

# Albemarle Corporation Third Quarter 2015 Earnings

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Conference Call/Webcast  
Thursday, November 5, 2015  
9:00am ET

 ALBEMARLE®

# 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

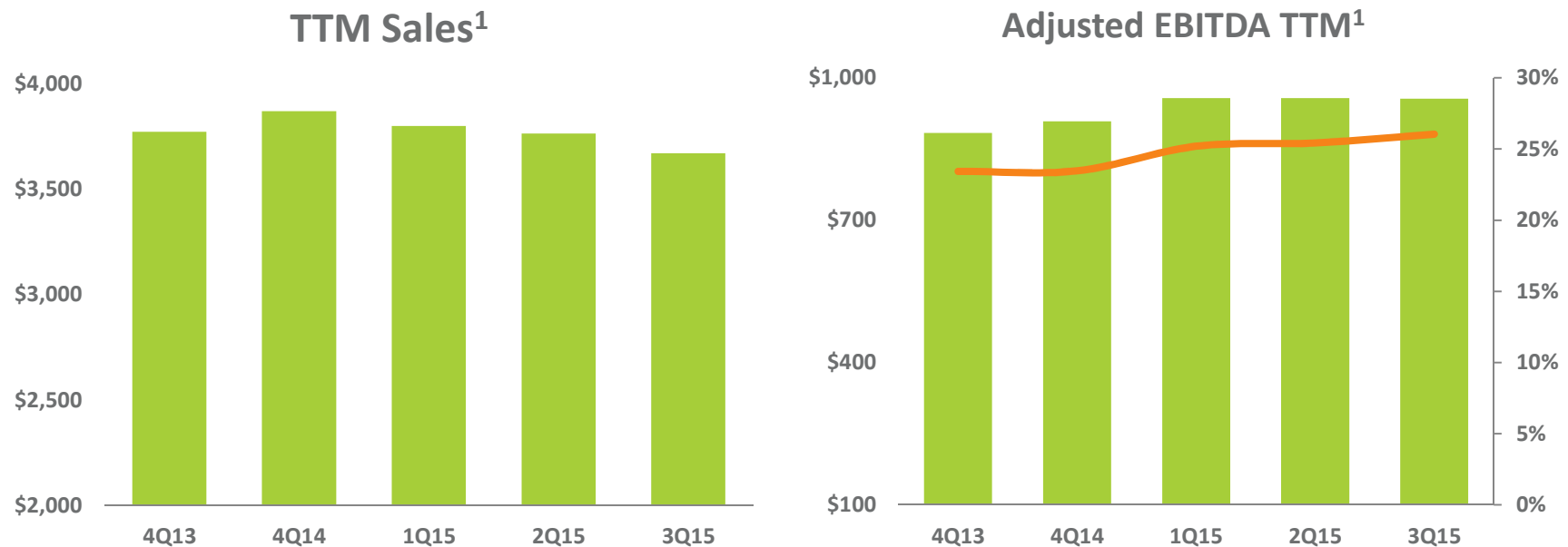
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- Strong performance in all core businesses excluding Clean Fuels Technologies
  - » Performance Chemicals Adjusted EBITDA<sup>1</sup> up 11% excluding unfavorable currency exchange impacts driven by Performance Catalyst Solutions and Lithium
  - » Heavy Oil Upgrading sales and Adjusted EBITDA growing at double digits in the quarter
  - » Chemetall® Surface Treatment sales up 14% and Adjusted EBITDA up 16% excluding unfavorable currency exchange impacts
- Narrowing annual EPS guidance to \$3.65 - \$3.80 and Adjusted EBITDA<sup>1</sup> to \$940 million – \$960 million
  - » Major reduction in performance of Fine Chemistry Services business
  - » Increased synergies offset higher unfavorable currency exchange impacts
- Integration team has completed projects YTD that will deliver at least \$60 million in savings in 2015
  - » Raised target to \$120 million in 2016 due to performance year to date
- Annual FX headwind to be higher at \$55-\$60 million of Adjusted EBITDA<sup>1</sup> versus 2014

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

# Financial Highlights<sup>1</sup>

(\$ in millions)



- Core business Sales flat in the quarter excluding unfavorable currency exchange impacts
  - » Unfavorable currency exchange impact reduced total company sales by 6.5% in the quarter
- Core business Adjusted EBITDA growth of 8% excluding unfavorable currency exchange impacts with 31% margins
- Strong results in Lithium, Surface Treatment, 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.

