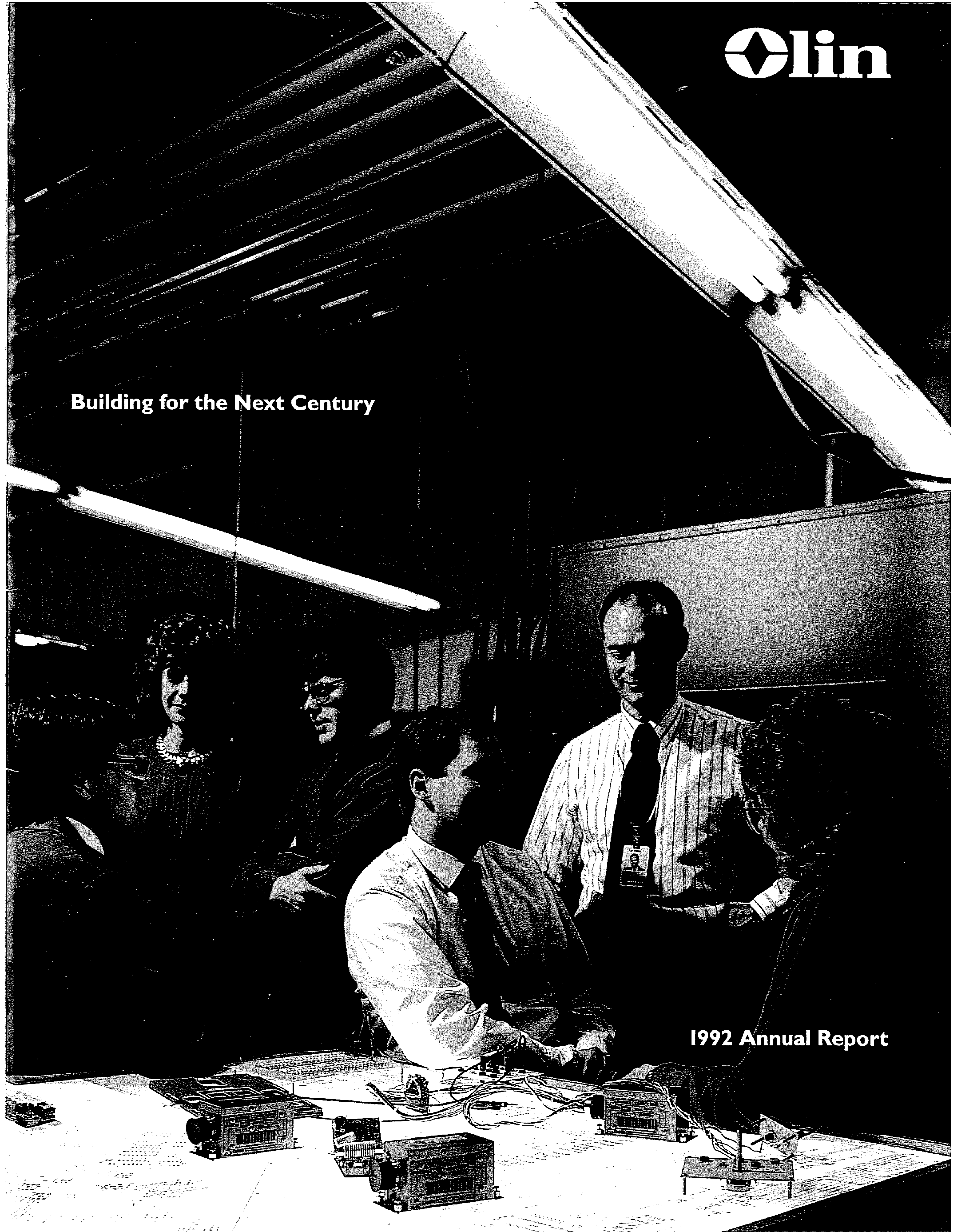
Olin
Building for the Next Century
1992 Annual Report

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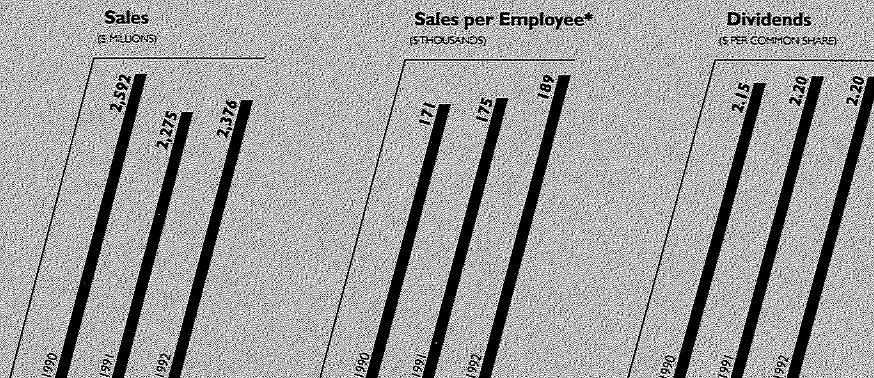
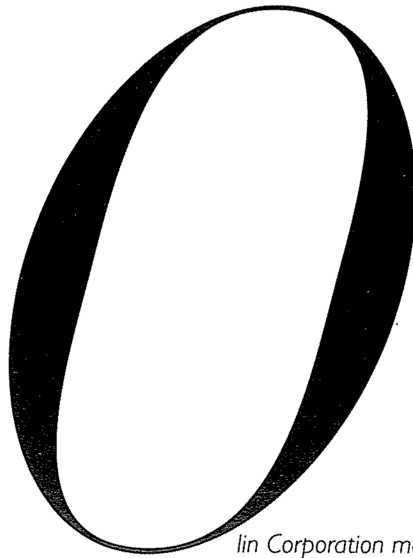
Olin Corporation is a Fortune 200 company concentrated primarily in chemicals, materials and metals, defense, sporting ammunition and aerospace. Olin must serve the long-term interests of its shareholders. We believe that by providing superior quality products and services to our customers, being a leader in our market segments, having outstanding, highly motivated employees, and being responsible members of our communities, Olin will grow, be more profitable, and deliver long-term shareholder value.

Financial Highlights

Years ended December 31 (In millions, except per share amounts)	1992	1991
Sales	$2,376	$2,275
Net Income (Loss)	9	(13)
Depreciation	117	113
Capital Expenditures	173	177
Per Common Share:		
Net Income (Loss)—Primary	.06	(.92)
Dividends	2.20	2.20
Total Debt to Total Capitalization	42.0%	48.5%
Average Common Shares Outstanding	19.1	19.0
Number of Shareholders	13,900	14,600
Number of Employees	13,500	14,400



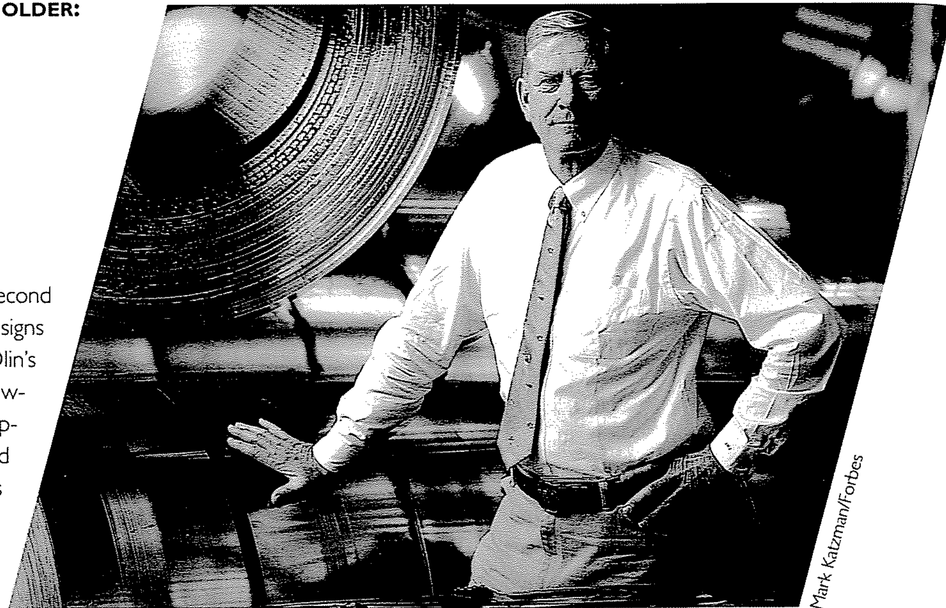
On the Cover: *Boeing representatives met recently with the design/development team at Pacific Electro Dynamics (PED), part of Olin's Aerospace division, to accept the first delivery of advanced lighting controllers for the new Boeing 777 commercial airliner. Pictured from left are, Mark Mayerchak (PED), Becky Pitts (Boeing), Jeff Todd (PED), Tim Ramsey (Boeing), Mike Livingston (Boeing) and Karen Johns (PED). Development of this product is a prime example of Total Quality Management in action.* *Details are on page 11.*



lin Corporation marked its 100-year anniversary in 1992. It was a century of dramatic change and growth in the United States and in the company. While Olin's business mix has changed over the years to reflect changing market needs, the company celebrated its centennial as a leader in seven businesses spanning chemicals, metals and ammunition. In fact, it has been said that one of the major reasons Olin has survived and prospered for so long is its willingness to change. As we begin the second Olin century, the company isn't standing still. We are building for the next century by investing in people, products and plants to achieve total customer satisfaction. We continue to renew ourselves, to exhibit the willingness to change and invest in the future that is so important to business success today.

This entire report is printed on recycled paper.

DEAR FELLOW SHAREHOLDER:



Mark Katzman/Forbes

John W. Johnstone, Jr., Chairman, President and Chief Executive Officer, at the company's brass mill in East Alton, Illinois.

As we stand on the threshold of the second Olin century, we see encouraging signs that our strategy of investing in Olin's future is succeeding in powerfully renewing our company. Despite some disappointments in 1992, we are making good progress on the four strategic business objectives that we unveiled in last year's annual report. They are to improve the quality of our earnings, sharpen cost-effectiveness, grow the winners, and maintain prudent debt levels.

All told, Olin recorded $2.4 billion in sales in 1992, up from $2.3 billion in 1991. However, restrained commodity chemicals pricing, start-up costs for our new performance urethanes plant, and a shrinking market for defense and related products played a role in our earnings from continuing businesses falling from $3.32 per share in 1991 before the streamlining charge to $2.17 last year. Olin's adoption last year of two new mandated financial accounting standards involving retiree benefits and income taxes led to a one-time, after-tax charge of $46 million, or $2.11 a share, which reduced overall earnings to six cents a share.

Improving the Quality of Earnings

Those disappointing earnings obscure some positive news behind the numbers. In 1992, we completed divesting or shutting down the bulk of the nonstrategic and underperforming businesses targeted under our streamlining program. Every one of our divisions is also taking the actions needed to improve the quality of our company's earnings. For example, Winchester is re-engineering its work processes to sharply cut cycle times and inventory levels and to improve product quality and customer service. These actions, by simultaneously reducing operating costs and working capital needs, helped Winchester last year achieve a 20 percent return on net assets.

Our Brass Division is also taking steps to build on its leadership position in both product quality and customer service. Its acquisition in 1991 of A.J. Oster's metals service centers was a direct response to customer surveys that signalled a need for Brass to more quickly fill specialized customer orders. And Brass's two largest operations—Mill Products and Fabricating—together won 16 quality or certified supplier awards in 1992 from customers, including AT&T, Gillette, Parker Pen, Master Lock, and Schlumberger.

Growing the Winners

There are exciting efforts under way in all Olin divisions to grow their winners. For example, our Basic Chemicals Division is expanding its Shreveport, LA, sulfuric acid plant to add 130,000 tons of capacity per year for regenerating spent sulfuric acid. Among other purposes, the regenerated acid will help our refinery customers satisfy growing demands for more environmentally friendly gasolines. The Shreveport project will also improve Olin's cost position and reduce our sulfur dioxide emissions to new Clean Air Act standards.

All Olin divisions are striving to expand sales in fast-growing foreign markets. For example, with its Yamaha-Olin Metals joint venture in Japan nearing capacity, Brass is exploring options to expand sales of its high-performance copper alloys throughout the Pacific Rim.

Moreover, building on Olin's position as one of the largest North American producers of TDI (toluene diisocyanate, a key ingredient of urethane cushioning foams), we are expanding Olin's urethanes sales in both Asia and Latin America.

Last July, our Performance Chemicals Division successfully started up its new aliphatic diisocyanate (ADI) performance urethanes plant to serve North American premium coatings markets. These markets are growing rapidly, and our value-added *Luxate* products are receiving excellent customer reception.

Our pool chemicals business is also building on its winning strengths by realigning key strategies around major

customer segments. Despite cool, wet weather in the latter half of the summer, our worldwide pool chemicals business sharply improved its profitability, led by the strong performance of our premium brands, *HTH*, *Pace* and *SUN*.

Sharpening Cost-Effectiveness

In addition, every division, business, and department is striving to sharpen its cost-effectiveness. The Brass Division's quest to enhance productivity is driven by a project known as Brass Mill 2000. At present, this involves the installation of a new mill that will enable Brass to more quickly reduce metal thickness and expedite customer shipments.

The Basic Chemicals Division, whose mission is to generate sustained and growing cash flow, has numerous projects under way to further improve product quality and Olin's cost position. Among these are programs to minimize plant manufacturing costs without compromising safety or environmental performance.

Maintaining Prudent Debt Levels

We have strengthened our balance sheet by paring down debt and interest expenses. This effort included the sale in early 1992 of 2.76 million shares of Series A Conversion Preferred Stock, which netted $111 million. In addition, last year we refinanced $100 million in debt to take advantage of lower long-term interest rates. By year's end, we had reduced our total-debt-to-total-capitalization ratio to 42 percent, down from 48.5 percent at the end of 1991. Our '92 interest expenses were about 15 percent below '91 levels.

In an exclusive article about Olin in December, *Forbes* magazine concluded that Olin is more powerfully focused than ever, so it should be able to capitalize strongly on even a modest upturn in the economy. We welcomed this objective analysis from a magazine known for its tough-minded independence, for it recognizes the value of our strategy of managing the company tightly in the short term while we focus on building Olin's long-term strengths.

We did encounter some disappointments in 1992. Chief among them was the Federal Trade Commission's vote to oppose the exchange of a major portion of our defense business to Alliant Techsystems, a major defense supplier, for 22 percent of that company's common stock. In the meantime, Olin's Ordnance Division exceeded its profit goals in 1992, and we fully expect it to be a solid contributor again this year.

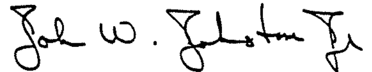
We were also disappointed in 1992 by the sluggish, spotty performance of the U.S. economy. It wasn't a feast, but it wasn't a famine either. Looking forward into the remainder of 1993, we expect that some portions of the company should be able to capitalize more rapidly than others on an improving economy. We are confident, for example, that our three franchise businesses—Brass, Winchester and pool chemicals—should perform well in 1993. In fact, despite the soft economy last year, and less than optimal sales levels for key brass products such as coinage metal, 1992 marked the Metals segment's second best earnings year ever.

On the other hand, we expect that our chlor/alkali and TDI businesses will continue to face tight pricing in the year ahead. To help offset that impact, our Basic Chemicals Division employees are working hard to exploit every possible advantage—from exporting more TDI abroad to increasing chlorine sales to markets where chlorine use is growing, such as PVC plastics and titanium dioxide, a key ingredient in paints.

