

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549**

FORM 10-Q

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

For Quarterly Period Ended June 30, 2013

OR

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

For the transition period from _____ to _____

Commission File Number 1-12658

ALBEMARLE CORPORATION

(Exact name of registrant as specified in its charter)

VIRGINIA
(State or other jurisdiction of
incorporation or organization)

54-1692118
(I.R.S. Employer
Identification No.)

**451 FLORIDA STREET
BATON ROUGE, LOUISIANA**
(Address of principal executive offices)

70801
(Zip Code)

Registrant's telephone number, including area code - (225) 388-8011

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Number of shares of common stock, \$.01 par value, outstanding as of July 10, 2013: 81,374,337

ALBEMARLE CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

ALBEMARLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net sales	\$634,197	\$684,894	\$1,275,822	\$1,396,598
Cost of goods sold	437,558	435,606	879,593	896,330
Gross profit	196,639	249,288	396,229	500,268
Selling, general and administrative expenses	62,900	61,735	127,650	135,739
Research and development expenses	21,565	20,911	41,518	39,960
Restructuring and other charges, net (Note 13)	—	94,703	—	94,703
Operating profit	112,174	71,939	227,061	229,866
Interest and financing expenses	(7,608)	(8,486)	(12,839)	(17,220)
Other expenses, net	(1,697)	(688)	(5,906)	(806)
Income before income taxes and equity in net income of unconsolidated investments	102,869	62,765	208,316	211,840
Income tax expense	21,450	21,882	47,642	60,910
Income before equity in net income of unconsolidated investments	81,419	40,883	160,674	150,930
Equity in net income of unconsolidated investments (net of tax)	9,709	12,712	19,970	21,298
Net income	91,128	53,595	180,644	172,228
Net income attributable to noncontrolling interests	(8,389)	(3,506)	(13,918)	(7,877)
Net income attributable to Albemarle Corporation	\$ 82,739	\$ 50,089	\$ 166,726	\$ 164,351
Basic earnings per share	\$ 0.98	\$ 0.56	\$ 1.93	\$ 1.84
Diluted earnings per share	\$ 0.98	\$ 0.56	\$ 1.92	\$ 1.83
Weighted-average common shares outstanding – basic	84,028	89,414	86,374	89,206
Weighted-average common shares outstanding – diluted	84,489	90,051	86,862	89,999
Cash dividends declared per share of common stock	\$ 0.24	\$ 0.20	\$ 0.48	\$ 0.40

See accompanying Notes to the Condensed Consolidated Financial Statements.

ALBEMARLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In Thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net income	<u>\$91,128</u>	<u>\$ 53,595</u>	<u>\$180,644</u>	<u>\$172,228</u>
Other comprehensive income (loss), net of tax:				
Foreign currency translation	5,241	(55,882)	(28,668)	(26,870)
Pension and postretirement benefits	(330)	(154)	(404)	(334)
Other	29	31	61	66
Total other comprehensive income (loss), net of tax	<u>4,940</u>	<u>(56,005)</u>	<u>(29,011)</u>	<u>(27,138)</u>
Comprehensive income (loss)	96,068	(2,410)	151,633	145,090
Comprehensive income attributable to non-controlling interests	<u>(8,156)</u>	<u>(3,516)</u>	<u>(13,989)</u>	<u>(8,032)</u>
Comprehensive income (loss) attributable to Albemarle Corporation	<u>\$87,912</u>	<u>\$ (5,926)</u>	<u>\$137,644</u>	<u>\$137,058</u>

See accompanying Notes to the Condensed Consolidated Financial Statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)
(Unaudited)

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 314,659	\$ 477,696
Trade accounts receivable, less allowance for doubtful accounts (2013 – \$1,543; 2012 – \$1,641)	407,842	378,973
Other accounts receivable	43,403	43,844
Inventories	451,998	428,145
Other current assets	63,976	78,655
Total current assets	<u>1,281,878</u>	<u>1,407,313</u>
Property, plant and equipment, at cost	2,895,949	2,818,604
Less accumulated depreciation and amortization	1,562,184	1,522,033
Net property, plant and equipment	1,333,765	1,296,571
Investments	206,755	207,141
Other assets	150,047	154,836
Goodwill	272,773	276,966
Other intangibles, net of amortization	90,731	94,464
Total assets	<u>\$3,335,949</u>	<u>\$3,437,291</u>
Liabilities And Equity		
Current liabilities:		
Accounts payable	\$ 179,173	\$ 172,866
Accrued expenses	160,825	177,546
Current portion of long-term debt	9,355	12,700
Dividends payable	19,175	17,471
Income taxes payable	7,055	4,426
Total current liabilities	<u>375,583</u>	<u>385,009</u>
Long-term debt	1,067,852	686,588
Postretirement benefits	59,940	60,815
Pension benefits	194,913	195,481
Other noncurrent liabilities	103,794	114,022
Deferred income taxes	68,474	63,368
Commitments and contingencies (Note 8)		
Equity:		
Albemarle Corporation shareholders' equity:		
Common stock, \$.01 par value, issued and outstanding – 81,365 in 2013 and 88,899 in 2012	814	889
Additional paid-in capital	3,005	2,761
Accumulated other comprehensive income	56,182	85,264
Retained earnings	1,292,993	1,744,684
Total Albemarle Corporation shareholders' equity	<u>1,352,994</u>	<u>1,833,598</u>
Noncontrolling interests	112,399	98,410
Total equity	<u>1,465,393</u>	<u>1,932,008</u>
Total liabilities and equity	<u>\$3,335,949</u>	<u>\$3,437,291</u>

See accompanying Notes to the Condensed Consolidated Financial Statements.

ALBEMARLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(In Thousands, Except Share Data)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Albemarle Shareholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amounts						
Balance at January 1, 2013	88,899,209	\$ 889	\$ 2,761	\$ 85,264	\$1,744,684	\$1,833,598	\$ 98,410	\$1,932,008
Net income					166,726	166,726	13,918	180,644
Other comprehensive (loss) income				(29,082)		(29,082)	71	(29,011)
Cash dividends declared					(40,753)	(40,753)		(40,753)
Stock-based compensation and other			4,144			4,144		4,144
Exercise of stock options	132,238	1	3,916			3,917		3,917
Shares repurchased	(7,814,045)	(78)	(4,556)		(577,664)	(582,298)		(582,298)
Tax benefit related to stock plans			2,519			2,519		2,519
Issuance of common stock, net	238,939	3	(3)			—		—
Shares withheld for withholding taxes associated with common stock issuances	(90,957)	(1)	(5,776)			(5,777)		(5,777)
Balance at June 30, 2013	81,365,384	\$ 814	\$ 3,005	\$ 56,182	\$1,292,993	\$1,352,994	\$112,399	\$1,465,393
Balance at January 1, 2012	88,841,240	\$ 888	\$ 15,194	\$ 60,329	\$1,514,866	\$1,591,277	\$ 87,550	\$1,678,827
Net income					164,351	164,351	7,877	172,228
Other comprehensive (loss) income				(27,293)		(27,293)	155	(27,138)
Cash dividends declared					(35,715)	(35,715)	(7,628)	(43,343)
Stock-based compensation and other			10,004			10,004		10,004
Exercise of stock options	656,235	7	13,423			13,430		13,430
Shares repurchased	(215,000)	(2)	(13,693)			(13,695)		(13,695)
Tax benefit related to stock plans			12,329			12,329		12,329
Issuance of common stock, net	339,620	3	(3)			—		—
Shares withheld for withholding taxes associated with common stock issuances	(137,759)	(1)	(8,997)			(8,998)		(8,998)
Balance at June 30, 2012	89,484,336	\$ 895	\$ 28,257	\$ 33,036	\$1,643,502	\$1,705,690	\$ 87,954	\$1,793,644

See accompanying Notes to the Condensed Consolidated Financial Statements.

ALBEMARLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Six Months Ended June 30,	
	2013	2012
Cash and cash equivalents at beginning of year	\$ 477,696	\$ 469,416
Cash flows from operating activities:		
Net income	180,644	172,228
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	51,817	49,449
Non-cash charges associated with restructuring and other, net	—	70,587
Stock-based compensation	4,529	10,730
Excess tax benefits realized from stock-based compensation arrangements	(2,519)	(12,329)
Equity in net income of unconsolidated investments (net of tax)	(19,970)	(21,298)
Dividends received from unconsolidated investments and nonmarketable securities	13,599	16,769
Pension and postretirement expense (benefit)	3,152	(10,203)
Pension and postretirement contributions	(4,246)	(4,612)
Unrealized gain on investments in marketable securities	(1,912)	(470)
Deferred income taxes	4,911	4,871
Working capital changes	(53,018)	(102,518)
Other, net	1,867	11,705
Net cash provided by operating activities	<u>178,854</u>	<u>184,909</u>
Cash flows from investing activities:		
Capital expenditures	(103,168)	(126,623)
Cash payments related to acquisitions and other	(250)	(2,384)
Sales of (investments in) marketable securities, net	768	(1,235)
Long-term advances to joint venture	—	(10,000)
Net cash used in investing activities	<u>(102,650)</u>	<u>(140,242)</u>
Cash flows from financing activities:		
Repayments of long-term debt	(6,380)	(11,754)
Proceeds from borrowings of long-term debt	117,000	2,978
Proceeds from other borrowings, net	266,248	7
Dividends paid to shareholders	(39,049)	(33,399)
Dividends paid to noncontrolling interests	—	(7,628)
Repurchases of common stock	(582,298)	(13,695)
Proceeds from exercise of stock options	3,917	13,430
Excess tax benefits realized from stock-based compensation arrangements	2,519	12,329
Withholding taxes paid on stock-based compensation award distributions	(5,777)	(8,998)
Debt financing costs	(133)	—
Net cash used in financing activities	<u>(243,953)</u>	<u>(46,730)</u>
Net effect of foreign exchange on cash and cash equivalents	4,712	(5,602)
Decrease in cash and cash equivalents	<u>(163,037)</u>	<u>(7,665)</u>
Cash and cash equivalents at end of period	<u>\$ 314,659</u>	<u>\$ 461,751</u>

See accompanying Notes to the Condensed Consolidated Financial Statements.

ALBEMARLE CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1—Basis of Presentation:

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Albemarle Corporation and our wholly-owned, majority-owned and controlled subsidiaries (collectively, “Albemarle,” “we,” “us,” “our” or “the Company”) contain all adjustments necessary for a fair statement, in all material respects, of our condensed consolidated balance sheets as of June 30, 2013 and December 31, 2012, our consolidated statements of income and consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2013 and 2012 and our condensed consolidated statements of cash flows and consolidated statements of changes in equity for the six-month periods ended June 30, 2013 and 2012. All adjustments are of a normal and recurring nature. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the Securities and Exchange Commission (SEC) on February 15, 2013. The December 31, 2012 consolidated balance sheet data herein was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles (GAAP) in the United States (U.S.). The results of operations for the three-month and six-month periods ended June 30, 2013 are not necessarily indicative of the results to be expected for the full year. Certain reclassifications have been made to the accompanying consolidated financial statements and the notes thereto to conform to the current presentation.

Change in accounting principle regarding pension and other postretirement benefits

During 2012, we elected to change our method of accounting for actuarial gains and losses relating to our global pension and other postretirement benefit (OPEB) plans. Previously, we recognized actuarial gains and losses from our pension and OPEB plans in our consolidated balance sheets as Accumulated other comprehensive income (loss) within shareholders’ equity, with amortization of these gains and losses that exceeded ten percent of the greater of plan assets or projected benefit obligations recognized each quarter in our consolidated statements of income over the average future service period of active employees. Under the new method of accounting, referred to as mark-to-market accounting, these gains and losses will be recognized annually in our consolidated statements of income in the fourth quarter and whenever a plan is determined to qualify for a remeasurement during a fiscal year. The remaining components of pension and OPEB plan expense, primarily service cost, interest cost and expected return on assets, will be recorded on a quarterly basis. The gain/loss subject to amortization and expected return on assets components of our pension expense has historically been calculated using a five-year smoothing of asset gains and losses referred to as the market-related value. Under mark-to-market accounting, the market-related value of assets will equal the actual market value as of the date of measurement. While our historical policy of recognizing pension and OPEB plan expense is considered acceptable under U.S. GAAP, we believe that the new policy is preferable as it eliminates the delay in recognizing gains and losses within operating results. This change will also improve transparency within our operating results by immediately recognizing the effects of economic and interest rate trends on plan investments and assumptions in the year these gains and losses are actually incurred. This change in accounting principle has been applied retrospectively, adjusting all prior periods presented. In the second quarter of 2013, we identified that our consolidated statements of income for the three-month and six-month periods ended June 30, 2012 included a correction of \$10.3 million for pension and OPEB plan actuarial gains that related to 2011. This amount was deemed to be not material with respect to our financial statements for the year ended December 31, 2012 and any prior period financial statements.

ALBEMARLE CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements – (Continued)
(Unaudited)

The impact of this accounting policy change on Albemarle's consolidated financial statements for the three-month and six-month periods ended June 30, 2012 is summarized below:

Consolidated Statements of Income

<u>Three Months Ended June 30, 2012 (In Thousands, Except Per Share Amounts)</u>	<u>As Previously Reported</u>	<u>Effect of Accounting Change</u>	<u>As Adjusted</u>
Net sales	\$ 684,894	\$ —	\$ 684,894
Cost of goods sold	442,209	(6,603)	435,606
Gross profit	242,685	6,603	249,288
Selling, general and administrative expenses	74,624	(12,889)	61,735
Research and development expenses	20,911	—	20,911
Restructuring and other charges, net	94,703	—	94,703
Operating profit	52,447	19,492	71,939
Interest and financing expenses	(8,486)	—	(8,486)
Other expenses, net	(688)	—	(688)
Income before income taxes and equity in net income of unconsolidated investments	43,273	19,492	62,765
Income tax expense	14,747	7,135	21,882
Income before equity in net income of unconsolidated investments	28,526	12,357	40,883
Equity in net income of unconsolidated investments (net of tax)	12,712	—	12,712
Net income	\$ 41,238	\$ 12,357	\$ 53,595
Net income attributable to noncontrolling interests	(3,506)	—	(3,506)
Net income attributable to Albemarle Corporation	\$ 37,732	\$ 12,357	\$ 50,089
Basic earnings per share	\$ 0.42	\$ 0.14	\$ 0.56
Diluted earnings per share	\$ 0.42	\$ 0.14	\$ 0.56
Weighted-average common shares outstanding – basic	89,414	—	89,414
Weighted-average common shares outstanding – diluted	90,051	—	90,051
Cash dividends declared per share of common stock	\$ 0.20	\$ —	\$ 0.20

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ALBEMARLE CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements – (Continued)
(Unaudited)

<u>Six Months Ended June 30, 2012 (In Thousands, Except Per Share Amounts)</u>	<u>As Previously Reported</u>	<u>Effect of Accounting Change</u>	<u>As Adjusted</u>
Net sales	\$ 1,396,598	\$ —	\$ 1,396,598
Cost of goods sold	906,026	(9,696)	896,330
Gross profit	490,572	9,696	500,268
Selling, general and administrative expenses	155,316	(19,577)	135,739
Research and development expenses	39,960	—	39,960
Restructuring and other charges, net	94,703	—	94,703
Operating profit	200,593	29,273	229,866
Interest and financing expenses	(17,220)	—	(17,220)
Other expenses, net	(806)	—	(806)
Income before income taxes and equity in net income of unconsolidated investments	182,567	29,273	211,840
Income tax expense	50,213	10,697	60,910
Income before equity in net income of unconsolidated investments	132,354	18,576	150,930
Equity in net income of unconsolidated investments (net of tax)	21,298	—	21,298
Net income	\$ 153,652	\$ 18,576	\$ 172,228
Net income attributable to noncontrolling interests	(7,877)	—	(7,877)
Net income attributable to Albemarle Corporation	\$ 145,775	\$ 18,576	\$ 164,351
Basic earnings per share	\$ 1.63	\$ 0.21	\$ 1.84
Diluted earnings per share	\$ 1.62	\$ 0.21	\$ 1.83
Weighted-average common shares outstanding – basic	89,206	—	89,206
Weighted-average common shares outstanding – diluted	89,999	—	89,999
Cash dividends declared per share of common stock	\$ 0.40	\$ —	\$ 0.40

Consolidated Statements of Comprehensive Income (Loss)

<u>Three Months Ended June 30, 2012 (In Thousands)</u>	<u>As Previously Reported</u>	<u>Effect of Accounting Change</u>	<u>As Adjusted</u>
Net income	\$ 41,238	\$ 12,357	\$ 53,595
Other comprehensive (loss) income, net of tax:			
Foreign currency translation	(55,882)	—	(55,882)
Pension and postretirement benefits	12,203	(12,357)	(154)
Other	31	—	31
Total other comprehensive loss, net of tax	(43,648)	(12,357)	(56,005)
Comprehensive loss	(2,410)	—	(2,410)
Comprehensive income attributable to non-controlling interests	(3,516)	—	(3,516)
Comprehensive loss attributable to Albemarle Corporation	\$ (5,926)	\$ —	\$ (5,926)

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ALBEMARLE CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements – (Continued)
(Unaudited)

<u>Six Months Ended June 30, 2012 (In Thousands)</u>	<u>As Previously Reported</u>	<u>Effect of Accounting Change</u>	<u>As Adjusted</u>
Net income	\$ 153,652	\$ 18,576	\$ 172,228
Other comprehensive (loss) income, net of tax:			
Foreign currency translation	(26,870)	—	(26,870)
Pension and postretirement benefits	18,242	(18,576)	(334)
Other	66	—	66
Total other comprehensive loss, net of tax	<u>(8,562)</u>	<u>(18,576)</u>	<u>(27,138)</u>
Comprehensive income	145,090	—	145,090
Comprehensive income attributable to non-controlling interests	(8,032)	—	(8,032)
Comprehensive income attributable to Albemarle Corporation	<u>\$ 137,058</u>	<u>\$ —</u>	<u>\$ 137,058</u>

Consolidated Statements of Changes In Equity

<u>Six Months Ended June 30, 2012 (In Thousands)</u>	<u>As Previously Reported</u>	<u>Effect of Accounting Change</u>	<u>As Adjusted</u>
Accumulated other comprehensive (loss) income:			
Balance at January 1, 2012	\$ (222,922)	\$ 283,251	\$ 60,329
Other comprehensive loss	(8,717)	(18,576)	(27,293)
Balance at June 30, 2012	<u>\$ (231,639)</u>	<u>\$ 264,675</u>	<u>\$ 33,036</u>
Retained earnings:			
Balance at January 1, 2012	\$ 1,798,117	\$(283,251)	\$ 1,514,866
Net income	145,775	18,576	164,351
Cash dividends declared	(35,715)	—	(35,715)
Balance at June 30, 2012	<u>\$ 1,908,177</u>	<u>\$(264,675)</u>	<u>\$ 1,643,502</u>

Consolidated Statements of Cash Flows

<u>Six Months Ended June 30, 2012 (In Thousands)</u>	<u>As Previously Reported</u>	<u>Effect of Accounting Change</u>	<u>As Adjusted</u>
Cash flows from operating activities:			
Net income	\$ 153,652	\$ 18,576	\$ 172,228
Pension and postretirement expense (benefit)	19,070	(29,273)	(10,203)
Deferred income taxes	(5,826)	10,697	4,871

ALBEMARLE CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements – (Continued)
(Unaudited)

NOTE 2—Foreign Exchange:

Our consolidated statements of income include foreign exchange transaction losses of \$2.3 million and \$7.1 million for the three-month and six-month periods ended June 30, 2013, respectively, and \$1.6 million and \$3.4 million for the three-month and six-month periods ended June 30, 2012, respectively.

NOTE 3—Income Taxes:

The effective income tax rate for the three-month and six-month periods ended June 30, 2013 was 20.9% and 22.9%, respectively, compared to 34.9% and 28.8% for the three-month and six-month periods ended June 30, 2012, respectively. The Company's effective income tax rate fluctuates based on, among other factors, our level and location of income. The difference between the U.S. federal statutory income tax rate and our effective income tax rate for the 2013 and 2012 periods is mainly due to the impact of earnings from outside the U.S. Our effective income tax rate for the 2012 periods was also impacted by \$94.7 million in pre-tax charges (\$73.6 million after income taxes) associated with our exit of the phosphorus flame retardants business (see Note 13).

NOTE 4—Earnings Per Share:

Basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2013 and 2012 are calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
(In thousands, except per share amounts)				
Basic earnings per share				
Numerator:				
Net income attributable to Albemarle Corporation	\$82,739	\$50,089	\$166,726	\$164,351
Denominator:				
Weighted-average common shares for basic earnings per share	84,028	89,414	86,374	89,206
Basic earnings per share	\$ 0.98	\$ 0.56	\$ 1.93	\$ 1.84
Diluted earnings per share				
Numerator:				
Net income attributable to Albemarle Corporation	\$82,739	\$50,089	\$166,726	\$164,351
Denominator:				
Weighted-average common shares for basic earnings per share	84,028	89,414	86,374	89,206
Incremental shares under stock compensation plans	461	637	488	793
Total shares	84,489	90,051	86,862	89,999
Diluted earnings per share	\$ 0.98	\$ 0.56	\$ 1.92	\$ 1.83

On February 12, 2013, the Company increased the regular quarterly dividend by 20% to \$0.24 per share. On May 7, 2013, the Company declared a cash dividend of \$0.24 per share, which was paid on July 1, 2013 to shareholders of record at the close of business as of June 14, 2013. On July 10, 2013, the Company declared a cash dividend of \$0.24 per share, which is payable on October 1, 2013 to shareholders of record at the close of business as of September 13, 2013.

On February 12, 2013, Albemarle's Board of Directors authorized an increase in the number of shares the Company is permitted to repurchase under our share repurchase program, pursuant to which the Company is now permitted to repurchase up to a maximum of 15 million shares, including those shares previously authorized but not yet repurchased.

Under the existing Board authorized share repurchase program, on May 9, 2013, the Company entered into an agreement (the ASR Agreement) with J.P. Morgan Securities LLC (JPMorgan) relating to a fixed-dollar, uncollared accelerated share repurchase program (the ASR Program). Pursuant to the terms of the ASR Agreement, JPMorgan immediately borrowed shares of Albemarle common stock that were sold to the Company, thereby decreasing the Company's issued and outstanding shares (with no change to its authorized shares). On May 10, 2013, the Company paid \$450 million to JPMorgan and received an initial delivery of 5,680,921 shares with a fair market value of approximately \$360 million. This purchase was funded through a combination of available cash on hand and debt.

The Company has determined that the ASR Agreement meets the criteria to be accounted for as a forward contract indexed to its stock and is therefore being treated as an equity instrument. Although the ASR Agreement can be settled, at the Company's option, in cash or in shares of common stock, the Company intends to settle in shares of common stock.

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The initial delivery of 5,680,921 shares reduced the Company's weighted average shares outstanding for purposes of calculating basic and diluted earnings per share for the three and six-month periods ended June 30, 2013. The total number of shares to ultimately be purchased by the Company under the ASR Program will be based on the Rule 10b-18 volume-weighted average price of the Company's common stock during the term of the ASR Agreement, less a forward price adjustment amount of approximately \$1.01.

