

# Albemarle Corporation

## First Quarter 2015 Earnings

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Conference Call/Webcast  
Thursday, May 7, 2015  
9:00am ET



# Forward-Looking Statements

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

Factors that could cause actual results to differ materially include, without limitation: changes in economic and business conditions; changes in financial and operating performance of our major customers 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; 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; political instability affecting our manufacturing operations or joint ventures; changes in accounting standards; the inability to achieve results from our global manufacturing cost reduction initiatives as well as our ongoing continuous improvement and rationalization programs; changes in the jurisdictional mix of our earnings and changes in tax laws and rates; changes in monetary policies, inflation or interest rates; volatility and substantial uncertainties in the debt and equity markets; technology or intellectual property infringement; decisions we may make in the future; the ability to successfully operate and integrate Rockwood's operations and realize estimated synergies; and the other factors detailed from time to time in the reports we file with the SEC, including those described under "Risk Factors" in the joint proxy statement / prospectus we filed in connection with the transaction with Rockwood, and in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q. These forward-looking statements speak only as of the date of this presentation. We assume no obligation to provide any revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

# Key Messages

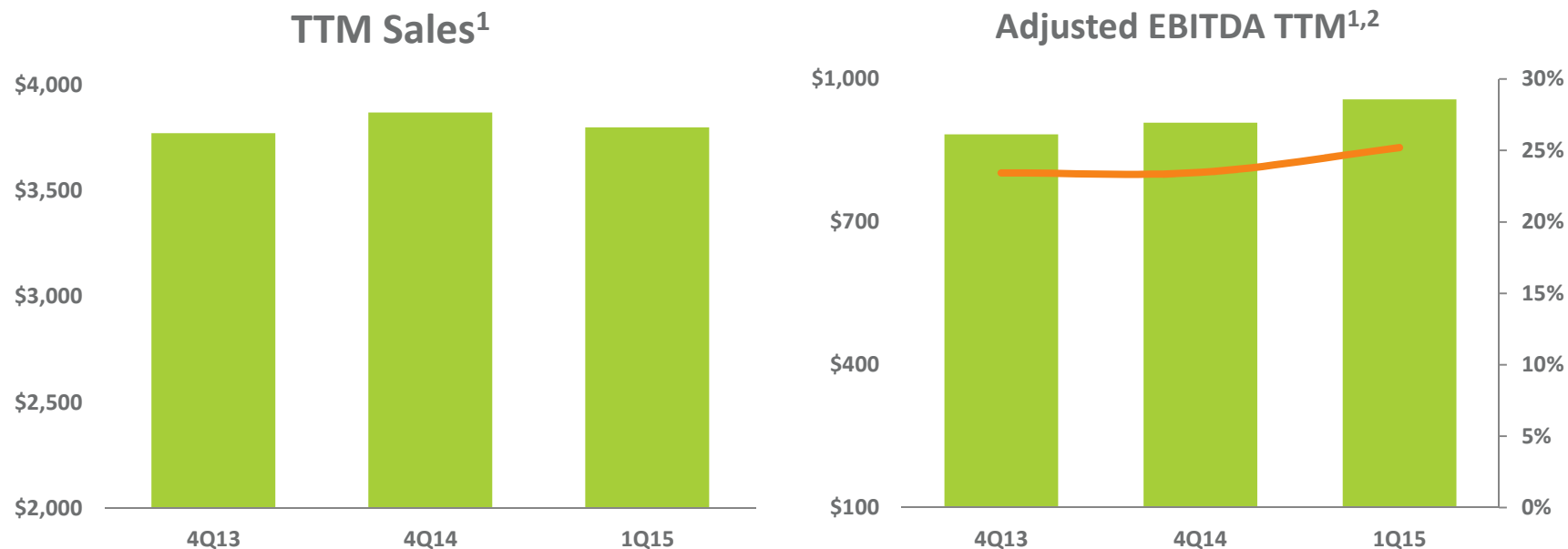
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- Core Q1 EBITDA growth (ex FX) driven by Performance Chemicals, specifically, Performance Catalyst Solutions and Lithium, as well as Chemetall<sup>®</sup> Surface Treatment
- Increasing guidance from \$3.15 - \$3.70 to \$3.65 - \$4.05
  - » Raising lower end of guidance by \$0.20 based on confidence in business performance
  - » Raising guidance by \$0.35 to account for FX gain
    - 1Q15 EPS was positively affected by non-cash FX gain of \$52.4 million before taxes, or \$0.36 per share, related to cash on hand after the ROC acquisition.
  - » Additional downward adjustment of \$0.05 due to the strong dollar
- ~\$40 million in acquisition synergies for 2015 already achieved
  - » Strong employee engagement driving results
- FX headwind has increased to \$50-\$60 million of Adjusted EBITDA<sup>1</sup> compared to 2014

