming that we had owned the Pioneer operations in both periods, electricity costs increased over $3 million year-over-year. These increases were driven primarily by higher natural gas and coal prices. The trend in both of these costs makes the manufacturing and logistics optimization actions we are taking as part of the Pioneer integration all the more critical.

Finally, we continue to make progress on our St. Gabriel conversion and expansion project. Approximately 55% of our first quarter capital spending was for this project, which is expected to reduce annual operating costs beginning in 2009 by approximately $25 million. The project, which will require $120 million of capital spending in 2008, is expected to come on line early in 2009.

Now Winchester.

Winchester's first quarter earnings of $10.0 million represent a record first quarter for Winchester and reflect the combination of higher selling prices and improved volumes, which were partially offset by higher material and commodity prices. Winchester experienced improved volumes to both law enforcement and military customers, which reflect the contracts that were awarded in 2007. Winchester earnings in the first quarter of 2007 were $8.1 million. First quarter Winchester sales were $110.8 million, which is also a record for the first quarter, and are 11% higher than the first quarter of 2007 sales.

During the first quarter, Winchester and its two major competitors all announced additional price increases to be effective at the end of the second quarter. These increases are a direct reaction to the continued escalation of the prices of both copper and lead. Since the beginning of 2007, the spot price of copper has increased from $3.03 per pound to approximately $3.90 per pound, and over the past 12 months, the price of lead has more than doubled. This represents the 12th price increase for our product since prices for copper and lead began increasing in 2004.

While Winchester has not experienced a decline in overall demand from commercial customers as a result of the price increases, we have begun to experience some customer reactions. In a number of products, we have seen a migration from higher quality, higher performance products down to more standard products. Winchester has also experienced weaker results in its industrial products line, which primarily serves the construction industry.

On the military side, Winchester recently confirmed orders for the third and fourth deliveries under the U.S. Army's small caliber ammunition second source contract. These orders, which total approximately $60 million, call for deliveries of 5.56mm, 7.62mm, and 50 cal ammunition through 2010, and represent an approximately 30% increase in revenue from those being experienced in 2008.

We continue to work hard to reduce the costs in the business. During the first quarter of 2008, Winchester announced plans to relocate approximately 100 military packing jobs from East Alton, Illinois to our facility in Oxford, Mississippi. This relocation, which is expected to be completed by the end of the third quarter of 2008, will likely generate annualized cost savings of approximately $2 million.

Based on our first quarter Winchester results and our second quarter outlook for the business, we now see the opportunity for Winchester's 2008 financial results to significantly exceed 2007's results.

Our first quarter results demonstrated the benefits of the acquisition of Pioneer that was completed in the third quarter of last year. We are realizing the expected synergies ahead of schedule and have actions in place that will allow us to exceed the $35 million we forecast when the acquisition was completed. The reduction in pension costs, that will be discussed in more detail in a few moments, also confirms the pension contribution strategy and plan redesign we have followed over the past several years. I believe the pieces are now in place for continued solid results throughout 2008.

Now I'll turn the call over to our Chief Financial Officer, John Fischer, who will review several financial items with you.

John Fischer - *Olin Corporation - CFO and VP*

Thanks, Joe.

Selling and administrative expenses increased 10%, or $2.9 million, during the first quarter of 2008, compared to the first quarter of 2007. All of the increase is attributable to the inclusion of the Pioneer operations in our first quarter 2008 results. As a point of reference, Pioneer reported SG&A expenses in the first quarter of 2007 of $9.3 million, compared to $3.9 million in our 2008 quarter.

Legal and legal-related expenses were $2.9 million lower in the first quarter of 2008, and the combination of defined benefit and defined contribution pension expenses declined by $3.0 million. These expenses were partially offset by higher incentive expenses, which were primarily the result of mark to market adjustments on stock-based compensation.

Corporate and other expenses in the first quarter of 2008 declined $8.7 million from the first quarter of 2007 primarily due to lower defined benefit pension plan expense, lower environmental expenses, and lower legal and legal-related costs. These were partially offset by higher stock-based compensation and defined contribution pension plan expenses.

