

# Albemarle Corporation

## Second Quarter 2015 Earnings

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Conference Call/Webcast  
Thursday, August 6, 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.

## Non-GAAP Financial Measures

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It should be noted that adjusted net income attributable to Albemarle Corporation (“adjusted earnings”), adjusted diluted earnings per share, adjusted effective income tax rates, segment operating profit, segment income, EBITDA, adjusted EBITDA, adjusted EBITDA by operating segment, EBITDA margin and adjusted EBITDA margin are financial measures that are not required by, or presented in accordance with, accounting principles generally accepted in the United States, or GAAP. These measures are presented here to provide additional useful measurements to review our operations, provide transparency to investors and enable period-to-period comparability of financial performance.

A description of these and other non-GAAP financial measures that we use to evaluate our operations and financial performance, and reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated and reported in accordance with GAAP, can be found in the Appendix to this presentation, which is posted in the Investors section of our website at [www.albemarle.com](http://www.albemarle.com), under “Non-GAAP Reconciliations” under “Financials.”

# Key Messages

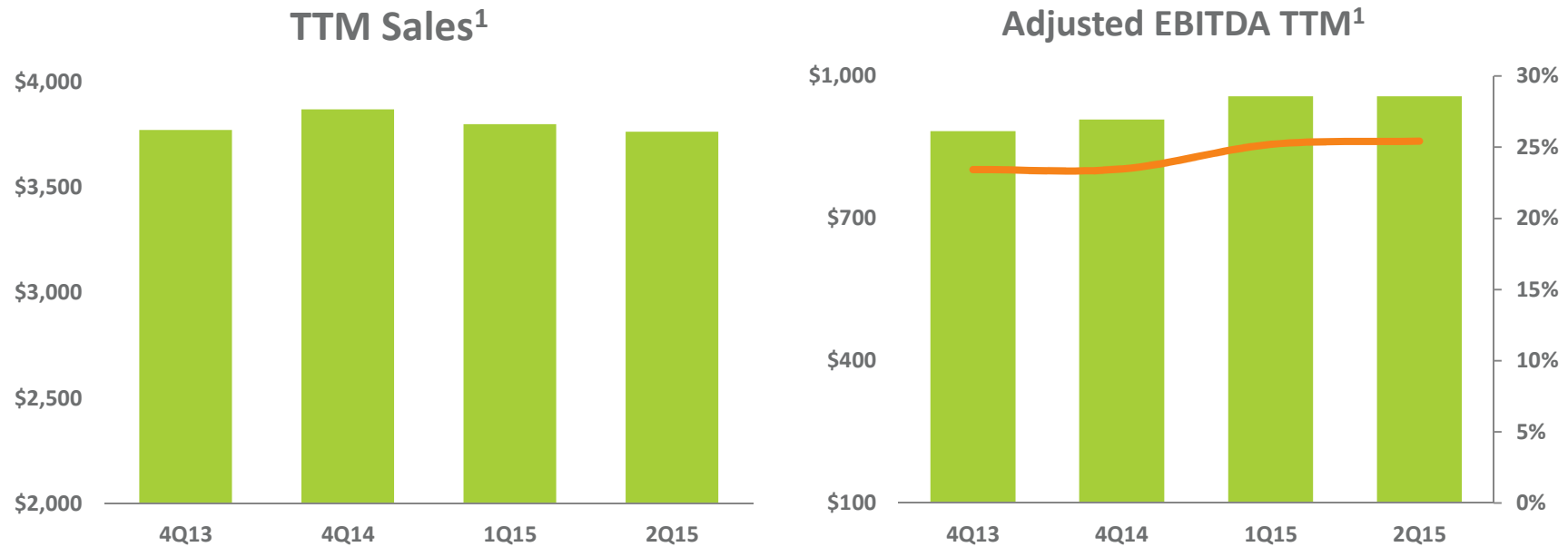
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- Strong performance in all core businesses excluding Clean Fuels Technologies
  - » Performance Chemicals Adjusted EBITDA<sup>1</sup> up over 24% driven by bromine and lithium pricing and volume
    - Q2 benefited from a large methyl bromide order that was expected to be in Q3
  - » Heavy Oil Upgrading profits back up to 2014 levels
  - » Chemetal<sup>®</sup> Surface Treatment sales up 14% on a constant currency basis
- Reaffirming annual EPS guidance of \$3.65 - \$4.05, despite headwind of \$0.03 – \$0.05 due to higher annual tax rate and depreciation
  - » Adjusted EBITDA<sup>1</sup> projected to be \$940 million – \$1 billion
- Integration team has completed projects YTD that will deliver at least \$50 million in savings in 2015
  - » Same projects will result in roughly \$66 million of savings in 2016
- Annual FX headwind remains at \$50-\$60 million of Adjusted EBITDA<sup>1</sup> versus 2014, approximately \$26 million of which was felt in 1H

