FINAL TRANSCRIPT

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OLN - Q1 2011 Olin Corp Earnings Conference Call

Event Date/Time: Apr. 29. 2011 / 3:00PM GMT

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PRESENTATION

Operator

Good morning, and welcome to the Olin Corporation first-quarter 2011 earnings conference call. (Operator Instructions). Please note, this event is being recorded. I would now like to turn the conference over to Joseph Rupp, please go ahead, sir.

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

Good morning and thank you for joining us. With me this morning are John Fischer, Sr. Vice President and Chief Financial Officer, John McIntosh, Senior Vice President of Operations, and Larry Kromidas, our Assistant Treasurer and Director of Investor Relations. Last night, we announced that net income in the first quarter of 2011 was $133.7 million, or $1.66 per diluted share, compared to $14.1 million or $0.18 per diluted share in the first quarter of 2010.

On February 28th, we completed the acquisition of PolyOne's 50% interest in the SunBelt Partnership. As a result, first quarter 2011 net income includes a one-time pre-tax non-cash gain of $181.4 million, associated with the required remeasurement of the 50% of the SunBelt Partnership, which Olin had previously owned. In conjunction with this remeasurement, a discrete deferred tax expense of $76 million was recorded. Sales in the first quarter of 2011 were $436 million, compared to $362 million, in the first quarter of 2010. The positive pricing and volume momentum we've been experiencing in our Chlor Alkali business began accelerating in the first quarter of 2011, and should benefit the business for the balance of the year. This momentum provides us with the opportunity in 2011 to achieve the highest level of EBITDA since the spinoff of Arch Chemicals in 1999.

First-quarter 2011 segment earnings were $45.2 million, which is more than quadruple the first-quarter 2010 Chlor Alkali segment earnings of $10.6 million. This improvement reflects significant year-over-year increases in both volumes and ECU netbacks. Year-over-year chlorine and caustic soda volumes improved approximately 8%, while ECU netbacks improved approximately 19%. The first quarter 2011 Chlor Alkali results include approximately $3.7 million of incremental segment operating earnings associated with the SunBelt acquisition. In addition, the overall Olin results include approximately $800,000 of SunBelt transaction costs and $500,000 of SunBelt interest expense. Winchester's earnings declined approximately 35% compared to the first quarter of 2010, due to higher commodity metal and other material costs.

First quarter 2011 earnings include $500,000 of pre-tax recoveries from third parties, of environmental costs that were incurred and expensed in prior periods, and an approximately $3.4 million reduction in income tax expense associated with the remeasurement of deferred taxes, related to an increase in our effective state income tax rate. Second quarter 2011 net income is forecast to be in the $0.45 per diluted share range, second-quarter 2011 Chlor Alkali segment earnings are expected to improve compared to first quarter of 2011, reflecting the continued improvement in both pricing and volumes, and the contribution from a full quarter of the 100% SunBelt ownership.

Earnings in the Winchester segment are expected to decline more than 50% from the second-quarter record 2010 surge levels, reflecting lower volumes, a less favorable product mix and higher commodity metal costs. Second quarter 2011 results are also forecasted to include approximately $6 million of higher legacy environmental costs compared to the first quarter, which should be more than offset by approximately $10 million of pre-tax recoveries from third parties of environmental costs incurred and expensed in prior periods.

I would like to discuss the SunBelt acquisition. During March, the additional 50% ownership contributed $3.7 million of incremental segment operating earnings, which included $400,000 of reduced depreciation expense associated with the remeasurement of the 100% of the SunBelt assets. This incremental contribution was partially offset by approximately $800,000 of one-time transaction costs recorded during March and interest expense on SunBelt notes of $500,000.

As a reminder the total SunBelt debt is approximately $85 million, and the debt requires annual repayments of $12.2 million, through the year 2017. As we said in our press release announcing the transaction, we expect the transaction to be accretive to both EBITDA, and earnings in 2011. SunBelt currently has the lowest manufacturing costs in the Olin system, and utilizes membrane technology. The ability to more fully utilize this low-cost SunBelt capacity and increase the amount of our caustic soda sales that are higher value membrane both represent significant opportunities for us.

The unfortunate earthquake and tsunami in Japan will likely have a continuing impact on the global Chlor Alkali industry into 2012. Based on our information, approximately 15% of the Japanese Chlor Alkali capacity was in the region of affected by the earthquake, and is currently really not operating. An additional 25% of the Japanese capacity is located in regions which border those directly impacted by the earthquake, and are having their operations affected by disruptions in the supply of electrical power. It's estimated that Japan exports about 500,000 to 750,000 tons of caustic soda, and approximately 1.5 million tons of chlorine derivatives annually. We believe ongoing efforts to conserve power, could reduce the exports to near zero for the balance of 2011. We also believe that there is sufficient capacity in China to fill a portion of this void, but it will likely be supplied at higher prices.

