

Albemarle Corporation

Second Quarter 2012 Earnings

Conference Call/Webcast
Wednesday, July 18, 2012
9:00am ET

Forward-Looking Statements

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

Factors that could cause actual results to differ from expectations 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 in our inability to pass through increases; acquisitions and divestitures, and changes in performance of acquired companies; 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 including 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; changes in monetary policies or inflation or interest rates which may impact our ability to raise capital or increase our cost of funds, the performance of our pension fund investments and our pension expense and funding obligations; volatility and substantial uncertainties in the debt and equity markets; technology or intellectual property infringement and other risks; decisions we may make in the future; and the other factors detailed from time to time in the reports we file with the SEC, including those under “Risk Factors” in our Annual Report for the period December 31, 2011 on Form 10-K and our 2012 Quarterly Reports on Form 10-Q.

Second Quarter 2012 Financial Results

	Q2 2012 (\$ in millions, except EPS)	Year-Over-Year	Sequential
Net Sales	\$ 685	(8%)	(4%)
Segment Income ¹	\$ 175	(3%)	---
Net Income ex SI ²	\$ 111	(2%)	+3%
EBITDA ex SI ^{1,2}	\$ 181	+2%	+2%
Diluted EPS ex SI ²	\$ 1.24	+ 1%	+3%

11th Straight Quarter of Y/Y Earnings Per Share Growth

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

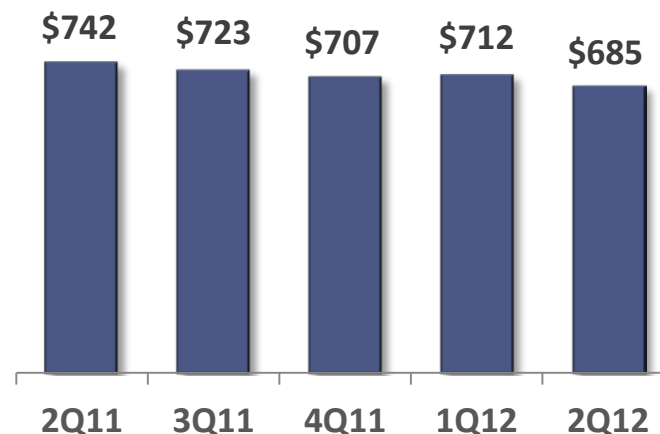
²Reflects Net Income attributable to Albemarle Corporation, excluding special items

Second Quarter Net Sales and Net Income¹

Quarter Highlights

- Net income¹ of \$111M; \$1.24 per share
- Sequential segment margin improvement of 100bps to 26%
- EBITDA of \$181M, +2% Y/Y; EBITDA margin of 26%, + 240 bps Y/Y
- Catalysts and Fine Chemistry profit growth largely offsetting Polymers Y/Y decline
- Continued sequential profit growth in Polymer Solutions
- Negative foreign exchange impact to net sales by 2% and segment income by 1%
- Announced exit of Phosphorus FR business with \$74M after-tax charge

Net Sales
(\$ in millions)



Net Income
(\$ in millions, ex SI)



¹Reflects Net Income attributable to Albemarle Corporation, excluding special items

Fine Chemistry

2nd Qtr Performance

(\$ in millions)	2Q 2012	2Q 2011	△
Net Sales	\$209	\$185	13%
Segment Income	\$44	\$37	17%
Segment Income Margin	21%	20%	100bps

Key Business Highlights

- Strong performance across GBU with record quarterly sales and record segment income
- FCS segment income up strongly with Custom Services margin expansion of ~500bps
- Record specialty bromides earnings due to solid growth in Food Safety and Water Treatment

2nd Qtr Y/Y Sales Comparison

Sales Growth	13%
Volume / Mix	14%
Price	1%
Currency	(2%)

Business Outlook

- Increased demand for clear brine fluids internationally; Gulf of Mexico well completions expected to gradually accelerate through 2H12
- Robust FCS growth opportunities across ag chemicals, specialty pharmaceuticals and renewable chemistry sectors
- Bromine derivatives pricing continues to hold strong

Polymer Solutions

2nd Qtr Performance

<i>(\$ in millions)</i>	2Q 2012	2Q 2011	△
Net Sales	\$247	\$290	(15%)
Segment Income	\$64	\$77	(17%)
Segment Income Margin	26%	27%	(70bps)

Key Business Highlights

- Second quarter of recovery with sequential volume, revenue and profit improvement and Q/Q segment margin expansion of 240bps
- Sequential volume gains evident within connectors, wire and cable and construction
- Mineral FR profits improving on Asia / Middle East strength offsetting Europe weakness
- Overall brominated flame retardant pricing continues to hold

2nd Qtr Y/Y Sales Comparison

Sales Growth	(15%)
Volume / Mix	(14%)
Price	1%
Currency	(2%)

Business Outlook

- End market indicators suggest 2H12 results likely to resemble 1H12
- New products poised to make inroads in new and existing markets, featuring polymeric technologies
- Expect to complete exit of Phosphorus FR business by 2H12