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

# Financial Highlights<sup>1</sup>

(\$ in millions)



- Sales up 3% on a constant currency basis in the quarter
- Core business Adjusted EBITDA growth of 10% on a constant currency basis with 30% margins
- Strong results in Bromine, Lithium, and Heavy Oil Upgrading

<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.

# Second Quarter 2015 Financial Results

|  | Actual 2Q 2015<br>(\$ in millions, except EPS) | Proforma 2Q 2014<br>(\$ in millions, except EPS) | As Reported 2Q 2014<br>(\$ in millions, except EPS) |
|--|--|--|---|
| Net Sales                              | \$ 932   | \$ 967   | \$ 605  |
| Net Sales ex F/X                       | \$ 1,000                                       |  |   |
| Adjusted EBITDA <sup>1,3</sup>         | \$ 230   | \$ 230   | \$ 145  |
| Adj. EBITDA ex FX                      | \$ 243   |  |   |
| Adjusted EBITDA Margins <sup>1,3</sup> | 25%  | 24%  | 24%   |
| Adjusted Net Income <sup>1,2</sup>     | \$ 95  | ---  | \$ 87   |
| Adjusted Diluted EPS <sup>1,2</sup>    | \$ 0.84  | ---  | \$ 1.10   |
| Free Cash Flow (YTD) <sup>1,4</sup>    | \$ 32  | ---  | \$ 253  |

<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.

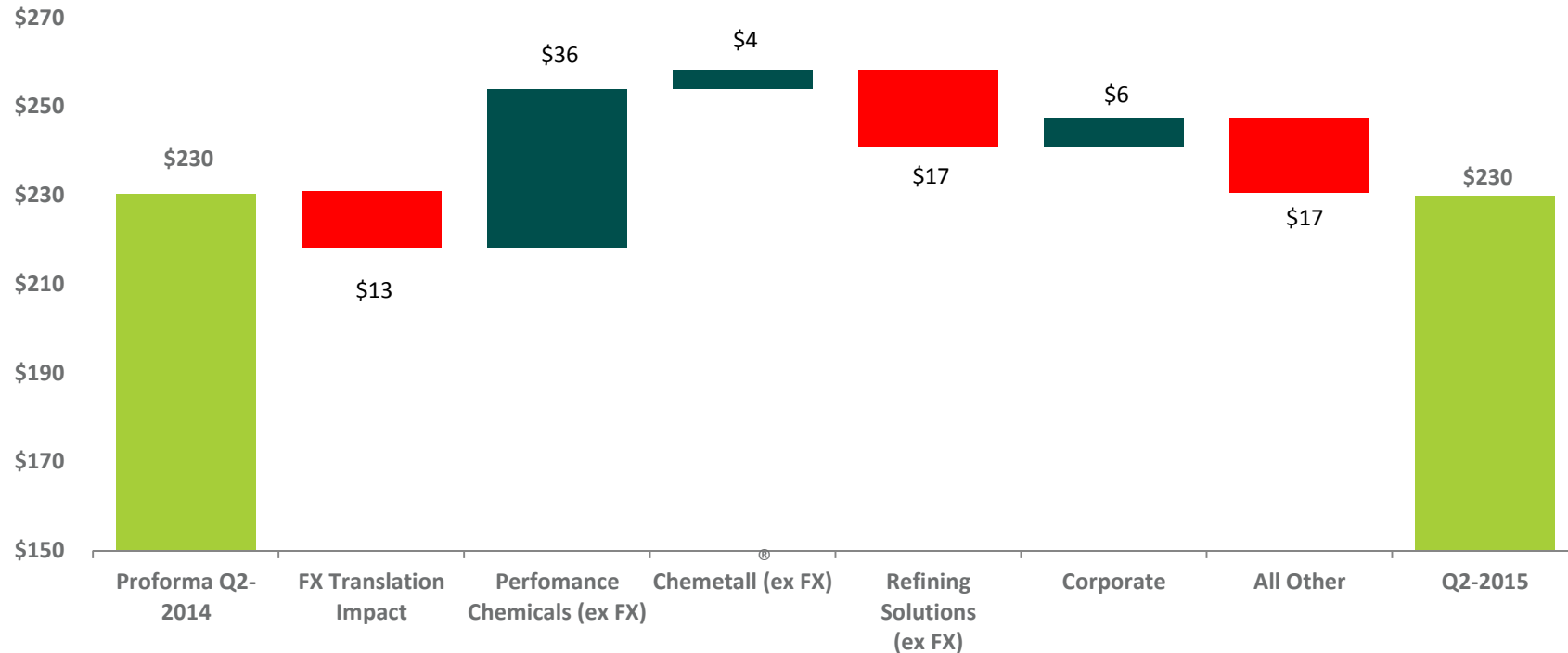
<sup>3</sup>Reflects EBITDA attributable to Albemarle Corporation, before discontinued operations and the special and non-operating pension and OPEB items.

