OLIN CORP

FORM 10-K
(Annual Report)

Filed 03/03/06 for the Period Ending 12/31/05

Address	OLIN CORP
	190 CARONDELET PLAZA SUITE 1530
	CLAYTON, MO 63105
Telephone	3144801400
CIK	0000074303
Symbol	OLN
SIC Code	2800 - Chemicals & Allied Products
Industry	Commodity Chemicals
Sector	Basic Materials
Fiscal Year	12/31

OLIN CORP

FORM 10-K
(Annual Report)

Filed 3/3/2006 For Period Ending 12/31/2005

Address	OLIN CORP 190 CARONDELET PLAZA SUITE 1530
	CLAYTON, Missouri 63105
Telephone	314-480-1400
CIK	0000074303
Industry	Conglomerates
Sector	Conglomerates
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______to ______

Commission file number 1-1070

OLIN CORPORATION

(Exact name of registrant as specified in its charter)

Virginia	13-1872319
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
190 Carondelet Plaza, Suite 1530, Clayton, MO	**63105-3443**
(Address of principal executive offices)	**(Zip code)**

Registrant's telephone number, including area code: (314) 480-1400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $1 per share	New York Stock Exchange Chicago Stock Exchange Pacific Exchange, Inc.
Series A Participating Cumulative Preferred Stock Purchase Rights	New York Stock Exchange Chicago Stock Exchange Pacific Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes ☐ No ☒

As of June 30, 2005, the aggregate market value of registrant's common stock, par value $1 per share, held by non-affiliates of registrant was approximately $1,295,500,300 based on the closing sale price as reported on the New York Stock Exchange.

As of February 28, 2006, 72,163,828 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following document are incorporated by reference in this Form 10-K as indicated herein:

Document	Part of 10-K into which incorporated
Proxy Statement relating to Olin's 2006 Annual Meeting of Shareholders to be held on April 27, 2006	Part II, Part III

PART I

Item 1. BUSINESS

GENERAL

Olin Corporation is a Virginia corporation, incorporated in 1892, having its principal executive offices in Clayton, MO. We are a manufacturer concentrated in three business segments: Chlor Alkali Products, Metals and Winchester ®. Chlor Alkali Products manufactures and sells chlorine and caustic soda, sodium hydrosulfite, hydrochloric acid, hydrogen, bleach products and potassium hydroxide, which represent 26% of 2005 sales. Metals products, which represent 59% of 2005 sales, include copper and copper alloy sheet, strip, foil, rod, welded tube, fabricated parts and stainless steel and aluminum strip. Winchester products, which represent 15% of 2005 sales, include sporting ammunition, canister powder, reloading components, small caliber military ammunition and components, and industrial cartridges. See our discussion of our segment disclosures contained in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

GOVERNANCE

We maintain an Internet website at www.olin.com. Our reports on Form 10-K, Form 10-Q, and Form 8-K, as well as amendments to those reports, are available free of charge on our website, as soon as reasonably practicable after we file the reports with the Securities and Exchange Commission (SEC). Additionally, a copy of our SEC filings can be obtained at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549 or by calling the SEC at 1-800-SEC-0330. Also, a copy of our electronically filed materials can be obtained at www.sec.gov. Our Principles of Corporate Governance, Committee Charters and Code of Business Conduct are available in the Corporate Governance section of the Investor section of our website at www.olin.com or from the Company by writing to: George Pain, Vice President, General Counsel and Secretary, Olin Corporation, 190 Carondelet Plaza, Suite 1530, Clayton, MO 63105.

In May 2005, our Chief Executive Officer executed the annual Section 303A.12(a) CEO Certification required by the New York Stock Exchange (NYSE), certifying that he was not aware of any violation of the NYSE's corporate governance listing standards by Olin. Additionally, our Chief Executive Officer and Chief Financial Officer executed the required Sarbanes-Oxley Act of 2002 (SOX) Sections 302 and 906 certifications relating to this Annual Report on Form 10-K, which are filed with the SEC as exhibits to this Annual Report on Form 10-K.

PRODUCTS, SERVICES AND STRATEGIES

Chlor Alkali Products

Products and Services

We have been involved in the U.S. chlor alkali industry for more than 100 years and are a major participant in the U.S. chlor alkali market. Chlorine and caustic soda are co-produced commercially primarily by the electrolysis of salt. These co-products are produced simultaneously, and in a fixed ratio of 1.0 ton of chlorine to 1.1 tons of caustic soda. The industry refers to this as an Electrochemical Unit or ECU. With a demonstrated capacity as of the end of 2005 of 1.24 million ECUs per year, including 50% of the production from our partnership with PolyOne Corporation, which we refer to as our SunBelt joint venture, we are the fourth largest chlor alkali producer in the United States, according to data from Chemical Market Associates, Inc. (CMAI). CMAI is a global petrochemical, plastics and fibers consulting firm established in 1979. According to CMAI data, we are the largest producer measured by production volume of chlorine and caustic soda in the eastern United States, with facilities located in McIntosh, AL, Charleston, TN, Augusta, GA, and Niagara Falls, NY. Since transportation costs can be a significant part of the final cost of the product to the customer, our close proximity to our caustic customers is an advantage. Approximately two-thirds of our caustic soda production is high purity membrane and rayon grade, which according to CMAI data, normally commands a premium selling price in the market.

Our manufacturing facilities in Augusta, McIntosh, Charleston, and a portion of our facility in Niagara Falls are ISO 9002 certified. ISO 9000 (which includes ISO 9001 and ISO 9002) and ISO 14000 (which includes ISO 14001) are sets of related international standards on quality assurance and environmental management developed by the

International Organization for Standardization to help companies effectively document the quality and environmental management system elements to be implemented to maintain effective quality and environmental management systems. All four of these manufacturing facilities have also achieved Star status in the Voluntary Protection Program (VPP) of the Occupational Safety and Health Administration (OSHA). OSHA's VPP is a program in which companies voluntarily participate that recognizes facilities for their exemplary safety and health programs. In 2005, Chlor Alkali sought accreditation at its headquarters location and two of its operating plants (Niagara Falls and Charleston) under the RC 14001 Responsible Care ® standard. Official registry board accreditation for all three sites was received by January 18, 2006. RC 14001, which includes the ISO 14001 environmental standard, is a comprehensive integrated management system sanctioned by the chemical industry and recognized by government and regulatory agencies which establishes requirements for the management of the safety, health, environmental, security, transportation, product stewardship, and stakeholder engagement activities of the business. Accreditation at the two remaining operating facilities (Augusta and McIntosh) is scheduled to be completed in 2006.

Chlorine is used as a raw material in the production of thousands of products, but a significant portion of U.S. chlorine production is consumed in the manufacture of ethylene dichloride, or EDC, a precursor for polyvinyl chloride, or PVC. PVC is a plastic used in applications such as vinyl siding, plumbing and automotive parts. Other U.S. end-uses for chlorine include chlorinated intermediates, isocyanates and water treatment. While much of the chlorine produced in the U.S. is consumed by the producing company to make downstream products, we sell most of the chlorine we produce to third parties in the merchant market.

Caustic soda has a wide variety of end use applications, the largest of which is in the pulp and paper industry. Caustic soda is also used in the production of detergents and soaps, alumina and a variety of other inorganic and organic chemicals.

The chlor alkali industry is cyclical, both as a result of changes in demand for each of the co-products and as a result of the large increments in which new capacity is added. Because chlorine and caustic are produced in a fixed ratio, the supply of one product can be constrained both by the physical capacity of the production facilities and/or by the ability to sell the co-product. Prices for both products respond rapidly to changes in supply and demand. Our ECU netbacks (defined as gross selling price less freight and discounts) averaged approximately $300 per ECU in the first half of 2004 and then increased quarter over quarter through 2005, with fourth quarter 2005 netbacks averaging approximately $545 per ECU.

Electricity and salt are the major purchased raw materials for our Chlor Alkali Products segment. Raw materials represent approximately 50% of the total cost of producing an ECU. Electricity is the single largest raw material component in the production of chlor alkali products. During the past two years, we experienced an increase in the cost of electricity from our suppliers due to price increases in natural gas and coal. We are supplied by utilities that primarily utilize coal, hydroelectric and nuclear power and have relatively minor exposure to natural gas. The majority of the salt used in our Chlor Alkali Products segment is produced from internal resources but we do purchase salt in the merchant market. The commodity nature of this industry places an added emphasis on cost management and we believe that we have managed our manufacturing costs in a manner that makes us one of the low cost producers in the industry. In addition, as market demand grows in the future, we believe the design of the SunBelt joint venture plant will enable us to expand capacity cost-effectively.

We also manufacture and sell other chlor alkali-related products and we recently invested in capacity and product upgrades in some of these areas. These products include chemically processed salt, hydrochloric acid, sodium hypochlorite, hydrogen, and potassium hydroxide. We also sell sodium hydrosulfite to paper, textile and clay bleaching customers.

The following table lists products of our Chlor Alkali Products business, with principal products on the basis of annual sales highlighted in bold face.

Products & Services	***Major End Uses***	***Plants & Facilities***	***Major Raw Materials & Components for Products/Services***
Chlorine/caustic soda	Pulp & paper processing, chemical manufacturing, water purification, manufacture of vinyl chloride, bleach, swimming pool chemicals & urethane chemicals	Augusta, GA Charleston, TN McIntosh, AL Niagara Falls, NY	salt, electricity
Sodium hydrosulfite	Paper, textile & clay bleaching	Augusta, GA Charleston, TN	caustic soda, sulfur dioxide
Sodium hypochlorite	Household cleaners, laundry bleaching, swimming pool sanitizers, semiconductors, water treatment, textiles, pulp & paper and food processing	Augusta, GA Charleston, TN McIntosh, AL Niagara Falls, NY	chlorine, caustic soda
Hydrochloric acid	Steel, oil & gas, plastics, organic chemical synthesis, water and wastewater treatment, brine treatment, artificial sweeteners, pharmaceuticals, food processing and ore and mineral processing	Augusta, GA Charleston, TN Niagara Falls, NY	chlorine, hydrogen
Potassium hydroxide	Fertilizer manufacturing, soaps, detergents and cleaners, battery manufacturing, food processing chemicals and deicers	Charleston, TN	potassium chloride, electricity

Strategies

Continued Role as a Preferred Supplier to Merchant Market Customers. Based on our market research, we believe our Chlor Alkali Products business is viewed as a preferred supplier by our merchant market customers. We will continue to focus on providing quality customer service support and developing relationships with our valued customers.

Pursue Incremental Expansion Opportunities . We have invested in capacity and product upgrades in our chemically processed salt, hydrochloric acid, sodium hypochlorite, potassium hydroxide and hydrogen businesses. These expansions increase our captive use of chlorine while increasing the sales of these co-products. These niche businesses provide opportunities to upgrade chlorine and caustic to higher value-added applications. We also have the opportunity, when business conditions permit, to pursue incremental expansion through our SunBelt joint venture.

Metals

Products and Services

We have been in the Metals business for 89 years. Based on Copper Development Association Inc. (CDA) data, we are a leading manufacturer of copper and copper alloy sheet, strip, plate, foil and brass rod in the United States. CDA acts as the central authoritative source of data and information pertaining to the U.S. copper and brass industry. While primarily processing copper and copper alloys, we also reroll and form other metals, such as aluminum and stainless steel. We believe we hold leading positions for premium priced, high performance alloys in the United States. We also supply high performance alloys to non-U.S. customers through exports, technology licensing, joint ventures and local distribution. Participants in the copper and copper alloy sheet and strip industry include integrated mills, reroll mills and distributors, with many participants engaging in multiple roles. We believe that we are the largest U.S. participant in each of these categories. We believe that our status as the largest U.S. participant affords us a favorable industry position. We also believe we are one of the lowest cost producers, a quality and service leader and a specialty product innovator.

All of our copper and copper alloy sheet and strip mills are both QS 9000 and ISO 9000 certified. QS 9000 is an international automotive standard developed by General Motors, Ford Motor Company and Chrysler to harmonize the fundamental supplier quality systems as an assessment tool, and is based upon ISO 9000 standards. All sheet and strip and rod locations are ISO certified. Our brass rod mill is ISO 9002 certified.

We maintain advantages over our competition through our patent-protected technologies. We believe our high performance alloys provide superior strength, conductivity and formability to customers in the automotive, electrical, electronic and telecommunications industries. We currently hold 37 U.S. patents associated with high performance alloys and 39 other U.S. patents related to various proprietary processing and technical capabilities, many of which are also registered in foreign jurisdictions. To further our global presence, we established a joint venture with Yamaha Corporation in Japan to produce high performance alloys, formed a technical alliance with Wieland-Werke A.G. of Germany under which we jointly develop new high performance alloys and participate in an alloy licensing arrangement and formed a joint venture with Luoyang Copper (Group) Ltd. in China to operate a metals service center to supply the growing Chinese demand. These relationships provide us with greater global reach and enable us to provide high performance alloys in Asia and Europe.

In addition, through sales of our clad metal, produced by a proprietary cladding process, we believe we are a major supplier of coinage metal to the U.S. Mint. We also supply coinage metal to other world governments. Our Metals segment produces ammunition cartridge cups for use captively in the manufacture of our Winchester sporting ammunition, which constitutes a small portion of our total Metals segment output. We also sell cartridge brass to other ammunition makers. This relationship with Winchester, along with our fabrication business, provides us with a significant captive customer base.

Brass and other copper alloys are manufactured by melting copper together with various combinations of zinc, lead or other metals. The resulting product goes through a series of processes, including casting, hot rolling, milling, cold rolling, annealing, cleaning and slitting to produce sheet and strip. A similar process is followed for the production of rod. The principal end-uses for sheet and strip products include: automotive (connectors and radiators); electronics (lead frames, connectors, wiring and telecommunications applications); ammunition; coinage; and other applications such as builder’s hardware, plumbing supplies and welded tube for utility condensers and industrial heat exchangers. Brass rod is used to produce a variety of products, such as faucets, plumbing fittings, heating and air conditioning components, industrial valves, automotive parts and numerous hardware components.

The major raw materials used in our metals business are brass scrap, copper, zinc, and other non-ferrous metals, purchased from merchants, dealers, and customers at market prices.

Historically, demand for copper and copper alloy sheet and strip and rod has exhibited growth consistent with the growth in the U.S. gross domestic product. In the late 1990’s and in 2000, demand expanded at a rapid pace principally due to the strength in the electronics segment and the introduction of the state quarter program by the U.S. Mint. From 1997 to 2000, sheet and strip demand grew at an annualized growth rate of 8%. Since 2001, strip and rod demand has been unchanged at levels approximately 10% and 20%, respectively, below that of the late 1990’s.

The following table lists products and services of our Metals business, with principal products highlighted in bold face.

Products and Services	*Major End Uses*	*Plants & Facilities**	*Major Raw Materials & Components for Products/Services*
Copper & copper alloy sheet & strip (standard & high performance)	Electronic connectors, lead frames, electrical components, communications, automotive, builders' hardware, coinage, ammunition	Bryan, OH East Alton, IL Seymour, CT Waterbury, CT (two locations)** Iwata, Japan (Yamaha-Olin Metal Corporation)	copper, zinc & other nonferrous metals
Network of metals service centers	Electronic connectors, electrical components, communications, automotive, builders' hardware, household products	Allentown, PA Alliance, OH Caguas, PR Carol Stream, IL Suwanee, GA Warwick, RI Watertown, CT Yorba Linda, CA Guangzhou, China Queretaro, Mexico	copper & copper alloy sheet, strip, rod, tube & steel & aluminum strip
Posit-bond ® clad metal	Coinage strip & blanks	East Alton, IL	cupronickel, copper & aluminum
Rolled copper foil, Copperbond ® foil, stainless steel strip	Printed circuit boards, electrical & electronic, automotive	Waterbury, CT	copper & copper alloy sheet, strip and foil and stainless steel strip
Copper alloy welded tube	Utility condensers, industrial heat exchangers, refrigeration & air conditioning, builders' hardware, automotive	Cuba, MO	copper alloy strip
Fabricated products	Builders' hardware, plumbing, automotive and ammunition components	East Alton, IL	copper and copper alloy, and stainless steel strip
Shaped brass rod	Plumbing, consumer durable goods, industrial machinery and equipment, and electrical and electronic parts	Montpelier, OH Los Angeles, CA (distribution center)	brass scrap

* If site is not operated by Olin or a majority-owned, direct or indirect subsidiary, name of joint venture, affiliate or operator is indicated.

** In January 2006, we announced our decision to close the Waterbury Rolling Mills facility in Waterbury, CT. In conjunction with this action, we will consolidate these product activities into our East Alton, IL facility.

Strategies

Continue Profitable Growth Globally. Our goal is to be a leading worldwide supplier of specialty copper-based products and related engineered materials. We intend to achieve this goal by building our high performance alloys business on a global basis. In 2004 and continuing into 2005, we took a number of steps to continue to grow our global presence including the start-up of our joint venture service center in Guangzhou, China, the development of new business opportunities in Europe and the acquisition and integration of the aluminum strip distribution assets of Metal Foils LLC in the United States.

Maintain Premier Specialty Product Innovator Position. We believe that we manufacture more high performance alloys than any other competitor, and we continue to allocate resources to maximize this product line. Our specialty products include proprietary high performance alloys and materials that meet strength, gauge, formability, and conductivity requirements for applications in our customers' industries.

Increase Cost Efficiencies. We plan to continue to focus on achieving economies of scale, improved manufacturing processes, and innovation in pursuit of cost reductions. We strive for profit improvements primarily through yield improvements, increased equipment utilization and capacity enhancements.

Continue Our Quality Leadership. We maintain ISO 9000, QS 9000, and ISO 14001 certifications. For example, our East Alton, IL mill carries the distinctive certifications of ISO 9001, due to its extensive design work, and ISO 14001, a prominent environmental standard. We believe that these certifications demonstrate a quality advantage not possessed by our key U.S. competitors. We also continue to maintain preferred supplier positions with some of the largest or most respected companies in segments where quality is essential, such as automotive and electronics.

Leverage Our Service and Distribution Leadership for Growth. We believe that we are a service and distribution leader in the copper-based metals industry. Our A.J. Oster distribution system extends throughout the United States and also includes facilities in Puerto Rico and Mexico. We sell directly from the mill to large volume customers, and to small and medium size customers through A.J. Oster and other licensed distributors. We intend to leverage our service leadership and our distribution network to improve our just-in-time delivery services and our customized order capabilities.

Winchester

Products and Services

Winchester is in its 139 th year of operation and its 75 th year as part of Olin. Winchester is a premier developer and manufacturer of small caliber ammunition for sale to domestic and international retailers, law enforcement agencies and domestic and international militaries. We believe we are a leading U.S. producer of ammunition for recreational shooters, hunters, law enforcement agencies and the U.S. Armed Forces. Our legendary Winchester product line includes all major gauges and calibers of shotgun shells, rimfire and centerfire ammunition for pistols and rifles, canister powder, reloading components and industrial cartridges. We believe we are the leading U.S. supplier of small caliber commercial ammunition.

Winchester has strong relationships throughout the sales and distribution chain and strong ties to traditional dealers and distributors. Winchester has built its business with key high volume mass merchants and specialty sporting goods retailers. We have consistently developed industry-leading ammunition, and for nine of the last fourteen years, Winchester was recognized with the “Ammunition of the Year” award from the Shooting Industry Academy of Excellence for its technological and design leadership.

Winchester purchases raw materials such as lead from vendors at market prices as posted on exchanges such as the Commodity Exchange, or COMEX, and London Metals Exchange, or LME. Winchester also purchases copper-based strip and cups from our Metals segment. Winchester’s other main raw material is propellant, which is purchased predominantly from one of the United States’ largest propellant suppliers.

The following table lists products and services of our Winchester business, with principal products on the basis of annual sales highlighted in bold face.

Products & Services	***Major End Uses***	***Plants & Facilities***	***Major Raw Materials & Components for Products/ Services***
Winchester ® sporting ammunition (shot-shells, small caliber centerfire & rimfire ammunition)	Hunters & recreational shooters, law enforcement agencies	East Alton, IL Oxford, MS Geelong, Australia	brass, lead, steel, plastic, propellant, explosives
Small caliber military ammunition	Infantry and mounted weapons	East Alton, IL	brass, lead, propellant, explosives
Industrial products (8 gauge loads & powder-actuated tool loads)	Maintenance applications in power & concrete industries, powder-actuated tools in construction industry	East Alton, IL Oxford, MS Geelong, Australia	brass, lead, plastic, propellant, explosives

Strategies

Leverage Existing Strengths. Winchester plans to focus on seeking new opportunities to leverage the legendary Winchester brand name and will continue to offer a full line of ammunition products to the markets we serve, with specific focus on investments that lower our costs and that make Winchester ammunition the retail brand of choice.

Focus on Product Line Growth. With a long record of pioneering new product offerings, Winchester has built a strong reputation as an industry innovator. This includes the introduction of reduced-lead and non-lead products, which are growing in popularity for use in indoor shooting ranges and for outdoor hunting.

INTERNATIONAL OPERATIONS

We have sales offices and subsidiaries in various countries which support the worldwide export of products from the United States as well as overseas production facilities.

Yamaha-Olin Metal Corporation, of which we are a 50% owner, manufactures high-performance copper alloys in Japan for sale to the electronics industry throughout the Far East. Our subsidiary, Olin Australia Limited, loads and packs sporting and industrial ammunition in Australia. We entered into an agreement with Luoyang Copper (Group) Ltd. to jointly construct and operate a metals service center in Guangzhou, China, which became operational in the first quarter of 2004. See the Note “Segment Information” of the Notes to Consolidated Financial Statements in Item 8, for geographic segment data. We are incorporating our segment information from that Note into this section of our Form 10-K.

CUSTOMERS AND DISTRIBUTION

During 2005, no single customer accounted for more than 4% of consolidated sales. Sales to all U.S. government agencies and sales under U.S. government contracting activities in total accounted for approximately 10% of consolidated sales in 2005. Products we sell to industrial or commercial users or distributors for use in the production of other products constitute a major part of our total sales. We sell some of our products, such as caustic soda, sporting ammunition, and metals products, to a large number of users or distributors, while we sell others, such as chlorine, in substantial quantities to a relatively small number of industrial users. We discuss the customers for each of our three businesses in more detail above under “Products and Services.”

We market most of our products and services primarily through our sales force and sell directly to various industrial customers, the U.S. Government and its prime contractors, to wholesalers and other distributors.

Because we engage in some government contracting activities and make sales to the U.S. Government, we are subject to extensive and complex U.S. Government procurement laws and regulations. These laws and regulations provide for ongoing government audits and reviews of contract procurement, performance and administration. Failure to comply, even inadvertently, with these laws and regulations and with laws governing the export of munitions and other controlled products and commodities could subject us or one or more of our businesses to civil and criminal penalties, and under certain circumstances, suspension and debarment from future government contracts and the exporting of products for a specified period of time.

COMPETITION

We are in active competition with businesses producing the same or similar products, as well as, in some instances, with businesses producing different products designed for the same uses. We are among the largest manufacturers or distributors in the United States of ammunition, copper based strip, rod, and certain chlor alkali products based on data provided by the Sporting Arms and Ammunition Manufacturers’ Institute (SAAMI), CDA and CMAI, respectively. Founded in 1926, SAAMI is an association of the nation’s leading manufacturers of sporting firearms, ammunition and components. Many factors influence our ability to compete successfully, including price, delivery, service, performance, product innovation and product recognition and quality, depending on the product involved.

EMPLOYEES

As of December 31, 2005, we had approximately 5,900 employees, with 5,800 working in the United States and 100 working in foreign countries. Various labor unions represent a majority of our hourly-paid employees for collective bargaining purposes.

During the fourth quarter of 2005, we reached a three-year agreement with all five labor unions representing approximately 3,000 employees at our East Alton facility where both Metals and Winchester are headquartered.

A description of the labor contracts that are due to expire in the near future are listed below:

Location	*Number of Employees*	*Expiration Date*
Niagara Falls, NY (Chlor Alkali)	95	July 2006
Bryan, OH (Metals)	40	September 2006
Seymour, CT (Metals)	60	November 2006
Queretaro, Mexico (Metals)	5	February 2007

While we believe our relations with our employees and their various representatives are generally satisfactory, we cannot assure that we can conclude these labor contracts or any other labor agreements without work stoppages and cannot assure that any work stoppages will not have a material adverse effect on our business, financial condition or results of operations.

RESEARCH ACTIVITIES; PATENTS

Our research activities are conducted on a product-group basis at a number of facilities. Company-sponsored research expenditures were $4.2 million in 2005, $3.9 million in 2004, and $4.7 million in 2003.

We own or license a number of patents, patent applications and trade secrets covering our products and processes, particularly for use in our Metals segment. We believe that, in the aggregate, the rights under our patents and licenses are important to our operations, but we do not consider any individual patent or license or group of patents and licenses related to a specific process or product to be of material importance to our total business.

RAW MATERIALS AND ENERGY

We purchase the major portion of our raw material requirements. The principal basic raw materials for our production of chlor alkali products are salt, electricity, sulfur dioxide, and hydrogen. The majority of the salt used in our Chlor Alkali Products segment is produced from internal resources. Copper, zinc, various other nonferrous metals and brass scrap are required for the Metals business. Lead, brass, and propellant are the principal raw materials used in the Winchester business. We typically purchase our electricity, salt, sulfur dioxide, and propellants pursuant to multi-year contracts. In the manufacture of ammunition, we use a substantial percentage of our own output of cartridge brass. We provide additional information with respect to specific raw materials in the tables above under “Products and Services.”

Electricity is the predominant energy source for our manufacturing facilities. Most of our facilities are served by utilities which generate electricity principally from coal, hydroelectric and nuclear power.

ENVIRONMENTAL AND TOXIC SUBSTANCES CONTROLS

The establishment and implementation of federal, state and local standards to regulate air, water and land quality have affected and will continue to affect substantially all of our manufacturing locations. Federal legislation providing for regulation of the manufacture, transportation, use and disposal of hazardous and toxic substances has imposed additional regulatory requirements on industry, particularly the chemicals industry. In addition, implementation of environmental laws, such as the Resource Conservation and Recovery Act and the Clean Air Act, has required and will continue to require new capital expenditures and will increase operating costs. We employ waste minimization and pollution prevention programs at our manufacturing sites and we are a party to various governmental and private environmental actions associated with waste disposal sites and manufacturing facilities. Charges or credits to income for investigatory and remedial efforts were material to operating results in the past three years and may be material to net income in future years.

See our discussion of our environmental matters in Item 3, “Legal Proceedings” below, the Note “Environmental” of the Notes to Consolidated Financial Statements contained in Item 8, and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Item 1A. RISK FACTORS

In addition to the other information in this Form 10-K, the following factors should be considered in evaluating Olin and our business. All of our forward-looking statements should be considered in light of these factors. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial also may become important factors that affect us.

Sensitivity to Global Economic Conditions and Cyclicality —Our operating results could be negatively affected during economic downturns.

The business of most of our customers, particularly our vinyl, urethanes, pulp and paper, automotive, coinage, electrical connectors, telecommunications and housing customers, are, to varying degrees, cyclical and have historically experienced periodic downturns. These economic and industry downturns have been characterized by diminished product demand, excess manufacturing capacity and, in some cases, lower average selling prices. Therefore, any significant downturn in our customers’ businesses or in global economic conditions could result in a reduction in demand for our products and could adversely affect our results of operations or financial condition. As a result of the depressed economic conditions beginning in the fourth quarter of 2000 and continuing through the first half of 2002, our vinyls, urethanes and pulp and paper customers had lower demand for our chlor alkali products. During the period 2000-2003, demand for Chlor Alkali products was low enough to lead to plant shutdowns within the industry and about 12% of capacity was removed from North American production. When demand improved in early 2004, the operating rates increased to the mid to high 90% range, resulting in a tight supply/demand balance which has resulted in increasing pricing. We believe no new significant capacity is anticipated to come on stream until late 2007 or early 2008, and as a result, we believe supply/demand is expected to remain relatively tight and pricing is expected to remain above historical levels. Lower demand in our Metals segment has adversely affected our business and results of operations since 2001. The rod industry has been negatively affected by customers’ migration to lower-cost, offshore locations and by continued reductions in capital spending in the industrial machinery segment and reduced demand for building and household products as a result of declines in commercial construction. In 2005, Metals U.S. demand was down approximately 8% from 2004. Metals demand in the automotive and building products segments were down in 2005, while ammunition, coinage, and electronics market segment shipments all experienced increases over 2004.

Although we do not generally sell a large percentage of our products directly to customers abroad, a large part of our financial performance is dependent upon a healthy economy beyond the United States. Our customers sell their products abroad. As a result, our business is affected by general economic conditions and other factors in Western Europe and most of East Asia, particularly China and Japan, including fluctuations in interest rates, customer demand, labor costs and other factors beyond our control. The demand for our customers’ products, and therefore, our products, is directly affected by such fluctuations. We cannot assure you that events having an adverse effect on the industries in which we operate will not occur or continue, such as a further downturn in the Western European, Asian or world economies, increases in interest rates, unfavorable currency fluctuations or a prolonged slowdown in the coinage, electronic or telecommunications industries.

The terrorist attacks of September 11th created many economic and political uncertainties and have had a negative impact on the global economy. The long-term effects of these attacks on our future operating results and financial condition are unknown. The national and international responses to terrorist attacks and the potential for additional terrorist attacks or similar events could have further material adverse effects on the economy in general, on our industry and on our operations. For example, war with one or more countries could have numerous consequences for us and our customers, one of which may be sustained high energy prices.

Cyclical Pricing Pressure —Our profitability could be reduced by declines in average selling prices of our products, particularly declines in the ECU netback for chlorine and caustic.

Our historical operating results reflect the cyclical and sometimes volatile nature of the chemical, metals and ammunition industries. We experience cycles of fluctuating supply and demand in each of our business segments, particularly in Chlor Alkali Products, which results in changes in selling prices. Periods of high demand, tight supply and increasing operating margins tend to result in increased capacity and production until supply exceeds demand, generally followed by periods of oversupply and declining prices. The industry build cycle, and its impact on industry pricing, has been most pronounced in our Chlor Alkali Products segment. For example, in 1995 and 1996, the chlor alkali industry was very profitable due to a tight supply/demand balance, which resulted in both higher operating rates and higher ECU prices. Higher profits led to reinvestment to expand capacity. This new capacity became operational in 1998 and 1999, resulting in industry over-capacity. This imbalance was exacerbated by falling demand as a result of the Asian financial crisis. The supply/demand imbalance resulted in both lower operating rates and lower ECU prices, and in 1999, many chlor alkali producers had operating losses. The supply/demand balance improved due to improved economic conditions in 2000 compared to 1999, and ECU prices increased in 2000 compared to 1999. As the U.S. and world economies deteriorated in 2001 and through the first half of 2002, the chlor alkali industry again experienced a period of oversupply because of lower industry demand for both chlorine and caustic. During the 2000-2003 timeframe about 12% of North American production was shut down which caused operating rates to improve without much improvement in demand. In late 2003 and early 2004, chlorine demand began to strengthen and operating rates increased to the mid to high 90% range. Caustic demand began to strengthen by mid year 2004 and supplies of both products have been tight since that time. This has resulted in price increase initiatives over the last 18 months. We believe that with supply and demand in balance, and no new capacity anticipated to be available in the next couple of years, 2005/2006 may be the cycle peak for the Chlor Alkali Industry. Another factor impacting demand for chlorine and caustic soda is the price of natural gas. Higher natural gas prices, which through 2005 have exceeded $10 per million British thermal units, increase our customers’ manufacturing costs, and depending on the crude oil to gas ratio, could make them less competitive in world markets and, therefore, may result in reduced demand for our products.

Price in the chlor alkali industry is a major supplier selection criterion. We have little or no ability to influence prices in this large commodity market. Decreases in the average selling prices of our products could have a material adverse effect on our profitability. For example, assuming all other costs remain constant and internal consumption remains approximately the same, a $10 per ECU selling price change equates to an approximate $11 million annual change in our revenues and pretax profit when we are operating at full capacity. While we strive to maintain or increase our profitability by reducing costs through improving production efficiency, emphasizing higher margin products, and by controlling transportation, selling, and administration expenses, we cannot assure you that these efforts will be sufficient to offset fully the effect of changes in pricing on operating results.

Because of the cyclical nature of our businesses, we cannot assure you that pricing or profitability in the future will be comparable to any particular historical period, including the most recent period shown in our operating results. We cannot assure you that the chlor alkali industry will not experience adverse trends in the future, or that our operating results and/or financial condition will not be adversely affected by them.

Our Metals and Winchester segments are also subject to changes in operating results as a result of cyclical pricing pressures, but to a lesser extent than the Chlor Alkali Products segment. We generally pass changes in prices for copper and other metals along to our customers as part of the negotiated price of the finished product in most of our Metals segment product lines. However, our Metals segment experiences pricing pressure with respect to its conversion charges, and we cannot assure you that adverse trends in pricing and margins will not affect operating results in the future. Changes in global supply/demand for copper and copper alloys may affect our ability to obtain raw materials under reasonable terms and conditions which may materially adversely affect our operating results. Similarly, selling prices of ammunition are affected by changes in raw material costs and availability and customer demand, and declines in average selling prices of our Winchester segment could adversely affect our profitability.

Imbalance in Demand for Our Chlor Alkali Products —A loss of a substantial customer for our chlorine or caustic soda could cause an imbalance in demand for these products, which could have an adverse effect on our results of operations.

Chlorine and caustic soda are produced simultaneously and in a fixed ratio of 1.0 ton of chlorine to 1.1 tons of caustic soda. The loss of a substantial chlorine or caustic soda customer could cause an imbalance in demand for our chlorine and caustic soda products. An imbalance in demand may require us to reduce production of both chlorine and caustic soda or take other steps to correct the imbalance. Since we cannot store chlorine, we may not be able to respond to an imbalance in demand for these products as quickly or efficiently as some of our competitors. If a substantial imbalance occurred, we would need to reduce prices or take other actions that could have a negative impact on our results of operations and financial condition.

Pension Plans —The impact of declines in global equity markets on asset values and any declines in interest rates used to value the liabilities in our pension plan may result in higher pension costs and the need to fund the pension plan in future years in material amounts.

Under Statement of Financial Accounting Standards (SFAS) No. 87, “Employers’ Accounting for Pensions,” we recorded non-cash after-tax charges of $29.2 million ($47.8 million pretax) and $23.7 million ($38.8 million pretax) to Shareholders’ Equity as of December 31, 2005 and December 31, 2004, respectively. These charges reflect an accumulated benefit obligation in excess of the year-end market value of assets of our pension plan. In 2005, the cost impact of plan changes and the adverse effect of lower interest rates more than offset the increase in the value of plan assets and in 2004, the adverse impact of lower interest rates more than offset the increase in plan assets, which necessitated the recording of these after-tax charges to shareholders’ equity. These are non-cash charges and do not affect our ability to borrow under our revolving credit agreement.