Now I'd like to talk about the segments, first Chlor Alkali. The first-quarter 2011 Chlor Alkali results improved, compared to both the first quarter of 2010 and also the fourth quarter of 2010, and reflect both increased ECU netbacks and product volumes, as well as the additional contributions from the acquisition of the 50% of SunBelt we did not previously own. ECU netbacks excluding SunBelt were approximately $525, in the first quarter of 2011, compared to $440 in the first quarter of 2010, and $515 in the fourth quarter of 2010. The first-quarter 2011 SunBelt ECU netback was approximately $560.

The first-quarter 2011 improvement in the ECU netback, compared to fourth quarter of 2010 reflects continued benefit from the $135 of caustic soda price increases that were announced in the third quarter of 2010. The first quarter 2011 quarter-over-quarter improvement in caustic soda prices was partially offset by lower chlorine prices. As we look forward, we see positive pricing momentum for both chlorine and caustic soda. We believe the $40 per ton caustic soda price increase announced in January began to be implemented on April 1, and that the subsequent $60 per ton increase announced in March and the additional $50 per ton increase announced by Olin and other major producers during the past week will have success, and will positively impact prices in our system during the third and fourth quarters.

The combination of increasing oil prices, which increases both production and shipping costs for exporters of caustic soda in North America, and the supply disruptions in Asia resulting from the disaster in Japan, will likely support the implementation of these most recent caustic soda price increases. In addition, during the first quarter, there were chlorine price increases announced, ranging from $40 to $60 per ton. Olin announced $60 per ton. We expect some portion of this increase to positively impact the second and third quarters. Finally, Olin expects its operating rates to increase in the second quarter of 2011, compared to the first quarter, driven by the onset of bleach season to a level where we expect the supply of chlorine in our system to be tight enough to support the announced price increases. We believe, based on the normal lags created by our contract structure, that the price improvement will be greater in the third quarter 2011 than the second quarter.

Finally on March 30th, Olin announced a $0.15 per gallon price increase for bleach. Within the Olin system, prices for most of our non-municipal customers adjust quarterly, but because many municipal customers buy bleach under annual contracts, the price increase will not impact all of our customers. The announced bleach price increase does contribute further to the positive pricing momentum we expect to experience over the next several quarters. First-quarter 2011 volumes for all of our main products increased compared to the first quarter of 2010. The operating rate in the first quarter of 2011 was approximately 80%. We expect that rate to increase in the second and third quarters. As a point of reference, our daily operating rate in the second half of April has reached 95%, and based on demand, is forecast to remain there.

Chlorine and caustic soda volumes increased approximately 8%, while shipment volumes of hydrochloric acid increased 30%. Bleach shipments increased 32%. Potassium hydroxide volumes increased 1%. Year-over-year quarterly shipments of bleach have now increased for ten consecutive quarters, and in the second quarter of 2011, we expect volumes, excluding SunBelt, for chlorine and caustic soda and bleach to increase compared to the first quarter of 2011.

As I mentioned, the year-over-year first quarter increase in bleach volumes shipped was approximately 32%, and the first-quarter 2011 volumes were approximately 50% greater than were achieved during the first quarter of 2009. In addition, over the past few quarters, we have been able to achieve bleach price premiums that have been near, or in some cases have exceeded the high end of $100 to $200 per ton target for the business. As a result, we continue to see bleach as an opportunity for Olin.

We expect our first low-salt high-strength bleach facility at McIntosh, Alabama to begin shipments in the fourth quarter. This new facility will allow us to produce bleach that's approximately twice the concentration of bleach produced, with the conventional technology. This has the effect of both doubling our local capacity and reducing our freight costs. We continue to evaluate additional opportunities to install this technology to other Olin Chlor Alkali locations.

Freight costs continue to be a major challenge for the business. Freight costs per ECU shipped, applicable according to caustic shipments only, increased approximately 20% in the first quarter of 2011, compared to the first quarter of 2010. This increase, which is driven by chlorine freight costs, provides further impetus for Olin to increase the percentage of its chlorine that is either shipped by other than rail, or shipped in a different form, such as bleach or hydrochloric acid. First quarter 2011 Chlor Alkali earnings of $45.2 million included approximately $400,000 of expenses associated with the ongoing Charleston, Tennessee plant conversion and the Augusta, Georgia plant reconfiguration. We expect to incur similar level of quarterly expenses for the balance of 2011.

As a reminder, our Charleston conversion from mercury cell technology to membrane technology will cost approximately $160 million, and will result in approximately 200,000 tons of total capacity, a reduction of approximately 60,000 tons. The conversion will also result in an increase in potassium hydroxide capacity at the plant. The Augusta reconfiguration will reduce our Chlor Alkali capacity by approximately 5% or 100,000 tons.