The Company evaluated the ASR Agreement for its potential dilution of earnings per share and has determined that, based on the Rule 10b-18 volume-weighted average price calculated as of June 30, 2013, additional shares expected to be received upon final settlement (approximately 1.4 million shares) would have an anti-dilutive impact on earnings per share and therefore were not included in the Company's diluted earnings per share calculation for the three and six-month periods ended June 30, 2013. The final settlement amount may increase or decrease depending upon the Rule 10b-18 volume-weighted average price of the Company's common stock during the remaining term of the ASR Agreement. The ASR Program will be completed no later than the end of 2013 and is expected to result in a decrease to the Company's issued and outstanding shares upon completion.

During the three-month and six-month periods ended June 30, 2013, the Company repurchased 6,800,395 and 7,814,045 shares of its common stock, respectively, pursuant to the terms of its share repurchase program and the ASR Program. As of June 30, 2013, there were 7,185,955 shares available for repurchase under the Company's authorized share repurchase program.

NOTE 5—Inventories:

The following table provides a breakdown of inventories at June 30, 2013 and December 31, 2012:

	June 30, 2013	December 31, 2012
	(In thousands)	
Finished goods	\$353,646	\$ 325,762
Raw materials	52,860	57,245
Stores, supplies and other	45,492	45,138
Total inventories	<u>\$451,998</u>	<u>\$ 428,145</u>

NOTE 6—Investments:

The carrying value of our unconsolidated investment in Stannica LLC, a variable interest entity for which we are not the primary beneficiary, was \$6.0 million and \$6.6 million at June 30, 2013 and December 31, 2012, respectively. Our maximum exposure to loss in connection with our continuing involvement with Stannica LLC is limited to our investment carrying value.

Additionally, during the six months ended June 30, 2012, we and our joint venture partner each advanced \$10.0 million to our 50%-owned joint venture, SOCC, pursuant to a long-term loan arrangement.

ALBEMARLE CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements – (Continued)
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NOTE 7—Long-Term Debt:

Long-term debt at June 30, 2013 and December 31, 2012 consisted of the following:

	June 30, 2013	December 31, 2012
(In thousands)		
5.10% Senior notes, net of unamortized discount of \$53 at June 30, 2013 and \$70 at December 31, 2012	\$ 324,947	\$ 324,930
4.50% Senior notes, net of unamortized discount of \$2,343 at June 30, 2013 and \$2,500 at December 31, 2012	347,657	347,500
Commercial paper notes	362,310	—
Fixed rate foreign borrowings	16,701	19,458
Variable-rate foreign bank loans	25,295	7,006
Miscellaneous	297	394
Total long-term debt	1,077,207	699,288
Less amounts due within one year	9,355	12,700
Long-term debt, less current portion	<u>\$1,067,852</u>	<u>\$ 686,588</u>

On May 29, 2013, we entered into agreements to initiate a commercial paper program on a private placement basis under which we may issue unsecured commercial paper notes (the “Notes”) from time-to-time up to a maximum aggregate principal amount outstanding at any time of \$750 million. The proceeds from the issuance of the Notes are expected to be used for general corporate purposes, including the repayment of other debt of the Company. Our September 2011 credit agreement is available to repay the Notes, if necessary. Aggregate borrowings outstanding under the September 2011 credit agreement and the commercial paper program will not exceed the \$750 million current maximum amount available under the September 2011 credit agreement. The Notes will be sold at a discount from par, or alternatively, will be sold at par and bear interest at rates that will vary based upon market conditions at the time of the issuance of the Notes. The maturities of the Notes will vary but may not exceed 397 days from the date of issue. The definitive documents relating to the Program contain customary representations, warranties, default and indemnification provisions.

At June 30, 2013, we had \$362.3 million of Notes outstanding bearing a weighted-average interest rate of approximately 0.37% and a weighted-average maturity of 64 days. While the outstanding Notes generally have short-term maturities, we classify the Notes as long-term based on our ability and intent to refinance the Notes on a long-term basis through the issuance of additional Notes or borrowings under the September 2011 credit agreement.

NOTE 8—Commitments and Contingencies:

We had the following activity in our recorded environmental liabilities for the six months ended June 30, 2013, as follows (in thousands):

Beginning balance at December 31, 2012	\$20,322
Expenditures	(1,567)
Changes in estimates recorded to earnings and other	87
Foreign currency translation	(549)
Ending balance at June 30, 2013	18,293
Less amounts reported in Accrued expenses	8,841
Amounts reported in Other noncurrent liabilities	<u>\$ 9,452</u>

The amounts recorded represent our future remediation and other anticipated environmental liabilities. These liabilities typically arise during the normal course of our operational and environmental management activities or at the time of acquisition of the site, and are based on internal analysis as well as input from outside consultants. As evaluations proceed at each relevant site, changes in risk assessment practices, remediation techniques and regulatory requirements can occur, therefore such liability estimates may be adjusted accordingly. The timing and duration of remediation activities at these sites will be determined when evaluations are completed. Although it is difficult to quantify the potential financial impact of these remediation liabilities, management estimates (based on the latest available information) that there is a reasonable possibility that future environmental remediation costs associated with our past operations, in excess of amounts already recorded, could be up to approximately \$17 million before income taxes.

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Notes to the Condensed Consolidated Financial Statements – (Continued)
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Approximately \$7.2 million of our recorded liability is related to the closure and post-closure activities at a former landfill associated with our Bergheim, Germany site, which was recorded at the time of our acquisition of this site in 2001. This closure project has been approved under the authority of the governmental permit for this site and is scheduled for completion in 2017, with post-closure monitoring to occur for 30 years thereafter. The remainder of our recorded liability is associated with sites that are being evaluated under governmental authority but for which final remediation plans have not yet been approved. In connection with the remediation activities at our Bergheim, Germany site as required by the German environmental authorities, we have pledged certain of our land and housing facilities at this site which has an estimated fair value of \$5.8 million.

During the second quarter of 2012, the Company recorded \$8.7 million in estimated site remediation liabilities at our Avonmouth, United Kingdom site as part of the charges associated with our exit of the phosphorus flame retardant business. Included in these estimated charges are anticipated costs of site investigation, remediation and cleanup activities. We are in the process of reviewing our investigation and remediation plans with local government authorities. Based on current information about site conditions, we anticipate this investigation and remediation program will be substantially completed during 2014.

We believe that any sum we may be required to pay in connection with environmental remediation matters in excess of the amounts recorded should occur over a period of time and should not have a material adverse effect upon our results of operations, financial condition or cash flows on a consolidated annual basis although any such sum could have a material adverse impact on our results of operations, financial condition or cash flows in a particular quarterly reporting period.

On July 3, 2006, we received a Notice of Violation (the 2006 NOV) from the U.S. Environmental Protection Agency Region 4 (EPA) regarding the implementation of the Pharmaceutical Maximum Achievable Control Technology standards at our plant in Orangeburg, South Carolina. The alleged violations involve (i) the applicability of the specific regulations to certain intermediates manufactured at the plant, (ii) failure to comply with certain reporting requirements, (iii) improper evaluation and testing to properly implement the regulations and (iv) the sufficiency of the leak detection and repair program at the plant. In the second quarter of 2011, the Company was served with a complaint by the EPA in the U.S. District Court for the District of South Carolina, based on the alleged violations set out in the 2006 NOV seeking civil penalties and injunctive relief. The complaint was subsequently amended to add the State of South Carolina as a plaintiff. We intend to vigorously defend this action. Any settlement or finding adverse to us could result in the payment by us of fines, penalties, capital expenditures or some combination thereof. At this time, it is not possible to predict with any certainty the outcome of this litigation or the financial impact which may result therefrom. However, we do not expect any financial impact to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

In addition, we are involved from time to time in legal proceedings of types regarded as common in our business, including administrative or judicial proceedings seeking remediation under environmental laws, such as the federal Comprehensive Environmental Response, Compensation and Liability Act, commonly known as CERCLA or Superfund, products liability, breach of contract liability and premises liability litigation. Where appropriate, we may establish financial reserves as estimated by our general counsel for such proceedings. We also maintain insurance to mitigate certain of such risks. Costs for legal services are generally expensed as incurred.

We have contracts with certain of our customers, which serve as guarantees on product delivery and performance according to customer specifications that can cover both shipments on an individual basis as well as blanket coverage of multiple shipments under customer supply contracts that are executed through certain financial institutions. The financial coverage provided by these guarantees is typically based on a percentage of net sales value.

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Notes to the Condensed Consolidated Financial Statements – (Continued)
(Unaudited)

NOTE 9—Operating Segments:

Segment income represents operating profit (adjusted for significant non-recurring items) and equity in net income of unconsolidated investments and is reduced by net income attributable to noncontrolling interests. Segment data includes intersegment transfers of raw materials at cost and allocations for certain corporate costs.

Summarized financial information concerning our reportable segments is shown in the following table. Corporate & other includes corporate-related items not allocated to the reportable segments.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
(In thousands)				
Net sales:				
Polymer Solutions	\$224,316	\$247,016	\$ 439,090	\$ 475,147
Catalysts	233,818	229,144	469,391	522,666
Fine Chemistry	176,063	208,734	367,341	398,785
Total net sales	<u>\$634,197</u>	<u>\$684,894</u>	<u>\$1,275,822</u>	<u>\$1,396,598</u>
Segment operating profit:				
Polymer Solutions	\$ 43,821	\$ 63,407	\$ 87,491	\$ 117,954
Catalysts	43,613	57,370	92,658	134,011
Fine Chemistry	40,277	49,704	76,455	94,067
Total segment operating profit	<u>127,711</u>	<u>170,481</u>	<u>256,604</u>	<u>346,032</u>
Equity in net income of unconsolidated investments:				
Polymer Solutions	2,328	1,913	4,636	3,758
Catalysts	7,381	10,799	15,334	17,540
Fine Chemistry	—	—	—	—
Corporate & other	—	—	—	—
Total equity in net income of unconsolidated investments	<u>9,709</u>	<u>12,712</u>	<u>19,970</u>	<u>21,298</u>
Net (income) loss attributable to noncontrolling interests:				
Polymer Solutions	(2,494)	349	(3,202)	(653)
Catalysts	—	—	—	—
Fine Chemistry	(5,895)	(3,832)	(10,716)	(7,204)
Corporate & other	—	(23)	—	(20)
Total net income attributable to noncontrolling interests	<u>(8,389)</u>	<u>(3,506)</u>	<u>(13,918)</u>	<u>(7,877)</u>
Segment income:				
Polymer Solutions	43,655	65,669	88,925	121,059
Catalysts	50,994	68,169	107,992	151,551
Fine Chemistry	34,382	45,872	65,739	86,863
Total segment income	<u>129,031</u>	<u>179,710</u>	<u>262,656</u>	<u>359,473</u>
Corporate & other	(15,537)	(3,862)	(29,543)	(21,483)
Restructuring and other charges, net ^(a)	—	(94,703)	—	(94,703)
Interest and financing expenses	(7,608)	(8,486)	(12,839)	(17,220)
Other expenses, net	(1,697)	(688)	(5,906)	(806)
Income tax expense	(21,450)	(21,882)	(47,642)	(60,910)
Net income attributable to Albemarle Corporation	<u>\$ 82,739</u>	<u>\$ 50,089</u>	<u>\$ 166,726</u>	<u>\$ 164,351</u>

(a) See Note 13, “Restructuring and Other.”

ALBEMARLE CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements – (Continued)
(Unaudited)

NOTE 10—Pension Plans and Other Postretirement Benefits:

The following information is provided for domestic and foreign pension and postretirement defined benefit plans:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Net Periodic Pension Benefit Cost (Credit):				
Service cost	\$ 3,332	\$ 3,044	\$ 6,974	\$ 6,217
Interest cost	7,715	7,982	14,933	16,193
Expected return on assets	(9,821)	(11,649)	(19,693)	(23,279)
Actuarial gain ^(a)	—	(5,840)	—	(5,840)
Amortization of prior service benefit	(295)	(225)	(344)	(486)
Total net periodic pension benefit cost (credit)	\$ 931	\$ (6,688)	\$ 1,870	\$ (7,195)
Net Periodic Postretirement Benefit Cost (Credit):				
Service cost	\$ 71	\$ 87	\$ 154	\$ 137
Interest cost	694	736	1,382	1,586
Expected return on assets	(103)	(119)	(206)	(244)
Actuarial gain ^(a)	—	(4,439)	—	(4,439)
Amortization of prior service benefit	(23)	(23)	(48)	(48)
Total net periodic postretirement benefit cost (credit)	\$ 639	\$ (3,758)	\$ 1,282	\$ (3,008)
Total net periodic pension and postretirement benefit cost (credit)	\$ 1,570	\$ (10,446)	\$ 3,152	\$ (10,203)

- (a) In the second quarter of 2013, we identified that our consolidated statements of income for the three-month and six-month periods ended June 30, 2012 included a correction of \$10.3 million for pension and OPEB plan actuarial gains that related to 2011. This amount was deemed to be not material with respect to our financial statements for the year ended December 31, 2012 and any prior period financial statements.

During the three-month and six-month periods ended June 30, 2013, we made contributions of \$1.4 million and \$2.0 million, respectively, to our qualified and nonqualified pension plans. During the three-month and six-month periods ended June 30, 2012, we made contributions of \$1.3 million and \$2.7 million, respectively, to our qualified and nonqualified pension plans.

We paid \$1.1 million and \$2.2 million in premiums to the U.S. postretirement benefit plan during the three-month and six-month periods ended June 30, 2013, respectively. Also, we paid \$0.8 million and \$1.9 million in premiums to the U.S. postretirement benefit plan during the three-month and six-month periods ended June 30, 2012, respectively.

ALBEMARLE CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements – (Continued)
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NOTE 11—Fair Value of Financial Instruments:

In assessing the fair value of financial instruments, we use methods and assumptions that are based on market conditions and other risk factors existing at the time of assessment. Fair value information for our financial instruments is as follows:

Long-Term Debt—The fair values of our senior notes and other fixed rate foreign borrowings are estimated using Level 1 inputs and account for the majority of the difference between the recorded amount and fair value of our long-term debt. The carrying value of our remaining long-term debt reported in the accompanying condensed consolidated balance sheets approximates fair value as substantially all of such debt bears interest based on prevailing variable market rates currently available in the countries in which we have borrowings.

	June 30, 2013		December 31, 2012	
	Recorded Amount	Fair Value	Recorded Amount	Fair Value
	(In thousands)			
Long-term debt	\$1,077,207	\$1,111,397	\$699,288	\$764,784

Foreign Currency Forward Contracts—we enter into foreign currency forward contracts in connection with our risk management strategies in an attempt to minimize the financial impact of changes in foreign currency exchange rates. These derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes. The fair values of our foreign currency forward contracts are estimated based on current settlement values. At June 30, 2013 and December 31, 2012, we had outstanding foreign currency forward contracts with notional values totaling \$249.7 million and \$274.0 million, respectively. At June 30, 2013, \$0.2 million was included in Other accounts receivable and \$0.4 million was included in Accrued expenses associated with the fair value of our foreign currency forward contracts. At December 31, 2012, \$0.3 million was included in Other accounts receivable and \$0.8 million was included in Accrued expenses associated with the fair value of our foreign currency forward contracts.

Gains and losses on foreign currency forward contracts are recognized currently in Other income (expenses), net; further, fluctuations in the value of these contracts are intended to offset the changes in the value of the underlying exposures being hedged. For the three-month and six-month periods ended June 30, 2013, we recognized gains (losses) of \$2.5 million and \$(2.2) million, respectively, in Other income (expenses), net in our consolidated statements of income related to the change in the fair value of our foreign currency forward contracts. For the three-month and six-month periods ended June 30, 2012, we recognized losses of \$(5.4) million and \$(4.1) million, respectively, in Other income (expenses), net in our consolidated statements of income related to the change in the fair value of our foreign currency forward contracts. These amounts are intended to offset changes in the value of the underlying exposures being hedged which are also reported in Other income (expenses), net. Also, for the six-month periods ended June 30, 2013 and 2012, we recorded \$2.2 million and \$4.1 million, respectively, related to the change in the fair value of our foreign currency forward contracts, and cash settlements of \$(2.5) million and \$(4.5) million, respectively, in Other, net in our condensed consolidated statements of cash flows.

NOTE 12—Fair Value Measurement:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The inputs used to measure fair value are classified into the following hierarchy:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability
- Level 3 Unobservable inputs for the asset or liability

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Notes to the Condensed Consolidated Financial Statements – (Continued)
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We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstance that caused the transfer. There were no transfers between Levels 1 and 2 during the six month period ended June 30, 2013. The following tables set forth our financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2013 and December 31, 2012 (in thousands):

	June 30, 2013	Quoted Prices in Active Markets for Identical Items (Level 1)	Quoted Prices in Active Markets for Similar Items (Level 2)
Assets:			
Investments under executive deferred compensation plan ^(a)	\$ 21,414	\$ 21,414	\$ —
Equity securities ^(b)	\$ 19	\$ 19	\$ —
Foreign currency forward contracts ^(c)	\$ 207	\$ —	\$ 207
Liabilities:			
Obligations under executive deferred compensation plan ^(a)	\$ 21,414	\$ 21,414	\$ —
Foreign currency forward contracts ^(c)	\$ 393	\$ —	\$ 393

	December 31, 2012	Quoted Prices in Active Markets for Identical Items (Level 1)	Quoted Prices in Active Markets for Similar Items (Level 2)
Assets:			
Investments under executive deferred compensation plan ^(a)	\$ 20,265	\$ 20,265	\$ —
Equity securities ^(b)	\$ 25	\$ 25	\$ —
Foreign currency forward contracts ^(c)	\$ 262	\$ —	\$ 262
Liabilities:			
Obligations under executive deferred compensation plan ^(a)	\$ 20,265	\$ 20,265	\$ —
Foreign currency forward contracts ^(c)	\$ 771	\$ —	\$ 771

- ^(a) We maintain an Executive Deferred Compensation Plan (EDCP) that was adopted in 2001 and subsequently amended. The purpose of the EDCP is to provide current tax planning opportunities as well as supplemental funds upon the retirement or death of certain of our employees. The EDCP is intended to aid in attracting and retaining employees of exceptional ability by providing them with these benefits. We also maintain a Benefit Protection Trust (the Trust) that was created to provide a source of funds to assist in meeting the obligations of the EDCP, subject to the claims of our creditors in the event of our insolvency. Assets of the Trust are consolidated in accordance with authoritative guidance. The assets of the Trust consist primarily of mutual fund investments (which are accounted for as trading securities and are marked-to-market on a monthly basis through the consolidated statements of income) and cash and cash equivalents. As such, these assets and obligations are classified within Level 1.
- ^(b) Our investments in equity securities are classified as available-for-sale and are reported in Investments in the condensed consolidated balance sheets. The changes in fair value are reported in Other in our consolidated statements of comprehensive income. These securities are classified within Level 1.
- ^(c) As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates, which may adversely affect our operating results and financial position. When deemed appropriate, we minimize our risks from interest and foreign currency exchange rate fluctuations through the use of derivative financial instruments. The foreign currency forward contracts are valued using broker quotations or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are classified within Level 2.

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Notes to the Condensed Consolidated Financial Statements – (Continued)
(Unaudited)

NOTE 13—Restructuring and Other

We had the following activity in our recorded workforce reduction liabilities for the six months ended June 30, 2013 (in thousands):

Beginning balance at December 31, 2012	\$15,898
Workforce reduction charges	—
Payments	(5,799)
Amount reversed to income	(991)
Foreign currency translation	(398)
Ending balance at June 30, 2013	8,710
Less amounts reported in Accrued expenses	8,256
Amounts reported in Other noncurrent liabilities	<u>\$ 454</u>

The three-month and six-month periods ended June 30, 2012 included net charges amounting to \$94.7 million (\$73.6 million after income taxes) in connection with our exit of the phosphorus flame retardants business, whose products were sourced mainly at our Avonmouth, United Kingdom and Nanjing, China manufacturing sites. The charges were comprised mainly of non-cash items consisting of net asset write-offs of approximately \$57 million and write-offs of foreign currency translation adjustments of approximately \$12 million, as well as accruals for cash costs associated with related severance programs of approximately \$13 million, estimated site remediation costs of approximately \$9 million and other estimated exit costs of approximately \$4 million. Payments under this restructuring plan are expected to occur through 2014.

The six months ended June 30, 2012 includes a gain of \$8.1 million (\$5.1 million after income taxes) resulting from proceeds received in connection with the settlement of certain commercial litigation (net of estimated reimbursement of related legal fees of approximately \$0.9 million). The litigation involved claims and cross-claims relating to alleged breaches of a purchase and sale agreement. The settlement resolved all outstanding issues and claims between the parties and they agreed to dismiss all outstanding litigation and release all existing and potential claims against each other that were or could have been asserted in the litigation. The six months ended June 30, 2012 also includes an \$8 million (\$5.1 million after income taxes) charitable contribution to the Albemarle Foundation, a non-profit organization that sponsors grants, health and social projects, educational initiatives, disaster relief, matching gift programs, scholarships and other charitable initiatives in locations where our employees live and operate. These items are included in our consolidated Selling, general and administrative expenses for the six months ended June 30, 2012.

In the fourth quarter of 2012, we revised our presentation of Restructuring and other charges in our consolidated statements of cash flows. The corrected presentation is reflected in Non-cash charges associated with restructuring and other, net, to report the non-cash portion of such charges separately from the portion which affects working capital. We believe this presentation better reflects the impacts of restructuring events in our financial statements. The change in presentation had no impact on Net cash provided by operating activities, Net cash used in investing activities or Net cash used in financing activities for the year ended December 31, 2012 or any interim periods within that year.

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Notes to the Condensed Consolidated Financial Statements – (Continued)
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NOTE 14—Accumulated Other Comprehensive Income:

The components and activity in Accumulated other comprehensive income (net of deferred income taxes) consisted of the following during the three and six months ended June 30, 2013 (in thousands):

	Foreign Currency Translation	Pension and Post- Retirement Benefits ^(a)	Other	Total
Three months ended June 30, 2013				
Balance at March 31, 2013	\$ 50,904	\$ 915	\$(810)	\$ 51,009
Other comprehensive income (loss) before reclassifications	5,241	—	(3)	5,238
Amounts reclassified from accumulated other comprehensive income	—	(330)	32	(298)
Other comprehensive income (loss), net of tax	5,241	(330)	29	4,940
Other comprehensive loss attributable to noncontrolling interests	233	—	—	233
Balance at June 30, 2013	<u>\$ 56,378</u>	<u>\$ 585</u>	<u>\$(781)</u>	<u>\$ 56,182</u>
Six months ended June 30, 2013				
Balance at December 31, 2012	\$ 85,117	\$ 989	\$(842)	\$ 85,264
Other comprehensive loss before reclassifications	(28,668)	—	(5)	(28,673)
Amounts reclassified from accumulated other comprehensive income	—	(404)	66	(338)
Other comprehensive (loss) income, net of tax	(28,668)	(404)	61	(29,011)
Other comprehensive income attributable to noncontrolling interests	(71)	—	—	(71)
Balance at June 30, 2013	<u>\$ 56,378</u>	<u>\$ 585</u>	<u>\$(781)</u>	<u>\$ 56,182</u>

- (a) Amounts reclassified from accumulated other comprehensive income consist of amortization of prior service benefit. See Note 10, “Pension Plans and Other Postretirement Benefits.”