The determinations of pension expense and pension funding are based on a variety of rules and regulations. Changes in these rules and regulations could impact the calculation of pension plan liabilities and the valuation of pension plan assets. They may also result in higher pension costs, additional financial statement disclosure, and accelerate and increase the need to fund the pension plan. There are currently a number of legislative proposals being considered, that if enacted, would change the current rules. Most of these proposals would accelerate the pension funding compared to funding under the existing rules.

In addition, the impact of declines in global equity and bond markets on asset values may result in higher pension costs and may increase and accelerate the need to fund the pension in future years. For example, holding all other assumptions constant, a one hundred basis point decrease or increase in the assumed rate of return on plan assets would have increased or decreased, respectively, the 2005 pension cost by approximately $12.9 million.

Holding all other assumptions constant, a 50 basis point decrease or increase in the discount rate used to calculate pension costs for 2005 would have increased or decreased pension costs by $5.2 million and $6.3 million, respectively. The same 50 basis point increase or decrease in the discount rate would have increased or decreased the accumulated benefit obligation by $84.0 million.

Environmental Costs —We have ongoing environmental costs, which could materially adversely affect our financial position or results of operations.

The nature of our operations and products, including the raw materials we handle, exposes us to the risk of liabilities or claims with respect to environmental matters. We have incurred, and expect to incur, significant costs and capital expenditures in complying with environmental laws and regulations.

The ultimate costs and timing of environmental liabilities are difficult to predict. Liability under environmental laws relating to contaminated sites can be imposed retroactively and on a joint and several basis. One liable party could be held responsible for all costs at a site, regardless of fault, percentage of contribution to the site or the legality of the original disposal. We could incur significant costs, including cleanup costs, natural resources damages, civil or criminal fines and sanctions and third-party lawsuits claiming, for example, personal injury and/or property damage, as a result of past or future violations of, or liabilities under, environmental or other laws.

In addition, future events, such as changes to or more rigorous enforcement of environmental laws, could require us to make additional expenditures, modify or curtail our operations and/or install pollution control equipment.

Accordingly, it is possible that some of the matters in which we are involved or may become involved may be resolved unfavorably to us, which could materially adversely affect our financial position or results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Environmental Matters.”

Competition —We face competition from other chemical, metals and ammunition companies, including the migration by United States customers to low-cost foreign locations, which could adversely affect our revenues and financial condition.

We are in active competition with companies producing the same or similar products, as well as, in some instances, with companies producing different products designed for the same uses. With respect to certain product groups, such as ammunition, copper alloys and brass rod, and with respect to certain chlor alkali products, we are among the largest manufacturers or distributors in the United States. We encounter competition in price, delivery, service, securing and maintaining customers, performance, technology, product innovation, and product recognition and quality, depending on the product involved. Our customers could decide to move some or all of their production to lower cost, offshore locations and this could reduce demand in the United States for our products. With respect to certain products, some of our competitors are larger, have greater financial resources and have less debt than we do. As a result, these competitors may be better able to withstand a change in conditions within the industries in which we operate and throughout the economy as a whole. If we do not compete successfully, our business, financial condition and results of operations could be adversely affected.

Cost Control —Our profitability could be reduced if we experience higher-than-expected raw material, utility, transportation or logistics costs, or if we fail to achieve our targeted cost reductions.

Our operating results and profitability are dependent upon our continued ability to control, and in some cases further reduce, our costs. If we are unable to do so, or if costs outside of our control, particularly our costs of raw materials, utilities, transportation and similar costs, increase beyond anticipated levels, our profitability will decline.

Production Hazards —Our facilities are subject to operating hazards, which may disrupt our business.

We are dependent upon the continued safe operation of our production facilities. Our production facilities are subject to hazards associated with the manufacture, handling, storage and transportation of chemical materials and products and ammunition, including leaks and ruptures, explosions, fires, inclement weather and natural disasters, unexpected utility disruptions or outages, unscheduled downtime and environmental hazards. From time to time in the past, we have had incidents that have temporarily shut down or otherwise disrupted our manufacturing, causing production delays and resulting in liability for workplace injuries and fatalities. Some of our products involve the manufacture and/or handling of a variety of explosive and flammable materials. Use of these products by our customers could also result in liability if an explosion, fire, spill or other accident were to occur. We cannot assure you that we will not experience these types of incidents in the future or that these incidents will not result in production delays or otherwise have a material adverse effect on our business, financial condition or results of operations.

Litigation and Claims —We are subject to litigation and other claims, which could cause us to incur significant expenses.

We are a defendant in a number of pending legal proceedings relating to our present and former operations. These include proceedings alleging injurious exposure of plaintiffs to various chemicals and other substances (including proceedings based on alleged exposures to asbestos). Frequently, such proceedings involve claims made by numerous plaintiffs against many defendants. We believe we have valid defenses to these proceedings and are defending them vigorously. However, because of the inherent uncertainties of litigation, we are unable to predict the outcome of these proceedings and therefore cannot determine whether the financial impact, if any, will be material to our financial position or results of operations.

Indebtedness —Our indebtedness could adversely affect our financial condition and limit our ability to grow and compete, which could prevent us from fulfilling our obligations under our indebtedness.

As of December 31, 2005, we had $258.3 million of indebtedness outstanding, including $6.9 million representing the fair value related to $131.6 million of interest rate swaps in effect at December 31, 2005 and excluding our guarantee of $73.1 million of indebtedness of our SunBelt joint venture. This does not include our $160 million senior credit facility on which we had $122.9 million available on that date because we had issued $37.1 million of letters of credit. As of December 31, 2005, our indebtedness represented 38% of our total capitalization.

Our indebtedness could adversely affect our financial condition and limit our ability to grow and compete, which in turn could prevent us from fulfilling our obligations under our indebtedness. Despite our level of indebtedness, the terms of our senior credit facility and our existing indentures permit us to borrow additional money. If we borrow more money, the risks related to our indebtedness could increase significantly.

Debt Service —We may not be able to generate sufficient cash to service our debt, which may require us to refinance our indebtedness or default on our scheduled debt payments.

Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt depends on a range of economic, competitive and business factors, many of which are outside our control. We cannot assure you that our business will generate sufficient cash flow from operations. If we are unable to meet our expenses and debt obligations, we may need to refinance all or a portion of our indebtedness on or before maturity, sell assets or raise equity. We cannot assure you that we would be able to refinance any of our indebtedness, sell assets or raise equity on commercially reasonable terms or at all, which could cause us to default on our obligations and impair our liquidity. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms, would have an adverse effect on our business, financial condition and results of operations, as well as on our ability to satisfy our debt obligations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

At December 31, 2005, we had interest rate swaps of $131.6 million, which convert a portion of our fixed rate debt to a variable rate. As a result, 54% of our indebtedness bears interest at variable rates that are linked to short-term interest rates. If interest rates rise, our costs relative to those obligations would also rise.

Tax Audits —We are currently subject to ongoing tax audits, which may result in additional tax payments.

During 2005, the Internal Revenue Service (IRS) substantially completed its audit of our Federal income tax return for the years 2001 and 2002. We are currently contesting various issues before the Appeals Division of the IRS with respect to the years 1996 through 2002. Depending on the outcome of these audits, we may be required to pay additional taxes, and any additional taxes and related interest could be substantial. We have reserved amounts which we believe will be sufficient for any adverse outcome. The timing of any such payments is uncertain.

Labor Matters —We cannot assure you that we can conclude future labor contracts or any other labor agreements without work stoppages.

Various labor unions represent a majority of our hourly-paid employees for collective bargaining purposes. A description of the labor contracts that are due to expire in the near future are listed below:

Location	*Number of Employees*	*Expiration Date*
Niagara Falls, NY (Chlor Alkali)	95	July 2006
Bryan, OH (Metals)	40	September 2006
Seymour, CT (Metals)	60	November 2006
Queretaro, Mexico (Metals)	5	February 2007

While we believe our relations with our employees and their various representatives are generally satisfactory, we cannot assure that we can conclude future labor contracts or any other labor agreements without work stoppages and cannot assure that any work stoppages will not have a material adverse effect on our business, financial condition or results of operations.

Security and Chemicals Transportation —New regulations on the transportation of hazardous chemicals and/or the security of chemical manufacturing facilities and public policy changes related to transportation safety could result in significantly higher operating costs.

The chemical industry, including the chlor alkali industry, has proactively responded to the issues surrounding the events of September 11, 2001 by starting new initiatives relating to the security of chemicals industry facilities and the transportation of hazardous chemicals in the United States. Simultaneously, government at the local, state, and federal levels has begun the regulatory process which could lead to new regulations that would impact the security of chemical plant locations and the transportation of hazardous chemicals. Our Chlor Alkali business could be adversely impacted because of an incident at one of our facilities or an incident while transporting product or the cost of complying with new regulations. The extent of the impact would depend on the consequences of an incident and the nature and direction of future regulations, which are unknown at this time **.**

Changes in Laws and Regulations —We are subject to a variety of existing laws and regulations that affect our business.

We are unable to determine what effect, if any, the impact of changes in existing or new laws and regulations and the associated compliance costs may have on our operating results.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

We have manufacturing sites at 21 separate locations in 12 states and Puerto Rico, and two manufacturing sites and two metal service centers in four foreign countries, including the Yamaha-Olin Metal Corporation joint venture facility. The metals service center in China became operational in the first quarter of 2004. Most manufacturing sites are owned although a number of small sites are leased. We listed the locations at or from which our products and services are manufactured, distributed, or marketed in the tables set forth under the caption "Products and Services."

We lease warehouses, terminals and distribution offices and space for executive and branch sales offices and service departments throughout the world.

Item 3. LEGAL PROCEEDINGS

(a) We have completed all work in connection with remediation of mercury contamination at the site of our former mercury cell chlor alkali plant in Saltville, VA required to date. In mid-2003, the Trustees for natural resources in the North Fork Holston River, the Main Stem Holston River, and associated floodplains, located in Smyth and Washington Counties in Virginia and in Sullivan and Hawkins Counties in Tennessee notified us of, and invited our participation in, an assessment of alleged injuries to natural resources resulting from the release of mercury. The Trustees also notified us that they have made a preliminary determination that we are potentially liable for natural resource damages in said rivers and floodplains. We have agreed to participate in the assessment. In light of the early stage, and inherent uncertainties, of the assessment, we cannot at this time determine whether the financial impact, if any, of this matter will be material to our financial position or results of operations. See "Environmental Matters" contained in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

(b) As part of the continuing environmental investigation by federal, state and local governments of waste disposal sites, we have entered into a number of settlement agreements requiring us to participate in the investigation and cleanup of a number of sites. Under the terms of such settlements and related agreements, we may be required to manage or perform one or more elements of a site cleanup, or to manage the entire remediation activity for a number of parties, and subsequently seek recovery of some or all of such costs from other Potentially Responsible Parties (PRPs). In many cases, we do not know the ultimate costs of our settlement obligations at the time of entering into particular settlement agreements, and our liability accruals for our obligations under those agreements are often subject to significant management judgment on an ongoing basis. Those cost accruals are provided for in accordance with generally accepted accounting principles and our accounting policies set forth in the environmental matters section in Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.

(c) We and our subsidiaries are defendants in various other legal actions (including proceedings based on alleged exposures to asbestos) incidental to our past and current business activities. While we believe that none of these legal actions will materially impact our financial position, in light of the inherent uncertainties of the litigation concerning alleged exposures, we cannot at this time determine whether the financial impact, if any, of these matters will be material to our results of operations.

We have been named as defendant in a number of similar legal actions now pending in federal court in San Jose, CA relating to alleged groundwater contamination arising from perchlorate use between 1956 and 1996 by Olin and another unrelated defendant at an Olin facility in Morgan Hill, CA. We have settled with virtually all of the plaintiffs in these legal actions and continue working with California state regulatory authorities to determine the scope of potential contamination.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We did not submit any matter to a vote of security holders during the three months ended December 31, 2005.

Executive Officers as of February 28, 2006

Name and Age	*Office*	*Served as an Olin Officer Since*
Joseph D. Rupp (55)	Chairman, President and Chief Executive Officer	1996
Stephen C. Curley (54)	Vice President and Treasurer	2005
John E. Fischer (50)	Vice President and Chief Financial Officer	2004
G. Bruce Greer, Jr. (45)	Vice President, Strategic Planning	2005
Jeffrey J. Haferkamp (51)	Vice President and President, Olin Brass	2005
Richard M. Hammett (59)	Vice President and President, Winchester Division	2005
Dennis R. McGough (57)	Vice President, Human Resources	2005
John L. McIntosh (51)	Vice President and President, Chlor Alkali Products Division	1999
George H. Pain (55)	Vice President, General Counsel and Secretary	2002
Todd A. Slater (42)	Vice President and Controller	2005

No family relationship exists between any of the above named executive officers or between any of them and any of our directors. Such officers were elected to serve, subject to the By-laws, until their respective successors are chosen.

J. D. Rupp and J. L. McIntosh have served as executive officers for not less than the past five years.

Stephen C. Curley re-joined Olin on August 18, 2003 as Chief Tax Counsel. He was elected Vice President and Treasurer effective January 1, 2005. From 1997-2001, he served as Vice President and Treasurer of Primex Technologies, Inc., a manufacturer and provider of ordnance and aerospace products and services, which was spun off from Olin in 1996.

John E. Fischer re-joined Olin on January 2, 2004 as Vice President, Finance. On June 24, 2004, he was elected Vice President, Finance and Controller, and effective May 27, 2005, he was elected Vice President and Chief Financial Officer. From 1997-2001, he served as Vice President and Chief Financial Officer of Primex Technologies, Inc. During 2002 and 2003, Mr. Fischer did independent consulting for several companies including Olin.

G. Bruce Greer, Jr. joined Olin on May 2, 2005 as Vice President, Strategic Planning. Prior to joining Olin and since 1997, Mr. Greer was employed by Solutia, Inc., an applied chemicals company. From 2003 to April 2005, he served as President of Pharma Services, a Division of Solutia and Chairman of Flexsys, an international rubber chemicals company which was a joint venture partially owned by Solutia and Akzo Nobel. Prior to that, Mr. Greer served as a Vice President of Corporate Development, Technology, and Information Technology for Solutia.

Jeffrey J. Haferkamp was elected Vice President and President, Olin Brass effective January 1, 2005. Prior to that time and since October 2002, he served as President, Rolled Products. From April 2001 to September 2002, he served as Vice President, International for the Brass Division (currently part of the Metals Group). Prior to April 2001, he served as Vice President, Business Planning for the Brass Division.

Richard M. Hammett was elected Vice President and President, Winchester Division effective January 1, 2005. Prior to that time and since September 2002, he served as President, Winchester Division. From November 1998 until September 2002, he served as Vice President, Marketing and Sales for the Winchester Division.

Dennis R. McGough was elected Vice President, Human Resources effective January 1, 2005. Prior to that time and since 1999, he served as Corporate Vice President, Human Resources.

George H. Pain re-joined Olin on April 15, 2002 as Vice President, General Counsel, and Secretary. Prior to the time, since 2001, he served as Vice President and General Counsel of General Dynamics Ordnance and Tactical Systems, Inc., an operating unit of General Dynamics Corporation, a manufacturer of mission-critical information systems and technologies; land and expeditionary combat systems, armaments and munitions; shipbuilding and marine systems; and business aviation. From 1997-2001, he served as Vice President, General Counsel and Secretary of Primex Technologies, Inc.

Todd A. Slater was elected Vice President and Controller, effective May 27, 2005. From April 2004 until May 2005, he served as Operations Controller. From January 2003 until April 2004, he served as Vice President and Financial Officer for Olin's Metals Group. Prior to 2003, Mr. Slater served as Vice President, Chief Financial Officer and Secretary for Chase Industries Inc. (which was merged into Olin on September 27, 2002).

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

As of January 31, 2006, we had 6,029 record holders of our common stock.

Our common stock is traded on the New York Stock Exchange, Chicago Stock Exchange and Pacific Exchange, Inc.

The high and low sales prices of our common stock during each quarterly period in 2005 and 2004 are listed below. A dividend of $0.20 per common share was paid during each of the four quarters in 2005 and 2004.

2005	***First Quarter***	***Second Quarter***	***Third Quarter***	***Fourth Quarter***
Market price of common stock per New York Stock Exchange composite transactions				
High	$25.35	23.79	20.00	20.15
Low	20.22	17.09	17.51	16.65
2004				
Market price of common stock per New York Stock Exchange composite transactions				
High	$20.51	18.99	20.24	22.99
Low	16.37	15.20	15.93	18.18

Issuer Purchases of Equity Securities

Period	***Total Number of Shares (or Units) Purchased***	***Average Price Paid per Share (or Unit)***	***Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs***	***Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs***
October 1-31, 2005	—	N/A	—	
November 1-30, 2005	—	N/A	—	
December 1-31, 2005	—	N/A	—	
Total				154,076 (1)

(1) On April 30, 1998, we announced a share repurchase program approved by our board of directors for the purchase of up to 5 million shares of common stock. Through December 31, 2005, 4,845,924 shares had been repurchased, and 154,076 shares remain available for purchase under that program, which has no termination date.

Equity Compensation Plan Information

We incorporate the information concerning our equity compensation plans under the heading "Equity Compensation Plan Information" in our Proxy Statement relating to our 2006 Annual Meeting of Shareholders by reference in this report.

Item 6. SELECTED FINANCIAL DATA

ELEVEN-YEAR SUMMARY

($ and shares in millions, except per share data)	*2005*	*2004*	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*	*1997*	*1996*	*1995*
Operations											
Sales	$2,357	$1,997	$1,557	$1,272	$1,232	$1,496	$1,395	$1,504	$ 1,572	$ 1,817	$ 1,886
Cost of Goods Sold	1,999	1,765	1,382	1,155	1,091	1,240	1,215	1,239	1,276	1,455	1,541
Selling and Administration	176	141	127	112	111	121	122	123	132	155	153
Research and Development	4	4	5	5	5	5	7	10	8	20	17
Gain (Loss) on Sales and Restructuring of Businesses and Spin-off costs	—	(10)	(31)	—	(39)	—	—	(63)	—	179	—
Other Operating Income	9	6	—	—	6	—	—	—	—	7	—
Earnings (Loss) of Non-consolidated Affiliates	38	10	8	(7)	(8)	2	(11)	—	1	2	2
Interest Expense	20	20	20	26	17	16	16	17	24	27	33
Interest and Other Income (Expense)	20	6	4	6	17	5	3	7	14	4	(7)
Income (Loss) before Taxes from Continuing Operations	225	79	4	(27)	(16)	121	27	59	147	352	137
Income Tax Provision (Benefit)	86	28	4	4	(5)	46	10	21	50	125	47
Income (Loss) from Continuing Operations	139	51	—	(31)	(11)	75	17	38	97	227	90
Discontinued Operations, Net	—	4	1	—	2	6	4	40	56	53	50
Cumulative Effect of Accounting Change, Net	(6)	—	(25)	—	—	—	—	—	—	—	—
Net Income (Loss)	$ 133	$ 55	$ (24)	$ (31)	$ (9)	$ 81	$ 21	$ 78	$ 153	$ 280	$ 140
Financial Position											
Cash and Cash Equivalents and Short-Term Investments	$ 304	$ 147	$ 190	$ 136	$ 202	$ 82	$ 46	$ 75	$ 185	$ 605	$ 2
Working Capital (1)	203	244	174	240	68	161	206	150	88	(220)	22
Property, Plant and Equipment, Net	482	478	495	545	469	475	468	475	517	400	580
Total Assets	1,797	1,618	1,432	1,413	1,207	1,107	1,063	1,589	1,707	2,118	1,963
Capitalization:											
Short-Term Debt	1	52	27	2	102	1	1	1	8	137	122
Long-Term Debt	257	261	314	346	330	228	229	230	262	271	406
Shareholders’ Equity	427	356	176	231	271	329	309	790	879	946	841
Total Capitalization	$ 685	$ 669	$ 517	$ 579	$ 703	$ 558	$ 539	$1,021	$ 1,149	$ 1,354	$ 1,369
Per Share Data											
Net Income (Loss)											
Basic:											
Continuing Operations (2)	$ 1.96	$ 0.74	$ 0.01	$ (0.63)	$ (0.26)	$ 1.66	$ 0.36	$ 0.79	$ 1.91	$ 4.30	$ 1.71
Discontinued Operations, Net	—	0.06	0.01	—	0.04	0.14	0.09	0.85	1.11	1.04	1.04
Accounting Change, Net	(0.09)	—	(0.44)	—	—	—	—	—	—	—	—
Net Income (Loss)	1.87	0.80	(0.42)	(0.63)	(0.22)	1.80	0.45	1.64	3.02	5.34	2.75
Diluted:											
Continuing Operations (2)	1.95	0.74	0.01	(0.63)	(0.26)	1.66	0.36	0.79	1.90	4.26	1.70
Discontinued Operations, Net	—	0.06	0.01	—	0.04	0.14	0.09	0.84	1.10	1.01	0.97
Accounting Change, Net	(0.09)	—	(0.44)	—	—	—	—	—	—	—	—
Net Income (Loss)	1.86	0.80	(0.42)	(0.63)	(0.22)	1.80	0.45	1.63	3.00	5.27	2.67
Cash Dividends											
Common (historical)	0.80	0.80	0.80	0.80	0.80	0.80	0.90	1.20	1.20	1.20	1.20
Common (continuing operations)	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
ESOP Preferred (annual rate)	—	—	—	—	—	—	—	—	—	5.97	5.97
Series A Preferred (annual rate)	—	—	—	—	—	—	—	—	—	—	3.64
Shareholders’ Equity	5.93	5.03	2.99	4.01	6.24	7.48	6.87	17.25	17.98	18.13	17.03
Market Price of Common Stock:											
High	25.35	22.99	20.53	22.60	22.75	23.19	19.88	49.31	51.38	48.00	38.63
Low	16.65	15.20	14.97	13.85	12.05	14.19	9.50	23.88	35.38	34.88	24.25
Year End	19.68	22.02	20.06	15.55	16.14	22.13	19.81	28.31	46.88	37.63	37.13
Other											
Capital Expenditures	$ 81	$ 55	$ 54	$ 41	$ 64	$ 93	$ 73	$ 78	$ 76	$ 74	$ 116
Depreciation	72	72	80	85	84	78	78	76	76	84	77
Common Dividends Paid	57	56	47	39	35	36	41	58	61	60	57
Purchases of Common Stock	—	—	—	3	14	20	11	112	163	—	—
Current Ratio	2.4	2.2	2.2	2.5	1.8	1.9	2.0	1.8	1.8	1.6	1.0
Total Debt to Total Capitalization (3)	37.7%	46.8%	65.9%	60.0%	61.5%	41.1%	42.7%	22.6%	23.5%	30.1%	37.9%
Effective Tax Rate	38.1%	35.8%	76.5%	n/a	30.9%	38.1%	37.0%	35.6%	34.0%	35.5%	34.3%
Average Common Shares Outstanding	71.6	68.4	58.3	49.4	43.6	45.0	45.4	47.9	50.5	50.0	47.6
Shareholders	6,100	6,400	6,800	7,200	7,500	8,000	8,600	9,200	10,600	11,300	12,000
Employees (4)	5,900	5,800	5,500	5,900	5,600	6,300	6,700	6,400	6,600	6,200	7,200

Our Selected Financial Data reflects the following businesses as discontinued operations: Olin Aegis in 2004, the spin off of Arch Chemicals, Inc. (our specialty chemicals business) in 1999 and Primex Technologies, Inc. (our Ordnance and Aerospace businesses) in 1996.

(1) Working Capital excludes Cash and Cash Equivalents and Short-Term Investments.

(2) Includes gain of $2.20 on sale of the isocyanates business in 1996.
(3) Excluding reduction to equity for the Employee Stock Ownership Plan from 1995 and 1996.
(4) Employee data exclude employees who worked at government-owned/contractor-operated facilities.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS BACKGROUND

Our manufacturing operations are concentrated in three business segments: Chlor Alkali Products, Metals, and Winchester. All three are capital intensive manufacturing businesses with growth rates closely tied to the general economy. Each segment has a commodity element to it, and therefore, our ability to influence pricing is quite limited on the portion of the segment's business that is strictly commodity. Our Chlor Alkali Products business is a commodity business where all supplier products are similar and price is the major supplier selection criterion. We have little or no ability to influence prices in this large, global commodity market. Cyclical price swings, driven by changes in supply/demand, can be abrupt and significant and, given capacity in our Chlor Alkali Products business, can lead to very significant changes in our overall profitability. While a majority of Metals sales are of a commodity nature, this business has a significant volume of specialty engineered products targeted for specific end-uses. In these applications, technical capability and performance differentiate the product and play a significant role in product selection and thus price is not the only selection criterion. Winchester also has a commodity element to its business, but a majority of Winchester ammunition is sold as a branded consumer product where there are opportunities to differentiate certain offerings through innovative new product development and enhanced product performance. While competitive pricing versus other branded ammunition products is important, it is not the only factor in product selection.

RECENT DEVELOPMENTS AND HIGHLIGHTS

2005 Year

During 2005, we received a total of $9.4 million from real estate dispositions, including interest of $0.3 million. The first disposition in March represented the settlement of a condemnation award relating to land associated with a former warehousing facility. The other two transactions represented the disposition of land associated with former manufacturing plants.

During 2005, we recovered environmental costs incurred and expensed in prior periods and related interest of $49.9 million from third parties, which relate primarily to remedial and investigatory activities associated with former waste sites and past operations. The first recovery in April was for $1.5 million. The second occurred in September and was for $18.0 million. The last occurred in November and was for $30.4 million, which included $11.4 million in interest.

During the third quarter of 2005, both supply and demand in the Chlor Alkali industry were interrupted by three hurricanes, which caused customer outages and disruptions to the transportation system. Although none of our facilities were damaged, these factors reduced our operating rate during the third and fourth quarters of 2005.

On December 31, 2005, we recorded an after-tax charge of $6.4 million ($10.5 million pretax) in connection with the adoption of Financial Accounting Standards Board (FASB) Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN No. 47), an interpretation of SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). FIN No. 47 clarifies when sufficient information is available to estimate an asset retirement obligation. In conjunction with this adoption, $6.4 million was recorded as a cumulative effect of an accounting change. This charge is principally related to asset retirement obligations for production technology and building materials.

Under SFAS No. 87, we recorded a $220.0 million after-tax charge ($360.0 million pretax) to Shareholders' Equity as of December 31, 2002, reflecting an accumulated benefit obligation in excess of the year-end market value of assets of our pension plan. In 2003, the decline in interest rates more than offset a significant rebound in the value of the plan's assets, which necessitated the recording of an additional after-tax charge of $19.5 million ($32.2 million pretax). On February 6, 2004, we made a voluntary contribution of $125.0 million to the pension plan with the proceeds from the issuance of common stock. In September 2004, we made a second voluntary contribution of $43.0 million to the pension plan. These 2004 voluntary contributions have improved the funded status of the pension plan. In addition, the 2004 contributions eliminated a Pension Benefit Guaranty Corporation variable rate premium of $3.0

million that would have otherwise become payable from the pension plan assets in 2004. In 2004, the decline in interest rates resulted in a 25-basis point reduction more than offset the increases in the value of the plan's assets. Therefore, we recorded in December 2004 an additional after-tax charge of $23.7 million ($38.8 million pretax) as a result of an increase in the accumulated pension benefit obligation. In September 2005, we made a voluntary pension plan contribution of $6.1 million in order to maintain a 90% funded level under the Employee Retirement Income and Security Act (ERISA) criteria used to determine funding levels. In 2005, an additional 25-basis point decline in interest rates and the cost impact of contractual pension plan changes more than offset the increase in the value of the plan assets. Therefore, we recorded in December 2005 an additional after-tax charge of $29.2 million ($47.8 million pretax) as a result of an increase in the accumulated pension benefit obligation. These non-cash charges to Shareholders' Equity in each of the last four years do not affect our ability to borrow under our revolving credit agreement. Based on revised assumptions and estimates, no mandatory contributions will be required until 2008. We may elect to make selective voluntary contributions, when appropriate, between now and 2008.

2004 Year

On January 29, 2004, we announced that our board of directors approved plans to relocate our corporate offices for organizational, strategic and economic reasons. By the end of the year, we had completed the relocation of a portion of our corporate services personnel from Norwalk, CT to our Main Office Building in East Alton, IL. We also established our new corporate headquarters in Clayton, which is in St. Louis County, MO, for logistical and other reasons. The relocation of the corporate offices was accompanied by a downsized corporate structure more appropriate for us in today's competitive business environment. The headquarters relocation was completed by the end of 2004. The majority of the corporate personnel have been co-located with the Brass and Winchester businesses resulting in corporate headcount being reduced by approximately forty percent, generating total projected annual savings of approximately $6.0 million in 2006. As a result of the relocation, we incurred costs of $10.1 million in 2004 and incurred an additional $0.3 million of costs in 2005. This restructuring charge included primarily employee severance and related benefit costs, relocation expense, pension curtailment expense and the incurred cost for outplacement services for all affected employees. The sale of the Indianapolis facility in November 2004 resulted in a reduction of a previously established reserve related to our Indianapolis restructuring of $0.5 million, which reduced the total 2004 restructuring charge to $9.6 million.

On February 3, 2004, we issued and sold 10 million shares of our common stock at a public offering price of $18.00 per share. Net proceeds from the sale were $177.8 million and were used to make a voluntary contribution of $125.0 million to our pension plan. In March 2004, we used $17.5 million from the proceeds of the stock offering to repay the Illinois Industrial Pollution Control Revenue Bond, which became due in March of 2004. The remaining balance ($35.3 million) of the proceeds was used in April 2004 to pay a portion of federal income taxes related to prior periods.

In 2003, we were accepted to participate in the Internal Revenue Service (IRS) settlement initiative pertaining to tax issues related to our benefits liability management company. In addition, we settled with the IRS relative to our Company Owned Life Insurance (COLI) program. In the third quarter of 2004, a final settlement agreement was reached with the IRS on these and certain other outstanding issues related to tax audits covering the 1992 through 2000 tax years. In connection with these settlements we made payments in the second quarter of 2004 of $40.8 million. These payments resolved all open issues regarding our benefits liability management company and our COLI program. These tax issues had been recorded as a liability prior to 2002. In the third quarter of 2004, the income tax provision included a $2.3 million reduction in income tax expense associated with the finalization, in the third quarter of 2004, of the settlement of certain issues related to income tax audits for the years 1992 through 2000.

In May 2004, a fire occurred in the electrical control room for the hot mill located in East Alton, IL on April 29, 2004. The hot mill was returned to full operation in mid-May. The full-year costs relative to the fire were incurred by the Metals segment in the second quarter and were $4.7 million pretax.

In June 2004, we sold our Olin Aegis business to HCC Industries Inc. Olin Aegis, headquartered in New Bedford, MA, is a manufacturer of high performance, high reliability, hermetic metal packages for the microelectronics industry. Olin Aegis employed 250 people. The sale of our Olin Aegis business resulted in a pretax gain of $5.8 million and generated proceeds of $17.1 million. For Olin Aegis, the financial data is classified in our financial statements as discontinued operations for the periods presented prior to 2005.

On July 30, 2004, we entered into a $160.0 million five-year senior revolving credit facility that replaced the $140.0 million senior revolving credit facility. This credit facility expires on July 30, 2009. Borrowing options, restrictive covenants and the letter of credit subfacility are similar to or better than those of the $140.0 million senior revolving credit facility.

In September 2004, we were impacted by equipment problems and a hurricane at our McIntosh, AL chlor alkali facility. We invoked the force majeure clause in the chlorine contracts with our customers due to equipment problems and invoked the force majeure clause in the chlorine, caustic soda, hydrogen, salt and sodium hypochlorite contracts with our customers due to the effects of the hurricane. The negative impact of these issues was several million dollars. The plant returned to full operation in late September.

In September 2004, Winchester announced that it would relocate its East Alton rimfire manufacturing operation to Oxford, MS to allow Winchester the ability to reduce costs, improve efficiencies, better utilize existing technology and achieve improved profitability in the product line. This move was completed in the second quarter 2005. This relocation impacted approximately 150 salaried and hourly employees, but did not impact the shotshell, centerfire rifle, and pistol manufacturing operations, which are located in East Alton, IL.

In November 2004, we purchased certain business assets of Metal Foils LLC for $3.2 million. Metal Foils LLC is a distributor of aluminum, stainless steel, and copper products located in Willoughby, OH. We relocated the purchased assets to our A.J. Oster facility in Alliance, OH in the fourth quarter of 2004.

2003 Year

In the first quarter of 2003, we made a decision to close our manufacturing plant in Indianapolis, IN. The Indianapolis facility ceased operations on February 14, 2003. The plant manufactured copper and copper alloy sheet and strip products and employed approximately 200 people. Production at the Indianapolis strip mill has been consolidated within our East Alton, IL facility. While the Indianapolis strip mill had been an important part of the Metals segment since its acquisition in 1988, reduced domestic consumption of strip products combined with capacity additions at East Alton lessened the need to maintain the Indianapolis production base. As a result of this closure and certain other actions, we recorded in the first quarter of 2003 a pretax restructuring charge of $29.0 million. In addition, we recorded in the fourth quarter of 2003, a pretax restructuring charge of $1.8 million primarily for the write down of certain non-U.S. assets, netted with a reduction of a previously established reserve related to our Indianapolis restructuring.

The major portion of the first and fourth quarter charges was a non-cash charge ($24.6 million) related to the loss on disposal or write-off of equipment and facilities and goodwill. The balance of the restructuring charges related to severance and job-related benefit costs. At the Indianapolis facility, approximately 190 employees were terminated, while nine employees were transferred to the East Alton facility. In addition to the closing of the Indianapolis facility, the Metals segment had determined that further cost reductions were necessary due to continuing depressed economic conditions. Approximately 55 employees were terminated to reduce headcount through a combination of a reduction-in-force program in Metals and the relocation of the segment’s New Haven, CT metals research laboratory activities to two existing manufacturing locations.

In the first quarter of 2003, we recorded an after-tax charge of $25.4 million in connection with the adoption of SFAS No. 143. We adopted this standard on January 1, 2003 and the impairment charge is to reflect the cost of retirement obligations related to our former operating facilities, certain hazardous waste units at our operating plant sites, and our Indianapolis facility which was shut down in the first quarter of 2003, as described above. The after-tax charge was recorded as the cumulative effect of an accounting change.

In the first quarter of 2003, we were accepted to participate in the IRS’s settlement initiative pertaining to tax issues relating to our benefits liability management company. In addition, we reached a settlement with the IRS relative to our Company Owned Life Insurance (COLI) program. These obligations had been recorded as a liability prior to 2002.

