FINAL TRANSCRIPT

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OLN - Q3 2007 Olin Earnings Conference Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Olin third quarter earnings call. My name is Jen and I'll be your coordinator for today. At this time, all participants are in a listen-only mode. We will be facilitating a question and answer session towards the end of today's conference. If at any time during the call you require assistance, please press star followed by 0 and a coordinator will be happy to assist you. As a reminder this conference is being recorded for replay purposes.

I will now turn the call over to your host, Mr. Joseph Rupp, Chairman, President, and CEO. Please proceed, sir.

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

Good morning and thanks 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. It's a pleasure to be here today and report on our third quarter earnings.

Last night we announced that income from continuing operations in the third quarter of 2007 was $32.7 million or $0.44 per diluted share, compared with income from continuing operations of $50.7 million or $0.70 per diluted share in the third quarter of 2006. Third Quarter 2007 earnings include the September results of the Pioneer Business acquired on August 31, 2007.

Operating income in the third quarter of 2007 of $48.6 million increased 24% from the third quarter 2006 level of $39.3 million. Third Quarter 2006 earnings include a $24.8 million reduction in income tax expense which was associated with the settlement of the tax treatment of capital losses that were generated in 1997 and other tax matters. Sales from continuing operations in the third quarter of 2007 were $350.3 million compared with $273.7 million in the third quarter of 2006. We experienced strong performance in both our Chlor Alkali and Winchester businesses during the third quarter. Chlor Alkali segment earnings were $70.7 million which included an $8.3 million contribution for the month of September from the Pioneer operations.

Olin's Third Quarter 2007 ECU netbacks improved compared to the second quarter and were about equal to the third quarter of 2006. We expect a slight improvement in ECU netbacks in the fourth quarter. Winchester's results reflect both improved pricing and strong volumes. These favorable Chlor Alkali and Winchester operating results were partially offset by higher environmental expenses reflecting projected cost increases at a former waste disposal site. We now expect full year environmental expenses to be in the $35 million range.

In the fourth quarter of 2007, we anticipate earnings per share from continuing operations in the $0.30 per diluted share range. In Chlor Alkali, seasonally weak volumes and the impact of scheduled maintenance outages at five facilities will more than offset the inclusion of the Pioneer operating results for the entire quarter. Winchester expects a small loss in the seasonally weak fourth quarter. Fourth quarter environmental expenses are expected to decline from third quarter levels.

As a point of reference, fourth quarter 2006 diluted earnings per share of $0.37 included $19.8 million of pre-tax Metals earnings, including restructuring charges. A pension curtailment charge of $5.4 million and a $6 million pre-tax insurance recovery associated with the 2005 hurricanes. On October 15th, we announced that we had signed a Definitive Agreement to sell our Metals business for $400 million payable in cash. In the third quarter of 2007, we recorded a loss of $125 million associated with the disposition. I want to remind you that the final cash payment is subject to a customary working capital adjustment, and the final amount of the loss we recognize will depend upon the timing of the closing, the operating results of the business between signing and closing, and the final level of working capital. The loss which includes transaction costs reflects a book value of approximately $490 million and a tax basis of approximately $350 million. The difference between the book and tax values of the business reflects primarily goodwill and intangibles. We hope to close this transaction by December 1.

Now, let's turn to a more in depth discussion of our segment results and I'm going to begin with Chlor Alkali. Chlor Alkali earned $70.7 million in the third quarter which includes an $8.3 million contribution to the Pioneer operations for the month of September. Excluding Pioneer, the operations had an excellent quarter generating segment earnings of $62.4 million compared to segment earnings in the third quarter of 2006 of $63 million. ECU netbacks were $540 in each period and the third quarter 2007 ECU netback was a 6% improvement over the second quarter of 2007. The operating rate in the third quarter of 2007 was 97% as we made an effort to build inventory in advance of planned outages scheduled for five manufacturing facilities during the Fourth Quarter. These outages which were all completed in October included a 10- day outage at the McIntosh, Alabama facility, which includes our Sunbelt joint venture.

As a result, we expect our operating rate for October to be in the 75% range. We continued to see strong demand for caustic soda during the quarter and quarterly shipments of potassium hydroxide have reached the highest levels since we returned to that business in 2004.