Turning to Winchester, during our fourth-quarter earnings call, we said commodity metal costs would be a significant challenge for the Winchester business in 2011. We have seen continued upward movement in commodity metal prices over the past two quarters. The average price for copper in the first quarter of 2011 was $4.39 per pound compared to $3.28 in the first quarter of 2010. While the per-pound price of lead in the first quarter of 2011, was $1.18, compared to $1.01 in the first quarter of 2010. The price escalation for these two metals represents approximately $8 million of first-quarter year-over-year cost increases for the business.

In response to these increases on metal prices, Winchester and the other two major North American producers have announced price increases of 5 to 15%, depending on the product, which become effective no later than June 1. As a result of the announced price increases, Winchester experienced some acceleration of commercial product sales, as customers procured product in advance of the announced price increase. This acceleration resulted in first-quarter 2011 commercial sales that exceeded our expectations. First quarter 2011 commercial sales increased approximately 5%, compared to the first quarter of 2010, while law enforcement and military sales were comparable to the first quarter 2010 levels.

Consistent with normal seasonal pattern, the commercial backlog increased steadily during the first quarter of 2011, but ended the quarter in approximately 50% of the level experienced at the end of the first quarter of 2010. The year-over-year decline in commercial backlog is evidence that the overall commercial demand has declined from the surge levels we experienced. The surge actually lasted from late 2008 until mid-year 2010. The law enforcement military backlog at the end of the first quarter 2011 was comparable to the first quarter of 2010 level. During April, Winchester did receive an additional five-year contract to produce 9mm ammunition, which has a potential sales value of approximately $85 million. During the first quarter of 2011, Winchester segment earnings were $12.5 million, compared to $19.5 million in the first quarter of 2010. More than this entire year-over-year decline is a result of the higher commodity and metal costs.

Included in the first quarter 2011 Winchester results was approximately $400,000 of expense, associated with the centerfire relocation project that was announced in November. During 2011 we expect Winchester to incur between $4 million to $5 million of expenses associated with this relocation, and just to remind you, the centerfire relocation project is projected to reduce Winchester's annual operating costs by $30 million per year, when it is completed in 2015. It is expected to generate meaningful cost savings, beginning in 2013.

As I stated earlier, we do expect Winchester's second-quarter 2011 earnings to decline more than 50% from the first-quarter levels. This decline reflects a seasonal pattern that is more normal than we experienced in 2009 and 2010, due to the surge. Assuming a normal seasonal pattern, the third quarter should be Winchester's most profitable, followed by the first quarter, with the fourth quarter being the least profitable. In spite of the negative impact of higher commodity metal costs, we continue to believe the Winchester business is well-positioned to deliver a level of earnings in 2011 and beyond in excess of the level of earnings the business generated prior to the start of the most recent surge that began in 2008.

Before I turn the call over to our Chief Financial Officer, I would like to emphasize that the positive pricing and volume momentum that we have been experiencing in our Chlor Alkali business began to accelerate during the first quarter and should benefit the businesses for the balance of the year. The announced price increases appear to be gaining traction, and as volumes improve, our ability to utilize the additional capacity we acquired with SunBelt is enhanced. In Winchester, we are cautiously optimistic that the price increases that have been announced will offset some of the commodity increases during the second half of the year. As a result, I believe Olin is positioned to continue to experience improved earnings over the next two quarters, and to enjoy a solid 2011. I would like to turn the call over to our Chief Financial Officer, John Fischer, who will review several financial matters with you. John?

John Fischer - *Olin - Sr. VP and CFO*

Thank you, Joe. First, I would like to discuss a few items on the income statement. During the first quarter, Olin recorded a one-time pre-tax gain of $181.4 million associated with the remeasurement of the 50% of the SunBelt partnership which Olin previously owned. This remeasurement is required by FASB accounting standard number 805, business combinations, and essentially represents a mark-to-market adjustment. In conjunction with this remeasurement, the deferred tax expense of $76 million, was also recorded.

Selling and administrative expenses increased $7.4 million, or 23% in the first quarter of 2011, compared to the first quarter of 2010. The year-over-year increase primarily reflects increased management incentive costs, increased salary costs, transaction costs related to the SunBelt acquisition, incremental SunBelt administration expenses and higher legal and legal-related expenses. First quarter 2011 charges to income for environmental investigatory and remedial activities were $1.5 million, which includes $500,000 of recoveries from third parties for environmental costs incurred and expensed in prior periods. During the first quarter of 2010, there were $2 million of credits related to environmental, investigatory, and remedial activities, which included $2.6 million of recoveries of environmental costs incurred and expensed in prior periods. After giving consideration to the recoveries in both periods, year-over-year expenses related to environmental, remedial and investigatory activities increased $1.4 million.

Second quarter 2011 expenses prior to any recoveries are forecasted to increase approximately $6 million from the first quarter 2011 levels, and we continue to forecast full year 2011 expenses for environmental, investigatory and remedial activities, prior to any recoveries, will increase approximately 50% from 2010 levels. We do not expect significant recoveries from third parties of environmental costs incurred and expensed in prior periods, beyond the $10 million that is forecasted to be received in the second quarter of 2011.

