FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the Q1 2010 Olin Corporation earnings conference call. My name is Keyonna, and I will be your operator for today. At this time, all participants are in a listen-only mode. We will conduct a question-and-answer session. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes. I would now like to turn the call over to your host for today, Mr. Joseph Rupp, Chairman, President, and Chief Executive Officer. You may proceed.

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

Good morning. 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 net income in the first quarter of 2010 was $14.1 million or $0.18 per diluted share, compared to $46.7 million or $0.60 per diluted share in the first quarter of 2009.

Winchester achieved the highest level of first quarter earnings in its history and its second best quarterly results ever, reflecting the continuation of the stronger than normal demand that began in the fourth quarter of 2008. Winchester's record level of quarterly earnings occurred in the third quarter of 2009. In the first quarter of 2010, Winchester benefited from lower commodity costs and reduced bad debt related expenses when compared to the first quarter of 2009, which more than offset lower sales volumes.

First quarter 2010 Winchester volumes remained well above 2008 levels. Winchester's first quarter 2010 segment earnings were $19.5 million compared to $17 million in the first quarter of 2009. Chlor Alkali first quarter 2010 segment earnings of $10.6 million reflected a sequential improvement from the fourth quarter 2009 earnings of $5.2 million. Both ECU netbacks and product volumes improved from the fourth quarter of 2009. First quarter 2010 Chlor Alkali segment earnings included approximately $1.4 million of costs, directly associated with the first quarter force majeure event at the McIntosh Alabama facility. The first quarter 2010 Chlor Alkali operating rate was 75% compared to the fourth quarter 2009 rate of 70%.

First quarter 2010 earnings included $2.6 million of pretax recoveries from third parties of environmental costs incurred and expensed in prior periods. A $1.3 million pretax charge associated with an agreement to withdraw from a multi-employer defined benefit pension plan, and a $3.8 million favorable adjustment to income tax expense. Second quarter 2010 net income is forecast in the $0.15 to $0.20 per diluted share range. Second quarter 2010 Chlor Alkali segment earnings are expected to more than double compared to the first quarter of 2010, reflecting both improved pricing and improved demand. Segment earnings for Winchester are projected to decline from first quarter levels, primarily due to higher commodity costs. Charges to income for environmental and remedial activities are forecast to increase to the $6 million to $8 million range in the second quarter 2010. This second quarter 2010 forecast for environmental and remedial costs does not include any recovery of costs incurred and expensed in prior periods. The second quarter 2010 forecast includes approximately $2 million of favorable tax adjustments to income tax expense.

Now, let me discuss the segments in more detail. First Chlor Alkali. During the month of March, our Chlor Alkali experienced the highest level of chlorine demand since the third quarter of 2008. And this level of demand has continued into April. Our operating rate during the month of March was 80%, which represents a significant improvement over the 70% in January, 75% in February operating range. The overall first quarter 2010 operating rate of 75% represents a meaningful improvement over the first quarter of 2009 rate of 65%.

During the first quarter of 2010, we experienced an unplanned 7-day outage at our McIntosh, Alabama facility that resulted in a force majeure declaration on January 15th. While we were able to satisfy our customers with shipments from other locations, it did result in approximately $1.4 million of additional first quarter expenses. The force majeure declaration was lifted on January 28th.

First quarter 2010 chlorine and caustic soda demand increased 20% from first quarter 2009 levels. During the first quarter of 2010, we also experienced a significant increase in potassium hydroxide shipments, which more than tripled over first quarter 2009 levels. First quarter 2009 shipment levels were adversely impacted by a raw material availability issue associated with the labor stoppage at a supplier. First quarter 2010 shipments of hydrochloric acid declined 23% compared to the first quarter of 2009, reflecting the combination of lower levels of domestic oil and natural gas drilling and an increase in the amount of by-product acid available in the market.

Bleach sales, which I will discuss in more detail in a minute, increased 12% in the first quarter of 2010 compared to the first quarter of 2009. This represents the ninth consecutive quarter where we have experienced year-over-year increases in bleach shipments. The increase in chlorine demand was reflected in first quarter 2010 shipments to urethane and vinyls customers, which increased 61% and 4% respectively, compared to the first quarter of 2009. While first quarter 2010 chlorine demand has improved, it does remain well below the levels experienced in the 2005 to 2007 period.