During September, the Pioneer operations generated sales and segment earnings of $46.1 million and $8.3 million respectively. The Pioneer ECU netback during September was $580 which reflects the positive impact the Pioneer business has on netbacks. In the fourth quarter we expect to see seasonal declines driven by lower demand for bleach and vinyls customers, which would impact chlorine volumes. We do, however, expect to see a slight improvement in ECU netbacks in the fourth quarter of 2007 compared to the third quarter. This increase reflects the implementation of the $30 per ton caustic soda price increase that was announced in the third quarter and was effective October 1st. The increase will be reflected in our system wide pricing to the extent permitted by contracts. The combination of the improved ECU pricing and the incorporation of the Pioneer operations into Olin's results for the full year are projected to cause fourth quarter 2007 earnings to exceed fourth quarter 2006 earnings.

Today, we are announcing a $75 per ton caustic soda price increase effective January 1 or as contracts allow. Based upon the makeup of our contracts, we would expect the impact of this increase to be realized beginning in the first quarter and continuing in the second quarter of 2008. We continue to be pleased with the Pioneer operations and we are making excellent progress in identifying and beginning to implement expected synergies. While our fourth quarter earnings outlook projects a minimal level of synergies, we do anticipate a significant synergies being realized in the first quarter of 2008. These will be primarily related to the consolidation of Olin and Pioneer administrative activities.

We are also beginning to realize savings from the optimization of product shipments, changes in product sourcing, and destinations have to date reduced annual track miles shipped by 13 million miles which represents approximately 2% of the total Olin plus Pioneer annual track miles. Based on the synergy opportunities identified and implemented to date, we now believe we will achieve an annual run rate of $20 million of synergies by the end of the second quarter of 2008 well ahead of our schedule.

We also anticipate that the $35 million total synergy target that was established when the acquisition was announced is likely to be achieved. We also believe that the St. Gabriel conversion project which was initiated prior to our acquisition of Pioneer will generate annual cost savings in the $20-$25 million range once the new member operation comes online. These cost savings reflect both reduced electricity usage and the installation of a brine system that will eliminate the need to purchase chemical grade rock salt. These savings should begin to be realized in 2009. Over the past year we've initiated a number of hydrochloric acid expansion projects.

During the fourth quarter we will complete a bleach expansion project at our Niagara Falls location. This project which required a $6.5 million investment will triple the bleach capacity at that facility. Since the beginning of 2006, we have increased the Olin bleach capacity by approximately 50%, including the Pioneer operations we now have the capability to consume approximately 200,000 ECU's in the manufacturing of bleach.

Also during the fourth quarter we will complete the installation of hydraulic -- hydrochloric acid manufacturing capability at our McIntosh, Alabama plant. This project will allow us to sell chlorine as a value-added product. Last night we filed our Form 10-Q for the third quarter of 2007. Included in that document our summary pro forma financial statements as if Pioneer were owned by Olin for the entire third quarter. These statements also exclude the results of our Metals business. These pro forma statements which do not include any synergies and include approximately $4.7 million of legal and Investment banking fees incurred by Pioneer associated with the acquisition by Olin indicate that third quarter earnings per diluted share of $0.56. This illustrates the potential this acquisition offers to Olin.

Now, discussing Winchester. Winchester had a strong third quarter earning $10 million which represents a 69% improvement over third quarter 2006 earnings. Results continue to be driven by the combination of higher selling prices and improved sales volumes which more than offset the negative impact of higher commodity costs. Winchester's third quarter 2007 sales were$129 million which represents the highest quarterly sales total in the history of Winchester. Third quarter 2007 sales were 23% higher than the third quarter of 2006.

For the third consecutive quarter, sales in each of our major customer categories, domestic commercial, United States military, and law enforcement, increased compared to the same quarter of the prior year. The price of lead continues to be the major challenge facing the business. During the third quarter of 2007 the price of lead averaged $ 1.43 per pound, a 164% increase over the third quarter 2006 average price.

During October, the actual price of lead reached a record level of $1.80 per pound, and as a further reference point, lead traded in the $0.35-$0.40 per pound range as recently as 2005. In our second quarter earnings conference call, we discussed the September 1st price increase of up to 15% that had been announced by Winchester and its largest domestic competitors, Remington and ATK. That was the tenth price increase that had been announced since the beginning of 2004.