The amount of income tax benefit (expense) allocated to each component of Other comprehensive income (loss) for the three-month and six-month periods ended June 30, 2013 and 2012 is provided in the following (in thousands):

	Three Months Ended June 30,					
	2013			2012		
	Foreign Currency Translation	Pension and Post- retirement Benefits	Other	Foreign Currency Translation	Pension and Post- retirement Benefits	Other
Other comprehensive income (loss), before tax	\$ 4,470	\$ (318)	\$ 49	\$ (57,622)	\$ (244)	\$ 51
Income tax benefit (expense)	771	(12)	(20)	1,740	90	(20)
Other comprehensive income (loss), net of tax	<u>\$ 5,241</u>	<u>\$ (330)</u>	<u>\$ 29</u>	<u>\$ (55,882)</u>	<u>\$ (154)</u>	<u>\$ 31</u>
	Six Months Ended June 30,					
	2013			2012		
	Foreign Currency Translation	Pension and Post- retirement Benefits	Other	Foreign Currency Translation	Pension and Post- retirement Benefits	Other
Other comprehensive (loss) income, before tax	\$ (29,782)	\$ (392)	\$ 101	\$ (28,702)	\$ (530)	\$ 106
Income tax benefit (expense)	1,114	(12)	(40)	1,832	196	(40)
Other comprehensive (loss) income, net of tax	<u>\$ (28,668)</u>	<u>\$ (404)</u>	<u>\$ 61</u>	<u>\$ (26,870)</u>	<u>\$ (334)</u>	<u>\$ 66</u>

ALBEMARLE CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements – (Continued)
(Unaudited)

NOTE 15—Recently Issued Accounting Pronouncements:

In December 2011, the Financial Accounting Standards Board (FASB) issued accounting guidance that requires entities to disclose information about financial instruments (including derivatives) and transactions eligible for offset in the statement of financial position or subject to an agreement similar to a master netting arrangement. In January 2013, the FASB issued additional guidance that limits the scope of these new requirements to certain derivatives, repurchase agreements and reverse repurchase agreements and securities borrowing and lending transactions. These amendments became effective on January 1, 2013 and had no impact on our consolidated financial statements.

In February 2013, the FASB issued accounting guidance that requires companies to present either in a single note or on the face of the financial statements the effect of significant amounts reclassified from each component of accumulated other comprehensive income, and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, companies instead cross reference to the related footnote for additional information. These amendments became effective for us on January 1, 2013 and did not have a material impact on our consolidated financial statements.

In February 2013, the FASB issued accounting guidance that requires entities that have obligations resulting from joint and several liability arrangements and for which the total amount is fixed at the reporting date to measure such obligations as the sum of (a) the amount the entity agreed to pay on the basis of its arrangement among its co-obligors, and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. Entities are also required to disclose the nature, amount and any other relevant information about such obligations. This accounting guidance will become effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and should be applied retrospectively to all prior periods presented for obligations that exist at the beginning of an entity's fiscal year of adoption. We are assessing the impact of these new requirements on our financial statements.

In March 2013, the FASB issued accounting guidance that clarifies a parent company's accounting for the cumulative foreign currency translation adjustment when the parent sells a part or all of its investment in a foreign entity. The guidance clarifies that the sale of an investment in a foreign entity includes both (a) events that result in the loss of a controlling financial interest in a foreign entity, and (b) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date (sometimes also referred to as a step acquisition). Accordingly, the cumulative foreign currency translation adjustment should be released into net income upon the occurrence of those events. This accounting guidance will become effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, and should be applied prospectively to derecognition events occurring after the effective date. We are assessing the impact of these new requirements on our financial statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following is a discussion and analysis of our financial condition and results of operations since December 31, 2012. A discussion of consolidated financial condition and sources of additional capital is included under a separate heading “Financial Condition and Liquidity” on page 36.

Forward-looking Statements

Some of the information presented in this Quarterly Report on Form 10-Q, including the documents incorporated by reference, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on our current expectations, which are in turn based on assumptions that we believe are reasonable based on our current knowledge of our business and operations. We have used words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “should,” “will” and variations of such words and similar expressions to identify such forward-looking statements.

These forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control. Therefore, there can be no assurance that our actual results will not differ materially from the results and expectations expressed or implied in the forward-looking statements. 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 and 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;

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- 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.

We assume no obligation to provide revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws. The following discussion should be read together with our consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q.

Overview

We are a leading global developer, manufacturer and marketer of highly-engineered specialty chemicals that meet customer needs across an exceptionally diverse range of end markets including the petroleum refining, consumer electronics, plastics/packaging, construction, automotive, lubricants, pharmaceuticals, crop protection, food safety and custom chemistry services markets. We are committed to global sustainability and are advancing responsible eco-practices and solutions in our three business segments. We believe that our commercial and geographic diversity, technical expertise, innovative capability, flexible, low cost global manufacturing base, experienced management team and strategic focus on our core base technologies will enable us to maintain leading market positions in those areas of the specialty chemicals industry in which we operate.

Secular trends favorably impacting demand within the end markets that we serve combined with our diverse product portfolio, broad geographic presence and customer-focused solutions will continue to be key drivers to our future earnings growth. We continue to build upon our existing green solutions portfolio and our ongoing mission to provide innovative, yet commercially viable, clean energy products and services to the marketplace. We believe our disciplined cost reduction efforts, ongoing productivity improvements and strong balance sheet will position us well to take advantage of strengthening economic conditions as they occur while softening the negative impact of the current challenging economic environment.

Second Quarter 2013

During the second quarter of 2013:

- We achieved quarterly earnings of \$0.98 per share (on a diluted basis), an increase of 75% from second quarter 2012 results (second quarter 2012 results included restructuring and other charges in connection with our exit of the phosphorus flame retardants business).
- Our net sales for the quarter were \$634.2 million, down 7% from net sales of \$684.9 million in the second quarter of 2012.
- Our board of directors declared a quarterly dividend of \$0.24 per share on May 7, 2013, which was paid on July 1, 2013 to shareholders of record at the close of business as of June 14, 2013.
- We repurchased approximately 6.8 million shares of our common stock pursuant to the terms of our share repurchase program and the ASR Program.
- We entered into agreements to initiate a commercial paper program on a private placement basis under which the Company may issue from time to time unsecured commercial paper notes.
- We announced that we expect to begin the supply of our GreenCrest™ polymeric fire safety solution for commercial qualification in expanded and extruded polystyrene foam applications by midyear of 2013, as scheduled. Within 24 months of successful completion of commercial qualification, we expect to have GreenCrest available for commercial sale. This follows an earlier announcement regarding the expansion of our Orangeburg, SC plant for the production of GreenCrest.
- We signed definitive agreements with Senze Meilu Company, of Shanxi, China, to establish a joint venture company in Lvliang, Shanxi. Upon final approval from the relevant government authorities in China, the venture, Albemarle Senze Chemicals (Shanxi) Company, Ltd., will build and operate a new 50,000 metric ton facility to manufacture MARTINAL® fine precipitated alumina trihydrate flame retardants based on Albemarle's proprietary technology

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principally used in wire and cable applications. The largest, fastest growing application is in low-smoke wire and cable applications within the energy sector, which is benefitting from rising energy consumption in China and other rapidly developing economies throughout Asia-Pacific. Production in the new facility is expected to begin in mid-2015.

- Saudi Organometallic Chemicals Company (SOCC), a joint venture equally owned by Albemarle Netherlands B.V., a subsidiary of Albemarle Corporation and Saudi Specialty Chemical Company, an affiliate of Saudi Basic Industries Corporation (SABIC) announced the initial start-up of its aluminum alkyls facility located in Al-Jubail, Saudi Arabia. At capacity, it will manufacture 6,000 metric tons per year of tri-ethyl aluminum (TEA), a Ziegler Natta co-catalyst used in the plastics industry. An ultra-low hydride grade of TEA (TEA-ULH) will also be produced at the SOCC plant. This new facility is designed to meet the growing needs for TEA and ULH-TEA in the region, using raw materials supplied from member countries of the Gulf Cooperation Council. Full commercial production is scheduled to begin in the third quarter of 2013 once customer qualifications are completed.

Outlook

As we expected, current dynamics in both the global economy and in select businesses have resulted in continued headwinds during the first half of 2013, and could potentially continue to impact our results. Despite the current trends, our business fundamentals are sound and we are strategically well-positioned as we remain focused on increasing sales volumes, managing costs and delivering value to our customers. We believe that when the end markets we serve begin to stabilize and resume growth, our businesses will respond quickly to the improved market conditions and new business opportunities.

Polymer Solutions: Sales volumes in many of our core products were favorable in the first half of 2013 compared to the prior year, more than offset by lower prices in our Flame Retardants and Additives businesses. Overall, year-over-year segment revenue was down, driven mainly by our exit of the phosphorus flame retardants business in the second quarter of 2012. We closely monitor customer order patterns and other key indicators in our business, some of which show trends that indicate the current pace of business, which is still below our historical norms, could continue. These trends, should they continue, could have adverse impacts on our net sales and profitability, including impacts from operating our production assets below optimum levels.

Despite these current trends and concerns, we believe that the combination of solid, long-term business fundamentals with our competitive position, product innovations and effective management of raw material inflation will enable our business to manage through periods of end market challenges and to capitalize on opportunities that will come with a sustained economic recovery. Further, we believe our position has been strengthened by our recent exit from the phosphorus flame retardants business, which should yield improvements in our future profitability.

On a long-term basis, we continue to believe that improving global standards of living and the potential for increasingly stringent fire safety regulations in developing markets are likely to drive continued demand for fire safety products. Further, we continue to focus on globalization in this segment, with our antioxidants facilities in China positioning us well for growth in the Asia region. We remain well-positioned to meet future demand as global economic growth and global bromine supply/demand dynamics improve.

Catalysts: Lower metals surcharges in Refinery Catalyst Solutions, and lower sales volumes and pricing in Performance Catalyst Solutions, have resulted in overall lower year-over-year net sales for our Catalysts segment during the first half of 2013. On a longer term basis, we believe increased global demand for transportation fuels and implementation of more stringent fuel quality requirements will drive growth in our Refinery Catalyst Solutions business. In addition, we expect growth in our PCS division to come from growing global demand for plastics driven by rising standards of living and infrastructure spending, particularly in Asia and the Middle East, as well as from the LED market, driven by energy efficiency demands.

New market penetration and introduction of innovative cost-effective products for the refining and polyolefins industries continue to provide benefits. We believe our focus on advanced product development in Catalysts positions us well for commercial success, and we have introduced new value-added refining solutions and technologies that enable refiners to increase yields, a critical advantage for refiners, as well as offering advanced Ziegler-Natta catalysts to our polyolefin customers. Our marketing and research groups are tightly aligned, enabling us to continue to bring innovative technologies to the market.

We expect to leverage our existing positions in the Middle East and Asia to capitalize on growth opportunities and further develop our leading position in those emerging markets. Our joint venture in Saudi Arabia with SABIC, which is now operational, positions us to lead in the fast-growing Middle East polyolefins catalysts market. Construction at our

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Yeosu, South Korea site is complete for our metallocene/single site catalyst production facility and we are currently in the process of customer qualification. Construction at Yeosu continues for our Pure Growth line of products for the LED and electronics industry.

Fine Chemistry: In our Fine Chemistry segment, during the first half of 2013 we saw favorable year-over-year sales volumes in our bromine portfolio, partly offset by lower pricing in some regions. Fine Chemistry Services continues to benefit from the rapid pace of innovation and the introduction of new products, coupled with the movement by companies to outsource certain research, product development and manufacturing functions. We believe we can sustain healthy margins with continued focus on the two strategic areas in our Fine Chemistry segment – maximizing our bromine franchise value in the Performance Chemicals sector and continued growth of our Fine Chemistry Services business.

On a longer term basis, we are focused on profitably growing our globally competitive bromine and derivatives production network to serve all major bromine consuming products and markets. We believe the global supply/demand gap will continue to tighten as demand for existing and new uses of bromine expand.

Our Fine Chemistry Services businesses continue to deliver strong net sales and profitability, and opportunities are expanding in the renewables, life sciences and electronic materials markets. Our pharmaceutical and crop protection businesses continue to deliver solid results. We expect product development opportunities to continue, such as partnering with ExxonMobil Corporation to make a specialty lubricant and with pharmaceutical developers like SIGA Technologies in their manufacture of the ST-246 smallpox drug.

Our technical expertise, manufacturing capabilities and speed to market allow us to develop a preferred outsourcing position serving leading chemical, renewable and life science innovators in diverse industries. We believe we will continue to generate growth in profitable niche products leveraged from this service business.

Corporate and Other: We continue to focus on cash generation, working capital management and process efficiencies. We expect our global effective tax rate for 2013 to be approximately 22.9%; however, our rate will vary based on the locales in which income is actually earned and remains subject to potential volatility from changing legislation in the U.S. and other tax jurisdictions.

In the first quarter of 2013, we increased our quarterly dividend payout to \$0.24 per share. During the six months ended June 30, 2013, we repurchased approximately 7.8 million shares of our common stock with a fair market value of \$492.3 million under our existing share repurchase program and the ASR Program, and we may periodically repurchase shares in the future on an opportunistic basis.

We remain committed to evaluating the merits of any opportunities that may arise for acquisitions or other business development activities that will complement our business footprint. Additional information regarding our products, markets and financial performance is provided at our web site, www.albemarle.com. Our web site is not a part of this document nor is it incorporated herein by reference.

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Results of Operations

The following data and discussion provides an analysis of certain significant factors affecting our results of operations during the periods included in the accompanying consolidated statements of income. Results for 2012 have been retrospectively adjusted to reflect our election to change our method of accounting for actuarial gains and losses relating to our global pension and OPEB plans in 2012 (see Note 1, "Basis of Presentation" to the condensed consolidated financial statements included in this report).

Second Quarter 2013 Compared to Second Quarter 2012

Selected Financial Data (Unaudited)

	Three Months Ended June 30,		Percentage Change
	2013	2012	2013 vs. 2012
	(In thousands, except percentages and per share amounts)		
NET SALES	\$ 634,197	\$ 684,894	(7)%
Cost of goods sold	437,558	435,606	— %
GROSS PROFIT	196,639	249,288	(21)%
GROSS PROFIT MARGIN	31.0%	36.4%	
Selling, general and administrative expenses	62,900	61,735	2%
Research and development expenses	21,565	20,911	3%
Restructuring and other charges, net	—	94,703	(100)%
OPERATING PROFIT	112,174	71,939	56%
OPERATING PROFIT MARGIN	17.7%	10.5%	
Interest and financing expenses	(7,608)	(8,486)	(10)%
Other expenses, net	(1,697)	(688)	147%
INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF UNCONSOLIDATED INVESTMENTS	102,869	62,765	64%
Income tax expense	21,450	21,882	(2)%
Effective tax rate	20.9%	34.9%	
INCOME BEFORE EQUITY IN NET INCOME OF UNCONSOLIDATED INVESTMENTS	81,419	40,883	99%
Equity in net income of unconsolidated investments (net of tax)	9,709	12,712	(24)%
NET INCOME	91,128	53,595	70%
Net income attributable to noncontrolling interests	(8,389)	(3,506)	139%
NET INCOME ATTRIBUTABLE TO ALBEMARLE CORPORATION	\$ 82,739	\$ 50,089	65%
PERCENTAGE OF NET SALES	13.0%	7.3%	
Basic earnings per share	\$ 0.98	\$ 0.56	75%
Diluted earnings per share	\$ 0.98	\$ 0.56	75%

Net Sales

For the three-month period ended June 30, 2013, we recorded net sales of \$634.2 million, a decrease of 7% compared to net sales of \$684.9 million for the three-month period ended June 30, 2012. This decrease was due primarily to unfavorable pricing impacts of 9% (mainly lower metals surcharges in Refinery Catalyst Solutions, lower regional pricing on bromine and lower flame retardant pricing), partly offset by favorable volume impacts of 2% (mainly in Refinery Catalyst Solutions.)

Gross Profit

For the three-month period ended June 30, 2013, our gross profit decreased \$52.6 million, or 21%, from the corresponding 2012 period due mainly to overall unfavorable pricing impacts, unfavorable currency impacts mainly from a weaker Japanese yen, and higher manufacturing costs. Additionally, our 2013 three-month results include costs of \$3.6 million which are the subject of a claim by the Company against a freight services vendor for alleged fraud committed

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against several companies. These were partly offset by favorable impacts from lower variable input costs and favorable overall volume impacts. Overall, these factors contributed to a lower gross profit margin for the three-month period ended June 30, 2013 of 31.0%, down from 36.4% for the corresponding period in 2012.

Selling, General and Administrative Expenses

For the three-month period ended June 30, 2013, our selling, general and administrative (SG&A) expenses increased \$1.2 million, or 2%, from the three-month period ended June 30, 2012. This increase was primarily due to unfavorable nonoperating pension costs related to the correction explained in Notes 1 and 10 to the condensed consolidated financial statements, partly offset by lower personnel-related costs, lower sales commissions and other spending. As a percentage of net sales, SG&A expenses were 9.9% for the three-month period ended June 30, 2013, compared to 9.0% for the corresponding period in 2012.

Research and Development Expenses

For the three-month period ended June 30, 2013, our research and development (R&D) expenses increased \$0.7 million, or 3%, from the three-month period ended June 30, 2012, as a result of higher spending. As a percentage of net sales, R&D expenses were 3.4% for the three-month period ended June 30, 2013, compared to 3.1% for the corresponding period in 2012.

Restructuring and Other Charges

The three-month period ended June 30, 2012 included charges amounting to \$94.7 million (\$73.6 million after income taxes) in connection with our exit of the phosphorus flame retardants business. The charges were comprised mainly of non-cash items consisting of net asset write-offs of approximately \$57 million and write-offs of foreign currency translation adjustments of approximately \$12 million, as well as accruals for cash costs associated with related severance programs of approximately \$13 million, estimated site remediation costs of approximately \$9 million and other estimated exit costs of approximately \$4 million.

Interest and Financing Expenses

Interest and financing expenses for the three-month period ended June 30, 2013 decreased \$0.9 million to \$7.6 million from the corresponding 2012 period, due mainly to lower interest rates on variable-rate borrowings and higher capitalized interest in the 2013 period.

Other Expenses, Net

Other expenses, net for the three-month period ended June 30, 2013 was \$1.7 million versus \$0.7 million for the corresponding 2012 period. This change was due primarily to unfavorable currency impacts from the corresponding period in 2012.

Income Tax Expense

The effective income tax rate for the second quarter of 2013 was 20.9% compared to 34.9% for the second quarter of 2012. Our effective income tax rate differs from the U.S. federal statutory income tax rates in the comparative periods mainly due to the impact of earnings from outside the U.S. Also, our effective income tax rate for the 2012 period was impacted by \$94.7 million of pre-tax net charges (\$73.6 million after taxes) associated with our exit of the phosphorus flame retardants business.

Equity in Net Income of Unconsolidated Investments

Equity in net income of unconsolidated investments was \$9.7 million for the three-month period ended June 30, 2013 compared to \$12.7 million in the same period last year. This decrease was due primarily to lower equity income amounts reported from our Catalysts segment joint ventures Nippon Ketjen Company Limited and Fábrica Carioca de Catalisadores SA.

Net Income Attributable to Noncontrolling Interests

For the three-month period ended June 30, 2013, net income attributable to noncontrolling interests was \$8.4 million compared to \$3.5 million in the same period last year. This increase of \$4.9 million was due primarily to higher year-over-year profitability from our consolidated joint venture JBC based mainly on higher demand for clear brine fluids and flame retardants.

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Net Income Attributable to Albemarle Corporation

Net income attributable to Albemarle Corporation increased to \$82.7 million in the three-month period ended June 30, 2013, from \$50.1 million in the three-month period ended June 30, 2012 primarily due to restructuring charges in the prior year and favorable impacts from a lower effective tax rate, higher volumes and lower variable input costs, partly offset by unfavorable price impacts, higher manufacturing costs, unfavorable net income attributable to noncontrolling interests and unfavorable equity in net income of unconsolidated investments.

Segment Information Overview. We have identified three reportable segments according to the nature and economic characteristics of our products as well as the manner in which the information is used internally by the Company's key decision maker, our Chief Executive Officer, in accordance with current accounting guidance. Our Polymer Solutions segment is comprised of the flame retardants and stabilizers and curatives product areas. Our Catalysts segment is comprised of the Refinery Catalyst Solutions and Performance Catalyst Solutions product areas. Our Fine Chemistry segment is comprised of the Performance Chemicals and Fine Chemistry Services product areas. Segment income represents operating profit (adjusted for significant non-recurring items) and equity in net income of unconsolidated investments and is reduced by net income attributable to noncontrolling interests. Segment data includes intersegment transfers of raw materials at cost and allocations for certain corporate costs.

	Three Months Ended June 30,				Percentage Change 2013 vs. 2012
	2013	% of net sales	2012	% of net sales	
(In thousands, except percentages)					
Net sales:					
Polymer Solutions	\$224,316	35.4%	\$247,016	36.1%	(9)%
Catalysts	233,818	36.9%	229,144	33.4%	2%
Fine Chemistry	176,063	27.7%	208,734	30.5%	(16)%
Total net sales	<u>\$634,197</u>	<u>100.0%</u>	<u>\$684,894</u>	<u>100.0%</u>	(7)%
Segment operating profit:					
Polymer Solutions	\$ 43,821	19.5%	\$ 63,407	25.7%	(31)%
Catalysts	43,613	18.7%	57,370	25.0%	(24)%
Fine Chemistry	40,277	22.9%	49,704	23.8%	(19)%
Total segment operating profit	<u>127,711</u>		<u>170,481</u>		(25)%
Equity in net income of unconsolidated investments:					
Polymer Solutions	2,328		1,913		22%
Catalysts	7,381		10,799		(32)%
Fine Chemistry	—		—		— %
Corporate & other	—		—		— %
Total equity in net income of unconsolidated investments	<u>9,709</u>		<u>12,712</u>		(24)%
Net (income) loss attributable to noncontrolling interests:					
Polymer Solutions	(2,494)		349		*
Catalysts	—		—		— %
Fine Chemistry	(5,895)		(3,832)		54%
Corporate & other	—		(23)		(100)%
Total net income attributable to noncontrolling interests	<u>(8,389)</u>		<u>(3,506)</u>		139%
Segment income:					
Polymer Solutions	43,655	19.5%	65,669	26.6%	(34)%
Catalysts	50,994	21.8%	68,169	29.7%	(25)%
Fine Chemistry	34,382	19.5%	45,872	22.0%	(25)%
Total segment income	<u>129,031</u>		<u>179,710</u>		(28)%
Corporate & other	(15,537)		(3,862)		302%
Restructuring and other charges, net	—		(94,703)		(100)%
Interest and financing expenses	(7,608)		(8,486)		(10)%
Other expenses, net	(1,697)		(688)		147%
Income tax expense	(21,450)		(21,882)		(2)%
Net income attributable to Albemarle Corporation	<u>\$ 82,739</u>		<u>\$ 50,089</u>		65%

* Percentage calculation is not meaningful.

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Our segment information includes measures we refer to as “Segment operating profit” and “Segment income” which are financial measures that are not required by, or presented in accordance with, GAAP. The Company has reported Segment operating profit and Segment income because management believes that these financial measures provide transparency to investors and enable period-to-period comparability of financial performance. Segment operating profit and Segment income should not be considered as an alternative to Operating profit or Net income attributable to Albemarle Corporation, respectively, as determined in accordance with GAAP.