<sup>1</sup>Non-GAAP measure. See Non-GAAP reconciliations in Appendix

# Financial Highlights<sup>1</sup>

(\$ in millions)



- Revenue down modestly due to impact of stronger dollar, decline in Refining Solutions, and the 12 day “stub period” associated with the ROC businesses
  - » The January 12, 2015 acquisition date resulted in 12 fewer days of ROC results in Q1 2015. Revenue and Adjusted EBITDA impact for this “stub period” is \$33 million and \$3.4 million, respectively
- Total company Adjusted EBITDA and Adjusted EBITDA Margins are up due to strong results in Performance Catalyst Solutions, Lithium, and Chemetall<sup>®</sup> Surface Treatment

<sup>1</sup> Historical data is based on proforma results of combining ROC and ALB to allow for meaningful comparisons year over year. See Form 8-k furnished to the SEC in April for detail on historical results.

<sup>2</sup> Non-GAAP measure. See Non-GAAP reconciliations in Appendix

# First Quarter 2015 Financial Results

	Actual 1Q 2015 <sup>4</sup> (\$ in millions, except EPS)	Proforma 1Q 2014 (\$ in millions, except EPS)	As Reported 1Q 2014 (\$ in millions, except EPS)
Net Sales	\$ 884	\$ 954	\$ 600
Adj. Net Sales ex F/X	\$ 926		
Adjusted EBITDA <sup>1,3</sup>	\$ 266	\$ 216	\$ 136
Adj. EBITDA ex FX	\$ 279		
Adjusted EBITDA Margins <sup>1,3</sup>	30%	23%	23%
Adjusted Net Income <sup>1,2</sup>	\$ 127	---	\$ 78
Adjusted Diluted EPS <sup>1,2</sup>	\$ 1.17 <sup>5</sup>	---	\$ 0.98
Free Cash Flow (YTD) <sup>6</sup>	\$ (5)	---	\$ 128

<sup>1</sup> Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

<sup>2</sup> Reflects Net Income attributable to Albemarle Corporation, before discontinued operations and the special and non-operating pension and OPEB items