As a result, the continued upward movement in lead prices, Winchester recently announced additional increases of between 5-20% effective January 1, 2008. Our primary competitors have announced similar price increases. We are concerned about the impact these price increases will ultimately have on consumer demand. For example, after giving consideration to the January 1st increase, the price of one of Winchester shot shell product lines will have doubled since 2004.

To date, a negative impact has not been seen. As I mentioned Winchester reports segment earnings of $10 million in the third quarter and on a year-to-date basis the business has earned $23.7 million which is an 81% increase over the first nine months of 2006 when we earned $13.1 million. This positions the Winchester business to have one of the best annual profit performances in its history, to accomplish this, our Winchester team has overcome in excess of $20 million in commodity and other material cost increases.

In Summary, I am excited about the prospects for the new Olin , while Chlor Alkali and Winchester face challenges, they have significant opportunities. We are committed to achieving the Pioneer synergies and we're off to a great start. We also believe that the converted St. Gabriel facility will provide a platform for further improvements in profitability.

I believe that through the strategic actions that we have taken this year, we have made a tremendous start in the transformation of Olin into a more focused and a more profitable Company, and now I'm going to turn the call over to the Chief Financial Officer, John Fischer, who will review several financial items with

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John Fischer - *Olin - VP, CFO*

Thanks, Joe, and good morning.

First, I'd like to discuss a few items on the income statement. Selling and administrative expenses in the third quarter of 2007 were 3.5% lower than the third quarter of 2006. Increased expenses associated with the acquired Pioneer operations and mark-to-market adjustments on stock based compensation reflect in the increase in the stock price we experienced during the quarter were more than offset by lower legal and legal related settlement costs. Third quarter 2006 SG&A expenses also included a one-time cost associated with the $125 million debt exchange. Total company pension expense for the third quarter was $13 million which includes a $6.6 million curtailment charge associated with the pending sale of Metals. This $6.6 million is included in the loss on disposal of discontinue the operations. Third Quarter 2006 pension expense was $9.8 million.

On October 5th, we announced that we were freezing our Defined Benefit Pension Plan for salary and certain non-bargained hourly workers effective January 1, 2008. Effective on January 1st, these employees will participate in a defined contribution pension plan. This action continues our strategy of reducing the actuarial risks associated with Defined Benefit Pension Plans. We expect that this action, in concert with the benefits of the $100 million voluntary contribution made in May and the changes in asset allocation implemented early in the third quarter is likely to result in an $8-$12 million reduction in pension expenses in 2008 compared to 2007.

Third quarter 2007 environmental investigatory and remediation expenses were $16.2 million compared to $6.2 million in the third quarter of 2006. This increase is related primarily to a $7.8 million increase in costs at a former waste disposal site resulting from revised remediation estimates from negotiations with the government agency. We expect fourth quarter expenses for environmental investigation and remediation activities to decline from the high level we saw in the third quarter and to be similar to fourth quarter 2006 levels.

During our October 17th conference call, there were a number of questions concerning reductions to our corporate cost as a result of the disposition of the Metals business.

For the first nine months of this year, ended September 30th, corporate and other expenses were $81.6 million of which $29.3 million were environmental, investigatory and remediation expenses and $4.1 million were pension costs specifically related to the amortization of actuarial losses not allocated to specific business segments. The balance of $48.2 million represents corporate office costs. Through the first nine months of 2007, these costs were 8.4% lower than the first nine months of 2006. Legal and legal related settlement costs primarily costs associated with legacy environmental and operating activities is the largest component. Employee compensation and benefits account for less than 30% of these costs.

As many of you know, our Winchester, Corporate and soon to be divested Metals activities are located at the East Alton, Illinois facility and share facilities in infrastructure. We are currently in the process of separating these activities and will do so in a manner that preserves or enhances the profitability of Winchester and results in a corporate cost structure appropriate for the new Olin Joe referenced earlier. In anticipation of the sale of Metals, there were no additions made to the Olin Corporate headcount when Pioneer was acquired. The acquisition of Pioneer did initially add approximately 600 employees, four major manufacturing locations, and three bleach producing locations.