See below for a reconciliation of Segment operating profit and Segment income, the non-GAAP financial measures, to Operating profit and Net income attributable to Albemarle Corporation, respectively, the most directly comparable financial measures calculated and reported in accordance with GAAP.

	Three Months Ended	
	June 30,	
	2013	2012
	(In thousands)	
Total segment operating profit	\$127,711	\$170,481
Add (less):		
Corporate & other ^(a)	(15,537)	(3,839)
Restructuring and other charges, net	—	(94,703)
GAAP Operating profit	\$112,174	\$ 71,939
Total segment income	\$129,031	\$179,710
Add (less):		
Corporate & other	(15,537)	(3,862)
Restructuring and other charges, net	—	(94,703)
Interest and financing expenses	(7,608)	(8,486)
Other expenses, net	(1,697)	(688)
Income tax expense	(21,450)	(21,882)
GAAP Net income attributable to Albemarle Corporation	\$ 82,739	\$ 50,089

^(a) Excludes corporate noncontrolling interest adjustments \$(23) for the three-month period ended June 30, 2012.

Polymer Solutions

Polymer Solutions segment net sales for the three-month period ended June 30, 2013 were \$224.3 million, down \$22.7 million, or 9%, in comparison to the same period in 2012. The decrease was driven mainly by our mid-year 2012 exit of the phosphorus flame retardants business and lower pricing in Flame Retardants. Segment income for Polymer Solutions was down 34%, or \$22.0 million, to \$43.7 million for the three-month period ended June 30, 2013, compared to the same period in 2012, as a result of lower pricing mainly in Flame Retardants, higher manufacturing costs and unfavorable currency impacts mainly due to the weaker Japanese yen. These were partly offset by the favorable impact of our 2012 exit from the phosphorus flame retardants business.

Catalysts

Catalysts segment net sales for the three-month period ended June 30, 2013 were \$233.8 million, an increase of \$4.7 million, or 2%, compared to the three-month period ended June 30, 2012. This increase was due mainly to favorable volumes in Refinery Catalyst Solutions, partly offset by unfavorable pricing on lower metals surcharges in Refinery Catalyst Solutions and unfavorable pricing and volumes in Performance Catalyst Solutions. Catalysts segment income decreased 25%, or \$17.2 million, to \$51.0 million for the three-month period ended June 30, 2013 in comparison to the corresponding period of 2012. This decrease was due primarily to net unfavorable pricing impacts from volatility in metals surcharges and related cost impacts in Refinery Catalyst Solutions, higher manufacturing costs and lower equity income from our unconsolidated joint ventures, partly offset by favorable sales volumes in Refinery Catalyst Solutions.

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Fine Chemistry

Fine Chemistry segment net sales for the three-month period ended June 30, 2013 were \$176.1 million, a decrease of \$32.7 million, or 16%, versus the three-month period ended June 30, 2012. This decrease was primarily attributable to unfavorable impacts from the timing of custom projects and lower volumes in our pharmaceutical and agricultural intermediates businesses, unfavorable pricing in Performance Chemicals, partly offset by favorable volumes in industrial and specialty bromides. Segment income for the three-month period ended June 30, 2013 was \$34.4 million, down 25% from the corresponding period in 2012. The decrease was due to lower pricing mainly in Performance Chemicals, delays in product launches in our Fine Chemistry Services businesses and higher net income attributable to noncontrolling interests associated with higher profit results from our JBC joint venture. These were partly offset by favorable variable input costs.

Corporate and other

For the three-month period ended June 30, 2013, our Corporate and other expense was \$15.5 million compared to \$3.9 million for the corresponding period in 2012. This increase was primarily due to unfavorable nonoperating pension costs related to the correction explained in Notes 1 and 10 to the condensed consolidated financial statements.

Six Months 2013 Compared to Six Months 2012

Selected Financial Data (Unaudited)

	Six Months Ended June 30,		Percentage Change
	2013	2012	2013 vs. 2012
(In thousands, except percentages and per share amounts)			
NET SALES	\$ 1,275,822	\$ 1,396,598	(9)%
Cost of goods sold	879,593	896,330	(2)%
GROSS PROFIT	396,229	500,268	(21)%
GROSS PROFIT MARGIN	31.1%	35.8%	
Selling, general and administrative expenses	127,650	135,739	(6)%
Research and development expenses	41,518	39,960	4%
Restructuring and other charges, net	—	94,703	(100)%
OPERATING PROFIT	227,061	229,866	(1)%
OPERATING PROFIT MARGIN	17.8%	16.5%	
Interest and financing expenses	(12,839)	(17,220)	(25)%
Other expenses, net	(5,906)	(806)	*
INCOME BEFORE INCOME TAXES AND EQUITY IN NET			
INCOME OF UNCONSOLIDATED INVESTMENTS	208,316	211,840	(2)%
Income tax expense	47,642	60,910	(22)%
Effective tax rate	22.9%	28.8%	
INCOME BEFORE EQUITY IN NET INCOME OF UNCONSOLIDATED INVESTMENTS	160,674	150,930	6%
Equity in net income of unconsolidated investments (net of tax)	19,970	21,298	(6)%
NET INCOME	180,644	172,228	5%
Net income attributable to noncontrolling interests	(13,918)	(7,877)	77%
NET INCOME ATTRIBUTABLE TO ALBEMARLE CORPORATION	\$ 166,726	\$ 164,351	1%
PERCENTAGE OF NET SALES	13.1%	11.8%	
Basic earnings per share	\$ 1.93	\$ 1.84	5%
Diluted earnings per share	\$ 1.92	\$ 1.83	5%

* Percentage calculation is not meaningful.

Net Sales

For the six-month period ended June 30, 2013, we recorded net sales of \$1.28 billion, a decrease of 9% compared to net sales of \$1.40 billion for the six-month period ended June 30, 2012. This decrease was due primarily to unfavorable pricing

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impacts of 9% (mainly lower metals surcharges in Refinery Catalyst Solutions, lower regional pricing on bromine, and lower flame retardant pricing), lower volume impacts (mainly due to our exit of the phosphorus flame retardants business in the second quarter of 2012) and unfavorable foreign currency impacts (mainly the weaker Japanese yen).

Gross Profit

For the six-month period ended June 30, 2013, our gross profit decreased \$104.0 million, or 21%, from the corresponding 2012 period due mainly to overall unfavorable pricing impacts, unfavorable currency impacts mainly from a weaker Japanese yen, and higher manufacturing costs. Additionally, our 2013 six-month results include costs of \$3.6 million which are the subject of a claim by the Company against a freight services vendor for alleged fraud committed against several companies. These were partly offset by favorable impacts from lower variable input costs and favorable overall volumes. Overall, these factors contributed to a lower gross profit margin for the six-month period ended June 30, 2013 of 31.1%, down from 35.8% for the corresponding period in 2012.

Selling, General and Administrative Expenses

For the six-month period ended June 30, 2013, our SG&A expenses decreased \$8.1 million, or 6%, from the six-month period ended June 30, 2012. This decrease was primarily due to lower personnel-related costs, lower sales commissions and other spending, partly offset by unfavorable nonoperating pension costs related to the correction explained in Notes 1 and 10 to the condensed consolidated financial statements. As a percentage of net sales, SG&A expenses were 10.0% for the six-month period ended June 30, 2013, compared to 9.7% for the corresponding period in 2012.

Research and Development Expenses

For the six-month period ended June 30, 2013, our R&D expenses increased \$1.6 million, or 4%, from the six-month period ended June 30, 2012, as a result of higher spending. As a percentage of net sales, R&D expenses were 3.3% for the six-month period ended June 30, 2013, compared to 2.9% for the corresponding period in 2012.

Restructuring and Other Charges

The six-month period ended June 30, 2012 included charges amounting to \$94.7 million (\$73.6 million after income taxes) in connection with our exit of the phosphorus flame retardants business. The charges were comprised mainly of non-cash items consisting of net asset write-offs of approximately \$57 million and write-offs of foreign currency translation adjustments of approximately \$12 million, as well as accruals for cash costs associated with related severance programs of approximately \$13 million, estimated site remediation costs of approximately \$9 million and other estimated exit costs of approximately \$4 million.

Interest and Financing Expenses

Interest and financing expenses for the six-month period ended June 30, 2013 decreased \$4.4 million to \$12.8 million from the corresponding 2012 period due mainly to lower interest rates on variable-rate borrowings and higher capitalized interest in the 2013 period.

Other Expenses, Net

Other expenses, net for the six-month period ended June 30, 2013 was \$5.9 million versus \$0.8 million for the corresponding 2012 period. This change was due primarily to unfavorable currency impacts from the corresponding period in 2012.

Income Tax Expense

The effective income tax rate for the first six months of 2013 was 22.9% compared to 28.8% for the first six months of 2012. Our effective income tax rate differs from the U.S. federal statutory income tax rates in the comparative periods mainly due to the impact of earnings from outside the U.S. Also, our effective income tax rate for the 2012 period was impacted by \$94.7 million of pre-tax net charges (\$73.6 million after taxes) associated with our exit of the phosphorus flame retardants business.

Equity in Net Income of Unconsolidated Investments

Equity in net income of unconsolidated investments was \$20.0 million for the six-month period ended June 30, 2013 compared to \$21.3 million in the same period last year. This decrease was due primarily to lower equity income amounts reported from our Catalysts segment joint ventures Fábrica Carioca de Catalisadores SA and Nippon Aluminum Alkyls, partly offset by higher equity income amounts reported from our Polymer Solutions joint venture Magnifin.

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Net Income Attributable to Noncontrolling Interests

For the six-month period ended June 30, 2013, net income attributable to noncontrolling interests was \$13.9 million compared to \$7.9 million in the same period last year. This increase of \$6.0 million was due primarily to higher year-over-year profitability from our consolidated joint venture JBC based mainly on higher demand for clear brine fluids and flame retardants.

Net Income Attributable to Albemarle Corporation

Net income attributable to Albemarle Corporation increased to \$166.7 million in the six-month period ended June 30, 2013, from \$164.4 million in the six-month period ended June 30, 2012 primarily due to lower pricing, including impacts from both volatility in metals surcharges and related cost impacts in Refinery Catalyst Solutions (particularly rare earths) and in certain products in our overall bromine portfolio, unfavorable manufacturing costs and unfavorable foreign currency impacts. These impacts were partly offset by favorable restructuring and other charges and favorable overall variable input costs.

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Segment Information Overview

	Six Months Ended June 30,				Percentage Change 2013 vs. 2012
	2013	% of net sales	2012	% of net sales	
(In thousands, except percentages)					
Net sales:					
Polymer Solutions	\$ 439,090	34.4%	\$ 475,147	34.0%	(8)%
Catalysts	469,391	36.8%	522,666	37.4%	(10)%
Fine Chemistry	367,341	28.8%	398,785	28.6%	(8)%
Total net sales	<u>\$1,275,822</u>	<u>100.0%</u>	<u>\$1,396,598</u>	<u>100.0%</u>	<u>(9)%</u>
Segment operating profit:					
Polymer Solutions	\$ 87,491	19.9%	\$ 117,954	24.8%	(26)%
Catalysts	92,658	19.7%	134,011	25.6%	(31)%
Fine Chemistry	76,455	20.8%	94,067	23.6%	(19)%
Total segment operating profit	<u>256,604</u>		<u>346,032</u>		<u>(26)%</u>
Equity in net income of unconsolidated investments:					
Polymer Solutions	4,636		3,758		23%
Catalysts	15,334		17,540		(13)%
Fine Chemistry	—		—		— %
Corporate & other	—		—		— %
Total equity in net income of unconsolidated investments	<u>19,970</u>		<u>21,298</u>		<u>(6)%</u>
Net income attributable to noncontrolling interests:					
Polymer Solutions	(3,202)		(653)		*
Catalysts	—		—		— %
Fine Chemistry	(10,716)		(7,204)		49%
Corporate & other	—		(20)		(100)%
Total net income attributable to noncontrolling interests	<u>(13,918)</u>		<u>(7,877)</u>		<u>77%</u>
Segment income:					
Polymer Solutions	88,925	20.3%	121,059	25.5%	(27)%
Catalysts	107,992	23.0%	151,551	29.0%	(29)%
Fine Chemistry	65,739	17.9%	86,863	21.8%	(24)%
Total segment income	<u>262,656</u>		<u>359,473</u>		<u>(27)%</u>
Corporate & other	(29,543)		(21,483)		38%
Restructuring and other charges, net	—		(94,703)		(100)%
Interest and financing expenses	(12,839)		(17,220)		(25)%
Other expenses, net	(5,906)		(806)		*
Income tax expense	(47,642)		(60,910)		(22)%
Net income attributable to Albemarle Corporation	<u>\$ 166,726</u>		<u>\$ 164,351</u>		<u>1%</u>

* Percentage calculation is not meaningful.

Our segment information includes measures we refer to as “Segment operating profit” and “Segment income” which are financial measures that are not required by, or presented in accordance with, GAAP. The Company has reported Segment operating profit and Segment income because management believes that these financial measures provide transparency to investors and enable period-to-period comparability of financial performance. Segment operating profit and Segment income should not be considered as an alternative to Operating profit or Net income attributable to Albemarle Corporation, respectively, as determined in accordance with GAAP.

See below for a reconciliation of Segment operating profit and Segment income, the non-GAAP financial measures, to Operating profit and Net income attributable to Albemarle Corporation, respectively, the most directly comparable financial measures calculated and reported in accordance with GAAP.

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	Six Months Ended June 30,	
	2013	2012
	(In thousands)	
Total segment operating profit	\$256,604	\$346,032
Add (less):		
Corporate & other ^(a)	(29,543)	(21,463)
Restructuring and other charges, net	—	(94,703)
GAAP Operating profit	<u>\$227,061</u>	<u>\$229,866</u>
Total segment income	\$262,656	\$359,473
Add (less):		
Corporate & other	(29,543)	(21,483)
Restructuring and other charges, net	—	(94,703)
Interest and financing expenses	(12,839)	(17,220)
Other expenses, net	(5,906)	(806)
Income tax expense	(47,642)	(60,910)
GAAP Net income attributable to Albemarle Corporation	<u>\$166,726</u>	<u>\$164,351</u>

^(a) Excludes corporate noncontrolling interest adjustments \$(20) for the six-month period ended June 30, 2012.

Polymer Solutions

Polymer Solutions segment net sales for the six-month period ended June 30, 2013 were \$439.1 million, down \$36.1 million, or 8%, in comparison to the same period in 2012. The decrease was driven mainly by our mid-year 2012 exit of the phosphorus flame retardants business. Other unfavorable impacts from lower pricing in Flame Retardants and Additives and the weaker Japanese yen were partly offset by favorable volumes in Brominated Flame Retardants and Additives. Segment income for Polymer Solutions was down 27%, or \$32.1 million, to \$88.9 million for the six-month period ended June 30, 2013, compared to the same period in 2012, as a result of lower pricing mainly in Flame Retardants and Additives, higher variable input costs, higher manufacturing costs, and unfavorable currency impacts mainly due to the weaker Japanese yen. These were partly offset by favorable volume impacts in Brominated Flame Retardants and Additives.

Catalysts

Catalysts segment net sales for the six-month period ended June 30, 2013 were \$469.4 million, a decrease of \$53.3 million, or 10%, compared to the six-month period ended June 30, 2012. This decrease was due mainly to unfavorable pricing on lower metals surcharges in Refinery Catalyst Solutions, and lower volumes in Performance Catalyst Solutions, partly offset by favorable volumes in Refinery Catalyst Solutions. Catalysts segment income decreased 29%, or \$43.6 million, to \$108.0 million for the six-month period ended June 30, 2013 in comparison to the corresponding period of 2012. This decrease was due primarily to net unfavorable pricing impacts from volatility in metals surcharges and related cost impacts in Refinery Catalyst Solutions, and unfavorable manufacturing costs.

Fine Chemistry

Fine Chemistry segment net sales for the six-month period ended June 30, 2013 were \$367.3 million, a decrease of \$31.4 million, or 8%, versus the six-month period ended June 30, 2012. This decrease was primarily attributable to the timing of custom services projects and unfavorable volumes in the pharmaceutical and agricultural intermediate businesses, partly offset by favorable bromine portfolio volumes. Segment income for the six-month period ended June 30, 2013 was \$65.7 million, down 24% from the corresponding period in 2012. The decrease was due to lower pricing mainly in Performance Chemicals, delays in product launches in our Fine Chemistry Services businesses, unfavorable volumes in our agricultural intermediates business and higher net income attributable to noncontrolling interests associated with higher profit results from our JBC joint venture. These were partly offset by favorable variable input costs.

Corporate and other

For the six-month period ended June 30, 2013, our Corporate and other expense was \$29.5 million compared to \$21.5 million for the corresponding period in 2012. This increase was primarily due to unfavorable nonoperating pension costs

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related to the correction explained in Notes 1 and 10 to the condensed consolidated financial statements, partly offset by lower employee-related costs, including performance-based incentive compensation (reflected mainly in SG&A expenses) and other spending.

Financial Condition and Liquidity

Overview

The principal uses of cash in our business generally have been capital investments, funding working capital and repayment of debt. We also make contributions to our U.S. defined benefit pension plans, pay dividends to our shareholders and repurchase shares of our common stock. Historically, cash to fund the needs of our business has been principally provided by cash from operations, debt financing and equity issuances.

We are continually focused on working capital efficiency particularly in the areas of accounts receivable and inventory. We anticipate that cash on hand, cash provided by operating activities and long-term borrowings will be sufficient to pay our operating expenses, satisfy debt service obligations, fund capital expenditures and other investing activities, fund pension contributions and pay dividends for the foreseeable future.

Cash Flow

During the first six months of 2013, proceeds from borrowings, cash on hand and cash provided by operations funded payments of \$582.3 million for repurchases of our common stock, capital expenditures for plant, machinery and equipment of \$103.2 million and dividends to shareholders of \$39.0 million. Our operations provided \$178.9 million of cash flows during the first six months of 2013, as compared to \$184.9 million for the first six months of 2012. Overall, our cash and cash equivalents decreased by \$163.0 million to \$314.7 million at June 30, 2013, down from \$477.7 million at December 31, 2012.

Net current assets decreased to \$906.3 million at June 30, 2013 from \$1.0 billion at December 31, 2012. This decrease was due primarily to decreases in cash and cash equivalents and other current assets and an increase in accounts payable, partly offset by increases in accounts receivable and inventories and a decrease in accrued expenses.

Capital expenditures for the six-month period ended June 30, 2013 of \$103.2 million were associated with property, plant and equipment additions. We expect our capital expenditures to approximate \$150 million in 2013 for capacity increases, cost reduction and continuity of operations projects.

On February 12, 2013, we increased our quarterly dividend payout to \$0.24 per share, a 20% increase from the quarterly rate of \$0.20 per share paid in 2012. Additionally, on February 12, 2013, our Board of Directors authorized an increase in the number of shares the Company is permitted to repurchase under its existing share repurchase program to 15 million from 3.9 million shares that remained outstanding under the program as of December 31, 2012, and we announced our expectation to repurchase approximately 10% of our outstanding shares over the following 10 to 15 months. Under the existing Board authorized share repurchase program, on May 9, 2013, the Company entered into an ASR Agreement with JPMorgan relating to a fixed-dollar, uncollared ASR Program. Pursuant to the terms of the ASR Agreement, on May 10, 2013, the Company paid \$450 million to JPMorgan and received an initial delivery of 5,680,921 shares with a fair market value of approximately \$360 million. This purchase was funded through a combination of available cash on hand and debt. The total number of shares to ultimately be purchased by the Company under the ASR Program will be based on the Rule 10b-18 volume-weighted average price of the Company's common stock during the term of the ASR Agreement, less a forward price adjustment amount of approximately \$1.01. Based on the Rule 10b-18 volume-weighted average price calculated as of June 30, 2013, additional shares expected to be received upon final settlement would be approximately 1.4 million shares. The final settlement amount may increase or decrease depending upon the Rule 10b-18 volume-weighted average price of the Company's common stock during the remaining term of the ASR Agreement. The ASR Program will be completed no later than the end of 2013.

At June 30, 2013 and December 31, 2012, our cash and cash equivalents included \$312.7 million and \$319.3 million, respectively, held by our foreign subsidiaries. The majority of these foreign cash balances are associated with earnings that we have asserted are permanently reinvested and which we plan to use to support our continued growth plans outside the U.S. through funding of capital expenditures, acquisitions, research, operating expenses or other similar cash needs of our foreign operations. From time to time, we repatriate cash from our foreign subsidiaries to the U.S. for normal operating needs through intercompany dividends, but only from subsidiaries whose earnings we have not asserted to be permanently reinvested or whose earnings qualify as "previously taxed income" as defined by the Internal Revenue Code. For the three and six-month periods ended June 30, 2012, we repatriated approximately \$30.3 million in cash as part of these foreign cash repatriation activities. No such repatriations occurred during the three and six-month periods ended June 30, 2013.

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While we continue to closely monitor our cash generation, working capital management and capital spending in light of continuing uncertainties in the global economy, we are optimistic that in 2013 we will have the financial flexibility and capability to opportunistically fund future growth initiatives. Additionally, we anticipate that future capital spending including business acquisitions, share repurchases and other cash outlays should be financed primarily with cash flow provided from operations and cash on hand, with additional cash needed, if any, provided by borrowings, including borrowings under our September 2011 credit agreement or our commercial paper program. The amount and timing of any additional borrowings will depend on our specific cash requirements.

Long-Term Debt

We currently have outstanding \$325.0 million of 5.10% senior notes due in 2015 and \$350.0 million of 4.50% senior notes due in 2020, or the senior notes. The senior notes are senior unsecured obligations and rank equally with all of our other senior unsecured indebtedness from time to time outstanding. The senior notes are effectively subordinated to any of our existing or future secured indebtedness and to the existing and future indebtedness of our subsidiaries. We may redeem the senior notes before their maturity, in whole at any time or in part from time to time, at a redemption price equal to the greater of (i) 100% of the principal amount of the senior notes to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis using the Treasury Rate (as defined in the indentures governing the senior notes) plus 15 basis points for the senior notes maturing in 2015 and 25 basis points for the senior notes maturing in 2020, plus, in each case, accrued interest thereon to the date of redemption. However, the 2020 senior notes are redeemable in whole or in part, at our option, at any time on or after three months prior to the maturity date, at a redemption price equal to 100% of the principal amount of the senior notes to be redeemed plus accrued and unpaid interest on the senior notes to be redeemed to the date of redemption. Holders of the 2020 senior notes may require us to purchase such notes at 101% upon a Change of Control Triggering Event, as defined in the related indenture.

The principal amounts of the senior notes become immediately due and payable upon the occurrence of certain bankruptcy or insolvency events involving us or certain of our subsidiaries and may be declared immediately due and payable by the trustee or the holders of not less than 25% of the senior notes upon the occurrence of an event of default. Events of default include, among other things: failure to pay principal or interest at required times; failure to perform or remedy a breach of covenants within prescribed periods; an event of default on any of our other indebtedness or certain indebtedness of our subsidiaries of \$40.0 million or more that is caused by a failure to make a payment when due or that results in the acceleration of that indebtedness before its maturity; and certain bankruptcy or insolvency events involving us or certain of our subsidiaries.