CONSOLIDATED RESULTS OF OPERATIONS

	2005	2004	2003
	(in millions, except per share amounts)		
Sales	$2,357.7	$1,996.8	$1,557.2
Cost of Goods Sold	1,998.8	1,764.9	1,381.9
Gross Margin	358.9	231.9	175.3
Selling and Administration	176.3	141.0	127.3
Research and Development	4.2	3.9	4.7
Restructuring Charges	0.3	9.6	30.8
Other Operating Income	9.1	5.5	—
Operating Income	187.2	82.9	12.5
Earnings of Non-consolidated Affiliates	38.5	10.1	7.8
Interest Expense	19.9	20.2	20.2
Interest Income	18.3	1.9	1.3
Other Income	1.5	4.5	2.6
Income from Continuing Operations before Taxes and Cumulative Effect of Accounting Change	225.6	79.2	4.0
Income Tax Provision	85.9	28.5	3.6
Income from Continuing Operations before Cumulative Effect of Accounting Change	139.7	50.7	0.4
Discontinued Operations:			
Income from Discontinued Operations, Net	—	0.6	0.9
Gain on Disposal of Discontinued Operations, Net	—	3.5	—
Income before Cumulative Effect of Accounting Change	139.7	54.8	1.3
Cumulative Effect of Accounting Change, Net	(6.4)	—	(25.4)
Net Income (Loss)	$ 133.3	$ 54.8	$ (24.1)
Basic Income (Loss) per Common Share:			
Income from Continuing Operations before Cumulative Effect of Accounting Change	$ 1.96	$ 0.74	$ 0.01
Income from Discontinued Operations, Net	—	0.01	0.01
Gain on Disposal of Discontinued Operations, Net	—	0.05	—
Cumulative Effect of Accounting Change, Net	(0.09)	—	(0.44)
Net Income (Loss)	$ 1.87	$ 0.80	$ (0.42)
Diluted Income (Loss) Per Common Share:			
Income from Continuing Operations before Cumulative Effect of Accounting Change	$ 1.95	$ 0.74	$ 0.01
Income from Discontinued Operations, Net	—	0.01	0.01
Gain on Disposal of Discontinued Operations, Net	—	0.05	
Cumulative Effect of Accounting Change, Net	(0.09)	—	(0.44)
Net Income (Loss)	$ 1.86	$ 0.80	$ (0.42)

2005 Compared to 2004

For 2005, total company sales were $2,357.7 million compared with $1,996.8 million last year, an increase of $360.9 million, or 18%. Chlor Alkali Products sales increased from last year by $162.0 million due to higher Electrochemical Units (ECU) selling prices, which increased by 52% from 2004 and were offset in part by 6% lower volumes. In the Metals segment, sales increased $172.6 million, or 14%, over 2004. The increase in the Metals segment sales was the result of higher metal prices offset in part by lower shipment volumes. Average copper prices increased 30% during 2005. Winchester sales increased by $26.3 million, or 8%, from last year due to increased demand from the U.S. military and law enforcement customers and a slight increase in domestic commercial sales due to higher selling prices.

Gross margin increased $127.0 million, or 55%, over 2004 primarily as a result of higher ECU selling prices for chlor alkali products. Gross margin as a percentage of sales increased to 15% in 2005 from 12% in 2004. The gross margin dollar increase of $127.0 million reflected the higher ECU prices. The resulting margin percentage increase also reflects the higher ECU selling prices and was offset in part by higher metals sales resulting from increased metal values and by lower gross margins in the Metals and Winchester segments. Gross margin and gross margin as a percentage of sales were also positively impacted by recoveries from third parties of $38.5 million of environmental costs incurred and expensed in prior periods.

Selling and administration expenses as a percentage of sales were 7% in 2005 and 2004. Selling and administration expenses in 2005 were $35.3 million higher than in 2004 primarily due to a higher level of legal expenses primarily associated with legacy environmental matters, including recovery actions for environmental costs previously incurred and expensed ($16.5 million) and third-party legal-related settlement costs ($7.8 million), pension expense ($7.8 million), and bad debt expense ($2.3 million). These costs more than offset cost savings of $3.5 million generated from the corporate office relocation.

Restructuring charges for 2005 of $0.3 million compared to $9.6 million for 2004. These restructuring charges were for the corporate office relocation and included primarily employee severance and related benefit costs, relocation expense, pension curtailment expense and the incurred cost for outplacement services.

Other operating income of $9.1 million for 2005 included the gains on the disposition of three real estate properties. The first disposition represented the settlement of a contested condemnation award relating to land associated with a former warehousing facility. The other two transactions represented the disposition of land associated with former manufacturing plants. Other operating income for 2004 included a non-recurring gain of $5.5 million related to a settlement of a contract matter with an outside third party.

The earnings of non-consolidated affiliates were $38.5 million for 2005, an increase of $28.4 million from $10.1 million for 2004, primarily due to higher ECU selling prices at the SunBelt joint venture.

Interest expense decreased by $0.3 million, or 1%, in 2005 because of the favorable impact on interest expense from a lower level of outstanding net debt and was offset by higher short-term interest rates. During 2005, $52.0 million of debt was repaid.

Interest income for 2005 increased by $16.4 million from 2004. The 2005 interest income included interest of $11.4 million associated with the recoveries from third parties of environmental costs incurred and expensed in prior periods and $0.3 million of interest received from the disposition of real estate. Also, interest income increased as the result of higher average cash balances and increased short-term interest rates.

Other income decreased by $3.0 million from 2004 primarily due to a $2.0 million gain on the sale of our equity interest in an insurance investment in 2004.

The effective tax rate of 38.1% for 2005 included a $1.2 million reduction in income tax expense (0.6% reduction in effective tax rate) resulting from the refunds of interest paid in connection with the 2004 settlement of certain tax issues related to prior years. The 2005 effective tax rate is higher than the 35% U.S. federal statutory rate primarily due to state income taxes, income in certain foreign jurisdictions being taxed at higher rates, and the accrual of interest on taxes which may become payable in the future. The effective tax rate of 35.8% for 2004 included a $2.3 million reduction in income tax expense (2.9% reduction in effective tax rate) associated with the settlement of certain issues related to income tax audits for the years 1992 through 2000. The 2004 effective tax rate was higher than the 35% U.S. federal statutory rate primarily due to state income taxes and income in certain foreign jurisdictions being taxed at higher rates.

On December 31, 2005, we adopted FIN No. 47 and recorded an after-tax charge of $6.4 million ($10.5 million pretax) as a cumulative effect of an accounting change. FIN No. 47 clarifies when sufficient information is available to estimate an asset retirement obligation. This charge is principally related to asset retirement obligations for production technology and building materials.

2004 Compared to 2003

For the 2004 year, total company sales were $1,996.8 million compared with $1,557.2 million last year, an increase of $439.6 million, or 28%. Sales in the Metals segment increased $375.5 million. Metals volumes increased 11% over last year. The remaining increase in Metals segment sales was primarily a result of higher metal prices and changes in product mix. Average copper prices increased 59% during 2004. Chlor Alkali Products sales increased from last year by $48.7 million due to 10% higher volumes and higher ECU selling prices. Winchester sales were slightly above last year.

Gross margin increased $56.6 million, or 32%, in 2004 from 2003 primarily due to higher ECU selling prices for chlor alkali products, higher Metals volumes, and improved Metals productivity, partially offset by higher pension and environmental expenses. Gross margin as a percentage of sales increased to 12% in 2004 from 11% in 2003. The gross margin dollar increase of $56.6 million reflected the higher ECU prices. The resulting margin percentage increase from higher ECU prices and the increased earnings from Metals, which had increased margin percentages despite the increased metal values, and were offset in part by increased pension and environmental costs.

Selling and administration expenses as a percentage of sales were 7% in 2004 and 8% in 2003. Selling and administration expenses in 2004 were $13.7 million higher than in 2003 primarily due to increased legal fees and third-party settlement costs ($5.8 million), pension expense ($5.1 million), incentive and deferred compensation expense, due to higher earnings, ($2.4 million), professional services, primarily due to Sarbanes-Oxley audit and compliance, ($1.5 million) and consulting expense ($1.9 million).

Restructuring charges for 2004 of $9.6 million were principally the result of the relocation of our corporate offices. The restructuring charge in 2003 of $30.8 million was the result of the closure of our manufacturing plant in Indianapolis, IN and certain other actions. A major portion of the 2003 charge was a non-cash charge related to the loss on disposal or write off of equipment and facilities and goodwill. The balance of the 2003 charge related to severance and job-related benefit costs.

Other operating income for 2004 included a non-recurring gain of $5.5 million related to a settlement of a contract matter with an outside third party.

The earnings of non-consolidated affiliates were $10.1 million for 2004, up $2.3 million from 2003, primarily due to higher ECU pricing and higher volumes at the SunBelt joint venture.

Interest expense for 2004, was $20.2 million, which was equal to 2003. Lower level of outstanding net debt, as we repaid $27.2 million in 2004, was offset by the effect of higher interest rates on variable-rate debt.

Interest income increased $0.6 million from $1.3 million in 2003 to $1.9 million in 2004 due to higher average cash balances.

Other income increased from 2003 by $1.9 million primarily due to a $2.0 million gain on the sale of our equity interest in an insurance investment, partially offset by lower miscellaneous income in 2004.

The effective tax rate of 35.8% for 2004 included a $2.3 million reduction in income tax expense (2.9% reduction in effective tax rate) associated with the settlement of certain issues related to income tax audits for the years 1992 through 2000. The 2004 effective tax rate was higher than the 35 percent U.S. federal statutory rate primarily due to state income taxes and income in certain foreign jurisdictions being taxed at higher rates. For 2003, we recorded a tax provision of $3.6 million on pretax income of $4.0 million. The 2003 effective tax rate was higher than the 35 percent U.S. federal statutory rate primarily due to our inability to utilize state and foreign net operating losses in certain jurisdictions and income in other foreign jurisdictions being taxed at higher rates. In addition, the 2003 restructuring charge included the write-off of goodwill, which is not deductible for tax purposes.

SEGMENT RESULTS

We define segment results as income (loss) before interest expense, interest income, other income, and income taxes and include the results of non-consolidated affiliates. Consistent with the guidance in SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," we have determined it is appropriate to include the operating results of non-consolidated affiliates in the relevant segment financial results. Our management considers the SunBelt Chlor Alkali Partnership to be an integral component of the Chlor Alkali Products segment and Yamaha-Olin Metal Corporation to be an integral component of the Metals segment. Each is engaged in the same business activity as the segment, including joint or overlapping marketing, management, manufacturing, and technology development functions. Inter-segment sales of $47.7 million, $37.3 million and $35.9 million for the years 2005, 2004 and 2003, respectively, representing the sale of ammunition cartridge cups to Winchester from Metals, at prices that approximate market, have been eliminated from Metals segment sales.

	2005	***2004***	***2003***
		($ in millions)	
Sales:			
Chlor Alkali Products	$ 610.2	$ 448.2	$ 399.5
Metals	1,402.7	1,230.1	854.6
Winchester	344.8	318.5	303.1
Total Sales	$2,357.7	$1,996.8	$1,557.2
Income from Continuing Operations before Taxes and Cumulative Effect of Accounting Change:			
Chlor Alkali Products (1)	$ 237.0	$ 83.0	$ 62.8
Metals (1)	34.0	50.5	9.1
Winchester	7.8	21.9	21.6
Corporate/Other:			
Pension (Expense) Income (2)	(2.0)	11.3	18.0
Environmental Credit (Provision)	15.8	(23.4)	(19.6)
Other Corporate and Unallocated Costs	(75.7)	(46.2)	(40.8)
Restructuring Charges	(0.3)	(9.6)	(30.8)
Other Operating Income	9.1	5.5	—
Interest Expense	(19.9)	(20.2)	(20.2)
Interest Income	18.3	1.9	1.3
Other Income	1.5	4.5	2.6
Income from Continuing Operations before Taxes and Cumulative Effect of Accounting Change	$ 225.6	$ 79.2	$ 4.0

(1) Earnings (loss) of non-consolidated affiliates are included in the segment results consistent with management's monitoring of the operating segments. The earnings from non-consolidated affiliates, by segment, are as follows:

	2005	***2004***	***2003***
Chlor Alkali Products	$37.8	$ 9.0	$ 6.5
Metals	0.7	1.1	1.3
Earnings of non-consolidated affiliates	$38.5	$10.1	$ 7.8

(2) The service cost and the amortization of prior service cost components of pension expense related to the employees of the operating segments are allocated to the operating segments based on their respective estimated census data. All other components of pension costs are included in Corporate/Other and include items such as the expected return on plan assets, interest cost and recognized actuarial gains and losses.

	2005	***2004***	***2003***
Service cost and prior service cost	$24.2	$ 22.0	$ 23.2
Other components of pension costs	2.0	(11.3)	(18.0)
Subtotal	26.2	10.7	5.2
Curtailment charge	—	1.2	—
Net periodic benefit cost	$26.2	$ 11.9	$ 5.2

Chlor Alkali Products

2005 Compared to 2004

Chlor Alkali Products' sales for 2005 were $610.2 million compared to $448.2 million for 2004, an increase of $162.0 million, or 36%. The sales increase was due to higher ECU pricing, which increased 52% in 2005 and more than offset 6% lower volumes. In 2005, ECU pricing increased each quarter as price increases were implemented and contract terms and price indexing continued to favorably impact our netbacks (gross selling price less freight and discounts) throughout the year. Our ECU netback, excluding our SunBelt joint venture, was approximately $510 for 2005 compared to approximately $335 for 2004. Fourth quarter 2005 ECU netback was approximately $545. The 2005 chlorine and caustic pricing was a result of a tight market, resulting primarily from a strong worldwide economy and the capacity rationalization that has occurred in the U.S. Chlor Alkali industry. The volumes in 2005 were lower due to the effects of three hurricanes during the third quarter, which caused customer outages and disruptions to the transportation system and a reduction in third party sales volumes. Although none of our facilities were damaged by these hurricanes, these factors reduced our operating rate during the second half of 2005 to 87% of capacity, compared to 94% during the second half of 2004. Our operating rates for 2005 were 92% compared to 94% in 2004.

Chlor Alkali posted segment income of $237.0 million, compared to $83.0 million for 2004. Segment income was higher in 2005 because of higher selling prices ($177.7 million) and favorable SunBelt operating results ($28.8 million), which were partially offset by higher operating costs ($28.1 million) and lower volumes ($24.3 million). The higher selling prices at SunBelt were partially offset by higher manufacturing costs and operating expenses. The higher operating costs were due to increased electricity costs primarily driven by natural gas and coal prices and increased maintenance expenses. Additionally, operating expenses increased due to higher administrative expenses primarily salaries, incentive compensation (resulting from increased segment income), and legal expenses. The operating results from the SunBelt joint venture included interest expense of $5.7 million and $6.2 million in 2005 and 2004, respectively, on the SunBelt Notes.

2004 Compared to 2003

Chlor Alkali Products' sales for 2004 were $448.2 million compared to $399.5 million in 2003, an increase $48.7 million, or 12%. The sales increase was due to a 10% and a 4% increase in chlorine and caustic volumes and netbacks, respectively. Chlorine and caustic demand increased 13% and 7% respectively, from 2003. In 2004, caustic prices declined through the second quarter. In the third quarter, caustic demand began to improve primarily due to an upturn in the general economy and the industry was able to pass through caustic price increases. Caustic demand was strong in the fourth quarter and additional price increases were implemented and accepted. The chlor alkali industry produced at high operating rates to support continued strong chlorine demand, both in the U.S. and overseas. With operating rates at these high levels, average ECU pricing for 2004 improved over 2003, as demand remained strong and price-increase announcements were accepted as contract terms permit. Our ECU netbacks were approximately $335, excluding our Sunbelt joint venture, for 2004 compared to approximately $325 for 2003. Our operating rates for the full year 2004 were 94% compared to 86% in 2003.

Chlor Alkali posted segment income of $83.0 million, compared to $62.8 million for 2003. Segment income was higher in 2004 because higher volumes ($19.4 million) and higher selling prices ($12.0 million) were partially offset by higher operating costs ($14.0 million). The favorable pricing and volumes were partially offset by higher manufacturing costs, primarily higher electricity prices, and administrative expenses, primarily salaries, incentive compensation, and legal expenses. In addition, maintenance-related expenses due to the equipment problems and a hurricane at our McIntosh, AL facility in the third quarter of 2004 negatively impacted income by several million dollars. Sunbelt results improved by $2.2 million compared with 2003 due to higher selling prices and higher volumes, resulting from the 2003 completion of a debottlenecking project. The operating results from the Sunbelt joint venture included interest expense of $6.2 million and $6.6 million in 2004 and 2003, respectively, on the Sunbelt Notes.

Metals

2005 Compared to 2004

Sales for 2005 were $1,402.7 million compared to sales of $1,230.1 million for 2004, an increase of $172.6 million, or 14%. This increase reflects higher metal values offset in part by lower shipment volumes. The average COMEX copper price was $1.68 per pound in 2005 compared with $1.29 per pound in 2004, an increase of 30%. Total shipment volumes decreased by 3% from 2004, while estimated industry demand in 2005 was 8% below 2004 levels.

Overall shipments in 2005 were 3% lower than in 2004. Shipments to the automotive segment decreased in 2005 by 9% due to reduced production throughout the U.S. automotive supply chain. Coinage shipments were 17% higher than last year primarily due to increased demand from the U.S. Mint mainly resulting from the commemorative nickel program. Shipments to the ammunition segment increased 15% for 2005 compared to 2004 due to the continued demand for military ordnance. Shipments to our building products customers decreased by 8% from 2004.

The Metals segment reported income of $34.0 million in 2005 compared to $50.5 million in 2004, a decrease of $16.5 million, or 33%. Lower earnings were primarily a result of lower shipment volumes in 2005 ($4.8 million), higher energy costs ($4.6 million), higher metal melting loss costs caused by higher copper prices ($4.8 million), and higher medical and workers compensation costs ($4.8 million). In addition, Metals earnings were negatively impacted due to the lack of hydrogen availability due to Hurricane Katrina. The lack of hydrogen negatively impacted our plant efficiencies and product yields. The Metals 2004 earnings were affected by the costs relative to the fire in the electrical control room for the hot mill located at East Alton, IL of $4.7 million.

2004 Compared to 2003

Sales for 2004 were $1,230.1 million compared to sales in 2003 of $854.6 million, an increase of 44%. Volumes increased 11% as most major market segments increased over the prior year. The remaining 33 percentage point increase in sales was due to higher metal prices and changes in product mix. During 2004, the average COMEX copper price was $1.29 per pound, compared to $0.81 per pound in 2003, or an increase of 59%.

Shipments to the automotive segment increased in 2004 by 3% over 2003 as automotive production increased slightly over 2003. Shipments to the building products segment increased in 2004 by 3% over 2003 due to increased demand from the construction industry resulting from increased housing starts in 2004. Coinage shipments were up 37% from last year primarily due to the U.S. Mint’s second quarter introduction of two new nickels commemorating the 200th anniversary of the Lewis and Clark Expedition and an improvement in the overall economy. Shipments to the ammunition segment increased 25% over last year primarily due to continued strong demand for military ordnance. Shipments to the electronics segment decreased 3% from last year as demand slowed in the last half of 2004.

The Metals segment income of $50.5 million in 2004 compared to $9.1 million in 2003, an increase of $41.4 million. The Metals segment improved operating results over last year were primarily the result of increased volumes, improved productivity, the shutdown of our Indianapolis facility in 2003 and reduced operating costs, offset in part by the costs relative to the fire at the hot mill located at East Alton, IL of $4.7 million.

Winchester

2005 Compared to 2004

Sales were $344.8 million in 2005 compared to $318.5 million for 2004, an increase of $26.3 million, or 8%. Shipments of ammunition to the U.S. military increased by $18.9 million in 2005, while shipments to law enforcement organizations increased $6.4 million. Domestic commercial sales increased slightly in 2005 due to higher selling prices.

The Winchester segment reported income of $7.8 million in 2005 compared to $21.9 million in 2004, a decrease of $14.1 million, or 64%. The benefits from increased sales volumes and higher selling prices were more than offset by higher copper, lead, steel, and resin costs ($17.7 million), higher medical and workers compensation costs ($3.9 million), and start-up costs at the Oxford, MS facility.

2004 Compared to 2003

Sales were $318.5 million for 2004, compared to sales of $303.1 million for 2003. Commercial sales volumes accounted for the majority of the increase in 2004 from 2003. Segment income for 2004 was $21.9 million, consistent with 2003's operating income of $21.6 million. The favorable profit impact from the higher sales volumes was offset by higher commodity and other manufacturing costs.

Corporate/Other

2005 Compared to 2004

In 2005, pension expense included in Corporate/Other was $2.0 million compared with pension income of $11.3 million in 2004. The $13.3 million increase in corporate pension expense was due to the cost impact of plan changes, the impact of a lower discount rate and the higher amortization of plan losses from prior periods, primarily investment losses, on plan assets from prior periods. On a total company basis, pension expense for 2005 was $26.2 million compared to $10.7 million in 2004. We made a voluntary pension contribution of $6.1 million in 2005 to maintain a 90% funded level as prescribed under ERISA. Due to the pension plan contributions in 2004 and 2005, no mandatory contributions will be required until 2008. Among other factors, changes in interest rates and pension fund investment performance could alter this forecast. We may elect to make selective voluntary contributions, when appropriate, between now and 2008. We discuss our assumptions with respect to pension estimates under “Critical Accounting Policies and Estimates.”

Credits to income for investigatory and remedial activities were $15.8 million for 2005, which included $38.5 million in recoveries from third parties of environmental costs incurred and expensed in prior periods. Charges to income for investigatory and remedial activities, without these recoveries in 2005, would have been $22.7 million in 2005 compared with $23.4 million in 2004. These charges relate primarily to expected future remedial and investigatory activities associated with past manufacturing operations and former waste disposal sites. Environmental costs for on-going plant operations, for example wastewater treatment, are included in the operating segments and are approximately equal year-over-year.

For 2005, other corporate and unallocated costs were $75.7 million compared with $46.2 million in 2004, an increase of $29.5 million, or 64%. This increase was primarily due to higher legal expenses related to a higher level of legal and legal-related settlement expenses associated with legacy environmental matters, including recovery actions for environmental costs previously incurred and expensed ($23.6 million), incentive compensation expense ($2.8 million) due to higher earnings, employee benefit expenses ($1.1 million) as a result of reinstating company matched CEOP contributions that had been suspended in 2003 and workers compensation costs, and consulting fees ($0.6 million). These increases more than offset the cost savings resulting from the corporate headquarters relocation ($3.5 million).

2004 Compared to 2003

For 2004, pension income included in Corporate/Other was $11.3 million compared with $18.0 million in 2003. The reduction in corporate pension income was due to the recognition of actuarial losses, which primarily relate to differences in assumed and actual asset returns, and lower interest rates, partially offset by higher expected investment income on a higher level of plan assets. In 2004, we recorded total pension expense of $10.7 million compared to total pension expense of $5.2 million in 2003. The service costs and prior service cost components of pension expense, which are included in the operating segments and in other corporate and unallocated costs, were approximately equal in both years.

In 2004, we updated our pension-related projections based on the interest rate guidance provided by the Treasury Department as a result of the Pension Funding Equity Act of 2004, which was enacted on April 10, 2004. Its use caused differences in the timing of future contributions, not their magnitude, from what we had previously projected. On February 3, 2004, we issued and sold 10.0 million shares of our common stock at a public offering price of $18.00 per share. Net proceeds from the sale were $177.8 million and were used in part to make a voluntary contribution of $125.0 million to our pension plan. In September 2004, we made a second voluntary pension plan contribution of $43.0 million. This contribution eliminated a Pension Benefit Guaranty Corporation insurance variable rate premium of $3.0 million that would have otherwise become payable from the pension plan assets in 2004.

For 2004, charges to income for environmental investigatory and remedial activities were $23.4 million compared with $19.6 million in 2003. This provision related primarily to expected future remedial and investigatory activities associated with past manufacturing operations and former waste disposal sites. The increase in the 2004 annual environmental charges to income is primarily attributable to additional liabilities for alleged groundwater contamination at a former plant site.

For 2004, other corporate and unallocated costs were $46.2 million compared with $40.8 million in 2003. This increase was primarily due to higher expenses such as higher legal fees and settlement costs ($4.3 million), professional services primarily associated with the Sarbanes Oxley Act ($1.5 million) and management compensation expenses ($1.9 million). In November 2004, we sold our Indianapolis facility, which alleviated our remaining asset retirement obligation, which we recorded in accordance with the adoption of SFAS No. 143 in 2003. This reduction decreased Corporate/Other expenses by $2.5 million in 2004.

2006 OUTLOOK

In Chlor Alkali, we feel we are well positioned for a stronger year in 2006 than 2005. We expect further improvements in ECU netbacks in the first quarter of 2006 based on the previously announced price increases and favorable contract rollovers. Volumes in the first quarter of 2006 are expected to increase compared to the fourth quarter of 2005 as Gulf Coast customers increase operating rates.

As part of the ongoing cost reduction efforts in our Metals business, we have decided to close our Waterbury Rolling Mills facility in Waterbury, CT. In conjunction with this action, we will consolidate these production activities into our East Alton, IL mill. We are also considering decisions regarding the possible restructuring or closure of additional facilities, along with other overhead reductions. These decisions should be made by the end of the first quarter.

We intend to record a one-time pretax charge for these actions of $25 million to $30 million in 2006, most of which will occur in the first quarter of 2006. We expect this charge to be partially offset by one-time inventory gains associated with LIFO liquidations of approximately $10 million in 2006. We believe these actions will generate annual cost savings in the $9 million to $12 million range, and the implementation of these actions is expected to be cash neutral.

In Winchester, we expect some improvement in profitability in 2006 compared to 2005, as higher selling prices and the impact of cost reductions begin to offset the high level of commodity costs, particularly for lead and copper. Winchester also expects its revenue from military sales to increase 13% in 2006 compared to 2005.

We currently project that pension expense in 2006 will be approximately $12 million higher than 2005. This increase reflects the adverse impact of lower discount rates and the continued amortization of plan losses from prior periods. Stock option expense in 2006 is projected to be approximately $4 million, and charges to income for environmental investigatory and remedial activities may be in the $20 million range.

Our capital spending and depreciation are both projected to be in the $73 million range.

ENVIRONMENTAL MATTERS

	2005	*2004*	*2003*
		($ in millions)	
Cash Outlays:			
Remedial and Investigatory Spending (Charged to Reserve)	$ 19.6	$ 16.6	$ 24.4
Recoveries from Third Parties	(38.5)	—	—
Capital Spending	3.2	2.8	2.4
Plant Operations (Charged to Cost of Goods Sold)	17.1	16.8	16.2
Total Cash Outlays	$ 1.4	$ 36.2	$ 43.0
Reserve for Environmental Liabilities:			
Beginning Balance	$ 99.8	$ 93.0	$ 97.8
Charges to Income	22.7	23.4	19.6
Remedial and Investigatory Spending	(19.6)	(16.6)	(24.4)
Ending Balance	$102.9	$ 99.8	$ 93.0

The establishment and implementation of federal, state, and local standards to regulate air, water and land quality has affected and will continue to affect substantially all of our manufacturing locations. Federal legislation providing for regulation of the manufacture, transportation, use, and disposal of hazardous and toxic substances, and remediation of contaminated sites, has imposed additional regulatory requirements on industry, particularly the chemicals industry. In addition, implementation of environmental laws, such as the Resource Conservation and Recovery Act and the Clean Air Act, has required and will continue to require new capital expenditures and will increase plant operating costs. We employ waste minimization and pollution prevention programs at our manufacturing sites.

We are party to various governmental and private environmental actions associated with past manufacturing facilities and former waste disposal sites. Associated costs of investigatory and remedial activities are provided for in accordance with generally accepted accounting principles governing probability and the ability to reasonably estimate future costs. Our ability to estimate future costs depends on whether our investigatory and remedial activities are in preliminary or advanced stages. With respect to unasserted claims, we accrue liabilities for costs that, in our experience, we may incur to protect our interests against those unasserted claims. Our accrued liabilities for unasserted claims amounted to $2.1 million at December 31, 2005. With respect to asserted claims, we accrue liabilities based on remedial investigation, feasibility study, remedial action and Operation, Maintenance and Monitoring (OM&M) expenses that, in our experience, we may incur in connection with the asserted claims. Required site OM&M expenses are estimated and accrued in their entirety for required periods not exceeding 30 years, which reasonably approximates the typical duration of long-term site OM&M. Charges or credits to income for investigatory and remedial efforts were material to operating results in 2005, 2004, and 2003 and may be material to net income in future years. In 2005, the credit to income for investigatory and remedial activities was $15.8 million, which includes $38.5 million of recoveries from third parties of costs incurred and expensed in prior periods. Without these recoveries, charges to income for investigatory and remedial activities would have been $22.7 million in 2005 and were $23.4 million and $19.6 million in 2004 and 2003, respectively. These charges relate primarily to remedial and investigatory activities associated with past manufacturing operations and former waste disposal sites.

Cash outlays for remedial and investigatory activities associated with former waste sites and past operations were not charged to income but instead were charged to reserves established for such costs identified and expensed to income in prior years. Cash outlays for normal plant operations for the disposal of waste and the operation and maintenance of pollution control equipment and facilities to ensure compliance with mandated and voluntarily imposed environmental quality standards were charged to income. Total environmental-related cash outlays for 2006 are estimated to be $53.0 million, of which $28.0 million is expected to be spent on investigatory and remedial efforts, $8.0 million on capital projects and $17.0 million on normal plant operations. Historically, we have funded our environmental capital expenditures through cash flow from operations and expect to do so in the future.

Our estimated environmental liability at the end of 2005 was attributable to 59 sites, 15 of which were USEPA National Priority List (NPL) sites. Ten sites accounted for 77% of such liability and, of the remaining 49 sites, no one site accounted for more than 2% of our environmental liability. At one of these ten sites remedial plan has been submitted by us and a Record of Decision (ROD) or its equivalent has not been issued. At five of the ten sites, part of the site is subject to a remedial investigation and another part is in the long-term OM&M stage. The four remaining sites are in long-term OM&M. All ten sites are either associated with past manufacturing operations or former waste disposal sites. None of the ten largest sites represents more than 15% of the liabilities reserved on our consolidated balance sheet at December 31, 2005 for future environmental expenditures.

Our consolidated balance sheets included liabilities for future environmental expenditures to investigate and remediate known sites amounting to $102.9 million at December 31, 2005, and $99.8 million at December 31, 2004, of which $74.9 million and $71.8 million were classified as other noncurrent liabilities, respectively. Those amounts did not take into account any discounting of future expenditures or any consideration of insurance recoveries or advances in technology. Those liabilities are reassessed periodically to determine if environmental circumstances have changed and/or remediation efforts and our estimate of related costs have changed. As a result of these reassessments, future charges to income may be made for additional liabilities. Of the $102.9 million included on our consolidated balance sheet at December 31, 2005 for future environmental expenditures, we currently expect to utilize $71.7 million of the reserve for future environmental expenditures over the next 5 years, $10.7 million for expenditures 6 to 10 years in the future, and $20.5 million for expenditures beyond 10 years in the future. These estimates are subject to a number of risks and uncertainties, as described in Item 1A. “Risk Factors – Environmental Costs.”

Annual environmental-related cash outlays for site investigation and remediation, capital projects, and normal plant operations are expected to range between $40.0 million to $50.0 million over the next several years, $25.0 million to $30.0 million of which is for investigatory and remedial efforts, which are expected to be charged against reserves recorded on our balance sheet. While we do not anticipate a material increase in the projected annual level of our environmental-related costs, there is always the possibility that such increases may occur in the future in view of the uncertainties associated with environmental exposures. Environmental exposures are difficult to assess for numerous reasons, including the identification of new sites, developments at sites resulting from investigatory studies, advances in technology, changes in environmental laws and regulations and their application, the scarcity of reliable data pertaining to identified sites, the difficulty in assessing the involvement and financial capability of other PRPs and our ability to obtain contributions from other parties and the lengthy time periods over which site remediation occurs. It is possible that some of these matters (the outcomes of which are subject to various uncertainties) may be resolved unfavorably to us, which could materially adversely affect our financial position or results of operations. At December 31, 2005, we estimate we may have additional contingent environmental liabilities of $50.0 million in addition to the amounts for which we have already recorded as a reserve.

LEGAL MATTERS

We and our subsidiaries are defendants in various legal actions (including proceedings based on alleged exposures to asbestos) incidental to our past and current business activities. We describe some of these matters in "Item 3—Legal Proceedings." While we believe that none of these legal actions will materially adversely impact our financial position, in light of the inherent uncertainties of the litigation concerning alleged exposures, we cannot at this time determine whether the financial impact, if any, of these matters will be material to our results of operations.

LIQUIDITY, INVESTMENT ACTIVITY AND OTHER FINANCIAL DATA

Cash Flow Data

Provided By (Used For)	*2005*	*2004*	*2003*
		($ in millions)	
Qualified Pension Plan Contributions	$ (6.1)	$(169.4)	$ —
Net Operating Activities from Continuing Operations	278.9	(134.7)	116.1
Net Operating Activities	278.9	(136.4)	118.5
Capital Expenditures	(81.0)	(55.1)	(54.3)
Net Investing Activities	(38.1)	(26.5)	(11.1)
Net Financing Activities	(84.4)	120.4	(28.1)

In 2005, income exclusive of non-cash charges, cash and cash equivalents on hand, proceeds from the sales of real estate, and environmental recoveries from third parties were used to finance our working capital requirements, capital and investment projects, dividends, to repay long-term debt and to make voluntary contributions to our qualified pension plans.

Operating Activities

In 2005, cash provided by operating activities increased over 2004. In 2005, cash provided by operating activities included a reduction in deferred taxes associated with the utilization of tax loss carryforwards, higher profits from operations, a contribution to our pension plan of $6.1 million, and a reduction in working capital of $45.0 million. In 2004, cash utilized by operating activities included pension plan contributions of $169.4 million and tax payments of $40.8 million. In 2005, accounts receivable increased $52.1 million, primarily due to higher ECU prices in Chlor Alkali Products and higher copper prices in Metals. Days sales outstanding decreased by approximately two days as all business segments improved their days sales outstanding. Accounts payable and accrued liabilities increased by $73.4 million, primarily due to the higher copper prices related to the metal purchases and the timing of invoice payments. The 44% increase in the 2005 fourth quarter average COMEX price of copper was a major contributor to the increase in accounts payables.

In February 2004, we made a voluntary contribution of $125.0 million to our pension plan from the proceeds of our 2004 common stock offering and then, in September 2004 we made a second voluntary contribution of $43.0 million to our pension plan. In April 2004, we made tax payments of $40.8 million pertaining to the settlement of certain issues related to income tax audits for the years 1992 through 2000. Excluding these pension contributions and tax payments, cash provided by operating activities decreased from the prior year due primarily to a higher investment in working capital, particularly higher accounts receivables and inventories. The investment in accounts receivable and inventories was higher in 2004 by $60.5 million and $16.6 million, respectively, primarily due to higher sales volumes in all segments and higher metal prices. The 50% increase in the 2004 fourth quarter average COMEX price of copper from 2003 was a major contributor to the increase in accounts receivable and inventories.