Looking ahead to the second quarter, we are optimistic that the demand levels experienced in March will continue. As we move to the second quarter, we anticipate seasonal demand for bleach to result in higher operating rates. Also during the second quarter, we have maintenance outages planned at four of our facilities, including a 14 day outage in Henderson, Nevada, and a 7 day outage in Niagara Falls, New York. Over the past year, we've continually taken steps to optimize operations in response to the reduced demand environment we have faced.

The capacity at our Becancour, Canada facility has been reduced by 65,000 tons or 20%. This is diaphragm capacity that would take several months to bring back online, and may never be restored. Because of its location, the Becancour facility incurs some of the highest freight costs in our system. In addition, we permanently eliminated a total of 5,000 tons of capacity at our mercury cell plants.

The combination of these actions have reduced our total Chlor Alkali capacity by approximately 4% and we are continuing to assess actions that will result in the most cost effective system.

We currently believe that the full amount of the first quarter $75 per ton caustic soda price increase has been accepted in the marketplace and has been reflected in the pricing indices. Our first quarter 2010 ECU netback was approximately $440, which represents a 4% improvement over the fourth quarter 2009 netback, and reflects the combination of improved caustic soda pricing and lower freight costs.

During the first quarter, an additional $80 per ton caustic soda price increase was announced for implementation on April 1. There's pressure to implement the price increase gradually throughout the quarter, which limits the positive benefit we could experience in the second quarter. We believe the industry is aggressively pushing this price increase. During the second quarter, we also expect chlorine prices to weaken in our system. This decline in chlorine prices reflects the weakness of chlorine demand that the industry experienced early in the first quarter which was reflected in price indices at March 31 and will impact our contracts in the second quarter. The decline in chlorine price will mitigate some of the benefit from the caustic price increase.

We continue to focus on optimizing our plant utilization to minimize our manufacturing costs. For the third consecutive quarter, electricity costs per ECU produced declined. In the first quarter of 2010, these costs were 8% lower than first quarter 2009. And it continues to reflect on our efforts to produce our products at the most cost efficient facility and during the times and days of the week that are the least costly.

In the first quarter of 2010, the recently completed St. Gabriel, Louisiana facility accounted for approximately 15% of our total production. Utilization of the St. Gabe facility and the associated shipment of chlorine by pipeline resulted in a 6% reduction in freight costs per ECU. It's the first time since 2005 that we've seen a reduction in freight costs per ECU. That being said, the cost of shipping our product by rail, especially the chlorine side of the molecule, has been and will continue to be challenging. To put the degree of this challenge into perspective, on a facility specific basis, since 2002, we've seen freight costs increase at a compounded rate by as much as 25%. and as I said earlier, freight costs were a key factor in the decision to reduce capacity at our Becancour Canada facility and in our decision to convert and expand the St. Gabriel facility. As I mentioned earlier, bleach volumes in the first quarter of 2010 increased 12% compared to the first quarter of 2009, and have increased 24% since the first quarter of 2008. We continue to believe that we can grow our bleach volumes in 2010 by 30% compared to 2009. A portion of this growth will be accomplished by expanding our ability to ship bleach by rail, which is expanding our geographic reach

We're also seeing an increasing number of municipalities electing to switch to bleach to avoid handling chlorine. This also presents an opportunity for Olin to grow its business. In addition, we are continuing to look for and to investigate investments further to expand the bleach business.

During the first quarter, we made a small investment to expand our bleach joint venture, which operates in the southeast. This investment will increase the joint venture's bleach shipments by about approximately 25%. As we have mentioned in the past, we are currently in the process of expanding our bleach manufacturing and shipping bleach by rail capabilities at three of our Chlor Alkali locations.

These projects are expected to be completed by summer. We also expect to initiate in the next 30 days, the low salt, high strength bleach facility project that we discussed inour fourth quarter call. This facility, which will be co-located with one of our Chlor Alkali facilities will require $15 million to $20 million of capital between 2010 and 2011. The facility will increase our bleach making capacity by approximately 15%. We're also in the early stages of evaluating a second low salt, high strength bleach plant that could begin production in 2012.

