

Albemarle Corporation First Quarter 2014 Earnings

Conference Call/Webcast
Thursday, April 17, 2014
9:00am ET



Forward-Looking Statements

Some of the information presented in this presentation and discussions that follow, including, without limitation, statements with respect to product development, changes in productivity, market trends, price, volume and mix changes, expected growth and earnings, input costs, surcharges, tax rates, stock repurchases, dividends, economic trends, outlook and all other information relating to matters that are not historical facts may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. There can be no assurance that actual results will not differ materially.

Factors that could cause actual results to differ materially include, without limitation: changes in economic and business conditions; changes in financial and operating performance of our major customers, industries and markets served by us; the timing of orders received from customers; the gain or loss of significant customers; competition from other manufacturers; changes in the demand for our products; limitations or prohibitions on the manufacture and sale of our products; availability of raw materials; changes in the cost of raw materials and energy, and our ability to pass through such increases; acquisitions and divestitures, and changes in performance of acquired companies; changes in our markets in general; fluctuations in foreign currencies; changes in laws and government regulation impacting our operations or our products; the occurrence of claims or litigation; the occurrence of natural disasters; the inability to maintain current levels of product or premises liability insurance or the denial of such coverage; political unrest affecting the global economy, including adverse effects from terrorism or hostilities; political instability affecting our manufacturing operations or joint ventures; changes in accounting standards; the inability to achieve results from our global manufacturing cost reduction initiatives as well as our ongoing continuous improvement and rationalization programs; changes in the jurisdictional mix of our earnings and changes in tax laws and rates; changes in monetary policies, inflation or interest rates that may impact our ability to raise capital or increase our cost of funds, impact the performance of our pension fund investments and increase our pension expense and funding obligations; volatility and substantial uncertainties in the debt and equity markets; technology or intellectual property infringement, including cyber security breaches, and other innovation risks; decisions we may make in the future; and the other factors detailed from time to time in the reports we file with the SEC, including those described under “Risk Factors” in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

First Quarter 2014 Financial Results

	1Q 2014 (\$ in millions, except EPS)	Year-Over-Year	Sequential
Net Sales	\$ 657	2%	(5%)
Segment Income ¹	\$ 128	(5%)	(7%)
Net Income ex SI ^{1,2}	\$ 77	(7%)	(13%)
EBITDA ex SI ^{1,3}	\$ 137	(1%)	(7%)
EBITDA Margins ex SI ^{1,3}	21%	(79bps)	(43bps)
Diluted EPS ex SI ^{1,2}	\$ 0.96	3%	(11%)

¹Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

²Reflects Net Income attributable to Albemarle Corporation, excluding special charges such as restructuring and non-operating pension and OPEB costs

³Reflects EBITDA attributable to Albemarle Corporation, excluding special charges such as restructuring and non-operating pension and OPEB costs

Financial Highlights

- 1Q 2014 net income¹ of \$77M; \$0.96 per share
- 1Q 2014 EBITDA² of \$137M, 21% EBITDA margin
- 1Q 2014 FCF³ of \$128M up substantially y/y on working capital improvements and lower CAPEX
- Executed accelerated share repurchase program to buyback \$50M shares
- Catalysts Solutions net sales and segment income up y/y on strong HOU results and favorable CFT mix, offset by weaker performance catalysts results
- Performance Chemicals segment income down on flat sales. Soft y/y electronics demand offset strong custom synthesis, MFR and clear completion results
- Announced agreement to sell antioxidants, ibuprofen and propofol businesses, and related assets

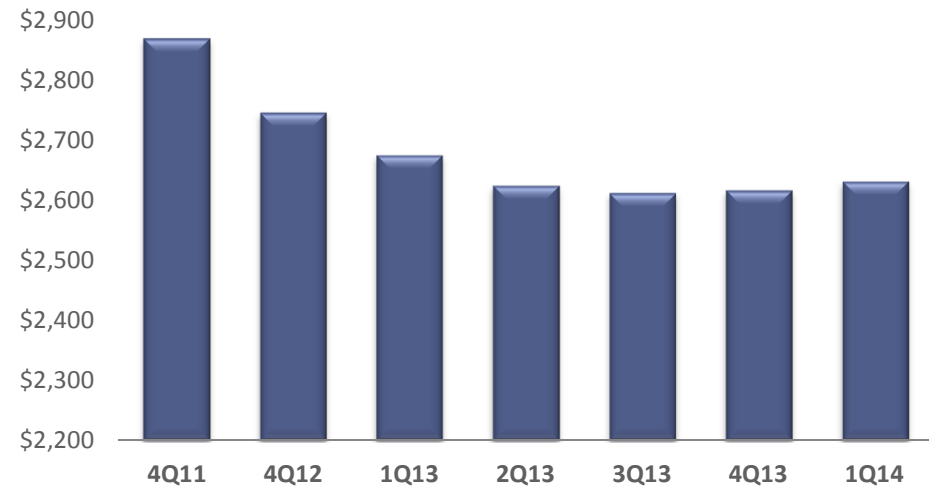
¹ Reflects Net Income attributable to Albemarle Corporation, excluding special and non-operating pension and OPEB items