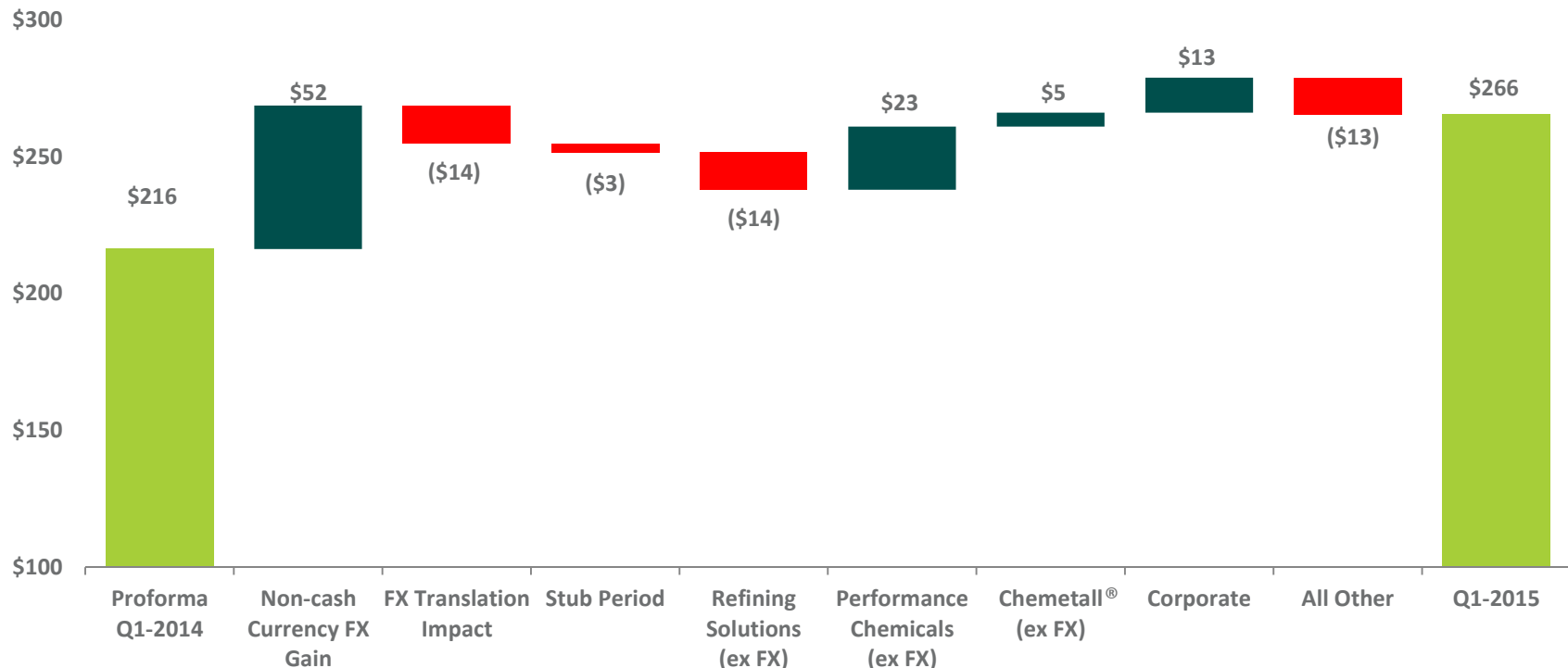
<sup>3</sup> Reflects EBITDA attributable to Albemarle Corporation, before discontinued operations and the special and non-operating pension and OPEB items

<sup>4</sup> 2015 actual results do not include 12 days of ROC earnings (called the Stub Period) at \$33 million in revenue and \$3 million in EBITDA as the acquisition wasn't closed until January 12, 2015.

<sup>5</sup> 1Q15 EPS was positively affected by non-cash FX gains on pre-tax of \$52.4 million or \$0.36 associated with cash on hand subsequent to the ROC acquisition.

<sup>6</sup> Free Cash Flow, non-gaap measure, is defined as Net Cash from Operations, add back pension and post-retirement contributions and subtract capital expenditures. Additionally, FCF for 1Q15 includes estimated cash expenses related to the Rockwood acquisition of ~\$100 million. See p.11 for reconciliation

# First Quarter 2015 Adjusted EBITDA<sup>1</sup> Bridge



- Excluding FX, solid core business growth in 1Q15 except for Refining Solutions
- Other notable Adjusted EBITDA impacts:
  - » Non-cash FX gain of \$52.4 million associated with the re-valuation of currency on hand after the closing of the ROC transaction
  - » Corporate improvement related to synergies and disciplined cost management
  - » FX translation impact of \$14 million on the stronger dollar
  - » All Other reflects results of businesses planned for divestiture
  - » The Rockwood stub period in January totals Adjusted EBITDA of \$3.4 million

