FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to Olin's fourth-quarter 2007 earnings call. My name is Jen and I will be your coordinator for today. (OPERATOR INSTRUCTIONS). As a reminder, this conference call is being recorded a replay purposes. I will now turn the presentation over to Mr. Joseph Rupp, Chairman, President and Chief Executive Officer. Please proceed, sir.

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

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

Last night, we announced that earnings from continuing operations in the fourth quarter of 2007 were $29.6 million or $0.40 per diluted share compared to $15.6 million or $0.22 per diluted share in the fourth quarter of 2006. Sales from continuing operations in the fourth quarter of 2007 were $404.8 million compared to $247.1 million in the fourth quarter of 2006. Both our Chlor Alkali and Winchester businesses financed 2007 on a strong note.

Chlor Alkali fourth-quarter segment earnings were $68.1 million, which includes $20.9 million from the Pioneer operations acquired in August. Included in these results are approximately $5 million of realized synergies. In achieving these Chlor Alkali earnings, we overcame lower operating rates, reflecting both planned maintenance outages at seven of our plants and seasonally weaker demand. Operating rates in the fourth quarter of 2007 were 88%. Winchester earns $2.7 million in the quarter and completed its best year since 1994. During the quarter, Winchester benefited from higher selling prices and stronger than expected demand, which more than offset higher commodity and manufacturing costs.

Fourth-quarter 2007 results included a $1.3 million pretax recovery associated with a prior year's divestiture and a $1 million pretax reduction in stock-based compensation expense due to the sale of the Metals business. Fourth-quarter 2007 results also include a $3 million pretax charge to adjust the asset retirement obligation previously reported as required under accounting standards for asset retirement obligations. Fourth-quarter 2006 results included a $6 million pretax insurance recovery, which was related to Hurricane Katrina business interruptions.

For the full year 2007, earnings from continuing operations were $100.8 million, or $1.36 per diluted share compared to $123.7 million or $1.70 per diluted share in 2006. Full-year 2006 results included $700,000 of pretax gains associated with real estate transactions and a $21.6 million reduction in income tax expenses associated with the settlement of the tax treatment of capital losses generated in 1997 and other tax matters. Sales from continuing operations in 2007 were $1.28 billion compared to $1.04 billion in 2006.

Earnings in the first quarter of 2008 are projected to be in the $0.50 per diluted share range. This forecast reflects a slight improvement in ECU pricing compared to the fourth quarter of 200 as the most recent caustic price increase is implemented.

During January, we have seen normal seasonal weakness in chlorine demand, which has been exacerbated by weakness in the vinyls sector. Improvements in the current level of anticipated demand from the vinyls industry would favorably impact our projected first-quarter earnings. Winchester results are expected to be about equal to the first quarter of 2007. And pension expense is expected to decline by approximately $3 million compared to the first quarter of 2007. Olin's earnings per diluted share from continuing operations in the first quarter of 2007 were $0.22.

Now let me discuss our Chlor Alkali and Winchester segments in more detail. First, Chlor Alkali.

Chlor Alkali Products earned $68.1 million in the fourth quarter of 2007 and $237.3 million for the full year 2007. Included in the fourth-quarter and full-year earnings were $20.9 million in the fourth quarter and $29.2 million for the full year from the Pioneer operations, which we acquired at the end of August. In comparison, fourth-quarter and full-year 2006 Chlor Alkali earnings were $52.2 million and $256.3 million, respectively.

Chlor Alkali sales for the fourth quarter of 2007 were $302.1 million compared to $153.8 million in the fourth quarter of 2006. The increase in sales reflects a 70% increase in volume due to the acquisition of the Pioneer operations, which more than offset a 2% decline in Olin Company volumes during the fourth quarter.

The fourth quarter of 2007 ECU netback in the Olin system was $525 compared to $520 in the fourth quarter of 2006. Third-quarter 2007 Olin-only ECU netbacks were $540. The decline from the third quarter of 2007 reflects weaker chlorine prices due to a less favorable customer mix, which more than offset higher caustic soda prices. The fourth-quarter Pioneer only ECU netback was $605 and the combined Olin Pioneer netback was $555.