First quarter 2008 environmental investigatory and remediation expenses were $5.1 million, compared to $6.1 million in the first quarter of 2007. These charges relate primarily to remedial and investigatory activities associated with former waste sites and past operations. We continue to believe that full-year 2008 charges for environmental investigatory and remedial activities will be approximately 25% lower than full-year 2007 expenses.

Total company defined benefit pension plan income was $3.0 million during the first quarter of 2008, compared to expense of $7.4 million in the first quarter of 2007. This year-over-year improvement reflects the impact of the $100 million voluntary contribution made in May of 2007, favorable investment returns earned in 2007, a 25-basis point increase in the discount rate used to value liabilities, the impact of the plan freeze for salaried and non-bargained hourly employees that became effective January 1, 2008, and an increase in the amortization period for actuarial losses. This $10.4 million decline in defined benefit pension plan expense was partially offset by higher defined contribution pension plan expenses of $2.3 million. All salaried and non-bargained hourly employees, in addition to all employees hired after January 1, 2005, were participating in the defined contribution plan during the first quarter of 2008.

During April, approximately 200 hourly bargained employees in the Chlor Alkali business agreed to convert from a defined benefit pension plan to a defined contribution plan. This conversion, which will result in a curtailment charge in the second quarter, reflects a continuation of our strategy to reduce the risk associated with our defined benefit pension plan. Based on the current funding level of the plan, the makeup of the plan assets, and the participant demographics, we do not believe any additional contributions will be required. In only the worst case scenarios we can model are additional contributions required and in those cases it is not for at least five years.

The tax rate for continuing operations in the first quarter of 2008 was 36.7%, which was in line with our full-year 2008 projected rate of 36% to 37%. The first quarter rate reflects the impact of the Canadian operations we acquired in the Pioneer acquisition, the income of which is not eligible for the domestic manufacturing deduction under the Jobs Creation Act of 2004.

Now turning to the balance sheet.

Cash and cash equivalents at March 31, 2008 were $276 million compared to $282.8 million at March 31, 2007 and $332.6 million at December 31, 2007. Cash and cash equivalents are forecast to decline during 2008, as a result of forecasted capital spending, including the St. Gabriel project.

During the first quarter, we repaid $9.8 million of debt, which was made up of industrial and environmental tax exempt bonds and the final redemption of the Pioneer convertible debt. With these actions, Olin does not face any additional debt repayments until December 2011.

During the first quarter our investment in working capital increased by $62 million, primarily due to the seasonal inventory build that occurs in Winchester. We expect an additional increase in working capital during the second quarter of 2008, again driven by the Winchester business. We expect these increases to be liquidated by year end.

Capital spending during the quarter was $31 million, and as Joe mentioned earlier, 55% of that spending was in support of the St. Gabriel conversion and expansion project. As we discussed in our fourth quarter earnings call, we expect full-year capital spending to be in the $200 million to $210 million range, reflecting the impact of the St. Gabriel project. The majority of the 2008 capital spending is expected to occur in the second and third quarters. Depreciation expense in the first quarter of 2008 was $17.3 million, and full-year depreciation is projected to be approximately $70 million. The completion of the St. Gabriel project will increase the annual depreciation by approximately $10 million.

On April 24, Olin's board of directors declared a dividend of $0.20 per share of Olin common stock. The dividend is payable on June 10, 2008 to shareholders of record at the close of business on May 9, 2008. This is the 326th consecutive dividend to be paid by the Company.

Before we conclude, let me remind you that throughout this presentation, we have made statements regarding our estimates of future performance. Clearly these are forward looking statements and results could differ materially from those projected. Some of the factors that could cause actual results to differ are described without limitations in the Risk Factors section of our most recent Form 10-K and in our first quarter earnings release. A copy of today's transcript will be available this afternoon on our website in the Investors section under Calendar of Events. The earnings press release and other financial data and information is available under Press Releases.

Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions).

Your first question comes from the line of Don Carson with Merrill Lynch. Please proceed.