I would also point out that in conjunction with the relocation of the corporate office to the Midwest at the end of 2004, the total corporate headcount was reduced at that time by approximately 40%. The third quarter 2007 effective tax rate for continuing operations was 32.7% which includes one-time credits related to the expiration of federal and certain state statutes of limitation. We believe that after the completion of the acquisition of Pioneer and the sale of Metals, the effective tax rate will be in the 34-35% range. Turning to the balance sheet, to finance the acquisition of Pioneer, we used Olin and Pioneer cash balances and $110 million of funding provided by the $250 million Accounts Receivable Securitization Program. Pioneer had $126.4 million of cash at August 31, 2007. Cash flow from operations during September reduced the borrowings under the receivables program to $30 million.

By November 5th, the Pioneer convertible debt will be redeemed at a total cost of $146 million. This will also be funded by the receivables facility. As we stated on October 17th, we intend to use the proceeds from the sale of Metals to repay the borrowings made to fund the redemption of the Pioneer convertible debt and to fund the ongoing St. Gabriel conversion project.

In addition, when the pending sale of Metals is completed, the amount available under the receivables program will be reduced from $250 million to approximately $125 million. On October 29th, we entered into a new five year $220 million revolving credit agreement to replace the existing $160 million facility.

In addition to this, in August, we entered into a separate $35 million letter of credit facility. These actions are consistent with the financing plan we described when we announced the Pioneer acquisition. We do not have any plans at this time to pursue any permanent long-term financing. Capital spending, excluding Metals during the third quarter of 2007 was $18.1 million which includes $2.4 million of Pioneer spending, and year-to-date spending has been $40.1 million.

We are currently projecting full year capital spending excluding Metals of between $55-$65 million after giving consideration to the first quarter sale and leaseback transaction. This will include an estimated 11.5 million from the Pioneer operations. Capital spending in 2008 will include approximately 120 million associated with the St. Gabriel project.

Last week, Olin's Board of Directors declared a dividend of $0.20 on each share of Olin Common Stock. The dividend is payable on December 10, 2007 to shareholders of record at the close of business November 9, 2007. This is the 324th consecutive dividend to be paid by the company.

Before we conclude, let me remind you that throughout this presentation, we have made statements regarding our estimate s 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 in our most recent Form 10-K, and our Form 10-Q and in our press release for the third quarter. A copy of our prepared remarks today will be available on our website in the investor section under recent press releases and speeches, together with earnings, the earnings press release and other financial data and information. And with that operator, we're now ready to take questions.

Q-AND-A

Operator

Thank you, sir. (OPERATOR INSTRUCTIONS). Your first question is from Frank Mitsch with BB&T Capital Markets.

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

Happy Halloween, gentlemen.

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

Happy Halloween, Frank.

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

Thank you, and terrific result. Joe, you originally guided the September quarter to $0.40 range and you post $0.56 or $0.62 depending on how you want to treat some of the unusuals so obviously, a fantastic quarter. How should we be thinking about this $0.30 number that you're posting for the fourth quarter? My questions really are one, obviously Metals is excluded from that $0.30 number and I guess you're not also factoring in anything from lower interest costs from the sale of Metals, but I was surprised to see Winchester at a possible loss, that's typically not what Winchester does in the last quarter of the year and then also, on Chlor Alkali, if you could give us a sense as to how much of a negative impact you expect those five turnarounds that are now completed to have in the fourth quarter.

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

Yes, let's just talk for a minute, Frank, about Winchester. Winchester historically bounces around the breakeven range in the fourth quarter as what happens as, you know, there's the big build of inventory in the second quarter, the huge buy in the third quarter which is reflected this year, and a great quarter and then what happens is we have that in addition to that we have a shut down of our plants that occurred. We actually take a week's maintenance shut down turnaround and then we shut down at the Christmas holiday so we have a shortened time period and then the other, the thing that's hard for us to assess is will there be a buy ahead with the January price increase. I mean if there's a buy ahead which seems to have happened and then those numbers could be much more favorable for us in the quarter, so there's the normally in the ammunition business the fourth quarter is a low quarter, so that's what has occurred there. John, you can tell them what you think from a turnaround perspective.

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

Frank, this is John. We had really the volume impact in the fourth quarter versus the third quarter, it was about $4 million which is driven by the outages that occurred across our system and when you look at comparing outages from this fourth quarter of this year to last year, there's a significant difference in the outages at the McIntosh site. There were none in the fourth quarter of '06 and we had 8-10 days of outages in '07 at that site, so there's probably, you know, four plus million dollars of non-recurring shut down costs that we'll also see factored into our 2007 fourth quarter results. So I think, you know, the shut downs did have a significant impact from the volume side and from the cost side, but those were behind us now and we look forward to the rest of the quarter.