The difference between Olin and Pioneer in ECU netbacks reflects the higher level of chlorine that is shipped by pipeline and the higher ECU netback that is realized by Pioneer's West Coast operations. Unfortunately, Pioneer's West Coast operations also have higher manufacturing costs. Pioneer typically ships approximately 40% of its chlorine by pipeline. Beginning in the first quarter of 2008, we will report only the consolidated ECU netback.

As we continue to operate freight and logistics across the combined Olin-Pioneer systems, maintaining separate ECUs is really going to no longer be meaningful. We expect first-quarter 2008 ECU prices to improve slightly over the fourth quarter of 2007, driven by higher caustic soda prices. The increase in first-quarter caustic soda price reflects the impact of the $75 per ton price increase announced in the fourth quarter. We do not expect the full impact of that price increase to be realized until the second quarter.

Freight costs in the Olin system increased 29% in the fourth quarter of 2007 compared to the fourth quarter of 2006. Escalating freight costs continue to be a major challenge facing the business and we anticipate further increases in 2008. As a point of reference, the freight cost penalty included in the Olin fourth-quarter 2007 ECU netback of $525 was $110 per ECU. That compares to $85 per ECU in the fourth quarter of 2006. The freight costs included in the fourth quarter of 2007 Pioneer ECU netback of 605 was $100 per ECU. And in future periods, we will report freight costs per ECU included in our netback.

As we have said before, the ability to optimize freight costs is a key synergy to be realized as part of the Pioneer acquisition. To date, we have identified and implemented changes in ship-to and ship-from locations that will reduce annual ton miles shipped by approximately 5%. The benefits of these changes are already reflected in the Pioneer ECU netback. The$100 per ECU of freight costs included in the fourth quarter of 2007 Pioneer ECU netback was $10 per ECU lower than it was in the third quarter of 2007, prior to the implementation of these changes.

Fourth-quarter Chlor Alkali segment earnings included approximately $5 million of realized synergies and we remain confident that the full $35 million of annual cost savings will be realized. During the first quarter of 2007, the Pioneer corporate office in Houston will be closed and the space has already been subleased. All those activities have been consolidated into existing Olin functions and facilities.

Looking forward, we believe our Chlor Alkali business is well positioned to have a strong 2008. We expect the $75 per ton caustic soda price increase announced in the fourth quarter of 2007 to favorably impact ECU netbacks in both the first and second quarters of 2008. While we have seen some weakness in chlorine demand from the vinyls industry beyond the typical seasonal slowdown, caustic demand continues to be robust. Within the combined Olin and Pioneer systems, we are currently struggling to meet our caustic demand. Throughout 2008, we will continue to realize additional synergies which will enhance our profitability.

Now I will turn to Winchester. As I said earlier, Winchester just completed its best year since 1994 and has since effected a significant turnaround in its business. Winchester's 2007 segment earnings of $26.4 million represents a 67% improvement over the 2006 earnings. The key to the Winchester turnaround has been improved volumes and the positive impact of the 11 price increases that have been announced since the beginning of 2004. The most recent of these price increases was announced in the fourth quarter of 2007 and was effective January 1, 2008.

Some of the improved volumes represent the significant progress Winchester has made in expanding its military and law-enforcement business. During 2007, Winchester received the largest federal law enforcement contract in its history, a five-year, $54 million contract from the FBI. Winchester is currently pursuing an additional opportunity with the FBI. Winchester also received an $18 million multi-year contract from the United States Army for shotgun shells, which was the second consecutive contract for this type.

Finally, Winchester was recently awarded a five-year, $29 million contract from the United States Navy for 5.56mm frangible training ammunition. This is currently Winchester's largest United States Navy contract and it is the largest contract Winchester has received in the growing area of lead-free military training ammunition.