Don Carson - *Merrill Lynch - Analyst*

Yes, thank you. A couple of Chlor Alkali questions. John, if you can just talk a bit about the lags on pricing. You have mentioned that due to some newsletters, I guess, you got some links in your contracts to various industry publications. So what exactly was the lag from the $80 increase in Q1?

And it was mentioned that the $60 increase announced last week, did I hear that right, won't be implemented or realized until Q1 of next year. I'm just wondering what the delay is there?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

Don, first, let me talk about the delays in recognizing the first quarter increases. Typically, our increases that are driven off index is we will look at the numbers published at the end of each month of a quarter to determine pricing for the subsequent quarter.

The $80 caustic price increase that was announced in February was really not reflected in the end of February indices in several cases, and didn't really show up in any substantial way until the end of March. So that delay in the recognition of that price increase has an impact in our ability to move pricing in the second quarter, but it just pushes that ability to recognize that pricing opportunity into subsequent quarters.

Your second question about resets, our caustic contracts tend to be a little different in nature than Chlorine contracts. Caustic contracts tend to have annual reset mechanisms in them and we have some of those, both ours and ones we acquired through the Pioneer transactions.

And so as a result of that contract structure, those annual resets, will obviously occur at the beginning of 2009 and some of the caustic price increase, the most recent one anyway, will be delayed in impacting our numbers until we get past that reset target date.

Don Carson - *Merrill Lynch - Analyst*

So John, when prices increase in the third quarter, is that the last price increase you can get for the year then on caustic soda?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

Not in all cases, no. In some contracts, where we have these reset mechanisms, that could be the situation. But those aren't prevalent in every contract, so --

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Don Carson - *Merrill Lynch - Analyst*

An in what percentage of your overall contracts would have these or not have these reset mechanisms?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

It is not a large percent in terms of number of contracts that we have, and it is typically in just the caustic contracts, Don.

Don Carson - *Merrill Lynch - Analyst*

Okay. And then turning to the cost side, can you talk to me about power? Can you give us a breakdown now of post-Pioneer, how much of your power you are generating from co-gen using natural gas versus how much is purchased utility power?

And then on the freight side, I know you gave some year-over-year data, but can you sort of talk about, on a dollar per ECU basis perhaps, what those changes have been? And I know that the industry has been meeting with the service transportation board, are you expecting any relief or is freight just going to be ever-escalating here?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

In terms of power, we do not -- we did not before, nor did Pioneer do any co-generation, and both companies now, the resulting combined business, buys all of its electricity from utility suppliers and there is no co-generation done.

Don Carson - *Merrill Lynch - Analyst*

But you had a breakdown of how much in natural gas-fired versus and would pass through fairly quickly versus how much would not pass through as quickly?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

Yes, we do.

Before the combination, Olin was predominantly a coal-fired energy dependent company based on the utilities we bought from, and Pioneer had a predominance of natural gas in terms of their fuel mix.

When you put the companies together, the top four fuel sources are coal, natural gas, hydro, and nuclear. And those are relatively comparable in terms of percentage quantities. And so we feel like the portfolio is very balanced and is improved as a result of the acquisition that we made in terms of lessening the dependence from Olin's perspective on coal and from Pioneer's perspective on natural gas.

In terms of freight, we provided in our last earnings call, a baseline freight number on an ECU basis. What we have said in the comments is that we saw an approximate 35% increase in freight on a year-over-year basis from looking at the first quarter.

And I would say that looking at the second quarter, we expect to see a similar increase in freight rates. The industry, as well as Olin, has been working the freight issue, including testimony in front of the SPV recently. I wish I could report that I was confident that there was an end to escalating freight rates in sight, but I don't really believe I have that comfort level now.

It is important to realize in our system that every one of our plants is captive to one and only one rail provider. So obviously, with only one provider, there is a complete lack of any competitive opportunity to try to drive freight rates lower. And so we will continue to work the issue and it is of paramount importance to us and the industry in general.

Don Carson - *Merrill Lynch - Analyst*

Do you put in any surcharges in your contracts for freight so that you can pass it along to your customers?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

We do. Every contract that we negotiate now, it is our intent and our attempt to separate the price of the product from the price of freight and fuel charges.