In prior quarters, we've discussed legislation that had been introduced in both the United States House of Representatives and the United States Senate which, if enacted, would ban the production of chlor alkali products using mercury cell technology two years from the date it was enacted into law. During October of 2009, the House Committee on Energy and Commerce passed a bill that would require chlor alkali producers using mercury cell technology to make a decision by June 30, 2012 as to whether to shut down or to convert the facilities. If the decision is to convert, the mercury cell plants would be required to be converted by June 30, 2015. If the decision is to not convert, the plants will be required to shut down by June 30, 2013. For this bill to become law, it must be passed by the full House of Representatives and the full Senate. No additional action has been taken on this bill since October 2009 in the House of Representatives. And no action at all has been taken in the Senate. If the same bill does not pass both houses of Congress prior to the end of the legislative session, the legislative process must begin over. As a reminder, Olin currently operates two facilities that utilize mercury cell technology totaling approximately 350,000 ECUs or 18% of our capacity. Olin continues to operate these facilities in full compliance with all rules and regulations.

Now, turning to Winchester, Winchester experienced the highest level of first quarter earnings in its history and second highest level of quarterly earnings ever. First quarter 2010 Winchester sales were $131.4 million, a decrease of 1% compared to first quarter 2009 sales. Despite the small decline in first quarter 2010 sales compared to 2009, sales remain strong by historical standards. When compared, for example, when compared to 2008, first quarter 2010 sales were 19% higher. First quarter 2010 commercial volumes declined 5% compared to the first quarter of 2009, which reflects a lower level of inventory in our system entering 2010, which limited our ability to ship product and not a reduction in demand.

Inventories entering 2009 were more robust. A commercial backlog at the end of first quarter of 2010 of $159 million remained robust and compared favorably to the first quarter of 2009 commercial backlog of $148 million. The first quarter 2010 decline in commercial sales was partially offset by improved military, law enforcement, and industrial product sales, which increased 12% year-over-year. Military and law enforcement sales represented in excess of 30% of Winchester sales during the first quarter of 2010. Backlog at the end of the first quarter of 2010 for these products also remained robust at approximately $120 million. During April we received two additional military contracts totaling approximately $53 million. Deliveries on these new contracts will begin in the fourth quarter of 2010.

Winchester earned $19.5 million in the first quarter of 2010 compared to $17 million in the first quarter of 2009. Winchester's first quarter 2010 earnings benefited from lower commodity and other material costs as well as lower levels of bad debt expense which more than offset the negative impact of lower volumes. During the first quarter of 2010, the acquisition price of three major commodity metals used by Winchester all declined compared to the first quarter of 2009. The average price of copper declined 25%, zinc 12%, and the average price of lead declined 10%. As we look forward to the second quarter of 2010, Winchester does not expect to realize significant benefits from lower commodity and other material costs compared to the second quarter of 2009. Over the past three quarters, there has been a steady increase in the price of these key commodities. The spot price of copper has increased from $2.26 a pound at the end of June 2009 to $3.55 per pound at the end of March 2010, while lead has increased from $0.78 to $0.96 and zinc has increased from $0.70 to $1.07 over the same periods.

As a result of these increases, Winchester has announced a price increase of 3% to 5% across its product lines effective April 1, 2010. The success of these increases is uncertain. As we look forward to the second quarter and the balance of 2010 and the Winchester business with a level of inventory in the pipelines and in the stores is improving. This is especially true of certain paramilitary and hunting rifle products. This is not however the case for pistol ammunition which remains in very short supply. The combination of the shortages that still exist and the need to refill the supply line should allow the current elevated sales levels to be maintained at least through the second quarter of 2010. We continue to feel very good about our Winchester business.

From a total company perspective, our first quarter 2010 results were well below the record earnings we experienced in the first quarter of 2009. However, the feeling today is much different than it was a year ago. Last year we were faced with rapidly declining prices and demand in the chlor alkali business, and a very uncertain future demand environment. Today, we believe the demand environment in Chlor Alkali has stabilized. And we are looking forward to seasonal strength from some of our chlorine customers in our downstream potassium hydroxide and bleach businesses.

Looking back at the past three quarters, they contained the lowest levels of chlor alkali demand many of us have ever seen. And our Chlor Alkali business remained profitable. This is a far cry from what we've experienced in the trough of previous cycles, in which Chlor Alkali business lost tens of millions of dollars. We've clearly benefited from the synergies realized from the Pioneer transaction and from the contributions of value added products such as potassium hydroxide and bleach have made. While we need a stronger sustained overall economy for the chlor alkali business to reach its potential, we believe we are well positioned.

I would also like to re-emphasize the significant contributions the Winchester business has made. We believe that Winchester will continue to contribute meaningfully to Olin's results and we believe that its earnings after the current surge ends will be stronger than we saw prior to the surge. Now I'd like to turn the call over to Chief Financial Officer John Fischer, who will review several financial items with you.