During 2007, law-enforcement and military sales increased 16% over 2006 levels. And as a further point of reference, military and law-enforcement sales accounted for approximately 25 to 30% of Winchester's 2007 revenues. Based on the on the recent orders and current backlog, law-enforcement and military sales should continue at current levels through 2009.

During the fourth quarter of 2007, and continuing into the first order 2008, the price of lead has moderated from the record level of $1.60 per lb. to a range of $1.10 to $1.20 per lb. This moderation is good news for both Winchester and the commercial ammunition industry. As we have said before, we are concerned that unprecedented levels of commodity metal prices, specifically copper, lead, and zinc, could force commercial ammunition prices to a level that would negatively impact demand. And as a reminder, Winchester consumes approximately fur times as much lead as copper.

That said, Winchester did experience a significant year-over-year increase in the price of lead. Lead prices in both the fourth quarter and full year 2007 were 100% higher than they were in the fourth quarter and full year of 2006.

Winchester is continuing to aggressively pursue cost reduction programs. The business has recently begun analyzing an opportunity to relocate approximately 100 manufacturing jobs from its East Alton, Illinois facility. This relocation, if implemented, could generate annual cost savings of approximately $3 million.

Looking forward, I also believe our Winchester business is well positioned for another strong year in 2008. The business continues to pursue cost reductions and has seen a moderation in the escalation of commodity metal prices. It had success in implementing price increases and they have diversified its revenue sources through the acquisition of law-enforcement and military contracts.

The divestiture of Metals, coupled with the Pioneer acquisition and the strategic actions taken to the funding of -- and the position of our pension plan made for an exciting and rewarding 2007. We strategically positioned the Company into a leading Chlor Alkali manufacturer with financial flexibility to pursue additional investments in areas where we can earn the best returns. Now let me turn the call over to our Chief Financial Officer, John Fischer, who will review several financial items with you. John?

John Fischer - *Olin Corporation - CFO and VP*

Thank you, Joseph.

First, I would like to discuss a few items on the income statement.

Selling and administrative expenses increased by $3.5 million in the fourth quarter of 2007 compared to the fourth quarter of 2006. The increase reflects SG&A expenses from the acquired Pioneer operations, which more than offset lower corporate costs, primarily legal and legal-related costs. Looking at the 2007 SG&A expenses, I would remind everyone that these Pioneer costs are a significant component of the synergies expected to be realized as part of the acquisition.

For the full year 2007, Other Corporate and Unallocated costs decreased $5.4 million from 2006 levels. This reduction reflects a lower level of legal and legal-related settlement expenses associated primarily with legacy environmental issues and environmental recovery actions. As a point of reference, these legal and legal-related expenses represent an approximately 25% of the total 2007 Other Corporate and Unallocated costs. The decline in these expenses was partially offset by higher asset retirement costs and higher incentive and stock-based compensation expenses.

Fourth-quarter and full-year environmental, investigatory and remediation expenses were $8.6 million and $37.9 million, respectively. This compares to $6.3 million and $22.6 million of expenses for the fourth-quarter and full-year of 2006. The increase in 2007 charges compared to 2006 relate primarily to a $7.9 million increase in costs at a former waste disposal site based on revised remediation estimates resulting from negotiations with a government agency. These charges relate primarily to remedial and investigatory activities associated with former waste sites and past operations. We currently anticipate that 2008 charges for environmental, investigatory and remedial activities will be approximately 25% lower than 2007.

Total Company defined benefit pension plan expense for 2007 was $14.4 million compared to $27.8 million in 2006. The year-over-year decrease reflects the favorable impact of the $180 million of voluntary contributions made in 2006 and 2007, a 25 basis point increase in the discount rate in 2007 and favorable 2006 asset performance. Pension expense in 2006 included a $2.4 million curtailment charge associated with the voluntary transition of certain Winchester union employees from a defined benefit plan to a defined contribution plan.