Don Carson - *Merrill Lynch - Analyst*

Okay, great. Thank you.

John Fischer - *Olin Corporation - CFO and VP*

Don, maybe I could -- this is John Fischer, give you just a couple of mathematics here. If you look at the comparison quarter by quarter of 2006 versus 2005, freight cost per ECU increased approximately 15% during the year. And that varied anywhere from 3% up to 18%.

If you look at the comparison of the quarters in '07 versus '06, that increase was more in the 22% to 24% range. So not only have we seen escalation, but we are seeing escalation at a sort of an escalating rate right at the moment.

Don Carson - *Merrill Lynch - Analyst*

Okay, thank you.

Operator

Your next question comes from the line of Frank Mitsch with BB&T Capital Markets. Please proceed.

Frank Mitsch - *BB&T Capital Markets - Analyst*

Hi. Good morning, if I could just revisit the contract situation on caustic soda. You are talking about resets for some of the contracts, are you bumping up against some caps in some of the contracts which is prohibiting your ability to push through the price increases?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

Frank, I would characterize it as the contracts have reset mechanisms that provide a limit in how much movement can occur during any period of time. And so, those reset on a frequency, typically on an annual frequency, and those are the limitations that we are talking about that will be reset in the first of 2009.

Frank Mitsch - *BB&T Capital Markets - Analyst*

You had a situation where the industry was pushed through with $75 per ton price increase on caustic soda in the first quarter and obviously, you don't realize all of that right away. Traditionally, you realize up to half in that quarter and then the balance in the following quarter.

And then for the second quarter, the industry announced a $50 caustic soda price increase, and then subsequently announced an additional $30 price increase for a total of $80.

So is the assumption that for the second quarter, part of that, the $80 is off the board so you are getting part of the $50, and then the balance, you are going to be getting in 3Q and 4Q? And then because if this has escalated your overall increase number, that's why we are not seeing any of the $60 or perhaps $65 Q3 increase until 1Q '09.

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

Yes, sir. That's correct.

Frank Mitsch - *BB&T Capital Markets - Analyst*

All right, terrific.

Can you talk a little about the import environment of caustic soda? With the escalation in pricing, are you seeing the import window open up, can you comment on that? And can you comment on what impact do you believe the Shintech expansion will have on the marketplace?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

In terms of imports, we have really not seen any increased import activity into the U.S., either on the West Coast or on the East Coast. And quite honestly, although the last time this situation occurred where there was this significant a differential between U.S. pricing for caustic and pricing in other geographies of the world, we did see an increase in imports at that point in time, but haven't seen that yet and I can only say that that's continuing to be impacted by currency, the currency situation, and the weakness of the dollar and operating problems in the Far East as well as in Europe. And so we have just not seen it yet.

Frank Mitsch - *BB&T Capital Markets - Analyst*

And Shintech?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

Your other question, with Shintech. Our latest information is the Shintech startup will occur sometime late in this quarter and that material will be available from their facility during that period of time.

We have really not seen any impact at almost the same time during the same quarter anyway that they're bringing capacity on. Oxy has just announced the conversion of their plant in Taft from sodium hydroxide to potassium hydroxide, yielding a significant net reduction in sodium hydroxide capacity.

So that, coupled with the fact that we see ever increasing caustic soda demand from South America, leaves us to forecast that the Shintech startup, contrary to what was thought historically anyway, will have very minimal impact on the caustic market in the US.

Frank Mitsch - *BB&T Capital Markets - Analyst*

All right, great, and then lastly, just coming back to the various price increases. And I understand that chlorine prices are down, but I would imagine that chlorine prices are down roughly half of what caustic prices are moving up, then with the sort of scenario of a slow domestic economy but not recessionary global environment, is there any reason to expect that as we exit 2008, the industry is not in a better position than when we exited 2007?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

We believe that to be the truth, Frank. The industry will be stronger at the end of this year than we were coming into this year.

Frank Mitsch - *BB&T Capital Markets - Analyst*

All right, thank you.

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

Thank you, Frank.

Operator

Your next question comes from the line of Christopher Butler with Sidoti. Please proceed.