We realize, of course, that the way we conduct our businesses is as important to our long-term profitability as the businesses that we are in. I am proud to report that due to the vigilance of our employees and our continuing investments in safety training and systems, Olin last year remained among the safest manufacturing companies in America. Also, preliminary reports indicate that through 1992 we had cut our total emissions of reportable chemicals by an estimated 58 percent, just shy of our interim goal of 60 percent by the end of 1994. Once we reach or exceed that and other goals in our Environmental Quality Plan, we'll ratchet up the bar to new levels of excellence.

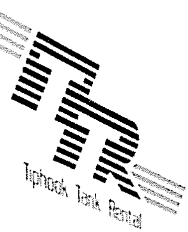
As an extension of our TQM process, the senior executive management of the company has been reorganized for greater efficiency. Recognizing their significant contributions to Olin, Donald W. Griffin and Robert L. Yohe were elected vice chairmen of the board, joining me in the newly created Office of the Chief Executive. As vice chairman for operations, Mr. Griffin has responsibility for excellence in all operating divisions. Mr. Yohe serves as vice chairman responsible for corporate services and the ongoing development of corporate strategies.

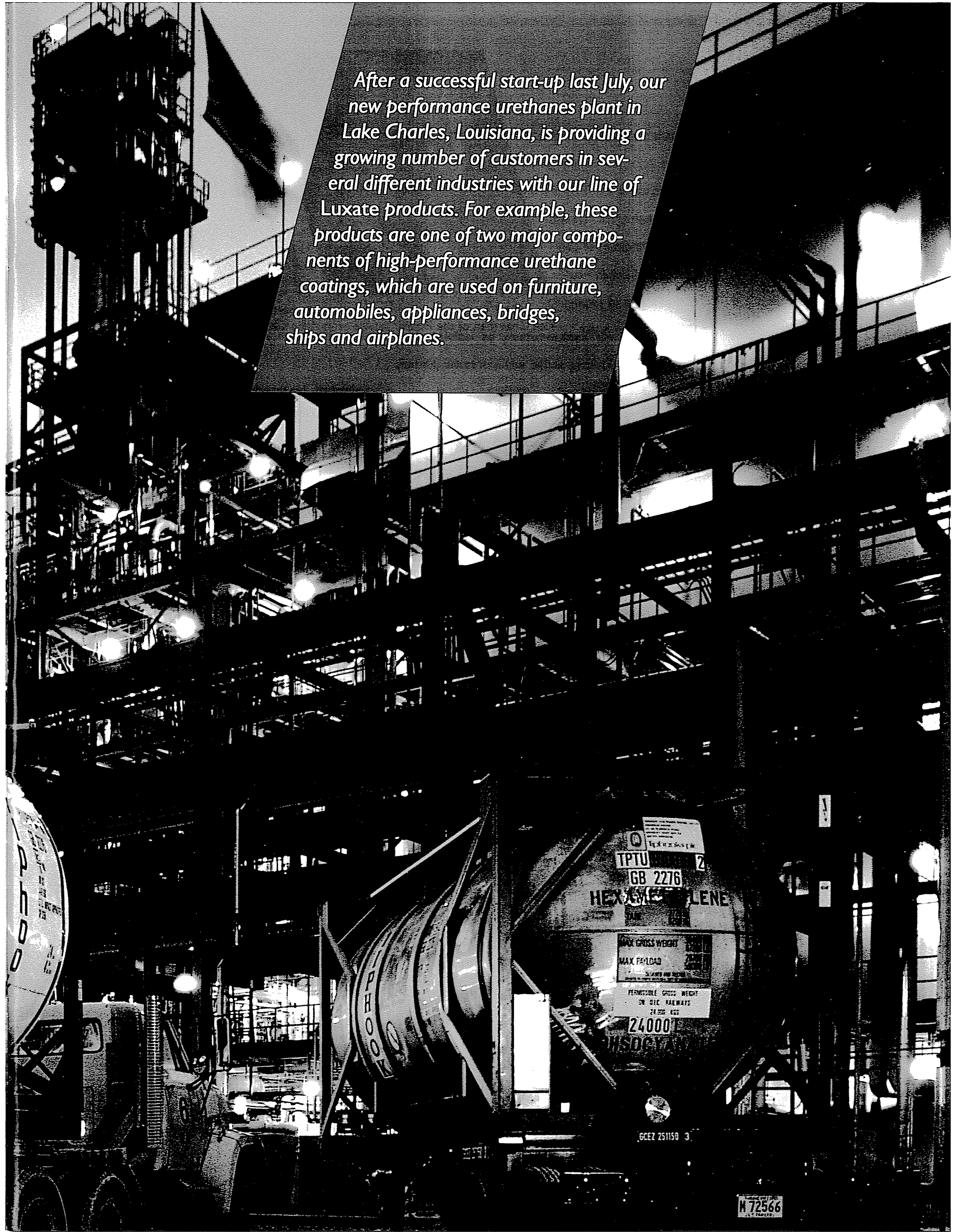
In the pages that follow, you will see examples of vital actions we are taking to invest for the future. Olin has survived and prospered for 100 years because of its willingness to change. We believe our emphasis on continuous renewal will keep Olin thriving for at least another 100 years. When all is said and done, it is the people of Olin–our single largest shareholding body with 25 percent ownership–who are responsible for the exciting changes taking place in our company. It is the people of Olin, by serving the customer well, who will generate the rewards that are so important to all our stakeholders.



John W. Johnstone, Jr.
Chairman, President and
Chief Executive Officer

February 26, 1993

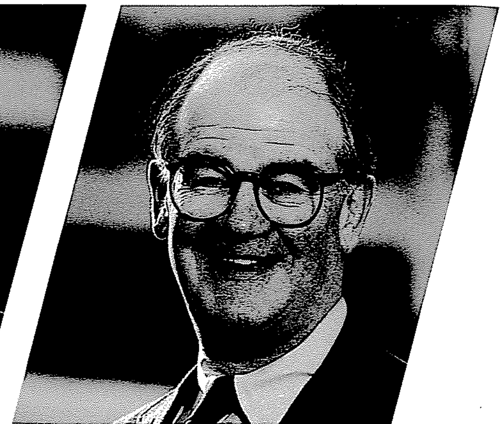

TTR
Tiphook Tank Rental



After a successful start-up last July, our new performance urethanes plant in Lake Charles, Louisiana, is providing a growing number of customers in several different industries with our line of Luxate products. For example, these products are one of two major components of high-performance urethane coatings, which are used on furniture, automobiles, appliances, bridges, ships and airplanes.

Donald W. Griffin and Robert L. Yohe are vice chairmen of the board of directors of Olin Corporation. Mr. Yohe is vice chairman—corporate resources, responsible for all corporate staff functions, and Mr. Griffin is vice chairman—operations, responsible for all operating divisions. The two executives answered the following questions in February 1993.

Donald W. Griffin
Vice Chairman of the Board



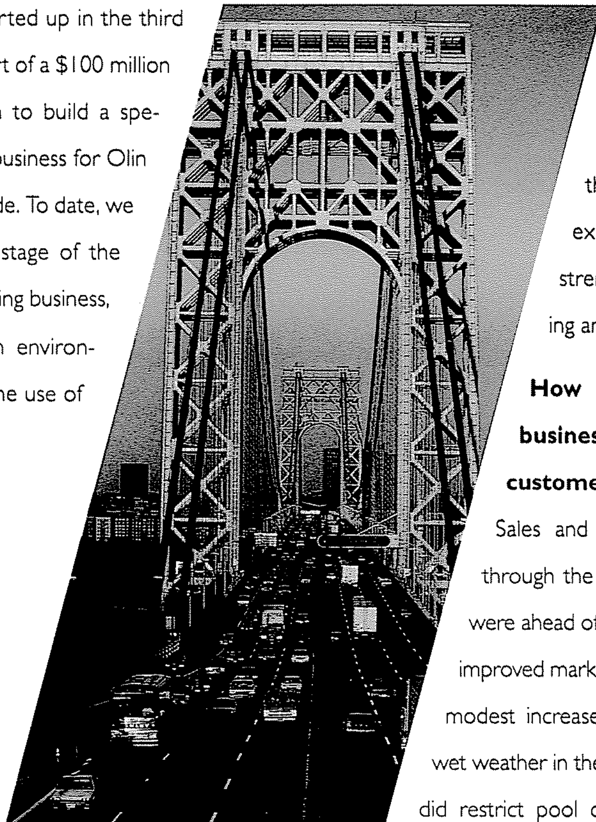
Robert L. Yohe
Vice Chairman of the Board

Why did the new aliphatic diisocyanate plant incur losses in 1992 and what are its future prospects?

This plant, which started up in the third quarter of 1992, is part of a $100 million capital investment plan to build a specialty urethane coatings business for Olin by the middle of this decade. To date, we have invested in the first stage of the program to enter this promising business, whose growth benefits from environmental regulations to reduce the use of volatile organic compounds in coatings.

In 1992 we demonstrated our ability to manufacture the two primary isocyanate products, and after a period of product testing and qualification we are now making commercial sales of our *Luxate* products to a number of major customers. This process of product introduction, qualification and commercialization will continue through 1993.

We will also invest heavily in new products, which will impact our profitability in the short term as the business is developed. We believe our patience with this investment, which capitalizes on existing manufacturing and technology strengths, will be rewarded in this growing and attractive market.



The Luxate *aliphatic diisocyanates produced at our new facility at Olin's Lake Charles, Louisiana, chemicals complex, will be vital ingredients in advanced new coatings for elements of our nation's infrastructure such as bridges.*

How did the pool chemicals business fare in 1992 given its new customer-focused strategy?

Sales and profitability of this business through the first six months of the year were ahead of the previous year, thanks to improved marketing and distribution and a modest increase in pricing. While cool, wet weather in the second half of the year did restrict pool chemical re-orders in

some parts of the country, it did not overshadow the significant accomplishments of the earlier part of the year. Overall we had a reasonably good year, although the industry is experiencing more intense competition. We are poised for 1993 with new packaging, which combines recyclability, enhanced safety and an attractive new design.

How will the chemical industry respond to an improved economy?

It is difficult to make a generalized statement about the chemical industry; there are so many product lines and markets, both in the United States and abroad. Two of our major businesses, chlor-alkali and toluene diisocyanate, saw prices erode last year, despite relatively strong volumes. We may see improvement in these product areas with a more robust economy. We must keep in mind that the chemical industry is cyclical and that certain products lag the U.S. economy in both demand and pricing. This traditional lag could well be exacerbated by the fact that Europe is in the relatively early stages of a recession, while the U.S. is in a modest, although spotty, recovery.

In addition to performance urethanes, what are the other growth opportunities for the chemical business?

An excellent source of growth for our chemical business is the new sulfuric acid regeneration plant being built at our Shreveport, LA, site. This 130,000-ton plant is expected to start up during the third quarter of 1993. We currently regenerate sulfuric acid at Beaumont, TX, and with this new facility our total capacity will be 365,000 tons per year. Customers of this product are oil refiners who utilize the product in new, more environmentally friendly gasoline formulations.

Internationally, Pralca, an 86,000-metric ton ethylene oxide and ethylene glycols plant in Venezuela, started up in early 1993. Olin has a 25 percent interest in this plant. The other owners of this plant are Corporacion Industrial Montana, C.A. (Corimon), a major Venezuelan chemical manufacturer; Petroquimica de Venezuela (Pequiven), the state-owned petrochemical company; and International Finance Corporation, an arm of the World Bank. A portion of Pralca's output will supply the neighboring Etoxyl plant, a joint venture of Olin and Corimon for the production of urethane chemicals.

What is Olin's exposure to the European recession?

We have relatively minor direct exposure in Europe. For example, our total chemical sales in Europe are about $125 million, or about 12 percent of total Olin chemical sales. However, the slow European economy did adversely affect results at our Langenberg brass joint venture in Germany. We have targeted other parts of the world for opportunity, notably Asia and the Pacific Rim, and we expect growth rates in these areas to be substantial in the decade ahead.

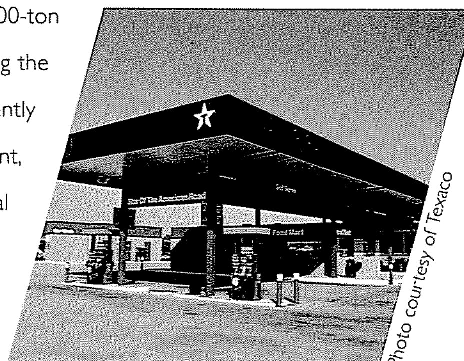
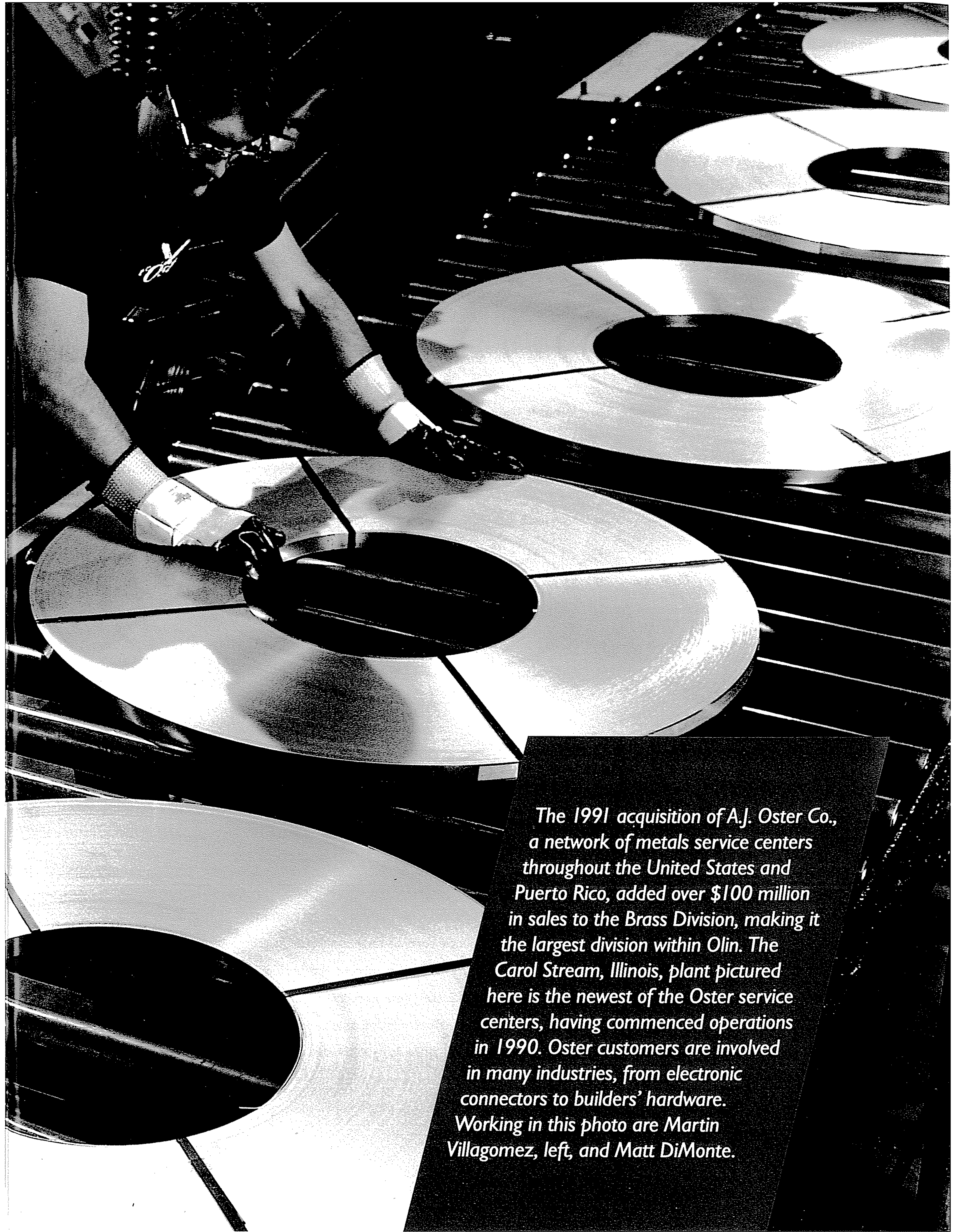


Photo courtesy of Texaco

Olin sulfuric acid is supplied to customers such as the Star Enterprise refinery in Port Arthur, Texas, which produces Texaco-branded gasolines for sale in stations like this in the southeastern and Gulf Coast states. Olin's sulfuric acid is used as a key catalyst in petroleum refinery alkylation. Alkylate is a high octane, clean-burning component of gasoline and the new formulations of more environmentally friendly gasolines fully comply with new Clean Air Act regulations, thanks in part to sulfuric acid.