Capital Expenditures

Capital spending was $81.0 million in 2005, $55.1 million in 2004, and $54.3 million in 2003. Capital spending in 2005 was $25.9 million higher than 2004. The increase was due in part to the relocation of a Winchester product line and an increase in maintenance and reliability projects in the Chlor Alkali Products and Metals operations and investments in transportation equipment for Chlor Alkali Products. Capital spending in 2005 was 113% of depreciation compared to 76% in 2004. Disposition of property, plant and equipment consisted primarily of the proceeds from the real estate transactions.

In 2006, we plan to manage our capital spending to a level in line with our depreciation, or about $73.0 million, a decrease of 10% below the 2005 amount. The 2006 decrease is primarily attributable to higher spending in 2005 for transportation equipment in Chlor Alkali Products and the relocation of the Winchester product line.

Investing Activities

The 2005, 2004 and 2003 increase in distributions from affiliated companies, net, represents primarily our share of the SunBelt joint venture's improved operating results, net of cash payments to the affiliates.

In November 2004, we purchased certain business assets of Metal Foils LLC for $3.2 million. Metal Foils LLC is a distributor of aluminum, stainless steel, and copper products located in Willoughby, OH. We relocated the purchased assets to our A.J. Oster facility in Alliance, OH. The purchase price exceeded the fair value of the identifiable net assets acquired by $1.2 million. The acquisition has been accounted for using the purchase method of accounting.

Proceeds from the sale of short-term investments of $25.0 million represented the equity value of the COLI program which we discontinued in the first quarter of 2003. We surrendered the life insurance policies that we purchased under this program, and received these proceeds in March 2003.

In April 2004, we sold our equity interest in an insurance investment. In June 2004, we sold our Aegis business to HCC Industries Inc. The proceeds from these sales approximated $19.7 million.

Financing Activities

On July 30, 2004 we entered into a five-year senior revolving credit facility of $160.0 million, which will expire on July 30, 2009. At December 31, 2005, we had $122.9 million available under this senior revolving credit facility. We issued $37.1 million of letters of credit under an $80.0 million letter of credit subfacility for the purpose of supporting certain long-term debt, certain workers compensation insurance policies, and plant closure and post-closure obligations. Under the facility, we may select various floating rate borrowing options. It includes various customary restrictive covenants, including restrictions related to the ratio of debt to earnings before interest expense, taxes, depreciation and amortization (leverage ratio) and the ratio of earnings before interest expense, taxes, depreciation and amortization to interest expense (coverage ratio).

In connection with the relocation of Winchester's rimfire operations to Oxford, MS, in November 2005, we completed an industrial development revenue bond financing of $2.9 million to utilize certain state tax incentives.

In June 2005, we repaid the $50.0 million, 7.11% medium-term Series A notes, which became due. In March 2004, we used $17.5 million from the proceeds of our February 2004 stock offering to repay the Illinois Industrial Pollution Control Revenue Bond, which became due in March 2004. In June 2004, we repaid the $8.1 million Illinois Environmental Improvement Bond, which became due in June 2004.

On February 3, 2004, we issued and sold 10 million shares of our common stock at a public offering price of $18.00 per share. Net proceeds from the sale were $177.8 million.

During 2005, 2004 and 2003, we issued 770,713, 793,778, and 915,159 shares of common stock, respectively, with a total value of $15.3 million, $14.3 million and $16.0 million, respectively, to the Contributing Employee Ownership Plan. These shares were issued to satisfy the investment in our common stock resulting from employee contributions, our matching contributions and re-invested dividends.

The percent of total debt to total capitalization decreased to 38% at December 31, 2005, from 47% at year-end 2004 and 66% at year-end 2003. The decrease from year-end 2004 was due primarily to the higher shareholders' equity resulting from the net income for the year 2005 and the repayment of the $50.0 million, 7.11% medium-term Series A notes in June 2005. The decrease from year-end 2003 was due primarily to the higher shareholders' equity resulting from the issuance of 10 million shares of our common stock in February 2004, along with the repayment of our long-term debt obligations, which became due primarily in March and June of 2004.

Dividends per common share were $0.80 in 2005, 2004 and 2003. Total dividends paid on common stock amounted to $57.1 million in 2005, $55.7 million in 2004 and $46.5 million in 2003.

The payment of cash dividends is subject to the discretion of our board of directors and will be determined in light of then-current conditions, including our earnings, our operations, our financial conditions, our capital requirements and other factors deemed relevant by our board of directors. In the future, our board of directors may change our dividend policy, including the frequency or amount of any dividend, in light of then-existing conditions.

LIQUIDITY AND OTHER FINANCING ARRANGEMENTS

Our principal sources of liquidity are from cash and cash equivalents, short-term investments, cash flow from operations and short-term borrowings under our senior revolving credit facility. We also have access to the debt and equity markets.

Cash flow from operations is variable as a result of the cyclical nature of our operating results, which have been affected recently by economic cycles in many of the industries we serve, such as vinyls, urethanes, pulp and paper, automotive, electronics and the telecommunications sectors. In addition, cash flow from operations is affected by changes in ECU selling prices caused by the changes in the supply/demand balance of chlorine and caustic, resulting in the chlor alkali business having significant leverage on our earnings. For example, assuming all other costs remain constant and internal consumption remains approximately the same, a $10 per ECU selling price change equates to an approximate $11 million annual change in our revenues and pretax profit when we are operating at full capacity.

Our current debt structure is used to fund our business operations, and commitments from banks under our revolving credit facility are a source of liquidity. As of December 31, 2005, we had long-term borrowings, including the current installment, of $258.3 million of which $2.9 million was at variable rates. We have entered into interest rate swaps on $131.6 million of our underlying debt obligations whereby we agree to pay variable rates to a counterparty who, in turn, pays us fixed rates. The counterparty to these agreements is a major financial institution. We have designated the swap agreements as fair value hedges of the risk of changes in the value of fixed rate debt due to changes in interest rates for a portion of our fixed rate borrowings under SFAS No. 133. Accordingly, the swap agreements have been recorded at their fair market value of $6.9 million and are included in Other Assets on the accompanying Consolidated Balance Sheet, with a corresponding increase in the carrying amount of the related debt. No gain or loss has been recorded as the contracts met the criteria of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to qualify for hedge accounting treatment with no ineffectiveness. Annual maturities of long-term debt are $1.1 million in 2006; $1.7 million in 2007, $7.7 million in 2008; none in 2009 and 2010, $205.2 million in 2011, and a total of $42.6 million thereafter.

We use operating leases for certain properties, such as railroad cars, distribution, warehousing and office space, data processing and office equipment. Virtually none of our lease agreements contain escalation clauses or step rent provisions. Future minimum rent payments under operating leases having initial or remaining non-cancelable lease terms in excess of one year at December 31, 2005 are as follows: $27.0 million in 2006; $24.5 million in 2007; $20.1 million in 2008; $16.1 million in 2009; $19.7 million in 2010; and a total of $48.0 million thereafter. Assets under capital leases are not significant.

On December 31, 1997, we entered into a long-term, sulfur dioxide supply agreement with Alliance Specialty Chemicals, Inc. (Alliance), formerly known as RFC SO_2, Inc. Alliance has the obligation to deliver annually 36,000 tons of sulfur dioxide. Alliance owns the sulfur dioxide plant, which is located at our Charleston, TN facility and is operated by us. The price for the sulfur dioxide is fixed over the life of the contract and, under the terms of the contract, we are obligated to make a monthly payment of $0.2 million regardless of the amount of sulfur dioxide purchased. Commitments related to this agreement are $2.4 million per year for the years 2006 through 2011 and $0.6 million in 2012. This supply agreement expires in 2012.

We utilize a credit facility and standby letters of credit. In July 2004, we entered into a new five-year senior revolving credit facility with a group of banks **.** This credit facility is described above under the caption, “Financing Activities.” As of December 31, 2005, we did not have any outstanding borrowings under this credit facility. At December 31, 2005, we had outstanding standby letters of credit of $37.1 million. These letters of credit were used to support certain long-term debt, certain workers compensation insurance policies, and plant closure and post-closure obligations.

On February 3, 2004, we issued and sold 10 million shares of our common stock at a public offering price of $18.00. Net proceeds from the sale were $177.8 million and were used to make a $125.0 million voluntary contribution to our pension plan. In March 2004, we used $17.5 million from the proceeds of the stock offering to repay the Illinois Industrial Pollution Control Revenue Bond, which became due in March of 2004. The remaining balance ($35.3 million) of the proceeds was used in April 2004 to pay a portion of federal income taxes related to prior periods.

At December 31, 2005, we had $220 registered securities available for issuance with the Securities and Exchange Commission, whereby from time to time, we may issue debt securities, preferred stock and/or common stock, and associated warrants.

We and our partner, PolyOne Corporation (PolyOne) own equally the SunBelt joint venture. Oxy Vinyls (a joint venture between OxyChem and PolyOne) is required to purchase 250 thousand tons of chlorine based on a formula related to its market price. We market the excess chlorine and all of the caustic produced. The construction of this plant and equipment was financed by the issuance of $195.0 million of Guaranteed Senior Secured Notes due 2017. The SunBelt joint venture sold $97.5 million of Guaranteed Senior Secured Notes due 2017, Series O, and $97.5 million of Guaranteed Senior Secured Notes due 2017, Series G. We refer to these notes as the SunBelt Notes. The SunBelt Notes bear interest at a rate of 7.23% per annum payable semiannually in arrears on each June 22 and December 22.

We have guaranteed the Series O Notes, and PolyOne has guaranteed the Series G Notes, in both cases pursuant to customary guaranty agreements. Our guarantee and PolyOne’s guarantee are several, rather than joint. Therefore, we are not required to make any payments to satisfy the Series G Notes guaranteed by PolyOne. An insolvency or bankruptcy of PolyOne will not automatically trigger acceleration of the SunBelt Notes or cause us to be required to make payments under our guarantee, even if PolyOne is required to make payments under its guarantee. However, if the SunBelt joint venture does not make timely payments on the SunBelt Notes, whether as a result of a failure to pay on a guarantee or otherwise, the holders of the SunBelt Notes may proceed against the assets of the SunBelt joint venture for repayment. If we were to make debt service payments under our guarantee, we would have a right to recover such payments from the SunBelt joint venture.

Beginning on December 22, 2002 and each year through 2017, our SunBelt joint venture is required to repay $12.2 million of the SunBelt Notes, of which $6.1 million is attributable to the Series O Notes. After the payment of $6.1 million on the Series O Notes in December 2005, our guarantee of these notes was $73.1 million. In the event our SunBelt joint venture cannot make any of these payments, we would be required to fund our half of such payment. In certain other circumstances, we may also be required to repay the SunBelt Notes prior to their maturity. We and PolyOne have agreed that, if we or PolyOne intend to transfer our respective interests in the SunBelt joint venture and the transferring party is unable to obtain consent from holders of 80% of the aggregate principal amount of the indebtedness related to the guarantee being transferred after good faith negotiations, then we and PolyOne will be required to repay our respective portions of the SunBelt Notes. In such event, any make whole or similar penalties or costs will be paid by the transferring party.

Excluding our guarantee of the SunBelt Notes described above, our long-term contractual commitments, including the on and off-balance sheet arrangements, consisted of the following:

	Payments Due by Year				
Contractual Commitments	***Total***	***Less than 1 Year***	***1-3 Years***	***3-5 Years***	***More than 5 Years***
			($ in millions)		
Debt obligations	$258.3	$ 1.1	$ 9.4	$ —	$247.8
Interest payments under debt obligations and interest rate swap agreements [(a)]	122.7	19.6	38.7	38.1	26.3
Qualified pension plan contributions [(b)]	—	—	—	—	—
Non-qualified pension plan payments	62.7	11.4	9.1	8.5	33.7
Postretirement benefit payments [(b)]	29.1	10.3	9.9	—	—
Off-Balance Sheet Commitments:					
Noncancelable operating leases	155.4	27.0	44.6	35.8	48.0
Purchasing commitments:					
Raw materials	85.9	61.2	11.1	10.2	3.4
Utilities	16.3	15.5	0.4	0.4	—
Total	$730.4	$146.1	$123.2	$93.0	$359.2

(a) For the purposes of this table, we have assumed for all periods presented that there are no changes in the principal amount of any variable rate debt from the amounts outstanding on December 31, 2005 and that there are no changes in the rates from those in effect at December 31, 2005 which ranged from 4.3% to 9.125%.

(b) These amounts are only estimated payments assuming the continuation of postretirement benefits, a growth rate of 9% for 2006 and 8.25% for 2007 for estimated healthcare cost inflation, an annual expected rate of return on pension plan assets of 9%, and a discount rate on pension plan obligations of 5.75%. These estimated payments are subject to significant variation and the actual payments may be more or less than the amounts estimated. Given the inherent uncertainty as to actual minimum funding requirements for qualified pension plans and the uncertain level of postretirement benefit payments, no amounts are included in this table for any period beyond one year in the case of pensions and two years in the case of postretirement benefits. It is likely we will make cash payments in future periods.

The contractual commitments, shown above, except for our debt obligations, are not recorded on our Consolidated Balance Sheet. Non-cancelable operating leases and purchasing commitments are utilized in our normal course of business for our projected needs. For losses that we believe are probable and which are estimable we have accrued for such amounts in our consolidated balance sheets. In addition to the table above, we have various commitments and contingencies including: defined benefit and postretirement healthcare plans (as described below), environmental matters (see “Environmental Matters” included in Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations”), tax exposures (see Item 1A. Risk Factors—Tax Audits), and litigation claims (see Item 3—“Legal Proceedings”).

We have several defined benefit and defined contribution pension plans, as described in the Pension and Other Postretirement Benefit Plans note in the Notes to Consolidated Financial Statements. We fund these plans based on the minimum amounts required by law plus such amounts we deem appropriate. We have postretirement healthcare plans that provide health and life insurance benefits to certain retired and active employees and their beneficiaries, as described in the Pension and Other Postretirement Benefit Plans note in the Notes to Consolidated Financial Statements. These plans are generally not pre-funded and expenses are paid by us as incurred.

We also have standby letters of credit of $40.3 million of which $37.1 million have been issued through our senior revolving credit facility. At December 31, 2005, we had $122.9 million available under our senior revolving credit facility.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. Significant estimates in our consolidated financial statements include goodwill recoverability, environmental, restructuring and other unusual items, litigation, income tax reserves including deferred tax asset valuation allowances, pension, postretirement and other benefits and allowance for doubtful accounts. We base our estimates on prior experience, facts and circumstances and other assumptions. Actual results may differ from these estimates.

We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of the financial statements.

Goodwill

Effective January 1, 2002, we adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and intangible assets with indefinite useful lives be tested for impairment at least annually. Goodwill and other intangibles are reviewed annually in the fourth quarter and/or when circumstances or other events indicate that impairment may have occurred. The annual impairment test involves the comparison of the estimated fair value of a reporting unit to its carrying amount. The fair value is determined based on a variety of assumptions including estimated future cash flows of the reporting unit, discount rates, and comparable company trading multiples. Based on our evaluation prepared in the fourth quarter of 2005, no impairment charge was recorded.

Environmental

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based upon current law and existing technologies. These amounts, which are not discounted and are exclusive of claims against third parties, are adjusted periodically as assessments and remediation efforts progress or additional technical or legal information becomes available.

Environmental exposures are difficult to assess for numerous reasons, including the identification of new sites, developments at sites resulting from investigatory studies, advances in technology, changes in environmental laws and regulations and their application, the scarcity of reliable data pertaining to identified sites, the difficulty in assessing the involvement and financial capability of other potentially responsible parties and our ability to obtain contributions from other parties and the lengthy time periods over which site remediation occurs. It is possible that some of these matters (the outcomes of which are subject to various uncertainties) may be resolved unfavorably to us, which could materially adversely affect our financial position or results of operations.

Pension and Postretirement Plans

We account for our defined benefit pension plans and non-pension postretirement benefit plans using actuarial models required by SFAS No. 87 and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," respectively. These models use an attribution approach that generally spreads the financial impact of changes to the plan and actuarial assumptions over the average remaining service lives of the employees in the plan. Changes in liability due to changes in actuarial assumptions such as discount rate, rate of compensation increases and mortality, as well as annual deviations between what was assumed and what was experienced by the plan are treated as gains or losses. Additionally, gains and losses are amortized over the group's service lifetime, to the extent they fall outside of a corridor designed to dampen annual volatility. The average remaining service lives of the employee plan is 11.6 years. The principle underlying the required attribution approach is that employees render service over their average remaining service lives on a relatively smooth basis and, therefore, the accounting for benefits earned under the pension or non-pension postretirement benefits plans should follow the same relatively smooth pattern.

One of the key assumptions for the net periodic pension calculation is the expected long-term rate of return on plan assets, used to determine the "market-related value of assets." (The "market-related value of assets" recognizes differences between the plan's actual return and expected return over a five year period). The required use of an expected long-term rate of return on the market-related value of plan assets may result in recognized pension income that is greater or less than the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns and, therefore, result in a pattern of income and expense recognition that more closely matches the pattern of the services provided by the employees. As differences between actual and expected returns are recognized over five years, they generate gains and losses that are subject to amortization over the average remaining service life of the group, as described in the preceding paragraph.

We use long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop the expected return on plan assets.

The discount rate assumptions used for pension and non-pension postretirement benefit plan accounting reflect the rates available on high-quality fixed-income debt instruments on December 31 of each year. The rate of compensation increase is based upon our long-term plans for such increases. For retiree medical plan accounting, we review external data and our own historical trends for healthcare costs to determine the healthcare cost trend rates.

Changes in pension costs may occur in the future due to changes in these assumptions resulting from economic events. For example, holding all other assumptions constant, a one hundred basis point decrease or increase in the assumed rate of return on plan assets would have increased or decreased, respectively, the 2005 pension cost by approximately $12.9 million. Holding all other assumptions constant, a 50 basis point decrease in the discount rate used to calculate pension costs for 2005 and the accumulated benefit obligation as of December 31, 2005 would have increased pension costs by $5.2 million and the accumulated benefit obligation by $84.0 million. A 50 basis point increase in the discount rate used to calculate pension costs for 2005 and the accumulated benefit obligation as of December 31, 2005 would have decreased pension costs by $6.3 million and the accumulated benefit obligation by $84.0 million. For additional information on long-term rates of return, discount rates and projected healthcare costs projections, see “Pension Plans and Retirement Benefits” in the Notes to the Consolidated Financial Statements.

NEW ACCOUNTING STANDARDS

In December 2004, the FASB issued SFAS No. 123 (Revised 2004), “Share-Based Payment,” which is a revision of SFAS No. 123, “Accounting for Stock-Based Compensation.” This pronouncement revises the accounting treatment for stock-based compensation. It establishes standards for the accounting transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity’s equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions.

This statement requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. This cost will be recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). It requires that we will initially measure the cost of employee services received in exchange for an award of liability instruments based on their current fair value; the aggregate value of that award will be remeasured subsequently at each reporting date through the settlement date. Changes in fair value during the requisite service period will be recognized as compensation cost over that period. Originally, this statement was effective as of the beginning of the first interim or annual reporting period that began after June 15, 2005. In April 2005, the SEC postponed the effective date of this statement to fiscal years beginning after June 15, 2005 (first quarter 2006 for calendar year companies). Based upon the prospective adoption of SFAS No. 123 (Revised 2004), the non-cash pretax impact for 2006 is expected to approximate $4.0 million.

In March 2005, the FASB issued Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations.” This interpretation clarifies the definition of conditional asset retirement obligations used in FASB Statement No. 143, “Accounting for Asset Retirement Obligations.” This interpretation also clarifies when a company would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. On December 31, 2005, we adopted FIN No. 47. As a result, we recorded an asset of $0.3 million and a liability of $10.8 million to reflect the cost of retirement obligations related to production technology ($8.0 million), building materials ($1.8 million), and other obligations ($1.0 million). This resulted in an after-tax charge for the cumulative effect of an accounting change totaling $6.4 million ($10.5 million pretax) upon adoption of FIN No. 47.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections—a replacement of Accounting Principles Board (APB) Opinion No. 20 and FASB Statement No. 3.” This statement changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, most voluntary changes in accounting principle were recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS No. 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This statement shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

DERIVATIVE FINANCIAL INSTRUMENTS

SFAS No. 133 requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. We use hedge accounting treatment for substantially all of our business transactions whose risks are covered using derivative instruments. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge and, if so, the type of hedge. For derivatives designated as a fair value hedge, the changes in the fair value of both the derivative and the hedged item are recognized in earnings. For derivatives designated as a cash flow hedge, the change in fair value of the derivative is recognized in other comprehensive income until the hedged item is recognized in earnings. Ineffective portions are recognized currently in earnings. Unrealized gains and losses on derivatives not qualifying for hedge accounting are recognized currently in earnings.

We enter into forward sales and purchase contracts to manage currency risk resulting from purchase and sale commitments denominated in foreign currencies (principally Australian dollar and Canadian dollar). All of the currency derivatives expire within one year and are for United States dollar equivalents. At December 31, 2005 and 2004 we had forward contracts to buy foreign currencies with face value of $3.9 million and $2.1 million, respectively, and no forward contracts to sell foreign currencies. The fair market value of the forward contracts to buy at December 31, 2005 and 2004 approximated the carrying value. The counterparty to the forward contracts is a large financial institution. The risk of loss to us in the event of nonperformance by a counterparty would not be significant to our financial position or results of operations. Foreign currency exchange gains, net of taxes, were $0.2 million in 2005, $0.4 million in 2004, and $0.7 million in 2003.

We use cash flow hedges of certain raw materials and energy costs such as copper, zinc, lead and natural gas to provide a measure of stability in managing our exposure to price fluctuations. We use interest rate swaps as a means of managing interest rates on our outstanding debt obligations. These interest rate swaps are treated as fair value hedges. The accounting for gains and losses associated with changes in fair value of the derivative and the effect on the consolidated financial statements will depend on the hedge designation and whether the hedge is effective in achieving offsetting changes in fair value of cash flows of the asset or liability being hedged. Gains (losses) on settled futures contracts, net of taxes, were $5.7 million in 2005, $8.5 million in 2004, and $(0.7) million in 2003. At December 31, 2005, we had open positions in futures contracts totaling $23.7 million (2004—$35.6 million). If all open futures contracts had been settled on December 31, 2005, we would have recognized a gain of $3.2 million.

At December 31, 2005 and 2004, Accumulated Other Comprehensive Loss included a pretax gain (loss) in fair value of $0.4 million and $(4.7) million, respectively. In addition, the unfavorable ineffective portion of changes in fair value resulted in $0.2 million, $(0.1) million and $2.0 million charge (credit) to earnings for the years ended December 31, 2005, 2004 and 2003, respectively. Offsetting the above, there were in 2005 assets totaling $10.7 million (2004—$17.1 million) and liabilities of $7.7 million (2004—$13.4 million).

Our foreign currency forward contracts and certain commodity derivatives did not meet the criteria of SFAS No. 133 to qualify for hedge accounting. The cumulative effect of items not qualifying for hedge accounting for 2005 was not material to earnings.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in the normal course of our business operations due to our operations in different foreign currencies, our purchases of certain commodities, and our ongoing investing and financing activities. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies and procedures governing our management of market risks and the use of financial instruments to manage exposure to such risks.

Energy costs including electricity used in our Chlor Alkali Products segment, and certain raw materials and energy costs, namely copper, lead, zinc and natural gas used primarily in our Metals and Winchester segments' products are subject to price volatility. Depending on market conditions, we may enter into futures contracts and put and call option contracts in order to reduce the impact of metal price fluctuations. As of December 31, 2005, we maintained open positions on futures contracts totaling $23.7 million ($35.6 million at December 31, 2004). Assuming a hypothetical 10% increase in commodity prices, which are currently hedged, we would experience a $2.4 million ($3.6 million at December 31, 2004) increase in our cost of inventory purchased, which would be offset by a corresponding increase in the value of related hedging instruments.

We are exposed to changes in interest rates primarily as a result of our investing and financing activities. Investing activity is not material to our consolidated financial position, results of operations, or cash flows. Our existing debt structure is used to fund business operations and commitments from banks under our revolving credit facility are a source of liquidity. As of December 31, 2005, we had long-term borrowings of $258.3 million ($312.7 million at December 31, 2004) of which $2.9 million ($0.1 million at December 31, 2004) was issued at variable rates. As a result of our fixed rate financings, we entered into floating interest rate swaps in order to manage interest expense and floating interest rate exposure to optimal levels. We have entered into $131.6 million of such swaps, whereby we agree to pay variable rates to a counterparty who, in turn, pays us fixed rates. In all cases the underlying index for the variable rates is six-month London InterBank Offered Rate (LIBOR). Accordingly, payments are settled every six months and the term of the swap is the same as the underlying debt instrument.

The following table reflected the swap activity related to certain debt obligations as of December 31, 2005:

Underlying Debt Instrument	*Swap Amount*	*Date of Swap*	*December 31, 2005 Floating Rate*
	($in millions)		
9.125%, due 2011	$ 50.0	December 2001	8.135%
9.125%, due 2011	$ 30.0	February 2002	7.5 - 8.5%(a)
9.125%, due 2011	$ 25.0	March 2002	7.5 - 8.5%(a)
Industrial development and environmental improvement obligations at fixed interest rates of 6.0% to 6.75%, due 2006-2017	$ 21.1	March 2002	4.476%
	$ 5.5	March 2002	4.616%

(a) Actual rate is set in arrears. We project the rate will fall within the range shown.

These interest rate swaps reduced interest expense, resulting in an increase in pretax profit of $2.9 million, $5.4 million and $6.5 million in 2005, 2004, and 2003, respectively.

If the actual change in interest or commodities pricing is substantially different than expected, the net impact of interest rate risk or commodity risk on our cash flow may be materially different than that disclosed above.

We do not enter into any derivative financial instruments for speculative purposes.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS:

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information that are based on management's beliefs, certain assumptions made by management, forecasts of future results, and current expectations, estimates and projections about the markets and economy in which we and our various segments operate. The statements contained in this report that are not statements of historical fact may include forward-looking statements that involve a number of risks and uncertainties.

We have used the words "anticipate," "intend," "may," "expect," "believe," "should," "plan," "estimate," "project," and variations of such words and similar expressions in this report to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control. Therefore, actual outcomes and results may differ materially from those matters expressed or implied in such forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of future events, new information or otherwise.

The risks, uncertainties, and assumptions involved in our forward-looking statements include those discussed under Item 1A. Risk Factors. You should consider all of our forward-looking statements in light of these factors. In addition, other risks and uncertainties not presently known to us or that we consider immaterial could affect the accuracy of our forward-looking statements.

Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Olin Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Olin’s internal control system was designed to provide reasonable assurance to the company’s management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation, and may not prevent or detect all misstatements.

The management of Olin Corporation has assessed the effectiveness of the company’s internal control over financial reporting as of December 31, 2005. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework* to guide our analysis and assessment. Based on our assessment we believe that, as of December 31, 2005, the company’s internal control over financial reporting was effective at the reasonable assurance level under this framework.

Olin’s independent auditors have issued an attestation report on our assessment of the company’s internal control over financial reporting. This report appears on page 43.

Joseph D. Rupp
Chairman, President and Chief Executive Officer

John E. Fischer
Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Olin Corporation:

We have audited the accompanying consolidated balance sheets of Olin Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Olin Corporation and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Olin Corporation and subsidiaries internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

As discussed in note "Accounting Policies" to the consolidated financial statements, Olin Corporation adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143) in 2003 and adopted the provision of FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," an interpretation of SFAS No. 143 in 2005.

KPMG LLP

St. Louis, MO
February 28, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Olin Corporation:

We have audited management’s assessment, included in the accompanying Management Report on Internal Control Over Financial Reporting, that Olin Corporation and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“the COSO criteria”) . The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management’s assessment and an opinion on the effectiveness of the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management’s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management’s assessment that Olin Corporation and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Olin Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of Olin Corporation and subsidiaries as of December 31, 2005 and 2004 and the related consolidated statements of operations, shareholders’ equity and cash flows for each of the years in the three-year period ended December 31, 2005, and our report dated February 28, 2006 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

St. Louis, MO
February 28, 2006

CONSOLIDATED BALANCE SHEETS
December 31
($ in millions, except share data)

	2005	2004
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 303.7	$ 147.3
Receivables, Net:		
Trade	270.5	226.8
Other	24.5	16.1
Inventories	262.6	256.5
Current Deferred Income Taxes	—	47.1
Other Current Assets	12.1	18.8
Total Current Assets	873.4	712.6
Property, Plant and Equipment, Net	482.2	478.0
Prepaid Pension Costs	248.3	257.8
Deferred Income Taxes	86.3	67.4
Other Assets	31.9	23.8
Goodwill	75.1	78.3
Total Assets	$1,797.2	$1,617.9
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current Installments of Long-Term Debt	$ 1.1	$ 52.0
Accounts Payable	177.2	117.7
Income Taxes Payable	23.4	0.3
Accrued Liabilities	165.4	151.5
Total Current Liabilities	367.1	321.5
Long-Term Debt	257.2	260.7
Accrued Pension Liability	556.8	505.2
Other Liabilities	189.5	174.6
Total Liabilities	1,370.6	1,262.0
Commitments and Contingencies		
Shareholders' Equity:		
Common Stock, Par Value $1 Per Share:		
Authorized, 120,000,000 Shares;		
Issued and Outstanding 71,875,375 Shares (70,566,902 in 2004)	71.9	70.6
Additional Paid-In Capital	683.8	659.5
Accumulated Other Comprehensive Loss	(304.4)	(273.3)
Accumulated Deficit	(24.7)	(100.9)
Total Shareholders' Equity	426.6	355.9
Total Liabilities and Shareholders' Equity	$1,797.2	$1,617.9

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31
($ in millions, except per share data)

	2005	*2004*	*2003*
Sales	$2,357.7	$1,996.8	$1,557.2
Operating Expenses:			
Cost of Goods Sold	1,998.8	1,764.9	1,381.9
Selling and Administration	176.3	141.0	127.3
Research and Development	4.2	3.9	4.7
Restructuring Charges	0.3	9.6	30.8
Other Operating Income	9.1	5.5	—
Operating Income	187.2	82.9	12.5
Earnings of Non-consolidated Affiliates	38.5	10.1	7.8
Interest Expense	19.9	20.2	20.2
Interest Income	18.3	1.9	1.3
Other Income	1.5	4.5	2.6
Income from Continuing Operations before Taxes and Cumulative Effect of Accounting Change	225.6	79.2	4.0
Income Tax Provision	85.9	28.5	3.6
Income from Continuing Operations before Cumulative Effect of Accounting Change	139.7	50.7	0.4
Discontinued Operations:			
Income from Discontinued Operations, Net	—	0.6	0.9
Gain on Disposal of Discontinued Operations, Net	—	3.5	—
Income before Cumulative Effect of Accounting Change	139.7	54.8	1.3
Cumulative Effect of Accounting Change, Net	(6.4)	—	(25.4)
Net Income (Loss)	$ 133.3	$ 54.8	$ (24.1)
Basic Income (Loss) per Common Share:			
Income from Continuing Operations before Cumulative Effect of Accounting Change	$ 1.96	$ 0.74	$ 0.01
Income from Discontinued Operations, Net	—	0.01	0.01
Gain on Disposal of Discontinued Operations, Net	—	0.05	—
Cumulative Effect of Accounting Change, Net	(0.09)	—	(0.44)
Net Income (Loss)	$ 1.87	$ 0.80	$ (0.42)
Diluted Income (Loss) per Common Share:			
Income from Continuing Operations before Cumulative Effect of Accounting Change	$ 1.95	$ 0.74	$ 0.01
Income from Discontinued Operations, Net	—	0.01	0.01
Gain on Disposal of Discontinued Operations, Net	—	0.05	—
Cumulative Effect of Accounting Change, Net	(0.09)	—	(0.44)
Net Income (Loss)	$ 1.86	$ 0.80	$ (0.42)

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
($ in millions, except per share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares Issued	Par Value				
Balance at January 1, 2003	57,622,675	$57.6	$ 441.9	$ (238.8)	$ (29.4)	$ 231.3
Comprehensive Loss:						
Net Loss	—	—	—	—	(24.1)	(24.1)
Translation Adjustment	—	—	—	6.7	—	6.7
Net Unrealized Gains	—	—	—	4.8	—	4.8
Minimum Pension Liability Adjustment, Net	—	—	—	(19.5)	—	(19.5)
Comprehensive Loss						(32.1)
Dividends Paid:						
Common Stock ($0.80 per share)	—	—	—	—	(46.5)	(46.5)
Common Stock Issued for:						
Stock Options Exercised	444,608	0.5	6.6	—	—	7.1
Employee Benefit Plans	915,159	0.9	15.1	—	—	16.0
Other Transactions	32,645	—	0.6	—	—	0.6
Balance at December 31, 2003	59,015,087	59.0	464.2	(246.8)	(100.0)	176.4
Comprehensive Income:						
Net Income	—	—	—	—	54.8	54.8
Translation Adjustment	—	—	—	1.9	—	1.9
Net Unrealized Losses	—	—	—	(4.7)	—	(4.7)
Minimum Pension Liability Adjustment, Net	—	—	—	(23.7)	—	(23.7)
Comprehensive Income						28.3
Dividends Paid:						
Common Stock ($0.80 per share)	—	—	—	—	(55.7)	(55.7)
Common Stock Issued for:						
Stock Options Exercised	744,121	0.8	13.7	—	—	14.5
Cash	10,000,000	10.0	167.8	—	—	177.8
Employee Benefit Plans	793,778	0.8	13.5	—	—	14.3
Other Transactions	13,916	—	0.3	—	—	0.3
Balance at December 31, 2004	70,566,902	70.6	659.5	(273.3)	(100.9)	355.9
Comprehensive Income:						
Net Income	—	—	—	—	133.3	133.3
Translation Adjustment	—	—	—	(2.3)	—	(2.3)
Net Unrealized Gains	—	—	—	0.4	—	0.4
Minimum Pension Liability Adjustment, Net	—	—	—	(29.2)	—	(29.2)
Comprehensive Income						102.2
Dividends Paid:						
Common Stock ($0.80 per share)	—	—	—	—	(57.1)	(57.1)
Common Stock Issued for:						
Stock Options Exercised	509,383	0.5	9.3	—	—	9.8
Employee Benefit Plans	770,713	0.8	14.5	—	—	15.3
Other Transactions	28,377	—	0.5	—	—	0.5
Balance at December 31, 2005	71,875,375	$71.9	$ 683.8	$ (304.4)	$ (24.7)	$ 426.6

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31
($ in millions)

	2005	2004	2003
Operating Activities			
Income (Loss) from Continuing Operations and Cumulative Effect of Accounting Change	$133.3	$ 50.7	$ (25.0)
Adjustments to Reconcile Income (Loss) from Continuing Operations to Net Cash and Cash Equivalents Provided by (Used for) Operating Activities:			
Earnings of Non-consolidated Affiliates	(38.5)	(10.1)	(7.8)
Other Operating Income—Gains on Disposition of Real Estate	(9.1)	—	—
Gain on Sale of Insurance Investment	—	(2.0)	—
Depreciation and Amortization	72.5	73.3	80.9
Deferred Taxes	54.1	(13.2)	(2.1)
Non-cash Portion of Restructuring Charges	—	—	24.6
Cumulative Effect of Accounting Change	6.4	—	25.4
Qualified Pension Plan Contributions	(6.1)	(169.4)	—
Qualified Pension Plan Expense	20.7	5.3	—
Common Stock Issued under Employee Benefit Plans	2.9	2.8	2.8
Change in Assets and Liabilities Net of Purchases and Sales of Businesses:			
Receivables	(52.1)	(60.5)	(15.8)
Inventories	(6.1)	(16.6)	8.2
Other Current Assets	6.7	(3.2)	(2.9)
Accounts Payable and Accrued Liabilities	73.4	10.0	12.4
Income Taxes Payable	23.1	(1.0)	20.0
Other Noncurrent Liabilities	4.0	3.9	(13.3)
Other Assets	(8.4)	—	4.8
Other Operating Activities	2.1	(4.7)	3.9
Cash Provided by (Used for) Continuing Operations	278.9	(134.7)	116.1
Discontinued Operations:			
Income from Discontinued Operations, Net	—	4.1	0.9
Gain on Disposal of Discontinued Operations	—	(5.8)	—
Cash Provided by Discontinued Operations	—	—	1.5
Net Operating Activities	278.9	(136.4)	118.5
Investing Activities			
Capital Expenditures	(81.0)	(55.1)	(54.3)
Business Acquired in Purchase Transaction	—	(3.2)	—
Proceeds from Sale of Short-Term Investments	—	—	25.0
Proceeds from Sales of a Business and an Insurance Investment	—	19.7	—
Disposition of Property, Plant and Equipment	14.2	0.8	5.4
Distributions from Affiliated Companies, Net	31.0	9.4	8.1
Other Investing Activities	(2.3)	1.9	4.7
Net Investing Activities	(38.1)	(26.5)	(11.1)
Financing Activities			
Long-Term Debt:			
Borrowings	2.9	—	—
Repayments	(52.0)	(27.2)	(1.6)
Issuance of Common Stock	12.4	189.3	13.2
Stock Options Exercised	9.8	14.5	7.1
Dividends Paid	(57.1)	(55.7)	(46.5)
Other Financing Activities	(0.4)	(0.5)	(0.3)
Net Financing Activities	(84.4)	120.4	(28.1)
Net Increase (Decrease) in Cash and Cash Equivalents	156.4	(42.5)	79.3
Cash and Cash Equivalents, Beginning of Year	147.3	189.8	110.5
Cash and Cash Equivalents, End of Year	$303.7	$ 147.3	$189.8
Cash Paid (Received) for Interest and Income Taxes:			
Interest	$ 20.0	$ 20.5	$ 20.6
Income Taxes, Net of Refunds	$ 5.7	$ 43.0	$ (11.4)

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

DESCRIPTION OF BUSINESS

Olin Corporation is a Virginia corporation, incorporated in 1892. We are a manufacturer concentrated in three business segments: Chlor Alkali Products, Metals, and Winchester. Chlor Alkali Products, with four U.S. manufacturing facilities, produces chlorine and caustic soda, sodium hydrosulfite, hydrochloric acid, hydrogen, bleach products and potassium hydroxide. Metals, with its principal manufacturing facilities in East Alton, IL and Montpelier, OH, produces and distributes copper and copper alloy sheet, strip, foil, rod, welded tube, fabricated parts, and stainless steel and aluminum strip. Winchester, with its principal manufacturing facility in East Alton, IL, produces and distributes sporting ammunition, canister powder, reloading components, small caliber military ammunition and components, and industrial cartridges.