Christopher Butler - *Sidoti & Co. - Analyst*

Hi, good morning, guys.

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

Good morning.

Christopher Butler - *Sidoti & Co. - Analyst*

Sorry if I missed it at the front end, I missed the first couple of minutes of the call, but the cost associated with the interruptions in the quarter, you have pegged that at $2 million.

Could you give me an idea of what that $2 million represented? Is this, just sort of getting things back online, that sort of thing?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

Really, the impact, the $2 million is a measure of production mix. In other words, we produced ECUs at a location that may not necessarily have been the lowest cost for us, and that was driven by operating problems at a location where preferentially, we would have liked to produce them. I think the $2 million may well have been conservative because other impacts that occurred could've been logistics-related and those would have really been disguised by some of the netback change from a quarter-to-quarter basis.

Christopher Butler - *Sidoti & Co. - Analyst*

Associated with the interruptions as well, I'd have to assume that there were sales that were lost. Can you quantify that for us at all?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

That $2 million number assumes no sales lost because the operating rates for the quarter were in the low-80%. So our assumption was we didn't lose sales as a result of any of the impact.

Christopher Butler - *Sidoti & Co. - Analyst*

And shifting gears to Winchester, you seem to indicate that your non-military, there is a shift in volumes from some of the premium ammunition down a little bit. I assume that in that shift, that the lower grade ammunition was something that Olin supplied. Are you seeing that go on as well throughout the full chain of the quality ammunition?

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

We are seeing in the commercial area, Chris, and primarily in the target shooting loads is where we are seeing it at this point in time. And the reason we point it out is that there's been significant price increases that have been taken and we have always been concerned what is going to happen with the consumer and the reaction of the consumer is he is still shooting, he is just shooting a little bit lower-grade product.

Christopher Butler - *Sidoti & Co. - Analyst*

I apologize, it was definitely a confusing question that I just asked. But I guess what I was getting at, are you seeing that there are customers that are kind of dropping off the bottom of Olin to producers that produce ammunition even lower-grade than you do?

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

No.

John Fischer - *Olin Corporation - CFO and VP*

In fact, Chris, I think we stated that volumes in Winchester in the first quarter of 2008 were higher than they were in the first quarter of 2007.

Christopher Butler - *Sidoti & Co. - Analyst*

And do you have that number?

John Fischer - *Olin Corporation - CFO and VP*

We have never given out volume as an absolute number, but absolute numbers were higher in '08 than they were in '07.

Christopher Butler - *Sidoti & Co. - Analyst*

All right, thank you for your time.

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

Thank you.

Operator

Your next question comes from the line of Mike Judd with Greenwich Consultants. Please proceed.

Michael Judd - *Greenwich Consultants - Analyst*

Yes, good morning.

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

Good morning.

Michael Judd - *Greenwich Consultants - Analyst*

A question about some of your corporate items, at least your outlook for the June quarter, can we use the first quarter run rate for pension, environmental and other corporate is pretty much the run rate, on a quarter rate basis for the rest of the year?

John Fischer - *Olin Corporation - CFO and VP*

I would make two comments on that. I mentioned in my remarks that we would have a curtailment charge in the second quarter associated with the conversion of some employees from the defined benefit plan to a defined contribution plan. That will raise pension expense in the second quarter versus the first.

And then after that, I would say the first quarter is a good model for the balance of the year.

If you do the math, and what we told you on environmental where we said it would be down year-over-year about 25%, that would suggest that the first quarter is a little lower than the average we would expect for the year and therefore, we would expect a little bit of an increase in Q2 through the balance of the year.

Michael Judd - *Greenwich Consultants - Analyst*

And what about the other corporate and unallocated?

John Fischer - *Olin Corporation - CFO and VP*

I think what you saw in the first quarter is representative of what you should see for the balance of the year.

Michael Judd - *Greenwich Consultants - Analyst*

Okay, and I think you mentioned that you felt that working capital would be a use of cash in the second quarter, do you have a sense of how big is that going to be?

John Fischer - *Olin Corporation - CFO and VP*

Not as much as the first quarter.