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

All right, so John, just to clarify, we should think about at least on a sequential basis, $4 million negative hit in Chlor Alkali results because of the shut downs?

Unidentified Speaker

Yes.

Frank Mitsch; All right and then of course, you've got the pricing, I think you referenced it that prices are moving up and on caustic, I don't know about the ECU overall for the fourth quarter but you've also got the two months of Pioneer, two additional months of Pioneer, so you should be safely well above where you were fourth quarter of '06 in this segment.

John Fischer - *Olin - VP, CFO*

That is correct.

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

That's correct.

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

All right and then lastly, with the sale of Metals, I mean, basically, you're swapping the Metals business with the Pioneer business and the negative net debt position that you found yourselves in earlier it looks like it's going to be in a not too distant future which begs the question, what's next?

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

Great question, Frank, and, you know, obviously, what's next is we're going to continue to look for ways that we can continue to create more value. And that may be in further investments in the current businesses or looking at other opportunities.

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

All right terrific, thank you.

John Fischer - *Olin - VP, CFO*

Thank you.

Operator

Your next question is from Don Carson with Merrill Lynch.

Don Carson - *Merill Lynch - Analyst*

Yes, thank you. I just want to clarify a little further on the fourth quarter. John, what operating rate do you think you'll have? You mentioned 75% in October as you did those outages. I mean, what is that, what you at for the whole quarter? Would you think you'd be in the 85-88% range for the quarter and just to clarify the shut down cost, you said there was a 4 million volume impact as well as $4 million actual cost impact at McIntosh?

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

Those cost impacts and volume impacts are correct, Don, as you mentioned, and operating rate, we're forecasting, you know, mid-80 operating rate for the quarter.

Don Carson - *Merill Lynch - Analyst*

Okay. And any unusual costs? I mean, do your power costs go up appreciably in the fourth quarter? Again I'm just having trouble getting to, you know, a number as low as you have based on this kind of an operating rate.

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

There's really no unusual, you know, absent the shut down costs that we've talked about nothing unusual on the cost side.

Don Carson - *Merill Lynch - Analyst*

Okay. And I notice freight rates were up significantly year-over-year, 26%. How are you managing that? Are you actually putting clauses into your contracts where you can pass through a surge in freight rates or is that just kind of what gives you the leverage to post these increases of $30 this quarter and a $ 75 nomination for next quarter?

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

Where we can, we attempt to separate in our contracts with our customers. We attempt to separate the price of the product versus all the other prices, freight, fuel surcharge, etc, and, you know, where we can can do that, we are doing that as contracts, you know, are re-negotiated or new ones are put into place, but that is not something that we can universally, unilaterally do across the entire portfolio of customers, so in some sense, we are using the tremendous, you know, the tremendous cost improvement that we've seen or costs that we've seen passed on from the railroads, you know, as justification to our customers for why, you know, prices continue to climb for our products.

Don Carson - *Merill Lynch - Analyst*

And on this $75 price increase, has that been matched by your competitors and is this the another measure of the new Olin that you'll be more aggressive now that you're a larger player in Chlor Alkali at the leading industry prices up?

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

The caustic price increase was initiated I believe by OxyChem and it's my information that both Dow and Formasa and Olin now have announced, you know, increases similar to what was originally announced by Oxy, and yes, I believe, you know, we are continuing our posture of being more aggressive as cost increases come to us and attempting to pass those and down to our customers.

Don Carson - *Merill Lynch - Analyst*

Okay, thank you.

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

Thanks, Don.

Operator

The next question is from John Roberts with Buckingham Research.

John Roberts; Good morning, guys.

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

Good morning, John.

John Roberts - *Buckingham Research - Analyst*

The environmental increase that you had in the quarter, was that part of an ongoing government negotiation or was that a final determination on your government issue so that we won't have that going forward?

John Fischer - *Olin - VP, CFO*

That was part of an ongoing negotiation. We have, if you read our 10-K, we've identified that we have 72 legacy environmental sites that we're constantly dealing with and we just dealt with one of those. I think if you looked over time, our environmental expense has ranged between $20 million a year and about $35 million a year over the last 10 years, it was actually higher than that back in the 80s, so this is unfortunately a year where we're at the high end of that range.