On a total company basis, defined benefit pension plan income was $5.6 million in the first quarter of 2011, compared to $4.8 million in the first quarter of 2010. Pension income in the first quarter 2010 included a $1.3 million charge associated with an agreement to withdraw our Henderson, Nevada Chlor Alkali facility work force from multi-employer defined benefit pension plan. We are not required to make any cash contributions to our domestic defined benefit pension plan in 2011, and believe the earliest we may be required to make any cash contributions to that plan is 2013. In 2011, we do expect to make cash contributions to our Canadian defined benefit pension plan of less than $5 million.

Defined contribution pension plan expense was $3.6 million in the first quarter of 2011, compared to $4 million in the first quarter of 2010. As a reminder, our defined benefit pension plan is frozen to new entrants, all salary, all non-union hourly, and most union employees. The effective tax rate after giving consideration to the deferred expense recorded in conjunction with the remeasurement of Olin's 50% ownership interest in the SunBelt partnership was 35%. This rate included a $3.4 million favorable adjustment associated with the measurement of deferred taxes related to our effective state tax rate. For the full-year 2011, we continue to believe the effective tax rate will be in the 36% to 37% range.

Now turning to the balance sheet. Cash and cash equivalents at March 31st, 2011, including the restricted cash associated with the Go Zone and Recovery Zone financings that were completed in 2010, and which are classified as long-term assets on the balance sheet, was $379.5 million. At the end of the first quarter of 2011, $36 million of the $153 million of Go Zone and Recovery Zone bonds issued were undrawn. We continue to expect that both the undrawn balance and approximately 90% of the restricted cash, to be utilized during 2011.

During the first quarter, receivable and inventory balances increased approximately $70 million, from the year-end 2010 levels. During the first two quarters of the year, Olin typically experiences a $50 million to $100 million growth in working capital, which is liquidated by the end of the year. This working capital growth reflects seasonal increases in activity compared to the weak fourth quarters in both Chlor Alkali and Winchester, plus inventory builds in Winchester as the business moves towards the third-quarter peak in its selling season. The magnitude of the first-quarter 2011 working capital increase also reflects the strength of the improvement in the Chlor Alkali business.

Full-year 2011 capital spending, after giving consideration to the SunBelt acquisition, is now projected to be in the $235 million to $255 million range compared to $85.3 million in 2010. Approximately 55% of this spending is related to the mercury cell conversion project in Charleston, Tennessee, and the Winchester centerfire relocation project. 2011 depreciation expense, including the impact of the SunBelt acquisition, is now forecast to be approximately $100 million. In December of 2011, we have $75 million of bonds that were issued in 2001, that mature. It is currently our intention to redeem these bonds using our cash.

Also in December, $12.2 million in payments will be made on the SunBelt notes. These notes require annual payments and are required to be repaid by the end of 2011. Yesterday, Olin's Board of Directors declared a dividend of $0.20 on each share of Olin common stock. The dividend is payable on June 10th, 2011, to shareholders of record at the close of business on May 10th, 2011. This is the 338th consecutive quarterly 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 results to differ are described without limitations in the risk factor 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 investor section, under calendar of events. The earnings press release and other financial data and information are available under press releases. And Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions). At this time we will pause momentarily to assemble our roster. Our first question comes from Frank Mitsch from BB&T Capital Markets. Please go ahead.

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

I love the suspense there. That was quite thrilling. Thank you so much for breaking out the one month of profits from SunBelt, $3.7 million. If I annualize that, that's $44 million, but obviously based on the commentary and the positive trends in April, and the price increases, et cetera, it's not unreasonable to assume that that number rises to $50 million. At that sort of level of additional profit from SunBelt, does that trigger some payments that need to go to PolyOne?

John Fischer - *Olin - Sr. VP and CFO*

I would --

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

How should we be thinking about how that impacts your profitability, what you realize and et cetera?

John Fischer - *Olin - Sr. VP and CFO*

Frank, the way we would account for the extra earnings, assuming there was an earn-out, all of those earnings would flow through our income statement and that we would have accounted for the earn-out as part of the acquisition accounting, but I would want to reiterate what we have said before, that any shareholder of Olin should be really happy if we are paying PolyOne an earn-out payment.

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

All right, so it's still going to be opaque to us.

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

Yes.

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

All right. The commentary before about reducing your shipping costs et cetera, improving your percentage going to bleach, can you remind us where you are right now in terms of the amount of chlorine and caustic that you are consuming internally, and where your target is on that?

John McIntosh - *Olin - Sr. VP, Operations*

We're in the 15% to 18% number now, I believe Frank. And we've said that we're going to continue to grow both of those product lines as we move forward. We haven't really put out a public comment on a target, but our obvious target is to continue to make that number bigger and bigger.