² Reflects EBITDA attributable to Albemarle Corporation, excluding special and non-operating pension and OPEB items

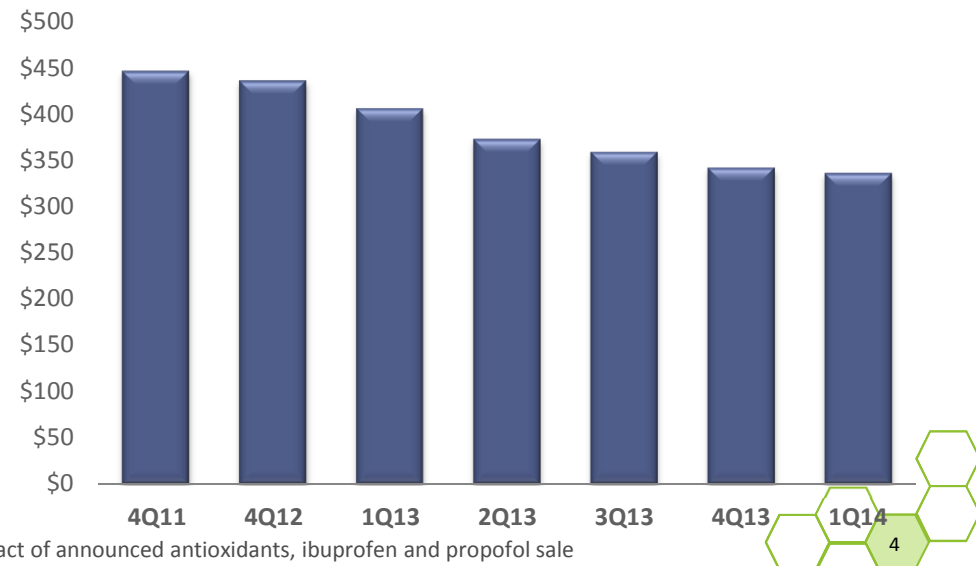
³ See reconciliation on Financial Performance slide 8

TTM Sales

(\$ in millions)



TTM Net Income (ex. Special Items)



Catalysts Solutions

(\$ in millions)

1ST Qtr Performance

(\$ in millions)	1Q 2014	1Q 2013	△
Net Sales	\$296	\$280	6%
Segment Income	\$57	\$55	4%
Segment Income Margin	19%	20%	(39bps)

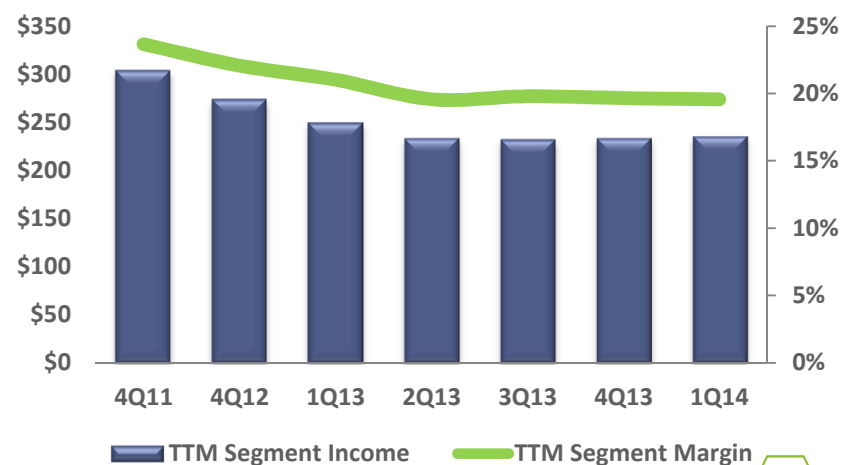
1ST Qtr Y/Y Sales Comparison

Sales Growth	6%
Volume / Mix	5%
Price	1%
Currency	--

Performance Drivers

- Strong HOU results driven by double-digit volume and profit gains
- Favorable CFT mix drove improved y/y profitability. Results lower sequentially following an outstanding 4Q13
- Higher fixed costs and weaker pricing y/y continue to depress Performance Catalyst Solutions profitability and offset overall Refinery Catalyst Solutions y/y strength