On October 5th, 2007, we announced that Olin was freezing its defined benefit pension plan for salaried and certain non-bargained hourly workers effective January 1st, 2008. This action continued our strategy of reducing the actuarial risks associated with defined benefit pension plans. In 2008, we expect pension expense associated with the defined benefit plan to be $19 million lower compared to 2007. This reduction reflects the benefit of the plan freeze, an additional 25 basis point increase in the discount rate, the benefits of the $100 million voluntary contribution made in May, and favorable asset performance in 2007. This reduction will be offset by an approximately $6 million increase in expenses associated with the defined contribution plan that replaced the defined benefit plan. We continue to believe that it is likely that no additional cash contributions to the defined benefit plan will be required.

Under SFAS No. 158, we recorded a non-cash, after-tax credit of $124.1 million to shareholders equity as of December 31st, 2007 for the defined benefit pension plan and post-retirement medical plan. This credit reflects the use of a higher discount rate on pension benefit obligations and favorable returns on plan assets during 2007. As a point of clarification, December 31st 2007 balance sheet now reflects a pension asset denoting an over-funded position of $111.9 million. In addition, there are liabilities of $51.9 million associated with a nonqualified and unfunded defined benefit pension plan and $79.5 million associated with the unfunded retiree medical program on the December 31st balance sheet.

Other operating income for 2007 includes the $1.3 million pretax receipt of a contingent payment associated with a prior-year divestiture. Other operating income for 2006 includes a pretax insurance recovery of $6 million related to Hurricane Katrina business interruption and $700,000 of pretax gains associated with real estate transactions.

The tax rate for continuing operations in the fourth quarter was 34.8% and for the full year was 33.1%. The fourth quarter rate reflects the impact of the Pioneer Canadian operations, the income of which is not eligible for the manufacturing credit available under the Jobs Creation Act of 2004. The income from Canadian operations will continue to impact the 2008 effective tax rate, which we now believe will be in the 35 to 36% range.

On November 19th, we closed on the sale of the Metals business to a subsidiary of Global Brass and Copper Holdings Inc., an affiliate of KPS Capital Partners LP. For the year, earnings from discontinued operations were $0.39 per diluted share and the loss on the disposal of the discontinued operations was $1.87 per share. The final amount of the loss on the sale is dependent on the final determination of working capital in the business at the date of closing. Total cash proceeds realized from the operation and sale of the Metals business in 2007 was approximately $480 million.

Now turning to the balance sheet, cash and cash equivalents at December 31st, 2007 were $333 million compared to $276 million at December 31st, 2006. There are approximately $45 million of payments associated with the sale of Metals that will be made in 2008. These represent liabilities retained by Olin in the transaction and other purchase price adjustments which are contemplated in the $480 million of total proceeds from 2007 metals activities that I just mentioned.

As we move forward, we will continue to see cash flow volatility from working capital due to the seasonal aspects of Winchester's business. During the first two quarters of the year, Winchester working capital levels typically increased 40 to $50 million. These increases should be liquidated by the end of the year.

Capital spending from continuing operations in 2007 was $76.1 million, which includes approximately $14.9 million of spending by the acquired Pioneer operations. In 2008, we forecast capital spending to be in the 200 to $210 million range. The large increase reflects the St. Gabriel, Louisiana facility conversion and expansion project spending of approximately $120 million.

This project is expected to be completed in the first quarter of 2009. Full-year 2008 depreciation is forecast to be approximately $70 million.

On January 25th, 2008, Olin's Board of Directors declared a dividend of $0.20 on each share of Olin common stock. The dividend is payable on March 10th, 2008 to shareholders of record at the close of business on February 11th, 2008. This is the 325th consecutive dividend to be paid by the Company.

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

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Frank Mitsch, BB&T Capital Markets.

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

Good morning, gentlemen. I jumped on just a tad late. I was wondering if you talked, when you were discussing the Chlor Alkali business, if you talked at all about the impact of plant turnarounds in the fourth quarter and what your expectations are for the first and second quarter of '08 in terms of what impact that might be.