# Third Quarter 2015 Financial Results

	Actual 3Q 2015 (\$ in millions, except EPS)	Proforma 3Q 2014 (\$ in millions, except EPS)	As Reported 3Q 2014 (\$ in millions, except EPS)
Net Sales	\$ 905	\$ 999	\$ 642
Net Sales ex F/X	\$ 970		
Adjusted EBITDA <sup>1,3</sup>	\$ 235	\$ 236	\$ 145
Adj. EBITDA ex FX	\$ 252		
Adjusted EBITDA Margin <sup>1,3</sup>	26%	24%	23%
Adjusted Earnings <sup>1,2</sup>	\$ 101	---	\$ 89
Adjusted Diluted EPS <sup>1,2</sup>	\$ 0.90	---	\$ 1.14
Free Cash Flow (YTD) <sup>1,4</sup>	\$ 169	---	\$ 365

<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.

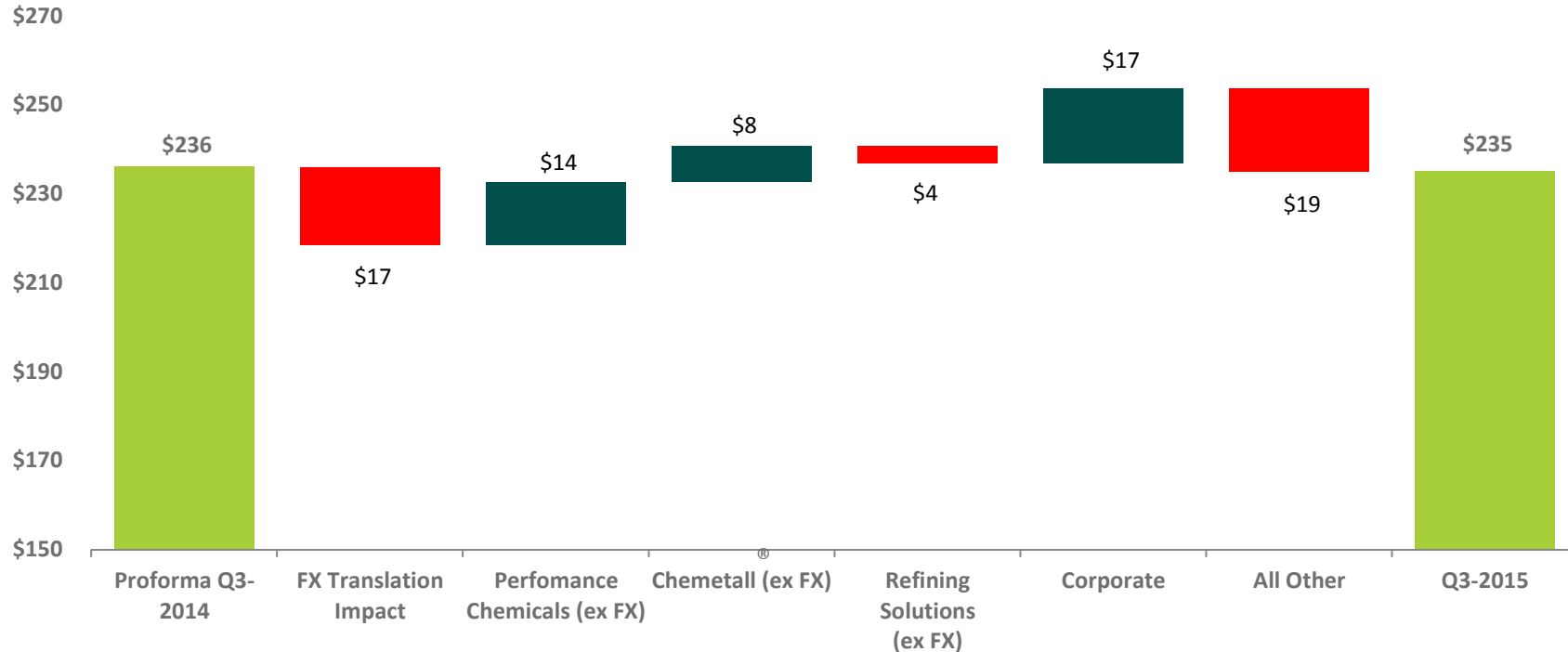
<sup>3</sup>Reflects EBITDA attributable to Albemarle Corporation, before discontinued operations and the special and non-operating pension and OPEB items.