For additional funding and liquidity purposes, we currently maintain a \$750.0 million five-year, revolving, unsecured credit facility, which we refer to as the September 2011 credit agreement. The September 2011 credit agreement matures on September 22, 2016, provides for an additional \$250.0 million in credit, if needed, subject to the terms of the agreement and provides for the ability to extend the maturity date under certain conditions. Borrowings bear interest at variable rates based on the London Inter-Bank Offered Rate (LIBOR) for deposits in the relevant currency plus an applicable margin which ranges from 0.900% to 1.400%, depending on the Company's credit rating applicable from time to time. The applicable margin on the facility was 0.975% as of June 30, 2013. There were no borrowings outstanding under the September 2011 credit agreement as of June 30, 2013.

Borrowings under the September 2011 credit agreement are conditioned upon compliance with the following covenants: (i) consolidated funded debt, as defined in the agreement, must be less than or equal to 3.50 times consolidated EBITDA, as defined in the agreement, (which reflects adjustments for certain non-recurring or unusual items such as restructuring charges, facility divestiture charges and other significant non-recurring items), or herein "consolidated adjusted EBITDA," as of the end of any fiscal quarter; (ii) with the exception of liens specified in the September 2011 credit agreement, liens may not attach to assets when the aggregate amount of all indebtedness secured by such liens plus unsecured subsidiary indebtedness, other than indebtedness incurred by our subsidiaries under the September 2011 credit agreement, would exceed 20% of consolidated net worth, as defined in the agreement; and (iii) with the exception of indebtedness specified in the September 2011 credit agreement, subsidiary indebtedness may not exceed the difference between 20% of consolidated net worth, as defined in the agreement, and indebtedness secured by liens permitted under the agreement.

On May 29, 2013, we entered into agreements to initiate a commercial paper program on a private placement basis under which we may issue unsecured commercial paper notes (the "Notes") from time-to-time up to a maximum aggregate principal amount outstanding at any time of \$750 million. The proceeds from the issuance of the Notes are expected to be

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used for general corporate purposes, including the repayment of other debt of the Company. Our September 2011 credit agreement is available to repay the Notes, if necessary. Aggregate borrowings outstanding under the September 2011 credit agreement and the commercial paper program will not exceed the \$750 million current maximum amount available under the September 2011 credit agreement. The Notes will be sold at a discount from par, or alternatively, will be sold at par and bear interest at rates that will vary based upon market conditions at the time of the issuance of the Notes. The maturities of the Notes will vary but may not exceed 397 days from the date of issue. The definitive documents relating to the Program contain customary representations, warranties, default and indemnification provisions.

At June 30, 2013, we had \$362.3 million of Notes outstanding bearing a weighted-average interest rate of approximately 0.37% and a weighted-average maturity of 64 days. While the outstanding Notes generally have short-term maturities, we classify the Notes as long-term based on our ability and intent to refinance the Notes on a long-term basis through the issuance of additional Notes or borrowings under the September 2011 credit agreement.

The non-current portion of our long-term debt amounted to \$1.1 billion at June 30, 2013, compared to \$686.6 million at December 31, 2012. The increase is mainly attributable to the issuance of the commercial paper notes noted above. In addition, at June 30, 2013, we had the ability to borrow \$387.7 million under our commercial paper program and the September 2011 credit agreement, and \$261.4 million under other existing lines of credit, subject to various financial covenants under our September 2011 credit agreement. We have the ability to refinance our borrowings under our other existing credit lines with borrowings under the September 2011 credit agreement, as applicable. Therefore, the amounts outstanding under those credit lines, if any, are classified as long-term debt. We believe that as of June 30, 2013, we were, and currently are, in compliance with all of our debt covenants.

Off-Balance Sheet Arrangements

In the normal course of business with customers, vendors and others, we have entered into off-balance sheet arrangements, including bank guarantees and letters of credit, which totaled approximately \$38.4 million at June 30, 2013. None of these off-balance sheet arrangements has, or is likely to have, a material effect on our current or future financial condition, results of operations, liquidity or capital resources.

Other Obligations

Total expected 2013 contributions to our domestic and foreign qualified and nonqualified pension plans, including our SERP, should approximate \$9 million. We may choose to make additional pension contributions in excess of this amount. We have made contributions of \$2.0 million to our domestic and foreign pension plans (both qualified and nonqualified) during the six-month period ended June 30, 2013.

The liability related to uncertain tax positions, including interest and penalties, recorded in Other noncurrent liabilities totaled \$28.0 million at June 30, 2013 and \$29.2 million at December 31, 2012. Related assets for corresponding offsetting benefits recorded in Other assets totaled \$23.9 million at June 30, 2013 and \$25.8 million at December 31, 2012. We cannot estimate the amounts of any cash payments associated with these liabilities for the remainder of 2013 or the next twelve months, and we are unable to estimate the timing of any such cash payments in the future at this time.

We are subject to federal, state, local and foreign requirements regulating the handling, manufacture and use of materials (some of which may be classified as hazardous or toxic by one or more regulatory agencies), the discharge of materials into the environment and the protection of the environment. To our knowledge, we are currently complying and expect to continue to comply in all material respects with applicable environmental laws, regulations, statutes and ordinances. Compliance with existing federal, state, local and foreign environmental protection laws is not expected to have a material effect on capital expenditures, earnings or our competitive position, but the costs associated with increased legal or regulatory requirements could have an adverse effect on our results.

Among other environmental requirements, we are subject to the federal Superfund law, and similar state laws, under which we may be designated as a potentially responsible party (PRP) and may be liable for a share of the costs associated with cleaning up various hazardous waste sites. Management believes that in cases in which we may have liability as a PRP, our liability for our share of cleanup is de minimis. Further, almost all such sites represent environmental issues that are quite mature and have been investigated, studied and in many cases settled. In de minimis situations, our policy generally is to negotiate a consent decree and to pay any apportioned settlement, enabling us to be effectively relieved of any further liability as a PRP, except for remote contingencies. In other than de minimis PRP matters, our records indicate that unresolved PRP exposures should be immaterial. We accrue and expense our proportionate share of PRP costs. Because management has been actively involved in evaluating environmental matters, we are able to conclude that the outstanding environmental liabilities for unresolved PRP sites should not have a material adverse effect upon our results of operations or financial condition.

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Liquidity Outlook

We anticipate that cash on hand, cash provided by operating activities and long-term borrowings will be sufficient to pay our operating expenses, satisfy debt service obligations, fund any capital expenditures and share repurchases, make pension contributions and pay dividends for the foreseeable future. In addition, as we have historically done, we will continue to evaluate the merits of any opportunities that may arise for acquisitions of businesses or assets, which may require additional liquidity.

While we maintain business relationships with a diverse group of financial institutions, an adverse change in their credit standing could lead them to not honor their contractual credit commitments, decline funding under existing but uncommitted lines of credit, not renew their extensions of credit or not provide new financing. While the corporate bond market remains strong, availability of bank debt is more limited than in prior years due to a variety of factors, including tighter bank regulations and more stringent bank capital requirements in the wake of the financial crisis, and heightened risk aversion amid European sovereign debt concerns. If bank debt remains relatively less prevalent, we may incur increased borrowing costs and reduced credit capacity as our various credit facilities mature. It is also possible that our ability to access the capital markets in future periods may be limited by market or counterparty factors at a time when we would need or desire to do so, which could have an impact on our ability to finance our businesses or react to changing economic and business conditions. In addition, our cash flows from operations may be negatively affected by adverse consequences to our customers and the markets in which we compete as a result of moderating global economic conditions and reduced capital availability. If the U.S. Federal Reserve or similar national reserve banks in other countries decide to tighten the monetary supply in response, for example, to improving economic conditions, we may incur increased borrowing costs as interest rates increase on our variable rate credit facilities, as our various credit facilities mature or as we refinance any maturing fixed rate debt obligations.

At June 30, 2013, we had the ability to borrow approximately \$649 million under our commercial paper program, September 2011 credit agreement and other existing lines of credit, subject to various financial covenants under our September 2011 credit agreement. With generally strong cash-generative businesses and no significant debt maturities before 2015, we believe we have and will maintain a solid liquidity position.

We had cash and cash equivalents totaling \$314.7 million as of June 30, 2013, which represent an important source of our liquidity. Our cash is invested in short-term investments including time deposits and readily marketable securities with relatively short maturities.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, see Item 1 Financial Statements – Note 15.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no significant changes in our interest rate risk, foreign currency exchange rate exposure, marketable securities price risk or raw material price risk from the information we provided in our Annual Report on Form 10-K for the year ended December 31, 2012.

We had variable interest rate borrowings of \$387.6 million outstanding at June 30, 2013, bearing a weighted average interest rate of 0.40% and representing approximately 36% of our total outstanding debt. A hypothetical 10% change (approximately 4 basis points) in the interest rate applicable to these borrowings would change our annualized interest expense by less than \$0.2 million as of June 30, 2013. We may enter into interest rate swaps, collars or similar instruments with the objective of reducing interest rate volatility relating to our borrowing costs.

Our financial instruments, which are subject to foreign currency exchange risk, consist of foreign currency forward contracts with an aggregate notional value of \$249.7 million and with a fair value representing a net liability position of \$0.2 million at June 30, 2013. Fluctuations in the value of these contracts are generally offset by the value of the underlying exposures being hedged. We conducted a sensitivity analysis on the fair value of our foreign currency hedge portfolio assuming an instantaneous 10% change in select foreign currency exchange rates from their levels as of June 30, 2013, with all other variables held constant. A 10% appreciation of the U.S. Dollar against foreign currencies that we hedge would result in a decrease of approximately \$7.4 million in the fair value of our foreign currency forward contracts. A 10% depreciation of the U.S. Dollar against these foreign currencies would result in an increase of approximately \$2.1 million in the fair value of our foreign currency forward contracts. The sensitivity of the fair value of our foreign currency hedge portfolio represents changes in fair values estimated based on market conditions as of June 30, 2013, without reflecting the effects of underlying anticipated transactions. When those anticipated transactions are realized, actual effects of changing foreign currency exchange rates could have a material impact on our earnings and cash flows in future periods.

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Item 4. Controls and Procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

No change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) occurred during the fiscal quarter ended June 30, 2013 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved from time to time in legal proceedings of types regarded as common in our business, including administrative or judicial proceedings seeking remediation under environmental laws, such as Superfund, products liability, breach of contract liability and premises liability litigation. Where appropriate, we may establish financial reserves as estimated by our general counsel for such proceedings. We also maintain insurance to mitigate certain of such risks. Additional information with respect to this Item 1 is contained in Note 8 to the Notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors.

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2012 describes some of the risks and uncertainties associated with our business. These risks and uncertainties have the potential to materially affect our results of operations and our financial condition. We do not believe that there have been any material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table summarizes our repurchases of equity securities for the three-month period ended June 30, 2013:

<u>Period</u>	<u>Total Number of Shares Repurchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs^(a)</u>	<u>Maximum Number of Shares that May Yet Be Repurchased Under the Plans or Programs^(a)</u>
April 1, 2013 to April 30, 2013	787,589	\$ 60.13	787,589	13,198,761
May 1, 2013 to May 31, 2013 ^(b)	6,012,806	63.27	6,012,806	7,185,955
June 1, 2013 to June 30, 2013	—	—	—	7,185,955
Total ^(b)	<u>6,800,395</u>	<u>\$ 62.90</u>	<u>6,800,395</u>	<u>7,185,955</u>

- (a) Our stock repurchase plan, which was authorized by our Board of Directors, became effective on October 25, 2000 and included ten million shares. Since then, the Company has regularly repurchased shares under the stock repurchase plan, resulting in the Board of Directors periodically authorizing additional shares for repurchase under the plan. On February 12, 2013, our Board of Directors authorized another increase in the number of shares, pursuant to which the Company is now permitted to repurchase up to a maximum of fifteen million shares under the plan, including those shares previously authorized, but not yet repurchased. The stock repurchase plan will expire when we have repurchased all shares authorized for repurchase thereunder, unless the stock repurchase plan is earlier terminated by action of our Board of Directors or further shares are authorized for repurchase.
- (b) In the second quarter of 2013, we paid \$450 million under an ASR Agreement and received an initial delivery of 5,680,921 shares. The Average Price Paid Per Share was calculated using the closing price of the shares on the date the ASR Agreement was signed. See Note 4, "Earnings Per Share" to the condensed consolidated financial statements included in this report.

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Item 6. Exhibits.

(a) Exhibits

3.2 Albemarle Corporation Amended and Restated Bylaws effective as of July 10, 2013 [filed as Exhibit 3.2 to the Company's Current Report on Form 8-K (No. 1-12658) filed on July 10, 2013, and incorporated herein by reference].

10.1 Master Confirmation—Uncollared Share Repurchase, dated as of May 9, 2013, between J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch, and Albemarle Corporation.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).

32.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350.

32.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350.

101 Interactive Data File (Quarterly Report on Form 10-Q, for the quarterly period ended June 30, 2013, furnished in XBRL (eXtensible Business Reporting Language)).

Attached as Exhibit 101 to this report are the following documents formatted in XBRL: (i) the Consolidated Statements of Income for the three months and six months ended June 30, 2013 and 2012, (ii) the Consolidated Statements of Comprehensive Income for the three months and six months ended June 30, 2013 and 2012, (iii) the Condensed Consolidated Balance Sheets at June 30, 2013 and December 31, 2012, (iv) the Consolidated Statements of Changes in Equity for the six months ended June 30, 2013 and 2012, (v) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and 2012 and (vi) the Notes to the Condensed Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALBEMARLE CORPORATION
(Registrant)

Date: July 19, 2013

By: _____ /s/ SCOTT A. TOZIER
Scott A. Tozier
Senior Vice President, Chief Financial Officer and
Chief Accounting Officer
(principal financial and accounting officer)

JPMorgan Chase Bank, National Association
P.O. Box 161
60 Victoria Embankment
London EC4Y 0JP
England

May 9, 2013

To: Albemarle Corporation
451 Florida Street
Baton Rouge, Louisiana 70801
Attention: Richard G. Fishman
Vice President, Treasurer and Chief Tax Counsel
Telephone No.: (225) 388-7631
Facsimile No.: (225) 388-7110

Re: Master Confirmation—Uncollared Accelerated Share Repurchase

This master confirmation (this “**Master Confirmation**”), dated as of May 9, 2013, is intended to set forth certain terms and provisions of certain Transactions (each, a “**Transaction**”) entered into from time to time between J.P. Morgan Securities LLC (“**JPMS**”), as agent for JPMorgan Chase Bank, National Association, London Branch (“**JPMorgan**”), and Albemarle Corporation, a Virginia corporation (“**Counterparty**”). This Master Confirmation, taken alone, is neither a commitment by either party to enter into any Transaction nor evidence of a Transaction. The additional terms of any particular Transaction shall be set forth in a Supplemental Confirmation in the form of Schedule A hereto (a “**Supplemental Confirmation**”), which shall reference this Master Confirmation and supplement, form a part of, and be subject to this Master Confirmation. This Master Confirmation and each Supplemental Confirmation together shall constitute a “Confirmation” as referred to in the Agreement specified below.

The definitions and provisions contained in the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Master Confirmation. This Master Confirmation and each Supplemental Confirmation evidence a complete binding agreement between Counterparty and JPMorgan as to the subject matter and terms of each Transaction to which this Master Confirmation and such Supplemental Confirmation relate and shall supersede all prior or contemporaneous written or oral communications with respect thereto.

This Master Confirmation and each Supplemental Confirmation supplement, form a part of, and are subject to an agreement in the form of the 2002 ISDA Master Agreement (the “**Agreement**”) as if JPMorgan and Counterparty had executed the Agreement on the date of this Master Confirmation (but without any Schedule except for (i) the election of New York law as the governing law (without reference to its choice of law provisions) and (ii) the election that subparagraph (ii) of Section 2(c) will not apply to the Transactions.

The Transactions shall be the sole Transactions under the Agreement. If there exists any ISDA Master Agreement between JPMorgan and Counterparty or any confirmation or other agreement between JPMorgan and Counterparty pursuant to which an ISDA Master Agreement is deemed to exist between JPMorgan and Counterparty, then notwithstanding anything to the contrary in such ISDA Master Agreement, such confirmation or agreement or any other agreement to which JPMorgan and Counterparty are parties, the Transactions shall not be considered Transactions under, or otherwise governed by, such existing or deemed ISDA Master Agreement, and the occurrence of any Event of Default or Termination Event under the Agreement with respect to either party or any Transaction shall not, by itself, give rise to any right or obligation under any such other agreement or deemed

JPMorgan Chase Bank, National Association
Organised under the laws of the United States as a National Banking Association.
Main Office 1111 Polaris Parkway, Columbus, Ohio 43240
Registered as a branch in England & Wales branch No. BR000746
Registered Branch Office 25 Bank Street, Canary Wharf, London, E14 5JP
Authorised and regulated by the Financial Services Authority

agreement. Notwithstanding anything to the contrary in any other agreement between the parties or their Affiliates, the Transactions shall not be “Specified Transactions” (or similarly treated) under any other agreement between the parties or their Affiliates.

All provisions contained or incorporated by reference in the Agreement shall govern this Master Confirmation and each Supplemental Confirmation except as expressly modified herein or in the related Supplemental Confirmation.

If, in relation to any Transaction to which this Master Confirmation and a Supplemental Confirmation relate, there is any inconsistency between the Agreement, this Master Confirmation, such Supplemental Confirmation and the Equity Definitions, the following will prevail for purposes of such Transaction in the order of precedence indicated: (i) such Supplemental Confirmation; (ii) this Master Confirmation; (iii) the Equity Definitions; and (iv) the Agreement.

1. Each Transaction constitutes a Share Forward Transaction for the purposes of the Equity Definitions. Set forth below are the terms and conditions that, together with the terms and conditions set forth in the Supplemental Confirmation relating to any Transaction, shall govern such Transaction.

General Terms.

Trade Date:	For each Transaction, as set forth in the related Supplemental Confirmation.
Buyer:	Counterparty
Seller:	JPMorgan
Shares:	The common stock of Counterparty, par value USD 0.01 per share (Exchange symbol “ALB”).
Exchange:	The New York Stock Exchange
Related Exchange(s):	All Exchanges.
Prepayment/Variable Obligation:	Applicable
Prepayment Amount:	For each Transaction, as set forth in the related Supplemental Confirmation.
Prepayment Date:	For each Transaction, as set forth in the related Supplemental Confirmation.
Contract Fee:	For each Transaction, as set forth in the related Supplemental Confirmation. On the Prepayment Date, Buyer shall pay Seller an amount in USD equal to the Contract Fee in immediately available funds by wire transfer to an account specified by Seller.

Valuation.

VWAP Price:	For any Exchange Business Day, the volume-weighted average price at which the Shares trade as reported in the composite transactions for United States exchanges and quotation systems, during the regular trading session for the Exchange on such Exchange Business Day, excluding (i) trades that do not settle regular way, (ii) opening (regular way) reported trades in the consolidated system on such Exchange Business Day, (iii) trades that occur in the last ten minutes before the scheduled close of trading on the Exchange on such Exchange Business Day and ten
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minutes before the scheduled close of the primary trading in the market where the trade is effected, and (iv) trades on such Exchange Business Day that do not satisfy the requirements of Rule 10b-18(b)(3) under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), as determined in good faith by the Calculation Agent (all such trades other than any trades described in clauses (i) to (iv) above, “**Rule 10b-18 Eligible Transactions**”). Counterparty acknowledges that the Calculation Agent may refer to the Bloomberg Page “ALB US <Equity> AQR SEC” (or any successor thereto), in its judgment, for such Exchange Business Day to determine the VWAP Price.

Forward Price:	For each Transaction, the arithmetic average of the VWAP Prices for all of the Exchange Business Days in the Calculation Period for such Transaction, subject to “Valuation Disruption” below.
Forward Price Adjustment Amount:	For each Transaction, as set forth in the related Supplemental Confirmation.
Calculation Period:	For each Transaction, the period from, and including, the Calculation Period Start Date for such Transaction to, and including, the Termination Date for such Transaction.
Calculation Period Start Date:	For each Transaction, as set forth in the related Supplemental Confirmation.
Termination Date:	For each Transaction, the Scheduled Termination Date for such Transaction; <i>provided</i> that JPMorgan shall have the right to designate any Exchange Business Day on or after the First Acceleration Date to be the Termination Date for such Transaction (the “ Accelerated Termination Date ”) by delivering notice to Counterparty of any such designation prior to 6:00 p.m. (New York City time) on the Exchange Business Day immediately following the designated Accelerated Termination Date.
Scheduled Termination Date:	For each Transaction, as set forth in the related Supplemental Confirmation, subject to postponement as provided in “Valuation Disruption” below.
First Acceleration Date:	For each Transaction, as set forth in the related Supplemental Confirmation.
Valuation Disruption:	<p>The definition of “Market Disruption Event” in Section 6.3(a) of the Equity Definitions is hereby amended by deleting the words “at any time during the one-hour period that ends at the relevant Valuation Time, Latest Exercise Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be” and inserting the words “at any time on any Scheduled Trading Day during the Calculation Period or Settlement Valuation Period” after the word “material,” in the third line thereof.</p> <p>Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term “Scheduled Closing Time” in the fourth line thereof.</p>

Notwithstanding anything to the contrary in the Equity Definitions, if a Disrupted Day occurs (i) in the Calculation Period, the Calculation Agent may, in its good faith and commercially reasonable discretion, postpone the Scheduled Termination Date, or (ii) in the Settlement Valuation Period, the Calculation Agent may extend the Settlement Valuation Period. The Calculation Agent may also determine that (i) such Disrupted Day is a Disrupted Day in full, in which case the VWAP Price for such Disrupted Day shall not be included for purposes of determining the Forward Price or the Settlement Price, as the case may be, or (ii) such Disrupted Day is a Disrupted Day only in part, in which case the VWAP Price for such Disrupted Day shall be determined by the Calculation Agent based on Rule 10b-18 Eligible Transactions in the Shares on such Disrupted Day taking into account the nature and duration of the relevant Market Disruption Event, and the weighting of the VWAP Price for the relevant Exchange Business Days during the Calculation Period or the Settlement Valuation Period, as the case may be, shall be adjusted in a commercially reasonable manner by the Calculation Agent for purposes of determining the Forward Price or the Settlement Price, as the case may be, with such adjustments based on, among other factors, the duration of any Market Disruption Event and the volume, historical trading patterns and price of the Shares. Any Exchange Business Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be an Exchange Business Day; if a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the date hereof, then such Exchange Business Day shall be deemed to be a Disrupted Day in full.

If a Disrupted Day occurs during the Calculation Period for any Transaction or the Settlement Valuation Period for any Transaction, as the case may be, and each of the nine immediately following Scheduled Trading Days is a Disrupted Day (a “**Disruption Event**”), then the Calculation Agent, in its good faith and commercially reasonable discretion, may deem such Disruption Event (and each consecutive Disrupted Day thereafter) to be either (x) a Potential Adjustment Event in respect of such Transaction or (y) an Additional Termination Event in respect of such Transaction, with Counterparty as the sole Affected Party and such Transaction as the sole Affected Transaction.

Settlement Terms.