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

This is McIntosh, Frank. We didn't touch on that. We have outages in the first half of '08 scheduled at four different locations. In the first quarter, we have an outage scheduled at Henderson. It's an annual outage, expected duration to be seven days. We also have an outage at the Sunbelt plant in March, which is expected to be five days in length. Absent those two, there isn't anything else scheduled of significance in the first quarter.

In the second quarter we do have a couple of outages, annual outages scheduled -- one at Becancour and one at Niagara Falls. But those are pretty typical annual outage obligations that we currently have scheduled for the first half of the year. That's quite a bit different than what we saw in the fourth quarter, where we had outages at seven different facilities across the entire combined system.

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

Any order of magnitude as to what those seven outages might have negatively impacted your earnings in the fourth quarter?

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

I don't have that information.

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

It's bigger than a bread box then. But --.

John Fischer - *Olin Corporation - CFO and VP*

We did say our fourth-quarter operating rate was 88%.

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

Okay. 88% operating in 4Q. All right.

And John, obviously you ended the year with $74 million of net cash on the balance sheet. And I do realize that you are going to ramp up CapEx meaningfully in 2008, although my guess is that '08 CapEx is going to be higher than '09 CapEx if you are going to be done with the St. Gabriel project early '09, so you're going to see that ramp back down. Any thoughts on what your target debt levels are -- would be and what might you do with your cash?

John Fischer - *Olin Corporation - CFO and VP*

Your first point is very good because we will be a user of cash in 2008 by virtue of both the level of capital spending and also some of the other uses of cash I mentioned in terms of settling out the Metals transaction.

I would look at the level of debt and say something in the 2 to 2.5 of debt to EBITDA is a comfortable level for us. And if we could maintain that through the cycle, I think we would be in good shape.

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

All right, but at this point, and lastly, obviously 2007 was quite a transformational year for the Company in terms of M&A. Any thoughts on possible M&A in 2008?

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

Frank, we're going to keep looking for ways that we can continue to create value, as we said, and you've got to assume that we are actively looking at what we can do next.

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

All right. Thank you, Joseph.

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

You're welcome.

Operator

Don Carson, Merrill Lynch.

Don Carson - *Merrill Lynch - Analyst*

Couple of questions, actually for John McIntosh. John, what's your view on Dow's announcement this morning in terms of taking capacity out? Do you think that's significant? Was it a surprise? And then, Joseph, I knew you talked at some length about freight. How do you see your freight synergies unfolding in 2008? And is that enough to offset what seems to be an inexorable rise in railcar rates?

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

Don, I haven't really had time to look at Dow's announcement in any detail, so I don't really know that I have a comment on it yet at this point in time.

In terms of your question about freight, when we look at our $35 million synergy objective for the transaction, a significant part of that commitment came from freight savings associated with consolidating and improving the logistics of the combined company.

And so we think that that will go a long way towards offsetting some of the freight increases that we expect to see in 2008. It's hard to predict the magnitude of those freight increases. However, if they run consistent with what they've run in the last couple of years, even the synergy that we expect to receive would not be enough to offset all of it.

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

But I think it would be fair to say that from a budgeting perspective, we felt that we could offset the freight. The question that we don't know, Don, is if the freight rates get out of bounds beyond what we're forecasting -- that's what John is saying -- that's hard to predict at this point.

Don Carson - *Merrill Lynch - Analyst*

Okay. And a couple of price questions. You talk about getting most of the $75 realization by the second quarter. My understanding is only about 50 of that has gone through as of today. Do you expect it to gain the balance of that going forward? And secondly, Joseph, you mentioned that your decline -- the 525 ECU versus the 540 Q3, that that decline was due something about your chlorine customers. What -- was that a specific customer or was it something unique about your chlorine mix?

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

Let me answer those questions, Don. On the first one on caustic realization, our position is that during the quarter, we will implement the full $75 price increases. Some producers have announced that they are going to do 50 of it on January 1 and then 25 of it February 1. Where we fall out in terms of how that works in our system remains to be seen, but we are intending to implement the full $75 sometime during the quarter. And it may not all come at once because of competitive situations created by others in the market.

