

Albemarle Corporation Third Quarter 2012 Earnings

Conference Call/Webcast
Thursday, Oct 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, changes 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 ability 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 on Form 10-K for the year ended December 31, 2011 and our 2012 Quarterly Reports on Form 10-Q.

Third Quarter 2012 Financial Results

	Q3 2012 (\$ in millions, except EPS)	Year-Over-Year	Sequential
Net Sales	\$ 661	(9%)	(3%)
Segment Income ¹	\$ 146	(22%)	(17%)
Net Income ex SI ^{1,2}	\$ 99	(15%)	(11%)
EBITDA ex SI ^{1,2}	\$ 165	(12%)	(9%)
EBITDA Margins ex SI ^{1,2}	25%	(108 bps)	(142 bps)
Diluted EPS ex SI ^{1,2}	\$ 1.10	(14%)	(11%)

Demonstrating Earnings Power in Soft Economic Environment

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

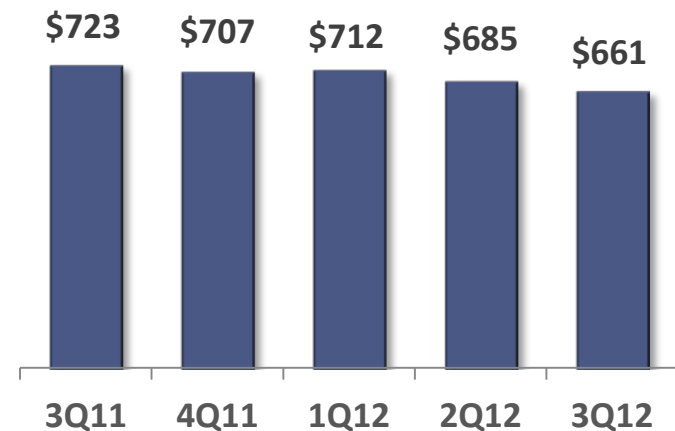
²Reflects Net Income attributable to Albemarle Corporation, excluding special items

Third Quarter Net Sales and Net Income¹

Quarter Highlights

- Net income¹ of \$99M; \$1.10 per share
- EBITDA of \$165M, -12% y/y; EBITDA margin of 25%, -108 bps y/y
- Polymer Solutions delivers 20% margins despite weak electronics and European construction markets.
- Strong Refinery Catalysts volumes partially overcome impact of lower metals surcharges.
- Fine Chemistry net sales up 8% on strong custom services and performance chemicals growth.
- Foreign exchange impacted net sales y/y by -2% and segment income by -3%
- Phosphorus Business exit on track for completion by year-end

Net Sales
(\$ in millions)



Net Income
(\$ in millions, ex SI)



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

Fine Chemistry

3rd Qtr Performance

(\$ in millions)	3Q 2012	3Q 2011	△
Net Sales	\$193	\$180	8%
Segment Income	\$42	\$30	39%
Segment Income Margin	22%	17%	487bps

Key Business Highlights

- Strong international clear brine volumes with late - quarter rise in Gulf of Mexico completions
- Custom Service profits more than tripled y/y driven by new contracts and ag capacity expansion
- Record Specialty Bromides revenue on accelerating Food Safety installations and new product traction
- Softness in Asia/India HBr and Bromine pricing

3rd Qtr Y/Y Sales Comparison

Sales Growth	8%
Volume / Mix	13%
Price	(4%)
Currency	(1%)

Business Outlook

- Drilling activity globally as well as in GoM should drive demand for clear completion fluids
- With limited exceptions, pricing across bromine derivatives remains firm
- Custom Services well-positioned to continue delivering growth across in 2013

Polymer Solutions

3rd Qtr Performance

(\$ in millions)	3Q 2012	3Q 2011	△
Net Sales	\$217	\$244	(11%)
Segment Income	\$44	\$55	(20%)
Segment Income Margin	20%	22%	(229bps)

Key Business Highlights

- Broad consumer electronics market weakness
- Construction end market weakness in Europe impacted HBCD volume and Mineral FR pricing
- Lower brominated FR production rates sequentially and y/y
- Pricing holding with pockets of softness in printed wiring board, antioxidants and Mineral FR

3rd Qtr Y/Y Sales Comparison

Sales Growth	(11%)
Volume / Mix	(1%)
Price	(3%)
Phosphorus Business	(4%)
Currency	(3%)

Business Outlook

- Seasonally soft volumes, weak market indicators and continued inventory reductions
- Post-Chinese New Year will provide next indication of electronics demand trajectory
- Expect to complete Phosphorus business exit in 4Q

Catalysts

3rd Qtr Performance

(\$ in millions)	3Q 2012	3Q 2011	△
Net Sales	\$251	\$300	(16%)
Segment Income	\$61	\$102	(40%)
Segment Income Margin	24%	34%	(985bps)

Key Business Highlights

- Lower metal surcharges and metals cost volatility principal driver of weaker refinery catalysts results
- FCC fundamentals strong with near record volume
- Strong sequential recovery in HPC with volumes up +50% with some unfavorable mix
- Performance Catalyst (PCS) results negatively impacted by longer than expected customer turnarounds and customer inventory management