ACCOUNTING POLICIES

The preparation of the consolidated financial statements requires estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ from those estimates.

Basis of Presentation

The consolidated financial statements include the accounts of Olin Corporation and all majority-owned subsidiaries. Investments in 20-50% owned affiliates are accounted for on the equity method. Accordingly, we include only our share of earnings or losses of these affiliates in consolidated net income. Certain reclassifications were made to prior year amounts to conform to the 2005 presentation.

Revenue Recognition

Revenues are recognized on sales of product at the time the goods are shipped and the risks of ownership have passed to the customer. Shipping and handling fees billed to customers are included in Sales and the costs incurred for shipping and handling are included in Cost of Goods Sold. A portion of the sales in the Metals segment are made on a “tolling” basis where the customer consigns non-ferrous metals to us and is only charged a fee for processing the non-ferrous metals into finished product. Tolling customers retain title to the metal consigned to us and bear the risk of loss. For tolling sales, the metal value is not included in Sales or Cost of Goods Sold. Allowances for estimated returns, discounts and rebates are recognized when sales are recorded and are based on various market data, historical trends and information from customers. Actual returns, discounts and rebates have not been materially different from estimates.

Other Operating Income

Other operating income consists of miscellaneous operating income items, which are related to our business activities, and gains (losses) on disposition of property, plant and equipment. Other operating income for 2005 of $9.1 included the gains on the disposition of three real estate properties. The first disposition represented the settlement of a contested condemnation award relating to land associated with a former warehousing facility. The other transactions represented the disposition of land associated with two former manufacturing plants. Other operating income for 2004 included a non-recurring gain of $5.5 related to a settlement of a contract matter with an outside third party.

Other Income

Other income consists of non-recurring non-operating income items which are not related to our primary business activities. In 2004, other income consisted primarily of a $2.0 gain on the sale of our equity interest in an insurance investment.

Research and Development

Research and development expenses include wages, employee benefits and material costs used in the search, design and development of new products and processes and in the improvement and enhancements of existing products and processes. These costs are expensed as incurred.

Foreign Currency Translation

Foreign affiliates’ balance sheet amounts are translated at the exchange rates in effect at year-end, and operations statement amounts are translated at the average rates of exchange prevailing during the year. Translation adjustments are included in Accumulated Other Comprehensive Loss. Where foreign affiliates operate in highly inflationary economies, non-monetary amounts are translated at historical exchange rates while monetary assets and liabilities are translated at the current rate with the related adjustments reflected in the Consolidated Statements of Operations.

Cash and Cash Equivalents

All highly liquid investments, with a maturity of three months or less at the date of purchase, are considered to be cash equivalents.

Short-Term Investments

Marketable securities are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, “Accounting for Certain Investments in Debt and Equity Securities.” We have classified our marketable equity securities as available-for-sale which are reported at fair market value with unrealized gains and losses included in Accumulated Other Comprehensive Loss, net of applicable taxes. The fair value of marketable securities is determined by quoted market prices. Realized gains and losses on sales of investments, as determined on the specific identification method and declines in value of securities judged to be other-than-temporary are included in Other Income in the Consolidated Statements of Operations. Interest and dividends on all securities are included in Interest Income and Other Income, respectively.

Inventories

Inventories are valued at the lower of cost or market, with cost being determined principally by the dollar value last-in, first-out (LIFO) method of inventory accounting. Cost for other inventories has been determined principally by the average-cost (primarily operating supplies, spare parts and maintenance parts) and first-in, first-out (FIFO) (primarily inventory of foreign subsidiaries) methods. Elements of costs in inventories include raw materials, direct labor and manufacturing overhead.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Start-up costs are expensed as incurred.

Asset Retirement Obligations

Effective January 1, 2003, we adopted SFAS No. 143, “Accounting for Asset Retirement Obligations” (SFAS No. 143), which addresses financial accounting requirements for retirement obligations associated with tangible long-lived assets. On January 1, 2003, we recorded an asset and a liability of $41.5 (of which $7.0 and $34.5 were in current liabilities and noncurrent liabilities, respectively) to reflect the cost of retirement obligations related to our former operating facilities ($22.1 pretax), certain hazardous waste units at operating plant sites ($14.4 pretax), and our Indianapolis facility ($5.0, pretax). Since these sites did not generate revenue as of January 1, 2003, we recorded the accumulated amortization of the associated asset retirement costs on these same assets, which resulted in an after-tax charge of $25.4 ($41.5 pretax) upon the adoption of SFAS No. 143.

On December 31, 2005, we adopted FASB Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations” (FIN No. 47) an interpretation of SFAS No. 143. This interpretation clarifies the definition of conditional asset retirement obligations used in SFAS No. 143 and clarifies when a company would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. We recorded an asset of $0.3 and a liability of $10.8 to reflect the cost of retirement obligations related to production technology ($8.0), building materials ($1.8), and other obligations ($1.0). This resulted in an after-tax charge for the cumulative effect of an accounting change totaling $6.4 ($10.5 pretax) upon adoption of FIN No. 47.

In the fourth quarter of 2005, based on revised estimates, we reduced the asset retirement obligations related to certain hazardous waste units at operating plant sites by $2.5, which reduced operating expenses. In the fourth quarter of 2004, we sold our Indianapolis facility which alleviated our remaining asset retirement obligation of $2.5, which reduced operating expenses.

The balances of our asset retirement obligation as of December 31 are as follows:

	2005	*2004*
Current liability	$ 2.4	$ 2.9
Noncurrent liability	45.0	35.2
	$47.4	$38.1

The pro forma effect of FIN No. 47, as if it had been adopted for 2003, is as follows:

	2005	*2004*	*2003*
Income Statement Adjustments:			
Net income (loss) as reported	$133.3	$ 54.8	$(24.1)
Effect of adoption	(0.4)	(0.4)	(0.3)
Net income (loss)	$132.9	$ 54.4	$(24.4)
Per share (diluted) as reported	$ 1.86	$ 0.80	$(0.42)
Effect of adoption	—	(0.01)	—
Total	$ 1.86	$ 0.79	$(0.42)
Balance Sheet Adjustments:			
Asset retirement obligation liability as reported		$ 38.1	
Effect of adoption		10.1	
Asset retirement obligation liability		$ 48.2	

Comprehensive Income (Loss)

We calculated comprehensive income (loss) in accordance with SFAS No. 130, “Reporting Comprehensive Income.” Accumulated Other Comprehensive Loss at December 31, 2005 includes cumulative translation losses of $6.3 ($3.9 at December 31, 2004), minimum pension liability, net of tax of $297.4 ($268.2 at December 31, 2004) and other unrealized losses, net of tax, of $0.7 ($1.1 at December 31, 2004). We do not provide for U.S. income taxes on foreign currency translation adjustments since we do not provide for such taxes on undistributed earnings of foreign subsidiaries.

Goodwill

In accordance with SFAS No. 142, “Goodwill and Other Intangible Assets,” goodwill is not amortized, but is reviewed annually in the fourth quarter and/or when circumstances or other events indicate that impairment may have occurred. The annual impairment test involves the comparison of the estimated fair value of a reporting unit to its carrying amount. The fair value is determined based on a variety of assumptions including estimated future cash flows of the reporting unit, discount rates and comparable company trading multiples. An impairment would be recorded based on the estimated fair value. No impairment charges were recorded for 2005, 2004 or 2003.

Other Assets

Other assets at December 31, 2005 and 2004 included intangible assets of $10.8 and $11.2 and miscellaneous long-term assets of $21.1 and $12.6, respectively. Intangible assets at December 31, 2005 and 2004 included a trademark of $9.6, which is not subject to amortization, and other intangibles of $1.2 and $1.6, respectively, which are amortized over their respective useful lives (primarily 5 years) on a straight-line basis. Amortization expense was $0.8 in 2005, $1.1 in 2004 and $1.5 in 2003. Intangible assets are reviewed for impairment in accordance with SFAS No. 142. Miscellaneous long-term assets also includes investments in non-consolidated affiliates.

Environmental Liabilities and Expenditures

Accruals (charges to income) for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based upon current law and existing technologies. These amounts, which are not discounted and are exclusive of claims against third parties, are adjusted periodically as assessment and remediation efforts progress or additional technical or legal information becomes available. Environmental costs are capitalized if the costs increase the value of the property and/or mitigate or prevent contamination from future operations.

Income Taxes

Deferred taxes are provided for differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided to offset deferred tax assets, if based on the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Derivative Financial Instruments

As required by SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” we use hedge accounting treatment for substantially all of our business transactions whose risks are covered using derivative instruments. The hedge accounting treatment provides for the deferral of gains or losses (reflected in Other Comprehensive Loss) on derivative instruments until such time as the related transactions occur.

We enter into forward sales and purchase contracts to manage currency risk resulting from purchase and sale commitments denominated in foreign currencies (principally Australian dollar and Canadian dollar). All of the currency derivatives expire within one year and are for United States dollar equivalents. At December 31, 2005 and 2004 we had forward contracts to buy foreign currencies with a face value of $3.9 and $2.1, respectively, and no forward contracts to sell foreign currencies. The fair market value of the forward contracts to buy at December 31, 2005 and 2004 approximated the carrying value. The counterparty to the forward contracts is a large financial institution. The risk of loss to us in the event of nonperformance by the counterparty would not be significant to our financial position or results of operations. Foreign currency exchange gains, net of taxes, $0.2 in 2005, $0.4 in 2004, and $0.7 in 2003.

We use cash flow hedges of certain raw materials and energy costs such as copper, zinc, lead and natural gas to provide a measure of stability in managing our exposure to price fluctuations. We use interest rate swaps as a means of managing interest rates on our outstanding debt obligations. These interest rate swaps are treated as fair value hedges. The accounting for gains and losses associated with changes in fair value of the derivative and the effect on the consolidated financial statements will depend on the hedge designation and whether the hedge is effective in achieving offsetting changes in fair value of cash flows of the asset or liability being hedged. Gains (losses) on settled futures contracts, net of taxes, were $5.7 in 2005, $8.5 in 2004 and $(0.7) in 2003. At December 31, 2005, we had open positions in futures contracts totaling $23.7 (2004—$35.6). If all open futures contracts had been settled on December 31, 2005, we would have recognized a gain of $3.2.

At December 31, 2005 and 2004, Accumulated Other Comprehensive Loss included a pretax gain (loss) in fair value of $0.4 and $(4.7), respectively. In addition, the unfavorable ineffective portion of changes in fair value resulted in a $0.2, $(0.1) and $2.0 charge (credit) to earnings for the years ended December 31, 2005, 2004, and 2003, respectively. Offsetting the above, there were in 2005, assets totaling $10.7 (2004—$17.1) and liabilities of $7.7 (2004—$13.4).

Our foreign currency forward contracts and certain commodity derivatives did not meet the criteria of SFAS No. 133 to qualify for hedge accounting. The effect on operating results of items not qualifying for hedge accounting for the years 2005, 2004 and 2003 was not material to earnings.

Concentration of Credit Risk

Accounts receivable is the principal financial instrument which subjects us to a concentration of credit risk. Credit is extended based upon the evaluation of a customer's financial condition and, generally, collateral is not required. Concentrations of credit risk with respect to receivables are somewhat limited due to our large number of customers, the diversity of these customers' businesses and the geographic dispersion of such customers. The majority of our accounts receivable are derived from sales denominated in U.S. dollars. We maintain an allowance for doubtful accounts based upon the expected collectibility of all trade receivables.

Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximated fair values due to the short-term maturities of these instruments. The fair value of our long-term debt was determined based on current market rates for debt of the same risk and maturities. At December 31, 2005, the estimated fair value of debt was $293.5 (2004—$364.6), which compares to debt recorded on the balance sheet of $258.3 and $312.7 at December 31, 2005 and 2004, respectively. The estimated fair values of currency forward contracts are based on quoted market prices for contracts with similar terms.

Retirement-Related Benefits

We account for our defined benefit pension plans and non-pension postretirement benefit plans using actuarial models required by SFAS No. 87, "Employers' Accounting for Pensions," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," respectively. These models use an attribution approach that generally spreads the financial impact of changes to the plan and actuarial assumptions over the average remaining service lives of the employees in the plan. Changes in liability due to changes in actuarial assumptions such as discount rate, rate of compensation increases and mortality, as well as annual deviations between what was assumed and what was experienced by the plan are treated as gains or losses. Gains and losses are amortized over the group's service lifetime, to the extent they fall outside of a corridor designed to dampen annual volatility.

One of the key assumptions for the net periodic pension calculation is the expected long-term rate of return on plan assets, used to determine the "market-related value of assets." (The "market-related value of assets" recognizes differences between the plan's actual return and expected return over a five year period). The required use of an expected long-term rate of return on the market-related value of plan assets may result in a recognized pension income that is greater or less than the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns and, therefore, result in a pattern of income and expense recognition that more closely matches the pattern of the services provided by the employees. As differences between actual and expected returns are recognized over five years, they generate gains and losses that are subject to amortization over the average remaining service life of the group, as described in the preceding paragraph.

We use long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop the expected return on plan assets.

The discount rate assumptions used for pension and non-pension postretirement benefit plan accounting reflect the rates available on high-quality fixed-income debt instruments on December 31 of each year. The rate of compensation increase is another significant assumption used in the actuarial model for pension accounting which we determine based upon our long-term plans for such increases. For retiree medical plan accounting, we review external data and our own historical trends for healthcare costs to determine the healthcare cost trend rates.

On December 8, 2003, President Bush signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (DIMA). The DIMA introduced a federal subsidy to sponsors of retiree healthcare benefit plans that provided a benefit that is at least the actuarial equivalent to Medicare Part D. We recognized the savings on the measure of the Accumulated Postretirement Benefit Obligation or net periodic benefit cost as a result of DIMA. The savings were de minimis. These financial statements and accompanying notes reflect the effects of the Act on our benefit plans.

Stock-Based Compensation

We account for stock-based compensation under SFAS No. 123, "Accounting for Stock-Based Compensation." As allowed under SFAS No. 123, we have chosen to continue to account for stock-based compensation cost in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Under this option, compensation cost is recorded when the fair market value of our stock at the date of grant for fixed options exceeds the exercise price of the stock option. Our policy is to grant stock options at the fair market value of our common stock on the date of the grant. Compensation cost for restricted stock awards is accrued over the life of the award based on the quoted market price of our stock at the date of the award. Compensation cost for performance shares is accounted for under variable plan accounting. The estimated fair value at the date of grant is amortized and charged to operations over the vesting period. Each year the accrual is adjusted to reflect the performance relative to the respective target.

Pro forma net income (loss) and income (loss) per share were calculated based on the following assumptions as if we had recorded compensation expense for the stock options granted during the year. We had no compensation expense for stock options granted during each of the years from 2003 through 2005. The fair value of each option granted during 2005, 2004 and 2003 was estimated on the date of grant, using the Black-Scholes option-pricing model with the following weighted-average assumptions used:

	2005	2004	2003
Dividend yield	3.36%	4.32%	5.21%
Risk-free interest rate	3.86%	3.70%	3.05%
Expected volatility	27%	40%	40%
Expected life (years)	7.0	7.0	7.0
Grant fair value (per option)	$5.48	$5.37	$3.83

The following table shows the difference between reported and pro forma net income (loss) and income (loss) per share as if we had amortized and charged to operations compensation expense for the stock options granted during the year.

	2005	2004	2003
Net Income (Loss):			
As reported	$133.3	$54.8	$(24.1)
Stock-based employee compensation expense, net of tax	(2.1)	(2.3)	(2.0)
Pro forma	$131.2	$52.5	$(26.1)
Per Share Data:			
Basic			
As Reported	$ 1.87	$0.80	$(0.42)
Pro forma	1.84	0.77	(0.45)
Diluted			
As Reported	$ 1.86	$0.80	$(0.42)
Pro forma	1.83	0.77	(0.45)

In December 2004, the FASB issued SFAS No. 123 (Revised 2004), "Share-Based Payment", which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation". This pronouncement revises the accounting treatment for stock-based compensation. It establishes standards for the accounting transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions.

This statement requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). It requires that we will initially measure the cost of employee services received in exchange for an award of liability instruments based on its current fair value; the fair value of that award will be remeasured subsequently at each reporting date through the settlement date. Changes in fair value during the requisite service period will be recognized as compensation cost over that period. This statement is effective as of the beginning of the first interim annual reporting period that begins after June 15, 2005. Based upon the prospective adoption of SFAS No. 123 (Revised 2004), the pretax impact for the 2006 year is expected to approximate $4.0.

RECENT ACCOUNTING PRONOUNCEMENTS

In May, 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections-a replacement of APB Opinion No. 20 and FASB Statement No. 3.” This statement changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, most voluntary changes in accounting principle were recognized by including in new income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS No. 154 requires retrospective application to prior periods’ financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This statement shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

EARNINGS PER SHARE

Basic and diluted income (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted earnings per share reflect the dilutive effect of stock options. The effect of stock options of 0.3 million in 2003 have not been included in the 2003 diluted loss per share as their effect would have been anti-dilutive.

Computation of Income (Loss) per Share	***2005***	***2004***	***2003***
Income from continuing operations before cumulative effect of accounting change	$139.7	$50.7	$ 0.4
Discontinued Operations:			
Income from discontinued operations, net	—	0.6	0.9
Gain on disposal of discontinued operations, net	—	3.5	—
Cumulative effect of accounting change, net	(6.4)	—	(25.4)
Net income (loss)	$133.3	$54.8	$(24.1)
Basic shares	71.3	68.2	58.3
Basic Income (Loss) per Share:			
Income from continuing operations before cumulative effect of accounting change	$ 1.96	$0.74	$ 0.01
Income from discontinued operations, net	—	0.01	0.01
Gain on disposal of discontinued operations, net	—	0.05	—
Cumulative effect of accounting change, net	(0.09)	—	(0.44)
Net income (loss)	$ 1.87	$0.80	$(0.42)
Diluted shares:			
Basic shares	71.3	68.2	58.3
Stock options	0.3	0.2	—
Diluted shares	71.6	68.4	58.3
Diluted Income (Loss) per Share:			
Income from continuing operations before cumulative effect of accounting change	$ 1.95	$0.74	$ 0.01
Income from discontinued operations, net	—	0.01	0.01
Gain on disposal of discontinued operations, net	—	0.05	—
Cumulative effect of accounting change, net	(0.09)	—	(0.44)
Net income (loss)	$ 1.86	$0.80	$(0.42)

TRADE RECEIVABLES

Allowance for doubtful accounts was $9.1 and $8.6 at December 31, 2005 and 2004, respectively. Provisions charged to operations were $2.6 in 2005, $1.2 in 2004 and $4.6 in 2003. Bad debt write-offs, net of recoveries, were $2.1 in 2005, $0.5 in 2004, and $4.5 in 2003.

INVENTORIES

	2005	2004
Supplies	$ 37.1	$ 34.2
Raw materials	172.0	133.4
Work in process	180.7	118.8
Finished goods	112.5	89.9
	502.3	376.3
LIFO reserves	(239.7)	(119.8)
Inventories	$ 262.6	$ 256.5

Inventories valued using the LIFO method comprised 79% and 80% of the total inventories at December 31, 2005 and 2004, respectively. If the FIFO method of inventory accounting had been used, inventories would have been $239.7 and $119.8 higher than that reported at December 31, 2005 and 2004, respectively.

PROPERTY, PLANT AND EQUIPMENT

	Useful Lives	2005	2004
Land and improvements to land	10-20 Years	$ 56.8	$ 60.4
Buildings and building equipment	10-25 Years	225.2	220.3
Machinery and equipment	3-12 Years	1,525.1	1,494.6
Leasehold improvements		3.7	3.6
Construction in progress		62.2	47.2
Property, plant and equipment		1,873.0	1,826.1
Less accumulated depreciation		1,390.8	1,348.1
Property, plant and equipment, net		$ 482.2	$ 478.0

Leased assets capitalized and included above are not significant. Maintenance and repairs charged to operations amounted to $121.6 in 2005, $114.7 in 2004 and $105.6 in 2003.

INVESTMENTS—AFFILIATED COMPANIES

We have a 50% ownership interest in SunBelt Chlor Alkali Partnership and Yamaha-Olin Metal Corporation, both of which are accounted for using the equity method of accounting. Combined financial positions and results of operations of these two equity-basis affiliates in their entirety were as follows:

	100% Basis		
	2005	2004	2003
Condensed Balance Sheet Data:			
Current assets	$ 58.0	$ 49.9	
Noncurrent assets	121.9	127.3	
Current liabilities	28.0	26.5	
Noncurrent liabilities	134.1	146.3	
Condensed Income Statement Data:			
Net sales	$236.5	$181.7	$159.8
Gross profit	110.0	54.2	49.1
Net income	82.7	25.7	21.4

The amount of cumulative unremitted earnings of the joint ventures was $17.8 at December 31, 2005 and $4.4 at December 31, 2004. In 2005, 2004 and 2003, there were no contributions or distributions from Yamaha-Olin Metal Corporation. We received distributions from SunBelt Chlor Alkali Partnership totaling $33.0, $7.4, and $18.0 in 2005, 2004 and 2003, respectively. We did not make any contributions in 2005 and 2004. We made contributions of $14.1 in 2003.

In accounting for our ownership interest in the SunBelt joint venture, we adjust the reported operating results for additional depreciation expense in order to conform the SunBelt joint venture’s plant and equipment useful lives to ours. The additional depreciation expense reduced our share of SunBelt’s operating results by $3.6 in 2005, $3.5 in

2004 and $3.4 in 2003. Finally, we provide various administrative, management and logistical services to the SunBelt joint venture for which we received fees totaling $7.6 in 2005, $7.2 in 2004 and $6.8 in 2003.

Pursuant to a note purchase agreement dated December 22, 1997, the SunBelt joint venture sold $97.5 of Guaranteed Senior Secured Notes Due 2017, Series O, and $97.5 of Guaranteed Senior Secured Notes Due 2017, Series G. We refer to these notes as the SunBelt Notes. The SunBelt Notes bear interest at a rate of 7.23% per annum, payable semiannually in arrears on each June 22 and December 22.

We have guaranteed the Series O Notes, and PolyOne, our partner in this venture, has guaranteed the Series G Notes, in both cases pursuant to customary guarantee agreements. Our guarantee and PolyOne's guarantee are several, rather than joint. Therefore, we are not required to make any payments to satisfy the Series G Notes guaranteed by PolyOne. An insolvency or bankruptcy of PolyOne will not automatically trigger acceleration of the SunBelt Notes or cause us to be required to make payments under our guarantee, even if PolyOne is required to make payments under its guarantee. However, if the SunBelt joint venture does not make timely payments on the SunBelt Notes, whether as a result of failure to pay on a guarantee or otherwise, the holders of the SunBelt Notes may proceed against the assets of the SunBelt joint venture for repayment. If we were to make debt service payments under our guarantee, we would have a right to recover such payments from the SunBelt joint venture.

Beginning on December 22, 2002 and each year through 2017, our SunBelt joint venture is required to repay $12.2 of the SunBelt Notes, of which $6.1 is attributable to the Series O Notes. After the payment of $6.1 on the Series O Notes in December 2005, our guarantee of these notes was $73.1. In the event our SunBelt joint venture cannot make any of these payments, we would be required to fund our half of such payment. In certain other circumstances, we may also be required to repay the SunBelt Notes prior to their maturity. We and PolyOne have agreed that, if we or PolyOne intend to transfer our respective interests in the SunBelt joint venture and the transferring party is unable to obtain consent from holders of 80% of the aggregate principal amount of the indebtedness related to the guarantee being transferred after good faith negotiations, then we and PolyOne will be required to repay our respective portions of the SunBelt Notes. In such event, any make whole or similar penalties or costs will be paid by the transferring party.

DEBT

Credit Facility

On July 30, 2004, we entered into a five-year senior revolving credit facility of $160.0, which will expire on July 30, 2009. At December 31, 2005, we had $122.9 available under this senior revolving credit facility. We issued $37.1 letters of credit under an $80.0 letter of credit subfacility for the purpose of supporting certain long-term debt, certain workers compensation insurance policies, and plant closure and post-closure obligations. We may select various floating rate borrowing options. The senior credit facility includes various customary restrictive covenants including restrictions related to the ratio of debt to earnings before interest expense, taxes, depreciation and amortization (leverage ratio) and the ratio of earnings before interest expense, taxes, depreciation and amortization to interest expense (coverage ratio).

Long-Term Debt

	2005	***2004***
Notes payable:		
6.5%, due 2013	$ 11.4	$ 11.4
7.11%, due 2005	—	50.0
7.3%, due 2006	—	0.9
9.125%, due 2011 (includes interest rate swaps of $5.2 in 2005 and $9.3 in 2004)	205.2	209.3
Industrial development and environmental improvement obligations at fixed interest rates of 6.0% to 6.75%, due 2006-2017 (includes interest rate swaps of $1.7 in 2005 and $2.9 in 2004)	41.7	41.1
Total senior debt	258.3	312.7
Amounts due within one year	1.1	52.0
Total long-term debt	$257.2	$260.7

In connection with the relocation of Winchester's rimfire operations to Oxford, MS in November 2005, we completed an industrial development revenue bond financing of $2.9 to utilize certain state tax incentives.

As a result of our fixed-rate financings, we entered into floating interest rate swaps in order to manage interest expense and floating interest rate exposure to optimal levels. We have entered swaps valued at $131.6, as disclosed below, whereby we agree to pay variable rates to a counterparty who, in turn, pays us fixed rates. In all cases the underlying index for variable rates is the six-month London InterBank Offered Rate (LIBOR). Accordingly, payments are settled every six months and the terms of the swaps are the same as the underlying debt instruments.

The following table reflected the swap activity related to certain debt obligations as of December 31, 2005:

Underlying Debt Instrument	*Swap Amount*	*Date of Swap*	*December 31, 2005 Floating Rate*
9.125%, due 2011	$ 50.0	December 2001	8.135%
9.125%, due 2011	$ 30.0	February 2002	7.5 - 8.5%(a)
9.125%, due 2011	$ 25.0	March 2002	7.5 - 8.5%(a)
Industrial development and environmental improvement obligations at fixed rates of 6.0%-6.75% due 2006-2017	$ 21.1	March 2002	4.476%
	$ 5.5	March 2002	4.616%

(a) Actual rate is set in arrears. We project the rate will fall within the range shown.

We have designated the interest rate swaps as fair value hedges of the risk of changes in the value of our fixed rate debt due to changes in interest rates, for a portion of our fixed rate borrowings under SFAS No. 133. Accordingly, the interest rate swaps have been recorded at their fair market value of $6.9 at December 31, 2005 and are included in Other Assets on the accompanying Consolidated Balance Sheet, with a corresponding increase in the carrying amount of the 9.125% Notes of $5.2 and the Industrial Environmental Improvement Obligations of $1.7. No gain or loss has been recorded as the swaps meet the criteria of SFAS No. 133 to qualify for hedge accounting treatment with no ineffectiveness. These interest rate swaps reduced interest expense, resulting in an increase in pretax income of $2.9 in 2005, $5.4 in 2004, and $6.5 in 2003, respectively. The difference between interest paid and interest received is included as an adjustment to interest expense. A settlement of the fair market value of the interest rate swaps as of December 31, 2005 would result in a gain of $6.9. The counterparty to these interest rate swap contracts is a major financial institution. Our loss in the event of nonperformance by the counterparty would not be significant to our financial position or results of operations.

Annual maturities of long-term debt are $1.1 in 2006, $1.7 in 2007, $7.7 in 2008, none in 2009 and 2010, $205.2 in 2011, and a total of $42.6 thereafter.

PENSION PLANS AND RETIREMENT BENEFITS

Almost all of our domestic defined benefit pension plans are non-contributory final-average-pay or flat-benefit plans and most of our domestic employees are covered by a defined benefit pension plan. Our funding policy for the defined benefit pension plans is consistent with the requirements of federal laws and regulations. Our foreign subsidiaries maintain pension and other benefit plans, which are consistent with statutory practices and are not significant. Our defined benefit pension plan provides that if, within three years following a change of control of Olin, any corporate action is taken or filing made in contemplation of, among other things, a plan termination or merger or other transfer of assets or liabilities of the plan, and such termination, merger or transfer thereafter takes place, plan benefits would automatically be increased for affected participants (and retired participants) to absorb any plan surplus (subject to applicable collective bargaining requirements).

Certain employees participate in defined contribution plans. Our defined benefit pension plan was closed to salaried employees and certain hourly employees hired after December 31, 2004. These employees participate in a defined contribution pension plan which is administered as part of the Olin Contributing Employee Ownership Plan ("CEOP"). We contribute a defined percentage of pay to the defined contribution plan on behalf of each of the eligible employees to an individual retirement contribution. Expenses of the defined contribution plans were $0.6, $0.5, and $0.5 for 2005, 2004 and 2003, respectively.

We also provide certain postretirement health care (medical) and life insurance benefits for eligible active and retired domestic employees. The health care plans are contributory with participants' contributions adjusted annually based on medical rates of inflation and plan experience. We use a measurement date of December 31 for the majority of our pension and postretirement plans.

Obligations and Funded Status

	Pension Benefits		Other Postretirement Benefits	
Change in Benefit Obligation	***2005***	***2004***	***2005***	***2004***
Benefit obligation at beginning of year	$1,598.2	$1,533.7	$ 85.3	$ 82.1
Service cost	20.5	16.4	2.2	2.2
Interest cost	92.9	93.3	5.1	5.1
Actuarial loss	52.9	57.6	8.7	11.5
Amendments	10.2	1.2	(1.5)	(0.4)
Benefits paid	(109.2)	(104.0)	(13.0)	(15.2)
Benefit obligation at end of year	$1,665.5	$1,598.2	$ 86.8	$ 85.3

	Pension Benefits	
Change in Plan Assets	***2005***	***2004***
Fair value of plans' assets at beginning of year	$1,283.1	$1,077.1
Actual return on plans' assets	92.6	136.8
Employer contributions	12.9	173.2
Benefits paid	(109.2)	(104.0)
Fair value of plans' assets at end of year	$1,279.4	$1,283.1

	Pension Benefits		Other Postretirement Benefits	
	2005	***2004***	***2005***	***2004***
Funded status	$ (386.1)	$ (315.0)	$(86.8)	$(85.3)
Unrecognized actuarial loss	531.9	482.8	57.2	52.3
Unrecognized prior service cost	32.5	23.8	(3.0)	(2.2)
Net balance sheet impact	$ 178.3	$ 191.6	$(32.6)	$(35.2)

	Pension Benefits		Other Postretirement Benefits	
	2005	***2004***	***2005***	***2004***
Amounts recognized in the consolidated balance sheet consist of:				
Prepaid benefit cost	$ 215.8	$ 230.4	$ —	$ —
Intangible asset in prepaid pension cost	32.5	27.4	—	—
Accrued benefit liability in other liabilities	(556.8)	(505.2)	(32.6)	(35.2)
Accumulated other comprehensive loss	486.8	439.0	—	—
Net balance sheet impact	$ 178.3	$ 191.6	$(32.6)	$(35.2)

The $52.9 actuarial loss for 2005 was primarily the result of the 25-basis point decrease in the discount rate used to calculate the benefit obligation ($48.0). The benefit obligation for amendments in 2005 was due to contractual benefit changes.