Historical Trend



Performance Chemicals

(\$ in millions)

1ST Qtr Performance

(\$ in millions)	1Q 2014	1Q 2013	△
Net Sales	\$361	\$362	0%
Segment Income	\$71	\$80	(11%)
Segment Income Margin	20%	22%	(228bps)

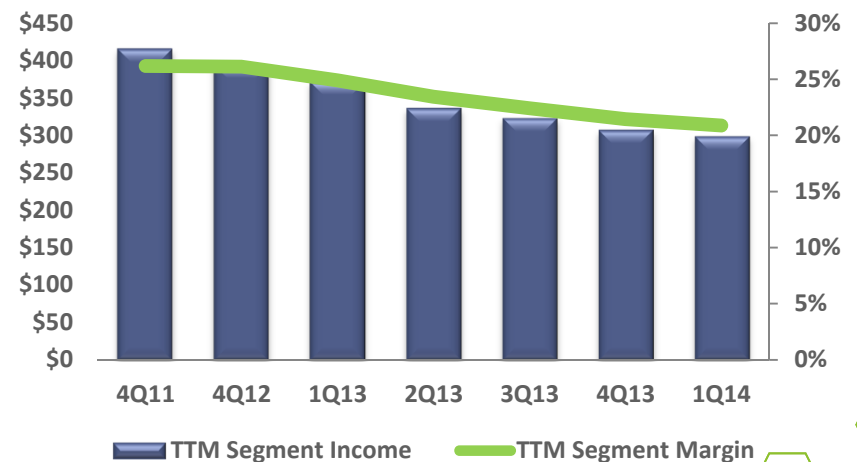
1ST Qtr Y/Y Sales Comparison

Sales Growth	0%
Volume / Mix	2%
Price	(2%)
Currency	--

Performance Drivers

- Solid y/y volume and profit gains for MFR and select BFR markets (wire and cable, film and polyolefin apps), offset by sluggish PWB, enclosure and connector results, driving lower Fire Safety Solutions profitability
- Near record clear completion volumes and excellent curatives results drove higher Specialty Chemicals results y/y
- Strong electronic materials driven growth supported Fine Chemistry Services y/y profit gains
- Bromine pricing trends remain soft y/y, but showing signs of stabilization

Historical Trend



Sales Volume Variance By Major Product Groups

	Volume Performance	
	1Q14 vs. 1Q13	TTM 1Q14 vs. TTM 1Q13
Heavy Oil Upgrading	++	++
Clean Fuel Technology	--	~
Performance Catalysts Solutions	+	~
Brominated Flame Retardants	-	+
Mineral Flame Retardants	++	+
Bromine Derivatives (ex FRs) ¹	+	~

++ Represents growth above 10%, + represents growth between 3% and 10%, ~ represents (2%) to 2%, - represents decline between (3%) and (10%), -- represents decline of more than (10%)

¹ Includes elemental bromine and all non-FR bromine derivatives

Financial data and commentary shown does not reflect impact of announced antioxidants, ibuprofen and propofol sale

Financial Performance

(\$ in millions)

Free Cash Flow (FCF)

Three Months Ended March 31

	<u>2014</u>	<u>2013</u>
Net Income ¹	\$57	\$84
Restructuring and Pension Charges	20	-
Depreciation & Amortization	28	25
Change in Working Capital	40	(13)
Other	4	3
Net Cash from Operations	149	99
Less: Capital Expenditures	(24)	(55)
Add Back: Pension Contributions	3	2