Catalysts

2nd Qtr Performance

(\$ in millions)	2Q 2012	2Q 2011	△
Net Sales	\$229	\$267	(14%)
Segment Income	\$67	\$66	2%
Segment Income Margin	29%	25%	470bps

Key Business Highlights

- Significant Y/Y mix impact on higher FCC and PCS volumes offset by lower HPC volumes
- FCC unit volumes up Y/Y, driving double digit income growth
- Solid PCS performance Y/Y with income up 26% and margin expansion of 500bps
- Weak HPC volumes; LT growth and competitive outlook unchanged

2nd Qtr Y/Y Sales Comparison

Sales Growth	(14%)
Volume / Mix	(12%)
Price	–
Currency	(2%)

Business Outlook

- Refinery catalysts core fundamentals solid
- PCS investments in Korea, Saudi Arabia and U.S. capacity expansions on track
- HPC volumes expected to recover in 3Q before approaching record levels in 4Q
- Favorable specialty organometallics growth outlook

Financial Performance

Free Cash Flow

(\$ in millions)

Six Months Ended June 30

	<u>2012</u>	<u>2011</u>
Net Income ¹	\$146	\$221
Restructuring and other charges	95	—
Depreciation & Amortization	49	47
Change in Working Capital	(122)	(99)
Other ²	17	(23)
Net Cash from Operations	185	146
Less: Capital Expenditures	(127)	(68)
Add Back: Pension Contributions	5	56

Free Cash Flow	\$63	\$134
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¹Reflects Net Income attributable to Albemarle Corporation

²Includes pension contributions of \$5 for 2012 and \$56 for 2011

³Effective tax rate 25.7%, excluding SI

⁴Excludes JV Debt not guaranteed by Company

1H12 Financial Highlights

(\$ in millions)

- Net Working Capital: \$601
- Dividends Paid: \$33
- Dividends per share up: 21%
- Cash balance: \$462
- Effective Tax Rate³: 27.5%
- Net Debt⁴: \$274

FCF Lower Y/Y Due to Strategic Investments and Higher Working Capital

APPENDIX

Non-GAAP Reconciliations

Segment Operating Profit & Segment Income

(\$ in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Total segment operating profit	\$ 165,698	\$ 174,923	\$ 335,749	\$ 340,844
Corporate & other *	(18,548)	(25,828)	(40,453)	(49,387)
Restructuring and other charges	<u>(94,703)</u>	<u>—</u>	<u>(94,703)</u>	<u>—</u>
GAAP Operating profit	<u>\$ 52,447</u>	<u>\$ 149,095</u>	<u>\$ 200,593</u>	<u>\$ 291,457</u>
Total segment income	\$ 174,927	\$ 180,180	\$ 349,190	\$ 351,780
Corporate & other	(18,571)	(25,833)	(40,473)	(49,427)
Restructuring and other charges	(94,703)	—	(94,703)	—
Interest and financing expenses	(8,486)	(9,274)	(17,220)	(18,866)
Other expenses, net	(688)	(760)	(806)	(422)
Income tax expense	<u>(14,747)</u>	<u>(30,154)</u>	<u>(50,213)</u>	<u>(62,326)</u>
GAAP Net income attributable to Albemarle Corporation	<u>\$ 37,732</u>	<u>\$ 114,159</u>	<u>\$ 145,775</u>	<u>\$ 220,739</u>

* Excludes corporate equity income and noncontrolling interest adjustments of \$(23) and \$(5) for the three-month periods ended June 30, 2012 and 2011, respectively, and \$(20) and \$(40) for the six-month periods ended June 30, 2012 and 2011, respectively.

EBITDA

(\$ in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Net income attributable to Albemarle Corporation	\$ 37,732	\$ 114,159	\$ 145,775	\$ 220,739
Add:				
Interest and financing expenses	8,486	9,274	17,220	18,866
Income tax expense	14,747	30,154	50,213	62,326
Depreciation and amortization	<u>25,214</u>	<u>24,306</u>	<u>49,449</u>	<u>47,310</u>
EBITDA	86,179	177,893	262,657	349,241
Restructuring and other charges	<u>94,703</u>	<u>—</u>	<u>94,703</u>	<u>—</u>
EBITDA excluding special items	<u>\$ 180,882</u>	<u>\$ 177,893</u>	<u>\$ 357,360</u>	<u>\$ 349,241</u>
Net sales	\$ 684,894	\$ 742,108	\$ 1,396,598	\$ 1,438,638
EBITDA Margin	<u>12.6%</u>	<u>24.0%</u>	<u>18.8%</u>	<u>24.3%</u>
EBITDA Margin excluding special items	<u>26.4%</u>	<u>24.0%</u>	<u>25.6%</u>	<u>24.3%</u>

Net Debt

(\$ in thousands)

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Total-Long term debt	\$ 754,824	\$ 771,752
JV debt not guaranteed by Company/ (consolidated but guaranteed by others)	(19,355)	(25,727)
Less Cash and cash equivalents	<u>(461,751)</u>	<u>(490,715)</u>
Net Debt	<u>\$ 273,718</u>	<u>\$ 255,310</u>

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