Michael Judd - *Greenwich Consultants - Analyst*

Maybe like $15 million or something like that.

John Fischer - *Olin Corporation - CFO and VP*

I would think that is on the high side.

Michael Judd - *Greenwich Consultants - Analyst*

Okay, thanks a lot.

John Fischer - *Olin Corporation - CFO and VP*

You're welcome.

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

Thank you.

Operator

Your next question comes from the line of Edward Yang with Oppenheimer. Please proceed.

Edward Yang - *Oppenheimer Securities - Analyst*

All right, good morning gentlemen.

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

Good morning.

Edward Yang - *Oppenheimer Securities - Analyst*

I'd like to better understand the pricing lag from the contracts again. As you realize some of the price increases you have announced in the past, in subsequent quarters, and your own raw material costs rise, how much of the cost increases will be offset just by raw materials escalation? And what is the effective benefit that Olin sees from some of these past price increases?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

Well, I'd go back to our prepared comments. We said chlorine prices, directionally, are headed down because of the weakness in demand. We have said that, and we typically see operating cost increases predominantly driven by electricity which as we get into the high demand seasonal periods, we pay higher prices for electricity, and we'll also see electricity increases driven by the rapidly escalating commodity prices of coal and natural gas, which are trying to get to parity with crude oil.

We have said that we expect significant increases in freight which impact our ability to effectively pass through price increases and reduce our netback supportingly. And all of those things will work against the trend line for improved caustic pricing which we will see as a virtue of the price increases that have been announced.

We don't quantify how much we expect the individual molecules to move in terms of pricing, so that's the best I can give you in summary.

John Fischer - *Olin Corporation - CFO and VP*

I think the best way to think about it is what we have said. In the second quarter, the increased cost of freight and the reduced chlorine prices are going to cause a slight decline in ECUs, which means this is going to more than offset the increased price of caustic.

We did say that we also expect ECU values to improve in the third quarter which means we expect the price of caustic to increase more than the cost of freight and the decline in chlorine. And so we are all seeing benefits of the price increase.

Edward Yang - *Oppenheimer Securities - Analyst*

Okay, and they'll be mostly in the second half of the year?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

Yes, that's correct.

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

That's right.

Edward Yang - *Oppenheimer Securities - Analyst*

Moving on to the St. Gabriel upgrade. I understand that when the upgrade was first announced, you had a significant cost advantage because of your pipeline position there and I understood it as that it was an opportunity for you to take some market share.

At this point, do you still think that the customers at that St. Gabriel plant will take up the volume once your upgrade is fully up and running?

John McIntosh - *Olin Corporation - VP and President of Chlor Alkali Products*

The project was initially justified in terms of the increased capacity, there's approximately 50,000 ECUs a year of increased capacity that will come out of the new facility. Part of the expansion was the ability to sell some or all of that expansion volume to the customers via pipeline in that complex. And we are working with the customers there to continue to improve our competitive position with those customers and see opportunities to in fact, move some of that incremental output from the newly converted plant via pipeline to those customers that we're currently working with.

Edward Yang - *Oppenheimer Securities - Analyst*

And my final question is on the tax rate.

Is your expectation for the tax rate for '08 to be around 36% to 37%?

John Fischer - *Olin Corporation - CFO and VP*

That's correct.

Edward Yang - *Oppenheimer Securities - Analyst*

Okay, did that change from the last quarter, John?

John Fischer - *Olin Corporation - CFO and VP*

I think we had at one point said 35% to 37%.

Edward Yang - *Oppenheimer Securities - Analyst*

Okay, thank you very much.

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

Thank you.

Operator

Your next question comes from the line of John Roberts with Buckingham Research. Please proceed.

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

Good morning, John.

Operator

Mr. Roberts, your line is open.

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

I think we lost him.

Operator

At this time, there are no further questions, I would now like to turn the call back over to Mr. Joseph Rupp for closing remarks.

Joseph Rupp - *Olin Corporation - Chairman, President and CEO*

Thank you for joining us and we look forward to reporting the results of our second quarter in late July. Thank you and have a good day.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect and have a good day.