John Roberts - *Buckingham Research - Analyst*

Is this the final one on this particular site or is this site something that gets initiated over?

John Fischer - *Olin - VP, CFO*

No it's as got as the estimate is, John.

John Roberts - *Buckingham Research - Analyst*

Okay and over what time period where the amount just occurred gets spent?

John Fischer - *Olin - VP, CFO*

Over the next three to five years.

John Roberts - *Buckingham Research - Analyst*

Three to five. Thank you.

Operator

The next question is from Christopher Butler with Sidoti.

John Roberts - *Buckingham Research - Analyst*

Hi, good morning, gentlemen.

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

Good morning.

Christopher Butler - *Sidoti & Company - Analyst*

Just getting back here to the ECU netback, with freight costs rising you have a $30 increase to caustic soda and also assume that there's some benefit from Pioneer. You had said you're looking for a slight improvement on netback. I mean, the ECU part of that is going to have to increase more than slightly in order to offset the freight cost. Just wondering if you could just sort of give us a little bit of color on that.

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

Well, we have, you know, historically, freight costs continue to escalate for us quarter-over-quarter, and we had said previously that, you know, our freight costs have been up on a year-over-year comparison of 26%. We haven't really talked specifically about freight in absolute numbers before and it's really distorting the talk about it from a third quarter standpoint when we really only have one month of Pioneers results in the quarter. We're going to be prepared to talk in more detail about freight when we talk about our fourth quarter results, when we have an entire, you know, quarter of consolidated information to look at, but we do continue to see quarter-over-quarter freight increases. When you look at netbacks, those numbers are are net of the impact of those freight increases that we've seen, and just to give you a point of reference for Olin's system, you know our current freight numbers on an ECU basis are in excess of $100 in ECU.

Christopher Butler - *Sidoti & Company - Analyst*

And switching gears here over to the balance sheet, we're looking at a balance sheet now that include Pioneer along with Olin on a working capital level. You had mentioned that you had built up some inventory for the outages. You know, what can we look at for working capital is going forward as that inventory is sold off and as, you know, you integrate the Pioneer acquisition?

John Fischer - *Olin - VP, CFO*

Pioneer, in terms of working capital added about $35 million to working capital by being included at the 9/30 balance. I think if you look at that and you look at the history of our Chlor Alkali business inventories don't move that much. The inventory is stated at LIFO so you get very minimal levels of movement. So, I think if you look at working capital for the new Olin, the thing have you to pay attention to is the seasonal movement that you see in Winchester, the first and second quarter build followed by the third and fourth quarter liquidation. In fact, I talked about cash flow in the third quarter being used to repay most of the receivables. That cash flow was generated primarily by Winchester.

Christopher Butler - *Sidoti & Company - Analyst*

Thank you for your time.

Operator

Your next question is from Robert Reitzes with Bear Stearns.

Robert Reitzes - *Bear Stearns - Analyst*

Yes, hi. I just have a quick question on caustic more than anything else. I'm hearing that this price increase has some difficulty getting it through and I heard that, you know, everybody is on top of it. Is it too early to estimate whether it's going through, some of it's going through, etc? It sounds to me like you guys are all (inaudible) but I'm just curious.

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

My take on it is that it is too early to tell. I mean, we're just announcing, you know, the increase today and earlier this week, other producers have announced it. I would say that I think that the increases is an expectation that operating rates for Chlor Alkali which have been in the 90% and higher range for the last quarter or so are going to significantly drop off in the fourth quarter, driven for the most part by, you know, demand in the vinyl sector that is, you know, dramatically dropping off, and that that change in operating rates down for the Chlor Alkali industry is going to put even more pressure on a caustic balance from a supply/demand standpoint that right now is very very tight. So, you know, I don't subscribe to the theory that this increase doesn't have opportunity to be successful in the marketplace. I think caustic is only going to get tighter because operating rates are going to change.

Robert Reitzes - *Bear Stearns - Analyst*

Okay, fair enough. Thanks for the answer.

Operator

Your next question is from Edward Yang with CIBC.

Edward Yang - *CIBC World Markets - Analyst*

Hi, thank you, good morning.

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

Good morning.