John Fischer - *Olin Corporation - VP, CFO*

First I'd like to discuss a few items on the income statement. Selling and administration expenses decreased $7.1 million or 18% in the first quarter of 2010 compared to the first quarter of 2009, primarily due to a lower provision for doubtful accounts receivable of $4.6 million. During the first quarter of 2009, we experienced multiple customer bankruptcies in both the Chlor Alkali and Winchester businesses. Legal and legal related settlement costs declined in the first quarter 2010 compared to the first quarter of 2009. These expenses relate to both recovery actions for environmental costs incurred and expensed in prior periods and for legacy environmental sites.

Finally, first quarter 2010 incentive compensation costs declined by $2.1 million compared to the first quarter 2009, but were offset by a $2.2 million increase in stock based compensation expense due to mark to market adjustments. As a point of reference, every $1 change in the stock price changes pretax stock based compensation expense by approximately $500,000.

First quarter 2010 credits to income for environmental, investigatory, and remedial activities were $2 million, which includes the $2.6 million recovery of environmental expenses incurred in expense in prior periods that Joe mentioned earlier. During the first quarter of 2009, there were $4.8 million of charges related to environmental, investigatory and remedial activities. These charges relate primarily to remedial and investigatory activities associated with former manufacturing operations and waste disposal sites.

Excluding the favorable impact of the recovery of environmental costs incurred and expensed in prior period, we continue to forecast to charges to income for remedial and investigatory activities will increase 5% to 10%, compared to 2009 levels. As Joe said in his remarks, we expect these costs to be approximately $6 million to $8 million in the second quarter of 2010. We do believe there are additional opportunities to recover environmental costs incurred and expensed in prior periods in 2010. But the timing and the amount of any additional recoveries is uncertain.

On a total company basis, defined benefit pension plan income was $4.8 million during the first quarter of 2010 compared to $3.7 million of income in the first quarter 2009. As I mentioned earlier, the first quarter of 2010 also included a $1.3 million charge associated with a voluntary agreement to withdraw from a multi-employer pension plan at our Henderson, Nevada, Chlor Alkali facility. We are not required to make any cash contributions to our domestic defined benefit pension plan in 2010 and believe the earliest we may be required to make any cash contributions is 2012. We do have a small Canadian defined benefit pension plan to which we will be required to make small contributions in 2010. Defined contribution pension expense was $4.0 million in the first quarter of 2010 and in the first quarter of 2009. As a reminder, our defined benefit pension plan is frozen to all new entrants, all salaried, all nonunion hourly, and most union employees. As a result, the majority of our active employees participate in the defined contribution pension plan.

The tax rate during the first quarter of 2010 was 7.2% compared to the first quarter 2009 rate of 37.2%. The first quarter 2010 rate included a $1.8 million reduction in expense associated with the expiration of statutes of limitation in domestic jurisdictions. A $1.6 million reduction in expense related to the release of a portion of a valuation allowance recorded against a foreign tax credit carry forward deferred tax asset in Canada. And $400,000 benefit associated with prior period tax returns. In addition to these three items, the permanent book to tax difference is normally recognized by the Company, reduced overall income tax expense. In periods of low taxable income, these items have a disproportionate impact on the income tax rate.

During the first quarter of 2010 these permanent items reduced the effective tax rate by approximately 4%. In the second quarter of 2010 we expect to recognize an additional $2 million of favorable tax adjustments related to both the expiration of statutes of limitation and domestic jurisdictions, and an additional release of a portion of the valuation allowance recorded against a deferred tax asset in Canada. The Patient Protection and Affordable Health Care Act and the associated reconciliation act were signed into law in March. These acts did not have a material effect on our financial statements.

Now turning to the balance sheet. Cash and cash equivalents at March 31, 2010 were $411 million compared to $458.5 million at December 31, 2009, and $168.6 million at March, 31, 2009. The decrease in the cash balance from December 31st reflects a normal level of seasonal working capital growth in both the Chlor Alkali and Winchester businesses. In the Chlor Alkali business, the increase in working capital reflects the improved sales volumes that were experienced in March while in the Winchester business the increase in working capital reflects the normal buildup of inventory as the business moves towards the fall hunting season.

We expect working capital in both businesses to continue to increase in the second quarter due to the same seasonal factors. Olin typically experiences working capital growth of $50 million to $100 million during the first quarters of each year, followed by a third and fourth quarter liquidation.