In terms of the chlorine change, the operating rates, as the operating rates have gone down because chlorine demand has gone down, we've seen first spot chlorine prices trending off and that's being followed by contract chlorine prices, which are trending down. As a result of that, across our portfolio, we've seen some weakness in chlorine pricing. It's not anything that's specific to necessarily any given contractor, given customer situation, but the worst or the most pressure is in the vinyls sector, which is driven by overall vinyls demand that everybody is aware of and has been reading and writing about.

Don Carson - *Merrill Lynch - Analyst*

Okay. Thank you, John.

Operator

Christopher Butler, Sidoti.

Christopher Butler - *Sidoti & Co. - Analyst*

I'd like to ask a question on the Winchester segment. You had made mention of concerns about demand being impacted by the price increases that have been going through the system. You didn't mention whether you've seen any softness in demand as a result of that. Could you talk to that a little bit (multiple speakers)?

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

I can, Chris. What we've been concerned about over the past couple of quarters is as the price of lead has gone up and as we've announced price increases, we were concerned, for example, a box of shells has almost doubled in what it cost you two years ago. We were concerned that the shooter might quit buying them, start slowing down his purchase of the product.

The good news is that we have not seen that yet. And the further good news that we're trying to point out is that right now with lead sliding back a little bit in the $1.10 range, we think that that alleviates or offsets some of those fears that we have been concerned about. So we are -- not to misinterpret -- we are positive on what's happening with lead at this point.

Christopher Butler - *Sidoti & Co. - Analyst*

And looking at your overall guidance of, at around $0.50, I noticed for the fourth quarter that chlor alkali volumes were down 2%. I was wondering what your assumptions were for volumes looking into the first quarter here.

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

Chris, for the first quarter, we are assuming that operating rates are going to be in the low to mid 80s, which is, quite frankly, where we've started out the first part of the year. So on a combined basis, volumes are not going to move much one way or the other looking at the combined system now. But our overall operating rate with the new capacity added will be a little bit lower.

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

And the point we're making, Chris, is that the upside to us is volume. If vinyls were to pick up, which we all would hope and pray it would, there's upside to us.

Christopher Butler - *Sidoti & Co. - Analyst*

Thank you for your time.

Operator

Sergey Vasnetsov, Lehman Brothers.

Sergey Vasnetsov - *Lehman Brothers - Analyst*

Good morning. What kind of pressure do you see if any on the Western side of the United States of caustic exports from China?

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

Sergey, what we have really seen is that caustic imports to China have not been a short-term problem, and we've actually heard that in the short term, caustic coming out of China has been stopped because the Chinese economy is suffering from a shortage of coal and the resulting limitations on electricity production. And operating problems for their Chlor Alkali industry has really reduced the caustic available to ship.

Plus the economics have changed for the Chinese chlor alkali producer in that not only the elimination of the value-added tax subsidy, but an additional export tax that's predicted to occur in 2008 have really made exporting caustic not as attractive a situation as it was historically, even as recently as a quarter or two ago.

So we don't -- we haven't seen real issues from caustic into the West Coast. And I've actually heard rumors that caustic pricing on the West Coast is following some of the pricing announcements that were made in the other part of the U.S. last month.

Sergey Vasnetsov - *Lehman Brothers - Analyst*

Okay. And so could you please remind us on the combined platform with Pioneer, what's the net percentage of your caustic being exported out of the U.S. and where are the major end markets for you?

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

It's a very small number, Sergey. Neither Pioneer nor Olin before the acquisition exported any continuing significant amount of caustic. So I would guess that number is in the low single-digits in terms of caustic export.

Sergey Vasnetsov - *Lehman Brothers - Analyst*

Okay. Very good. Thank you.

Operator

Michael Judd, Greenwich Consultants.

Joseph Herrick - *Gutamer Research - Analyst*

Yes, this is [Joseph Herrick] from [Gutamer] Research. Couple of things regarding your operational improvement initiatives. Could you guys talk about what you're doing regarding lean manufacturing, keeping in the Six Sigma and how do you expect to see better throughput, throughout your plants to improve your stock price?