Settlement Procedures:

For each Transaction:

- (i) if the Number of Shares to be Delivered for such Transaction is positive, Physical Settlement shall be applicable to such Transaction; *provided that*

JPMorgan does not, and shall not, make the agreement or the representations set forth in Section 9.11 of the Equity Definitions related to the restrictions imposed by applicable securities laws with respect to any Shares delivered by JPMorgan to Counterparty under any Transaction; or

- (ii) if the Number of Shares to be Delivered for such Transaction is negative, then the Counterparty Settlement Provisions in Annex A hereto shall apply to such Transaction.

Number of Shares to be Delivered:

For each Transaction, a number of Shares (rounded down to the nearest whole number) equal to (a)(i) the Prepayment Amount for such Transaction, *divided by* (ii) the Divisor Amount (as defined below), *minus* (b) the number of Initial Shares for such Transaction; *provided* that if the Divisor Amount is equal to or less than the Floor Price for such Transaction, then the Number of Shares to be Delivered for such Transaction shall be determined as if clause (a)(ii) were replaced with “(ii) the Floor Price for such Transaction”. “**Divisor Amount**” means the Forward Price for such Transaction *minus* the Forward Price Adjustment Amount for such Transaction. For the avoidance of doubt, if the Forward Price Adjustment Amount for any Transaction is a negative number, the Divisor Amount shall be equal to (A) the Forward Price for such Transaction, *plus* (B) the absolute value of the Forward Price Adjustment Amount.

Floor Price:

For each Transaction, as set forth in the related Supplemental Confirmation.

Excess Dividend Amount:

For the avoidance of doubt, all references to the Excess Dividend Amount shall be deleted from Section 9.2(a)(iii) of the Equity Definitions.

Settlement Date:

For each Transaction, if the Number of Shares to be Delivered for such Transaction is positive, the date that is the second Exchange Business Day immediately following the Termination Date for such Transaction.

Settlement Currency:

USD

Initial Share Delivery:

For each Transaction, JPMorgan shall deliver a number of Shares equal to the Initial Shares for such Transaction to Counterparty on the Initial Share Delivery Date for such Transaction in accordance with Section 9.4 of the Equity Definitions, with such Initial Share Delivery Date deemed to be a “Settlement Date” for purposes of such Section 9.4.

Initial Share Delivery Date:

For each Transaction, as set forth in the related Supplemental Confirmation.

Initial Shares:

For each Transaction, as set forth in the related Supplemental Confirmation.

Share Adjustments.

Potential Adjustment Event:

In addition to the events described in Section 11.2(e) of the Equity Definitions, it shall constitute an additional Potential Adjustment Event if (x) the Scheduled Termination Date for any Transaction is postponed pursuant to “Valuation Disruption” above (including, for the avoidance of doubt, pursuant to Section 7 hereof), (y) a Regulatory Disruption as described in Section 7 occurs or (z) a Disruption Event occurs. In the case of any event described in clause (x), (y) or (z) above occurs, the Calculation Agent may, in its commercially reasonable discretion, adjust any relevant terms of such Transaction as necessary to preserve as nearly as practicable the fair value of such Transaction to JPMorgan prior to such postponement, Regulatory Disruption or Disruption Event, as the case may be.

Excess Dividend:

For any calendar quarter, any dividend or distribution on the Shares with an ex-dividend date occurring during such calendar quarter (other than any dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) of the Equity Definitions or any Extraordinary Dividend) (a “**Dividend**”) the amount or value of which per Share (as determined by the Calculation Agent), when aggregated with the amount or value (as determined by the Calculation Agent) of any and all previous Dividends with ex-dividend dates occurring in the same calendar quarter, exceeds the Ordinary Dividend Amount. “**Extraordinary Dividend**” means the per Share cash dividend or distribution, or a portion thereof, declared by Counterparty on the Shares that is classified by the board of directors of Counterparty as an “extraordinary” dividend.

Consequences of Excess Dividend:

The declaration by the Issuer of any Excess Dividend, the ex-dividend date for which occurs or is scheduled to occur during the Relevant Dividend Period for any Transaction, shall, at JPMorgan’s election in its sole discretion, either (x) constitute an Additional Termination Event in respect of such Transaction, with Counterparty as the sole Affected Party and such Transaction as the sole Affected Transaction or (y) result in an adjustment, by the Calculation Agent, to the exercise, settlement, payment or any other terms of the relevant Transaction as the Calculation Agent determines appropriate to account for the economic effect on such Transaction of such Excess Dividend.

Ordinary Dividend Amount:

For each Transaction, as set forth in the related Supplemental Confirmation.

Method of Adjustment:

Calculation Agent Adjustment

Early Ordinary Dividend Payment:

For each Transaction, if an ex-dividend date for any Dividend that is not (x) an Excess Dividend, (y) a dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) of the Equity Definitions and (z) an Extraordinary Dividend, occurs

during any calendar quarter occurring (in whole or in part) during the Relevant Dividend Period for such Transaction and is prior to the Scheduled Ex-Dividend Date for such Transaction for the relevant calendar quarter (as determined by the Calculation Agent), the Calculation Agent shall make such adjustment to the exercise, settlement, payment or any other terms of the relevant Transaction as the Calculation Agent determines appropriate to account for the economic effect on such Transaction of such event.

Scheduled Ex-Dividend Dates:

For each Transaction, as set forth in the related Supplemental Confirmation for each calendar quarter.

Relevant Dividend Period:

For each Transaction, the period from, and including, the Trade Date for such Transaction to, and including, the Relevant Dividend Period End Date for such Transaction.

Relevant Dividend Period End Date:

For each Transaction, if the Number of Shares to be Delivered for such Transaction is negative, the last day of the Settlement Valuation Period; otherwise, the Termination Date for such Transaction.

Extraordinary Events.

Consequences of Merger Events:

(a) Share-for-Share:

Cancellation and Payment

(b) Share-for-Other:

Cancellation and Payment

(c) Share-for-Combined:

Cancellation and Payment

Tender Offer:

Applicable; *provided* that (a) Section 12.1(l) of the Equity Definitions shall be amended (i) by deleting the parenthetical in the fifth line thereof, (ii) by replacing “that” in the fifth line thereof with “whether or not such announcement” and (iii) by adding immediately after the words “Tender Offer” in the fifth line thereof, and any publicly announced change or amendment to such an announcement (including, without limitation, the announcement of an abandonment of such intention)” and (b) Sections 12.3(a) and 12.3(d) of the Equity Definitions shall each be amended by replacing each occurrence of the words “Tender Offer Date” by “Announcement Date.”

Consequences of Tender Offers:

(a) Share-for-Share:

Cancellation and Payment

(b) Share-for-Other:

Cancellation and Payment

(c) Share-for-Combined:

Cancellation and Payment

Nationalization, Insolvency or Delisting:

Cancellation and Payment; *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select

Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall be deemed to be the Exchange.

Additional Disruption Events:

(a) Change in Law:	Applicable; <i>provided</i> that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by (i) replacing the phrase “the interpretation” in the third line thereof with the phrase “, or public announcement of, the formal or informal interpretation”, (ii) by replacing the word “Shares” where it appears in clause (X) thereof with the words “Hedge Positions” and (iii) by immediately following the word “Transaction” in clause (X) thereof, adding the phrase “in the manner contemplated by the Hedging Party on the Trade Date”; <i>provided further</i> that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by replacing the parenthetical beginning after the word “regulation” in the second line thereof the words “(including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute)”.
(b) Failure to Deliver:	Applicable
(c) Insolvency Filing:	Applicable
(d) Loss of Stock Borrow:	Applicable
Maximum Stock Loan Rate:	For each Transaction, as set forth in the related Supplemental Confirmation.
Hedging Party:	JPMorgan
Determining Party:	JPMorgan
(e) Hedging Disruption:	Applicable
Hedging Party:	JPMorgan
Determining Party:	JPMorgan
(f) Increased Cost of Hedging:	Applicable
Hedging Party:	JPMorgan
Determining Party:	JPMorgan
(g) Increased Cost of Stock Borrow:	Applicable
Initial Stock Loan Rate:	For each Transaction, as set forth in the related Supplemental Confirmation.
Hedging Party:	JPMorgan
Determining Party:	JPMorgan

Hedging Adjustments:

For the avoidance of doubt, whenever the Calculation Agent is called upon to make an adjustment pursuant to the terms of this Confirmation or the Equity Definitions to take into account the effect of an event, the Calculation Agent shall make such adjustment by reference to the effect of such event on JPMorgan, assuming that JPMorgan maintains a commercially reasonable Hedge Position.

Non-Reliance/Agreements and Acknowledgements
Regarding Hedging Activities/Additional
Acknowledgements:

Applicable

2. Calculation Agent.

JPMorgan. Whenever the Calculation Agent is required to act or to exercise judgment in any way with respect to any Transaction hereunder, it will do so in good faith and in a commercially reasonable manner.

3. Account Details.

(a) Account for payments to Counterparty:

Bank: Bank of America, N.A.
ABA#: 026009593
Acct No.: 3750330328
Beneficiary: Albemarle Corporation

Account for delivery of Shares to Counterparty:

To be advised separately

(b) Account for payments to JPMorgan:

Bank: JPMorgan Chase Bank, N.A.
ABA#: 021000021
Acct No.: 099997979
Beneficiary: JPMorgan Chase Bank, N.A. New York
Ref: Derivatives

Account for delivery of Shares to JPMorgan:

DTC 0060

4. Offices.

(a) The Office of Counterparty for each Transaction is: Inapplicable, Counterparty is not a Multibranch Party.

(b) The Office of JPMorgan for each Transaction is: London

JPMorgan Chase Bank, National Association
London Branch
P.O. Box 161
60 Victoria Embankment
London EC4Y 0JP
England

5. **Notices.**

- (a) Address for notices or communications to Counterparty:

Albemarle Corporation
451 Florida Street
Baton Rouge, Louisiana 70801
Attention: General Counsel
Telephone No.: (225) 388-7716
Facsimile No.: (225) 388-8924

With a copy to:

Albemarle Corporation
451 Florida Street
Baton Rouge, Louisiana 70801
Attention: Treasurer
Telephone No.: (225) 388-7631
Facsimile No.: (225) 388-7110

- (b) Address for notices or communications to JPMorgan:

JPMorgan Chase Bank, National Association
EDG Marketing Support
Email: edg_special_equities_notices@jpmorgan.com

With a copy to:

Attention: Sudheer Tegulapalle
Title: Executive Director
Telephone No: (212) 622-2100
Email Address: sudheer.r.tegulapalle@jpmorgan.com

6. **Representations, Warranties and Agreements.**

- (a) *Additional Representations, Warranties and Covenants of Each Party.* In addition to the representations, warranties and covenants in the Agreement, each party represents, warrants and covenants to the other party that:

- (i) It is an “eligible contract participant” (as such term is defined in the Commodity Exchange Act, as amended).
- (ii) Each party acknowledges that the offer and sale of each Transaction to it is intended to be exempt from registration under the Securities Act of 1933, as amended (the “**Securities Act**”), by virtue of Section 4(2) thereof. Accordingly, each party represents and warrants to the other that (A) it has the financial ability to bear the economic risk of its investment in each Transaction and is able to bear a total loss of its investment, (B) it is an “accredited investor” as that term is defined under Regulation D under the Securities Act and (C) the disposition of each Transaction is restricted under this Master Confirmation, the Securities Act and state securities laws.

- (b) *Additional Representations, Warranties and Covenants of Counterparty.* In addition to the representations, warranties and covenants in the Agreement, Counterparty represents, warrants and covenants to JPMorgan that:

- (i) As of the Trade Date for each Transaction hereunder, Counterparty is a corporation duly organized, validly existing and in good standing under the laws of the State of Virginia. Each of this Master Confirmation and the Supplemental Confirmation for such

Transaction has been duly authorized, executed and delivered by Counterparty and (assuming due authorization, execution and delivery thereof by JPMorgan) this Master Confirmation, as supplemented by such Supplemental Confirmation, constitutes a valid and legally binding obligation of Counterparty (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)). Counterparty has all corporate power to enter into this Master Confirmation and such Supplemental Confirmation and to consummate the transactions contemplated hereby and thereby and to purchase the Shares and deliver any Settlement Shares in accordance with the terms hereof and thereof.

- (ii) As of the Trade Date for each Transaction hereunder, the execution and delivery by Counterparty of, and the performance by Counterparty of its obligations under, this Master Confirmation and the Supplemental Confirmation for such Transaction, and the consummation of the transactions herein and therein contemplated, do not conflict with or violate (A) any provision of the certificate of incorporation, by-laws or other constitutive documents of Counterparty, (B) any statute or order, rule, regulation or judgment of any court or governmental agency or body having jurisdiction over Counterparty or any of its subsidiaries or any of their respective assets or (C) any contractual restriction binding on or affecting Counterparty or any of its subsidiaries or any of its assets.
- (iii) As of the Trade Date for each Transaction hereunder, all governmental and other consents that are required to have been obtained by Counterparty with respect to performance, execution and delivery of this Master Confirmation and the Supplemental Confirmation for such Transaction have been obtained and are in full force and effect and all conditions of any such consents have been complied with.
- (iv) As of the Trade Date for each Transaction hereunder, (A) such Transaction is being entered into pursuant to a publicly disclosed Share buy-back program and its Board of Directors has approved the use of derivatives to effect the Share buy-back program, and (B) there is no internal policy of Counterparty, whether written or oral, that would prohibit Counterparty from entering into any aspect of such Transaction, including, without limitation, the purchases of Shares to be made pursuant to such Transaction.
- (v) As of the Trade Date for each Transaction hereunder, the purchase or writing of such Transaction and the transactions contemplated hereby will not violate Rule 13e-1 or Rule 13e-4 under the Exchange Act.
- (vi) As of the Trade Date for each Transaction hereunder, it is not entering into such Transaction, and as of the date of any election with respect to any Transaction hereunder, it is not making such election, in each case (A) on the basis of, and is not aware of, any material non-public information regarding Counterparty or the Shares, (B) in anticipation of, in connection with, or to facilitate, a distribution of its securities, a self tender offer or a third-party tender offer in violation of the Exchange Act or (C) to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for the Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for the Shares).
- (vii) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total assets of at least USD 50,000,000 as of the date hereof.
- (viii) As of the Trade Date for each Transaction hereunder, and as of the date of any election with respect to any Transaction hereunder, Counterparty is in compliance with its

reporting obligations under the Exchange Act and its most recent Annual Report on Form 10-K, together with all reports subsequently filed by it pursuant to the Exchange Act, taken together and as amended and supplemented to the date of this representation, do not, as of their respective filing dates, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

- (ix) Counterparty has made, and will make, all filings required to be made by it with the Securities and Exchange Commission, any securities exchange or any other regulatory body with respect to each Transaction.
- (x) The Shares are not, and Counterparty will not cause the Shares to be, subject to a “restricted period” (as defined in Regulation M promulgated under the Exchange Act) at any time during any Regulation M Period (as defined below) for any Transaction unless Counterparty has provided written notice to JPMorgan of such restricted period not later than the Scheduled Trading Day immediately preceding the first day of such “restricted period”; Counterparty acknowledges that any such notice may cause a Disrupted Day to occur pursuant to Section 7 below; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 8 below. “**Regulation M Period**” means, for any Transaction, (A) the Relevant Period (as defined below) for such Transaction, (B) the Settlement Valuation Period, if any, for such Transaction and (C) the Seller Termination Purchase Period (as defined below), if any, for such Transaction. “**Relevant Period**” means, for any Transaction, the period commencing on the Calculation Period Start Date for such Transaction and ending on the later of (1) the earlier of (x) the Scheduled Termination Date and (y) the last Additional Relevant Day (as specified in the related Supplemental Confirmation) for such Transaction, or such earlier day as elected by JPMorgan and communicated to Counterparty on such day (or, if later, the First Acceleration Date without regard to any acceleration thereof pursuant to “Special Provisions for Acquisition Transaction Announcements” below) and (2) if Section 15 is applicable to such Transaction, the date on which all deliveries owed pursuant to Section 15 have been made.
- (xi) As of the Trade Date, the Prepayment Date, the Initial Share Delivery Date, the Settlement Date, any Cash Settlement Payment Date and any Settlement Method Election Date for each Transaction, Counterparty is not, and will not be, “insolvent” (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the “**Bankruptcy Code**”)) and Counterparty would be able to purchase a number of Shares with a value equal to the Prepayment Amount in compliance with the laws of the jurisdiction of Counterparty’s incorporation.
- (xii) Counterparty is not, and after giving effect to each Transaction will not be, required to register as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.
- (xiii) Counterparty shall cooperate with JPMorgan, and execute and deliver, or use its reasonable best efforts to cause to be executed and delivered, all such other instruments, and to obtain all consents, approvals or authorizations of any person, and take all such other actions as JPMorgan may reasonably request from time to time, consistent with the terms of the Agreement, this Master Confirmation and any Supplemental Confirmation, in order to effectuate the purposes of the Agreement, this Master Confirmation, any Supplemental Confirmation and any Transaction.
- (xiv) Counterparty has not entered, and will not enter, into any repurchase transaction with respect to the Shares (or any security convertible into or exchangeable for the Shares) (including, without limitation, any agreements similar to the Transactions described herein) where any initial hedge period, calculation period, relevant period, settlement valuation period or seller termination purchase period (each however defined) in such other transaction will overlap at any time (including, without limitation, as a result of

extensions in such initial hedge period, calculation period, relevant period, settlement valuation period or seller termination purchase period as provided in the relevant agreements) with any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable) under this Master Confirmation. In the event that the initial hedge period, relevant period, calculation period or settlement valuation period in any other transaction overlaps with any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable) under this Master Confirmation as a result of any postponement of the Scheduled Termination Date or extension of the Settlement Valuation Period pursuant to "Valuation Disruption" above or any analogous provision in such other transaction, Counterparty shall promptly amend such other transaction to avoid any such overlap.

- (xv) Counterparty shall, at least one day prior to the first day of the Calculation Period, the Settlement Valuation Period, if any, or the Seller Termination Purchase Period, if any, for any Transaction, notify JPMorgan of the total number of Shares purchased in Rule 10b-18 purchases of blocks pursuant to the once-a-week block exception set forth in paragraph (b)(4) of Rule 10b-18 under the Exchange Act ("**Rule 10b-18**") by or for Counterparty or any of its "affiliated purchasers" (as defined in Rule 10b-18) during each of the four calendar weeks preceding such day and during the calendar week in which such day occurs ("Rule 10b-18 purchase" and "blocks" each being used as defined in Rule 10b-18), which notice shall be substantially in the form set forth in Schedule B hereto.
 - (xvi) As of the Trade Date for each Transaction hereunder, and as of the date of any election with respect to any Transaction hereunder, there has not been any Merger Announcement (as defined below).
 - (c) *Opinions.* Counterparty shall deliver to JPMorgan an opinion of counsel, dated as of the Trade Date, with respect to the matters set forth in Section 6(b)(i), (ii) and (iii). Delivery of such opinion to JPMorgan shall be a condition precedent for the purpose of Section 2(a)(iii) of the Agreement with respect to each obligation of JPMorgan under Section 2(a)(i) of the Agreement.
7. **Regulatory Disruption.** In the event that JPMorgan concludes, in its sole discretion, that it is appropriate with respect to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by JPMorgan), for it to refrain from or decrease any market activity on any Scheduled Trading Day or Days during the Calculation Period or, if applicable, the Settlement Valuation Period, JPMorgan may by written notice to Counterparty elect to deem that a Market Disruption Event has occurred and will be continuing on such Scheduled Trading Day or Days.
8. **10b5-1 Plan.** Counterparty represents, warrants and covenants to JPMorgan that:
- (a) Counterparty is entering into this Master Confirmation and each Transaction hereunder in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act ("**Rule 10b5-1**") or any other antifraud or anti-manipulation provisions of the federal or applicable state securities laws and that it has not entered into or altered and will not enter into or alter any corresponding or hedging transaction or position with respect to the Shares. Counterparty acknowledges that it is the intent of the parties that each Transaction entered into under this Master Confirmation comply with the requirements of paragraphs (c)(1)(i)(A) and (B) of Rule 10b5-1 and each Transaction entered into under this Master Confirmation shall be interpreted to comply with the requirements of Rule 10b5-1(c).
 - (b) During the Calculation Period and the Settlement Valuation Period, if any, for any Transaction and in connection with the delivery of any Alternative Delivery Units for any Transaction, JPMorgan (or its agent or Affiliate) may effect transactions in Shares in connection with such Transaction. The timing of such transactions by JPMorgan, the price paid or received per Share pursuant to such transactions and the manner in which such transactions are made, including, without limitation, whether such transactions are made on any securities exchange or privately, shall be within the sole judgment of JPMorgan. Counterparty acknowledges and agrees that all such transactions shall be made in JPMorgan's sole judgment and for JPMorgan's own account.

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- (c) Counterparty does not have, and shall not attempt to exercise, any control or influence over how, when or whether JPMorgan (or its agent or Affiliate) makes any “purchases or sales” (within the meaning of Rule 10b5-1(c)(1)(B)(3)) in connection with any Transaction, including, without limitation, over how, when or whether JPMorgan (or its agent or Affiliate) enters into any hedging transactions. Counterparty represents and warrants that it has consulted with its own advisors as to the legal aspects of its adoption and implementation of this Master Confirmation and each Supplemental Confirmation under Rule 10b5-1.
- (d) Counterparty acknowledges and agrees that any amendment, modification, waiver or termination of this Master Confirmation or any Supplemental Confirmation must be effected in accordance with the requirements for the amendment or termination of a “plan” as defined in Rule 10b5-1(c). Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5, and no such amendment, modification or waiver shall be made at any time at which Counterparty or any officer, director, manager or similar person of Counterparty is aware of any material non-public information regarding Counterparty or the Shares.
- (e) Counterparty shall not, directly or indirectly, communicate any information relating to the Shares or any Transaction (including, without limitation, any notices required by Section 10(a)) to any employee of JPMorgan or JPMS, other than as set forth in the Communications Procedures attached as Annex C hereto.
9. **Counterparty Purchases.** Counterparty (or any “affiliate” or “affiliated purchaser” as defined in Rule 10b-18) shall not, without the prior written consent of JPMorgan, directly or indirectly (including, without limitation, by means of a derivative instrument) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or equivalent interest, including, without limitation, a unit of beneficial interest in a trust or limited partnership or a depository share), listed contracts on the Shares or securities that are convertible into, or exchangeable or exercisable for Shares (including, without limitation, any Rule 10b-18 purchases of blocks (as defined in Rule 10b-18)) during any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable), under this Master Confirmation. Notwithstanding the foregoing, JPMorgan hereby agrees and acknowledges that any “affiliate” or “affiliated purchaser” as defined in Rule 10b-18 may exercise any stock option of the Counterparty outstanding on the date hereof during any Relevant Period, any Settlement Valuation Period (if applicable) or any Seller Termination Purchase Period (if applicable), under this Master Confirmation, and shall not be deemed to be in violation of this Section 9.
10. **Special Provisions for Merger Transactions.** Notwithstanding anything to the contrary herein or in the Equity Definitions:
- (a) Counterparty agrees that it:
- (i) will not during the period commencing on the Trade Date for any Transaction and ending on the last day of the Relevant Period or, if applicable, the later of the last day of the Settlement Valuation Period and the last day of the Seller Termination Purchase Period, for such Transaction make, or permit to be made, any public announcement (as defined in Rule 165(f) under the Securities Act) of any Merger Transaction or potential Merger Transaction (a “**Merger Announcement**”) unless such Merger Announcement is made prior to the opening or after the close of the regular trading session on the Exchange for the Shares;
- (ii) shall promptly (but in any event prior to the next opening of the regular trading session on the Exchange) notify JPMorgan following any such Merger Announcement that such Merger Announcement has been made; and

(iii) shall promptly (but in any event prior to the next opening of the regular trading session on the Exchange) provide JPMorgan with written notice specifying (i) Counterparty's average daily Rule 10b-18 Purchases (as defined in Rule 10b-18) during the three full calendar months immediately preceding the announcement date of any Merger Transaction or potential Merger Transaction that were not effected through JPMorgan or its Affiliates and (ii) the number of Shares purchased pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act for the three full calendar months preceding the announcement date of any Merger Transaction or potential Merger Transaction. Such written notice shall be deemed to be a certification by Counterparty to JPMorgan that such information is true and correct. In addition, Counterparty shall promptly notify JPMorgan of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders.