Edward Yang - *CIBC World Markets - Analyst*

First question, just for clarification. The 30 million that you have on your accounts receivables securitization, is that counted in the debt number on your balance sheet?

John Fischer - *Olin - VP, CFO*

Yes, it is.

Edward Yang - *CIBC World Markets - Analyst*

And second question on the strength of resiliency and caustic as well, how much does exports contribute to that strength, just want to understand what's driving the good results there.

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

The cost to exports, are you talking about exports from the U.S?

Edward Yang - *CIBC World Markets - Analyst*

Yes.

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

You know, exports, caustic exports from the U.S. has not changed very much I don't believe over the last, you know, several months. Caustic out of the U.S. you know, tends to find its way to the developing markets in South America, and to the extent that we've been servicing those markets from the U.S., that's really a trend that's continued. What has changed looking backwards at 2007 is the amount of imported caustic material that's come into this country. A variety of factors including operating rate, you know, issues in Europe and some cases from the Far East have reduced the amount of caustic that's been imported into the U.S. And has added to the real tight supply demand balance that we currently see that we believe will only get tighter as we move into the fourth quarter.

Edward Yang - *CIBC World Markets - Analyst*

And I know with the exchange rate imports from Canada are down fairly significantly. How does that affect your business with the Pioneer acquisition?

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

It's not that significant a factor. I mean, you know, it is because of the change in the exchange rate. You know, it has an impact but it's really not as significant a factor. There is a lot of caustic that, you know, is still consumed in Canada by the pulp and paper industry and so we don't bring a lot of caustic from Canadian operations into the U.S.

Edward Yang - *CIBC World Markets - Analyst*

Okay, thank you very much.

Operator

The next question comes from Bob Goldberg with Scopus Management.

Bob Goldberg - *Scopus Asset Management - Analyst*

Good morning.

John Fischer - *Olin - VP, CFO*

Good morning.

Bob Goldberg - *Scopus Asset Management - Analyst*

A couple of questions. Are there integration costs related to the Pioneer acquisition that have not been taken yet that might be in the fourth quarter?

John Fischer - *Olin - VP, CFO*

We don't anticipate any, Bob.

Bob Goldberg - *Scopus Asset Management - Analyst*

Okay, and John, what is the schedule for maintenance in 2008? Do you have much schedule in the first half of '08?

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

No, not at this time. Our outages for the most part tend to be not scheduled in the first half of the year, and we tend to try to schedule for the shoulder months away from the peaks and seasonal, you know, its seasonal demand. So, we don't have much forecast in the first quarter. Really because we've just come off this very concentrated outage period in the month of October, across our system.

Bob Goldberg - *Scopus Asset Management - Analyst*

Everything is running now, all your plants are operating as of the beginning of November?

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

Yes, sir. We're through the outages that we had scheduled that had been scheduled independently by the companies before the acquisition and we're through all of those. Everything is back operational.

Bob Goldberg - *Scopus Asset Management - Analyst*

So on a normal basis you'd be running more like 90 (inaudible) percent operating rate to get to the 85% rate for the quarter?

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

Yes, sir. That's a good approximation.

Bob Goldberg - *Scopus Asset Management - Analyst*

Okay. And in terms of the caustic increase, John, you mentioned that obviously there's an expectation that Chlor Alkali rates are going to slow which is going to tighten up Caustic but there's also the Shintech expansion that the industry has been waiting many years for. I'm just wondering what the expectation is now and it doesn't seem to be as big an impact as people had maybe feared some time ago. Is there an expectation there will be maybe more outages or more capacity shut down to mitigate the impact of the new capacity or what's your thought there?

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

Well I think that you know, the Shintech outage, you know, has in terms of when it's scheduled to occur has continued to move into the future, so there was a point in time at which the thought was that that start up would occur in the Fourth Quarter of this year and the latest information I have is now it's looking like a, you know, mid first quarter of that. You know, I believe that the strength we're seeing, you know, in the caustic market and the caustic, you know, sector for the downstream products is helping, you know, factor in that this expansion will come on line and it will not have a significant impact on the caustic market.