Free Cash Flow **\$128** **\$46**

¹ Reflects Net Income attributable to Albemarle Corporation

² Excludes JV debt not guaranteed by Company

³ Excludes special and non-operating pension and OPEB items

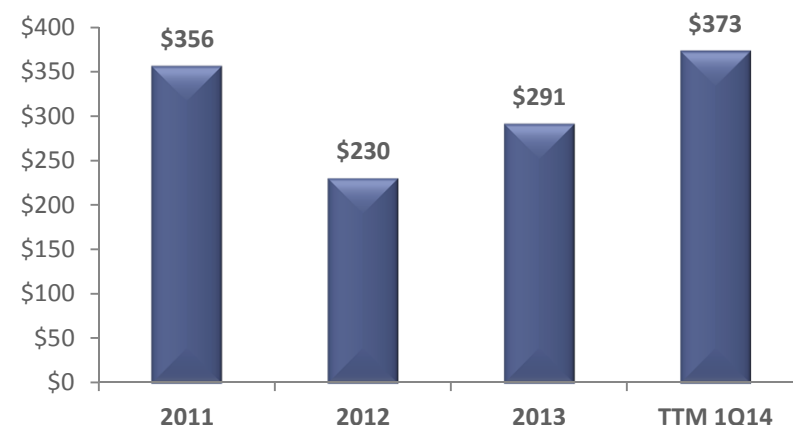
Financial data and commentary shown does not reflect impact of announced antioxidants, ibuprofen and propofol sale

Other Financial Highlights as of 3/31/2014

(\$ in millions)

- **Dividends Paid:** **\$20**
- **Dividend Growth (Y/Y):** **10%**
- **Shares Repurchased:** **\$50**
- **Net Debt²:** **\$537**
- **Net Debt to EBITDA³:** **0.9x**

FCF Historical Trend



Returned \$70M in Capital to Shareholders
Maintained Net Debt-to-EBITDA Floor of ~1.0x

APPENDIX

Non-GAAP Reconciliations

Segment Operating Profit & Segment Income

(\$ in thousands)

	Three Months Ended	
	March 31,	
	2014	2013
Total segment operating profit	\$ 127,169	\$ 130,108
Corporate & other	(34,765)	(15,221)
Restructuring and other charges, net	(17,000)	--
GAAP Operating profit	\$ 75,404	\$ 114,887
Total segment income	\$ 128,418	\$ 134,840
Corporate & other	(34,765)	(15,221)
Restructuring and other charges, net	(17,000)	--
Interest and financing expenses	(8,773)	(5,231)
Other income (expenses), net	1,149	(4,209)
Income tax expense	(12,446)	(26,192)
GAAP Net income attributable to Albemarle Corporation	\$ 56,583	\$ 83,987

Financial data and commentary shown does not reflect impact of announced antioxidants, ibuprofen and propofol sale

Net Income and EBITDA

(\$ in thousands)

	Three Months Ended	
	March 31,	
	2014	2013
Net income attributable to Albemarle Corporation	\$ 56,583	\$ 83,987
Add back:		
Non-operating pension and OPEB items (net of tax)	8,944	(1,297)
Special items (net of tax)	11,145	--
Net income attributable to Albemarle Corporation excluding special and non-operating pension and OPEB items	\$ 76,672	\$ 82,690
Net income attributable to Albemarle Corporation	\$ 56,583	\$ 83,987
Add back:		
Interest and financing expenses	8,773	5,231
Income tax expense	12,446	26,192
Depreciation and amortization	27,809	25,244
EBITDA	105,611	140,654
Non-operating pension and OPEB items	14,070	(2,069)
Special items	17,000	--
EBITDA excluding special and non-operating pension and OPEB items	\$ 136,681	\$ 138,585
Net sales	\$ 656,679	\$ 641,625
EBITDA Margin	16.1%	21.9%
EBITDA Margin excluding special and non-operating pension and OPEB items	20.8%	21.6%

Financial data and commentary shown does not reflect impact of announced antioxidants, ibuprofen and propofol sale

Net Debt

(\$ in thousands)

	<u>March 31,</u>	
	<u>2014</u>	<u>2013</u>
Total-Long term debt	\$ 1,070,853	\$ 695,820
JV debt not guaranteed by Company (consolidated but guaranteed by others)	(9,955)	(14,499)
Less Cash and cash equivalents	<u>(524,043)</u>	<u>(434,904)</u>
Net Debt	<u>\$ 536,855</u>	<u>\$ 246,417</u>

Financial data and commentary shown does not reflect impact of announced antioxidants, ibuprofen and propofol sale

Diluted EPS

	Three Months Ended	
	March 31,	
	2014	2013
Diluted earnings per share	\$ 0.71	\$ 0.94
Non-operating pension and OPEB items	0.11	(0.01)
Special items	0.14	--
Diluted earnings per share excluding special and non-operating pension and OPEB items ¹	<u>\$ 0.96</u>	<u>\$ 0.93</u>

¹Totals may not add due to rounding

Financial data and commentary shown does not reflect impact of announced antioxidants, ibuprofen and propofol sale

ALB
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NYSE

www.albemarle.com