- (b) Counterparty acknowledges that any such Merger Announcement or delivery of a notice with respect thereto may cause the terms of any Transaction to be adjusted or such Transaction to be terminated; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 8 above.
- (c) Upon the occurrence of any Merger Announcement (whether made by Counterparty or a third party), JPMorgan in its sole discretion may (i) make adjustments to the terms of any Transaction, including, without limitation, the Scheduled Termination Date or the Forward Price Adjustment Amount, and/or suspend the Calculation Period and/or any Settlement Valuation Period or (ii) treat the occurrence of such Merger Announcement as an Additional Termination Event with Counterparty as the sole Affected Party and the Transactions hereunder as the Affected Transactions and with the amount under Section 6(e) of the Agreement determined taking into account the fact that the Calculation Period or Settlement Valuation Period, as the case may be, had fewer Scheduled Trading Days than originally anticipated.

"Merger Transaction" means any merger, acquisition or similar transaction involving a recapitalization as contemplated by Rule 10b-18(a)(13)(iv) under the Exchange Act.

11. Special Provisions for Acquisition Transaction Announcements. Notwithstanding anything to the contrary herein or in the Equity Definitions:

- (a) If an Acquisition Transaction Announcement occurs on or prior to the Settlement Date for any Transaction, then the Number of Shares to be Delivered for such Transaction shall be determined as if clause (a)(ii) of the definition thereof were replaced with "(ii) the Forward Price for such Transaction." If an Acquisition Transaction Announcement occurs after the Trade Date, but prior to the First Acceleration Date of any Transaction, the First Acceleration Date shall be the date of such Acquisition Transaction Announcement. If the Number of Shares to be Delivered for any settlement of any Transaction is a negative number, then the terms of the Counterparty Settlement Provisions in Annex A hereto shall apply.
- (b) **"Acquisition Transaction Announcement"** means (i) the announcement of an Acquisition Transaction or an event that, if consummated, would result in an Acquisition Transaction, (ii) an announcement that Counterparty or any of its subsidiaries has entered into an agreement, a letter of intent or an understanding designed to result in an Acquisition Transaction, (iii) the announcement of the intention to solicit or enter into, or to explore strategic alternatives or other similar undertaking that may include, an Acquisition Transaction, (iv) any other announcement that in the reasonable judgment of the Calculation Agent may result in an Acquisition Transaction, or (v) any announcement of any change or amendment to any previous Acquisition Transaction Announcement (including any announcement of the abandonment of any such previously announced Acquisition Transaction, agreement, letter of intent, understanding or intention). For the avoidance of doubt, announcements as used in the definition of Acquisition Transaction Announcement refer to any public announcement whether made by the Issuer or a third party.
- (c) **"Acquisition Transaction"** means (i) any Merger Event (for purposes of this definition the definition of Merger Event shall be read with the references therein to "100%" being replaced by

“15%” and references to “50%” being replaced by “75%” and without reference to the clause beginning immediately following the definition of Reverse Merger therein to the end of such definition), Tender Offer or Merger Transaction or any other transaction involving the merger of Counterparty with or into any third party, (ii) the sale or transfer of all or substantially all of the assets of Counterparty, (iii) a recapitalization, reclassification, binding share exchange or other similar transaction with respect to Counterparty, (iv) any acquisition by Counterparty or any of its subsidiaries where the aggregate consideration transferable by Counterparty or its subsidiaries exceeds 50% of the market capitalization of Counterparty, (v) any lease, exchange, transfer, disposition (including, without limitation, by way of spin-off or distribution) of assets (including, without limitation, any capital stock or other ownership interests in subsidiaries) or other similar event by Counterparty or any of its subsidiaries where the aggregate consideration transferable or receivable by or to Counterparty or its subsidiaries exceeds 15% of the market capitalization of Counterparty and (vi) any transaction in which Counterparty or its board of directors has a legal obligation to make a recommendation to its shareholders in respect of such transaction (whether pursuant to Rule 14e-2 under the Exchange Act or otherwise).

12. Acknowledgments.

- (a) The parties hereto intend for:
- (i) each Transaction to be a “securities contract” as defined in Section 741(7) of the Bankruptcy Code and a “forward contract” as defined in Section 101(25) of the Bankruptcy Code, and the parties hereto to be entitled to the protections afforded by, among other Sections, Sections 362(b)(6), 362(b)(27), 362(o), 546(e), 546(j), 555, 556, 560 and 561 of the Bankruptcy Code;
 - (ii) the Agreement to be a “master netting agreement” as defined in Section 101(38A) of the Bankruptcy Code;
 - (iii) a party’s right to liquidate, terminate or accelerate any Transaction, net out or offset termination values or payment amounts, and to exercise any other remedies upon the occurrence of any Event of Default or Termination Event under the Agreement with respect to the other party or any Extraordinary Event that results in the termination or cancellation of any Transaction to constitute a “contractual right” (as defined in the Bankruptcy Code); and
 - (iv) all payments for, under or in connection with each Transaction, all payments for the Shares (including, for the avoidance of doubt, payment of the Prepayment Amount) and the transfer of such Shares to constitute “settlement payments” and “transfers” (as defined in the Bankruptcy Code).
- (b) Counterparty acknowledges that:
- (i) during the term of any Transaction, JPMorgan and its Affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to establish, adjust or unwind its hedge position with respect to such Transaction;
 - (ii) JPMorgan and its Affiliates may also be active in the market for the Shares and Share-linked transactions other than in connection with hedging activities in relation to any Transaction;
 - (iii) JPMorgan shall make its own determination as to whether, when or in what manner any hedging or market activities in Counterparty’s securities shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Forward Price and the VWAP Price;

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- (iv) any market activities of JPMorgan and its Affiliates with respect to the Shares may affect the market price and volatility of the Shares, as well as the Forward Price and VWAP Price, each in a manner that may be adverse to Counterparty; and
 - (v) each Transaction is a derivatives transaction in which it has granted JPMorgan an option; JPMorgan may purchase shares for its own account at an average price that may be greater than, or less than, the price paid by Counterparty under the terms of the related Transaction.
13. **No Collateral, Netting or Setoff.** Notwithstanding any provision of the Agreement or any other agreement between the parties to the contrary, the obligations of Counterparty hereunder are not secured by any collateral. Obligations under any Transaction shall not be netted, recouped or set off (including pursuant to Section 6 of the Agreement) against any other obligations of the parties, whether arising under the Agreement, this Master Confirmation or any Supplemental Confirmation, or under any other agreement between the parties hereto, by operation of law or otherwise, and no other obligations of the parties shall be netted, recouped or set off (including pursuant to Section 6 of the Agreement) against obligations under any Transaction, whether arising under the Agreement, this Master Confirmation or any Supplemental Confirmation, or under any other agreement between the parties hereto, by operation of law or otherwise, and each party hereby waives any such right of setoff, netting or recoupment.
14. **Delivery of Shares.** Notwithstanding anything to the contrary herein, JPMorgan may, by prior notice to Counterparty, satisfy its obligation to deliver any Shares or other securities on any date due (an “**Original Delivery Date**”) by making separate deliveries of Shares or such securities, as the case may be, at more than one time on or prior to such Original Delivery Date, so long as the aggregate number of Shares and other securities so delivered on or prior to such Original Delivery Date is equal to the number required to be delivered on such Original Delivery Date.
15. **Alternative Termination Settlement.** In the event that (a) an Early Termination Date (whether as a result of an Event of Default or a Termination Event) occurs or is designated with respect to any Transaction or (b) any Transaction is cancelled or terminated upon the occurrence of an Extraordinary Event (except as a result of (i) a Nationalization, Insolvency or Merger Event in which the consideration to be paid to holders of Shares consists solely of cash, (ii) a Merger Event or Tender Offer that is within Counterparty’s control, or (iii) an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party other than an Event of Default of the type described in Section 5(a)(iii), (v), (vi), (vii) or (viii) of the Agreement or a Termination Event of the type described in Section 5(b) of the Agreement, in each case that resulted from an event or events outside Counterparty’s control), if either party would owe any amount to the other party pursuant to Section 6(d) (ii) of the Agreement or any Cancellation Amount pursuant to Article 12 of the Equity Definitions (any such amount, a “**Payment Amount**”), then, in lieu of any payment of such Payment Amount, unless Counterparty makes an election to the contrary no later than the Early Termination Date or the date on which such Transaction is terminated or cancelled, Counterparty or JPMorgan, as the case may be, shall deliver to the other party a number of Shares (or, in the case of a Nationalization, Insolvency or Merger Event, a number of units, each comprising the number or amount of the securities or property that a hypothetical holder of one Share would receive in such Nationalization, Insolvency or Merger Event, as the case may be (each such unit, an “**Alternative Delivery Unit**”) with a value equal to the Payment Amount, as determined by the Calculation Agent over a commercially reasonable period of time (and the parties agree that, in making such determination of value, the Calculation Agent may take into account a number of factors, including, without limitation, the market price of the Shares or Alternative Delivery Units on the Early Termination Date or the date of early cancellation or termination, as the case may be, and, if such delivery is made by JPMorgan, the prices at which JPMorgan purchases Shares or Alternative Delivery Units to fulfill its delivery obligations under this Section 15); *provided* that in determining the composition of any Alternative Delivery Unit, if the relevant Nationalization, Insolvency or Merger Event involves a choice of consideration to be received by holders, such holder shall be deemed to have elected to receive the maximum possible amount of cash; and *provided further* that Counterparty may elect that the provisions of this Section 15 above providing for the delivery of Shares or Alternative Delivery Units, as the case may be, shall not apply only if Counterparty represents and warrants to JPMorgan, in writing on the date it notifies JPMorgan of such election, that, as of such date, Counterparty is not aware of any material non-public information regarding Counterparty or the Shares and is making such election in good faith and not as part

of a plan or scheme to evade compliance with the federal securities laws (provided that such representation shall not be required for an election made in relation to Section 19(b)). If delivery of Shares or Alternative Delivery Units, as the case may be, pursuant to this Section 15 is to be made by Counterparty, paragraphs 2 through 7 of Annex A hereto shall apply as if (A) such delivery were a settlement of such Transaction to which Net Share Settlement applied, (B) the Cash Settlement Payment Date were the Early Termination Date or the date of early cancellation or termination, as the case may be, and (C) the Forward Cash Settlement Amount were equal to (x) zero *minus* (y) the Payment Amount owed by Counterparty. For the avoidance of doubt, if Counterparty validly elects for the provisions of this Section 15 relating to the delivery of Shares or Alternative Delivery Units, as the case may be, not to apply to any Payment Amount, the provisions of Article 12 of the Equity Definitions, or the provisions of Section 6(d)(ii) of the Agreement, as the case may be, shall apply. If delivery of Shares or Alternative Delivery Units, as the case may be, is to be made by JPMorgan pursuant to this Section 15, the period during which JPMorgan purchases Shares or Alternative Delivery Units to fulfill its delivery obligations under this Section 15 shall be referred to as the “**Seller Termination Purchase Period.**”

16. **Calculations and Payment Date upon Early Termination.** The parties acknowledge and agree that in calculating (a) the Close-Out Amount pursuant to Section 6 of the Agreement and (b) the amount due upon cancellation or termination of any Transaction (whether in whole or in part) pursuant to Article 12 of the Equity Definitions as a result of an Extraordinary Event, JPMorgan may (but need not) determine such amount based on (i) expected losses assuming a commercially reasonable (including, without limitation, with regard to reasonable legal and regulatory guidelines) risk bid were used to determine loss or (ii) the price at which one or more market participants would offer to sell to the Seller a block of shares of Common Stock equal in number to the Seller’s hedge position in relation to the Transaction. Notwithstanding anything to the contrary in Section 6(d)(ii) of the Agreement or Article 12 of the Equity Definitions, all amounts calculated as being due in respect of an Early Termination Date under Section 6(e) of the Agreement or upon cancellation or termination of the relevant Transaction under Article 12 of the Equity Definitions will be payable on the day that notice of the amount payable is effective; *provided* that if Counterparty elects to receive or deliver Shares or Alternative Delivery Units in accordance with Section 15, such Shares or Alternative Delivery Units shall be delivered on a date selected by JPMorgan as promptly as practicable.
17. **Limit on Beneficial Ownership.** Notwithstanding anything to the contrary in this Master Confirmation, Counterparty acknowledges and agrees that, on any day, JPMorgan shall not be obligated to receive from Counterparty any Shares, and Counterparty shall not be entitled to deliver to JPMorgan any Shares, to the extent (but only to the extent) that after such transactions JPMorgan’s ultimate parent entity would directly or indirectly “beneficially own” (as such term is defined for purposes of Section 13(d) of the Exchange Act) at any time on such day in excess of 8% of the outstanding Shares. Any purported receipt of Shares shall be void and have no effect to the extent (but only to the extent) that after such receipt, JPMorgan’s ultimate parent entity would directly or indirectly so beneficially own in excess of 8% of the outstanding Shares. If, on any day, any receipt of Shares by JPMorgan is not effected, in whole or in part, as a result of this Section 17, Counterparty’s obligations to deliver such Shares shall not be extinguished and any such delivery shall be effected over time by Counterparty as promptly as JPMorgan determines, such that after any such delivery, JPMorgan’s ultimate parent entity would not directly or indirectly beneficially own in excess of 8% of the outstanding Shares.
18. **Maximum Share Delivery.** Notwithstanding anything to the contrary in this Master Confirmation, in no event shall JPMorgan be required to deliver any Shares, or any Shares or other securities comprising Alternative Delivery Units, in respect of any Transaction in excess of the Maximum Number of Shares set forth in the Supplemental Confirmation for such Transaction.
19. **Additional Termination Events.**
- (a) The occurrence of an event described in paragraph III of Annex B hereto will constitute an Additional Termination Event, with Counterparty as the sole Affected Party and the Transactions specified in such paragraph III as the Affected Transactions.
 - (b) Notwithstanding anything to the contrary in Section 6 of the Agreement, if a Termination Price and/or a Forward Price Termination Price is specified in the Supplemental Confirmation for any

Transaction, then an Additional Termination Event will occur without any notice or action by JPMorgan or Counterparty if (x) the price of the Shares on the Exchange at any time falls below such Termination Price or (y) the Divisor Amount (calculated as if the date of such calculation were the Termination Date of such Transaction) at any time falls below such Forward Price Termination Price, each with Counterparty as the sole Affected Party and such Transaction as the sole Affected Transaction.

20. **Non-confidentiality.** JPMorgan and Counterparty hereby acknowledge and agree that, subject to Section 8(e), each is authorized to disclose every aspect of this Master Confirmation, any Supplemental Confirmation and the transactions contemplated hereby and thereby to any and all persons, without limitation of any kind, and there are no express or implied agreements, arrangements or understandings to the contrary.
21. **Counterparty Indemnification.** Counterparty agrees to indemnify and hold harmless JPMorgan and its officers, directors, employees, Affiliates, advisors, agents and controlling persons (each, an “**Indemnified Person**”) from and against any and all losses, claims, damages and liabilities, joint or several (collectively, “**Obligations**”), to which an Indemnified Person may become subject arising out of or in connection with this Master Confirmation or any Supplemental Confirmation, or any claim, litigation, investigation or proceeding relating thereto, regardless of whether any of such Indemnified Person is a party thereto, and to reimburse, within 30 days, upon written request, each such Indemnified Person for any reasonable legal or other expenses incurred in connection with investigating, preparation for, providing evidence for or defending any of the foregoing; *provided, however*, that Counterparty shall not have any liability to any Indemnified Person to the extent that such Obligations (a) are finally determined by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Person (and in such case, such Indemnified Person shall promptly return to Counterparty any amounts previously expended by Counterparty hereunder) or (b) are trading losses incurred by JPMorgan as part of its purchases or sales of Shares pursuant to this Master Confirmation or any Supplemental Confirmation (unless such trading losses are related to the breach of any agreement, term or covenant herein).
22. **Assignment and Transfer.** Notwithstanding anything to the contrary in the Agreement, JPMorgan may assign any of its rights or duties hereunder to any one or more of its Affiliates without the prior written consent of Counterparty. Notwithstanding any other provision in this Master Confirmation to the contrary requiring or allowing JPMorgan to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, JPMorgan may designate any of its Affiliates to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform JPMorgan’s obligations in respect of any Transaction and any such designee may assume such obligations. JPMorgan may assign the right to receive Settlement Shares to any third party who may legally receive Settlement Shares. JPMorgan shall be discharged of its obligations to Counterparty only to the extent of any such performance. For the avoidance of doubt, JPMorgan hereby acknowledges that notwithstanding any such designation hereunder, to the extent any of JPMorgan’s obligations in respect of any Transaction are not completed by its designee, JPMorgan shall be obligated to continue to perform or to cause any other of its designees to perform in respect of such obligations.
23. **Amendments to the Equity Definitions.**
- (a) Section 11.2(a) of the Equity Definitions is hereby amended by deleting the words “a diluting or concentrative” and replacing them with the words “an”; and adding the phrase “or such Transaction” at the end of the sentence.
 - (b) Section 11.2(c) of the Equity Definitions is hereby amended by (i) replacing the words “a diluting or concentrative” with “an” in the fifth line thereof, (ii) adding the phrase “or such Transaction” after the words “the relevant Shares” in the same sentence, (iii) deleting the words “dilutive or concentrative” in the sixth to last line thereof, and (iv) deleting the phrase “(provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)” and replacing it with the phrase “(and, for the avoidance of doubt, adjustments may be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares).”

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- (c) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words “a diluting or concentrative” and replacing them with the word “a material”; and adding the phrase “or the relevant Transaction” at the end of the sentence.
- (d) Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (i) deleting from the fourth line thereof the word “or” after the word “official” and inserting a comma therefor, and (ii) deleting the semi-colon at the end of subsection (B) thereof and inserting the following words therefor “or (C) at JPMorgan’s option, the occurrence of any of the events specified in Section 5(a)(vii) (1) through (9) of the ISDA Master Agreement with respect to that Issuer.”
- (e) Section 12.9(b)(iv) of the Equity Definitions is hereby amended by:
- (i) deleting (1) subsection (A) in its entirety, (2) the phrase “or (B)” following subsection (A) and (3) the phrase “in each case” in subsection (B); and
 - (ii) replacing the phrase “neither the Non-Hedging Party nor the Lending Party lends Shares” with the phrase “such Lending Party does not lend Shares” in the penultimate sentence.
- (f) Section 12.9(b)(v) of the Equity Definitions is hereby amended by:
- (i) adding the word “or” immediately before subsection “(B)” and deleting the comma at the end of subsection (A); and
 - (ii) (1) deleting subsection (C) in its entirety, (2) deleting the word “or” immediately preceding subsection (C), (3) deleting the penultimate sentence in its entirety and replacing it with the sentence “The Hedging Party will determine the Cancellation Amount payable by one party to the other” and (4) deleting clause (X) in the final sentence
24. **Extraordinary Dividend.** If Counterparty declares any Extraordinary Dividend that has a record date during the period commencing on the Trade Date for any Transaction and ending of the last day of the Relevant Period or, if applicable, the later of the last day of the Settlement Valuation Period and the last day of the Seller Termination Purchase Period, for such Transaction, then prior to or on the date on which such Extraordinary Dividend is paid by Counterparty to holders of record, Counterparty shall pay to JPMorgan, for each Transaction under this Master Confirmation, an amount in cash equal to the product of (i) the amount of such Extraordinary Dividend and (ii) the theoretical short delta number of shares as of the opening of business on the related ex-dividend date, as determined by the Calculation Agent, required for JPMorgan to hedge its exposure to such Transaction.
25. **Status of Claims in Bankruptcy.** JPMorgan acknowledges and agrees that neither this Master Confirmation nor any Supplemental Confirmation is intended to convey to JPMorgan rights against Counterparty with respect to any Transaction that are senior to the claims of common stockholders of Counterparty in any United States bankruptcy proceedings of Counterparty; *provided* that nothing herein shall limit or shall be deemed to limit JPMorgan’s right to pursue remedies in the event of a breach by Counterparty of its obligations and agreements with respect to any Transaction; *provided further* that nothing herein shall limit or shall be deemed to limit JPMorgan’s rights in respect of any transactions other than any Transaction.
26. **Wall Street Transparency and Accountability Act.** In connection with Section 739 of the Wall Street Transparency and Accountability Act of 2010 (“WSTAA”), the parties hereby agree that neither the enactment of WSTAA or any regulation under the WSTAA, nor any requirement under WSTAA or an amendment made by WSTAA, nor any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the date of this Master Confirmation, shall limit or otherwise impair either party’s otherwise applicable rights to terminate, renegotiate, modify, amend or supplement any Supplemental Confirmation, this Master Confirmation or the Agreement, as applicable, arising from a termination event, force majeure, illegality, increased costs, regulatory change or similar event under any Supplemental Confirmation, this Master Confirmation, the Equity Definitions incorporated herein, or the Agreement (including, without limitation, rights arising from Change in Law, Loss of Stock Borrow, Increased Cost of Stock Borrow, Hedging Disruption, Increased Cost of Hedging, or Illegality).

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27. **Role of Agent.** Each party agrees and acknowledges that (a) JPMS, an Affiliate of JPMorgan, has acted solely as agent and not as principal with respect to this Master Confirmation and each Transaction and (b) JPMS has no obligation or liability, by way of guaranty, endorsement or otherwise, in any manner in respect of any Transaction (including, if applicable, in respect of the settlement thereof). Each party agrees it will look solely to the other party (or any guarantor in respect thereof) for performance of such other party's obligations under any Transaction. JPMS is authorized to act as agent for JPMorgan.
28. **Waiver of Jury Trial.** EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THE AGREEMENT, THIS MASTER CONFIRMATION, EACH SUPPLEMENTAL CONFIRMATION, THE TRANSACTIONS HEREUNDER AND ALL MATTERS ARISING IN CONNECTION WITH THE AGREEMENT, THIS MASTER CONFIRMATION AND ANY SUPPLEMENTAL CONFIRMATION AND THE TRANSACTIONS HEREUNDER. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THE TRANSACTIONS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS PROVIDED HEREIN.
29. **Counterparts.** This Master Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Master Confirmation by signing and delivering one or more counterparts.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Master Confirmation and returning it to us.