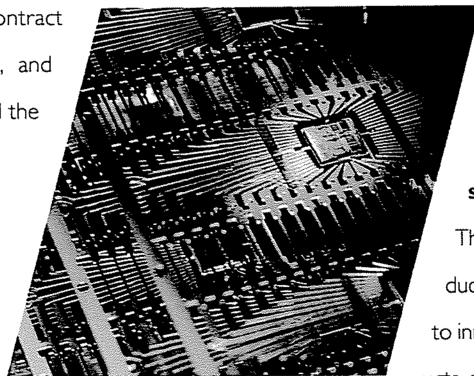
The 1991 acquisition of A.J. Oster Co., a network of metals service centers throughout the United States and Puerto Rico, added over $100 million in sales to the Brass Division, making it the largest division within Olin. The Carol Stream, Illinois, plant pictured here is the newest of the Oster service centers, having commenced operations in 1990. Oster customers are involved in many industries, from electronic connectors to builders' hardware. Working in this photo are Martin Villagomez, left, and Matt DiMonte.

Are there any bright spots for Olin in the area of electronic materials?

Indeed there are. MQUAD is a metal packaging system for semiconductors that utilizes proprietary Olin technology. It has several advantages over conventional ceramic packaging, including lower cost and better heat dissipation. Extensive market product development over the last few years has resulted in numerous qualifications of this package. In January 1992, Swire Technologies Ltd., of Hong Kong, became the first licensee for the assembly of MQUAD packages. In December 1992, Olin licensed the technology to Shinko Electric Co., Ltd., of Japan. Both firms are leading contract assemblers of integrated circuits, and these agreements should help speed the worldwide growth of this innovative product. Meanwhile, our joint venture with Ciba-Geigy, OCG Microelectronic Materials, has recently opened a new facility in Belgium to more effectively supply its photoresist and polyimide products to European semiconductor manufacturers. We believe we have several strong niche positions in the market for electronic materials.

What is the competitive situation in the brass business?

There are three large manufacturers in the United States today—Olin, Outokumpu-American Brass and PMX Industries—as well as some smaller companies. The slow economy, along with some overcapacity in the industry, has created strong competition. We are working hard to ensure that our business, which has been built over many years with superior technology, manufacturing, marketing and service, remains a market leader. We have continued to invest in new machinery and technology to maintain our excellent cost position. Our 1991 acquisition of A.J. Oster, a network of metals service centers, demonstrates our commitment to service excellence.



A.J. Oster service centers supply customers with copper alloys used in a wide range of industries, including electronics. Pictured here is an electronic leadframe made from an Olin copper alloy.

How has the A.J. Oster acquisition performed?

We are very pleased with Oster's network of metals service centers. The strategic fit with our existing business has been impeccable. It is contributing nicely to the bottom line. Most important is that Oster is providing our customers with outstanding value-added services, such as slitting or finishing metal to precise specifications, smaller shipping quantities as well as quick deliveries, all of which are critical in the marketplace today.

What is the key to Winchester's continuing profitability in the sporting ammunition market?

The keys are people, products and productivity. Winchester employees continue to innovate, both in developing new products and in cutting cycle times. A new inventory-control system is freeing up working capital, thereby reducing the cash required to operate this business, which in turn reduces our interest costs. The new system is also an example of how our people continue to employ Total Quality Management to improve shareholder value. Exciting new products such as the *Supreme* line of rifle and pistol ammunition, as well as the *Super-X BRI* sabot slug

Winchester's highly regarded Supreme *line of centerfire rifle ammunition has been expanded to incorporate a sophisticated new bullet design. Hunters will benefit from its revolutionary* Fail Safe *design that includes a solid copper alloy front section with hollow point configuration and strategically cut notches enabling expansion greater than one and one-half times the bullet's diameter. The new patented* Lubalox *black coating increases the bullet's lubricity and helps hold down pressure by reducing friction as the bullet moves down the barrel. Calibers initially available include 338 Winchester Magnum, 300 Winchester Magnum, 30-06 Springfield, and 308 Winchester.*

line, are helping us maintain our industry leadership position.

What are the commercial opportunities in the Aerospace division?

There are a number of excellent examples. Pacific Electro Dynamics, which specializes in airborne electronics, is under contract with Boeing to produce items such as cockpit dimmer controls and temperature sensing devices for the flight deck on the new Boeing 777 commercial airliner. Rocket Research continues to supply advanced propulsion systems to commercial satellite manufacturers, which extend satellite lifetimes.

What are the prospects for your Ordnance division now that the Alliant Techsystems transaction has been called off?

First of all, our ordnance business is profitable and generates a positive cash flow, and we expect it will continue to enjoy a good earnings stream in 1993. Several factors, as yet unresolved, could affect performance beyond 1993. The proposed transaction with Alliant Techsystems was a singular opportunity to maintain a key part of the defense industrial infrastructure in an environment of declining budgets. We look for the Clinton Administration to be more aggressive in this arena of managing the downsizing of the defense industry without sacrificing the infrastructure that is so crucial in times of national emergency. Meanwhile, our defense operations are responding to the current level of military spending both in the U.S. and abroad, as well as pursuing business opportunities in demilitarization of existing weapons stockpiles around the globe. And at Physics International we have a contract with the Defense Nuclear Agency to provide major work on the new Decade nuclear effects simulator.

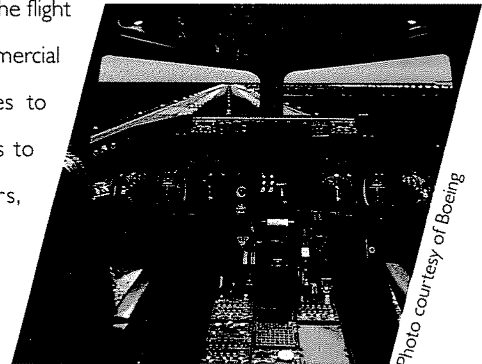
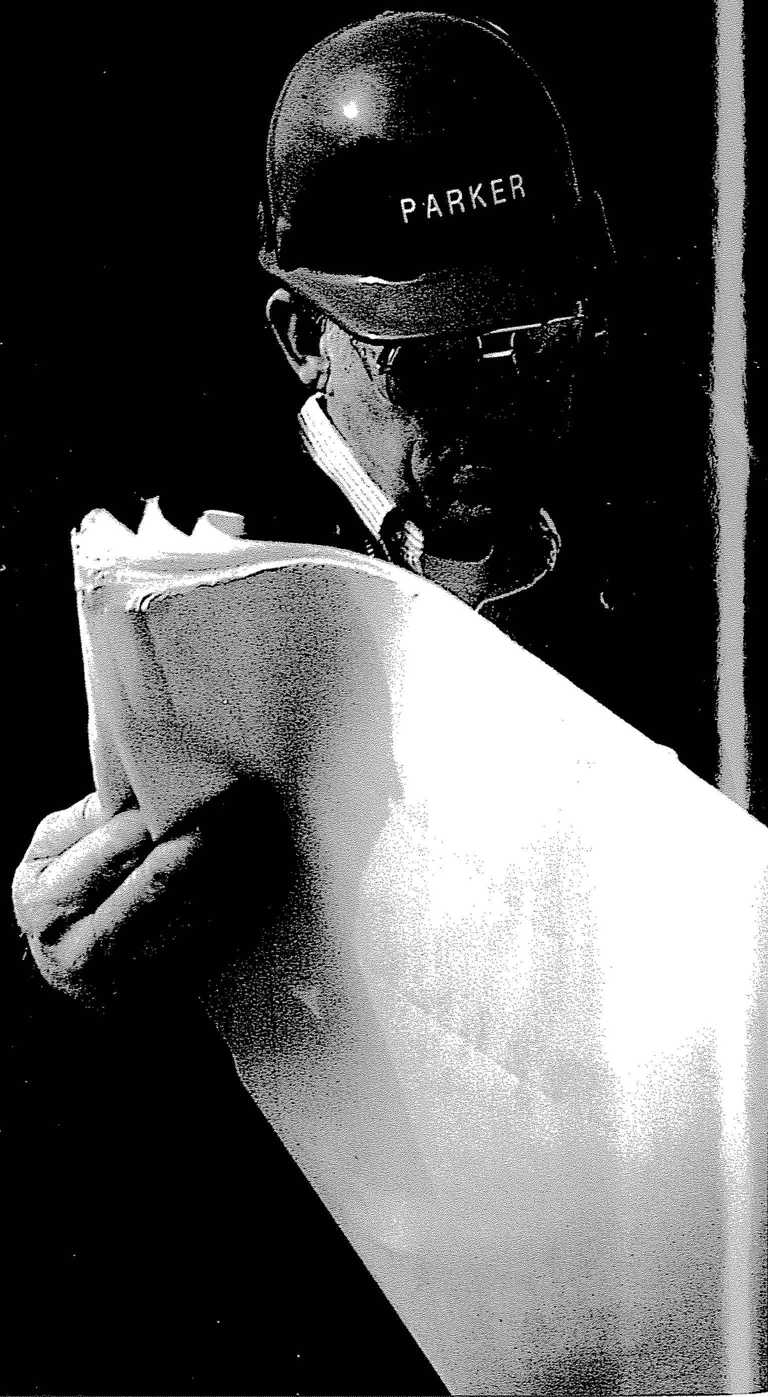


Photo courtesy of Boeing

The Boeing Commercial Airplane Group's exciting new airliner, the 777, will go into passenger service in 1995 with products on-board from Olin subsidiary Pacific Electro Dynamics (PED). The high-tech flight deck shown here will have two PED products: an advanced lighting controller and a cooling system controller. The lighting controller adjusts the light intensity of the myriad lighted switches and control panels in the instrument panel of the aircraft. The lighting controller is enhanced by a proprietary Application Specific Integrated Circuit (ASIC) developed at PED. A single ASIC component, less than one inch square, replaces 287 individual electronic components. Boeing engineers, pleased with the progress of the lighting controller development, came back to PED for help with another challenge—the design of a back-up controller that supervises the main electronics bay cooling system to assure that proper temperature is maintained for the sophisticated on-board electronics.

Responding to increased customer demand, Olin's Basic Chemicals division is expanding its capacity for sulfuric acid regeneration, a key service to oil refineries in the production of gasolines that are more environmentally friendly. Regeneration facilities at Olin's Beaumont, Texas, plant will now be complemented by a similar capability at our Shreveport, Louisiana, plant. Total capacity for regenerated sulfuric acid at the two plants will be 365,000 tons per year when the Shreveport facility comes on line in the second half of 1993. A major use for sulfuric acid is as a catalyst in petroleum refinery alkylation. Here, Shreveport plant manager Bill Warren, center, reviews the plant site with Mickey Parker and James Smith.

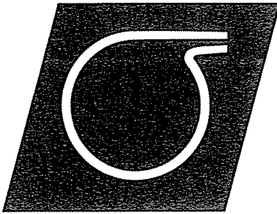


WARREN
SMITH

OLIN AT A GLANCE

Business Segment	Major Business Unit/Primary Customers

Chemicals



Basic chemicals

Manufacturers of flexible polyurethane foam for furniture, carpet underlay and automotive seat cushioning; pulp and paper, vinyl, bleach, textile, water purification and chemical manufacturing firms; manufacturers of household, industrial and institutional cleaning products.

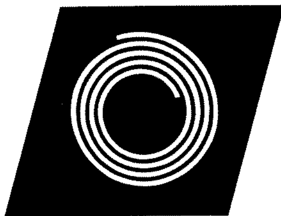
Performance chemicals

Residential and commercial pool and spa owners; drinking water treatment facilities; manufacturers of anti-dandruff shampoos, metalworking fluids and agricultural chemicals; industrial boiler operators, spacecraft manufacturers and space agencies, U.S. Air Force; manufacturers of household, industrial and institutional cleaning products; users of rigid foam for thermal insulation; formulators of coatings, elastomers, adhesives and sealants.

Electronic materials

Worldwide semiconductor and systems manufacturers for telecommunications, computer, defense/aerospace, medical, instrumentation and automotive products; original equipment manufacturers of non-impact computer printers; membrane keyboard manufacturers.

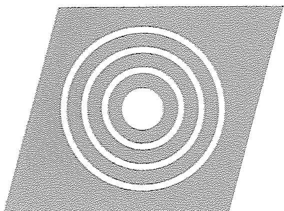
Metals



Olin Brass

Major manufacturers and suppliers in automotive, electronics, electrical and communications industries; U.S. Mint and foreign mints; U.S. Department of Defense and sporting ammunition manufacturers; decorative and builders' hardware.

Defense and Ammunition



Winchester

Hunters and recreational shooters worldwide; law enforcement agencies; U.S. military, allied governments.

Ordnance

U.S. Department of Defense, Department of Energy and other government agencies; allied governments.

Aerospace

Satellite, aircraft and missile contractors; other defense/aerospace subsystems and systems contractors; NASA, other government R&D agencies/laboratories.

Products and Services

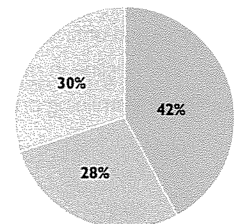
TDI (toluene diisocyanate), flexible polyols, chlorine and caustic soda, *Reductone* and *Hydrolin* sodium hydrosulfite, acids (sulfuric, nitric, muriatic), industrial chlorinated isocyanurates.

HTH calcium hypochlorite, *Pace* and *SUN* chlorinated isocyanurates, *Pulsar* II automatic pool chemical feeder; *Omadine* biocides, custom chemicals, hydrazine solutions, hydrazine-based propellants, surfactants, organic intermediates; TDI, *Luxate* aliphatic diisocyanates; specialty and custom polyols, rigid polyols.

Photoresists, polyimides, high-purity acids and solvents, dopants, vapor deposition chemicals, specialty cleaners, fluxes, strippers, toners, developers, polymer thick film, conductive coatings and die attach adhesives; metal packages for integrated circuits.

Alloy sheet and strip, copper, brass, leaded brass, tin brass, phosphor bronze, cupro-nickel, nickel silver, high-performance copper alloy strip, coinage metal, seamless and welded copper alloy tube, copper alloy rod and wire, stamped forms, printed circuit copper, beryllium copper, stainless steel strip; network of metals service centers in U.S. and Puerto Rico.

Sales by Segment



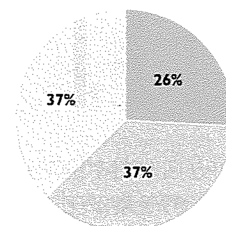
CHEMICALS
METALS
DEFENSE AND AMMUNITION

Winchester sporting ammunition, canister powder, reloading components; small caliber military ammunition; management of government arsenals; industrial cartridges.