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

Frank you may be thinking about going bleach, we have put a target. About 10% goes into bleach, and we have a target to take that up to 15% to 20%. So that is one method of doing that, and obviously, the conversion at St. Gabriel was a big help for us as far as getting off the rails.

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

Terrific. And can you comment about the-- a couple of your competitors have suffered some force majeures here recently, and what are the prospects for you, I don't know gaining market share, I guess you are at a 95% capacity utilization in the back half of April, and your expectation is that is going to continue for the balance of the quarter into the third quarter? Is that correct?

John McIntosh - *Olin - Sr. VP, Operations*

That's correct, Frank. We are forecast to basically be operating at capacity through the summer, through, what for us is the bleach season, which is our peak demand requirements. We entered April really late on shipments for both products, so force majeure events in someone else's system don't really afford us much opportunity. We have contract customers we are trying to meet demands of right now.

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

Great. Lastly, there has been a couple of companies that have announced the $50 per ton caustic increase. Has Olin announced as well?

John McIntosh - *Olin - Sr. VP, Operations*

There is at least three that have. We announced yesterday.

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

Yesterday, terrific, thank you so much.

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

Thank you.

Operator

Our next question comes from Edward Yang of Oppenheimer, please go ahead.

Edward Yang - *Oppenheimer & Co. - Analyst*

Good morning. Joe, you mentioned Japan, do you expect pricing momentum to continue once Japan comes back on line, it seems like although Japan has helped move things along, pricing was still moving up prior to the earthquake.

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

I think that what we are going to experience, Edward, is a very tight market here in the United States, in North America, into 2012.

Edward Yang - *Oppenheimer & Co. - Analyst*

You just mentioned, again, you're operating at 95%, that's basically capacity. Is the rest of the industry operating at around capacity, and so does that mean that in some of the other chemical chains, for example, once product gets sold out, we have seen prices really go vertical, is this kind of what we should expect going forward, in terms of price activity in the Chlor Alkali space going forward?

John McIntosh - *Olin - Sr. VP, Operations*

If you look at the industry operating rate, the most recent one that was announced was 92%, which was announced for the month of March. I would expect in this industry operating rates, we will see some additional upwards movement during the next quarter or two as well. I think that there are significant increases for caustic and chlorine both on the table, which we expect to be implemented starting in the second quarter and impacting on through the balance of the year. I think it's possible that supply could continue to tighten, or it's possible that it could stay where it is, and support the increases that have already been announced. Either way, it's a positive story for us.

Edward Yang - *Oppenheimer & Co. - Analyst*

Qualitatively, John, you do sound incrementally more positive than you did just three months ago. In terms of approaching, re-approaching the prior highs, in terms of pricing that you saw back at the end of 2008, given how industry fundamentals are playing out now, current pricing is still about 35% below where we were a couple of years ago, do you think it's reasonable that at some point over the next 12 to 18 months, that we could hit those prior highs in terms of ECU netbacks on a contract basis?

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

Edward, I think what we talked about in the past is that we had at one time thought there might be a lid on pricing to not allow caustic to get way, way up there because of what happened on the West Coast from China. What we believe is that lid has continued to raise. We are not sure where it is at that point, but we believe it's higher than it was when we began the year.

Edward Yang - *Oppenheimer & Co. - Analyst*

Wonderful, thank you very much.

Operator

Our next question comes from Don Carson of Susquehanna Financial. Please go ahead.

Don Carson - *Susquehanna Financial Group - Analyst*

Thank you. Question on just price progression, and your contract structures. I know that CMAI was posting $50 higher caustic on April 1, ChemSol was $40, I believe those are the two key news letters for you. On their $60 March initiative, there is even talk that will be applied substantially on May 1st. I'm wondering what is baked into your guidance, in terms of price realization in the quarter. What delays do you have in getting prices, once they have been posted to the newsletters. As we look at the second half of this year, given the amount in magnitude of both caustic and chlorine increases that have announced, do you run in to any cap or collar issues on your contracts?

John McIntosh - *Olin - Sr. VP, Operations*

Don, let's go backwards to just 60 days, within the quarter, we were looking at predicted price indexes by several in the industry that showed prices were going to peak early in the second quarter, and decline throughout the entire balance of the year. What has happened is that the all of the events and resulting increases that have been announced and announced increases that have now gotten some traction and are being implemented has changed that story around to where, when you look at pricing, there is expectation that pricing is going to improve over the next couple of quarters for us, because of the lagging nature of our contract, we believe that we have improvement ahead of us through the balance of the year.

The only increase that was really, that really had a chance to impact Olin's second-quarter pricing was a $40 increase that occurred in January. But you may remember from looking at some of the indexes, and that was a caustic increase, that that caustic increase wasn't at all reflected at any of the numbers in the first quarter. Consequently, for us, where second quarter pricing is driven by what gets reflected in first-quarter price indexes, we didn't have much opportunity to see improvement in that regard.