3rd Qtr Y/Y Sales Comparison

Sales Growth	(16%)
Volume / Mix	4%
Price	(18%)
Currency	(2%)

Business Outlook

- Refinery catalysts fundamentals solid with crude slate direction driving growth
- HPC and PCS volumes on track to finish strong with opportunities for continued growth in 2013
- PCS investments in Korea, Saudi Arabia and U.S. on track for start-up

Financial Performance

Free Cash Flow

(\$ in millions)

Nine Months Ended September 30

	<u>2012</u>	<u>2011</u>
Net Income ¹	\$245	\$337
Restructuring and other charges	101	—
Depreciation & Amortization	74	72
Change in Working Capital	(125)	(110)
Other ²	11	(14)
Net Cash from Operations	306	285
Less: Capital Expenditures	(219)	(127)
Add Back: Pension Contributions	20	58

Free Cash Flow	\$107	\$216
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¹Reflects Net Income attributable to Albemarle Corporation

²Includes pension contributions of \$20 for 2012 and \$58 for 2011

³Excluding special items and one-time tax discretely

⁴Excludes JV debt not guaranteed by Company

3Q12 Financial Highlights

(\$ in millions)

- Net Working Capital: \$632
- Dividends Paid YTD: \$51
- Dividends growth Y/Y: +21%
- Share Repurchases YTD: \$40
- Cash balance: \$403
- Effective Tax Rate³: 25.9%
- Net Debt⁴: \$293

Investing Strong Cash from Operations in Growth and Productivity Capital

APPENDIX

Non-GAAP Reconciliations

Segment Operating Profit & Segment Income

(\$ in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Total segment operating profit	\$ 142,937	\$ 183,694	\$ 478,686	\$ 524,538
Corporate & other ¹	(7,993)	(23,385)	(48,446)	(72,772)
Restructuring and other charges	(6,508)	—	(101,211)	—
GAAP Operating profit	<u>\$ 128,436</u>	<u>\$ 160,309</u>	<u>\$ 329,029</u>	<u>\$ 451,766</u>
Total segment income	\$ 145,897	\$ 186,411	\$ 495,087	\$ 538,191
Corporate & other	(7,993)	(23,462)	(48,466)	(72,889)
Restructuring and other charges	(6,508)	—	(101,211)	—
Interest and financing expenses	(7,914)	(9,710)	(25,134)	(28,576)
Other income, net	2,370	956	1,564	534
Income tax expense	(26,591)	(38,097)	(76,804)	(100,423)
GAAP Net income attributable to Albemarle Corporation	<u>\$ 99,261</u>	<u>\$ 116,098</u>	<u>\$ 245,036</u>	<u>\$ 336,837</u>

¹ Excludes corporate equity income and noncontrolling interest adjustments of \$(77) for the three-month period ended September 30, 2011, and \$(20) and \$(117) for the nine-month periods ended September 30, 2012 and 2011, respectively.

Net Income and EBITDA

(\$ in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income attributable to Albemarle Corporation	\$ 99,261	\$ 116,098	\$ 245,036	\$ 336,837
Add:				
Restructuring and other charges, net of tax	4,114	—	77,704	—
Less:				
Discrete net tax benefits	(4,490)	—	(4,490)	—
Net income attributable to Albemarle Corporation excluding special items	\$ 98,885	\$ 116,098	\$ 318,250	\$ 336,837
Net income attributable to Albemarle Corporation	\$ 99,261	\$ 116,098	\$ 245,036	\$ 336,837
Add:				
Interest and financing expenses	7,914	9,710	25,134	28,576
Income tax expense	26,591	38,097	76,804	100,423
Depreciation and amortization	24,979	24,616	74,428	71,926
EBITDA	158,745	188,521	421,402	537,762
Restructuring and other charges	6,508	—	101,211	—
EBITDA excluding special items	\$ 165,253	\$ 188,521	\$ 522,613	\$ 537,762
Net sales	\$ 661,226	\$ 722,977	\$ 2,057,824	\$ 2,161,615
EBITDA Margin	24.0%	26.1%	20.5%	24.9%
EBITDA Margin excluding special items	25.0%	26.1%	25.4%	24.9%

Net Debt

(\$ in thousands)

	<u>September 30,</u>	
	<u>2012</u>	<u>2011</u>
Total-Long term debt	\$ 713,734	\$ 891,179
JV debt not guaranteed by Company/ (consolidated but guaranteed by others)	(17,600)	(25,691)
Less Cash and cash equivalents	<u>(402,642)</u>	<u>(481,258)</u>
Net Debt	<u>\$ 293,492</u>	<u>\$ 384,230</u>

Diluted EPS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Diluted earnings per share	\$ 1.10	\$ 1.28	\$ 2.72	\$ 3.66
Add:				
Restructuring and other charges per share, net of tax	0.05	—	0.87	—
Less:				
Discrete tax benefits per share	(0.05)	—	(0.05)	—
Diluted earnings per share excluding special items	\$ 1.10	\$ 1.28	\$ 3.54	\$ 3.66

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