<sup>4</sup>Free Cash Flow is defined as Net Cash from Operations, add back pension and post-retirement contributions and subtract capital expenditures.

Additionally, FCF for YTD 2015 includes approximately \$186 million for acquisition related cash expenses and cash taxes on repatriation. See Appendix for reconciliation.

# Second Quarter 2015 Adjusted EBITDA Bridge

(\$ in millions)



- Across the board, core business growth in 2Q15 except for Clean Fuels Technologies within Refining Solutions
- FX translation impact of \$13 million – primarily euro and yen related
- Synergies continue to be ahead of schedule
- All Other reflects results of other businesses planned for divestiture; decline isolated to Fine Chemistry Services

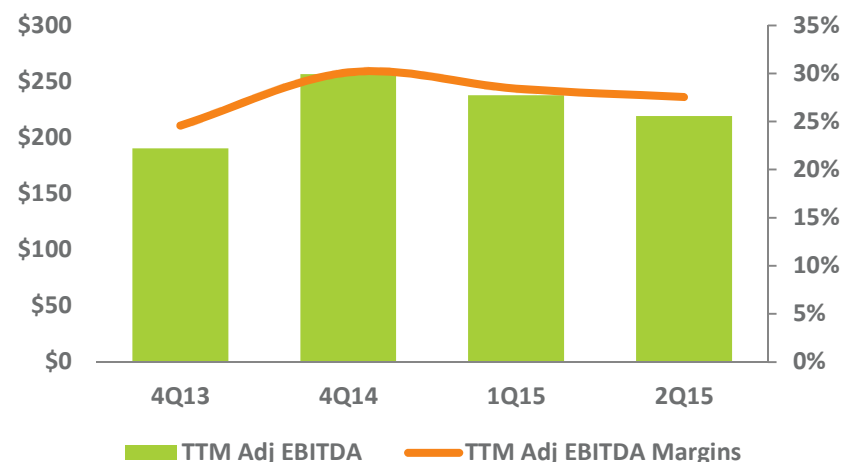
# Refining Solutions

(\$ in millions)

## 2<sup>nd</sup> Qtr Performance

| (\$ in millions)                    | 2Q 2015 | Proforma<br>2Q 2014 | △         |
|-------------------------------------|---------|---------------------|-----------|
| <b>Net Sales</b>                    | \$165   | \$205               | (20%)     |
| <i>Net Sales ex FX</i>              | \$172   |                     | (16%)     |
| <b>Adj. EBITDA</b>                  | \$48    | \$67                | (28%)     |
| <i>Adj. EBITDA ex FX</i>            | \$49    |                     | (26%)     |
| <b>Adj. EBITDA Margin</b>           | 29%     | 33%                 | (320 bps) |
| <i>Adj. EBITDA Margin<br/>ex FX</i> | 28%     |                     | (385 bps) |

## Historical Trend



## Performance Drivers

- Heavy Oil Upgrading (FCC) volumes and profitability recovered as expected. Secured 100% of business subject to commercial trials in first half of the year with multi-year contracts. Business on track for another strong year of growth
- Low oil prices causing delayed change outs and other cost saving initiatives by integrated oil companies, weaker product mix, fewer first fill opportunities, and pricing pressure from euro-based competitors negatively impacting Clean Fuels Technologies (HPC). Expectations for the year are reduced further from April view
- Focus on providing value to customers keeps margins up despite negative Clean Fuels Technologies results