<sup>1</sup>Non-GAAP measure. See Non-GAAP reconciliations in Appendix

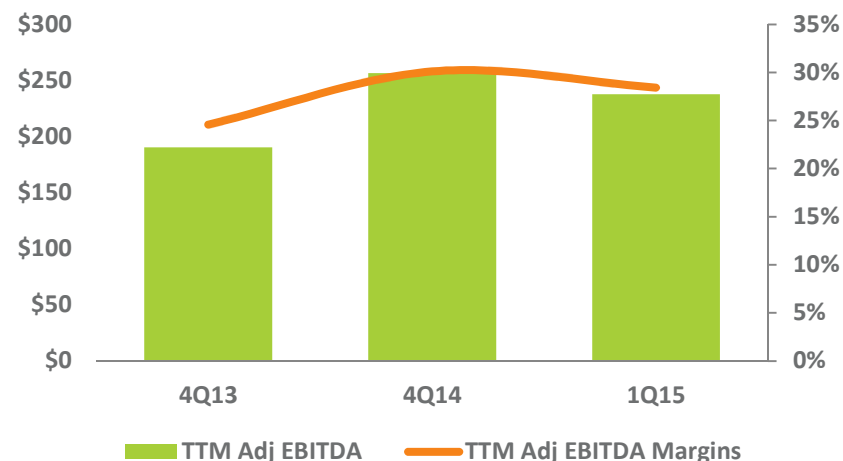
# Refining Solutions

(\$ in millions)

## 1<sup>ST</sup> Qtr Performance

(\$ in millions)	1Q 2015	Proforma 1Q 2014	△
<b>Net Sales</b>	\$179	\$195	(8%)
<i>Adj. Net Sales ex FX</i>	\$189		(3%)
<b>Adj. EBITDA<sup>1</sup></b>	\$42	\$61	(31%)
<i>Adj. EBITDA ex FX</i>	\$47		(23%)
<b>Adj. EBITDA Margin<sup>1</sup></b>	24%	31%	(780 bps)
<i>Adj. EBITDA Margin ex FX</i>	25%		(638 bps)

## Historical Trend



## Performance Drivers

- Heavy Oil Upgrading (FCC) in line with expectations, with 1Q negatively impacted by customer trials. Expectations for the year remain unchanged
- ~\$2 million decrease in Adjusted EBITDA due to higher freight and transportation costs driven by the West Coast port strike
- Clean Fuels Technologies (HPC) results impacted negatively by delayed change outs, weaker mix, and fewer first fill opportunities. Expectations for the year are reduced vs. January view

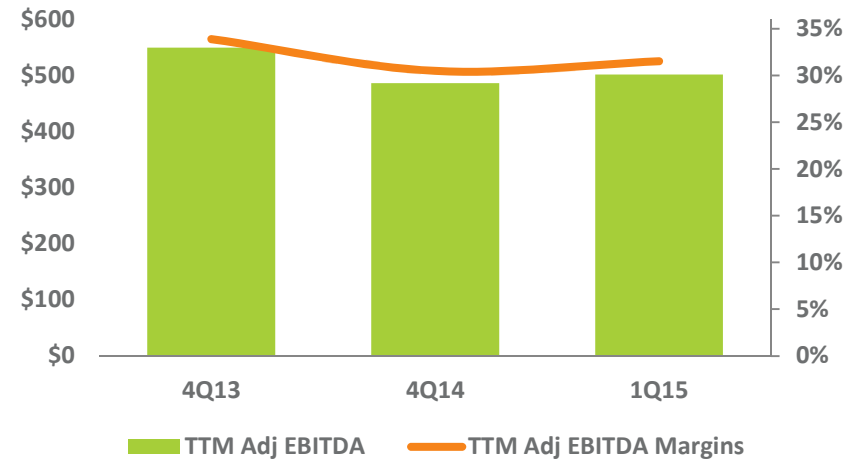
# Performance Chemicals

(\$ in millions)

