

Albemarle Corporation First Quarter 2013 Earnings

Conference Call/Webcast
Thursday, April 18, 2013
9:00am ET

The background of the slide features a blue-tinted image of laboratory glassware, including several round-bottom flasks and beakers, some containing liquids. A white hexagonal molecular lattice pattern is overlaid on the lower portion of the image. In the bottom left corner, the Albemarle logo is displayed, consisting of a stylized 'A' symbol followed by the word 'ALBEMARLE' and a registered trademark symbol.

 ALBEMARLE®

Forward-Looking Statements

Some of the information presented in this presentation and discussions that follow, including, without limitation, statements with respect to product development, changes in productivity, market trends, price, volume and mix changes, expected growth and earnings, input costs, surcharges, tax rates, stock repurchases, dividends, 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, 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 of 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; 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; 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 described under “Risk Factors” in our Annual Report on Form 10-K and our 2013 Quarterly Reports on Form 10-Q.

First Quarter 2013 Financial Results

	Q1 2013 (\$ in millions, except EPS)	Year-Over-Year	Sequential
Net Sales	\$ 642	(10%)	(7%)
Segment Income ¹	\$ 134	(26%)	(11%)
Net Income ex SI ^{1,2}	\$ 83	(27%)	(20%)
EBITDA ex SI ^{1,3}	\$ 139	(25%)	(14%)
EBITDA Margins ex SI ^{1,3}	22%	(420bps)	(170bps)
Diluted EPS ex SI ^{1,2}	\$ 0.93	(26%)	(21%)

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

²Reflects Net Income attributable to Albemarle Corporation, excluding special and non-operating items

³Reflects EBITDA attributable to Albemarle Corporation, excluding special and non-operating items

First Quarter Net Sales and Net Income¹

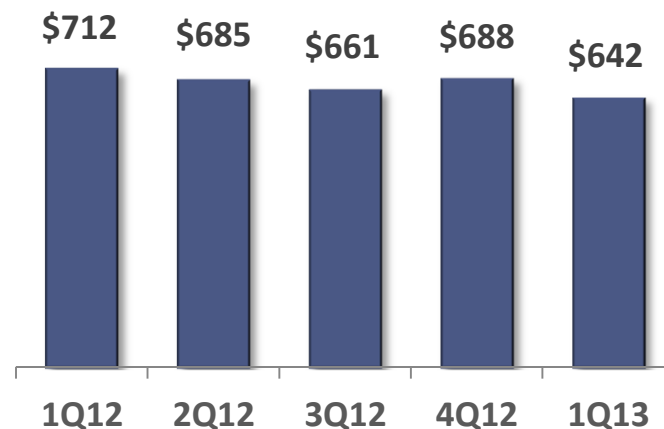
Financial Highlights

- Q1 2013 net income¹ of \$83M; \$0.93 per share
- Q1 2013 EBITDA² of \$139M, EBITDA margin of 22%
- Foreign currency movements (mostly Yen) reduced Q1 EBITDA by \$6M
- Increased dividend 20% and commenced share buyback program to reduce share count by 10%
- Catalysts y/y results impacted by lower metals surcharges, FCC customer turnarounds, HPC mix and PCS start-up costs
- Polymer Solutions results were sequentially stronger on favorable factory operating rates and improved volumes in BFR, MFR and additives
- Fine Chemistry results benefitted y/y from strong completion fluids demand, offset by weaker custom manufacturing

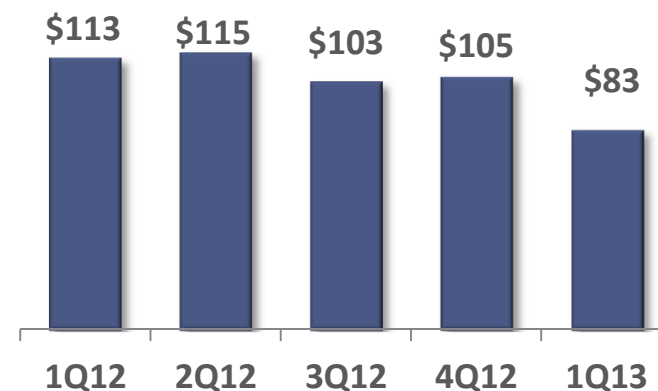
¹ Reflects Net Income attributable to Albemarle Corporation, excluding special items

² Reflects EBITDA attributable to Albemarle Corporation, excluding special items

Net Sales
(\$ in millions)



Net Income
(\$ in millions, ex SI)



Fine Chemistry

1st Qtr Performance

(\$ in millions)	1Q 2013	1Q 2012	△
Net Sales	\$191	\$190	1%
Segment Income	\$31	\$41	(24%)
Segment Income Margin	16%	22%	(518bps)

1st Qtr Y/Y Sales Comparison

Sales Growth	1%
Volume / Mix	5%
Price	(4%)
Currency	--

Key Business Highlights

- Record quarter for Industrial Bromides revenue and segment income, principally driven by clear completion volumes doubling y/y
- Strong Specialty Bromides sales y/y mainly driven by higher Food Safety antimicrobial volumes
- Custom Services volume and profit levels down y/y and q/q on lower deliveries
- Continued pricing pressure in China and India on HBr and elemental bromine

Business Outlook

- Strong global offshore drilling activity expected to continue supporting completion fluid demand
- Custom Services should improve in 2H based on anticipated new production
- Continued growth in Specialty Bromides

Polymer Solutions

1st Qtr Performance

(\$ in millions)	1Q 2013	1Q 2012	△
Net Sales	\$215	\$228	(6%)
Segment Income	\$45	\$55	(18%)
Segment Income Margin	21%	24%	(320bps)