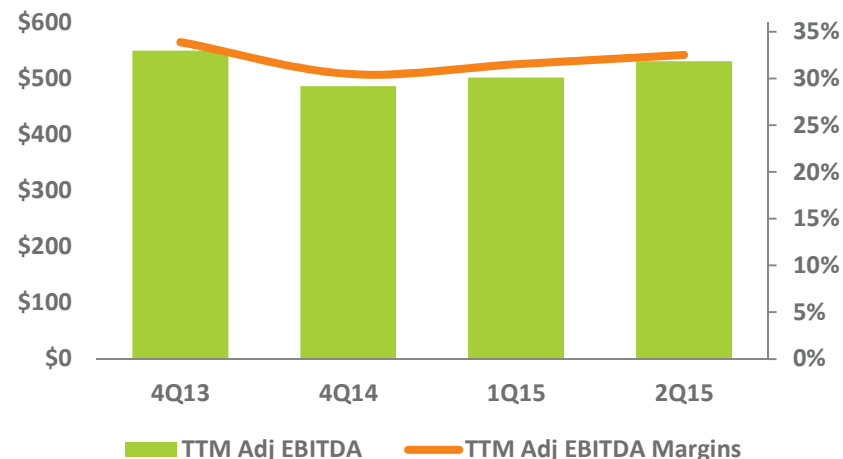
# Performance Chemicals

(\$ in millions)

## 2<sup>nd</sup> Qtr Performance

| (\$ in millions)                    | 2Q 2015 | Proforma<br>2Q 2014 | △       |
|-------------------------------------|---------|---------------------|---------|
| <b>Net Sales</b>                    | \$437   | \$397               | 10%     |
| <i>Net Sales ex FX</i>              | \$459   |                     | 16%     |
| <b>Adj. EBITDA</b>                  | \$149   | \$120               | 24%     |
| <i>Adj. EBITDA ex FX</i>            | \$155   |                     | 30%     |
| <b>Adj. EBITDA Margin</b>           | 34%     | 30%                 | 395 bps |
| <i>Adj. EBITDA Margin<br/>ex FX</i> | 34%     |                     | 373 bps |

## Historical Trend



## Performance Drivers

- Lithium continues to exceed expectations driven by volume growth in battery grade products. Talison JV performance better than expected on both volumes and margins. Overall pricing up 3% year to date before FX with battery grade products up 5%.
- Bromine businesses had a strong quarter driven by improved pricing across the portfolio and volume improvement in our flame retardants business. Clear completion fluids held up in the Gulf of Mexico, but expected to decline in 2H. Industrial bromides benefited from large order moving up to 2Q from 3Q, but no impact on full year results.
- PCS driven by strong curatives demand and pricing

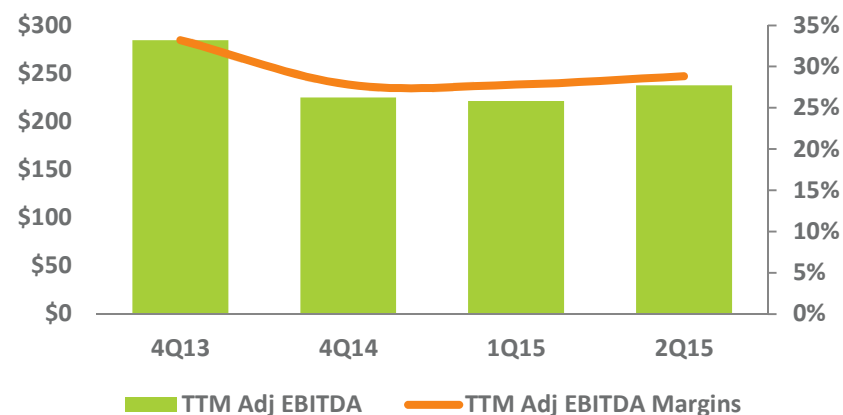
# Performance Chemicals – bromine and lithium detail

(\$ in millions)

## 2<sup>nd</sup> Qtr Bromine Performance

| (\$ in millions)                | 2Q 2015 | Proforma<br>2Q 2014 | △       |
|---------------------------------|---------|---------------------|---------|
| <b>Net Sales</b>                | \$224   | \$196               | 14%     |
| <i>Net Sales ex FX</i>          | \$231   |                     | 18%     |
| <b>Adj. EBITDA</b>              | \$69    | \$53                | 30%     |
| <i>Adj. EBITDA ex FX</i>        | \$73    |                     | 38%     |
| <b>Adj. EBITDA Margin</b>       | 31%     | 27%                 | 382 bps |
| <i>Adj. EBITDA Margin ex FX</i> | 32%     |                     | 461 bps |