## 1<sup>st</sup> Qtr Performance

(\$ in millions)	1Q 2015	Proforma 1Q 2014	△
<b>Net Sales</b>	\$388	\$392	(1%)
<i>Adj. Net Sales ex FX</i>	\$403		3%
<b>Adj. EBITDA<sup>1</sup></b>	\$131	\$115	13%
<i>Adj. EBITDA ex FX</i>	\$135		17%
<b>Adj. EBITDA Margin<sup>1</sup></b>	34%	29%	420 bps
<i>Adj. EBITDA Margin ex FX</i>	34%		413 bps

## Historical Trend



## Performance Drivers

- Lithium, **excluding stub period and FX**, grew adjusted revenue and adjusted EBITDA by ~17% and ~34%, respectively. Talison JV performance and spodumene sales better than expected on both volumes and margins. Reporting \$9.3 million in equity JV income for 1Q
- All Bromine businesses met expectations. Clear Brine Fluids volumes a positive surprise driven by Gulf of Mexico, offsetting weakness in rest of world with second half remaining a concern
- PCS driven by strong demand and order timing, lower raw material costs, and improved plant utilization, all offsetting pricing pressure in organometallics segment



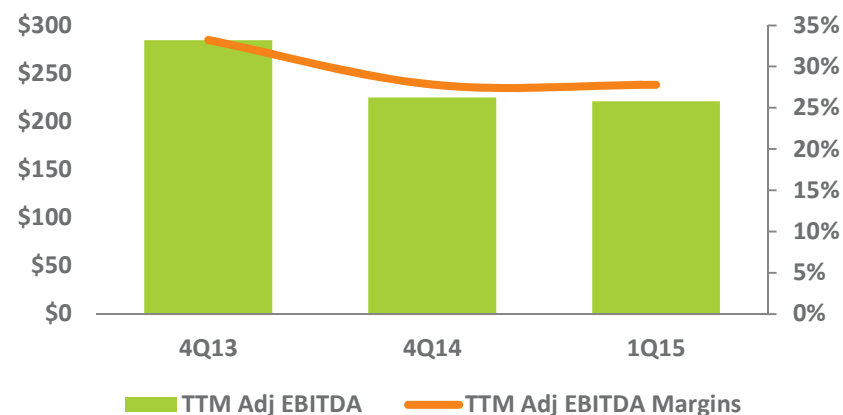
# Performance Chemicals – bromine and lithium detail

(\$ in millions)

## 1<sup>st</sup> Qtr Bromine Performance

(\$ in millions)	1Q 2015	Proforma 1Q 2014	△
<b>Net Sales</b>	\$190	\$203	(7%)
<i>Adj. Net Sales ex FX</i>	\$194		(4%)
<b>Adj. EBITDA<sup>1</sup></b>	\$53	\$57	(7%)
<i>Adj. EBITDA ex FX</i>	\$55		(4%)
<b>Adj. EBITDA Margin<sup>1</sup></b>	28%	28%	(5 bps)
<i>Adj. EBITDA Margin ex FX</i>	28%		21 bps