Key Business Highlights

- Modest flame retardant sales and segment income increase q/q, despite continued soft electronics and European end markets on improved factory operating rates
- Varying degrees of pricing weakness evident in enclosures, printed wiring board and construction
- Strong y/y growth in antioxidant sales and profits on growing global volumes and improved mix

1st Qtr Y/Y Sales Comparison

Sales Growth	(6%)
Volume / Mix	5%
Price	(5%)
Phosphorus Business	(5%)
Currency	(1%)

Business Outlook

- Uncertainty regarding electronics demand likely to persist through 1H13 based on order book
- European demand outlook for construction and automotive remains weak
- Phosphorous exit announced 2Q12 largely completed in 1H13

Catalysts

1st Qtr Performance

(\$ in millions)	1Q 2013	1Q 2012	△
Net Sales	\$236	\$294	(20%)
Segment Income	\$57	\$83	(32%)
Segment Income Margin	24%	28%	(421bps)

1st Qtr Y/Y Sales Comparison

Sales Growth	(20%)
Volume / Mix	(8%)
Price	(12%)
Currency	--

Key Business Highlights

- Revenue, volumes and segment income lower due to metals surcharges, HPC mix, FCC turnarounds and PCS start up costs
- Segment pricing driven by lower metals surcharges
- Korea and Saudi Arabian plant starting up; focused on producing product and customer qualifications

Business Outlook

- Refinery catalysts fundamentals solid; 1H13 tempered by less favorable HPC mix and loss of volume due to FCC customer turnarounds
- Expect PCS growth in 2H driven by stable customer operating rates, market shift toward metallocenes and LED market adoption
- Investments in Korea and Saudi Arabia create headwind during 1H13 customer qualification / pre-commercial production phase

Financial Performance

Free Cash Flow

(\$ in millions)

Three Months Ended March 31

	<u>2013</u>	<u>2012</u>
Net Income ¹	\$84	\$114
Depreciation & Amortization	25	24
Change in Working Capital	(13)	(33)
Other ²	3	19
Net Cash from Operations	99	124
Less: Capital Expenditures	(55)	(55)
Add Back: Pension Contributions	2	3
Free Cash Flow	\$46	\$72

¹Reflects Net Income attributable to Albemarle Corporation

²Includes pension contributions of \$2 for 2013 and \$3 for 2012

³Excluding non-operating items

⁴Excludes JV debt not guaranteed by Company

Other Financial Highlights as of 3/31/2013

(\$ in millions)

- Net Working Capital: \$567
- Dividends Paid: \$18
- Dividends growth Y/Y: +20%
- Share Repurchases: \$61
- Cash balance: \$435
- Effective Tax Rate³: 24.6%
- Net Debt⁴: \$246

APPENDIX

Non-GAAP Reconciliations

Segment Operating Profit & Segment Income

(\$ in thousands)

	Three Months Ended	
	March 31,	
	2013	2012
Total segment operating profit	\$ 128,893	\$ 175,551
Corporate & other ¹	<u>(14,006)</u>	<u>(17,624)</u>
GAAP Operating profit	<u>\$ 114,887</u>	<u>\$ 157,927</u>
Total segment income	\$ 133,625	\$ 179,763
Corporate & other	(14,006)	(17,621)
Interest and financing expenses	(5,231)	(8,734)
Other expenses, net	(4,209)	(118)
Income tax expense	<u>(26,192)</u>	<u>(39,028)</u>
GAAP Net income attributable to Albemarle Corporation	<u>\$ 83,987</u>	<u>\$ 114,262</u>

¹ Excludes corporate equity income and noncontrolling interest adjustments of \$3 for the three-month period ended March 31, 2012.

Net Income and EBITDA

(\$ in thousands)

	Three Months Ended	
	March 31,	
	2013	2012
Net income attributable to Albemarle Corporation	\$ <u>83,987</u>	\$ <u>114,262</u>
Add back:		
Non-operating pension and OPEB adjustments (net of tax)	<u>(1,297)</u>	<u>(1,703)</u>
Net income attributable to Albemarle Corporation excluding non-operating items	\$ <u>82,690</u>	\$ <u>112,559</u>
Net income attributable to Albemarle Corporation	\$ <u>83,987</u>	\$ <u>114,262</u>
Add back:		
Interest and financing expenses	5,231	8,734
Income tax expense	26,192	39,028
Depreciation and amortization	<u>25,244</u>	<u>24,235</u>
EBITDA	140,654	186,259
Non-operating pension and OPEB adjustments	<u>(2,069)</u>	<u>(2,694)</u>
EBITDA excluding non-operating items	\$ <u>138,585</u>	\$ <u>183,565</u>
Net sales	\$ <u>641,625</u>	\$ <u>711,704</u>
EBITDA Margin	<u>21.9%</u>	<u>26.2%</u>
EBITDA Margin excluding non-operating items	<u>21.6%</u>	<u>25.8%</u>

Net Debt

(\$ in thousands)

	March 31,	
	2013	2012
Total-Long term debt	\$ 695,820	\$ 756,661
JV debt not guaranteed by Company/ (consolidated but guaranteed by others)	(14,499)	(21,680)
Less Cash and cash equivalents	<u>(434,904)</u>	<u>(519,359)</u>
Net Debt	<u>\$ 246,417</u>	<u>\$ 215,622</u>

Diluted EPS

	Three Months Ended	
	March 31,	
	2013	2012
Diluted earnings per share	\$ <u>0.94</u>	\$ <u>1.27</u>
Non-operating items		
Non-operating pension and OPEB adjustments	<u>(0.01)</u>	<u>(0.02)</u>
Diluted earnings per share excluding non-operating items	\$ <u>0.93</u>	\$ <u>1.25</u>

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