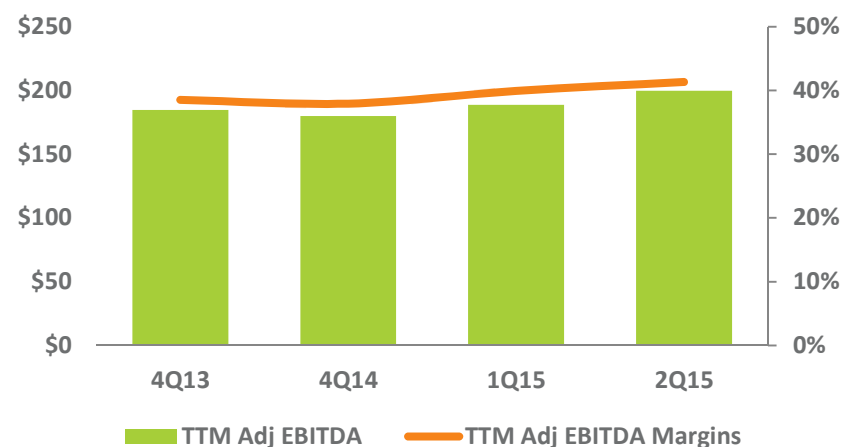
## Bromine Historical Trends



## 2<sup>nd</sup> Qtr Lithium Performance

| (\$ in millions)                | 2Q 2015 | Proforma<br>2Q 2014 | △       |
|---------------------------------|---------|---------------------|---------|
| <b>Net Sales</b>                | \$127   | \$117               | 9%      |
| <i>Net Sales ex FX</i>          | \$139   |                     | 19%     |
| <b>Adj. EBITDA</b>              | \$54    | \$43                | 26%     |
| <i>Adj. EBITDA ex FX</i>        | \$54    |                     | 28%     |
| <b>Adj. EBITDA Margin</b>       | 43%     | 37%                 | 584 bps |
| <i>Adj. EBITDA Margin ex FX</i> | 39%     |                     | 275 bps |

## Lithium Historical Trends



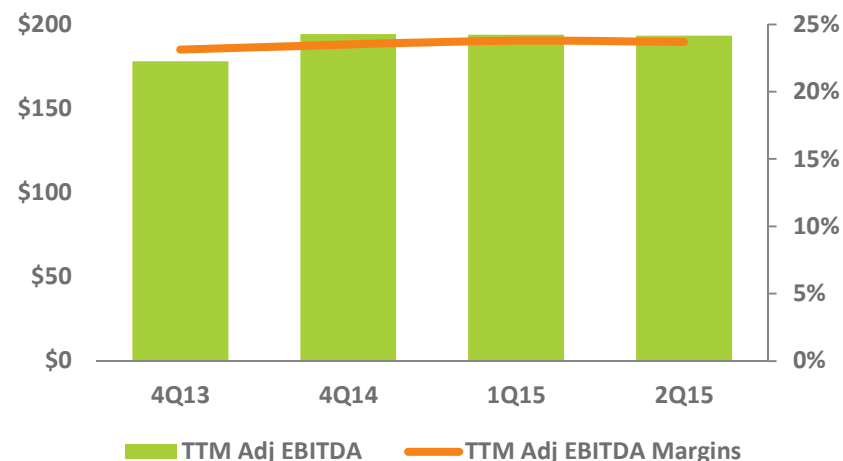
# Chemetall® Surface Treatment

(\$ in millions)

## 2<sup>nd</sup> Qtr Performance

| (\$ in millions)                    | 2Q 2015 | Proforma<br>2Q 2014 | △         |
|-------------------------------------|---------|---------------------|-----------|
| <b>Net Sales</b>                    | \$213   | \$212               | 0%        |
| <i>Net Sales ex FX</i>              | \$242   |                     | 14%       |
| <b>Adj. EBITDA</b>                  | \$48    | \$49                | (2%)      |
| <i>Adj. EBITDA ex FX</i>            | \$53    |                     | 9%        |
| <b>Adj. EBITDA Margin</b>           | 23%     | 23%                 | (39 bps)  |
| <i>Adj. EBITDA Margin<br/>ex FX</i> | 22%     |                     | (113 bps) |

