

Albemarle Corporation Third Quarter 2013 Earnings

Conference Call/Webcast
Thursday, October 17, 2013
9:00am ET



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 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, 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, including cyber security breaches, and other innovation 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 described under “Risk Factors” in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

Third Quarter 2013 Financial Results

	Q3 2013 (\$ in millions, except EPS)	Year-Over-Year	Sequential
Net Sales	\$ 649	(2%)	2%
Segment Income ¹	\$ 136	(10%)	6%
Net Income ex SI ^{1,2}	\$ 89	(13%)	9%
EBITDA ex SI ^{1,3}	\$ 153	(11%)	12%
EBITDA Margins ex SI ^{1,3}	24%	(171bps)	203bps
Diluted EPS ex SI ^{1,2}	\$ 1.09	(5%)	12%

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

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

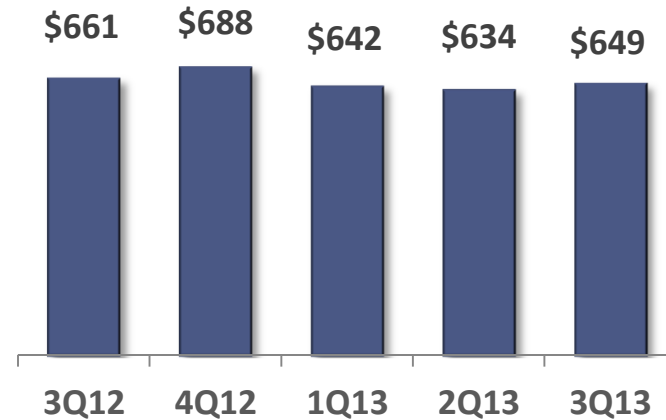
³Reflects EBITDA attributable to Albemarle Corporation, excluding special and non-operating pension and OPEB items

Third Quarter Net Sales and Net Income¹

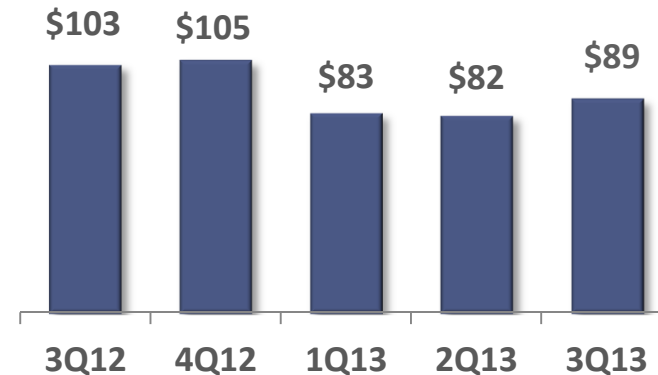
Financial Highlights

- Q3 2013 net income¹ of \$89M; \$1.09 per share
- Q3 2013 EBITDA² of \$153M, EBITDA margin of 24%
- Higher Catalysts volumes offset by lower surcharges, unfavorable mix and new plant start-up costs
- Polymer Solutions continues to face sluggish electronics and European construction trends
- Fine Chemistry higher sequentially on improved custom services results and strong completion fluids demand

Net Sales
(\$ in millions)



Net Income
(\$ in millions, ex SI)



¹Reflects Net Income attributable to Albemarle Corporation, excluding special and non-operating pension and OPEB items

²Reflects EBITDA attributable to Albemarle Corporation, excluding special and non-operating pension and OPEB items

Fine Chemistry

3rd Qtr Performance

(\$ in millions)	3Q 2013	3Q 2012	△
Net Sales	\$198	\$193	3%
Segment Income	\$37	\$44	(15%)
Segment Income Margin	19%	23%	(387bps)

Performance Drivers

- Fine Chemistry Services benefiting from pickup in agriculture, electronics and pharma contracts offset by weak ibuprofen results and contract mix
- Lower Performance Chemicals y/y results despite continued strength in clear completion fluids and specialty bromides volumes due to lower amines pricing, elemental bromine volumes and mix
- HBr and elemental bromine pricing stabilized q/q in China and India, though demand remains soft

3rd Qtr Y/Y Sales Comparison

Sales Growth	3%
Volume / Mix	3%
Price	--
Currency	--

Business Outlook

- Strong global offshore drilling activity expected to continue supporting completion fluid demand
- Continued custom service improvement based on current customer forecasts and building pharmaceutical pipeline

Polymer Solutions

3rd Qtr Performance

(\$ in millions)	3Q 2013	3Q 2012	△
Net Sales	\$224	\$217	3%
Segment Income	\$41	\$45	(8%)
Segment Income Margin	18%	21%	(237bps)

Performance Drivers

- BFR volumes improved y/y, but sluggish demand trends continue within electronics and construction impacting price
- MFR results as expected, reflecting stabilization in Europe and volume growth in China
- Double digit Stabilizers and Curatives revenue and profit growth driven by geographic expansion and lower cost production

3rd Qtr Y/Y Sales Comparison

Sales Growth	3%
Volume / Mix	10%
Price	(4%)
Phosphorus Business	(3%)
Currency	--

Business Outlook

- No sign of electronics or construction improvement in 4Q. Market indicators in line with current order book
- Global TV panel inventory levels remain high; PC shipments projected to continue decline
- European demand outlook for wire and cable in auto market showing signs of stabilization, impacting MFR outlook

Catalysts

3rd Qtr Performance

(\$ in millions)	3Q 2013	3Q 2012	△
Net Sales	\$226	\$251	(10%)
Segment Income	\$57	\$62	(7%)
Segment Income Margin	25%	25%	82bps