Medium and large caliber ammunition for aircraft, artillery, mortars, tanks, warships; combustible cartridge cases; *Ball Powder* propellant for small, medium and large caliber ammunition; management of government arsenals and other facilities.

Rocket engines, attitude control thrusters, inflation systems, gas generators, advanced warheads, pulsed power systems, simulated nuclear weapons effects, power supplies, airborne electronics and ground support equipment.

Net Income by Segment



CHEMICALS
METALS
DEFENSE AND AMMUNITION

Results of Operations

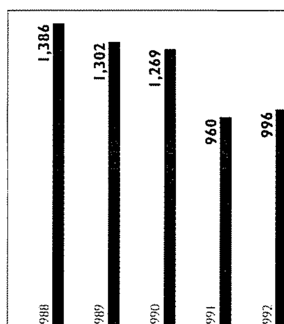
1992 Compared to 1991

Sales in 1992 were $2.4 billion, an increase of 4% over 1991's sales. Volumes rose 5% as most major product lines in the Metals and Chemicals segments experienced higher shipments while overall selling prices were 1% below 1991. Net income for 1992 was $9 million, or 6 cents per share, which included an after-tax charge of $46 million or $2.11 per share for the adoption of the Statements of Financial Accounting Standards (SFAS) No. 106 and No. 109, retroactive to the first quarter of 1992. The 1991 net loss of $13 million or 92 cents per share included an after-tax charge of $80 million or $4.24 per share for a program to streamline operations and lower costs through the sale of certain businesses and personnel reductions. The operating results in 1992 were impacted by the weak economy, start-up and market entry expenses for the new aliphatic diisocyanate business, delays in the introduction of certain new chemical products and lower profitability of the Ordnance and Aerospace businesses.

Chemicals

The 1992 sales of $996 million increased 4% over 1991 sales while segment net income was $21 million compared to 1991's net loss of $38 million which included an after-tax charge of $73 million for the streamlining program. Weak economic conditions affected many of the chemicals businesses. Lower pricing and higher costs in flexible urethanes, lower demand for specialty and organic chemicals, the start-up and related market penetration costs of the new aliphatics business and unfavorable results from joint ventures contributed to the 1992 decline in net income from 1991, after excluding the charge for the streamlining program.

Chemical Sales
($ MILLIONS)



Chlor-alkali's financial performance was comparable to 1991. Chlor-alkali sales were generally strong throughout 1992, although the impact of higher volumes was offset by lower prices for chlorine and caustic soda. Related profits were equivalent to 1991 as the impact of the lower selling prices was offset by higher volumes and lower costs.

Flexible urethanes results were lower in 1992. Sales were 3% above 1991 as flexible polyols sales increased and worldwide TDI volumes remained at 1991 levels. Higher raw material costs for flexible polyols more than offset the profit contribution from additional sales. TDI profitability was impacted by lower worldwide pricing and higher raw material costs and manufacturing expenses.

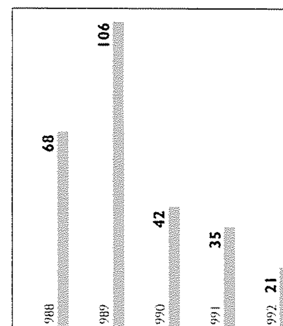
Sales and profits of industrial chemicals were ahead of 1991 due primarily to higher volumes. Domestic operations more than offset the unfavorable results of the Brazilian sodium hydrosulfite facility which completed its first full year of operations.

Pool products sales increased 8% over 1991 while profitability increased significantly from last year. Price increases along with higher volumes and improved mix for certain products were the prime contributors to the stronger financial results. Improved raw material usage and tighter control over manufacturing costs also led to higher gross margins.

In the specialty and organics chemicals business, sales and profits were behind 1991 levels. Volume improvements in hydrazine solutions and specialty surfactants were not sufficient to offset the sales decrease in biocides as demand for traditional products declined due primarily to a customer adjusting inventory levels, and the introduction of new products was delayed awaiting toxicology and evaluation results. Costs of expanded manufacturing capacity and operating activities for the new products in biocides and surfactants more than offset the profit increases from hydrazine solutions and the propellant business.

Despite a 7% increase in performance urethanes sales, operating results were significantly worse than last year. Start-up and market-entry costs for the new aliphatics business negated increased volumes from existing products and were the primary factors in this product line's overall negative profit performance on a year-to-year basis. On the positive side, quality products for the new specialty urethanes coatings business were achieved within the first month of operations and customer response is favorable with interest in both current products and those under development.

Chemicals Net Income*
($ MILLIONS)



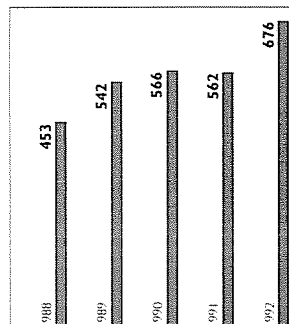
*BEFORE EFFECT OF 1991 STREAMLINING PROGRAM

With an expected improving economy, the outlook for Chemicals in 1993 is favorable compared to 1992. In the Basic Chemicals division, individual business performance is expected to be mixed. Anticipated lower pricing in the chlor-alkali business should lower 1993 financial results. Demand for flexible urethanes should remain relatively strong and price improvement in the domestic and international markets is expected to enhance margins. Industrial chemicals volumes and pricing in most major product lines are expected to be comparable to 1992. In the Performance Chemicals division, pool products profitability is expected to improve through higher volumes, manufacturing cost improvements and stronger international performance. Introduction of new products in biocides and surfactants along with higher hydrazine solutions volumes are expected to increase sales and profits of the specialty and organic chemicals business. In performance urethanes, the existing product base is anticipated to match 1992's good performance and maintain its market share while the business expands its ability to provide differentiated products to satisfy customer needs. The new aliphatics business is expected to continue to adversely affect the operating results of performance urethanes. However, the negative impact on 1993 is projected to be lower as customer qualifications continue, operating rates increase and costs are reduced.

Metals

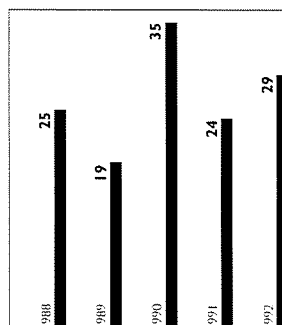
Metals sales were $676 million in 1992, an increase of $114 million or 20% above 1991, due primarily to A.J. Oster (Oster), which was acquired in August 1991 and higher shipments of brass strip, *Fineweld Tube* and Somers thin-strip products.

Metal Sales
($ MILLIONS)



Segment net income was $29 million, an increase of $12 million over 1991 which included special provisions affecting a discontinued product line and costs, primarily severance. The added profit from Oster and improved performance from cupping, *Fineweld Tube* and the Indianapolis strip facility contributed to the segment's 1992 profit increase. Segment net income was negatively impacted by poor results from the German joint venture operations due to the depressed European economy.

Metals Net Income*
($ MILLIONS)



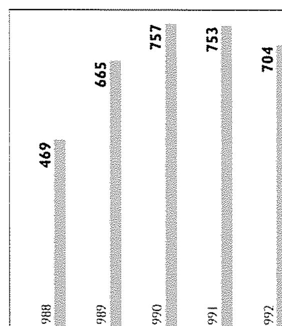
*BEFORE EFFECT OF 1991 STREAMLINING PROGRAM

The 1993 outlook for the Metals segment anticipates continuing volume growth in most operations. It is assumed that stable-to-improving economic conditions will lead to increased demand for brass strip and strip-related products. A challenge this segment faces is the maintaining of 1992 price levels as a new competitor brings additional capacity on line. The economic outlook in Europe is unfavorable, adding to existing overcapacity and adversely impacting the joint venture. Mill products, Somers thin-strip products and Oster are expected to contribute to an improvement in performance over 1992.

Defense and Ammunition

Defense and Ammunition sales were $704 million in 1992, down 7% from 1991 due to contract delays/cancellations and the absence of sales from the European sporting ammunition business which was sold in December 1991. Net income was $29 million in 1992, down 17% from 1991 due to lower profits from the Aerospace and Ordnance divisions.

Defense and Ammunition Sales
($ MILLIONS)



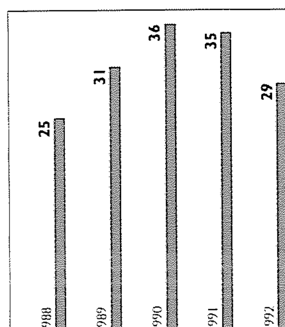
The Aerospace division sales decreased 14% due to the absence in 1992 of production equipment sales, delays/cancellations of Department of Defense contracts and a weak commercial aircraft

market. Net income decreased significantly from 1991. The recognition of losses on certain government contracts, the impact of the contract delays and the closure of a production facility contributed to the profitability decline.

In Ordnance, tank ammunition sales were below 1991 levels which included additional sales created by the Persian Gulf War. This decline more than offset an increase in medium caliber sales in 1992, as Ordnance division's sales in total lagged 1991's amounts. Net income for 1992 declined due to the reduced tank ammunition volumes, the recognition of losses on certain contracts and expenses incurred in connection with the Alliant Techsystems transaction. In addition, an increase in royalty and fee income was offset by expenses associated with the clean-up of a medium caliber test range.

Winchester's sales in 1992 increased $32 million over 1991 (after excluding the European sporting ammunition sales) due to higher domestic and foreign shipments. Domestic sporting ammunition sales increased over 1991 despite a very competitive pricing environment. Military and commercial export volumes increased significantly over last year due to new business, a weak U.S. dollar in Europe and additional market share gains in South America and Australia. Winchester's 1992 net income exceeded 1991's level. Strong domestic commercial shipments did not totally offset lower commercial prices, but favorable manufacturing performance, higher fees for managing the Lake City Army Ammunition Plant and the profit contribution from the military and commercial export sales increased the domestic operation's 1992 net income over 1991.

Defense and Ammunition Net Income
($ MILLIONS)



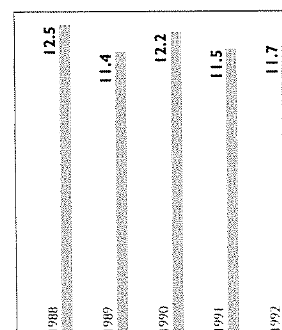
In 1993, Defense and Ammunition segment's sales are projected to be comparable to 1992 levels. Increased competitive pressures and declining volumes of defense businesses, offset in part by costs reductions and additional non-defense related business, are expected to lower profits below 1992's levels.

U.S. Government sales amounted to $409 million in 1992, $453 million in 1991 and $437 million in 1990. Approximately 89% of 1992 sales were to the Department of Defense or agencies thereof. Continuing reductions in the levels of defense procurement may affect adversely the Defense and Ammunition segment's performance, and to a lesser extent, the company's financial performance in future years, including its income, liquidity, capital resources and financial condition. In addition, changes in the strategic direction of defense spending and the timing of defense procurement may also adversely affect this segment and the company. The precise impact of defense spending cutbacks will depend on the level of cutbacks, the extent to which these cutbacks are in the conventional ammunition area and the company's ability to mitigate the impact of the cutbacks with new business or by business consolidations. The company currently provides services to the U.S. Government in facilities management and is pursuing other business areas such as ordnance demilitarization. In view of continuing spending cutbacks of the Department of Defense, the historical financial information of the Defense and Ammunition segment, and to a lesser extent, of the company, is not likely to be indicative of future performance.

Other Financial Data

In the first quarter of 1991, the company announced a program to streamline operations and lower costs and recorded a pretax charge of $129 million ($80 million after tax, or $4.24 per share). Throughout 1991, efforts were undertaken to divest or liquidate certain product lines and reduce personnel costs, accordingly. Activities continued in 1992 including the divestment of several small product lines.

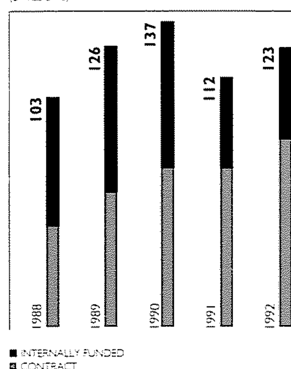
Selling and Administration Expenses
(AS A PERCENT OF SALES)



Selling and administration expenses increased $17 million in 1992 to 11.7% of sales, up slightly from 11.5% in 1991. The inclusion of Oster's operating expenses for a full year, higher pension costs and increased selling expenses for certain chemical products were the principal reasons for the increase on a year-to-year basis. Research and development

expenditures in 1992 decreased slightly from 1991 levels. Customer-sponsored (contract) research increased significantly from 1991 due to increased activities relating to government programs.

Research and Development



Interest expense in 1992 was $39 million, a decrease of $7 million or 15% from 1991, due primarily to lower average interest rates. The average interest rate on domestic short-term debt declined to 4.2% in 1992 from 6.3% in 1991. Interest and other income decreased by $5 million in 1992 due primarily to the unfavorable performance of non-consolidated affiliates, particularly in South America and Europe.

1991 Compared to 1990

Weak business conditions affected many of the company's businesses since the latter part of 1990 and continued through 1991. The 1991 operating results reflected the impact of the recession on the Metals and the Chemicals segments, partially offset by the strong performance of the Defense and Ammunition segment. Also in 1991, the company commenced a comprehensive program to streamline its operations and lower its costs. This program resulted in a pretax charge to operations of $129 million ($80 million after tax, or $4.24 per share) to cover operating costs and anticipated losses on the disposition and writedown of certain businesses as well as costs associated with salaried personnel reductions. These factors combined resulted in a net loss of $13 million in 1991 or 92 cents per share, as compared to 1990's net income of $84 million or $4.03 per share. Sales for 1991 were $2.3 billion compared to $2.6 billion for 1990; the decrease in 1991 sales was due primarily to the exclusion of sales from businesses affected by the streamlining program.

Chemicals

Chemicals 1991 sales were $960 million, a decrease of 24% from 1990's level, while its net loss for 1991 was $38 million after the charge for the streamlining program, which amounted to $73 million. Net profit for 1990 was $42 million and included gains of $57 million from the sale of two sodium chlorate ventures and a 50% interest in the company's photoresist business. Also, the company incurred in 1990 a charge of $17 million to shut down the Niagara chlor-alkali facility and provided $38 million for environmental remediation costs associated with other sites. For comparability purposes, by excluding the operations of businesses included in the streamlining program, Chemicals segment sales and net income for 1990 would have been $1,020 million and $73 million, respectively. Pricing pressures on chlorine, urethanes and pool products, lower demand for certain products, and higher development costs for new products were the main causes of 1991's decreased financial performance.

A decline in pricing was the primary factor for lower chlor-alkali sales and net profits in 1991. The demand for chlorine and caustic was moderately strong during the year. Lower chlorine pricing from the vinyl industry eroded chlor-alkali profitability.

Sales of industrial chemicals, consisting of acids, sodium hydrosulfite and industrial isocyanurates, were ahead of 1990, while net profits were lower due to the impact of production problems at a major sulfuric acid customer's plant and competitive pricing pressures in the sulfuric acid and industrial isocyanurate businesses.

Weaknesses in the housing and automotive markets negatively impacted the profit margins of the flexible urethanes business on a year-to-year basis. Significantly lower flexible polyol volumes and lower domestic pricing reduced 1991 sales and net profits from 1990 levels. TDI sales were ahead of last year due to higher volumes. The additional profit contribution from these sales was offset by higher manufacturing costs.

The profitability of the pool products businesses was down substantially from the prior year despite only slightly lower sales. The profit deterioration resulted from downward pricing pressure caused by competition and over-supply, higher development costs for new products and a shift in product mix from higher margin name brands to the lower margin brands and bulk products.