## Historical Trend



## Performance Drivers

- Results in line with expectations with improved volumes and pricing
- Growth in all regions led by Asia Pacific and North America
- Solid growth in all key markets led by automotive, coil, aerospace and aluminum finishing

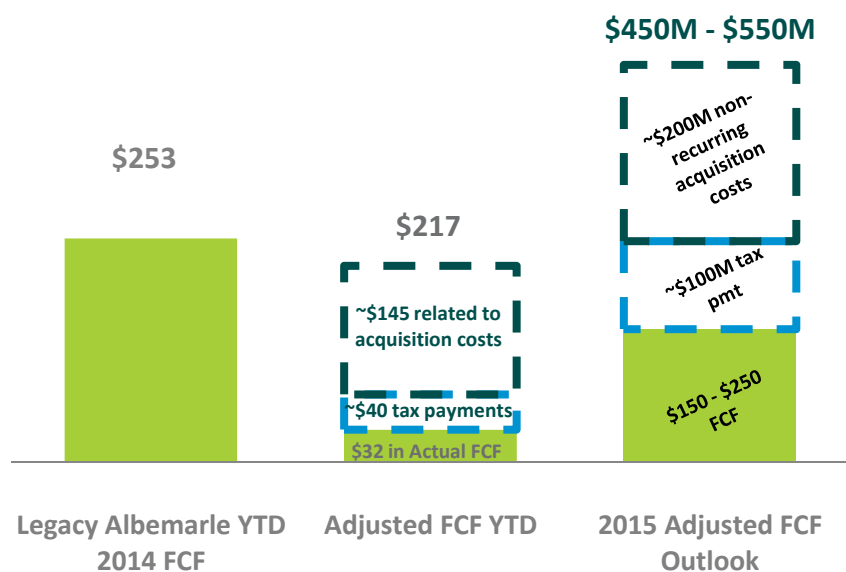
# Financial Performance

## Six Months Ended June 30

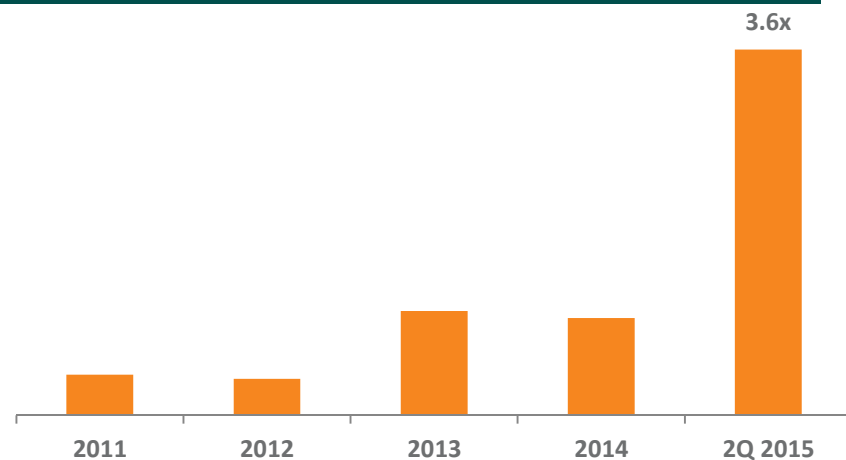
| (\$ in millions)                  | 2015        | 2014         |
|-----------------------------------|-------------|--------------|
| Net Cash from Operations          | 133         | 295          |
| Less: Capital Expenditures        | (112)       | (47)         |
| Add Back: Pension Contributions   | 11          | 5            |
| <b>Free Cash Flow<sup>1</sup></b> | <b>\$32</b> | <b>\$253</b> |

## Select Financial Metrics

| (\$ in millions)                       | (as of 6/30/2015) |
|--|-------------------|
| • Dividends Paid:                      | \$54              |
| • Dividend Growth (Y/Y) <sup>2</sup> : | 5%                |
| • Cash Balance:                        | \$207             |
| • Net Debt <sup>3</sup> :              | \$3,860           |



## Net-Debt-to-Adj. EBITDA<sup>4</sup>



<sup>2</sup> Represents annual increase in dividend per share. Actual cash dividends paid increased 32% Y/Y.

<sup>3</sup> Excludes JV debt not guaranteed by Company.

<sup>4</sup> Net-Debt-to-Adjusted EBITDA ratio is based on the bank covenant definition.