Performance Drivers

- Growing HOU catalyst volume but CFT mix and lower metals surcharges pushing revenue down
- Market softness and startup costs continue weighing on PCS results
- HOU pricing higher y/y and q/q; metals contamination in tight oil and heavy resid crude outside U.S. plays to our technology strengths

3rd Qtr Y/Y Sales Comparison

Sales Growth	(10%)
Volume / Mix	(3%)
Price	(7%)
Currency	--

Business Outlook

- 4Q refinery improvement being driven by strong CFT outlook and a continued robust HOU business
- Costs for PCS investments in Korea and Saudi Arabia remain headwinds
- Slower than expected electronic materials market penetration

Financial Performance

Free Cash Flow

(\$ in millions)

Nine Months Ended Sept 30

	<u>2013</u>	<u>2012</u>
Net Income ¹	\$257	\$274
Restructuring and Other	--	71
Depreciation & Amortization	79	74
Change in Working Capital	(39)	(106)
Other ²	21	(7)
Net Cash from Operations	318	306
Less: Capital Expenditures	(135)	(219)
Add Back: Pension Contributions	10	20

Free Cash Flow **\$193** **\$107**

¹ Reflects Net Income attributable to Albemarle Corporation

² Includes pension contributions of \$10 for 2013 and \$20 for 2012

³ Excluding special and non-operating pension and OPEB items

⁴ Excludes JV debt not guaranteed by Company

Other Financial Highlights as of 9/30/2013

(\$ in millions)

- Net Working Capital: \$624
- Dividends Paid: \$59
- Dividends growth Y/Y: +20%
- Share Repurchases: \$582
- Cash balance: \$401
- Effective Tax Rate³: 22.6%
- Net Debt⁴: \$673
- Net Debt to EBITDA³: 1.1x

APPENDIX

Non-GAAP Reconciliations

Segment Operating Profit & Segment Income

(\$ in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Total segment operating profit	\$ 138,450	\$ 148,123	\$ 395,054	\$ 494,155
Corporate & other ¹	(8,785)	(3,608)	(38,328)	(25,071)
Restructuring and other charges, net	—	—	—	(94,703)
GAAP Operating profit	<u>\$ 129,665</u>	<u>\$ 144,515</u>	<u>\$ 356,726</u>	<u>\$ 374,381</u>
Total segment income	\$ 136,456	\$ 151,083	\$ 399,112	\$ 510,556
Corporate & other	(8,785)	(3,608)	(38,328)	(25,091)
Restructuring and other charges, net	—	—	—	(94,703)
Interest and financing expenses	(9,496)	(7,914)	(22,335)	(25,134)
Other (expenses) income, net	(389)	2,370	(6,295)	1,564
Income tax expense	<u>(27,274)</u>	<u>(32,472)</u>	<u>(74,916)</u>	<u>(93,382)</u>
GAAP Net income attributable to Albemarle Corporation	<u>\$ 90,512</u>	<u>\$ 109,459</u>	<u>\$ 257,238</u>	<u>\$ 273,810</u>

¹ Excludes corporate noncontrolling interest adjustments of \$(20) for the nine-month period ended September 30, 2012.

Net Income and EBITDA

(\$ in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income attributable to Albemarle Corporation	\$ 90,512	\$ 109,459	\$ 257,238	\$ 273,810
Add back:				
Non-operating pension and OPEB items (net of tax)	(1,121)	(1,825)	(3,365)	(11,951)
Special items (net of tax)	—	(4,490)	—	69,100
Net income attributable to Albemarle Corporation excluding special and non-operating pension and OPEB items	\$ 89,391	\$ 103,144	\$ 253,873	\$ 330,959
Net income attributable to Albemarle Corporation	\$ 90,512	\$ 109,459	\$ 257,238	\$ 273,810
Add back:				
Interest and financing expenses	9,496	7,914	22,335	25,134
Income tax expense	27,274	32,472	74,916	93,382
Depreciation and amortization	27,660	24,979	79,477	74,428
EBITDA	154,942	174,824	433,966	466,754
Non-operating pension and OPEB items	(1,791)	(2,887)	(5,375)	(18,910)
Special items	—	—	—	94,703
EBITDA excluding special and non-operating pension and OPEB items	\$ 153,151	\$ 171,937	\$ 428,591	\$ 542,547
Net sales	\$ 648,638	\$ 661,226	\$ 1,924,460	\$ 2,057,824
EBITDA Margin	23.9%	26.4%	22.6%	22.7%
EBITDA Margin excluding special and non-operating pension and OPEB items	23.6%	26.0%	22.3%	26.4%

Net Debt

(\$ in thousands)

	<u>September 30,</u>	
	<u>2013</u>	<u>2012</u>
Total-Long term debt	\$ 1,079,884	\$ 713,734
JV debt not guaranteed by Company (consolidated but guaranteed by others)	(5,364)	(17,600)
Less Cash and cash equivalents	<u>(401,427)</u>	<u>(402,642)</u>
Net Debt	<u>\$ 673,093</u>	<u>\$ 293,492</u>

Diluted EPS

	Three Months Ended	
	September 30,	
	2013	2012
Diluted earnings per share	\$ <u>1.11</u>	\$ <u>1.22</u>
Non-operating pension and OPEB items	(0.01)	(0.02)
Special items	<u>--</u>	<u>(0.05)</u>
Diluted earnings per share excluding special and non-operating pension and OPEB items ¹	\$ <u>1.09</u>	\$ <u>1.15</u>

¹Totals may not add due to rounding

ALB
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www.albemarle.com