Capital spending during the first quarter of 2010 was $21.4 million compared to $49.8 million in the first quarter of 2009. The year-over-year decline reflects the completion of the St. Gabriel conversion and expansion project, which was ongoing during 2009. Full year 2010 capital spending continues to be forecast in the $70 million to $80 million range and depreciation expense is forecast to be in the $85 million to $90 million range.

During 2009, Olin was able to reduce its cash tax payments as a result of accelerated depreciation allowances included in the 2009 American Recovery and Investment Act. During 2010, we believes it is likely that Olin will not, after giving consideration to expected refunds, pay any cash income taxes. On April 22, 2010, Olin's Board of Directors declared a dividend of $0.20 on each share of Olin common stock. The dividend is payable on June 10, 2010 to shareholders of record at the close of business on March 10, 2010. This is the 334th consecutive quarterly dividend to be paid by the Company.

Before we conclude, let me remind you 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 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 invests. The earnings press release, other financial data and information, are available under Press Releases.

Operator, we're now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). The first question coming from the line of Frank Mitsch of BB&T Capital Markets.

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

Good morning, gentlemen. You discussed that the $75 per ton price increase on caustic soda was implemented in the first quarter, but some of it obviously gets put due to contracts bled into the second quarter. And it was late in the first quarter as well. So you didn't see much of the benefit there. And I think you indicated that the $80 per ton increase in the industry is fighting hard for and has been implemented in certain geographies. So I'm trying to get a sense looking at what does this $155 increase in caustic mean for your ECU netbacks as we look at the second quarter and the third quarter. Can you give some idea as to how you anticipate these increases being reflected in your ECU netbacks?

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

Quickly, I think that John can talk in more detail. I think we'll see caustic coming up in the second quarter and chlorine coming down in the second quarter and we'll see increases in ECU in the third quarter.

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

But, John, would you anticipate that chlorine would be anywhere near the order of magnitude of the caustic increase?

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

Are you talking about the chlorine decrease?

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

Is the order of magnitude of the chlorine decrease enough to offset the order of magnitude of the caustic increase.

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

Unfortunately, it will offset a big piece of it. If you look at as an example in the last two quarters CMAI is reflected an $85 decrease in their indexed chlorine pricing, and $105 increase in their indexed caustic pricing. If your use those as a proxy, there is a pretty significant erosion of the improvement in caustic pricing that chlorine will eat into. The first quarter is a transition quarter in some respects. Chlorine pricing is moving down, but that's not a reflection of chlorine demand. We believe that demand is such that in out quarters, chlorine pricing will stabilize and if demand continues, then we expect to see upward pressure on chlorine pricing as well.

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

Joe said the use of chlorine in PVC was up 4% sequentially, you certainly would expect much greater than that in the second quarter, would you not?

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

We believe that to be the case. The first quarter theme was really on the demand side was really exports. We saw chlorine derivative exports strong both in the vinyls chain and even stronger in MDI TDI and in TIO2. We also saw pulp exports strong in the first quarter which has the direct connection with caustic demand. And in the second quarter, we don't see that trend doing anything but continuing. So as we look at all the different market segments we serve, we see the demand improvement quarter over quarter being very broad.

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

You should also be realizing some benefit from lower energy costs, correct?

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

Yes, sir. That is correct.

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

Okay, so I guess the way to think about it is your ECU is better Q2 but even much better than that in the third quarter with chlorine erosion having stopped.

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

That's exactly right, Frank.

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

And lastly, Joe, I think you said that bleach volumes were up 12% in the first quarter yet you're anticipating it to be up 30% for the full year. And so is that mostly a second half event? Or are we going to see this ramp in the second quarter as well? How should we think about that?

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

When you think about bleach demand, you have to partition it into the seasonal, non-seasonal quarters and the second and third being quarters where you see the high seasonal demand. And we expect to see the significant improvement in demand to occur during the peak part of the season.

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

Second and third quarter.

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

Perfect, thank you.

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

Thank you, Frank.

Operator

Our next question comes from the line of Christopher Butler of Sidoti & Company. You may proceed.

Christopher Butler - *Sidoti & Co - Analyst*

Hi, good morning, guys.

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

Good morning.

Christopher Butler - *Sidoti & Co - Analyst*

Just wanted to circle back with the ECU pricing question a little bit more. As far as any declines that we're seeing on pricing for chlorine, is the lag in that pricing similar to what we experienced on the caustic side? Or is there a difference there?