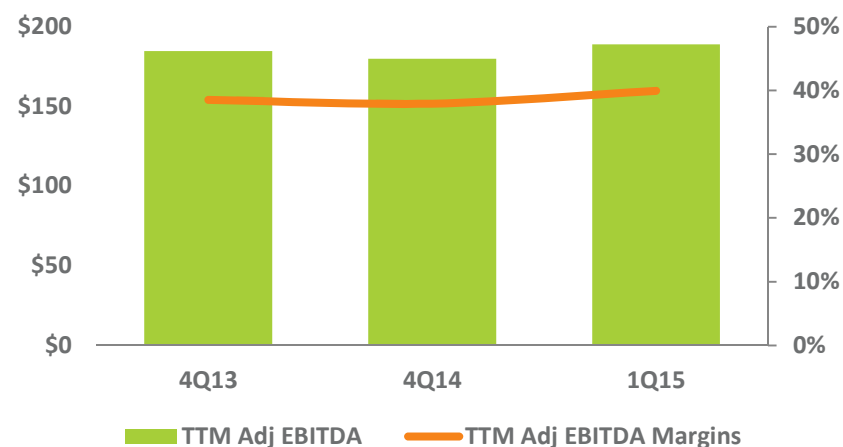
## Bromine Historical Trends



## 1<sup>st</sup> Qtr Lithium Performance

(\$ in millions)	1Q 2015	Proforma 1Q 2014	△
<b>Net Sales</b>	\$114	\$116	(1%)
<i>Adj. Net Sales ex FX</i>	\$123		6%
<b>Adj. EBITDA<sup>1</sup></b>	\$51	\$42	21%
<i>Adj. EBITDA ex FX</i>	\$53		27%
<b>Adj. EBITDA Margin<sup>1</sup></b>	44%	36%	811 bps
<i>Adj. EBITDA Margin ex FX</i>	43%		688 bps

## Lithium Historical Trends



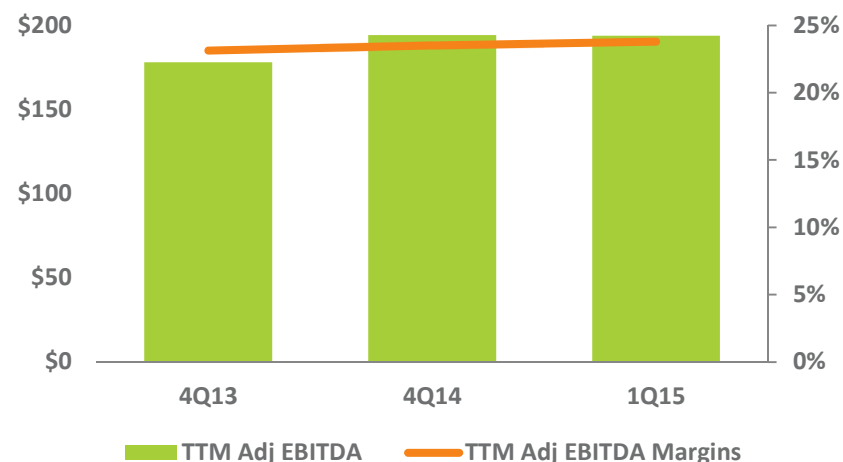
# Chemetall® Surface Treatment

(\$ in millions)

## 1<sup>st</sup> Qtr Performance

(\$ in millions)	1Q 2015	Proforma 1Q 2014	△
<b>Net Sales</b>	\$192	\$204	(6%)
<i>Adj. Net Sales ex FX</i>	\$201		(1%)
<b>Adj. EBITDA<sup>1</sup></b>	\$46	\$46	(1%)
<i>Adj. EBITDA ex FX</i>	\$49		6%
<b>Adj. EBITDA Margin<sup>1</sup></b>	24%	23%	115 bps
<i>Adj. EBITDA Margin ex FX</i>	24%		169 bps

## Historical Trend



## Performance Drivers

- Chemetall® results in line with expectations with improved volumes and pricing
- Excluding stub period and FX, 1Q15 revenue and Adjusted EBITDA are up 8% and 11%, respectively
- Closed on acquisition of remaining shares of Shanghai JV