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

We have a lean manufacturing program that we implemented several years ago with the help of outside consultants that's actually been initiated in our old Metals business and has been applied both to our Chlor Alkali business and to our Winchester business. And it's currently being used as we integrate the Pioneer acquisition, and it embodies all of the Six Sigma and all of the concepts from a lean manufacturing perspective. And it's reflected in our targets in how we improve our productivity and put together our annual cost reduction programs.

Joseph Herrick - *Gutamer Research - Analyst*

A follow-up to that question, what metrics are you guys using in your manufacturing facilities to figure how well you're doing? Are you looking at OE and [Ronan]? Also, in the future, as we go into a very challenging environment, what systems and solutions are you going to be putting in place to accelerate your continuous improvement initiatives throughout your company?

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

We'll continue to put in what are our best practices from an industry perspective and we happen to believe that return on capital and return on invested capital are excellent measures of our returns.

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

I think -- this is McIntosh. We have an opportunity in that I think the Olin operating excellence program in our Chlor Alkali business was more mature than the program that Pioneer had in theirs, so we really feel like we've got an opportunity to bring operating excellent and all those tools into the new plants in our organization and yield some significant improvements.

Joseph Herrick - *Gutamer Research - Analyst*

And final question for me. What can you tell shareholders is your number one goal to help improve throughput throughout your organization to become a more efficient Company and overall improve shareholder value?

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

Our number one goal is to make more money for the shareholders.

Joseph Herrick - *Gutamer Research - Analyst*

Okay. Thank you very much.

Operator

Richard O'Reilly, Standard & Poor's.

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

Good morning, gentlemen. I just want to get a clarification on the pension expense guidance and it's the 19 million number that was given, but then something about 3 million reduction in the first quarter. I guess I'm not sure -- is $19 million what we see on the income statement on that segment? Can you just go through those numbers again?

John Fischer - *Olin Corporation - CFO and VP*

We said that pension expense associated with our defined benefit plan would be $19 million lower in 2008 than it was in 2007. Then we said that that would be partially offset by increased expenses associated with the defined contribution plan that we put in place to replace the defined benefit plan. Because as we said, we have frozen the plan effective January 1st, 2008. So those two go together on an annual basis. The $3 million related purely to the first quarter of 2008.

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

So you would see a greater reduction throughout the rest of the year then, than that 3 million?

John Fischer - *Olin Corporation - CFO and VP*

No, I think you're going to see something in the 3 to $4 million range each quarter. 19 less six is 13, so.

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

Okay. Okay. Second, I'm going to ask about any legal or regulatory issues that would be major if you wanted to sell the ammunition business. Is there anything out there that would be a significant implement to you not being able to sell that business?

John Fischer - *Olin Corporation - CFO and VP*

I think there's a fairly substantive discussion of those issues in our Form 10-K, and I would encourage you to read that, because that will cover what I think you would be concerned about in terms of material issues.

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

Okay. And second, there was a lot of numbers on the ECU and the freights. I'm just going to go ask Larry to give me a call later and go through those numbers again.

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

That would be fine.

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

Okay, thanks a lot, guys.

Operator

Herb Hardt, Monness.

Herb Hardt - *Monness, Crespi & Hardt - Analyst*

Good morning. Did the recent moves by the Fed, if they were to stay at this level, would that change your pension assumptions at all?

John Fischer - *Olin Corporation - CFO and VP*

It should not, no.

Herb Hardt - *Monness, Crespi & Hardt - Analyst*

Thank you.

Operator

Justin Boisseau, Gates Capital Management.

Justin Boisseau - *Gates Capital Management - Analyst*

I was wondering if you could give me an update on your expectations for supply additions and subtractions in the next couple of years in the industry. Thanks.