Specialty and organic chemicals sales were ahead of 1990, with higher sales volumes in biocides and specialty surfactants the major contributors. The additional profits from these increased volumes were more than offset by a shift in sales to lower margin products, resulting in a year-to-year decline in profitability.

Performance urethanes 1991 sales were comparable to 1990. Higher development costs for new specialty urethane products negatively impacted its 1991 performance. The new specialty urethanes are used primarily in the coatings industry.

Metals

The recession negatively impacted Metals operations, in particular those influenced by the automotive and housing industries. Sales for 1991 were comparable to the 1990 level as lower shipments to the U.S. Mint and commercial customers were offset by sales by Oster.

Metals net income was $17 million, a decrease of 51% from 1990's amount. This decrease was due to lower commercial volumes, the special provision affecting a discontinued product line, and additional costs, primarily severance, associated with its research facilities. The profit from the Indianapolis facility increased significantly from 1990's level as 1989's equipment modifications enhanced product capability and quality, thereby leading to mix enrichment. In addition, the operating results of the company's joint ventures in Germany and Japan exceeded 1990's returns.

Defense and Ammunition

Defense and Ammunition segment sales were $753 million, comparable to 1990, while segment net income was $35 million, a decrease of 3% from 1990 net income.

The Ordnance division's 1991 sales and net income decreased from 1990 levels by 8% and 14%, respectively. The Persian Gulf War created additional sales activity for tactical tank ammunition and accelerated procurements. These increased sales were more than offset by a decrease in international sales. Net income for 1991 declined due to lower international sales and higher levels of start-up costs for the manufacture of metal parts for large caliber projectiles. The decline was mitigated partially by increased domestic sales of large caliber ammunition precipitated by the Persian Gulf War and improved margins on medium caliber ammunition sales.

Higher sales of sporting ammunition in the domestic and international markets contributed to Winchester's 1991 sales increase over 1990. Favorable domestic prices combined with lower commodity costs resulted in significant profit improvements over 1990. In Europe, a weaker U.S. dollar accounted for higher sales of U.S. manufactured products, while continued recovery of market share in Australia, and increased sales to law enforcement agencies accounted for a 7% sales increase from 1990. The 1991 profit improvement from these international sales gains was partially offset by lower revenues from managing the Lake City Army Ammunition plant. In December 1991, the company sold its European sporting ammunition business, including its shotshell manufacturing facility in Italy to Browning S.A., a gun and sporting equipment manufacturer.

The Aerospace division had a record sales year in 1991. Increased activity from inflation device development contracts and the sale of production equipment contributed to its 1991 increase in sales and net profit over 1990 comparable amounts. The success of these programs more than offset the cost of downsizing one of its operations whose business base had been reduced by U.S. Department of Defense cutbacks and delays and terminations of planned warhead programs.

Other Financial Data

Selling and administration expenses as a percent of sales decreased to 11.5% from 12.2% in 1990. This percentage decrease was due primarily to the exclusion of amounts applicable to businesses included in the streamlining program. Research and development spending in 1991 declined significantly, a decrease of $25 million from 1990. The majority of this decrease was related to the discontinuance of those businesses which were included in the 1991 streamlining program. In addition, 1991's research and development spending was concentrated on the company's core businesses, which have historically utilized less R&D funds than its other businesses. Fewer dollars were spent on expansion into entirely-new business areas. The company continued to explore new projects and technologies, related to its core businesses.

Interest expense decreased $7 million in 1991 due to lower average interest rates and borrowings. Average domestic short-term debt outstanding on a revolving basis was $144 million and $186 million in 1991 and 1990, respectively, while long-term domestic debt increased in the latter part of 1991 for the Oster acquisition. The average borrowing rate on domestic short-term debt decreased to 6.3% in 1991 from 8.4% in 1990. Interest and other income decreased $7 million in 1991 due primarily to two nonrecurring gains from the sale of assets in 1990.

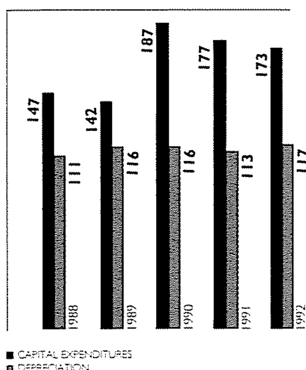
Liquidity and Investment Activity

Cash generated by operations amounted to $189 million in 1992, $169 million in 1991 and $193 million in 1990. In 1992, the company used cash provided from operations combined with additional borrowings to finance capital and investment spending and higher remediation spending on environmental projects and to pay dividends to shareholders.

Capital spending in 1992 decreased slightly to $173 million. Approximately 45% of capital expenditures in 1992 and 1991 was dedicated to new products and expansion programs such as additional brass strip capacity, completion of the aliphatics diisocyanate plant and a sulfuric acid regeneration facility in 1992. In 1991, the expansion program involved the aliphatics diisocyanate plant, the sodium hydrosulfite plant in Brazil and the biocides expansion in Ireland. In 1990 capital spending had been distributed evenly among new products and expansion, capacity maintenance, environmental and support facilities. It is expected that 1993 capital expenditures

will decrease approximately 20% from 1992 mainly due to the completion in 1992 of the aliphatics diisocyanate plant and lower environmental capital spending.

Capital Expenditures and Depreciation
($ MILLIONS)



Investment spending in 1992 was primarily for a new ethylene oxide joint venture in South America, while 1991 spending was dedicated primarily to that facility and an expansion of the German joint venture which manufactures copper and copper alloy wire and strip. Investment spending of $15 million in 1990 was focused on the expansion of the company's joint ventures. It is expected that the 1993 level of investment spending will be comparable to 1992's level.

Throughout 1992, several small product lines, such as urethanes systems, *Uralloy* low profile additives, sodium chlorite, the European and Singapore-based electronic chemicals and the ethylene oxide unit were sold as part of the streamlining program. Proceeds from the sales amounted to $42 million. In August 1991, the company acquired Oster, a network of metals service centers, for $80 million. In December 1991, the company sold its European sporting ammunition business including its shotshell manufacturing facility in Italy to Browning, S.A., while other divestitures completed during 1990 generated proceeds of $127 million.

In January 1992, the company sold 2.76 million shares of its $1 par value Series A Conversion Preferred Stock (Series A Stock) generating net proceeds of $111 million, which were used to reduce outstanding bank loans. In addition, the company in June 1992 sold $100 million of 8% Notes due 2002. The proceeds were used to reduce short-term debt (most of which was incurred for working capital purposes). The company has swapped interest payments on $50 million principal amount of these notes to a floating rate.

In 1990, the company sold an undivided ownership interest in a designated pool of receivables, with limited recourse, in an amount not to exceed $70 million. An interest in new receivables are sold as collections reduce previously sold interests. The company established certain qualifications involving the type and term of receivables for inclusion in the pool. These qualifications had the effect of including better-quality customer accounts in the pool, thereby reducing the investor's risk and minimizing the likelihood of recourse. The company's credit risk associated with the designated pool of receivables is assessed in conjunction with the overall evaluation of trade receivables. Reserves ascribed to these accounts are included in the "Allowance for Doubtful Items" on the consolidated balance sheets and are not a material portion thereof. Amounts sold were $60 million and $55 million at December 31, 1992 and December 31, 1991, respectively.

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 the company's plants. Facilities and equipment to protect the environment do not inherently produce any significant increase in product capacity, efficiency or revenue, and their operation generally entails additional expense and energy consumption. 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. The company employs waste minimization and pollution prevention programs at its manufacturing sites. In order to help finance the cleanup of waste disposal sites, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 ("Superfund"), imposes a tax on the sale of various chemicals, including chlorine, caustic and certain other chemicals produced by the company, and on the disposal of certain hazardous wastes. The company, like other companies in the chemicals industry, is a party to various governmental and private environmental actions associated with waste disposal sites and manufacturing facilities. A number of these sites are on the Environmental Protection Agency's Superfund national priority list.

Cash outlays for environmental-related activities totaled $103 million in 1992 compared with $90 million in 1991 and $85 million in 1990. During 1992, $62 million of these cash outlays was directed towards normal plant operations for the disposal of waste and installation, operation and maintenance of pollution control equipment and facilities to ensure compliance with mandated and voluntarily imposed environmental quality standards. Comparable spending for each of the years 1991 and 1990 was $65 million. Included in these costs for normal plant operations were approximately $25 million for environmental capital expenditures in each year. These capital expenditures represent moneys spent for pollution control equipment and

pollution abatement facilities. Historically, the company has funded its environmental capital expenditures through cash flow from operations and expects to continue to do so in the future. Cash outlays for remedial and investigatory activities associated with former waste sites and past operations were $41 million in 1992, $25 million in 1991 and $20 million during 1990. These amounts for remediation were not charged to income in these years but instead were charged to reserves for estimated expenses for environmental spending identified and charged to income in prior years. The increase in 1992 remediation costs is attributable to increased spending at one site and an agreement and a settlement with other parties at two other sites.

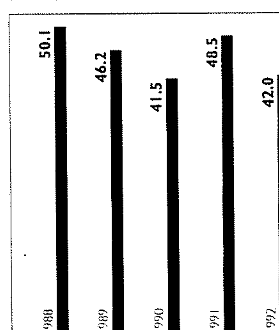
Total environmental-related cash outlays for 1993 are estimated to be $85 million, of which $43 million are expected to be spent on normal plant operations, $15 million on capital projects and $27 million on investigatory and remedial efforts.

The company accrues for anticipated costs associated with investigatory and remediation efforts in accordance with SFAS No. 5 "Accounting for Contingencies," which governs probability and the ability to reasonably estimate future costs. During 1992, $17 million was accrued and charged to income compared to $18 million in 1991 and $60 million in 1990. Charges to income for investigatory and remedial efforts were material to operating results in 1992, 1991 and 1990 and may be material to net income in future years. The company's Consolidated Balance Sheets included environmental liabilities of $66 and $90 million at December 31, 1992 and December 31, 1991, respectively, for future expenditures to remediate known sites. These reserves do not take into account any discounting of future expenditures or any consideration of insurance recoveries or advances in technology. These liabilities are reassessed whenever environmental circumstances become better defined and/or remediation efforts and their costs can be better estimated.

Annual environmental-related cash outlays are expected to range from $85–$100 million over the next several years. While the company does not anticipate a material increase in the projected annual level of its 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, 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 of and the financial capability of other potentially responsible parties and the time periods (sometimes lengthy) over which site remediation occurs.

The percent of total debt to total capitalization (excluding the reduction in equity for the Contributing Employee Ownership Plan (ESOP)) decreased to 42.0% at December 31, 1992 from 48.5% at year-end 1991 and was 41.5% at year-end 1990. The 1992 decrease was due to the repayment of bank loans from the proceeds of the Series A Stock offering and proceeds from the sales of businesses.

Total Debt/Total Capitalization
(PERCENT)



In 1989 the company established an ESOP. The ESOP trust borrowed $100 million ($40 million from the company) to purchase 1.3 million shares of the company's convertible preferred stock. The proceeds received by the company from the issuance of its preferred stock were used to acquire shares of its common stock. In 1992, 1991 and 1990, the company received $15 million, $14 million and $11 million, respectively from the ESOP trust, which has repaid in full its original loan from the company.

Dividends per common share were $2.20 in 1992 and 1991 and $2.15 in 1990. Total dividends paid on common stock amounted to $41 million in 1992, 1991 and 1990, while total ESOP preferred dividends, paid at an annual dividend rate of $5.97 per share, amounted to $8 million in 1992, 1991 and 1990. Dividends paid on Series A Stock were $9 million in 1992, while its annual dividends after 1992 are estimated to be $10 million, equal to $3.64 per share.

There are a variety of legal proceedings pending or threatened against the company. It is possible that some of these matters (the outcome of which is subject to various uncertainties) may be decided unfavorably against the company. Based upon information presently available, the company believes that any liability in excess of amounts recorded that may result from these proceedings will not materially affect the company's financial condition. Certain of these matters are discussed in Item 3, Legal Proceedings of the Form 10-K Annual Report and in other filings of the company with the Securities and Exchange Commission, which filings are available on request from the company.

The company periodically evaluates risk retention and insurance levels for product liability, property damage and other potential areas of risk. Based on the cost and availability of insurance and the likelihood of a loss occurring, management decides the amount of insurance coverage to purchase from unaffiliated companies and the appropriate amount of risk to retain. The current levels of risk retention are believed to be appropriate and are consistent with those of other companies in the various industries in which the company operates.

In late 1992, the Financial Accounting Standards Board issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective commencing 1994. The company is in the early stages of assessing the impact of this standard on its financial position and future operating results.

INDUSTRY SEGMENTS

(In millions)	**1992**	1991	1990	1989	1988	1987	1986	1985	1984	1983
Chemicals										
Sales	**$ 996**	$ 960	$1,269	$1,302	$1,386	$1,232	$1,127	$1,153	$1,191	$1,132
Net Income (Loss)	**21**	(38)	42	106	68	55	37	(153)	33	38
Assets	**1,067**	982	945	977	1,034	1,028	920	867	1,057	1,025
Capital Expenditures	**115**	131	144	95	96	83	84	105	102	78
Depreciation	**73**	70	75	74	77	82	83	102	118	108
Metals										
Sales	**676**	562	566	542	453	304	244	232	291	261
Net Income	**29**	17	35	19	25	20	15	12	28	16
Assets	**445**	436	337	326	321	225	204	184	189	163
Capital Expenditures	**33**	26	19	26	30	13	24	28	33	18
Depreciation	**24**	22	21	22	19	18	17	14	12	12
Defense and Ammunition										
Sales	**704**	753	757	665	469	394	361	307	225	207
Net Income (Loss)	**29**	35	36	31	25	20	19	(21)	11	14
Assets	**465**	552	544	535	516	373	365	331	209	197
Capital Expenditures	**25**	20	24	21	21	19	20	19	18	16
Depreciation	**20**	21	20	20	15	14	11	8	5	4
Corporate and Other										
Sales	**—**	—	—	—	—	—	—	68	109	106
Net Income (Loss)	**(70)**	(27)	(29)	(32)	(20)	(17)	4	(3)	17	4
Assets	**53**	42	40	66	69	59	56	216	338	418
Capital Expenditures	**—**	—	—	—	—	—	—	2	2	3
Depreciation	**—**	—	—	—	—	—	—	2	2	2
Consolidated										
Sales	**2,376**	2,275	2,592	2,509	2,308	1,930	1,732	1,760	1,816	1,706
Net Income (Loss)	**9**	(13)	84	124	98	78	75	(165)	89	72
Assets	**2,030**	2,012	1,866	1,904	1,940	1,685	1,545	1,598	1,793	1,803
Capital Expenditures	**173**	177	187	142	147	115	128	154	155	115
Depreciation	**117**	113	116	116	111	114	111	126	137	126

(1) Assets of Corporate and Other include the following:

	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Investments	**$—**	$—	$—	$—	$—	$11	$ 7	$ 12	$ 14	$ 50
Discontinued Operations, Net	**—**	—	—	—	—	—	—	—	87	88
Other	**53**	42	40	66	69	48	49	204	237	280
	$53	$42	$40	$66	$69	$59	$56	$216	$338	$418

(2) Intersegment sales, which are priced generally at prevailing prices and are excluded from above, are not significant.

(3) Net income (loss) of each segment includes an allocation of Corporate expenses.

(4) 1992 net income includes a charge of $46 (allocated to Corporate and Other) for the cumulative effect of the accounting changes. 1991 net income includes a charge for the streamlining program of $80 ($73 to Chemicals and $7 to Metals). 1985 net income includes a charge of $230, allocated to various segments as follows: Chemicals $174, Metals $1, Defense and Ammunition $35 and Corporate and Other $20.