Bob Goldberg - *Scopus Asset Management - Analyst*

And also I had a question for the other John. Any thoughts, John, on the corporate line, you gave some description of what's going on there, going out of 2007, it looks like it will come in 60 million or I'm not sure where, but maybe a little bit above that but any preliminary thoughts on what might happen to that line and what might happen to the environmental line? I know that's a hard one to forecast given that things come up now and then but directionally what do you think will happen to that line compared to the 35 million that you're going to see in 2007?

John Fischer - *Olin - VP, CFO*

I think at a preliminary view, I would answer it as it's ranged in the last few years between 25 and 35 and I think I will be comfortable saying it will be in that range. I think the remainder of that corporate line all other things being equal will go down. I talked about the pension being a significant contributor to that going down in 2008, because that 8-12 I mentioned would go through corporate and other.

Bob Goldberg - *Scopus Asset Management - Analyst*

Right, okay. Great. Thanks.

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

Thank you.

Operator

Your next question is from Justin Burcell with Gates Capital Management.

Jeff Gates - *Gates Capital Management - Analyst*

Yes, it's actually Jeff Gates. I have a couple questions. If you could clarify and maybe I missed this so, maybe I looked things as closely, but on the ongoing corporate, the 64 million annualized, the pure corporate excluding pension and environmental, the savings you expect there, how much do you expect that and is that included in the 20-35 million of overall cost savings that you've cited on the Pioneer acquisition in total? That's the first question. The second question is on the environmental reserve which I think combined is about 137 million now, but yet you're spending 35 million a year, and I'm just wondering when the last time was you had an environmental survey done, and when you might expect another one to be done, and third, can you briefly talk about the merchant market for chlorine and what's happening with the titanium dioxide producers, many of which are changing hands and how much of that buying base you expect to remain in the United States and how much of it might be lost and kind of what's going on and what the merchant market for chlorine is relative to the total size of the chlorine market today?

John Fischer - *Olin - VP, CFO*

Okay, in corporate and other, all other things being equal, Jeff, corporate and other costs in the future 2008 will be lower than they were in 2007, extracting environmental and extracting pension; however some of that is in fact included in the fact that we can get significant synergies through the merger with Pioneer, so the amount of that increase is muted by the fact that some of that is coming from, it's included in the synergy number. The environmental, we have a full time environmental remediation group that provides almost quarterly updates as to the estimates of costs to remediate the various sites that we have to deal with. So that, this is an ongoing process, what we talked about in this particular quarter was one site out of the 70 some odd sites that we have, and that John, you can deal with the TI02 merchant chlorine question.

John McIntosh - *Olin - VP, President of Chlor Alkali Products*

The TI02 Markets customers that we receive, we've not really seen any significant change in those, even accounting for the fact that in some cases there have been ownership changes. Obviously, there's one segment of TI02, of the TI02 market that is tied to housing and construction and we would expect at some point in time, you know, for that part of that market segment to weaken, but it's not the entire, you know, portfolio of TI02 end uses, so what we've seen is relatively, you know, consistent demand from that sector. The overall merchant market for chlorine has been very tight, you know, in the last couple quarters, and in some cases that's been driven by the fact that for the first time in a long time, the comparative crude oil versus natural gas pricing in the U.S. Is advantaged some U.S.

chlorine derivative producers and there's actually been chlorine derivative products exported from the U.S. to other geographies in the world. That's something that hadn't happened up until 2007 for awhile. The overall merchant market is going to be impacted by whatever happened in the vinyl segment since that is the largest consuming sector for chlorine, and we expect there to be some weakness, you know, in that sector and we expect that as I mentioned earlier, to drive operating rates down. The total chlorine market in North America is roughly 15 million tons a year of demand. The merchant portion of that market, depending upon whether you count pipelines or don't count pipelines is estimated to be in the 4-5 million ton size. So roughly, you know, 30-35% of the total is still serviced by the merchant market.

Jeff Gates - *Gates Capital Management - Analyst*

Yes.

John Fischer - *Olin - VP, CFO*

Thank you, Jeff.

Operator

Thank you, sir. That is all the time we have for questions, so I'll turn the call back to Mr. Joseph Rupp for closing remarks.

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

We want to thank you for joining us today. We look forward to giving you our report at the end of the fourth quarter, giving our full year report in January and reporting on the success of our strategic and completion of our strategic activities. Thank you.

Operator

Ladies and Gentlemen, we thank you for your participation in today's conference. This concludes the presentation and you may now disconnect. Have a good day.