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

This is McIntosh. Obviously, the Shintech plant is currently in the final stages of construction or the early stages of startup, depending upon which dates you hear. We have heard recently that startup and production will not occur until February -- until possibly as late as the early part of the second quarter.

As we've mentioned before, there are other announcements for new capacity that have been made, but to our knowledge, none of those projects are currently being worked on actively, and with the timing requirement of approximately two years to bring a world scale chlor alkali plant online, we really don't see new capacity, absent the Shintech facility coming on within that two-year window that you mentioned.

I would also reiterate that the change being made in Oxy with Oxy's shutdown of its Muscle Shoals KOH plant and converting Taft, we will take caustic out of the North American market, which will tend to offset some of the additions being made by the new Shintech facility.

So in summary, I guess we see a relatively balanced supply-demand situation going forward. No significant additions of world-scale capacity, which we think bodes well for the chlor alkali industry.

Justin Boisseau - *Gates Capital Management - Analyst*

Terrific. Thanks.

Operator

Bob Goldberg, Scopus Asset Management.

Bob Goldberg - *Scopus Asset Management - Analyst*

Couple of questions. I was just curious, do you have data on how much of the combined Chlor Alkali business is exposed to the vinyls market and also wondering what kind of demand trends you're seeing outside of vinyls -- any change in demand ex-vinyls?

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

This is McIntosh. About 17% of Olin's volume before the acquisition was tied to the vinyls segment. Pioneer really had 0% of their volume tied to vinyls. So the resulting combination of the two is obviously something less than where Olin started prior to the acquisition.

The other market segments that we serve, and we do serve the balance really of all of the major market segments, none show the degree of pressure or weakness -- however you want to characterize it, that we're seeing with vinyls. To some extent, some of the other market segments, especially for chlorine derivatives, have been helped by the ability in the last half of 2006 or 2007 to export derivatives overseas. So that has helped some of those market segments.

And as we sit right now, taking into account the normal seasonality that we would see in the first quarter of any year, we don't really see weakness in any market segment except for really to vinyls.

Bob Goldberg - *Scopus Asset Management - Analyst*

I apologize if I missed this, John, but did you say the operating rates in Chlor Alkali would be in the mid to high 80s? Is that what you're seeing right now?

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

Low to mid 80s is (multiple speakers)

Bob Goldberg - *Scopus Asset Management - Analyst*

Low to mid 80s?

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

-- is our expectation for the quarter.

Bob Goldberg - *Scopus Asset Management - Analyst*

It just seemed a little bit on the low side to me because even if you assumed a 20% dropping in PVC, if it was 15% of the business, that would knock 3 points off of the operating rate.

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

Well, seasonally, the first quarter is typically a slow quarter for us with seasonal business. So you have to take into account the seasonal impact as well. Okay. So second quarter might get back into the high 80s, low 90s.

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

We would expect a definite improvement in the second and third quarter, which are our highest operating rate quarters in any given year.

Bob Goldberg - *Scopus Asset Management - Analyst*

Right. And not to put words in your mouth, but if the full caustic increase is put through by the second quarter, would it be fair to expect ECUs to be up 1Q to 2Q?

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

We expect to see some slight improvement in ECUs from first quarter to second quarter. Yes, sir.

Bob Goldberg - *Scopus Asset Management - Analyst*

Okay, great. And on Winchester, just one question there. The business has done very well the last couple of years, has improved earnings significantly and you're seeing a little bit of reduction in raw material costs now going into 2008 you put through price increases. Should we expect to see similar earnings growth in 2008 or you just hope to maintain the level that you attained last year?

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

We would expect to see a little bit of growth with it, is what we would expect to see. Obviously the side of the equation we've got to work on, that we have been working on, is the cost side as well.

Bob Goldberg - *Scopus Asset Management - Analyst*

Okay. Great. I appreciate it. Thanks.

Operator

As there are no further questions in the queue, I will turn the call back to management for closing remarks.

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

Thank you. Thank you for joining us today, and we will look forward to speaking with you in April, where we will announce the results of our first quarter 2008. Thank you very much.

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.