<sup>1</sup> 2014 data is based on legacy ALB results.

# Strategic Initiatives – All on Track

|             | Initiatives   | Progress Update  |
|-------------|---|--|
| Near term   | <b>Achieve \$100 million in synergies</b>                           | <ul style="list-style-type: none"> <li>Completed projects YTD that will deliver at least \$50 million in savings in 2015 and roughly \$66 million in 2016 (full year impact)</li> <li>Team continues to generate new opportunities</li> </ul>  |
|             | <b>Reorganization and integration update</b>                        | <ul style="list-style-type: none"> <li>Company performance already reflecting benefits from new organizational structure</li> <li>Major projects benefiting by drawing people from entire organization with diverse backgrounds and experiences</li> <li>New Johnsonville butyl lithium capacity rationalization</li> </ul>  |
|             | <b>Strategic Divestitures of non-core businesses</b>                | <ul style="list-style-type: none"> <li>Actively marketing FCS, Minerals, and Metal Sulfides with good interest</li> <li>End of year closing remains the goal</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 ~\$100 million to be paid over the course of 2015 and another ~\$50 million in 2016</li> <li>Around \$1.7 billion already brought back to US to date, with another ~\$1.8 billion able to be repatriated with no further tax payments</li> </ul>   |
| Longer term | <b>Deliver increased earnings and rapid de-leveraging</b>           | <ul style="list-style-type: none"> <li>Non-core divestitures and reorganization are allowing enhanced focus / additional resources on core businesses -- Core GBU's delivered adjusted EBITDA margins of 30% in 2Q</li> <li>Free cash flow YTD is within forecasted guidance, and company is on track to achieve targeted 2.5x Net-Debt-to-EBITDA by end of 2017</li> <li>Proceeds from sales of non-core businesses will be used to repay debt</li> </ul> |
|             | <b>Shareholder return</b>   | <ul style="list-style-type: none"> <li>Raised dividend by 5% in Q1 2015 and 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> <li>2015 CAPEX in line with guidance</li> </ul>   |
|             | <b>Strategic Business Projects</b>                                  | <ul style="list-style-type: none"> <li>Customer qualifications to start in 3Q on La Negra lithium carbonate expansion</li> <li>Evaluation of new battery grade lithium hydroxide plant – preliminary design and project review work underway</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. Secured 100% of business subject to commercial trials in 1H of year with multi-year contracts.</li> </ul>  |
|                       | Clean Fuel Technologies |                 |  |                 | <ul style="list-style-type: none"> <li>Delayed change outs and cost control measures by refiners as well as weaker mix and fewer first fills</li> <li>Euro-based competitor pricing pressure</li> </ul>   |
| Performance Chemicals | Bromine                 |                 |  |                 | <ul style="list-style-type: none"> <li>Drilling completion fluids volumes for 1<sup>st</sup> half held up okay in GOM, but weak rest of world. Expect decline in 2<sup>nd</sup> half</li> <li>Net benefit expected from previously announced 30% price increase</li> </ul>  |
|                       | Lithium                 |                 |  |                 | <ul style="list-style-type: none"> <li>Meaningful growth driven by combination of full year Talison earnings, strong demand and improved pricing for battery grade lithium</li> </ul>   |
|                       | PCS / Curatives         |                 |  |                 | <ul style="list-style-type: none"> <li>Outlook for polyolefins remain strong with solid growth and increased demand expected</li> <li>Competitive environment and demand for Curatives leading to further improvement for full year</li> </ul>  |
| Surface Treatment     | Surface Treatment       |                 |  |                 | <ul style="list-style-type: none"> <li>Solid underlying market growth in most segments, product mix improvement, positive price improvement and acquisition benefits</li> </ul>   |
| Total Company         |                         |                 |  |                 | <ul style="list-style-type: none"> <li>YoY FX impact ~\$250M on Sales and \$50 – \$60M on EBITDA</li> <li>Sales \$3.6b to \$3.8b – flat to up 3% - ex FX</li> <li>Raising Adjusted EBITDA to \$940M to \$1,000M – up 3-11% ex FX</li> <li>Margins increasing to 24%-26% excluding Q1 FX gain</li> <li>Free Cash Flow \$150M to \$250M</li> <li>Reaffirming Adjusted EPS of \$3.65 to \$4.05 despite headwind of \$0.03 – \$0.05 due to higher annual tax rate and depreciation</li> </ul> |

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