Now, as you mentioned that pricing is shown in April, and so that will give us an opportunity to take contracts up through the balance, or in some respects on some customers later in this quarter and for the balance of our system in the third quarter. The other price increases which occurred in late March and in late April, we expect those to be implemented and we expect them to have third quarter, fourth quarter impact in our system.

Don Carson - *Susquehanna Financial Group - Analyst*

Joe, we are seeing some new capacity come on, mid year, some Shintech and later on some Formosa, are you seeing that potential additional caustic have any impact on customer negotiations or is it your expectation that Dow will close [Plakim] and really it won't be a issue in the second half.

John McIntosh - *Olin - Sr. VP, Operations*

We have consistently said we believe the industry bias is towards capacity rationalization, especially when new capacity is being brought on by some of the integrated players. We still believe that is the bias going forward, and so in answer to your question, yes, we would expect as new capacity comes on line, in the second half of this year, that we will see capacity rationalization occur within North America.

Don Carson - *Susquehanna Financial Group - Analyst*

John, to clarify, you don't expect any caps or collars in your contracts to prevent an eventual realization of all of the caustic and chlorine increases that have been announced.

John McIntosh - *Olin - Sr. VP, Operations*

Guess I would have to say, Don, it's just a matter of how much movement there is. When we saw the $1,000 caustic levels that we saw in the last peak, there was obviously constraints, when there was that much movement that fast. I don't think any supplier is going to be in a position to face their customers with that kind of market situation, and not at least recognize that they need to try to help keep their customers competitive. From the standpoint of it being a contractual limitation, that's not the same issue as it was for us historically.

Don Carson - *Susquehanna Financial Group - Analyst*

Okay, thank you.

Operator

Our next question comes from Christopher Butler from Sidoti & Company. Please go ahead.

Christopher Butler - *Sidoti & Company - Analyst*

Hi, good morning, guys. Looking at the SunBelt joint venture and some of the synergies that you're hoping to get from that, do you have a timeframe on when you can start to capture the synergies?

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

Immediately. I say that quickly, but we have the opportunity to get synergies through the balance of this year and into next year.

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John Fischer - *Olin - Sr. VP and CFO*

Remember, we were the plant operator, so there is virtually no transition here, in terms of how the plant would run and our ability to know the ins and outs of the plant.

Christopher Butler - *Sidoti & Company - Analyst*

That's something that we would see the benefit from the freight costs, would that be an easy way to measure that?

John McIntosh - *Olin - Sr. VP, Operations*

Not strictly, no. I think the places we have said we will see it soonest will be increased utilization, the volume side, our ability to run what is the lowest-cost plant we have at higher operating rates. The other thing we will see is that SunBelt brings a significant block of high purity membrane-grade caustic into our system, the acquisition brings the other half of that, and we'll see some benefit there as well.

Christopher Butler - *Sidoti & Company - Analyst*

Looking at your capacity with the high degree of utilization that you are expecting through the summer, are you all set as far as planned maintenance outages, is that something that will now wait until the winter months? What are your thoughts there?

John McIntosh - *Olin - Sr. VP, Operations*

We only had one major outage planned for the second quarter, and we have already completed that outage, which was at our McIntosh site. That's the only significant planned scheduled outage we have for us, for the balance of the second quarter, and yes, we will be looking to move outages and plan around the need to operate at high utilization rates over the next two quarters.

Christopher Butler - *Sidoti & Company - Analyst*

Shifting gears to Winchester, you had offered guidance that the second quarter was going to have operating income, about half of what you saw last year, is that a good rule of thumb to think about the full-year 2011, which puts us about where your peak was before the recent strength?

John Fischer - *Olin - Sr. VP and CFO*

Chris, the first and second quarters of 2010 were the best two quarters for Winchester in the entire surge, relative to where it would be in a normal seasonal pattern. The third quarter 2010 did not have the same high level of or high level of profit relative to normal. So I think that 50% probably overstates the impact in the second half of the year.

Christopher Butler - *Sidoti & Company - Analyst*

I appreciate your time.

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

Thank you.

THOMSON REUTERS

Operator

Our next question comes from, and pardon the pronunciation, Alex Yefremov from Banc of America-Merrill Lynch. Please go ahead.

Alex Yefremov - *BofA Merrill Lynch - Analyst*

Thank you, good morning. What is your outlook for freight rate increases for the balance of this year, compared to the first quarter?

John McIntosh - *Olin - Sr. VP, Operations*

The first quarter, we had some freight rate increase, some additional freight costs that were driven not just by rate increases but were driven by inefficiencies and operating problems the railroads had which created some, I would call it out of orbit or illogical shipment requirements for us to meet customer needs. So, the first quarter, I don't believe is indicative of what we will see every quarter throughout 2011. However, having said that, we don't expect the railroads to change their practice of the last several years of using their ability to increase prices at every opportunity and upon every contract renewal.