At December 31, 2005 and 2004, the benefit obligation of non-qualified pension plans was $62.7 and $60.8, respectively, and is included in the above pension benefit obligation. There are no plan assets for these non-qualified pension plans. Benefit payments for the qualified plans are projected to be as follows: 2006 and 2007—$98.8; 2008—$99.1; 2009—$100.8; and 2010—$102.7. Benefit payments for the non-qualified pension plans are expected to be as follows: 2006—$11.4; 2007—$4.7; 2008—$4.4; 2009—$4.3; and 2010—$4.2.

Pension Plans with an Accumulated Benefit Obligation in Excess of Plan Assets	*December 31, 2005*	*2004*
Projected benefit obligation	$1,665.5	$1,598.2
Accumulated benefit obligation	$1,615.9	$1,553.4
Fair value of plan assets	$1,279.4	$1,283.1

	Pension Benefits			*Other Postretirement Benefits*		
Components of Net Periodic Benefit Cost	*2005*	*2004*	*2003*	*2005*	*2004*	*2003*
Service cost	$ 20.5	$ 16.4	$ 16.6	$ 2.2	$ 2.2	$ 1.6
Interest cost	92.9	93.3	93.2	5.1	5.1	5.2
Expected return on plans' assets	(115.7)	(118.0)	(111.4)	—	—	—
Amortization of prior service cost	4.7	5.0	5.3	—	—	—
Recognized actuarial loss	23.8	14.0	1.5	3.1	2.5	2.0
Curtailment	—	1.2	—	—	—	—
Net periodic benefit cost	$ 26.2	$ 11.9	$ 5.2	$10.4	$ 9.8	$ 8.8
Additional Information						
Increase in minimum liability included in other comprehensive loss (pretax)	$ 47.8	$ 38.8	$ 32.2			

Plan Assumptions

Certain actuarial assumptions, such as discount rate and long-term rate of return on plan assets have a significant effect on the amounts reported for net periodic benefit cost and accrued benefit obligation amounts.

	Pension Benefits			*Other Postretirement Benefits*		
Weighted Average Assumptions:	*2005*	*2004*	*2003*	*2005*	*2004*	*2003*
Discount rate—periodic benefit cost	6.00%	6.25%	6.75%	6.00%	6.25%	6.75%
Expected return on assets	9.0%	9.0%	9.0%	N/A	N/A	N/A
Rate of compensation increase	3.3%	3.3%	4.5%	N/A	N/A	N/A
Discount rate—benefit obligation	5.75%	6.00%	6.25%	5.75%	6.00%	6.25%

The discount rate is based on a hypothetical yield curve represented by a series of annualized individual zero-coupon bond spot rates for maturities ranging from one-half to thirty years. The bonds used in the yield curve must have a rating of AA or better per Standard & Poor's, be non-callable, and have at least $150 par outstanding. The yield curve is then applied to the projected benefit payments from the plan. Based on these bonds and the projected benefit payment streams, the single rate that produces the same yield as the matching bond portfolio, rounded to the nearest quarter point, is used as the discount rate.

The long-term expected rate of return on plan assets represents an estimate of the long-term rate of returns on the investment portfolio consisting of equities, fixed income, and alternative investments. We use long-term historical actual return information, the allocation mix of investments that comprise plan assets, and forecast estimates of long-term investment returns by reference to external sources. The historic rate of return on plan assets has been 6.2% for the last 5 years, 9.1% for the last 10 years, and 11.6% for the last 15 years. The following rates of return by asset class were considered in setting the long-term rate of return assumption:

U.S. equities	9%	to	13%
Non-U.S. equities	10%	to	14%
Fixed income	5%	to	9%
Alternative investments	5%	to	15%

We review external data and our own internal trends for healthcare costs to determine the healthcare cost for the post retirement benefit obligation. The assumed healthcare cost trend rates for pre-65 retirees was as follows:

	Other Postretirement Benefits	
	2005	***2004***
Healthcare cost trend rate assumed for next year	9.0%	9.0%
Rate that the cost trend rate gradually declines to	4.5%	4.5%
Year that the rate reaches the ultimate rate	2011	2010

For post-65 retirees, we provide a fixed dollar benefit, which is not subject to escalation.

Assumed healthcare cost trend rates have an effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	One-Percentage Point Increase	***One-Percentage Point Decrease***
Effect on total of service and interest costs	$ 0.4	$ (0.4)
Effect on postretirement benefit obligation	4.7	(3.8)

Plan Assets

Our pension plan asset allocation at December 31, 2005 and 2004, by asset class is as follows:

	Percentage of Plan Assets	
	2005	***2004***
Asset Class		
U.S. Equities	39%	43%
Non-U.S. Equities	19	18
Total Equities	58	61
Fixed Income/Cash	27	25
Alternative Investments	15	14
Total	100%	100%

The Alternative Investments asset class includes real estate partnerships, strategic partnerships, private equity investments, commodities, and absolute return funds. The Alternative Investment class is intended to help minimize risk and increase returns by utilizing a broader group of assets.

A master trust was established by our pension plan to accumulate funds required to meet benefit payments of our plan and is administered solely in the interest of our plan’s participants and their beneficiaries. The master trust’s investment horizon is long term. Its assets are managed by professional investment managers or invested in professionally managed investment vehicles.

The master trust’s investment objective is to maximize the long-term total rate of return on assets within the limits of applicable fiduciary standards dictated by the Employee Retirement Income Security Act of 1974, as amended. Risk is managed by diversifying assets across asset classes whose return patterns are not highly correlated, investing in passively and actively managed strategies and in value and growth styles, and by periodic rebalancing of asset classes, strategies and investment styles to objectively set targets.

The following target allocation and ranges have been set for each asset class:

Asset Class	***Target Allocation***	***Target Range***
U.S. Equities	40%	37 – 43%
Non-U.S. Equities	17	15 – 19
Total Equities	57	52 – 62
Fixed Income/Cash	30	22 – 38
Alternative Investments	13	10 – 16

Ranges recognize the tendency of trends to persist and are designed to minimize transactions costs associated with rebalancing. Asset class target allocations are reviewed periodically and adjusted as appropriate.

For our qualified pension plans, no mandatory contributions will be required until 2008. We may elect to make selective voluntary contributions, when appropriate, between now and 2008. We expect to make payments of $9.0 for each of the next five years under the provisions of our other postretirement benefit plans.

INCOME TAXES

Components of Pretax Income	***2005***	***2004***	***2003***
Domestic	$219.1	$ 74.9	$ 1.6
Foreign	6.5	4.3	2.4
Income from continuing operations before taxes and cumulative effect of accounting change	$225.6	$ 79.2	$ 4.0

Components of Income Tax Provision (Benefit)			
Currently payable:			
Federal	$ 21.8	$(27.2)	$—
State	6.6	(4.6)	2.0
Foreign	1.9	1.6	1.6
	30.3	(30.2)	3.6
Deferred	55.6	58.7	—
Income tax provision	$ 85.9	$ 28.5	$ 3.6

The following table accounts for the difference between the actual tax provision and the amounts obtained by applying the statutory U.S. federal income tax rate of 35% to the income from continuing operations before taxes.

Effective Tax Rate Reconciliation (Percent)	***2005***	***2004***	***2003***
Statutory federal tax rate	35.0	35.0	35.0
Foreign rate differential	(0.1)	—	34.1
Domestic manufacturing/export tax incentive	(0.7)	—	(7.7)
Company-owned life insurance programs	—	—	(4.2)
Dividends paid to ESOP	(0.5)	(1.5)	(18.2)
State income taxes, net	3.7	3.6	17.9
Non-deductible portion of restructuring charge	—	—	15.4
Change in valuation allowance	—	—	8.2
Equity income of foreign affiliates	(0.1)	(0.5)	(6.9)
Foreign dividend	—	1.3	—
Change in tax contingencies	0.9	(3.0)	—
Other, net	(0.1)	0.9	2.9
Effective tax rate	38.1	35.8	76.5

Components of Deferred Tax Assets and Liabilities	*2005*	*2004*
Deferred tax assets:		
Pension and postretirement benefits	$129.8	$115.3
Environmental reserves	31.2	35.3
Accrued liabilities	68.1	58.4
Tax credits	7.3	13.5
Federal and state net operating losses	20.0	61.1
Other miscellaneous items	10.1	9.7
Total deferred tax assets	266.5	293.3
Valuation allowance	(8.0)	(10.0)
Net deferred tax assets	258.5	283.3
Deferred tax liabilities:		
Property, plant and equipment	73.5	79.4
Capital loss	71.3	68.0
Inventory and prepaids	6.8	1.3
Partnerships	10.9	12.2
Other miscellaneous items	12.6	7.9
Total deferred tax liabilities	175.1	168.8
Net deferred tax asset	$ 83.4	$114.5

As described under the accounting policy on asset retirement obligations, in 2003 we recorded a $25.4 after-tax charge for the adoption of SFAS No. 143. The pretax charge was $41.5 and the related tax benefit was $16.1. In 2005, we recorded a $6.4 after-tax charge for the adoption of FIN No. 47. The pretax charge was $10.5 and the related tax benefit was $4.1. These after-tax charges were recorded as the cumulative effect of accounting change in the Consolidated Statements of Operations.

The deferred tax provision for 2004 and 2003 does not reflect the tax effect of $0.8 in 2004 and $2.3 in 2003 resulting from hedging activity under SFAS No. 133. For the year 2005, 2004 and 2003, the deferred tax provision does not reflect $18.6, $15.1, and $12.7, respectively, resulting from additional minimum pension liability adjustment required by SFAS No. 87.

Realization of the net deferred tax assets is dependent on future reversals of existing taxable temporary differences and adequate future taxable income, exclusive of reversing temporary differences and carryforwards. Although realization is not assured, we believe that it is more likely than not that the net deferred tax assets will be realized.

At December 31, 2005, we had deferred tax benefits of $15.6 that are available to offset future consolidated taxable income and expire from 2018 to 2024. We believe that it is more likely than not that these deferred tax benefits will be available to reduce future income tax liabilities based upon estimated future taxable income and the reversal of temporary differences in future periods.

At December 31, 2004, we had deferred tax benefits of $3.8 relating to capital loss carryforwards of $9.8 remaining from our acquisition of Chase that were available to offset future consolidated capital gains. As the valuation allowance was established at acquisition through purchase accounting, any subsequent recognition of the tax benefit of such capital loss utilization will be a reduction to the goodwill associated with the Chase acquisition. In 2005, we disposed of certain assets which generated capital gains. The tax on the capital gains was offset by the remaining capital loss carryforwards acquired with the Chase business. The utilization of these loss carryforwards resulted in a $3.8 reduction in the goodwill recorded as part of the Chase acquisition.

At December 31, 2004, we had tax credit carryforwards of $10.3, which have been fully utilized to reduce our 2005 regular income tax liability.

At December 31, 2005, we had federal tax benefits of $7.3 relating to foreign tax credit carryforwards. Due to uncertainties regarding the realization of the tax benefits, a valuation allowance of $4.5 has been applied against the deferred tax benefits at December 31, 2005.

At December 31, 2005, we had deferred state tax benefits of $4.4 relating to state net operating loss carryforwards of $112.4, which are available to offset future state taxable income through 2022. Due to uncertainties regarding realization of the tax benefits, a valuation allowance of $3.5 has been applied against the deferred state tax benefits at December 31, 2005.

At December 31, 2005, our current income taxes payable of $23.4 includes other deferred tax liabilities of $2.9.

At December 31, 2005, our share of the cumulative undistributed earnings of foreign subsidiaries was $13.9. No provision has been made for U.S. or additional foreign taxes on the undistributed earnings of foreign subsidiaries since we intend to continue to reinvest indefinitely these earnings. Foreign tax credits would be available to substantially reduce or eliminate any amount of additional U.S. tax that might be payable on these foreign earnings in the event of distribution or sale.

In 2003, we were accepted to participate in the IRS settlement initiative pertaining to tax issues related to our benefits liability management company. In addition, we settled with the IRS relative to our COLI program. In the third quarter of 2004, a final settlement agreement was reached with the IRS on these and certain other outstanding issues related to tax audits covering the 1992 through 2000 tax years. In connection with these settlements, we made payments in the second quarter of 2004 of $40.8. These payments resolved all open issues regarding our benefits liability management company and our COLI program. These tax issues had been recorded as a liability prior to 2002. In the third quarter of 2004, the income tax provision included a $2.3 reduction in income tax expense associated with the finalization, in the third quarter of 2004, of the settlement of certain issues related to income tax audits for the years 1992 through 2000.

During 2005, the IRS substantially completed its audit of our federal income tax return for the years 2001 and 2002. We are currently contesting various issues before the Appeals Division of the IRS with respect to the years 1996 through 2002. Depending on the outcome of these audits, we may be required to pay additional taxes, and any additional taxes and related interest could be substantial. We have reserved amounts which we believe will be sufficient for any adverse outcome. The timing of any such payments is uncertain.

The American Jobs Creation Act (AJCA), signed into law in October 2004, makes a number of changes to the income tax laws which will affect us in future years. The most significant change for us is a new deduction for qualifying domestic production activity, which replaces the current extraterritorial income exclusion. As a result of AJCA, we expect a modest decline in our effective tax rate as the qualifying domestic production activity deduction is phased in over the next six years.

ACCRUED LIABILITIES

Included in accrued liabilities are the following items:

	2005	*2004*
Accrued compensation and payroll taxes	$ 38.2	$ 37.9
Environmental (current portion only)	28.0	28.0
Accrued employee benefits	21.9	17.6
Workers compensation	20.8	19.3
Legal and professional costs	20.9	13.6
Other	35.6	35.1
	$165.4	$151.5

CONTRIBUTING EMPLOYEE OWNERSHIP PLAN

The Contributing Employee Ownership Plan (CEOP) is a defined contribution plan available to essentially all domestic employees. Through October 16, 2003, we matched eligible employee contributions in the form of Olin common stock. Effective October 17, 2003, company matching contributions are invested in the same investment allocation as the employee’s contribution. Effective January 1, 2003, we suspended the match on most salaried employees’ contributions. The matching contributions were re-instated for salaried employees beginning January 2005, contingent upon our financial performance. During 2005, a performance match was earned. Our matching contributions for eligible employees amounted to $7.2 in 2005 and $2.8 in 2004 and 2003.

Employees become vested in the value of the contributions we make to the CEOP according to a schedule based on service. After two years of service, participants are 25% vested. They vest in increments of 25% for each additional year and after five years of service, they are 100% vested in the value of the contributions that we have made to their accounts.

Employees may transfer any or all of the value of the investments, including Olin common stock, to any one or combination of investments available in the CEOP. Employees may transfer balances daily and may elect to transfer any percentage of the balance in the fund from which the transfer is made. However, when transferring out of a fund, employees are prohibited from trading out of the fund to which the transfer was made for seven calendar days. This limitation does not apply to trades into the ACI Premium Money Market Fund or the Olin Common Stock Fund.

STOCK OPTIONS

Under the stock option and long-term incentive plans, options may be granted to purchase shares of our common stock at not less than fair market value at the date of grant, and are exercisable for a period not exceeding ten years from that date. Options granted under the 1996 Stock Option Plan and the 2003, 2000, and the 1991 Long Term Incentive Plans vest over three years. In 2005, two forms of long-term incentive awards were given, stock options representing one-half of the aggregate value of the long term incentive award opportunity, and performance share awards making up the other half. The option price was set at the fair market value of common stock on the date of the grant, and the options have a ten-year term. The other half of the individual long term incentive award takes the form of performance shares. At the end of a three-year performance cycle, participants receive a performance share award denominated in shares of our stock, paid half in shares and half in cash, based on Olin's average annual return on capital in relation to the average annual return on capital among the S&P Materials 1000 plus six companies that compete with Olin.

In 2000, a one-time grant of Performance Accelerated Vesting Stock Options was granted with an exercise price of $18.97, which represented fair value. Options for 918,775 shares were outstanding at December 31, 2005. These options have a term of 120 months and vest in 119 months, and can vest early, but only if the stock price increases to $28 per share or more for 10 days in any 30 calendar day period.

Stock option transactions are as follows:

				Exercisable	
	Shares	***Option Price Per Share***	***Weighted Average Option Price Per Share***	***Options***	***Weighted Average Exercise Price***
Outstanding at January 1, 2003	6,889,817	$ 6.25 – $33.86	$ 19.73		
Granted	761,000	15.35 – 17.35	15.36		
Exercised	(444,608)	6.25 – 17.70	12.40		
Canceled	(120,881)	13.34 – 28.06	23.02		
Outstanding at December 31, 2003	7,085,328	6.25 – 33.86	19.67	4,833,666	$ 20.84
Granted	677,900	18.52	18.52		
Exercised	(744,121)	6.25 – 18.97	14.42		
Canceled	(137,002)	10.42 – 28.06	23.17		
Outstanding at December 31, 2004	6,882,105	6.25 – 33.86	20.05	4,583,856	$ 21.19
Granted	587,525	23.78	23.78		
Exercised	(509,085)	11.72 – 22.66	16.84		
Canceled	(466,452)	12.22 – 28.06	18.66		
Outstanding at December 31, 2005	6,494,093	$ 6.25 – $33.86	$ 20.74	4,672,644	$ 21.04

At December 31, 2005 and 2004, the average exercise period for all outstanding options was 48 months and 56 months, respectively. The following table provides certain information with respect to stock options exercisable at December 31, 2005:

Range of Exercise Prices	*Stock Options Exercisable*	*Weighted Average Exercise Price*	*Options Outstanding*	*Weighted Average Exercise Price*
Under $18.00	1,189,066	$15.65	1,358,254	$15.62
$18.00 – $24.00	1,401,839	$18.93	3,054,100	$19.75
Over $24.00	2,081,739	$25.54	2,081,739	$25.54
	4,672,644		6,494,093	

At December 31, 2005, common shares reserved for issuance and available for grant or purchase under the following plans consisted of:

	Number of Shares	
Stock Option Plans	*Reserved for Issuance*	*Available for Grant or Purchase*
1996 Stock Option Plan	2,981,346	7,204
2000 Long Term Incentive Plan	1,856,422	627,320
2003 Long Term Incentive Plan	1,683,995	678,673
	6,521,763	1,313,197(1)
1988 Stock Option Plan (plan expired)	196,835	—
1991 Long Term Incentive Plan (plan expired)	721,275	—
Chase Benefit Plans (assumed in acquisition)	172,633	—
Options Available for only Arch Chemicals Employees	547,122	—
	1,637,865	—
Total under stock option plans	8,159,628	1,313,197

	Number of Shares	
Stock Purchase Plans	*Reserved for Issuance*	*Available for Grant or Purchase*
1997 Stock Plan for Non-employee Directors	425,981	291,488
Employee Deferral Plan	52,791	46,185
Monarch Brass & Copper Corp. Deferral Plan	500,000	500,000
Total under stock purchase plans	978,772	837,673

(1) All available to be issued as stock options, but includes a sub-limit for all types of stock awards of 845,387 shares.

Under the stock purchase plans, our employees or non-employee directors may defer certain elements of their compensation, and former employees of Monarch may periodically transfer amounts of their compensation deferred at the time we acquired Monarch into shares of our common stock based on fair market value of the shares at the time of deferral. Non-employee directors annually receive stock grants as a portion of their director compensation. Of the shares reserved under the stock purchase plans at December 31, 2005, 141,099 shares were committed.

SHAREHOLDERS' EQUITY

During 2005 and 2004, we issued 770,713 and 793,778 shares of common stock, respectively, with a total value of $15.3 and $14.3, respectively, to the Contributing Employee Ownership Plan. These shares were issued to satisfy the investment in our common stock resulting from employee contributions, our matching contribution and re-invested dividends.

There were no share repurchases in 2005, 2004, and 2003. Under programs previously approved by our board of directors, 154,076 shares remained to be repurchased as of December 31, 2005.

At December 31, 2005, we had $220 registered securities available for issuance with the Securities and Exchange Commission, whereby from time to time, we may issue debt securities, preferred stock and/or common stock, and associated warrants.

In February 2004, we issued and sold 10 million shares of common stock at a public offering price of $18.00 per share. Net proceeds from the sale were $177.8.

Other Comprehensive Income (Loss) included an unrealized gain on marketable securities in 2005 and 2004 and unrealized gains and losses, net of tax on hedging transactions. The unrealized gains (losses) were reported in Other Comprehensive Loss, net of reclassification adjustments, and were not significant to our financial results or financial position for the periods presented. The following represents the reclassification adjustments included in Other Comprehensive Income (Loss).

	2005	*2004*	*2003*
Unrealized gains (losses):			
Marketable securities	$ 0.2	$ 0.1	$—
Hedging transactions	0.4	—	4.8
	0.6	0.1	4.8
Reclassification adjustments:			
Marketable securities	(0.2)	—	—
Hedging transactions	—	(4.8)	—
	(0.2)	(4.8)	—
Net unrealized gain (loss)	$ 0.4	$(4.7)	$ 4.8

SHAREHOLDERS' RIGHTS PLAN

Pursuant to a Rights Agreement, dated as of February 27, 1996, one Right was associated with each share of our common stock. Each Right entitled a shareholder (other than the acquirer) to buy one-five-hundredth share of Series A Participating Cumulative Preferred Stock at an exercise price of $120. The Rights were exercisable only if a person or group acquires more than 15% of our common stock or, if and as of such date as our board of directors so determines, following the commencement of a tender or exchange offer to acquire more than 15% of our common stock. If any person or group acquired more than 15% of our common stock and in the event of a subsequent merger or combination or similar transaction with the acquirer or a related party, each Right entitled the holder (other than the acquirer) to purchase stock or other property of the acquirer or such related party having a value of twice the exercise price. The Rights were redeemable at $0.005 per Right for a certain period of time. The Rights expired on February 27, 2006.

SEGMENT INFORMATION

We define segment income as income (loss) before interest expense, interest income, other income, and income taxes, and include the results of non-consolidated affiliates. Consistent with the guidance in SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," we have determined it is appropriate to include the operating results of non-consolidated affiliates in the relevant segment financial results. Our management considers the SunBelt Chlor Alkali Partnership to be an integral component of the Chlor Alkali Products segment and Yamaha-Olin Metal Corporation to be an integral component of the Metals segment. Each are engaged in the same business activity as the segment, including joint or overlapping marketing, management, manufacturing and technology development functions. Inter-segment sales of $47.7, $37.3 and $35.9 for the years 2005, 2004 and 2003, respectively, representing the sale of ammunition cartridge cups to Winchester from Metals, at prices that approximate market, have been eliminated from Metals segment sales.

	2005	*2004*	*2003*
Sales:			
Chlor Alkali Products	$ 610.2	$ 448.2	$ 399.5
Metals	1,402.7	1,230.1	854.6
Winchester	344.8	318.5	303.1
Total sales	$2,357.7	$1,996.8	$1,557.2
Income from continuing operations before taxes and cumulative effect of accounting change:			
Chlor Alkali Products	$ 237.0	$ 83.0	$ 62.8
Metals	34.0	50.5	9.1
Winchester	7.8	21.9	21.6
Corporate/Other	(61.9)	(58.3)	(42.4)
Restructuring Charges	(0.3)	(9.6)	(30.8)
Other Operating Income	9.1	5.5	—
Interest Expense	(19.9)	(20.2)	(20.2)
Interest Income	18.3	1.9	1.3
Other Income	1.5	4.5	2.6
Income from continuing operations before taxes and cumulative effect of accounting change	$ 225.6	$ 79.2	$ 4.0
Earnings of non-consolidated affiliates			
Chlor Alkali Products	$ 37.8	$ 9.0	$ 6.5
Metals	0.7	1.1	1.3
Total earnings of non-consolidated affiliates	$ 38.5	$ 10.1	$ 7.8
Depreciation and amortization expense:			
Chlor Alkali Products	$ 25.2	$ 23.9	$ 28.6
Metals	37.4	38.8	40.7
Winchester	8.2	8.2	9.4
Corporate/Other	1.7	2.4	2.2
Total depreciation and amortization expense	$ 72.5	$ 73.3	$ 80.9
Capital spending:			
Chlor Alkali Products	$ 48.5	$ 28.6	$ 26.5
Metals	18.7	17.5	21.5
Winchester	12.6	8.6	4.7
Corporate/Other	1.2	0.4	1.6
Total capital spending	$ 81.0	$ 55.1	$ 54.3

	2005	2004
Assets:		
Chlor Alkali Products	$ 255.6	$ 215.5
Metals	712.3	711.1
Winchester	161.0	154.1
Corporate/Other	668.3	537.2
Total assets	$1,797.2	$1,617.9
Investments—affiliated companies (at equity):		
Chlor Alkali Products	$ (14.7)	$ (21.5)
Metals	11.2	12.2
Total investments—affiliated companies (at equity)	$ (3.5)	$ (9.3)

Segment assets include only those assets which are directly identifiable to an operating segment and do not include such items as cash, deferred taxes and other assets. All goodwill, which is associated with its acquisitions, is included in the assets of the Metals segment. Assets of the Corporate/Other segment includes primarily such items as cash and cash equivalents, deferred taxes, prepaid pension costs, and other assets.

Geographic Data:	2005	2004	2003
Sales			
United States	$2,273.5	$1,916.6	$1,506.8
Foreign	84.2	80.2	50.4
Transfers between areas:			
United States	41.0	33.8	26.3
Foreign	1.2	0.5	0.9
Eliminations	(42.2)	(34.3)	(27.2)
Total sales	$2,357.7	$1,996.8	$1,557.2
Assets			
United States	$1,718.5	$1,546.4	
Foreign	67.5	59.3	
Investments	11.2	12.2	
Total assets	$1,797.2	$1,617.9	

Transfers between geographic areas are priced generally at prevailing market prices. Export sales from the United States to unaffiliated customers were $77.4, $74.3, and $65.8 in 2005, 2004 and 2003, respectively.

ACQUISITIONS

In November 2004, we acquired certain assets of Metal Foils LLC for $3.2. Metal Foils was a distributor of aluminum, stainless steel, and copper products and was located in Willoughby, OH. The acquisition has been accounted for using the purchase method of accounting and has been included in the Metals segment. As part of the agreement, we could have additional consideration payments through 2009, which are contingent on shipments of aluminum products to specifically identified customers and are not guaranteed.

The following table includes the estimated fair value of the assets acquired and the liabilities assumed at the dates of acquisition. Based on valuations done at the acquisition date of Metal Foils’ assets, $1.2 was assigned to goodwill, which is not subject to amortization.

Supplemental cash flow information on the Metal Foils acquisition is as follows:

	2004
Working capital	$1.6
Property, plant and equipment	0.4
Goodwill	1.2
Net assets acquired	$3.2

RESTRUCTURING CHARGES

On January 29, 2004, we announced that our board of directors approved plans to relocate our corporate offices for organizational, strategic and economic reasons. By the end of the year, we had completed the relocation of a portion of our corporate services personnel from Norwalk, CT to our Main Office Building in East Alton, IL. We also established our new corporate headquarters in Clayton, which is in St. Louis County, MO, for logistical and other reasons. The relocation of the corporate offices was accompanied by a downsized corporate structure more appropriate for us in today's competitive business environment. The headquarters relocation was completed by the end of 2004. As a result of the relocation, we incurred costs of $10.1 in 2004, and incurred an additional $0.3 of costs in 2005. This restructuring charge included primarily employee severance and related benefit costs, relocation expense, pension curtailment expense and the incurred cost for outplacement services for all effected employees. The sale of the Indianapolis facility in November 2004 resulted in a reduction of a previously established reserve related to our Indianapolis restructuring of $0.5, which reduced the total 2004 restructuring charge to $9.6.

In the first quarter of 2003, we made a decision to close our manufacturing plant in Indianapolis, IN. The Indianapolis facility ceased operations on February 14, 2003. The plant manufactured copper and copper alloy sheet and strip products and employed approximately 200 people. Production at the Indianapolis strip mill has been consolidated within our East Alton, IL facility. While the Indianapolis strip mill had been an important part of the Metals segment since its acquisition in 1988, reduced domestic consumption of strip products combined with the capacity additions at East Alton lessened the need to maintain the Indianapolis production base. As a result of this closure and certain other actions, we recorded in the first quarter of 2003 a pretax restructuring charge of $29.0. In addition, we recorded in the fourth quarter of 2003, a pretax restructuring charge of $1.8 primarily for the write down of certain non-U.S. assets, netted with a reduction of a previously established reserve related to our Indianapolis restructuring. In November 2004, we sold the Indianapolis facility.

The major portion of the 2003 restructuring charges was a non-cash charge of $25.4 related to the loss on disposal or write-off of equipment and facilities, and goodwill. The balance of the restructuring charges related to severance and job-related benefit costs. At the Indianapolis facility, approximately 190 employees were terminated, while nine employees were transferred to the East Alton facility. In addition to the closing of the Indianapolis facility, the Metals segment had determined that further cost reductions were necessary due to continuing depressed economic conditions. Approximately 55 employees were terminated to reduce headcount through a combination of a reduction-in-force program in Metals and the relocation of the segment's New Haven, Connecticut metals research laboratory activities to two existing manufacturing locations.

The following table summarizes the major components of the 2005, 2004, and 2003 charges and the remaining balances as of December 31, 2005:

	2004 Restructuring Charge	*Amounts Utilized*	*Accrued Restructuring Costs*
Employee severance and job related benefits	$ 8.1	$ (6.8)	$ 1.3
Pension curtailment	1.2	(1.2)	—
Relocation and outplacement services	1.1	(1.1)	—
	$ 10.4	$ (9.1)	$ 1.3

	2003 Restructuring Charge	*Amounts Utilized*	*Accrued Restructuring Costs*
Write-off of assets (including $2.4 of goodwill)	$ 24.1	$ (23.1)	$ 1.0
Employee severance and job related benefits	6.2	(6.2)	—
	$ 30.3	$ (29.3)	$ 1.0

The majority of the remaining balance of $1.3 and $1.0 of the 2004 and 2003 restructuring charges, respectively, are expected to be paid out in 2006.

DISCONTINUED OPERATIONS

On June 11, 2004, we sold our Olin Aegis business to HCC Industries, Inc. The company received proceeds of $17.1, which resulted in a pretax gain on the sale of $5.8 (net of taxes of $2.3). The disposal of the assets and operations of Olin Aegis represented the disposal of a component of an entity within our Metals business segment. Consequently, the financial data related to Olin Aegis is classified in the consolidated financial statements as a discontinued operation for all periods presented.

The operating results of discontinued operations were as follows:

	2004	*2003*
Net sales	$12.3	$28.6
Income from operations before taxes	0.8	1.5
Gain on sale of discontinued operations	5.8	—
Income before taxes	6.6	1.5
Income tax provision	2.5	0.6
Net income	$ 4.1	$ 0.9

ENVIRONMENTAL

The establishment and implementation of federal, state and local standards to regulate air, water and land quality has affected and will continue to affect substantially all of our manufacturing locations. Federal legislation providing for regulation of the manufacture, transportation, use and disposal of hazardous and toxic substances, and remediation of contaminated sites, has imposed additional regulatory requirements on industry, particularly the chemicals industry. In addition, implementation of environmental laws, such as the Resource Conservation and Recovery Act and the Clean Air Act, has required and will continue to require new capital expenditures and will increase plant operating costs. We employ waste minimization and pollution prevention programs at our manufacturing sites.

We are party to various governmental and private environmental actions associated with past manufacturing facilities and former waste disposal sites. Associated costs of investigatory and remedial activities are provided for in accordance with generally accepted accounting principles governing probability and the ability to reasonably estimate future costs. Our ability to estimate future costs depends on whether our investigatory and remedial activities are in preliminary or advanced stages. With respect to unasserted claims, we accrue liabilities for costs that, in our experience, we may incur to protect our interests against those unasserted claims. Our accrued liabilities for unasserted claims amounted to $2.1 at December 31, 2005. With respect to asserted claims, we accrue liabilities based on remedial investigation, feasibility study, remedial action and Operation, Maintenance and Monitoring (OM&M) expenses that, in our experience, we may incur in connection with the asserted claims. Required site OM&M expenses are estimated and accrued in their entirety for required periods not exceeding 30 years, which reasonably approximates the typical duration of long-term site OM&M. Charges or credits to income for investigatory and remedial efforts were material to operating results in 2005, 2004, and 2003 and may be material to net income in future years. In 2005, the credit to income for investigatory and remedial activities was $15.8, which includes $38.5 of recoveries from third parties of costs incurred and expensed in prior periods. Without these recoveries, charges to income for investigatory and remedial activities would have been $22.7 in 2005 and were $23.4 and $19.6 in 2004 and 2003, respectively. These charges relate primarily to remedial and investigatory activities associated with past manufacturing operations and former waste disposal sites.

Our estimated environmental liability at the end of 2005 was attributable to 59 sites, 15 of which were USEPA National Priority List (NPL) sites. Ten sites accounted for 77% of such liability and, of the remaining 49 sites, no one site accounted for more than 2% of our environmental liability. At one of these ten sites, a remedial plan has been submitted by us and a Record of Decision (ROD) or its equivalent has not been issued. At five of the ten sites, part of the site is subject to a remedial investigation and another part is in the long-term OM&M stage. The four remaining sites are in long-term OM&M. All ten sites are either associated with past manufacturing operations or former waste disposal sites. None of the ten largest sites represents more than 15% of the liabilities reserved on our consolidated balance sheet at December 31, 2005 for future environmental expenditures.

Our consolidated balance sheets included liabilities for future environmental expenditures to investigate and remediate known sites amounting to $102.9 at December 31, 2005, and $99.8 at December 31, 2004, of which $74.9 and $71.8 were classified as other noncurrent liabilities, respectively. Those amounts did not take into account any discounting of future expenditures or any consideration of insurance recoveries or advances in technology. Those liabilities are reassessed periodically to determine if environmental circumstances have changed and/or remediation efforts and our estimate of related costs have changed. As a result of these reassessments, future charges to income may be made for additional liabilities. Of the $102.9 included on our consolidated balance sheet at December 31, 2005 for future environmental expenditures, we currently expect to utilize $71.7 of the reserve for future environmental expenditures over the next 5 years, $10.7 for expenditures 6 to 10 years in the future, and $20.5 for expenditures beyond 10 years in the future.