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

No, it's pretty similar. When you look at indexed pricing in the first quarter of 2010 for chlorine that indexed pricing went down and so we'll see the negative impact of that in the second quarter. Indexed pricing for caustic in the first quarter, it went up and so we'll see the positive benefit of that in the second quarter and on.

Christopher Butler - *Sidoti & Co - Analyst*

And on the netback expense side, you guys had given us a bunch of the numbers, the breakout there. Just simply, sequentially, from the fourth quarter to the first quarter, could you give us an idea of what that is and what you're expecting going into the 2nd quarter. You expect that to be down sequentially again.

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

Electricity.

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

Oh, electricity. We've said in our remarks that electricity costs were down quarter over quarter. I mean year-over-year. We would expect that trend to continue.

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

Right. It will continue.

Christopher Butler - *Sidoti & Co - Analyst*

But you had also said that your freight costs were down and rail costs were up. So I was just trying to simplify all of that. Is there a way to do that?

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

Freight costs are going to continue to escalate as we said in our earnings remarks. We will continue to get a benefit as St. Gabriel continues to operate and as we continue to increase operating rates there and take advantage of the benefit of that volume not having to move on the rails and not incurring freight to get from some other location to the pipeline at St. Gabriel. We'll continue to see that positive benefit. I can't forecast what the railroads are going to do with freight increases. So I really can't forecast what the net of those two trends are going to be. But they're both going to continue in place. Increasing freight rates and a positive benefit to our system because of St. Gabriel when you compare year-over-year.

Christopher Butler - *Sidoti & Co - Analyst*

And on that note as well with the outages that you're expecting for the second quarter, could you give us any help as far as what you're expecting for increased costs to do the maintenance, and then possible added shipping costs as well there.

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

The outages have been in planning for a significant period of time which means you've been buying long lead time components to do the outage. So our best forecast now is that there is not significant incremental costs that you will see in the quarter that's directly tied to the outages that are scheduled.

Christopher Butler - *Sidoti & Co - Analyst*

I appreciate your time.

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

Thanks, Chris.

Operator

Our next question comes from the line of Edward Yang of Oppenheimer & Company. You may proceed.

Edward Yang - *Oppenheimer & Co - Analyst*

Hi, good morning. I apologize if I missed this, but in prior quarters you've given more specific ECU netback and capacity utilization guidance. Have you done that this quarter?

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

Normally, we report on what it has been without giving guidance, I don't believe. What we said was that we were 75% in the quarter that we're running at 80% in March is what we said. And that we felt that that higher rate was going to continue into the second quarter.

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

We also said year-over-year operating rates went from 75% in this quarter up from 65% in 2009.

Edward Yang - *Oppenheimer & Co - Analyst*

Okay. One of your competitors was talking about operating rates closer to the 90% range and some industry sources are talking about the industry operating at that rate now as well. Any guidance in terms of what you're seeing for April?

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

We had said that we expected the operating rate improvement in the first quarter to continue or possibly even improve. In a low demand environment like we're in right now, a merchant player like Olin is a little bit disadvantaged because of our inability to export chlorine into some of the derivative chains that some of the other producers can satisfy. And so as a result of that, our operating rates will be lower than some of these fully integrated producers are publicizing in this kind of environment. Where we'll catch up and make up some of that difference is in the parts of the year when some of our seasonal product demand like bleach demand kicks in, and we'll see an improvement in our operating rates as a result of that. And some closure between our numbers and what some of the integrated players are talking about.

Edward Yang - *Oppenheimer & Co - Analyst*

John, isn't GPG a merchant player as well?

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

They're partially integrated at Lake Charles. They have the ability to move chlorine into the EDC export market at Lake Charles.

Edward Yang - *Oppenheimer & Co - Analyst*

Okay --

John Fischer - *Olin Corporation - VP, CFO*

Let me give you a range. Just to summarize what we believe is that the operating rate in the second quarter will be in the low to mid-80% range. And we said that ECU netbacks would improve sequentially in Q2 compared to Q1.

Edward Yang - *Oppenheimer & Co - Analyst*

Okay. And the Q2 improvement just to summarize again, reflects some chlorine decline with the $75 caustic increase and the $80 caustic increase once it gets accepted, you'll see in the third quarter.

John Fischer - *Olin Corporation - VP, CFO*

That's correct.