Alex Yefremov - *BofA Merrill Lynch - Analyst*

Could you size that extra freight cost in the first quarter in terms of millions of dollars?

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

No.

Alex Yefremov - *BofA Merrill Lynch - Analyst*

Okay. It appears that barge shipments in the Mississippi River are now disrupted, do you expect any positive or negative impact on volumes or maybe pricing?

John McIntosh - *Olin - Sr. VP, Operations*

We don't see any impacts at this time.

Alex Yefremov - *BofA Merrill Lynch - Analyst*

Okay. Finally switching to Winchester, it seems like FBI background check statistics have been rising in recent months, do you see any signs that after the pull forward in demand in the first quarter, maybe back half of this year, or 2012 demand could be stronger than what you currently experience?

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

We are a little bit surprised as well as to what happened with the NICKS checks, which you're talking about. There is the possibility for a little bit of strength there, but I think the fairer statement should be that we believe the surge did end and then on other products, other than handgun products, such as rifle and shot shell and those kinds of products, that we are off surge at this point in time.

Alex Yefremov - *BofA Merrill Lynch - Analyst*

Okay, great, thank you.

Operator

Our next question come from Dmitry Silversteyn from Longbow Research. Please go ahead.

Dmitry Silversteyn - *Longbow Research - Analyst*

Good morning. A couple of questions if I may. First, on Winchester, you have talked about getting price increases to try to offset the run up in raw material costs. Can you talk about the dynamics of the price increases and your ability to get them throughout the year, is an annual thing where you go at it once or will you have an opportunity to adjust pricing later in the year if metal costs continue to escalate?

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

We have had the opportunity historically, I'm talking back in the early 2000s, et cetera, normally it was an annual price increase when the commodity started running in the 2004, 2005 time period, there was as much as two price increases in a year. My sense would be that if metal continues to run, there would be the opportunity for another price increase announcement later in the year.

Dmitry Silversteyn - *Longbow Research - Analyst*

But, really, if you look at realistically at the margins that you delivered in the first quarter, it's unlikely that you are going to see margin improvement. Obviously you will see dollar improvement in the September quarter, but you aren't likely to see margin improvements this year, versus the level you delivered in the first quarter.

John Fischer - *Olin - Sr. VP and CFO*

I would say the answer to that is no. That's the reason we are undertaking the relocation to Oxford with 1,000 jobs from Center Fire. That's our big effort, look to improve margins in Winchester long-term, and that project will accomplish that, it will just take a couple of years.

Dmitry Silversteyn - *Longbow Research - Analyst*

Got it. Thanks. On the second question, just a comparable, and I'm not sure if I'm comparing apples-to-apples here, when I look at one of your competitors that released their results earlier, their business is the same as yours in terms of size but they generated significantly more profitability both in terms of margin and in terms of absolute dollar amount. Is there a discrepancy here that I'm missing, is there a D&A component between the two that can be quite significantly different, kind of why has your level of profitability not been reflective of the level of your competitor?

John Fischer - *Olin - Sr. VP and CFO*

Dmitry, there are two points we would make there. We have made significant investments in our business over the last several years, and we think the more valid comparison there is EBITDA, not earnings. Second, John McIntosh just talked about the lagging effect. We have seen that lag consistently over a long period of time. In periods, where prices are escalating, we tend to lag, and be behind our competitors, in periods where prices are declining we tend to be ahead of our competitors, so we think we need to really look at what happens here as we get out in to the second, third and fourth quarters of this year and the valid comparison is EBITDA, not EBIT.

Dmitry Silversteyn - *Longbow Research - Analyst*

All right. That helps. Thank you. That's all the questions I have.

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

Yes.

Operator

Your next question comes from Andrew Cash of UBS. Please go ahead.

Andrew Cash - *UBS - Analyst*

Hi I lost connection when Don Carson was asking what your embedded quarter-to-quarter ECU netback would be from the first to second quarter. I was wondering if you could bring me up to date on that, and I had a couple of other questions.

John McIntosh - *Olin - Sr. VP, Operations*

We didn't provide a specific number. My comments to Don were that when you really look back at price movements in the first quarter of the year, which would drive for us, expected price improvement in the second quarter, the only announcement, price increase announcement that occurred in the early enough in the first quarter to have any impact was a $40 caustic increase that was announced at the end of January. That price increase, even though announced, was never reflected in any of the indices published in the first quarter. We obviously said in our comments that we expect some improvement from first quarter to second quarter but based on the fact that the other two caustic increases, $60 and $50, and the chlorine increase were announced later in the first quarter, we expect to see even better sequential improvement in the third quarter.

Andrew Cash - *UBS - Analyst*

So no specific numbers on there. Where is all this caustic going to? 8% volume increase. Is this just essentially going offshore? Is that where the market is? The US economy is not really going that great.