Annual environmental-related cash outlays for site investigation and remediation are expected to range between approximately $25.0 to $30.0 over the next several years, which are expected to be charged against reserves recorded on our balance sheet. While we do not anticipate a material increase in the projected annual level of our environmental-related cash outlays, there is always the possibility that such increases may occur in the future in view of the uncertainties associated with environmental exposures. Environmental exposures are difficult to assess for numerous reasons, including the identification of new sites, developments at sites resulting from investigatory studies, advances in technology, changes in environmental laws and regulations and their application, the scarcity of reliable data pertaining to identified sites, the difficulty in assessing the involvement and financial capability of other PRPs and our ability to obtain contributions from other parties and the lengthy time periods over which site remediation occurs. It is possible that some of these matters (the outcomes of which are subject to various uncertainties) may be resolved unfavorably to us, which could materially adversely affect our financial position or results of operations. At December 31, 2005, we estimate we may have additional contingent environmental liabilities of $50.0 in addition to the amounts for which we have already recorded as a reserve.

COMMITMENTS AND CONTINGENCIES

We lease certain properties, such as railroad cars, distribution, warehousing and office space, data processing and office equipment. Virtually none of our lease agreements contain escalation clauses or step rent provisions. Total rent expense charged to operations amounted to $28.2 in 2005, $28.0 in 2004 and $32.4 in 2003 (sublease income is not significant). Future minimum rent payments under operating leases having initial or remaining non-cancelable lease terms in excess of one year at December 31, 2005 are as follows; $27.0 in 2006; $24.5 in 2007; $20.1 in 2008; $16.1 in 2009; $19.7 in 2010, and a total of $48.0 thereafter.

On December 31, 1997, we entered into a long-term, sulfur dioxide supply agreement with Alliance Specialty Chemicals, Inc. (Alliance), formerly known as RFC SO_2, Inc. Alliance has the obligation to deliver annually 36,000 tons of sulfur dioxide. Alliance owns the sulfur dioxide plant, which is located at our Charleston, TN facility and is operated by us. The price for the sulfur dioxide is fixed over the life of the contract, and under the terms of the contract, we are obligated to make a monthly payment of $0.2 regardless of the sulfur dioxide purchased. Commitments related to this agreement are $2.4 per year for each year of 2006 through 2011 and $0.6 in 2012. This supply agreement expires in 2012.

We and our subsidiaries are defendants in various legal actions (including proceedings based on alleged exposures to asbestos) incidental to our past and current business activities. While we believe that none of these legal actions will materially adversely affect our financial position, in light of the inherent uncertainties of the litigation concerning alleged exposures, we cannot at this time determine whether the financial impact, if any of these matters will be material to our results of operations.

During the ordinary course of our business, contingencies arise resulting from an existing condition, situation, or set of circumstances involving an uncertainty as to the realization of a possible gain contingency. In certain instances such as environmental projects, we are responsible for managing the clean-up and remediation of an environmental site. There exists the possibility of recovering a portion of these costs from other parties. We account for gain contingencies in accordance with the provisions of SFAS No. 5, “Accounting for Contingencies” and therefore do not record a gain contingency and recognize revenue until it is earned and realizable. At December 31, 2005, we have not recorded a gain contingency in the consolidated financial statements.

SUBSEQUENT EVENTS

As a consequence of the ongoing cost reduction efforts in our Metals business, we have made the decision to close our Waterbury Rolling Mills facility in Waterbury, CT in January 2006. In conjunction with this action, we will consolidate these production activities into our East Alton, IL mill. We are also considering decisions regarding the possible restructuring or closure of additional facilities, along with other overhead reductions. These decisions should be made by the end of the first quarter. We intend to record a one-time pretax charge for these actions of approximately $25 to $30 in 2006, most of which will occur in the first quarter. We expect this charge to be partially offset by one-time inventory gains associated with LIFO liquidations of approximately $10 in 2006. We believe these actions will generate annual cost savings in the $9 to $12 range and the implementation of these actions will be cash neutral in 2006.

OTHER FINANCIAL DATA

Quarterly Data (Unaudited)

2005	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*	*Year*
Sales	$560.9	$593.7	$599.0	$604.1	$2,357.7
Cost of goods sold	473.9	505.5	505.4	514.0	1,998.8
Income from continuing operations before cumulative effect of accounting change	37.2	32.1	31.4	39.0	139.7
Cumulative effect of accounting change, net (1)	—	—	—	(6.4)	(6.4)
Net income	37.2	32.1	31.4	32.6	133.3
Basic income per common share:					
Income from continuing operations before cumulative effect of accounting change	0.52	0.45	0.44	0.54	1.96
Cumulative effect of accounting change, net (1)	—	—	—	(0.09)	(0.09)
Net income	0.52	0.45	0.44	0.45	1.87
Diluted income per common share:					
Income from continuing operations before cumulative effect of accounting change, net	0.52	0.45	0.44	0.54	1.95
Cumulative effect of accounting change, net (1)	—	—	—	(0.09)	(0.09)
Net income	0.52	0.45	0.44	0.45	1.86
Common dividends per share	0.20	0.20	0.20	0.20	0.80
Market price of common stock (2)					
High	25.35	23.79	20.00	20.15	25.35
Low	20.22	17.09	17.51	16.65	16.65
2004					
Sales	$482.9	$506.5	$520.1	$487.3	$1,996.8
Cost of goods sold	432.1	465.2	457.4	410.2	1,764.9
Income from continuing operations	2.8	6.6	18.7	22.6	50.7
Discontinued operations					
Income from discontinued operations, net	0.1	0.5	—	—	0.6
Gain on disposal of discontinued operations, net	—	3.3	—	0.2	3.5
Net income	2.9	10.4	18.7	22.8	54.8
Basic and diluted income per common share:					
Income from continuing operations	0.04	0.09	0.27	0.32	0.74
Income from discontinued operations, net	—	0.01	—	—	0.01
Gain on disposal of discontinued operations, net	—	0.05	—	—	0.05
Net income	0.04	0.15	0.27	0.32	0.80
Common dividends per share	0.20	0.20	0.20	0.20	0.80
Market price of common stock (2)					
High	20.51	18.99	20.24	22.99	22.99
Low	16.37	15.20	15.93	18.18	15.20

(1) Operating results in the fourth quarter of 2005 included an after-tax cumulative charge of $6.4 for the adoption of FIN No. 47.

(2) New York Stock Exchange composite transactions.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

Item 9A. CONTROLS AND PROCEDURES

We maintain a system of disclosure controls and procedures designed to provide reasonable assurance that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in Securities and Exchange Commission rules and forms. Our management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2005. Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

On January 26, 2006, the Compensation Committee (the “Committee”) of the Board of Directors of the Company certified the level of achievement of the 2005 performance goals under the Senior Management Incentive Compensation Plan (the “Plan”), which was re-approved by the Company’s shareholders on April 28, 2005. The Committee authorized the payment of bonuses pursuant to the Plan to the Chief Executive Officer and the next four most highly compensated officers in the following amounts: Joseph D. Rupp, Chairman and Chief Executive Officer - $962,400; John L. McIntosh, Vice President and President, Chlor Alkali Products Division - $310,881; George H. Pain, Vice President, General Counsel and Secretary - $240,600; John E. Fischer, Vice President and Chief Financial Officer - $256,640; and Dennis R. McGough, Vice President, Human Resources - $168,420.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

We incorporate the biographical information relating to our Directors under the heading “Item 1-Election of Directors” in our Proxy Statement relating to our 2006 Annual Meeting of Shareholders (the “Proxy Statement”) by reference in this Report. See also the list of executive officers following Item 4 in Part I of this Report. We incorporate the information regarding compliance with Section 16 of the Securities Exchange Act of 1934, as amended, contained in the paragraph entitled “Section 16(a) Beneficial Ownership Reporting Compliance” under the heading “Security Ownership of Directors and Officers” in our Proxy Statement by reference in this Report.

The information with respect to our audit committee, including the audit committee financial expert, is incorporated by reference in this Report to the information contained in the paragraph entitled “What are the committees of the Board?” under the heading “Additional Information Regarding the Board of Directors” in our Proxy Statement. We incorporate by reference in this Report information regarding procedures for shareholders to nominate a director for election, in the Proxy Statement under the headings “Miscellaneous-How can I directly nominate a Director for election to the Board at the 2007 Annual Meeting?” and “Additional Information Regarding the Board of Directors-What is Olin’s Director Nomination Process?”.

We have adopted a code of business conduct and ethics for directors, officers and employees, known as the Code of Business Conduct. The Code is available in the Corporate Governance section of the Investor section of our website at www.olin.com.

Item 11. EXECUTIVE COMPENSATION

The information in the Proxy Statement under the headings “Executive Compensation” (but excluding the Report of the Compensation Committee on Executive Compensation and the Performance Graph), “Executive Agreements,” “Retirement Benefits” and “Additional Information Regarding the Board of Directors—How are the Directors compensated?” are incorporated by reference in this Report.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

We incorporate the information concerning holdings of our common stock by certain beneficial owners contained under the heading “Certain Beneficial Owners” in our Proxy Statement and the information concerning beneficial ownership of our common stock by our directors and officers under the heading “Security Ownership of Directors and Officers” and the information concerning our equity compensation plans under the heading “Equity Compensation Plan Information” in our Proxy Statement by reference in this Report.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

We incorporate the information concerning the accounting fees and services of our independent registered public accounting firm, KPMG LLP under the heading “Item 3—Proposal to Ratify Appointment of Independent Registered Public Accounting Firm” in our Proxy Statement by reference in this Report.

PART IV

Item 15. **EXHIBITS AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULES**

(a) 1. **Consolidated Financial Statements**

Consolidated financial statements of the registrant are included in Item 8 above.

2. **Financial Statement Schedules**

Separate consolidated financial statements of our other 50% or less owned subsidiaries accounted for by the equity method are not summarized herein and have been omitted because, in the aggregate, they would not constitute a significant subsidiary.

Schedules not included herein are omitted because they are inapplicable or not required or because the required information is given in the consolidated financial statements and notes thereto.

3. **Exhibits**

Management contracts and compensatory plans and arrangements are listed as Exhibits 10(a) through 10(z) below.

3	(a)	Olin's Restated Articles of Incorporation as amended effective May 8, 1997—Exhibit 3(a) to Olin's Form 10-Q for the quarter ended June 30, 2003.*
	(b)	By-laws of Olin as amended effective January 27, 2006—Exhibit 3(b) to Olin's Form 8-K dated December 27, 2005.*
4	(a)	Articles of Amendment designating Series A Participating Cumulative Preferred Stock, par value $1 per share—Exhibit 2 to Olin's Form 8-A dated February 21, 1996, covering Series A Participating Cumulative Preferred Stock Purchase Rights.*
	(b)	Form of Senior Debt Indenture between Olin and Chemical Bank—Exhibit 4(a) to Form 8-K dated June 15, 1992; Supplemental Indenture dated as of March 18, 1994 between Olin and Chemical Bank—Exhibit 4(c) to Registration Statement No. 33-52771 and Second Supplemental Indenture dated as of December 11, 2001 between Olin and JPMorgan Chase Bank, formerly known as Chemical Bank—Exhibit 4 to Form 8-K dated December 20, 2001.*
	(c)	Credit Agreement dated as of July 30, 2004 among Olin and the banks named therein—Exhibit 4(d) to Olin's Form 10-Q for the quarter ended June 30, 2004.*
	(d)	9.125% Senior Note Due 2011—Exhibit 4(f) to Olin's Form 10-K for 2001.*
		We are party to a number of other instruments defining the rights of holders of long-term debt. No such instrument authorizes an amount of securities in excess of 10% of the total assets of Olin and its subsidiaries on a consolidated basis. Olin agrees to furnish a copy of each instrument to the Commission upon request.
10	(a)	1988 Stock Option Plan for Key Employees of Olin Corporation and Subsidiaries as amended through January 30, 2003—Exhibit 10(a) to Olin's Form 10-K for 2002.*
	(b)	Employee Deferral Plan as amended and restated effective as of January 30, 2003—Exhibit 10(b) to Olin's Form 10-K for 2002.*
	(b)(1)	Amendment to Employee Deferral Plan effective January 1, 2005.
	(c)	Olin Senior Executive Pension Plan amended as of July 27, 2000 and as amended by resolutions adopted on May 27, 2005—Exhibit 10(d) to Olin's Form 10-Q for the quarter ended September 30, 2000 and Exhibit 10.2 to Olin's Form 8-K dated May 31, 2005, respectively.*
	(c)(1)	Amendment to Olin Senior Executive Pension Plan effective May 27, 2005.
	(d)	Olin Supplemental Contributing Employee Ownership Plan as amended and restated effective January 1, 2005 and as amended by resolutions adopted on May 27, 2005-Exhibit 10(d) to Olin's Form 10-Q for the quarter ended March 31, 2005 and Exhibit 10.2 to Olin's Form 8-K dated May 31, 2005, respectively.*
	(d)(1)	Amendment to Olin Supplemental Contributing Employee Ownership Plan effective May 27, 2005.
	(e)	Olin Corporation Key Executive Life Insurance Program—Exhibit 10(e) to Olin's Form 10-K for 2002.*
	(f)	Form of executive agreement between Olin and certain executive officers dated November 1, 2002—Exhibit 10(f) to Olin's Form 10-K for 2002.*
	(g)	Form of Notice of Intention to Terminate Executive Agreements with certain executives—Exhibit 10.1 to Olin's Form 8-K dated August 3, 2005.*
	(h)	Form of executive agreement between Olin and certain executive officers-Exhibit 99.1 to Olin's Form 8-K dated January 28, 2005.*
	(i)	Form of executive change-in-control agreement between Olin and certain executive officers-Exhibit 99.2 to Olin's Form 8-K dated January 28, 2005.*
	(j)	Olin 1991 Long Term Incentive Plan, as amended through January 30, 2003—Exhibit 10(g) to Olin's Form 10-K for 2002.*

(k) Amended and Restated 1997 Stock Plan for Non-Employee Directors as amended effective January 27, 2006.
(l) Olin Senior Management Incentive Compensation Plan, as amended through January 26, 2005-Appendix B to Olin's 2005 Proxy Statement dated March 15, 2005.*
(l)(1) Amendment to Olin Senior Management Incentive Compensation Plan effective January 1, 2005.
(m) Description of Restricted Stock Unit Awards granted under the 2000 Long Term Incentive Plan—Exhibit 10(m) to Olin's Form 10-K for 2001.*
(n) Description of Restricted Stock Unit Awards granted under the 2003 Long Term Incentive Plan—Exhibit 10(m) to Olin's Form 10-K for 2004.*
(o) 1996 Stock Option Plan for Key Employees of Olin Corporation and Subsidiaries as amended as of January 30, 2003—Exhibit 10(l) to Olin's Form 10-K for 2002.*
(p) Olin Supplementary and Deferral Benefit Pension Plan restated as of February 8, 1999—Exhibit 10(s) to Olin's Form l0-Q for the quarter ended March 31, 1999.*
(q) Olin Corporation 2000 Long Term Incentive Plan as amended through January 30, 2003—Exhibit 10(n) to Olin's Form 10-K for 2002.*
(r) Olin Corporation 2003 Long Term Incentive Plan—Exhibit 10(o) to Olin's Form 10-K for 2002.*
(s) 2001 Performance Share Program—Exhibit 10(w) to Olin's Form 10-Q for quarter ended March 31, 2001.*
(t) 2004 Performance Share Program—Exhibit 10(s) to Olin's Form 10-K for 2004.*
(u) 2005 Performance Share Program—Exhibit 10(t) to Olin's Form 10-K for 2004.*
(v) 2006 Performance Share Program.
(w) Chase Industries Inc. 1994 Long-Term Incentive Plan, as amended as of May 14, 1997 and First Amendment effective as of November 19, 1999—Exhibit 10.5 to Chase Industries Inc. Form 10-K for 1998 and Exhibit 10.7 to Chase Industries Inc. Form 10-K for 1999, respectively—SEC file No. 1-13394.*
(x) Chase Industries Inc. 1997 Non-Employee Director Stock Option Plan, as amended May 26, 1998 and First Amendment effective as of November 19, 1999—Exhibit 10.6 to Chase Industries Inc. Form 10-K for 1998 and Exhibit 10.9 to Chase Industries Inc. Form 10-K for 1999, respectively—SEC file No. 1-13394.*
(y) Form of Voluntary Employment Separation Agreement and Release with certain executive officers-Exhibit 10(u) to Olin's Form 10-K for 2003.*
(z) Letter Agreement with G. H. Pain dated January 29, 2004-Exhibit 10(v) to Olin's Form 10-K for 2003.*
(aa) Limited Waiver of Executive Agreement Provisions with G. H. Pain—Exhibit 10(z) to Olin's Form 10-K for 2004.*
(bb) Summary of Stock Option Continuation Policy.
(cc) Distribution Agreement between Olin Corporation and Arch Chemicals, Inc., dated as of February 1, 1999—Exhibit 2.1 to Olin's Form 8-K filed February 23, 1999.*
(dd) Partnership Agreement between Olin SunBelt, Inc. and 1997 Chloralkali Venture Inc. dated August 23, 1996—Exhibit 99.1 to Olin's Form 8-K dated December 3, 2001.*
(ee) Amendment to Partnership Agreement between Olin SunBelt, Inc. and 1997 Chloralkali Venture Inc. dated December 23, 1997—Exhibit 99.2 to Olin's Form 8-K dated December 3, 2001.*
(ff) Amendment to Partnership Agreement between Olin SunBelt, Inc. and 1997 Chloralkali Venture Inc. dated December 23, 1997—Exhibit 99.3 to Olin's Form 8-K dated December 3, 2001.*
(gg) Amendment to Partnership Agreement between Olin SunBelt, Inc. and 1997 Chloralkali Venture Inc. dated April 30, 1998—Exhibit 99.4 to Olin's Form 8-K dated December 3, 2001.*
(hh) Amendment to Partnership Agreement between Olin SunBelt, Inc. and 1997 Chloralkali Venture Inc. dated January 1, 2003—Exhibit 10(aa) to Olin's Form 10-K for 2002.*
(ii) Note Purchase Agreement dated December 22, 1997 between the SunBelt Chlor Alkali Partnership and the Purchasers named therein—Exhibit 99.5 to Olin's Form 8-K dated December 3, 2001.*
(jj) Guarantee Agreement dated December 22, 1997 between Olin and the Purchasers named therein—Exhibit 99.6 to Olin's Form 8-K dated December 3, 2001.*
(kk) Subordination Agreement dated December 22, 1997 between Olin and the Subordinated Parties named therein—Exhibit 99.7 to Olin's Form 8-K dated December 3, 2001.*

11 Computation of Per Share Earnings (included in the Note—"Earnings Per Share" to Notes to Consolidated Financial Statements in Item 8.)
12 Computation of Ratio of Earnings to Fixed Charges (unaudited).
21 List of Subsidiaries.
23.1 Consent of KPMG LLP.
31.1 Section 302 Certification Statement of Chief Executive Officer.
31.2 Section 302 Certification Statement of Chief Financial Officer.
32 Section 906 Certification Statement of Chief Executive Officer and Chief Financial Officer.

* Previously filed as indicated and incorporated herein by reference. Exhibits incorporated by reference are located in SEC file No. 1-1070 unless otherwise indicated.

Any of the foregoing exhibits are available from the Company by writing to: Mr. George H. Pain, Vice President, General Counsel and Secretary, Olin Corporation, 190 Carondelet Plaza, Suite 1530, Clayton, MO 63105-3443.

Shareholders may obtain information from Mellon Investor Services LLC, our registrar and transfer agent, who also manages our Automatic Dividend Reinvestment Plan by writing to: Mellon Investor Services LLC, 480 Washington Boulevard, Jersey City, NJ 07310, by telephone at (800) 306-8594 or via the Internet at www.melloninvestor.com.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 2, 2006

OLIN CORPORATION

By /s/ JOSEPH D. RUPP

Joseph D. Rupp
Chairman, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ JOSEPH D. RUPP **Joseph D. Rupp**	Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)	March 2, 2006
/s/ DONALD W. BOGUS **Donald W. Bogus**	Director	March 2, 2006
/s/ C. ROBERT BUNCH **C. Robert Bunch**	Director	March 2, 2006
/s/ DONALD W. GRIFFIN **Donald W. Griffin**	Director	March 2, 2006
/s/ JAMES G. HASCALL **James G. Hascall**	Director	March 2, 2006
/s/ VIRGINIA A. KAMSKY **Virginia A. Kamsky**	Director	March 2, 2006
/s/ RANDALL W. LARRIMORE **Randall W. Larrimore**	Director	March 2, 2006
/s/ JOHN M. B. O'CONNOR **John M. B. O'Connor**	Director	March 2, 2006
/s/ RICHARD M. ROMPALA **Richard M. Rompala**	Director	March 2, 2006
/s/ ANTHONY W. RUGGIERO **Anthony W. Ruggiero**	Director	March 2, 2006
/s/ PHILIP J. SCHULZ **Philip J. Schulz**	Director	March 2, 2006
/s/ JOHN E. FISCHER **John E. Fischer**	Vice President and Chief Financial Officer (Principal Financial Officer)	March 2, 2006
/s/ TODD A. SLATER **Todd A. Slater**	Vice President and Controller (Principal Accounting Officer)	March 2, 2006

Exhibit 10(b)(1)

BENEFIT PLAN REVIEW COMMITTEE OF OLIN CORPORATION

AMENDMENT TO THE
OLIN CORPORATION EMPLOYEE DEFERRAL PLAN
(As amended and restated effective January 30, 2003)

Olin Corporation (the "Company") currently maintains the Olin Corporation Employee Deferral Plan (the "Plan"). In Section 15 of the Plan, the Company reserved the right to amend the Plan. Pursuant to the authority granted to the Benefit Plan Review Committee of Olin Corporation ("the Committee"), effective as of January 1, 2005, the Committee hereby amends the Plan in the following manner:

1. Section 1 of the Plan is amended by adding the following:

"Notwithstanding anything in the Plan to the contrary, effective as of January 1, 2005, the Plan shall be frozen and shall not permit any deferrals of compensation on or after such date. The provisions of the Plan shall continue in all other respects, including (without limitation) the distribution and participant account provisions. As a frozen plan, the Plan is intended to be exempt from the requirements of Internal Revenue Code Section 409A, and its administration and interpretation will be effected with such intent."

2. Section 7 of the Plan is amended by adding the following subsection (c):

"(c) *No Elections after 2004* . Notwithstanding anything in the foregoing sections to the contrary, Participants will not be allowed to make any Elections (or changes to Elections) providing for Participant deferrals of Compensation after December 31, 2004."

Exhibit 10(c)(1)

BENEFIT PLAN REVIEW COMMITTEE OF OLIN CORPORATION

AMENDMENT TO THE
OLIN SENIOR EXECUTIVE PENSION PLAN
(As amended and restated effective July 27, 2000)

Olin Corporation (the "Company") currently maintains the Olin Senior Executive Pension Plan (the "Plan"). In Section 7.1 of the Plan, the Company reserved the right to amend the Plan. Pursuant to the authority granted to the Benefit Plan Review Committee of Olin Corporation ("the Committee"), the Committee hereby amends the Plan in the following manner:

Article IV of the Plan is amended by adding the following Section 4.8:

"4.8. Effective May 27, 2005, the Plan is amended to add a Participation Termination Provision, provided that such provision shall be subject to the following requirements: (i) the Company, in its sole discretion, consents to each election, (ii) the Company determines the form and terms of any termination election (which form and terms may vary among participants), (iii) in accordance with the 409A Guidance, the Participant shall receive his accrued but unpaid Plan benefit as soon as administratively feasible following such termination, provided that such payment(s) will be made on or before December 31, 2005, or if later, the taxable year in which the amount is earned and vested, and (iv) only participants who terminate employment with the Company on or before December 31, 2005 are eligible to elect to terminate their Plan participation (subject to the Company consent contained in item (i)).

"Participation Termination Provision" shall mean an election to terminate participation in the Plan upon a Participant's termination of employment on or before December 31, 2005, consistent with applicable Internal Revenue Service guidance for Code Section 409A, including without limitation, IRS Notice 2005-1, as amended (referred to herein as the "409A Guidance").

Effective as of May 27, 2005, this Section 4.8 is further amended so that no Participant other than Anthony W. Ruggiero may make a termination election under this Section 4.8."

Exhibit 10(d)(1)

BENEFIT PLAN REVIEW COMMITTEE OF OLIN CORPORATION

AMENDMENT TO THE OLIN CORPORATION
SUPPLEMENTAL CONTRIBUTING EMPLOYEE OWNERSHIP PLAN
(As amended and restated effective January 1, 2005)

Olin Corporation (the “Company”) currently maintains the Olin Corporation Supplemental Contributing Employee Ownership Plan (the “Plan”). In Section 7.1 of the Plan, the Company reserved the right to amend the Plan. Pursuant to the authority granted to the Benefit Plan Review Committee of Olin Corporation (“the Committee”), the Committee hereby amends the Plan in the following manner:

1. Article IV of the Plan is amended by adding the following Section 4.7:

“4.7. Effective May 27, 2005, the Plan is amended to add a Participation Termination Provision, provided that such provision shall be subject to the following requirements: (i) the Company, in its sole discretion, consents to each election, (ii) the Company determines the form and terms of any termination election (which form and terms may vary among participants), (iii) in accordance with the 409A Guidance, the SCEOP Participant shall receive his accrued but unpaid Plan benefit as soon as administratively feasible following such termination, provided that such payment(s) will be made on or before December 31, 2005, or if later, the taxable year in which the amount is earned and vested, and (iv) only SCEOP Participants who terminate employment with the Company on or before December 31, 2005 are eligible to elect to terminate their Plan participation (subject to the Company consent contained in item (i)). Subject to other terms and conditions of the Plan, a SCEOP Participant terminating participation under this Section 4.7 remains eligible for the Excess Company Matching Contribution payable with respect to any 2005 SCEOP Participant Contributions, if and when paid.

“Participation Termination Provision” shall mean an election to terminate participation in the Plan upon a Participant’s termination of employment on or before December 31, 2005, consistent with applicable Internal Revenue Service guidance for Code Section 409A, including without limitation, IRS Notice 2005-1, as amended (referred to herein as the “409A Guidance”).

Effective as of May 27, 2005, this Section 4.7 is further amended so that no SCEOP Participant other than Anthony W. Ruggiero may make a termination election under this Section 4.7.”

Exhibit 10(k)

OLIN CORPORATION
AMENDED AND RESTATED
1997 STOCK PLAN FOR NON-EMPLOYEE DIRECTORS

(As Amended Effective January 27, 2006)

1. Purpose. The purpose of the Olin Corporation 1997 Stock Plan for Non-employee Directors the (“Plan”) is to promote the long-term growth and financial success of Olin Corporation by attracting and retaining non-employee directors of outstanding ability and by promoting a greater identity of interest between its non-employee directors and its shareholders.

2. Definitions. The following capitalized terms utilized herein have the following meanings:

“Board” means the Board of Directors of the Company.

“Cash Account” means an account established under the Plan for a Non-employee Director to which cash meeting fees, Board Chairman fees, Lead Director Fees, Committee Chair fees and retainers, or other amounts under the Plan, have been or are to be credited in the form of cash.

“Change in Control” means the occurrence of any of the following events:

(a) any person or Group acquires ownership of Olin’s stock that, together with stock held by such person or Group, constitutes more than 50% of the total fair market value or total voting power of Olin’s stock, (including an increase in the percentage of stock owned by any person or Group as a result of a transaction in which Olin acquires its stock in exchange for property, provided that the acquisition of additional stock by any person or Group deemed to own more than 50% of the total fair market value or total voting power of Olin’s stock on January 1, 2005, shall not constitute a Change in Control); or

(b) any person or Group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or Group) ownership of Olin stock possessing 35% or more of the total voting power of Olin stock; or

(c) a majority of the members of Olin’s board of directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of Olin’s board of directors prior to the date of the appointment or election; or

(d) any person or Group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or Group) assets from Olin that have a total Gross Fair Market Value equal to 40% or more of the total Gross Fair Market Value of all Olin assets immediately prior to such acquisition or acquisitions, provided that there is no Change in Control when Olin's assets are transferred to:

(i) a shareholder of Olin (immediately before the asset transfer) in exchange for or with respect to Olin stock;

(ii) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by Olin;

(iii) a person or Group that owns, directly or indirectly, 50% or more of the total value or voting power of all outstanding Olin stock; or

(iv) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a person described in paragraph (iii).

For purposes of this paragraph (d) a person's status is determined immediately after the transfer of the assets. For example, a transfer to a corporation in which Olin has no ownership interest before the transaction, but which is a majority-owned subsidiary of Olin after the transaction is not a Change in Control.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Compensation Committee (or its successor) of the Board.

"Common Stock" means the Company's Common Stock, $1.00 par value per share.

"Company" means Olin Corporation, a Virginia corporation, and any successor.

"Credit Date" means the second Thursday in February, May, August and November and one week after the regularly scheduled board meeting in December or, in the event the December board meeting extends for more than one day, one week after the first day of such regularly scheduled board meeting held in December.

"Disability" means the Non-Employee Director:

(a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or

(b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan from the Non-Employee Director's employer.

"Excess Retainer" means with respect to a Non-employee Director the amount of the full annual cash retainer payable to such Non-employee Director from time to time by the Company for service as a director in excess of $25,000, if any; provided that in the event the annual cash retainer is prorated to reflect that such Non-employee Director did not serve as such for the full calendar year, the $25,000 shall be similarly prorated.

"Fair Market Value" means, with respect to a date, on a per share basis, with respect to phantom shares of Common Stock or Spin-Off Company Common Stock, the average of the high and the low price of a share of Common Stock or Spin-Off Company Common Stock, as the case may be, as reported on the consolidated tape of the New York Stock Exchange on such date or if the New York Stock Exchange is closed on such date, the next succeeding date on which it is open.

"Gross Fair Market Value" means the value of assets determined without regard to any liabilities associated with such assets.

"Group" means persons acting together for the purpose of acquiring Olin stock and includes owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with Olin. If a person owns stock in both Olin and another corporation that enter into a merger, consolidation purchase or acquisition of stock, or similar transaction, such person is considered to be part of a Group only with respect to ownership prior to the merger or other transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons will not be considered to be acting as a Group solely because they purchase assets of the same corporation at the same time, or as a result of the same public offering.

"Interest Rate" effective as of January 1, 2005, means the rate of interest equal to the Federal Reserve A1/P1 Composite rate for 90 day commercial paper plus 10 basis points, or such other specified, non-discretionary interest rate (or formula describing such rate) established by the Committee on a prospective basis.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Non-employee Director" means a member of the Board who is not an employee of the Company or any subsidiary thereof.

"Olin Stock Account" means the Stock Account to which phantom shares of Common Stock are credited from time to time.

"Plan" means this Olin Corporation 1997 Stock Plan for Non-employee Directors as amended from time to time.

"Prior Plans" means the 1994 Plan and all of the Corporation's other directors' compensation plans, programs, or arrangements which provided for a deferred cash or stock account.

"Retirement Date" means the date the Non-employee Director (i) ceases to be a member of the Board for any reason and (ii) effective as of January 1, 2005, has experienced a "separation from service" as that term is used in Code Section 409A.

"Spin-Off Company" means Arch Chemicals, Inc., a Virginia corporation and any successor.

"Spin-Off Company Common Stock" means shares of common stock of the Spin-Off Company, par value $1.00 per share.

"Spin-Off Company Stock Account" means the Stock Account to which phantom shares of Spin-Off Company Common Stock are credited.

"Stock Account" means an account established under the Plan for a Non-employee Director to which shares of Common Stock and Spin-Off Company Common Stock have been or are to be credited in the form of phantom stock, which shall include the Olin Stock Account and the Spin-Off Company Stock Account.

3. Term. The Plan originally became effective January 1, 1997, and was last amended and restated effective as of December 9, 2005. The Plan is Amended and Restated as of January 27, 2006, except as otherwise provided for herein. Notwithstanding the foregoing, those provisions required for compliance with Code Section 409A shall be generally effective as of January 1, 2005 or as otherwise specifically set forth herein.

4. Administration. Full power and authority to construe, interpret and administer the Plan shall be vested in the Committee. Decisions of the Committee shall be final, conclusive and binding upon all parties.

5. Participation. All Non-employee Directors shall participate in the Plan.

6. Grants and Deferrals.

(a) Annual Stock Grant. Subject to the terms and conditions of the Plan, on the first Credit Date each year, each Non-employee Director shall be credited with a number of shares of Common Stock with an aggregate Fair Market Value on such Credit Date equal to $45,000, rounded to the nearest 100 shares. To be entitled to such credit in any calendar year, a Non-employee Director must be serving as such on January 1 of such year; provided, however, that in the event a person becomes a Non-employee Director subsequent to January 1 of a calendar year, such Non-employee Director, on the Credit Date next following his or her becoming such, shall be credited with that number of shares of Common Stock equal to one-twelfth of the number of shares issued to each other Non-employee Director as the Annual Stock Grant for such year, multiplied by the number of whole calendar months remaining in such calendar year following the date he or she becomes a Non-employee Director (rounded up to the next whole share in the event of a fractional share). Actual receipt of shares shall be deferred and each eligible Non-employee Director shall receive a credit to his or her Olin Stock Account for such shares on the date of such credit. A Non-employee Director may elect in accordance with Section 6(f) to defer to his or her Olin Stock Account receipt of all or any portion of such shares after such Non-employee Director's Retirement Date. Except with respect to any shares the director has so elected to defer, certificates representing such shares shall be delivered to the Non-employee Director (or in the event of death, to his or her beneficiary designated pursuant to Section 6(i)) as soon as practicable following such Non-employee Director's Retirement Date.

(b) Annual Retainer Stock Grant. Subject to the terms and conditions of the Plan, each Non-employee Director who is such on January 1 of that year shall receive that number of shares (rounded up to the next whole share) of Common Stock having an aggregate Fair Market Value of $25,000 on the first Credit Date in such year. In the event a person becomes in a calendar year a Non-employee Director subsequent to January 1 and has not received the annual stock retainer for such calendar year, such person, on the Credit Date next following his or her becoming such, shall receive that number of shares of Common Stock equal to one-twelfth of the number of shares issued to each other Non-employee Director as the Annual Retainer Stock Grant for such year, multiplied by the number of whole calendar months remaining in such calendar year following the date he or she becomes a Non-employee Director (rounded up to the next whole share in the event of a fractional share). The annual cash retainer payable to the Non-employee Director shall be payable on the first Credit Date of each year, and shall be reduced by the aggregate Fair Market Value of the shares the Non-employee Director receives or defers as the Annual Retainer Stock Grant (excluding any rounding of fractional shares) on the date such Fair Market Value is calculated. A Non-employee Director may elect to defer receipt of all or any portion of such shares in accordance with Section 6(f). Except with respect to any shares the director has so elected to defer, certificates representing such shares shall be delivered to such Non-employee Director (or in the event of death, to his or her beneficiary designated pursuant to Section 6(i)) as soon as practicable following the applicable Credit Date.