Edward Yang - *Oppenheimer & Co - Analyst*

Moving on to Winchester, Joe, you kind of referenced it to 2008 so it's still well above and you've been saying consistently that it's been over-earning or above normal levels. And you mentioned the price increase set for April, the 3% to 5% price increase. And it's a little uncertain whether that's going to get accepted or not. If you were to kind of characterize all the statements together. Is Winchester finally starting to drift down to more normal levels than we've seen in recent history, in terms of slowing down of volumes and margin expansion?

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

I would say, characterize it as plateauing in the second quarter.

Edward Yang - *Oppenheimer & Co - Analyst*

But not meaningful volume or demand erosion?

John Fischer - *Olin Corporation - VP, CFO*

Not yet.

Edward Yang - *Oppenheimer & Co - Analyst*

Okay. And just a question on the capital structure. You don't have any net debt. But interest expense is eating up a pretty significant portion of your pretax operating income. Is there anything that you can do in the near term on the interim where you can bring down interest expense somewhat? Because it is very high relative to again your net debt.

John Fischer - *Olin Corporation - VP, CFO*

Edward that all goes to the use of cash question. We did enter into interest rate swaps that you'll see in our 10-Q that we file tonight that should reduce interest expense at least through the balance of 2010. And probably in a fairly meaningful way. The rest of it goes to, as we've said, we have to be able to finance the business. And we have this $50 million to $100 million increase in working capital that we experience every season. And we saw a lot of that in the first quarter.

We did talk when we raised the $150 million of debt in the third quarter of last year, that we were looking at making sure we prefunded the $75 million of debt that matures next year. That's the position we want to be in. The last question really goes to investments in the business and that continues to be a focus. What we talked about in this quarter were internal investments such as the low salt, high strength bleach, and the investment in our joint venture. What we have been seeing is our opportunity to get superior returns have come from at the moment are coming from internal investments rather than from the acquisition side. That said, we continue to look at acquisitions that would enhance both the bleach business and the Chlor Alkali business.

Edward Yang - *Oppenheimer & Co - Analyst*

Just a final housekeeping question. Earnings of non-consolidated affiliates was pretty light this quarter, and what was driving that, was that the SunBelt portion or the other?

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

Sun Belt.

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

The Sun Belt issues revolve -- volume was off in the first quarter due to an extended customer shutdown that occurred at their site. And pricing was off as we previously mentioned. The trend on chlorine pricing was down. The contracts related to the SunBelt affiliate are a little different in that there's not the typical lag in the contracts that we see and some of the other portfolio of contracts that we have, so pricing changes both positive and negative tend to occur sooner in the pricing SunBelt. The volume we missed in the first quarter will be made up during the remainder of the year based on the structure of that contract. So that's not going to be something that we're not going to recoup.

Edward Yang - *Oppenheimer & Co - Analyst*

Thank you very much.

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

Sure.

Operator

Our next question comes from the line of Sergey Vasnetsov with Barclays Capital. You may proceed.

Sergey Vasnetsov - *Barclays Capital - Analyst*

Good morning.

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

Good morning.

Sergey Vasnetsov - *Barclays Capital - Analyst*

Joe, you come to this trough for both Olin and for the U.S. chlor alkali industry has been better than the last. And hopefully, we have seen the worst of this trough. In the meantime, Olin continues to carry a very large cash position and presumablyand generally in preparation for the trough. If trough is better, maybe changes on what the appropriate level of cash should be for Olin in 2010 and 2011. So maybe you can comment on that since I guess my views are trying to be conservative. And penalty for missed opportunities. Where do you think you are on the scale of conservatism?

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

I think you nailed it exactly right, Sergey. I think everybody has been conservative, based upon where we were last year. We're feeling stronger, as I stated in my comments. We feel like we've stabilized. And so, naturally, we're continuing to look for opportunities where we can redeploy the cash to get a better return for the shareholders. And we did a little bit with the Swaps, but the reality is we continue to look for investments or acquisitions that would work for us really downstream, primarily in the bleach business.

Sergey Vasnetsov - *Barclays Capital - Analyst*

I realize you cannot talk about specific opportunities or timing of those. Can I talk about what's the appropriate level of cash for Olin should be in 2011.

John Fischer - *Olin Corporation - VP, CFO*

I would answer that from the standpoint of what's the appropriate level of debt. We're going to try to run the business with no more than 35% debt to total capital.

Sergey Vasnetsov - *Barclays Capital - Analyst*

That's gross debt or net debt?

John Fischer - *Olin Corporation - VP, CFO*

That's gross debt.

Sergey Vasnetsov - *Barclays Capital - Analyst*

How about net debt?