(5) Corporate and Other includes interest expense and Discontinued Operations (the company's Ecusta paper and film businesses, which were sold in 1985), the cumulative effect of the accounting changes in 1992 and, prior to 1985, certain small businesses, which were subsequently sold or liquidated.

(6) See Notes to Financial Statements for information relative to industry operating income and geographic segment data.

TEN-YEAR FINANCIAL SUMMARY

(In millions, except per share data)	**1992**	1991	1990	1989	1988	1987	1986	1985	1984	1983
Operations										
Sales	**$2,376**	$2,275	$2,592	$2,509	$2,308	$1,930	$1,732	$1,760	$1,816	$1,706
Cost of Goods Sold	**1,941**	1,944	2,063	1,929	1,781	1,455	1,318	1,719	1,396	1,320
Restructuring Charge	**—**	22	—	—	—	—	—	—	—	—
Selling and Administration	**279**	262	316	287	289	264	252	252	256	247
Research and Development	**39**	41	66	66	58	62	56	54	52	49
Operating Income (Loss)	**117**	6	147	227	180	149	106	(265)	112	90
Interest Expense	**39**	46	53	56	43	32	32	35	34	31
Interest and Other Income	**10**	15	22	21	14	10	41	18	25	14
Income (Loss) Before Taxes	**88**	(25)	116	192	151	127	115	(282)	103	73
Income Tax Provision (Benefit)	**33**	(12)	32	68	53	49	40	(92)	29	13
Income (Loss) From Continuing Operations	**55**	(13)	84	124	98	78	75	(190)	74	60
Cumulative Effect of Changes in Accounting	**(46)**	—	—	—	—	—	—	—	—	—
Discontinued Operations, Net of Taxes[1]	**—**	—	—	—	—	—	—	25	15	12
Net Income (Loss)	**9**	(13)	84	124	98	78	75	(165)	89	72
Financial Position										
Working Capital	**179**	85	212	205	184	276	210	304	367	372
Property, Plant and Equipment, Net	**934**	899	829	781	801	727	720	718	796	788
Total Assets	**2,030**	2,012	1,866	1,904	1,940	1,685	1,545	1,598	1,793	1,803
Capitalization:										
Short-Term Debt	**101**	178	104	155	211	50	52	47	44	39
Long-Term Debt	**477**	520	466	501	474	392	375	354	370	388
Shareholders' Equity	**741**	666	715	665	683	700	654	687	867	848
Total Capitalization	**1,319**	1,364	1,285	1,321	1,368	1,142	1,081	1,088	1,281	1,275

(In millions, except per share data)	**1992**	1991	1990	1989	1988	1987	1986	1985	1984	1983
Per Share Data										
Net Income (Loss):										
Primary:										
Continuing Operations	**2.17**	(.92)	4.03	6.02	4.63	3.38	3.36	(8.28)	3.15	2.50
Cumulative Effect of Changes in Accounting	**(2.11)**	—	—	—	—	—	—	—	—	—
Discontinued Operations[1]	**—**	—	—	—	—	—	—	1.09	.66	.51
Net Income (Loss)	**.06**	(.92)	4.03	6.02	4.63	3.38	3.36	(7.19)	3.81	3.01
Assuming Full Dilution[2]:										
Continuing Operations	**—**	—	3.88	5.85	4.59	3.32	3.13	—	2.96	2.43
Discontinued Operations[1]	**—**	—	—	—	—	—	—	—	.58	.48
Net Income	**—**	—	3.88	5.85	4.59	3.32	3.13	—	3.54	2.91
Dividends:										
Common	**2.20**	2.20	2.15	1.95	1.70	1.60	1.525	1.50	1.365	1.23
ESOP Preferred	**5.97**	5.97	5.97	2.985	—	—	—	—	—	—
Series A Preferred (annual rate)	**3.64**	—	—	—	—	—	—	—	—	—
Shareholders' Equity[3]	**33.92**	35.02	37.65	34.99	33.35	31.81	30.56	29.89	37.88	35.37
Market Price of Common Stock:										
High	**54¾**	54	60⅝	68¼	60	56¼	53¼	38	33½	34
Low	**37¼**	33½	28⅛	49⅜	40	32⅝	34⅝	28⅜	25⅛	23
Year End	**45¾**	40⅜	37¾	60	51	42	41	37⅛	30	30¾
Other										
Capital Expenditures	**173**	177	187	142	147	115	128	154	155	115
Depreciation	**117**	113	116	116	111	114	111	126	137	126
Common Dividends Paid	**41**	41	41	39	36	37	34	35	32	29
Purchases of Common Stock	**—**	2	6	100	84	100	83	5	33	—
Current Ratio	**1.3**	1.1	1.4	1.4	1.3	1.7	1.5	1.8	1.9	1.9
Total Debt to Total Capitalization[4]	**42.0%**	48.5%	41.5%	46.2%	50.1%	38.7%	39.5%	36.9%	32.3%	33.5%
Effective Tax Rate	**37.5%**	48.0%	27.2%	35.4%	35.1%	38.6%	34.8%	32.6%	28.8%	17.9%
Average Common Shares Outstanding	**19.1**	19.0	19.1	20.0	21.1	23.1	22.4	23.0	23.3	23.8
Shareholders	**13,900**	14,600	15,500	16,300	17,600	20,700	20,600	22,400	24,400	31,500
Employees[5]	**13,500**	14,400	15,200	15,400	16,400	14,100	13,200	14,900	14,800	15,100

(1) Represents the company's Ecusta paper and film businesses. (2) Fully diluted income or loss per share is not presented for 1992, 1991 and 1985 as amounts are anti-dilutive. (3) In 1992, calculation is based on common shares and Series A Conversion Preferred Stock outstanding. (4) Excluding reduction to equity for the Employee Stock Ownership Plan from 1989 through 1992. (5) Employee data excludes employees who work at government-owned/contractor-operated facilities.

Consolidated Balance Sheets

December 31 (In millions, except share data)	1992	1991
Assets		
Current Assets:		
Cash	**$ 4**	$ 8
Receivables, Less Allowance for Doubtful Items of $10 ($13 in 1991)		
Trade	**304**	375
Other	**55**	54
Inventories	**320**	307
Other Current Assets	**77**	24
Total Current Assets	**760**	768
Investments and Advances—Affiliated Companies at Equity	**157**	155
Property, Plant and Equipment, Net	**934**	899
Goodwill	**126**	132
Other Assets	**53**	58
Total Assets	**$2,030**	$2,012
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-Term Borrowings	**$ 72**	$ 162
Current Installments of Long-Term Debt	**29**	16
Accounts Payable	**254**	258
Income Taxes Payable	**1**	2
Accrued Liabilities	**225**	245
Total Current Liabilities	**581**	683
Long-Term Senior Debt	**352**	395
Long-Term Subordinated Debt	**125**	125
Deferred Income Taxes	**62**	24
Other Noncurrent Liabilities	**169**	119
Total Liabilities	**1,289**	1,346
Shareholders' Equity:		
Preferred Stock, Par Value $1 Per Share:		
Authorized 10,000,000 Shares		
Series A Conversion Preferred Stock		
Issued, 2,760,000 Shares	**3**	—
ESOP Preferred Stock		
Issued 1,239,328 Shares (1,277,522 in 1991)	**96**	99
ESOP Obligations	**(60)**	(75)
Common Stock, Par Value $1 Per Share:		
Authorized, 60,000,000 Shares		
Issued, 19,069,775 Shares (19,013,307 in 1991)	**19**	19
Additional Paid-In Capital	**296**	185
Cumulative Translation Adjustment	**(1)**	3
Retained Earnings	**388**	435
Total Shareholders' Equity	**741**	666
Total Liabilities and Shareholders' Equity	**$2,030**	$2,012

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

Consolidated Statements of Income

Years ended December 31 (In millions, except per share amounts)	**1992**	1991	1990
Sales	**$2,376**	$2,275	$2,592
Operating Expenses:			
Cost of Goods Sold	**1,941**	1,944	2,063
Restructuring Charge	**—**	22	—
Selling and Administration	**279**	262	316
Research and Development	**39**	41	66
Operating Income	**117**	6	147
Interest Expense	**39**	46	53
Interest and Other Income	**10**	15	22
Income (Loss) Before Taxes	**88**	(25)	116
Income Tax Provision (Benefit)	**33**	(12)	32
Income (Loss) Before Cumulative Effect of Accounting Changes	**55**	(13)	84
Cumulative Effect to January 1, 1992 of Changes in Accounting	**(46)**	—	—
Net Income (Loss)	**$ 9**	$ (13)	$ 84
Per Share of Common Stock			
Income (Loss) Before Cumulative Effect of Accounting Changes	**$ 2.17**	$ (0.92)	$ 4.03
Cumulative Effect to January 1, 1992 of Changes in Accounting	**(2.11)**	—	—
Net Income (Loss)	**$ 0.06**	$ (0.92)	$ 4.03 [1]

(1) Fully diluted income or loss per share in 1992 and 1991 was anti-dilutive, while fully diluted income per share in 1990 was $3.88.

Consolidated Statements of Shareholders' Equity

(In millions, except share data)	Common Stock Shares Issued	Common Stock Par Value	Additional Paid-In Capital	Cumulative Translation Adjustment	Retained Earnings	Preferred Stock Series A Par Value	Preferred Stock ESOP Par Value	ESOP Obligations
Balance at January 1, 1990	18,998,674	$19	$177	$ 1	$468	—	$100	$(100)
Net Income	—	—	—	—	84	—	—	—
Dividends Paid:								
Common Stock	—	—	—	—	(41)	—	—	—
ESOP Preferred Stock	—	—	—	—	(8)	—	—	—
Purchases and Retirements of Stock	(168,578)	—	(2)	—	(4)	—	—	—
Reduction in ESOP Obligations	—	—	—	—	—	—	—	11
Stock Options Exercised	152,441	—	5	—	—	—	—	—
Translation Adjustment	—	—	—	5	—	—	—	—
Other Transactions	18,526	—	—	—	—	—	—	—
Balance at December 31, 1990	19,001,063	19	180	6	499	—	100	(89)
Net Loss	—	—	—	—	(13)	—	—	—
Dividends Paid:								
Common Stock	—	—	—	—	(41)	—	—	—
ESOP Preferred Stock	—	—	—	—	(8)	—	—	—
Purchases and Retirements of Stock	(53,190)	—	(1)	—	(1)	—	—	—
Redemptions of ESOP Preferred Stock	—	—	—	—	—	—	(1)	—
Reduction in ESOP Obligations	—	—	—	—	—	—	—	14
Stock Options Exercised	46,482	—	2	—	—	—	—	—
Translation Adjustment	—	—	—	(3)	—	—	—	—
Other Transactions	18,952	—	4	—	(1)	—	—	—
Balance at December 31, 1991	19,013,307	19	185	3	435	—	99	(75)
Net Income	—	—	—	—	9	—	—	—
Dividends Paid:								
Common Stock	—	—	—	—	(41)	—	—	—
ESOP Preferred Stock	—	—	—	—	(8)	—	—	—
Series A Conversion Preferred Stock	—	—	—	—	(9)	—	—	—
Issuance of Series A Conversion Preferred Stock (2,760,000 shares)	—	—	108	—	—	3	—	—
Redemptions of ESOP Preferred Stock	—	—	—	—	—	—	(3)	—
Reduction in ESOP Obligations	—	—	—	—	—	—	—	15
Stock Options Exercised	45,305	—	1	—	—	—	—	—
Translation Adjustment	—	—	—	(4)	—	—	—	—
Other Transactions	11,163	—	2	—	2	—	—	—
Balance at December 31, 1992	19,069,775	$19	$296	$(1)	$388	$3	$ 96	$ (60)

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

Consolidated Statements of Cash Flows

Years ended December 31 (In millions)	1992	1991	1990
Operating Activities			
Net Income (Loss)	**$ 9**	$ (13)	$ 84
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:			
Losses (Earnings) of Non-consolidated Affiliates	**5**	(3)	(2)
Depreciation	**117**	113	116
Amortization of Intangibles	**6**	7	7
Gain on Disposition of Businesses	**—**	—	(83)
Charge for Streamlining Program	**—**	129	—
Cumulative Effect of Changes in Accounting	**46**	—	—
Other Noncash Operating Charges	**—**	—	87
Change in Assets and Liabilities Net of Purchases and Sales of Businesses:			
Receivables	**56**	1	25
Inventories	**(24)**	(6)	(7)
Other Current Assets	**8**	(8)	13
Current Liabilities Other Than Borrowings	**(13)**	(8)	(31)
Noncurrent Liabilities	**(46)**	(31)	(37)
Other Transactions	**25**	(12)	21
Net Operating Activities	**189**	169	193
Investing Activities			
Capital Expenditures	**(173)**	(177)	(187)
Business Acquired in Purchase Transaction	**—**	(80)	—
Proceeds From Sales of Businesses	**42**	14	127
Other Investments	**(10)**	(18)	(15)
Net Investing Activities	**(141)**	(261)	(75)
Financing Activities			
Long-Term Debt:			
Borrowings	**100**	80	—
Repayments	**(130)**	(43)	(16)
Short-Term Borrowings (Repayments)	**(90)**	92	(70)
Issuance of Series A Conversion Preferred Stock	**111**	—	—
Repayment from ESOP	**15**	14	11
Dividends Paid	**(58)**	(49)	(49)
Net Financing Activities	**(52)**	94	(124)
Net Increase (Decrease) in Cash	**(4)**	2	(6)
Cash, Beginning of Year	**8**	6	12
Cash, End of Year	**$ 4**	$ 8	$ 6

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

Accounting Policies

Basis of Presentation
The consolidated financial statements include the accounts of the company and all majority-owned subsidiaries. Investments in 20–50% owned affiliates are accounted for using the equity method of accounting under which investments are recorded at cost and consist of the company's share of undistributed earnings or losses of the affiliates.

Long-term Contracts
Sales and cost of sales related to government contracts that extend beyond one year are primarily recognized under the percentage-of-completion method of accounting as costs are incurred. Profits expected to be realized on contracts are based on the company's estimates of costs at completion compared to total contract sales value. When the company believes the cost of completing a contract will exceed contract-related revenues, the full amount of the anticipated contract loss is recognized.

Inventories
Inventories are valued principally by the dollar value last-in, first-out (LIFO) method of inventory accounting.

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 less. Start-up costs are expensed as incurred.

Income Taxes
In 1992, the company adopted Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes," (SFAS No. 109) which requires recognition of deferred tax liabilities and assets 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.

Prior to 1992, the deferred income tax provision was based on the differences in the timing of the recognition of transactions for financial and tax reporting purposes.

Deferred taxes have not been provided on the undistributed earnings of foreign subsidiaries, since the company intends to continue to reinvest these earnings.

Foreign Currency Translation
Foreign affiliates' balance sheet amounts are translated at the exchange rates in effect at year end, and income statement amounts are translated at the average rates of exchange prevailing during the year. Translation adjustments are recorded as a separate component of shareholders' equity. Foreign currency exchange losses, net of taxes, were $3 million in 1992 and 1990 and were less than $1 million in 1991.

Goodwill
Goodwill, the excess of the purchase price of acquired businesses over fair value of the respective net assets, is amortized principally over 30 years on a straight-line basis.

Financial Instruments
The fair value of the company's financial instruments approximates carrying value. Fair values were estimated based on quoted market prices, where available, or on current rates offered to the company for debt with similar terms and maturities.