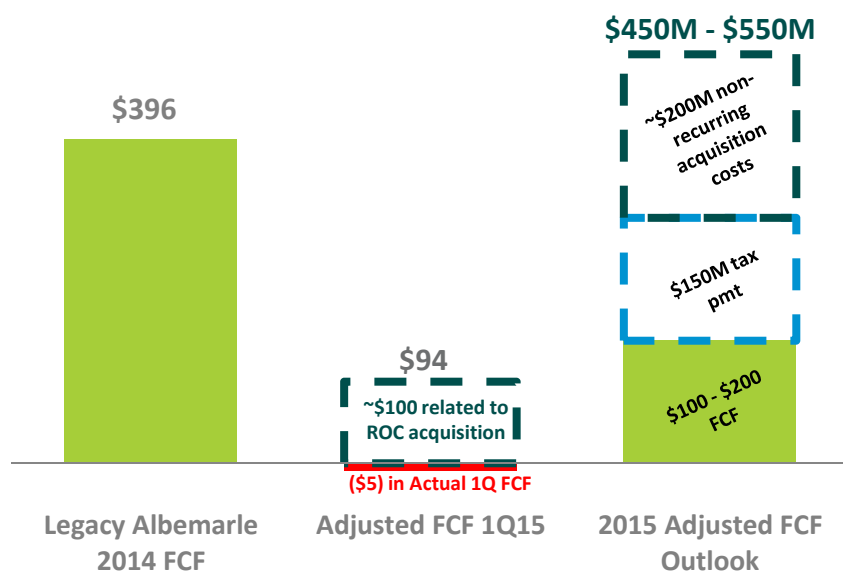
# Financial Performance

## Three Months Ended March 31

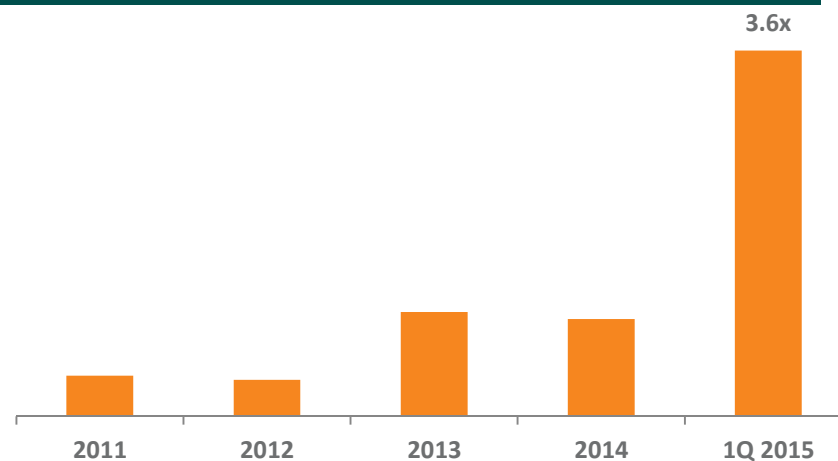
(\$ in millions)	2015	2014 <sup>1</sup>
Net Cash from Operations	46	149
Less: Capital Expenditures	(57)	(24)
Add Back: Pension Contributions	6	3
<b>Free Cash Flow</b>	<b>(\$5)</b>	<b>\$128</b>

## Select Financial Metrics

(\$ in millions)	(as of 3/31/2015)
• Dividends Paid:	\$22
• Dividend Growth (Y/Y):	11%
• Cash Balance:	\$261
• Net Debt <sup>2</sup> :	\$3,751



## Net-Debt-to-Adj. EBITDA<sup>3</sup>



<sup>1</sup>Free Cash Flow, non-gaap measure, is defined as Net Cash from Operations, add back pension and post-retirement contributions and subtract capital expenditures. 2014 data is based on legacy ALB results.

<sup>2</sup> Excludes JV debt not guaranteed by Company

<sup>3</sup> Net-Debt-to-Adjusted EBITDA ratio is based on the bank covenant definition.