John Fischer - *Olin Corporation - VP, CFO*

We probably need at all points in time about $200 million of cash to run the business given the seasonal nature of our working capital, and the fact that while we're not faced with it today, we have a very large pension plan relative to the size of the company and we have to keep some level of protection against that. And the last point I'll make is we have a fairly significant call on cash associated with legacy environmental liabilities. And we think about it in the $200 to $250 million range. And I would admit right now we're high.

Sergey Vasnetsov - *Barclays Capital - Analyst*

Okay, thank you.

John Fischer - *Olin Corporation - VP, CFO*

Thank you.

Operator

Our next question comes from the line of Don Carson of USB. You may proceed.

Don Carson - *UBS - Analyst*

Thank you. Joe, a question just on you mentioned Winchester plateauing and commercial sales were down. You also mentioned a discrepancy between stocks of pistol ammunition and hunting ammunition for long arm. Does that more reflect the fact that the desire of people to buy ammunition for personal defense and you don't see that plateauing, and especially going into an election year and further concerns about wanting to preserve gun rights and issues like that, so you do think this is sustainable?

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

I think the pistol ammunition is, Don.

Don Carson - *UBS - Analyst*

The hunting ammunition being in reasonable supply again, is that a seasonality figure that you're building up the product into the pipeline ahead of hunting season.

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

I think that all manufacturers got a little bit caught up on hunting, which normally would happen at this time of year, it didn't happen last year, because of what was going on with the surge. I think there's been a little bit of a catchup there on the hunting. As I mentioned, there has not been on the pistol.

Don Carson - *UBS - Analyst*

So overall, Winchester, then we're in what the sixth quarter now of the sustained high demand and you do think that it's still sustainable at least going through the rest of the calendar year.

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

I would say it's definitely sustainable going through the second quarter and into the third quarter. It's hard to predict way out there. But definitely through second quarter into the third quarter.

Don Carson - *UBS - Analyst*

And a question for John, McIntosh on Chlor Alkali. What impact did the outage have on your operating rate in the quarter and I am just wondering, you mentioned pulp and paper exports are strong, which obviously creates demand for caustic Is it your sense that there's a lot of restocking going on? I'm hearing that the distributor tanks are pretty full now, so were they buying aggressively ahead of this second $80 April 1st price increase which appears to be deferred until at least May 1st and maybe split in two from here.

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

I think that on the caustic side, supply is pretty tight right now, especially for high purity caustic. We're still on order control for caustic in our system. So if we're any indication, then there hasn't been the ability for people to go out and do a lot of forward buying to avoid a potential price increase that's coming in a subsequent month or a subsequent quarter. I think there has been some restocking when you talk about pulp. But also if you talk to, as we have, to a lot of the big pulp producers. They have been servicing demand. Not just inventory replenishment but servicing export demand for pulp. That has really helped their results in the first quarter. And quite frankly, we were concerned about that segment and caustic consumption because the tax that was creating an energy subsidy for them ended at the end of the year. And we've been positively, confident as a result of seeing their results in the second quarter. They appear to have gone on and not really missed a lick.

Don Carson - *UBS - Analyst*

And so you're saying caustic is tight despite these very high operating rates, against the 89% for the industry in March as they took advantage of the vinyl export opportunities.

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

Yes. Caustic supply is balanced to type, at least what we see. We've actually tried to source caustic and been unable to do that from other producers. We see no indication that there's an excess or surplus of caustic.

Don Carson - *UBS - Analyst*

And, just finally, on the caustic side, can you talk about demand trends from the alumina sector. Are you seeing any pick up there?

John McIntosh - *Olin Corporation - VP and President, Chlor Alkali Products Div.*

We have to talk anecdotally about that, because we don't directly serve much of that market at all. However, we do continue to stay close to it because it has such an impact on the trade flow patterns for caustic around the world. What we hear and what we have seen evidence of is that alumina production is going to be up 15 to 18% in 2010 versus 2009. And that is supported by the fact that we know that some alumina facilities, we know operating rates have moved up. In some cases, there are plans being made and sourcing arrangements being put in place to restart idled alumina units in the second half of the year. We see all evidence of positive consumption trends in that market segment as well.

Don Carson - *UBS - Analyst*

Thank you.

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

Sure

Operator

With no further questions in the queue, I would now like to turn the call over to Mr. Joseph Rupp for final remarks.

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

We want to thank you for joining us this morning and we look forward to speaking with you in July as we report the results of our second quarter. 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 great day.