Earnings Per Share
Primary earnings per share are computed by dividing net income less the ESOP preferred stock dividend requirement by the weighted average number of common shares outstanding plus an equivalent number (one-for-one) of common shares, assuming the conversion of Series A Stock. Fully diluted earnings per share reflect the dilutive effect of stock options and assume the conversion of outstanding ESOP preferred stock into an equivalent number of common shares at the date of issuance. Net income was reduced by an additional ESOP contribution (differential between the common and the ESOP preferred dividend rates under an assumed conversion) necessary to satisfy the debt service requirement.

Average Common Shares and Common Equivalents Outstanding

(In thousands)	Primary	Assuming Full Dilution
Years ended December 31		
1992	21,598	23,235
1991	19,001	20,618
1990	19,053	20,554

Reclassifications
Certain reclassifications have been made to prior years' financial statements to conform to the 1992 presentation.

Trade Receivables

In December 1990, the company entered into an agreement to sell an undivided fractional ownership interest in a designated pool of receivables, with limited recourse, in an amount not to exceed $70 million. At December 31, 1992 and December 31, 1991, $60 million and $55 million of accounts receivable had been sold under this agreement. An interest in new receivables may be sold as collections reduce previously sold interests. The company's credit risk associated with the designated pool of receivables was assessed in conjunction with the overall evaluation of trade receivables. Reserves ascribed to these accounts are included in the "Allowance for Doubtful Items" on the consolidated balance sheets and are not a material portion thereof. Operating expenses include fees of $2 million in 1992 and $3 million in 1991, related to the sale of receivables under this agreement.

At December 31, 1992 and December 31, 1991, trade receivables include unbilled receivables of $73 million and $92 million, respectively, related to certain government contracts which are accounted for on the percentage-of-completion method.

Inventories

If the first-in, first-out (FIFO) method of inventory accounting had been used, inventories would have been approximately $181 million and $177 million higher than that reported at December 31, 1992 and December 31, 1991, respectively. It is not practicable to separate the inventory into its components because LIFO inventory values are determined principally by the use of the dollar value LIFO method.

Property, Plant and Equipment

	1992	1991
Land and improvements to land	$ 119	$ 99
Buildings and building equipment	295	287
Machinery and equipment	1,885	1,819
Leasehold improvements	30	28
Construction in progress	163	197
Property, plant and equipment	2,492	2,430
Less accumulated depreciation	1,558	1,531
Property, plant and equipment, net	$ 934	$ 899

Leased assets capitalized and included above are not significant. Maintenance and repairs charged to operations amounted to $152 million in 1992, $148 million in 1991 and $144 million in 1990.

Short-Term Borrowings

	1992		1991	
	Amount	Rate	Amount	Rate
Bank loans	$52	3.6%	$ 23	5.2%
Domestic commercial paper	—	—	108	5.5%
Foreign	20	4-12%	31	9.5%
	$72		$162	

At December 31, 1992, the company maintained committed credit facilities with banks of $376 million of which $244 million was available, while the comparable 1991 amounts were $391 million and $62 million, respectively.

Long-Term Debt

Due		1992	1991
	Note agreements		
94-02	7.97% notes	$ 63	$ 69
94-96	8.125% notes	18	23
1/92	Revolving credit loans repaid by proceeds from Preferred Stock offering	—	111
6/02	8% notes	100	—
	Industrial development and environmental improvement obligations		
12/12	payable at interest rates which vary with short-term tax exempt rates	29	29
94-08	payable at interest rates of 6% to 7%	44	48
6/96	7.144% note payable	40	40
94-09	Guarantee of ESOP debt varying with LIBOR	45	60
94-98	10% note	11	12
94-02	Mortgage, capitalized leases and other indebtedness	2	3
	Total long-term senior debt	352	395
6/97	9.5% subordinated notes	125	125
	Total long-term debt	$477	$520

Among the provisions of the note agreements are restrictions relating to payment of dividends and acquisition of the company's capital stock. At December 31, 1992, retained earnings of approximately $137 million were not so restricted under the provisions.

The ESOP's purchase of preferred stock in 1989 was financed by $60 million of notes (guaranteed by the company) and $40 million of borrowings from the company. The loan from the company to the ESOP was financed through a long-term credit facility. At December 31, 1992, $15 million of the Guarantee of ESOP debt has been included in current installments of long-term debt.

In December 1988, the company entered into an unsecured revolving credit agreement with a group of banks. As amended in October 1990, the agreement provides a maximum borrowing of $200 million. The company may select various borrowing options at varying rates and the amount outstanding at September 30, 1993 may be converted into a two-year term loan, to be repaid in equal quarterly installments through September 30, 1995.

In January 1992, the company issued 2.76 million shares of Series A Conversion Preferred Stock. Proceeds of $111 million were used to repay bank loans outstanding at December 31, 1991.

In June 1992, the company sold $100 million of 8% notes due 2002. The proceeds from this issue were used to reduce outstanding short-term debt. The company then swapped interest payments on $50 million principal amount of the notes to a floating rate.

Annual maturities of long-term debt for the next five years are $14 million in 1993, $13 million in 1994, $13 million in 1995, $54 million in 1996 and $134 million in 1997 (excluding the expiring guarantees of ESOP debt).

Series A Preferred Stock

In January 1992, the company sold 2.76 million shares of its $1 par value Series A Conversion Preferred Stock (Series A Stock) generating net proceeds of $111 million. Dividends on the Series A Stock are cumulative at an annual rate of $3.64 per share. On the mandatory conversion date (March 1, 1995) each outstanding Series A Stock will convert automatically into one share of the company's common stock (subject to adjustment in certain events) and the right to receive an amount of cash equal to all accrued and unpaid dividends thereon. Automatic conversion of the outstanding Series A Stock will also occur upon certain mergers or consolidations of the company or in connection with certain other events. In addition, the company has the option to call the Series A Stock, in whole or in part, for redemption prior to maturity at a predetermined call price (payable in common stock of the company) plus an amount of cash equal to all accrued and unpaid dividends on the Series A Stock. The predetermined call price was $56.96 at December 31, 1992, and declines ratably to $54.18 on January 1, 1995, and $53.95 per share thereafter.

Cost of Sales-Related Transactions

In April 1991, the company announced a comprehensive program to streamline its operations and lower costs. The program involved the planned sale of certain businesses, the writedown of several assets to net realizable value and the recording of anticipated operating losses of related businesses to disposal date. In addition, the streamlining program included the reduction of salaried personnel costs as described in the note under the caption, Restructuring Charge. The program resulted in a pretax charge of $129 million ($80 million after tax, or $4.24 per share) which was recorded in the first quarter of 1991.

Included in the 1990 cost of goods sold is approximately $83 million of gains from sales of the company's interest in two sodium chlorate joint ventures and a half interest in its photoresists business. In addition, the company incurred a $27 million charge to shut down the Niagara chlor-alkali facility and provided $60 million for environmental remediation costs associated with other sites.

Restructuring Charge

The company's 1991 streamlining program included a restructuring charge of $22 million for salaried staff reductions, accomplished largely through an early retirement incentive initiative.

Interest Expense

Interest incurred totaled $43 million in 1992, $48 million in 1991, and $56 million in 1990, of which $4 million was capitalized in 1992, $2 million in 1991, and $3 million in 1990.

Pension Plans and Retirement Benefits

Essentially all of the company's domestic pension plans are non-contributory final-average-pay or flat-benefit plans and all domestic employees are covered. The company's funding policy is consistent with the requirements of Federal laws and regulations. In 1991, the company offered to certain qualified employees an option to receive enriched pension benefits under the early retirement incentive program in connection with the restructuring charge.

Components of net pension expense (credit)

	1992	1991	1990
Service cost (benefits earned during the period)	**$ 17**	$ 16	$ 15
Interest cost on the projected benefit obligation	**65**	61	58
Enriched pension benefit	**—**	8	—
Actual loss (return) on assets	**(62)**	(204)	11
Actual (loss) return deferred for later recognition	**(12)**	133	(80)
Net amortization of unrecognized transition asset, prior service cost and deferred gains and losses	**(6)**	(4)	(6)
Net pension expense (credit)	**$ 2**	$ 10	$ (2)

Principal assumptions

Weighted average discount rate	8½%	8¾%	9½%
Weighted average rate of compensation increase	5½%	5½%	5½%
Long-term rate of return on assets	9½%	9½%	9½%

Funded status of the plans

	1992	1991
Accumulated benefit obligation including vested benefits of $770 and $702	**$ 774**	$ 705
Plan assets at fair value, primarily equity and fixed-income securities	**$ 912**	$ 906
Projected benefit obligation for service rendered to date	**(836)**	(764)
Excess of assets over projected benefit obligation	**76**	142
Unrecognized net transition asset	**(55)**	(62)
Unrecognized gain	**(40)**	(102)
Unrecognized prior service cost	**17**	18
Net pension liability	**$ (2)**	$ (4)

The company's foreign subsidiaries maintain pension and other benefit plans which are consistent with statutory practices and are not significant.

The Nonbargaining Employees Pension Plan of Olin Corporation provides that if, within three years following a change of control of the company, 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.

The company provides certain postretirement health care and life insurance benefits for eligible active and retired domestic employees. Effective January 1, 1992, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106). SFAS 106 requires the accrual method of accounting for postretirement health care and life insurance benefits based on actuarially determined costs to be recognized over the period from the date of hire to the full eligibility date of employees who are expected to qualify for such benefits. As of January 1, 1992, the company recognized the full amount of its estimated accumulated postretirement benefit obligation, representing the present value of the estimated future benefits payable to current retirees and the earned portion of estimated benefits payable to active employees after retirement. The pretax charge to 1992 earnings was $80 million with a net income effect of $50 million or $2.30 per share. The net income and EPS amounts have been included in the statement of income as the cumulative effect of an accounting change.

Components of postretirement expense

	1992
Service cost-benefits earned during year	**$2**
Interest cost on accumulated postretirement benefit obligation	**7**
Total expense	**$9**

Unfunded liability for postretirement benefits

	1992
Accumulated postretirement benefit obligation:	
Retirees	**$36**
Fully eligible active plan participants	**9**
Other active participants	**35**
Cumulative liability	**$80**

The accumulated postretirement benefit obligation was determined using the projected unit credit method and an assumed discount rate of 8¾%. The assumed health care cost trend rate used in 1992 was 14% for pre-65 retirees, declining ½% per annum to 6%. For post-65 retirees, the company provides a fixed dollar benefit which is not subject to escalation.

A one percent increase each year in the health care cost trend rate used would have resulted in a less than $1 million increase in the aggregate service and interest components of expense for the year 1992, and a $5 million increase in the accumulated postretirement benefit obligation at December 31, 1992.

In 1991 and 1990, the expense associated with providing these benefits was based on life insurance premiums and medical claims paid. Such benefit costs approximated $7 million in both years and were expensed as incurred.

Income Taxes

As disclosed in the Summary of Significant Accounting Policies, the company adopted SFAS 109 as of January 1, 1992. The cumulative effect on prior years of this change in accounting principle increased 1992 net income by $4 million or $.19 per share and is reported separately in the consolidated statement of income.

Components of pretax income (loss)

	1992	1991	1990
Domestic	**$89**	$(36)	$100
Foreign	**(1)**	11	16
	$88	$(25)	$116

Components of income tax expense (benefit)

	1992	1991	1990
Currently payable:			
Federal	**$18**	$ 6	$32
State	**4**	3	4
Foreign	**1**	1	2
	23	10	38
Deferred	**10**	(22)	(6)
	$33	$(12)	$32

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 of 34% to the income (loss) before taxes.

Effective tax rate reconciliation

(Percent)	1992	1991	1990
Statutory Federal tax rate	**34.0**	(34.0)	34.0
Foreign income tax	**(.9)**	(3.1)	(3.6)
State income taxes, net	**3.8**	(4.8)	2.5
Basis difference on dispositions	**—**	—	(4.3)
Goodwill	**2.0**	6.0	1.2
Equity in net income of affiliates	**(.3)**	(4.4)	(.4)
Other, net	**(1.1)**	(7.7)	(2.2)
Effective tax rate	**37.5**	(48.0)	27.2

The cumulative amount of undistributed earnings of foreign subsidiaries, if remitted, would result in a minimal amount of tax because of available foreign tax credits.

Components of deferred tax assets and liabilities

	1992
Deferred tax assets	
Postretirement benefits	**$ 30**
Non-deductible reserves	**80**
Bad debt reserves	**4**
Tax credit carryforwards	**30**
Other miscellaneous items	**11**
Total deferred tax assets	**$155**

	1992
Deferred tax liabilities	
Property, plant and equipment	**$129**
Leasing activities	**5**
Deferred contract income	**6**
Lifo inventory adjustment	**3**
Other miscellaneous items	**12**
Total deferred tax liabilities	**$155**

Included in Other Current Assets are $62 million of net current deferred assets. Taxable income is expected to be sufficient to recover the net benefit within the carryforward period.

As of December 31, 1992, the company had approximately $26 million of Alternative Minimum Tax Credits available to offset future Federal income taxes on an indefinite carryforward basis.

Components of the deferred tax provision (benefit)

	1991	1990
Accelerated depreciation	$ 13	$19
Asset dispositions	8	6
Non-deductible reserves	(17)	(10)
Alternative minimum tax	(22)	(12)
Leasing activities	(3)	(4)
Other, net	(1)	(5)
	$(22)	$ (6)

Supplemental Cash Flow Information

Cash payments during the years ended 1992, 1991 and 1990 included interest of $43 million, $49 million and $58 million and income taxes, net of refunds, of $15 million, $17 million and $28 million, respectively.

Details of businesses acquired in purchase transactions

	1992	1991	1990
Fair value of assets acquired	**$ —**	$90	$ —
Liabilities assumed or created	**—**	10	—
Net cash paid for acquisitions	**$ —**	$80	$ —

Details of businesses sold

	1992	1991	1990
Fair value of assets sold	**$ 42**	$32	$129
Liabilities assumed by the purchaser	**6**	12	2
Note (paid) payable by the purchaser	**(6)**	6	—
Net proceeds from sales of businesses	**$ 42**	$14	$127

Employee Stock Ownership Plan

In June 1989, an amendment to the company's Thrift Plan created an Employee Stock Ownership Plan feature and changed the name of the Thrift Plan to the Contributing Employee Ownership Plan. The plan is a defined contribution plan available to essentially all domestic employees which provides a match of employee contributions. The plan purchased from the company approximately 1.3 million shares ($100 million) of a newly authorized 1.75 million share series of the company's ESOP preferred stock, financed by $60 million of notes guaranteed by the company and a $40 million loan from the company. This loan has been repaid in total to the company as of December 31, 1992. At December 31, 1992 there were 1.2 million shares of ESOP preferred stock outstanding at a value of $74.50 per share. The annual fixed dividend rate is $5.97 per share. The ESOP preferred stock is convertible by the holder into the company's common stock on a one-for-one basis, subject to anti-dilutive adjustments and may be redeemed at the option of the company after July 1, 1994, or at the option of the plan under certain circumstances (including upon payment of withdrawing plan participant accounts or if required to meet the plan's debt payments). The company reserves the right to satisfy the redemption in cash, marketable obligations or

common stock. Expenses related to the plan are based on ESOP preferred and common stock allocated to participants. These costs amounted to $10 million in 1992, 1991 and 1990. Interest incurred by the plan totaled $3 million in 1992, $5 million in 1991, and $7 million in 1990, which was funded by ESOP preferred dividends.