# Strategic Initiatives

	Initiatives	Progress Update
Near term	<b>Achieve \$100 million in synergies</b>	<ul style="list-style-type: none"> <li>Completed in 1Q synergy projects that will deliver \$40 million in savings in 2015 and \$48 million in 2016 (full year impact)</li> <li>On track to achieve \$50 million in 2015 and the full \$100 million in 2016</li> </ul>
	<b>Reorganization and integration update</b>	<ul style="list-style-type: none"> <li>New organizational structure to facilitate growth by combining key businesses</li> <li>As of March 31, 2015, the new management teams are in place</li> <li>Running business operations consistent with new organization</li> <li>Integration running smoothly with high employee engagement</li> </ul>
	<b>Strategic Divestitures of non-core businesses to better position ALB for future growth</b>	<ul style="list-style-type: none"> <li>Actively marketing FCS, Minerals, and Metal Sulfides with a high level of interest</li> <li>Expected time frame on the divestitures remains end of year</li> </ul>
	<b>Tax structure in place to repatriate ~\$3.5b in foreign cash</b>	<ul style="list-style-type: none"> <li>Structure completed at a total cost of ~\$150 million to be paid over the course of 2015</li> <li>Around \$1.7 billion already brought back to US to date</li> </ul>
Longer term	<b>Deliver increased earnings and rapid de-leveraging</b>	<ul style="list-style-type: none"> <li>Albemarle is a premier specialty chemical company with leading positions in all our markets</li> <li>Non-core divestitures and reorganization allows for enhanced focus and allocation of additional resources on core businesses which will drive growth</li> <li>The cash generation power of these businesses positions the Company to rapidly de-lever with a targeted 2.5x Net-Debt-to-EBITDA by 2017</li> </ul>
	<b>Shareholder return</b>	<ul style="list-style-type: none"> <li>Share buy backs currently on hold until leverage gets back to 2 – 2.5x Net-Debt-to-EBITDA range</li> <li>Expect to continue raising dividends. Albemarle has raised the dividend every year since going public 20+ years ago</li> </ul>
	<b>4-6% CAPEX</b>	<ul style="list-style-type: none"> <li>Expansionary CAPEX in the ground except for potential need for additional lithium hydroxide capacity -- to be timed to meet demand</li> </ul>
	<b>Strategic Business Projects</b>	<ul style="list-style-type: none"> <li>FCC formulation plant in Middle East to better serve growing markets</li> <li>Grow battery grade sales to fill La Negra lithium carbonate expansion over the next few years</li> </ul>

# Full Year 2015 Guidance

	Division	Initial Outlook		Updated Outlook	Business Environment
Refining Solutions	Heavy Oil Upgrading				<ul style="list-style-type: none"> <li>Volume growth on increased transportation fuel demand and new business</li> </ul>
	Clean Fuel Technologies				<ul style="list-style-type: none"> <li>Lower oil prices driving customers to lower CAPEX spend causing delayed change outs and in some cases weaker mix</li> </ul>
Performance Chemicals	Bromine				<ul style="list-style-type: none"> <li>Outlook for drilling completion fluids volumes for 1<sup>st</sup> half are favorable for GOM, but remain cautious for 2<sup>nd</sup> half</li> <li>Committed to driving announced 30% pricing increase in bromine (ex. CBF), timing &amp; extent of success to be determined</li> </ul>
	Lithium				<ul style="list-style-type: none"> <li>Meaningful yoy growth driven by combination of full year Talison earnings and strong demand for battery grade lithium</li> <li>Outlook for lithium-ion batteries within consumer devices remains the primary driver</li> </ul>
	PCS / Curatives				<ul style="list-style-type: none"> <li>Outlook for polyolefins remain strong with solid growth and increased demand expected to offset soft pricing in organometallics from industry overcapacity</li> </ul>
Surface Treatment	Surface Treatment				<ul style="list-style-type: none"> <li>Solid underlying market growth in most segments, product mix improvement, and positive price improvement</li> </ul>
Total Company					<ul style="list-style-type: none"> <li>Year over year FX impact ~\$250M on Revenue; Stronger dollar drives an increase in the full-year FX impact on EBITDA of \$50M - \$60M</li> <li>Revenue \$3.7b to \$3.9b – flat to up 7% - ex FX</li> <li>Raising Adjusted EBITDA to \$935M to \$1,000M – up 3-11% ex FX</li> <li>Free Cash Flow \$100M to \$200M</li> <li>Raising Adjusted EPS from \$3.15 to \$3.70 to \$3.65 - \$4.05 on business performance and accounting for one-time currency gain in 1Q15 and stronger dollar</li> </ul>

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