Very truly yours,

**J.P. MORGAN SECURITIES LLC, as agent for JPMorgan
Chase Bank, National Association**

By: /s/ Sudheer R. Tegulapalle,

Authorized Signatory

Name: Sudheer R. Tegulapalle, Executive Director

Accepted and confirmed
as of the date first set
forth above:

ALBEMARLE CORPORATION

By: /s/ Richard Fishman

Authorized Signatory

Name: Richard Fishman, Vice President, Treasurer and Chief
Tax Counsel

JPMorgan Chase Bank, National Association
Organised under the laws of the United States as a National Banking Association.
Main Office 1111 Polaris Parkway, Columbus, Ohio 43240
Registered as a branch in England & Wales branch No. BR000746
Registered Branch Office 25 Bank Street, Canary Wharf, London, E14 5JP
Authorised and regulated by the Financial Services Authority

FORM OF SUPPLEMENTAL CONFIRMATION

JPMorgan Chase Bank, National Association
P.O. Box 161
60 Victoria Embankment
London EC4Y 0JP
England

[]

To: Albemarle Corporation
451 Florida Street
Baton Rouge, Louisiana 70801
Attention: Richard G. Fishman
Vice President, Treasurer and Chief Tax Counsel
Telephone No.: (225) 388-7631
Facsimile No.: (225) 388-7110

Re: Supplemental Confirmation—Uncollared Accelerated Share Repurchase

The purpose of this Supplemental Confirmation is to confirm the terms and conditions of the Transaction entered into between J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch (“**JPMorgan**”), and Albemarle Corporation, a Virginia corporation (“**Counterparty**”) on the Trade Date specified below. This Supplemental Confirmation is a binding contract between JPMorgan and Counterparty as of the relevant Trade Date for the Transaction referenced below.

1. This Supplemental Confirmation supplements, forms part of, and is subject to the Master Confirmation, dated as of May 9, 2013 (the “**Master Confirmation**”), between JPMorgan and Counterparty, as amended and supplemented from time to time. All provisions contained in the Master Confirmation govern this Supplemental Confirmation except as expressly modified below.

2. The terms of the Transaction to which this Supplemental Confirmation relates are as follows:

Trade Date:	[]
Forward Price Adjustment Amount:	USD []
Calculation Period Start Date:	The [] Scheduled Trading Day immediately following the Trade Date.
Scheduled Termination Date:	The [] Scheduled Trading Day immediately following the Calculation Period Start Date.
First Acceleration Date:	The [] Scheduled Trading Day immediately following the Calculation Period Start Date.
Prepayment Amount:	USD []
Prepayment Date:	[]

JPMorgan Chase Bank, National Association
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Registered as a branch in England & Wales branch No. BR000746
Registered Branch Office 25 Bank Street, Canary Wharf, London, E14 5JP
Authorised and regulated by the Financial Services Authority

Initial Shares: [] Shares; *provided* that if, in connection with the Transaction, JPMorgan is unable to borrow or otherwise acquire a number of Shares equal to the Initial Shares for delivery to Counterparty on the Initial Share Delivery Date, the Initial Shares delivered on the Initial Share Delivery Date shall be reduced to such number of Shares that JPMorgan is able to so borrow or otherwise acquire and the Prepayment Amount payable by Counterparty on the Prepayment Date shall be reduced correspondingly. The aggregate of all Shares delivered to Counterparty in respect of the Transaction pursuant to this paragraph shall be the “Initial Shares” for purposes of “Number of Shares to be Delivered” in the Master Confirmation, and the Prepayment Amount as reduced pursuant to this paragraph shall be the “Prepayment Amount” for purposes of the Master Confirmation.

Initial Share Delivery Date: []

Ordinary Dividend Amount: For any calendar quarter, USD [] per Share

Scheduled Ex-Dividend Dates: []

Maximum Stock Loan Rate: [] basis points per annum

Initial Stock Loan Rate: [] basis points per annum

Maximum Number of Shares: [] Shares

Floor Price: USD 0.01 per Share

Contract Fee: USD []

Termination Price: USD [] per Share

Forward Price Termination Price: USD [] per Share

Additional Relevant Days: The [] Exchange Business Days immediately following the Calculation Period.

Reserved Shares: Notwithstanding anything to the contrary in the Master Confirmation, as of the date of this Supplemental Confirmation, the Reserved Shares shall be equal to [] Shares.

Payment Amount: For the avoidance of doubt, any Payment Amount shall be calculated in a good faith and commercially reasonable manner and shall reflect the fair value of such Transaction to JPMorgan immediately prior to the termination or cancellation of such Transaction. In determining any Payment Amount, JPMorgan shall use valuation methods it would generally apply to the unwind of transactions similar to such Transaction. Counterparty may elect that the Payment Amount, if any, be satisfied in cash, Shares or Alternative Delivery Units, as applicable, in accordance with this Section 15 of the Master Confirmation.

3. Counterparty represents and warrants to JPMorgan that neither it nor any “affiliated purchaser” (as defined in Rule 10b-18 under the Exchange Act) has made any purchases of blocks pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act during either (i) the four full calendar weeks immediately preceding the Trade Date or (ii) during the calendar week in which the Trade Date occurs.

4. This Supplemental Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Supplemental Confirmation by signing and delivering one or more counterparts.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Supplemental Confirmation and returning it to us.

Very truly yours,

**J.P. MORGAN SECURITIES LLC, as agent for JPMorgan
Chase Bank, National Association**

By: _____
Authorized Signatory
Name:

Accepted and confirmed
as of the Trade Date:

ALBEMARLE CORPORATION

By: _____
Authorized Signatory
Name:

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Registered Branch Office 25 Bank Street, Canary Wharf, London, E14 5JP
Authorised and regulated by the Financial Services Authority

FORM OF CERTIFICATE OF RULE 10B-18 PURCHASES

[Letterhead of Counterparty]

JPMorgan Chase Bank, National Association
c/o J.P. Morgan Securities LLC
383 Madison Avenue
5th Floor
New York, New York 10172

Re: Uncollared Accelerated Share Repurchase

Ladies and Gentlemen:

In connection with our entry into the Master Confirmation, dated as of May 9, 2013, between J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch, and Albemarle Corporation, a Virginia corporation, as amended and supplemented from time to time (the "**Master Confirmation**"), we hereby represent that set forth below is the total number of shares of our common stock purchased by or for us or any of our affiliated purchasers in Rule 10b-18 purchases of blocks (all as defined in Rule 10b-18 under the Securities Exchange Act of 1934) pursuant to the once-a-week block exception set forth in Rule 10b-18(b)(4) during the four full calendar weeks immediately preceding the first day of the [Calculation Period] [Settlement Valuation Period][Seller Termination Purchase Period] (as defined in the Master Confirmation) and the week during which the first day of such [Calculation Period][Settlement Valuation Period][Seller Termination Purchase Period] occurs.

Number of Shares:

We understand that you will use this information in calculating trading volume for purposes of Rule 10b-18.

Very truly yours,

ALBEMARLE CORPORATION

By: _____
Authorized Signatory
Name:

COUNTERPARTY SETTLEMENT PROVISIONS

1. The following Counterparty Settlement Provisions shall apply to any Transaction to the extent indicated under the Master Confirmation:

Settlement Currency:	USD
Settlement Method Election:	Applicable; <i>provided</i> that (i) Section 7.1 of the Equity Definitions is hereby amended by deleting the word “Physical” in the sixth line thereof and replacing it with the words “Net Share” and (ii) the Electing Party may make a settlement method election only if the Electing Party represents and warrants to JPMorgan in writing on the date it notifies JPMorgan of its election that, as of such date, the Electing Party is not aware of any material non-public information regarding Counterparty or the Shares and is electing the settlement method in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws.
Electing Party:	Counterparty
Settlement Method Election Date:	The earlier of (i) the Scheduled Termination Date and (ii) the second Exchange Business Day immediately following the Accelerated Termination Date (in which case the election under Section 7.1 of the Equity Definitions shall be made no later than 10 minutes prior to the open of trading on the Exchange on such second Exchange Business Day), as the case may be.
Default Settlement Method:	Cash Settlement
Forward Cash Settlement Amount:	An amount equal to (a) the Number of Shares to be Delivered, <i>multiplied by</i> (b) the Settlement Price.
Settlement Price:	An amount equal to the sum of the average of the VWAP Prices for the Exchange Business Days in the Settlement Valuation Period, <i>plus</i> USD 0.05, subject to Valuation Disruption as specified in the Master Confirmation (in each case, <i>plus</i> interest on such amount during the Settlement Averaging Period at the rate of interest for Counterparty’s long term, unsecured and unsubordinated indebtedness, as determined by the Calculation Agent).
Settlement Valuation Period:	A number of Scheduled Trading Days selected by JPMorgan in its reasonable discretion, beginning on the Scheduled Trading Day immediately following the Exchange Business Day immediately following the Termination Date.
Cash Settlement:	If Cash Settlement is applicable, then Buyer shall pay to JPMorgan the absolute value of the Forward Cash Settlement Amount on the Cash Settlement Payment Date.
Cash Settlement Payment Date:	The Exchange Business Day immediately following the last day of the Settlement Valuation Period.
Net Share Settlement Procedures:	If Net Share Settlement is applicable, Net Share Settlement shall be made in accordance with paragraphs 2 through 7 below.

2. Net Share Settlement shall be made by delivery on the Cash Settlement Payment Date of a number of Shares satisfying the conditions set forth in paragraph 3 below (the “**Registered Settlement Shares**”), or a number of Shares not satisfying such conditions (the “**Unregistered Settlement Shares**”), in either case with a value equal to 101% (in the case of Registered Settlement Shares) or 105% (in the case of Unregistered Settlement Shares) of the absolute value of the Forward Cash Settlement Amount, with such Shares’ value based on the value thereof to JPMorgan (which value shall, in the case of Unregistered Settlement Shares, take into account a commercially reasonable illiquidity discount), in each case as determined by the Calculation Agent. If all of the conditions for delivery of either Registered Settlement Shares or Unregistered Settlement Shares have not been satisfied, Cash Settlement shall be applicable in accordance with paragraph 1 above notwithstanding Counterparty’s election of Net Share Settlement.

3. Counterparty may only deliver Registered Settlement Shares pursuant to paragraph 2 above if:

(a) a registration statement covering public resale of the Registered Settlement Shares by JPMorgan (the “**Registration Statement**”) shall have been filed with the Securities and Exchange Commission under the Securities Act and been declared or otherwise become effective on or prior to the date of delivery, and no stop order shall be in effect with respect to the Registration Statement; a printed prospectus relating to the Registered Settlement Shares (including, without limitation, any prospectus supplement thereto, the “**Prospectus**”) shall have been delivered to JPMorgan, in such quantities as JPMorgan shall reasonably have requested, on or prior to the date of delivery;

(b) the form and content of the Registration Statement and the Prospectus (including, without limitation, any sections describing the plan of distribution) shall be satisfactory to JPMorgan;

(c) as of or prior to the date of delivery, JPMorgan and its agents shall have been afforded a reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for underwritten offerings of equity securities and the results of such investigation are satisfactory to JPMorgan, in its discretion; and

(d) as of the date of delivery, an agreement (the “**Underwriting Agreement**”) shall have been entered into with JPMorgan in connection with the public resale of the Registered Settlement Shares by JPMorgan substantially similar to underwriting agreements customary for underwritten offerings of equity securities, in form and substance satisfactory to JPMorgan, which Underwriting Agreement shall include, without limitation, provisions substantially similar to those contained in such underwriting agreements relating, without limitation, to the indemnification of, and contribution in connection with the liability of, JPMorgan and its Affiliates and the provision of customary opinions, accountants’ comfort letters and lawyers’ negative assurance letters.

4. If Counterparty delivers Unregistered Settlement Shares pursuant to paragraph 2 above:

(a) all Unregistered Settlement Shares shall be delivered to JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof;

(b) as of or prior to the date of delivery, JPMorgan and any potential purchaser of any such shares from JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) identified by JPMorgan shall be afforded a commercially reasonable opportunity to conduct a due diligence investigation with respect to Counterparty customary in scope for private placements of equity securities (including, without limitation, the right to have made available to them for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by them);

(c) as of the date of delivery, Counterparty shall enter into an agreement (a “**Private Placement Agreement**”) with JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) in connection with the private placement of such shares by Counterparty to JPMorgan (or any such Affiliate) and the private resale of such shares by JPMorgan (or any such Affiliate), substantially similar to private placement purchase agreements customary for

private placements of equity securities, in form and substance commercially reasonably satisfactory to JPMorgan, which Private Placement Agreement shall include, without limitation, provisions substantially similar to those contained in such private placement purchase agreements relating, without limitation, to the indemnification of, and contribution in connection with the liability of, JPMorgan and its Affiliates and the provision of customary opinions, accountants' comfort letters and lawyers' negative assurance letters, and shall provide for the payment by Counterparty of all fees and expenses of JPMorgan (and any such Affiliate) in connection with such resale, including, without limitation, all fees and expenses of counsel for JPMorgan, and shall contain representations, warranties, covenants and agreements of Counterparty reasonably necessary or advisable to establish and maintain the availability of an exemption from the registration requirements of the Securities Act for such resales; and

(d) in connection with the private placement of such shares by Counterparty to JPMorgan (or any such Affiliate) and the private resale of such shares by JPMorgan (or any such Affiliate), Counterparty shall, if so requested by JPMorgan, prepare, in cooperation with JPMorgan, a private placement memorandum in form and substance reasonably satisfactory to JPMorgan.

5. JPMorgan, itself or through an Affiliate (the "**Selling Agent**") or any underwriter(s), will sell all, or such lesser portion as may be required hereunder, of the Registered Settlement Shares or Unregistered Settlement Shares and any Makewhole Shares (as defined below) (together, the "**Settlement Shares**") delivered by Counterparty to JPMorgan pursuant to paragraph 6 below commencing on the Cash Settlement Payment Date and continuing until the date on which the aggregate Net Proceeds (as such term is defined below) of such sales, as determined by JPMorgan, is equal to the absolute value of the Forward Cash Settlement Amount (such date, the "**Final Resale Date**"). If the proceeds of any sale(s) made by JPMorgan, the Selling Agent or any underwriter(s), net of any fees and commissions (including, without limitation, underwriting or placement fees) customary for similar transactions under the circumstances at the time of the offering, together with carrying charges and expenses incurred in connection with the offer and sale of the Shares (including, without limitation, the covering of any over-allotment or short position (syndicate or otherwise)) (the "**Net Proceeds**") exceed the absolute value of the Forward Cash Settlement Amount, JPMorgan will refund, in USD, such excess to Counterparty on the date that is three (3) Currency Business Days following the Final Resale Date, and, if any portion of the Settlement Shares remains unsold, JPMorgan shall return to Counterparty on that date such unsold Shares.

6. If the Calculation Agent determines that the Net Proceeds received from the sale of the Registered Settlement Shares or Unregistered Settlement Shares or any Makewhole Shares, if any, pursuant to this paragraph 6 are less than the absolute value of the Forward Cash Settlement Amount (the amount in USD by which the Net Proceeds are less than the absolute value of the Forward Cash Settlement Amount being the "**Shortfall**") and the date on which such determination is made, the "**Deficiency Determination Date**"), Counterparty shall on the Exchange Business Day next succeeding the Deficiency Determination Date (the "**Makewhole Notice Date**") deliver to JPMorgan, through the Selling Agent, a notice of Counterparty's election that Counterparty shall either (i) pay an amount in cash equal to the Shortfall on the day that is one Currency Business Day after the Makewhole Notice Date, or (ii) deliver additional Shares. If Counterparty elects to deliver to JPMorgan additional Shares, then Counterparty shall deliver additional Shares in compliance with the terms and conditions of paragraph 3 or paragraph 4 above, as the case may be (the "**Makewhole Shares**"), on the first Clearance System Business Day which is also an Exchange Business Day following the Makewhole Notice Date in such number as the Calculation Agent reasonably believes would have a market value on that Exchange Business Day equal to the Shortfall. Such Makewhole Shares shall be sold by JPMorgan in accordance with the provisions above; *provided* that if the sum of the Net Proceeds from the sale of the originally delivered Shares and the Net Proceeds from the sale of any Makewhole Shares is less than the absolute value of the Forward Cash Settlement Amount then Counterparty shall, at its election, either make such cash payment or deliver to JPMorgan further Makewhole Shares until such Shortfall has been reduced to zero.

7. Notwithstanding the foregoing, in no event shall the aggregate number of Settlement Shares for any Transaction be greater than the Reserved Shares *minus* the amount of any Shares actually delivered by Counterparty under any other Transaction under this Master Confirmation (the result of such calculation, the “**Capped Number**”). Counterparty represents and warrants (which shall be deemed to be repeated on each day that a Transaction is outstanding) that the Capped Number is equal to or less than the number of Shares determined according to the following formula:

$$A - B$$

Where A = the number of authorized but unissued shares of Counterparty that are not reserved for future issuance on the date of the determination of the Capped Number; and

B = the maximum number of Shares required to be delivered to third parties if Counterparty elected Net Share Settlement of all transactions in the Shares (other than Transactions in the Shares under this Master Confirmation) with all third parties that are then currently outstanding and unexercised.

“**Reserved Shares**” means initially, 14,000,000 Shares. The Reserved Shares may be increased or decreased in a Supplemental Confirmation.

If at any time, as a result of this paragraph 7, Counterparty fails to deliver to JPMorgan any Settlement Shares, Counterparty shall, to the extent that Counterparty has at such time authorized but unissued Shares not reserved for other purposes, promptly notify JPMorgan thereof and deliver to JPMorgan a number of Shares not previously delivered as a result of this paragraph 7. Counterparty agrees to use its reasonable best efforts to cause the number of authorized but unissued Shares to be increased, if necessary, to an amount sufficient to permit Counterparty to fulfill its obligation to deliver any Settlement Shares.

Annex A-4

COMMUNICATIONS PROCEDURES

May 9, 2013

I. Introduction

Albemarle Corporation (“**Counterparty**”) and J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch (“**JPMorgan**”), have adopted these communications procedures (the “**Communications Procedures**”) in connection with entering into the Master Confirmation (the “**Master Confirmation**”), dated as of May 9, 2013, between JPMorgan and Counterparty relating to Uncollared Accelerated Share Repurchase transactions. These Communications Procedures supplement, form part of, and are subject to the Master Confirmation.

II. Communications Rules

For each Transaction, from the Trade Date for such Transaction until the date all payments or deliveries of Shares have been made with respect to such Transaction, Counterparty and its Employees and Designees shall not engage in any Program-Related Communication with, or disclose any Material Non-Public Information to, any EDG Trading Personnel. Except as set forth in the preceding sentence, the Master Confirmation shall not limit Counterparty and its Employees and Designees in their communication with Affiliates and Employees of JPMorgan, including, without limitation, Employees who are EDG Permitted Contacts.

III. Termination

If, in the sole judgment of any EDG Trading Personnel or any Affiliate or Employee of JPMorgan participating in any Communication with Counterparty or any Employee or Designee of Counterparty, such Communication would not be permitted by these Communications Procedures, such EDG Trading Personnel or Affiliate or Employee of JPMorgan shall immediately terminate such Communication. In such case, or if such EDG Trading Personnel or Affiliate or Employee of JPMorgan determines following completion of any Communication with Counterparty or any Employee or Designee of Counterparty that such Communication was not permitted by these Communications Procedures, such EDG Trading Personnel or such Affiliate or Employee of JPMorgan shall promptly consult with his or her supervisors and with counsel for JPMorgan regarding such Communication. If, in the reasonable judgment of JPMorgan’s counsel following such consultation, there is more than an insignificant risk that such Communication could materially jeopardize the availability of the affirmative defenses provided in Rule 10b5-1 under the Exchange Act with respect to any ongoing or contemplated activities of JPMorgan or its Affiliates in respect of any Transaction pursuant to the Master Confirmation, it shall be an Additional Termination Event pursuant to Section 19(a) of the Master Confirmation, with Counterparty as the sole Affected Party and all Transactions under the Master Confirmation as Affected Transactions.

IV. Definitions

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Master Confirmation. As used herein, the following words and phrases shall have the following meanings:

“**Communication**” means any contact or communication (whether written, electronic, oral or otherwise) between Counterparty or any of its Employees or Designees, on the one hand, and JPMorgan or any of its Affiliates or Employees, on the other hand.

“**Designee**” means a person designated, in writing or orally, by Counterparty to communicate with JPMorgan on behalf of Counterparty.

“**EDG Permitted Contact**” means any of Mr. David Aidelson, Mr. Gregory Batista, Mr. Elliot Chalom, Mr. Steven Seltzer, Mr. James F. Smith and Mr. Sudheer Tegulapalle or any of their designees; *provided* that JPMorgan may amend the list of EDG Permitted Contacts by delivering a revised list of EDG Permitted Contacts to Counterparty.

“EDG Trading Personnel” means Mr. Graham Orton, Mr. Michael Tatro and any other Employee of the public side of the Equity Derivatives Group or the Special Equities Group of J.P. Morgan Chase & Co.; *provided* that JPMorgan may amend the list of EDG Trading Personnel by delivering a revised list of EDG Trading Personnel to Counterparty; and *provided further* that, for the avoidance of doubt, the persons listed as EDG Permitted Contacts are not EDG Trading Personnel.

“Employee” means, with respect to any entity, any owner, principal, officer, director, employee or other agent or representative of such entity, and any Affiliate of any of such owner, principal, officer, director, employee, agent or representative.

“Material Non-Public Information” means information relating to Counterparty or the Shares that (a) has not been widely disseminated by wire service, in one or more newspapers of general circulation, by communication from Counterparty to its shareholders or in a press release, or contained in a public filing made by Counterparty with the Securities and Exchange Commission and (b) a reasonable investor might consider to be of importance in making an investment decision to buy, sell or hold Shares. For the avoidance of doubt and solely by way of illustration, information should be presumed “material” if it relates to such matters as dividend increases or decreases, earnings estimates, changes in previously released earnings estimates, significant expansion or curtailment of operations, a significant increase or decline of orders, significant merger or acquisition proposals or agreements, significant new products or discoveries, extraordinary borrowing, major litigation, liquidity problems, extraordinary management developments, purchase or sale of substantial assets and similar matters.

“Program-Related Communication” means any Communication the subject matter of which relates to the Master Confirmation or any Transaction under the Master Confirmation or any activities of JPMorgan (or any of its Affiliates) in respect of the Master Confirmation or any Transaction under the Master Confirmation.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Luther C. Kissam IV, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Albemarle Corporation for the period ended June 30, 2013;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 19, 2013

/s/ LUTHER C. KISSAM IV

Luther C. Kissam IV
Chief Executive Officer and Director

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Scott A. Tozier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Albemarle Corporation for the period ended June 30, 2013;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 19, 2013

/s/ SCOTT A. TOZIER

Scott A. Tozier
Senior Vice President, Chief Financial Officer and Chief
Accounting Officer

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

In connection with the Quarterly Report on Form 10-Q of Albemarle Corporation (the "Company") for the period ended June 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Luther C. Kissam IV, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ LUTHER C. KISSAM IV

Luther C. Kissam IV

Chief Executive Officer and Director

July 19, 2013

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

In connection with the Quarterly Report on Form 10-Q of Albemarle Corporation (the "Company") for the period ended June 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott A. Tozier, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SCOTT A. TOZIER

Scott A. Tozier

Senior Vice President, Chief Financial Officer and Chief
Accounting Officer

July 19, 2013