Stock Options

Under the stock option plans, options may be granted to purchase shares of the company's 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. Stock option transactions are as follows:

	Shares	Option Price Per Share
Outstanding at January 1, 1990	658,567	$11.39-$65.00
Granted	160,365	52.63
Exercised	(152,441)	11.39- 53.50
Canceled	(13,233)	44.50- 53.50
Outstanding at December 31, 1990	653,258	13.24- 65.00
Granted	138,460	44.38
Exercised	(46,482)	16.55- 49.32
Canceled	(10,214)	44.38- 53.50
Outstanding at December 31, 1991	735,022	13.24- 65.00
Granted	148,125	53.00- 63.60
Exercised	(45,306)	13.24- 49.32
Canceled	(29,805)	30.82- 53.50
Outstanding at December 31, 1992	808,036	$22.14-$65.00

Of the outstanding options at December 31, 1992, options covering 659,911 shares are currently exercisable.

At December 31, 1992, common shares reserved for issuance under these plans were 1,340,681 and under additional remuneration agreements were estimated to be 51,000.

Shareholder Rights Plan

In 1986, the Board of Directors adopted a Shareholder Rights Plan expiring in 1996, which is designed to prevent an acquiror from gaining control of the company without offering a fair price to all shareholders. Each right entitles the shareholder to buy ½ share of common stock of the company at an exercise price of $50. The rights are exercisable only if a person acquires 20% or more of the company's common stock or commences a tender or exchange offer for 30% or more of such stock. The company can redeem the rights at $.05 per right for a certain time period. If any person acquires 30% or more of the common stock and in the event of certain mergers or combinations, each right will entitle the holder to purchase stock or other property having a value of twice the exercise price.

Segment Information

Information relative to the various industries in which the company operates appears on page 23 and is incorporated herein by reference.

Segment operating income (loss)

	1992	1991	1990
Chemicals	**$ 26**	$ (72)	$ 45
Metals	**47**	26	51
Defense and Ammunition	**44**	52	51
Total operating income	**$ 117**	$ 6	$ 147

Geographic segment data

	1992	1991	1990
Sales			
United States	**$2,222**	$2,101	$2,389
Foreign	**154**	174	203
Transfers between areas			
United States	**79**	79	74
Foreign	**12**	11	1
Eliminations	**(91)**	(90)	(75)
Total sales	**$2,376**	$2,275	$2,592
Operating income (loss)			
United States	**$ 110**	$ (6)	$ 127
Foreign	**3**	8	8
Eliminations	**4**	4	12
Operating income	**$ 117**	$ 6	$ 147
Assets			
United States	**$1,831**	$1,824	$1,716
Foreign	**183**	202	204
Investments	**47**	28	22
Corporate assets and eliminations	**(31)**	(42)	(76)
Total consolidated assets	**$2,030**	$2,012	$1,866

Sales to the U.S. government were $409 million, $453 million and $437 million in 1992, 1991 and 1990, respectively. The Defense and Ammunition segment accounted for approximately 84% of the government sales in 1992, 1991 and 1990. Transfers between geographic areas are priced generally at prevailing market prices. Export sales from the United States to unaffiliated customers were $172 million, $175 million and $209 million in 1992, 1991 and 1990 respectively.

Acquisitions

In 1991 the company acquired A.J. Oster Co. for $80 million. This acquisition was accounted for as a purchase and accordingly, its results of operations, which were not material, are included in the consolidated financial statements from the date of acquisition. The net assets acquired included working capital of $32 million, property, plant and equipment of $14 million and other assets of $2 million.

Dispositions

Throughout 1992, the company sold several small product lines such as urethane systems, *Uralloys* low profile additives, sodium chlorite, the European and Singapore-based electronic chemicals and its ethylene oxide unit. Proceeds from these sales in 1992 amounted to $36 million.

In December 1991, the company sold its European sporting ammunition business, including its shotshell manufacturing facility in Italy. This transaction generated cash proceeds of $20 million, including $6 million received in 1992.

In 1990, the company sold its interests in two sodium chlorate joint ventures and a half interest in its photoresists business. These transactions produced cash amounting to $127 million and cumulative pretax gains of $83 million.

Commitments and Contingencies

The company leases certain properties, such as manufacturing, warehousing and office space, data processing and office equipment and railroad cars. Leases covering these properties generally contain escalation clauses based on increased costs of the lessor, primarily property taxes, maintenance and insurance and have renewal or purchase options. Total rent expense charged to operations amounted to $37 million in 1992 and 1991 and $43 million in 1990, (sublease income is not significant). Future minimum rent payments under operating leases having initial or remaining noncancelable lease terms in excess of one year at December 31, 1992 are as follows (in millions): 1993–$25; 1994–$21; 1995–$16; 1996–$13; 1997–$11; thereafter–$41.

There are a variety of legal proceedings, contractual obligations and environmental issues, arising out of its businesses, pending or threatened against the company. Certain of these matters are discussed in Item 3, Legal Proceedings, in the Form 10-K Annual Report, which is available on request from the company. Based upon information presently available, the company believes that any contingent liability in excess of amounts recorded that may result from these matters will not materially affect the company's financial condition. In addition, the company has been identified by the Environmental Protection Agency as a potentially responsible party (along with others, in most cases) at a number of sites under the Comprehensive Environment Response, Compensation and Liability Act of 1980. Estimated remedial expenses for active projects are recognized in accordance with generally accepted accounting principles governing probability and the ability to reasonably estimate future costs. During 1992, $17 million was accrued and charged to income compared to $18 million in 1991 and $60 million in 1990. The Consolidated Balance Sheets include environmental liabilities of $66 million and $90 million at December 31, 1992 and December 31, 1991, respectively for future expenditures to remediate known sites. Environmental exposures are difficult to assess for numerous reasons, including the identification of new sites, 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 of and the financial capability of other potentially responsible parties and the time periods (sometimes lengthy) over which site remediation occurs. It is possible that some of these matters (the outcome of which is subject to various uncertainties) may be decided unfavorably against the company. At December 31, 1992, the company had estimated additional contingent environmental liabilities of $45 million which were determined in accordance with generally accepted accounting principles.

Quarterly Data (unaudited)

1992	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales	**$ 614**	**$633**	**$577**	**$552**	**$2,376**
Cost of goods sold	**490**	**516**	**482**	**453**	**1,941**
Income before accounting changes	**24**	**21**	**6**	**4**	**55**
Accounting changes	**(46)**	**—**	**—**	**—**	**(46)**
Net income (loss)	**(22)**	**21**	**6**	**4**	**9**
Net income (loss) per share:					
Primary:					
Income before accounting changes	**1.04**	**.88**	**.18**	**.07**	**2.17**
Accounting changes	**(2.11)**	**—**	**—**	**—**	**(2.11)**
Net income (loss)	**(1.07)**	**.88**	**.18**	**.07**	**.06**
Assuming full dilution	**—**	**.86**	**—**	**—**	**—**
Common dividends	**.55**	**.55**	**.55**	**.55**	**2.20**
Market price of common stock*					
High	**54¼**	**54¾**	**47¾**	**46**	**54¾**
Low	**39⅜**	**43¾**	**39½**	**37¼**	**37¼**
1991					
Sales	$ 561	$568	$551	$595	$2,275
Cost of goods sold	549	454	453	488	1,944
Net income (loss)	(59)	21	15	10	(13)
Net income (loss) per share:					
Primary	(3.20)	.98	.70	.60	(.92)
Assuming full dilution	—	.96	.69	.60	—
Common dividends	.55	.55	.55	.55	2.20
Market price of common stock*					
High	49⅝	53½	54	47¾	54
Low	33½	40¼	46¼	36⅝	33½
1990					
Sales	$ 636	$660	$656	$640	$2,592
Cost of goods sold	491	510	537	525	2,063
Net income	32	29	15	8	84
Net income per share:					
Primary	1.60	1.41	.65	.37	4.03
Assuming full dilution	1.52	1.35	.64	.37	3.88
Common dividends	.50	.55	.55	.55	2.15
Market price of common stock*					
High	60⅝	57⅝	50	39⅜	60⅝
Low	55¾	48	32⅞	28⅛	28⅛

*New York Stock Exchange composite transactions.

1992 first-quarter loss includes $46 million for cumulative effect of Changes in Accounting for the adoption of SFAS No. 106 and No. 109. Net income and net income per share for the first three quarters of 1992 have been restated to give effect for the impact of the new income tax accounting standard on the ESOP tax benefit. Net income increased $.3 million in each of the first three quarters. Net income per share was reduced by $.02 in each quarter.

1991 first-quarter loss includes a $80 million charge to cover losses on disposition and writedown of certain businesses and costs of personnel reductions.

1990 second-quarter net income includes a $16 million gain from the sale of the company's sodium chlorate joint venture. Also included in this quarter is a charge of $17 million for environmental and other nonrecurring costs. The fourth-quarter net income includes a $39 million gain associated with the formation of a joint venture involving the company's photoresists business. Also included in this quarter is a charge of $38 million for environmental costs.

Independent Auditor's Report

To 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, 1992 and 1991 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1992. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, 1992 and 1991, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1992 in conformity with generally accepted accounting principles.

As discussed in the notes to financial statements, the company changed its methods of accounting for postretirement benefits other than pensions and income taxes in 1992.

Stamford, Connecticut
January 28, 1993

Management Report on Financial Statements

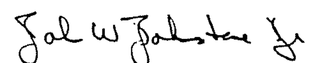
The company has prepared the accompanying consolidated financial statements and related information for the years ended December 31, 1992, 1991 and 1990. Management is responsible for the integrity of the financial statements, which were prepared in conformity with generally accepted accounting principles. In our opinion, they contain no material misstatements attributable to fraud or error. The financial information contained elsewhere in this annual report is consistent with the financial statements.

The company maintains internal accounting control systems designed to provide reliable information and reasonable assurance that assets are safeguarded from loss or unauthorized use, that fraudulent reporting would be prevented or detected and that all transactions are properly authorized. A well-qualified internal audit department evaluates internal accounting control systems and monitors compliance with the company's internal control policies and procedures. Management believes that, as of December 31, 1992, the company's system of internal controls is adequate to accomplish the objectives discussed herein.

Management also recognizes its responsibility for fostering a strong ethical climate so that the company's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is communicated to all employees in the company's code of business conduct, which is publicized throughout the company. The code of conduct addresses, among other things, the necessity of ensuring open communication within the company; potential conflicts of interest; compliance with all domestic and foreign laws, including those relating to financial disclosure; and the confidentiality of proprietary information. The company maintains a systematic program to assess compliance with these policies.

Our independent auditors are engaged to audit and to render an opinion on the fairness in all material respects of our consolidated financial statements presented in conformity with generally accepted accounting principles. In performing their audit in accordance with generally accepted auditing standards, they evaluate the effectiveness of our internal accounting control systems, review selected transactions and carry out other auditing procedures to the extent they consider necessary in expressing their opinion on our financial statements.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent auditors, management and the company's internal auditors to review the work of each and to evaluate matters pertinent to internal accounting controls and financial reporting, and the nature, extent and results of auditing activities. The Audit Committee annually recommends to the Board of Directors the appointment of independent auditors. The independent auditors and the company's internal audit department have access to the Audit Committee without management's presence.



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Chief Executive Officer

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Senior Vice President and
Chief Financial Officer

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Edward Pollak
Senior Vice President

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Senior Vice President and Chief Financial Officer

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Vice President, Human Resources

E. McIntosh Cover
Vice President, General Counsel and Secretary

Emanuel J. DiTeresi
Vice President and Controller

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Vice President, Taxes and Risk Management

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Vice President and Treasurer

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Linda E. Gaza
Vice President, Public Affairs

G. Michael Herrington
Vice President, Quality Improvement

Robert A. Beyerl
Director, Internal Audit

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Gerald W. Bersett
President, Winchester

Angelo A. Catani
President, Ordnance

Patrick J. Davey
President, Performance Chemicals

James G. Hascall
President, Brass, and Corporate Senior Vice President

Edward Pollak
President, Olin Hunt Specialty Products, and Corporate Senior Vice President

William W. Smith
President, Aerospace

Marc A. Kolpin
President, Physics International

Corporate Data

Transfer Agents and Registrars

Chemical Bank
450 W. 33rd Street
New York, N.Y. 10001
Telephone: (800) 647-4273

Boatmen's Trust Company
510 Locust Street
St. Louis, Mo. 63101
Telephone: (314) 436-9357

Stock Exchange Listings

Common Stock
New York Stock Exchange
Pacific Stock Exchange
Midwest Stock Exchange
Ticker Symbol: OLN

Series A Conversion Preferred Stock
New York Stock Exchange
Ticker Symbol: OLNPrP

Trustee for Subordinated Notes

Bankers Trust Company
Four Albany Street
New York, N.Y. 10015
Telephone: (212) 250-6112

Trustee for 8% Notes

Chemical Bank
450 W. 33rd Street
New York, N.Y. 10001
Telephone: (212) 613-7147

Dividend Reinvestment Service

Olin makes a Dividend Reinvestment Service available to its shareholders.
For information, write to:
Chemical Bank
Dividend Reinvestment Dept.
P.O. Box 24850
Church Street Station
New York, N.Y. 10249

Trademarks

Italicized words identifying products in this report are trademarks or servicemarks of Olin Corporation or its subsidiaries or affiliates.

Annual Meeting

The annual meeting of the shareholders will be held on Thursday, April 29, 1993, at 10:30 a.m., local time, at the headquarters of the corporation, 120 Long Ridge Road, Stamford, Connecticut.

Form 10-K Available

A copy of Olin's Form 10-K, containing additional information of possible interest to shareholders and filed with the Securities and Exchange Commission in March each year, will be sent without charge to any shareholder who requests it. Write to:
Richard E. Koch
Director, Investor Relations
Olin Corporation
P.O. Box 1355
Stamford, CT 06904-1355

Olin Corporation is proud to have marked 75 years as a New York Stock Exchange listed company in 1992. Only 25 companies listed today on the Exchange have been listed longer than Olin Corporation. We also congratulate The New York Stock Exchange on the occasion of achieving its bicentennial in 1992.

Credits

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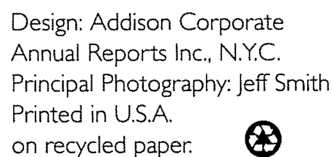

Annual Report Features

- 1991—The Spirit of Olin
- 1990—Stakeholders of Total Quality Management
- 1989—Building Shareholder Value
- 1988—Employee Dedication to Customer Service
- 1987—A Focus on Customer Satisfaction
- 1986—Working Together to Achieve Excellence

Olin Strategy

Olin's fundamental strategy is to build and maintain market leadership positions for businesses that we are in and know well. This will be achieved by satisfying our customers, and by focusing our resources, human and capital, in areas where we have an acceptable competitive position. We will concentrate on continuous operational improvement to achieve excellence in our businesses and will seek only limited diversification that builds on our strengths.

While we expect to double sales over a ten year period, our primary emphasis will be on market leadership and profitability, which will result from our commitments to total quality, continual operational improvement, ensuring customer satisfaction and achieving commensurate financial rewards. All of this requires a high degree of management discipline.

Achieving effectiveness requires being the low cost producer and demonstrating an ability to outperform economic business cycles.

Division Presidents will view their responsibilities on a global basis, have the primary leadership role, and be fully empowered to execute business plans that have gained the concurrence of the corporation's senior executive management. The empowerment of Division Presidents requires accountability for executing plans successfully and achieving projected results.

As a company, Olin will represent more value than the sum of our individual businesses. The Executive Office will be responsible for maintaining the mix of businesses, the organization, and the policy direction that will ensure superior value added.

To effectively execute this corporate strategy, we will primarily rely on open and frequent communications. Formal controls will be used only to the extent absolutely necessary. In addition, the Corporate Center's activities will be limited to those functions required of a publicly held company and high value added services.

A total commitment to quality and a renewed emphasis on operational effectiveness, while staying with our strengths, will provide improved quality of earnings and share value.

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