John McIntosh - *Olin - Sr. VP, Operations*

Two things, the natural disaster in Japan really created a change in global trade patterns for caustic, because there is capacity missing out of Japan's normal portfolio of companies, and ones that are operating are impacted by electricity supply, and the net effect of that is there is a significant amount of caustic that they use to export that they are no longer exporting, because they don't have it. That's rearranged trade flows and now those exports volumes are made up by others in the east, predominantly in China. Where we have seen, is in our business, caustic has continued to really grow being driven by continued strength in pulp and paper, and continued strength in super absorbants and that's really what has been the strong point. That's been a continuation of a story from several quarters preceding the last one.

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

Export demand has remained strong due to aluminum pick ups down in South America and pulp and paper down there.

Andrew Cash - *UBS - Analyst*

You are basically shipping to your traditional customers but, are you also doing exports, is that a benefit to you?

John McIntosh - *Olin - Sr. VP, Operations*

We have made a limited number of exports and that has facilitated us meeting the demand Joe mentioned in pulp and paper in South America. We haven't been a major player in the export market.

Andrew Cash - *UBS - Analyst*

Okay, now I heard you, at the early point of the call, you mentioned bleach was up 50%. Was that sales or was that volume?

John Fischer - *Olin - Sr. VP and CFO*

Bleach is up from 2 years ago, 50%, and that is volume.

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

Right.

Andrew Cash - *UBS - Analyst*

Okay.

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

For first quarter.

John Fischer - *Olin - Sr. VP and CFO*

That's a first quarter versus first quarter comparison, Andy.

Andrew Cash - *UBS - Analyst*

Two years ago, okay, a couple of financial items. SG&A, I heard you had the few reasons that was up. What is an on going run rate we should pencil in for the future quarters?

John Fischer - *Olin - Sr. VP and CFO*

We have not provided guidance specifically on SG&A, we do talk, provide guidance, as it relates to the corporate and other line. That's a number that if you were to look at somewhere in the $60 million to $65 million a year range is a good number to use.

Andrew Cash - *UBS - Analyst*

Then, just to make sure I'm on the right basis here, backing out the gain, using your 36%, 37%, full-year tax rate, first quarter would have been around $0.31.

John Fischer - *Olin - Sr. VP and CFO*

I think that's a good calculation.

Andrew Cash - *UBS - Analyst*

Okay. The $30 million savings that you are talking about over in Winchester, how would you characterize that, mostly a labor savings, a tax savings.

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

It's labor savings, Andy.

Andrew Cash - *UBS - Analyst*

Mostly labor. Finally, you characterized the backlog for military and commercial do, you have some numbers you can put around that?

John Fischer - *Olin - Sr. VP and CFO*

We do not at this time, no.

Andrew Cash - *UBS - Analyst*

Okay. That's it. Thank you.

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

Thank you, Andy.

Operator

Our next question comes from Gregg Goodnight from UBS. Please go ahead.

Gregg Goodnight - *UBS - Analyst*

Just had one additional follow up. Your energy costs, or energy unit costs on a year-over-year basis, up, down, do you have a number you could give me?

John McIntosh - *Olin - Sr. VP, Operations*

They were, energy costs were favorable year-over-year comparisons.

Gregg Goodnight - *UBS - Analyst*

Okay. Energy costs were down?

John Fischer - *Olin - Sr. VP and CFO*

Yes.

Gregg Goodnight - *UBS - Analyst*

By what percentage?

John McIntosh - *Olin - Sr. VP, Operations*

We haven't given those numbers out before, but it was not a huge change.

Gregg Goodnight - *UBS - Analyst*

Okay. That's all I had, thanks, guys.

Operator

Our next question comes from Richard O'Reilly from Standard & Poor's.

Richard O'Reilly - *Standard & Poor's - Analyst*

Good morning gentlemen. Joe, in your opening comments, you talked about the Chlor Alkali business having the highest level EBITDA since 1999. I don't know what that number is but you earned $328 million for the segment a couple of years ago. Are you directing us to something greater than that in 2011?

John Fischer - *Olin - Sr. VP and CFO*

The comment was designed at the Olin corporation level.

Richard O'Reilly - *Standard & Poor's - Analyst*

Oh, I'm sorry.

John Fischer - *Olin - Sr. VP and CFO*

Which includes Winchester, and then includes the corporate and other costs.

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

What we are saying is it's the opportunity to have that.

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

The highest level that we saw since then was in 2008.

Richard O'Reilly - *Standard & Poor's - Analyst*

Okay. Fine. Okay. That's it, then, thank you.

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

Thank you.

Operator

This concludes our question-and-answer session. I would like to turn the conference over to Mr. Rupp for any closing remarks you may have.

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

Thank you for joining us today, and we look forward to speaking with you in July when we announce the results of our second quarter. Thank you.

Operator

The conference is now concluded, thank you for attending today's presentation, you may now disconnect.