(c) One-time Stock Grant. Subject to the terms and conditions of the Plan, receipt of all shares of Olin Stock credited under the one-time grants to certain Non-employee Directors that the Company made as of January 15, 1997, shall be deferred. Such Non-employee Directors may elect in accordance with Section 6(f) to defer receipt of all or any portion of such shares to a date or dates following such Non-employee Director's Retirement Date. Except with respect to any shares so deferred, certificates representing such shares shall be delivered to such Non-employee Directors (or in the event of death, to his or her beneficiary designated pursuant to Section 6(i)) as soon as practicable following his or her Retirement Date.

(d) Payment of Meeting Fees, Chairman of the Board Fees, Lead Director Fees, Committee Chair Fees and Excess Retainer and Election to Receive Fees in Stock in Lieu of Cash. Cash payments of meeting fees shall be made on the first Credit Date following the meeting date, cash payments of Committee Chair fees shall be made on the second Credit Date of each year, and cash payments of Chairman of the Board fees and Lead Director fees shall be made in four equal payments on the first four Credit Dates of each year. Subject to the terms and conditions of the Plan, a Non-employee Director may elect to receive all or a portion of the director meeting fees, fees as Chairman of the Board, fees as Lead Director, fees as a Committee Chair and the Excess Retainer payable in cash by the Company for his or her service as a director for the calendar year in the form of shares of Common Stock. Such election shall be made in accordance with Section 6(f). A Non-employee Director who so elects to receive all or a portion of the Excess Retainer or other fees in the form of shares for such year shall be paid on the Credit Date on which the cash portion of the Excess Retainer or the other fees, as the case may be, would have been paid The number of shares (rounded up to the next whole share in the event of a fractional share) payable to a Non-employee Director who so elects to receive the Excess Retainer or meeting fees, Board Chairman fees, Lead Director fees or Committee Chair fees in the form of shares shall be equal to the aggregate Fair Market Value on the relevant Credit Date. Except with respect to any shares the director has elected to defer in accordance with Section 6(f), certificates representing such shares shall be delivered to the Non-employee Director as soon as practicable following the applicable Credit Date.

(e) Deferral of Meeting Fees, Chairman of the Board Fees, Lead Director Fees, Committee Chair Fees and Excess Retainer. Subject to the terms and conditions of the Plan, a Non-employee Director may elect to defer all or a portion of the shares payable under Section 6(d) and all or a portion of the director meeting fees, fees as Chairman of the Board, fees as Lead Director, fees as a Committee Chair and Excess Retainer payable in cash by the Company for his or her service as a director for the calendar year. Such election shall be made in accordance with Section 6(f). A Non-employee Director who elects to so defer shall have any deferred shares deferred in the form of shares of Common Stock and any deferred cash fees and retainer deferred in the form of cash.

(f) Elections.

(1) Deferrals. Effective as of January 1, 2005, all elections to defer payment of compensation under this Plan shall:

- be made in writing and delivered to the Secretary of the Company,
- be irrevocable once the year to which the election relates commences,
- be made before January 1 of the year in which the shares of Common Stock or director’s fees and retainer are to be earned (or, in the case of an individual who becomes a Non-employee Director during a calendar year, prior to the date of his or her election as a director
- specify the portions (in 25% increments) to be deferred.

(2) Stock and Cash Account Payments. Effective as of January 1, 2005, Stock and Cash Accounts shall be paid in a single lump sum payment within 30 days of the Non-employee Director's Retirement Date unless the Non-employee Director makes an election as set forth below:

- a payment election, if any, shall be made on or before the earlier of:
    - the time such individual makes any deferral election under the Plan, or
    - the end of the 30 day period following the date an individual first becomes a Non-employee Director
- a payment election may specify a payment date (month and year), provided such date is after the Non-employee Director's Retirement Date
- a payment election may specify the method of payment (lump sum or annual installments (up to 10))
- notwithstanding any election, Plan payments will be made (or annual installments will begin) upon a Non-employee Director's death
- payments shall be made (or annual installments shall commence) within 30 days of the prescribed payment date
- any payment election shall be irrevocable except as permitted in Section 6(f)(4) below.

(3) Dividends and Interest on Stock and Cash Accounts. Dividends and interest on Stock and Cash Accounts shall be paid currently unless the Non-employee Director makes an election to have such amounts credited back to the appropriate account (and shall be payable in accordance with Sections 6(f)(2) and (4) herein), provided that such election is made within the time prescribed by Section 6(f)(2) above (including the transition payment elections of Section 6(f)(4).

(4) Change in Payment Election. Any change with respect to a Non-employee Director's payment election under the Plan will not be effective for one year, must be made at least one (1) year in advance of the first date payment is scheduled and must further defer all payments by at least five (5) years from the prior scheduled payment date. Notwithstanding the foregoing, for the transition period beginning January 1, 2005 and ending December 31, 2006, any Non-employee Director may make a payment election in accordance with Code Section 409A (and applicable IRS transition relief), in the time and manner prescribed by the Committee and subject to the following provisions. After December 31, 2006, any effective transition payment elections shall be irrevocable for the duration of a Non-employee Director's participation in the Plan except as set forth in the first sentence of this Section 6(f)(4). No election made in 2006 under this transition relief will apply to amounts that would otherwise be payable in 2006, nor may such election cause an amount to be paid in 2006 that would not otherwise be payable in 2006. No election under this transition relief may be made retroactively, when Plan payments are imminent, or after a Non-employee Director has left the Board.

(5) Olin Stock Account. On the Credit Date (or in the case of a proration, on the first day of the appropriate calendar month), a Non-employee Director who has elected to defer shares under Sections 6(b) or 6(e) shall receive a credit to his or her Olin Stock Account. The amount of such credit shall be the number of shares so deferred (rounded to the next whole share in the event of a fractional share). A Non-employee Director may elect to defer the cash dividends paid on his or her Stock Account in accordance with Section 6(f)(3).

(6) Cash Account. On the Credit Date or in the case of the Excess Retainer, on the day on which the Non-employee Director is entitled to receive such Excess Retainer, a Non-employee Director who has elected to defer cash fees and/or the Excess Retainer under Section 6(e) in the form of cash shall receive a credit to his or her Cash Account. The amount of the credit shall be the dollar amount of such Director's meeting fees, Board Chairman fees, Lead Director fees or Committee Chair fees earned during the immediately preceding quarterly period or the amount of the Excess Retainer to be paid for the calendar year, as the case may be, and in each case, specified for deferral in cash. A Non-employee Director may elect to defer interest paid on his or her Cash Account in accordance with Section 6(f)(3).

(7) Installment Payments. Installment payments from an Account shall be equal to the Account balance (expressed in shares in the case of the Stock Account, otherwise the cash value of the Account) at the time of the installment payment times a fraction, the numerator of which is one and the denominator of which is the number of installments not yet paid. Fractional shares to be paid in any installment shall be rounded up to the next whole share. In the event of an election under Section 6(d) for director meeting fees, Board Chairman fees, Lead Director fees, Committee Chair fees or Excess Retainer to be paid in shares of Common Stock, the election shall specify the portion (in 25% increments) to be so paid.

(8) Dividends and Interest. Each time a cash dividend is paid on Common Stock or Spin-Off Company Common Stock, a Non-employee Director who has shares of such stock credited to his or her Stock Account shall be paid on the dividend payment date such cash dividend in an amount equal to the product of the number of shares credited to the Non-employee Director's Olin Stock Account or Spin-Off Company Stock Account, as the case may be, on the record date for such dividend times the dividend paid per applicable share unless the director has elected to defer such dividend to his or her applicable Stock Account as provided herein. If the Non-employee Director has elected to defer such dividend, he or she shall receive a credit for such dividends on the dividend payment date to his or her Olin Stock Account or Spin-Off Company Stock Account, as the case may be. The amount of the dividend credit shall be the number of shares (rounded to the nearest one-thousandth of a share) determined by multiplying the dividend amount per share by the number of shares credited to such director's applicable Stock Account as of the record date for the dividend and dividing the product by the Fair Market Value per share of Common Stock or Spin-Off Company Common Stock, as the case may be, on the dividend payment date. A Non-employee Director who has a Cash

Account shall be paid interest directly on such account's balance at the end of each calendar quarter, payable at a rate equal to the Interest Rate in effect for such quarter unless such Non-employee Director has elected to defer such interest to his or her Cash Account, in which case such interest shall be credited to such Cash Account at the end of each calendar quarter.

(9) Payouts. Cash Accounts and the Spin-Off Company Stock Account will be paid out in cash and Olin Stock Accounts shall be paid out in shares of Common Stock unless the Non-employee Director elects at the time the payment is due to take the Olin Stock Account in cash. Cash amounts and certificates representing shares credited to the Olin Stock Account shall be delivered to the Non-employee Director as soon as practicable following the termination of the deferral and consistent therewith.

(g) No Stock Rights. Except as expressly provided herein, the deferral of shares of Common Stock or Spin-Off Company Common Stock into a Stock Account shall confer no rights upon such Non-employee Director, as a shareholder of the Company or of the Spin-Off Company or otherwise, with respect to the shares held in such Stock Account, but shall confer only the right to receive such shares credited as and when provided herein.

(h) Change in Control. Notwithstanding anything to the contrary in this Plan or any election, in the event a Change in Control occurs, amounts and shares credited to Cash Accounts (including interest accrued to the date of payout) and Stock Accounts shall be promptly distributed to Non-employee Directors except the Olin Stock Account shall be paid out in cash and not in the form of shares of Common Stock. For this purpose, the cash value of the amount in the Stock Account shall be determined by multiplying the number of shares held in the Olin Stock Account or the Spin-Off Company Stock Account by the higher of (i) the highest Fair Market Value of Common Stock or Spin-Off Company Common Stock, as appropriate, on any date within the period commencing 30 days prior to such Change in Control and ending on the date of the Change in Control, or (ii) if the Change in Control occurs as a result of a tender or exchange offer or consummation of a corporate transaction, then the highest price paid per share of Common Stock or Spin-Off Company Common Stock, as appropriate, pursuant thereto.

(i) Beneficiaries. A Non-employee Director may designate at any time and from time to time a beneficiary for his or her Stock and Cash Accounts in the event his or her Stock or Cash Account may be paid out following his or her death. Such designation shall be in writing and must be received by the Company prior to the death to be effective.

(j) Prior Plan Accounts. Any transfers made to a Cash Account or a Stock Account from Prior Plans shall be maintained and administered pursuant to the terms and conditions of this Plan; provided that prior annual 100- or 204-share grant deferrals shall be treated as deferrals of 204-share grants under this Plan, the $25,000 annual share grant under the 1994 Plan shall be treated as deferrals under Paragraph 6(b) hereof and deferrals of meeting fees under all Prior Plans and of the Excess Retainer under the 1994 Plan shall be treated as deferrals under Paragraph 6(d) hereof. Prior elections and beneficiary designations under the 1994 Plan and this Plan shall govern this Plan unless changed subsequent to October 2, 1997.

(k) Stock Account Transfers. A Non-Employee Director may elect from time to time to transfer all or a portion (in 25% increments) of his or her Spin-Off Company Stock Account to his or her Olin Stock Account. The amount of phantom shares of Common Stock to be credited to a Non-Employee Director's Olin Stock Account shall be equal to the number of shares of Common Stock that could be purchased if the number of phantom shares of Spin-Off Company Common Stock in his or her Spin-Off Company Stock Account being transferred were sold and the proceeds reinvested in Common Stock based on the Fair Market Value of each. Except as provided in Section 6(f)(8) with respect to dividends or in Section 8, no additional contributions or additions may be made to a Non-Employee Director's Spin-Off Company Stock Account after the Distribution Date.

7. Limitations and Conditions.

(a) Total Number of Shares. The total number of shares of Common Stock that may be issued to Non-employee Directors under the Plan is 550,000, which may be increased or decreased by the events set forth in Section 8. Such total number of shares may consist, in whole or in part, of authorized but unissued shares. If any shares granted under this Plan are not delivered to a Non-employee Director or a beneficiary because the payout of the grant is settled in cash, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares available for delivery under the Plan. No fractional shares shall be issued hereunder. In the event a Non-employee Director is entitled to a fractional share, such share amount shall be rounded upward to the next whole share amount.

(b) No Additional Rights. Nothing contained herein shall be deemed to create a right in any Non-employee Director to remain a member of the Board, to be nominated for reelection or to be reelected as such or, after ceasing to be such a member, to receive any cash or shares of Common Stock under the Plan which are not already credited to his or her accounts.

8. Stock Adjustments. In the event of any merger, consolidation, stock or other non-cash dividend, extraordinary cash dividend, split-up, spin-off, combination or exchange of shares or recapitalization or change in capitalization, or any other similar corporate event, the Committee may make such adjustments in (i) the aggregate number of shares of Common Stock that may be issued under the Plan as set forth in Section 7(a) and the number of shares that may be issued to a Non-employee Director with respect to any year as set forth in Section 6(a) and the number of shares of Olin Common Stock or Spin-Off Company Common Stock, as the case may be, held in a Stock Account, (ii) the class of shares that may be issued under the Plan and (iii) the amount and type of payment that may be made in respect of unpaid dividends on shares of Spin-Off Company Common Stock or Common Stock whose receipt has been deferred pursuant to Section 6(f), as the Committee shall deem appropriate in the circumstances. The determination by the Committee as to the terms of any of the foregoing adjustments shall be final, conclusive and binding for all purposes of the Plan.

9. Amendment and Termination. This Plan may be amended, suspended or terminated by action of the Board, except to the extent that amendments are required to be approved by the

Company’s shareholders under applicable law or the rules of the New York Stock Exchange or any other exchange or market system on which the Common Stock is listed or traded. No termination of the Plan shall adversely affect the rights of any Non-employee Director with respect to any amounts otherwise payable or credited to his or her Cash Account or Stock Account.

10. Nonassignability. No right to receive any payments under the Plan or any amounts credited to a Non-employee Director’s Cash or Stock Account shall be assignable or transferable by such Non-employee Director other than by will or the laws of descent and distribution or pursuant to a domestic relations order. The designation of a beneficiary under Section 6(i) by a Non-employee Director does not constitute a transfer.

11. Unsecured Obligation. Benefits payable under this Plan shall be an unsecured obligation of the Company.

12. Rule 16b-3 Compliance. It is the intention of the Company that all transactions under the Plan be exempt from liability imposed by Section 16(b) of the Exchange Act. Therefore, if any transaction under the Plan is found not to be in compliance with an exemption from such Section 16(b), the provision of the Plan governing such transaction shall be deemed amended so that the transaction does so comply and is so exempt, to the extent permitted by law and deemed advisable by the Committee, and in all events the Plan shall be construed in favor of its meeting the requirements of an exemption. Scheduled Plan payments will be delayed where the Committee reasonably anticipates that the making of the payment will violate Federal securities laws or other applicable law; provided that such payment shall be made at the earliest date at which the Committee reasonably anticipates that the making of the payment will not cause such violation.

13. Code Section 409A Compliance. To the extent any provision of the Plan or action by the Board or Committee would subject any Employee to liability for interest or additional taxes under Code Section 409A(a)(1)(B), it will be deemed null and void, to the extent permitted by law and deemed advisable by the Committee. It is intended that the Plan will comply with Code Section 409A, and the Plan shall be interpreted and construed on a basis consistent with such intent. The Plan may be amended in any respect deemed necessary (including retroactively) by the Committee in order to preserve compliance with Code Section 409A. If, regardless of the foregoing, any Non-employee Director is liable for interest or additional taxes under Code Section 409A(a)(1)(B) with respect to his or her Account (or a portion thereof), such Account (or applicable portion thereof) shall be paid at such time. The preceding shall not be construed as a guarantee of any particular tax effect for any benefits or amounts deferred or paid out under the Plan.

Exhibit 10(l)(1)

BENEFIT PLAN REVIEW COMMITTEE OF OLIN CORPORATION

AMENDMENT TO THE
OLIN SENIOR MANAGEMENT INCENTIVE COMPENSATION PLAN

Olin Corporation (the "Company") currently maintains the Olin Senior Management Incentive Compensation Plan (the "Plan"). In Section 7 of the Plan, the Company reserved the right to amend the Plan. Pursuant to the authority granted to the Benefit Plan Review Committee of Olin Corporation ("the Committee"), effective as of January 1, 2005, the Committee hereby amends the Plan in the following manner:

1. Section 4.1 of the Plan is amended by replacing the first sentence of the fourth paragraph with the following:

> "Incentive Awards for a fiscal year shall be determined as soon as practicable after such fiscal year and shall be paid no later than the 15th day of the third month following such fiscal year unless deferred as provided in Section 4.3 hereof."

Exhibit 10(v)

2006 PERFORMANCE SHARE PROGRAM

1. *Terms and Conditions*

   The terms and conditions of the Performance Share Awards granted under this Program are contained in the Performance Share Certificate evidencing such Award, this Program and the LTIP.

2. *Definitions*

   "LTIP" means the Olin Corporation 2003 Long Term Incentive Plan or the Olin Corporation 2000 Long Term Incentive Plan under which Performance Share Awards are granted under this Program.

   "Common Stock" means the common stock of Olin, par value $1.00 per share.

   "Final Share Number" has the meaning specified in Section 3 of this Program.

   "Olin" means Olin Corporation.

   "Performance Cycle" means, with respect to a Performance Share Award, a period of three calendar years, beginning with the calendar year in which such Performance Share Award is granted.

   "Performance Share Award" shall mean grants of "Performance Shares" and "Senior Performance Shares."

   "Performance Share" and Senior Performance Share" mean a unit granted under the LTIP and this Program, maintained on the books of the Company during the Performance Cycle, denominated as one phantom share of Common Stock, and paid in cash or Common Stock in accordance with this Program.

   "Program" means this 2006 Performance Share Program.

   "S&P ROC" shall mean the average annual return on capital (calculated in the same manner as Olin's Return on Capital) of a group composed of the Standard & Poor's 1000 Materials companies plus Mueller Industries, Inc.; Wolverine Tube, Inc.; Occidental Petroleum Corporation; Alliant Techsystems Inc.; PPG Industries, Inc.; and The Dow Chemical Company, broken out by quintiles.

   Capitalized terms not otherwise defined in this Program shall have the meaning specified in the LTIP.

3. Performance Share Awards

a. Awards of Senior Performance Shares (category A) under this Program granted pursuant to the LTIP are intended to be “performance-based compensation” as that term is used in Section 162(m) of the Code. Each Performance Share Award shall establish a target number of Performance Shares or Senior Performance Shares awarded to the Participant named in such Award.

b. The target number of Performance Shares for each Participant shall be adjusted based upon a comparison of Olin’s average annual Return on Capital during the Performance Cycle with the S&P ROC during the Performance Cycle, in accordance with the following chart:

If Olin’s Return on Capital for a Performance Cycle is in the:	***The % of the target number of Performance Shares paid will be:***
5 th Quintile of the S&P ROC	150%
4 th Quintile of the S&P ROC	125%
3 rd Quintile of the S&P ROC	100%
2 nd Quintile of the S&P ROC	50%
1 st Quintile of the S&P ROC	25%

c. The target number of Senior Performance Shares for each Participant shall be adjusted based upon a comparison of Olin’s average annual Return on Capital during the Performance Cycle with the S&P ROC during the Performance Cycle, in accordance with the following chart:

If Olin’s Return on Capital for a Performance Cycle is in the:	***The % of the target number of Senior Performance Shares paid will be:***	
	A Shares	**B Shares**
5 th Quintile of the S&P ROC	150%	150%
4 th Quintile of the S&P ROC	125%	125%
3 rd Quintile of the S&P ROC	100.0%	100%
2 nd Quintile of the S&P ROC	33.33%	100%
1 st Quintile of the S&P ROC	0%	100%

d. As soon as practicable after the end of a Performance Cycle, the Company shall calculate the appropriate adjustment, if any, to the target number of Performance Shares and Senior Performance Shares (the “Final Share Number”) for all Participants whose Performance Share Awards have vested at the end of such Performance Cycle.

4. *Vesting and Forfeiture*

a. Except as otherwise provided by the Committee, the LTIP, this Program or the Performance Share Award certificate, an interest in a Performance Share Award shall vest only if the Participant is an employee of the Company or a subsidiary on the last day of the relevant Performance Cycle.

b. If a Participant's employment with the Company or a subsidiary terminates for cause or without the Company's consent (other than as the result of the Participant's death, disability or retirement) before a Performance Share Award has vested, his or her Performance Share Award shall terminate and all rights under such Award shall be forfeited.

c. If a Participant's employment with the Company or a subsidiary terminates as the result of his or her disability, (as that term is defined in Section 409A of the Code or any successor provision), or retirement under any of the Company's retirement plans before a Performance Share Award has vested, the Participant shall be entitled to a pro rata Performance Share Award, payable solely in cash at the time that the Performance Share Award would otherwise be payable under Section 5. The cash payment shall be equal to the Final Share Number calculated in accordance with Sections 3 and 5 of this Program, multiplied by the Fair Market Value on the last day of the relevant Performance Cycle, multiplied by a fraction with a numerator equal to the number of months during the Performance Cycle the Participant was employed by the Company or a subsidiary (rounded up to the nearest whole month) and a denominator of 36.

d. If a Participant's employment with the Company or a subsidiary terminates as the result of his or her death before a Performance Share Award has vested, the Participant shall be entitled to a pro rata Performance Share Award, payable solely in cash, as soon as practicable after his or her death. The cash payment shall be equal to the Participant's target number of Performance Shares or Senior Performance Shares, as the case may be, multiplied by the Fair Market Value on the date of the Participant's death (or the next trading day, if the Common Stock was not traded on such date), multiplied by a fraction with a numerator equal to the number of months during the Performance Cycle the Participant was employed by the Company or a subsidiary (rounded up to the nearest whole month) and a denominator of 36.

e. If a Participant's employment with the Company or a subsidiary terminates for any other reason, the Company shall determine the portion, if any, of the Performance Share Award that shall not be forfeited, and the form of payment (cash or shares or a combination) that the Participant shall receive. That determination shall be made by the Committee in the case of any officer, and by the Chairman of the Board, President, Chief Executive Officer, or any Vice President, in the case of any non-officer employee.

5. *Payment*

a. Within fifteen (15) days after the determination of the Final Share Number, the Company will (i) issue to each Participant a number of shares of the Common Stock equal to one-half of the Final Share Number, rounded down to the nearest whole share if such number is not a whole number, and (ii) pay the Participant an amount equal to the Fair Market Value of one-half of the Final Share Number of shares of Common Stock on the last day of the Performance Cycle, rounded up to the nearest whole share if such number is not a whole number.

b. No dividends or dividend equivalents shall be paid on any Performance Shares or Senior Performance Shares.

6. *Deferral*

A Participant may elect to defer payment of shares of Common Stock or cash pursuant to this Program in accordance with the terms of the Olin Corporation Employee Deferral Plan, provided that the Election, as defined in such plan shall be filed on or before December 31 of the last year of the Performance Cycle, and further provided that such deferral election shall comply with all provisions under Section 409A of the Code.

7. *Miscellaneous*

a. By acceptance of the Performance Share Award, each Participant agrees that such Award is special compensation, and that any amount paid will not affect:

i. the amount of any pension under any pension or retirement plan in which he or she participates as an employee of Olin,

ii. the amount of coverage under any group life insurance plan in which he or she participates as an employee of Olin, or

iii. the benefits under any other benefit plan of any kind heretofore or hereafter in effect, under which the availability or amount of benefits is related to compensation.

b. The Company will withhold from the distribution of any cash pursuant to Performance Share Awards the amount necessary to satisfy the Participant’s federal, state and local withholding tax requirements.

c. It is the Company’s intention that all income tax liability on Performance Share Awards be deferred in accordance with the requirements of Section 409A of the Code for nonqualified deferred compensation plans, until the participant actually receives such shares or payment therefore. To the extent Section 409A applies to this Program or the Performance Shares, the Performance Share Awards and this Program shall be deemed amended to comply with Section 409A, to the extent permitted by law, and the Performance Share Awards and this Program shall be construed in favor of meeting the requirements for deferral of compensation under Section 409A.

Exhibit 10(bb)

OLIN AND ARCH STOCK OPTION/PERFORMANCE SHARE CONTINUATION PROVISIONS FOR OLIN EMPLOYEES FEBRUARY 2006

After the end of an employee's employment at Olin or a subsidiary, the employee's vested Olin stock options remain exercisable for a specified period of time. The various plans permit that period to be extended by Olin for a period up to the term specified in the stock option agreement. The continuation provisions included in the stock option and long term incentive plans and Olin's stock option extension policy are summarized in the chart below. Performance share awards that are vested at the time employment terminates pay out as scheduled. There is no general extension policy for unvested performance share awards, but the relevant provisions of the performance share program are summarized below.

	Plan Provisions		
	Options	Performance Shares	Olin's General Extension Policy
	1991 LTIP/2000 LTIP/ 2003 LTIP/2006 LTIP 1988/1996 Option Plans	1991 LTIP/2000 LTIP/ 2003 LTIP/2006 LTIP	1991 LTIP/2000 LTIP/ 2003 LTIP/2006 LTIP 1988/1996 Option Plans
Termination by Olin			
- Without cause	3 mos. (1)	(6)	1 yr.
- With cause	Immediate expiration	(7)	N/A
- In sale or shut-down of business or spin-off	3 mos. (1)	(6)	2 yrs.
Quitting			
- Without consent	Immediate expiration	(7)	N/A
- With consent	3 mos. (1)	(6)	1 yr.
Death			
- While Olin Employee(2)	1 yr. (1)	(8)	Term of option
- While not an Olin Employee	(3)	(7)	N/A
Retires under Pension Plan (55 or over)	3 mos.(1)	(8)	Term of option (9)
Disability	1 yr.	(8)	N/A
Transfer to JV or Arch			
- Transfer to JV or Arch in Spin-off with Consent	3 mos. (1)	(6)	Term of option
- JV Termination without cause or with JV consent	(4)	(6)	(5)
- JV Termination with cause or without JV consent	Immediate expiration	(7)	N/A
Transfer to Sold Business (SB)			
- Transfer to SB with consent	3 mos. (1)	(6)	2 yrs.
- SB Termination without cause or with SB consent	(4)	(6)	(5)
- SB Termination with cause or without SB consent	Immediate expiration	(7)	N/A

(1) Under the 2006 LTIP, options automatically extend to term upon retirement. Under the terms of the other plans, Olin may extend this period until the expiration of the option, as specified in the option agreement.

(2) All unvested options vest automatically upon death of an employee and then all options may be exercised by the option holder's executor, administrator, personal representative or permitted transferee.

(3) Only options held by a former employee that were exercisable at the time of death may be exercised for the longer of the period the optionee could have exercised option had optionee not died or 1 year (which may be extended but not beyond the term of the option agreement).

(4) Although not addressed in the respective plan documents, after an employee leaves Olin to go to a joint venture or a sold business, Olin generally considers the employee's termination to be a termination with consent. If the joint venture or the sold business terminates the employee without cause or the employee quits without consent, see note 5.

(5) The employee may exercise any exercisable options until the earlier of 2 years after transfer to the joint venture/sold business or 1 year after termination from the joint venture/sold business. Joint venture/sold business does not include Arch. Arch board will decide how to treat Arch employees on termination.

(6) If performance award has not vested, Olin will determine the portion, if any, of the performance share award which will be forfeited and the form of payment the employee will receive. If the performance shares have vested, but have not been issued or paid, the employee is entitled to them and the performance share award will be paid as specified in the performance share program.

(7) If the performance shares have vested, but have not been issued or paid, the employee is entitled to them and the performance share award will be paid as specified in the performance share program. If they have not vested, then they expire immediately.

(8) If performance share award has not vested, employee will be entitled to a pro rata performance share award payable in cash. If the performance shares have vested, but have not been issued or paid, the employee is entitled to them and the performance share award will be paid as specified in the performance share program. (Refer to 2001 Performance Share Program for additional details.)

(9) In the case of performance-accelerated vesting options ("PAVOs") granted in 2000, unvested PAVOs will not terminate upon retirement. If the PAVOs vest under applicable performance criteria they may be exercised at any time prior to January 26, 2010, but if performance criteria not met before the earlier of the fifth anniversary of such retirement or January 26, 2010, PAVOs terminate and are cancelled.

N.B. Options may never extend beyond the original term of the options under an employee's option agreement. Except as noted above in Notes (2) and (9), all extensions apply only to **exercisable** options; all unexercisable options expire.

Exhibit 12

OLIN CORPORATION AND CONSOLIDATED SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
(In millions)
(Unaudited)

	Years Ended December 31,				
	2005	*2004*	*2003*	*2002*	*2001*
Earnings:					
Income (loss) before taxes and cumulative effect of accounting change	$225.6	$ 79.2	$ 4.0	$(26.5)	$(16.5)
Add (deduct):					
Equity in income of non-consolidated affiliates	(38.5)	(10.1)	(7.8)	—	—
Dividends received from non-consolidated affiliates	0.5	—	—	—	—
Amortization of capitalized interest	0.2	0.3	—	—	—
Capitalized interest	(0.3)	—	—	—	—
Fixed charges as described below	29.6	29.5	31.0	36.1	28.6
Total	$217.1	$ 98.9	$27.2	$ 9.6	$ 12.1
Fixed Charges:					
Interest expensed and capitalized	$ 20.2	$ 20.2	$20.2	$ 25.6	$ 18.1
Estimated interest factor in rent expense (1)	9.4	9.3	10.8	10.5	10.5
Total	$ 29.6	$ 29.5	$31.0	$ 36.1	$ 28.6
Ratio of earnings to fixed charges (2)	7.3	3.4			

(1) Amounts represent those portions of rent expense that are reasonable approximations of interest costs.
(2) Income (loss) before taxes and cumulative effect of accounting change was insufficient to cover fixed charges by approximately $3.8, $26.5, and $16.5 for the years ended December 31, 2003, 2002, and 2001, respectively.

Exhibit 21

SUBSIDIARIES OF OLIN CORPORATION [1]

(as of December 31, 2005)

Company	% Ownership (Direct/Indirect)	Jurisdiction
A.J. Oster Caribe, Inc.	100	DE
A.J. Oster Foils, Inc.	100	DE
A.J. Oster West, Inc.	100	RI
Bridgeport Brass Corporation [2]	100	IN
Bryan Metals, Inc. [3]	100	OH
Chase Industries Inc.	100	DE
Chase Brass & Copper Company, Inc. [4]	100	DE
Hunt Trading Co.	100	MO
LTC Reserve Corp. [4]	100	DE
Monarch Brass & Copper Corp.	100	NY
Monarch Brass & Copper of New England Corp. [5]	100	RI
New Haven Copper Company [5]	100	CT
Olin Benefits Management, Inc. [6]	90	CA
Olin Engineered Systems, Inc.	100	DE
Olin Environmental Management, Inc. [6]	90	DE
Olin Far East, Limited	100	DE
Olin Financial Services Inc.	100	DE
Olin Sunbelt, Inc.	100	DE
Ravenna Arsenal, Inc.	100	OH
Sunbelt Chlor Alkali Partnership	50	DE
Waterbury Rolling Mills, Inc. [5]	100	CT
Nutmeg Insurance Limited	100	Bermuda
Olin Asia Pacific Pte. Ltd.	100	Singapore
Olin Australia Limited	100	Australia
Olin Brass Japan, Inc.	100	Japan
Olin Canada Inc.	100	Canada
Olin Global Services Mexico S.A. de C.V.	100	Mexico
Olin Hunt Specialty Products S.r.l.	100	Italy
Olin Industrial (Hong Kong) Limited	100	Hong Kong
Olin Luotong Metals (GZ) Co., Ltd. [7]	80	China
Olin Mexico S.A. de C.V.	100	Mexico
Olin (UK) Limited	100	United Kingdom
Reductone Brasil Ltda.	100	Brazil
Yamaha-Olin Metal Corporation	50	Japan

1 Omitted from the following list are the names of certain subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

2 d/b/a “Olin Brass, Indianapolis” and “Olin Brass, Indianapolis Facility” in CA, IL, IN, NJ, NC, OH, PA, RI and TX.

3 d/b/a “Bryan Metals of Ohio” in NJ.

4 Indirect subsidiary, wholly-owned by Olin’s wholly-owned subsidiary, Chase Industries Inc.

5 Indirect subsidiary, wholly-owned by Olin’s wholly-owned subsidiary, Monarch Brass & Copper Corp.

6 Class A shares, all of which are held directly and indirectly by Olin Corporation, have the right to elect 4 directors. Class B shares, none of which are held directly or indirectly by Olin Corporation, have the right to elect 1 director.

7 Indirect subsidiary, 80% owned by Olin’s wholly-owned subsidiary, Olin Industrial (Hong Kong) Limited.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Olin Corporation:

We consent to incorporation by reference in the Registration Statements No. 333-101027 and No. 333-101029 on Form S-3 and Nos. 33-28593, 33-00159, 33-52681, 33-40346, 33-41202, 333-05097, 333-17629, 333-18619, 333-39305, 333-39303, 333-71693, 333-31098, 333-31096, 333-35818, 333-54308, 333-56690, 333-72244, 333-97759, 333-98193, 333-88990, 333-110135, 333-110136, 333-124483 and 333-127112 on Form S-8 of Olin Corporation of our reports dated February 28, 2006 with respect to the consolidated balance sheets of Olin Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2005, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 and the effectiveness of internal control over financial reporting as of December 31, 2005, which reports appear in the December 31, 2005 annual report on Form 10-K of Olin Corporation.

Our report with respect to the consolidated financial statements refers to Olin Corporation's adoption of the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143) in 2003 and the provisions of FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," an interpretation of SFAS No. 143 in 2005.

/s/ KPMG LLP

KPMG LLP

St. Louis, MO
March 2, 2006

Exhibit 31.1

CERTIFICATIONS

I, Joseph D. Rupp, certify that:

1. I have reviewed this annual report on Form 10-K of Olin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2006

/s/ Joseph D. Rupp

Joseph D. Rupp
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, John E. Fischer, certify that:

1. I have reviewed this annual report on Form 10-K of Olin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2006

/s/ John E. Fischer

John E. Fischer
Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Olin Corporation (the “Company”) on Form 10-K for the period ended December 31, 2005 as filed with the Securities and Exchange Commission (the “Report”), I, Joseph D. Rupp, Chairman, President and Chief Executive Officer and I, John E. Fischer, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge: (1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its Staff upon request.

/s/ Joseph D. Rupp

Joseph D. Rupp
Chairman, President and Chief Executive Officer

Dated: March 2, 2006

/s/ John E. Fischer

John E. Fischer
Vice President and Chief Financial Officer

Dated: March 2, 2006