<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 \$236 million for acquisition related cash expenses and cash taxes on repatriation. See Appendix for reconciliation.

# Third Quarter 2015 Adjusted EBITDA Bridge

(\$ in millions)



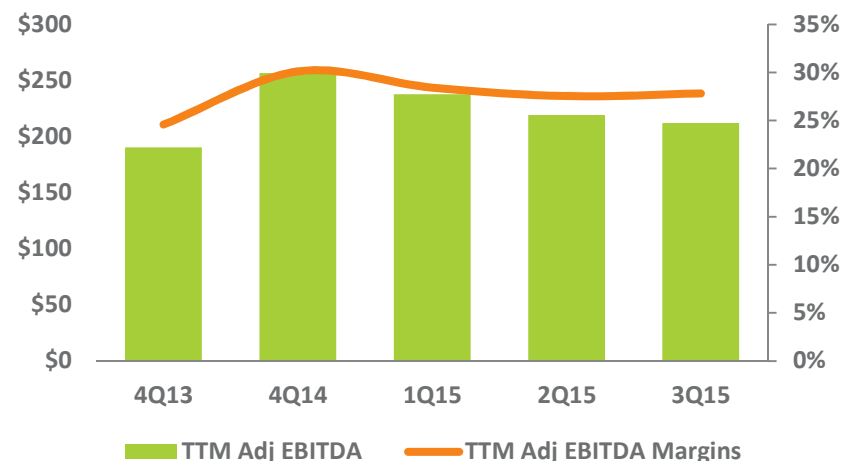
- Across the board, core business growth in 3Q15 except for Clean Fuels Technologies within Refining Solutions
- FX translation impact of \$17 million
- Synergies continue to be ahead of schedule
- All Other reflects results of other businesses planned for divestiture; decline isolated to Fine Chemistry Services

# Refining Solutions

## 3<sup>rd</sup> Qtr Performance

(\$ in millions)	3Q 2015	Proforma 3Q 2014	△
<b>Net Sales</b>	\$185	\$219	(15%)
<i>Net Sales ex FX</i>	\$194		(11%)
<b>Adj. EBITDA</b>	\$55	\$62	(12%)
<i>Adj. EBITDA ex FX</i>	\$58		(6%)
<b>Adj. EBITDA Margin</b>	29%	28%	128 bps
<i>Adj. EBITDA Margin ex FX</i>	30%		174 bps

## Historical Trend



## Performance Drivers

- Heavy Oil Upgrading (FCC) continues to perform at a high level with double digit growth in sales and Adjusted EBITDA in the quarter. Business on track for another strong year of growth
- Volume stabilized within Clean Fuels Technologies (HPC). Profitability continues to be impacted by weaker product mix and refinery cost cutting initiatives in the current low oil price environment, as well as increased competition from Euro-based competitors
- Focus on providing value to customers keeps margins up despite negative Clean Fuels Technologies results

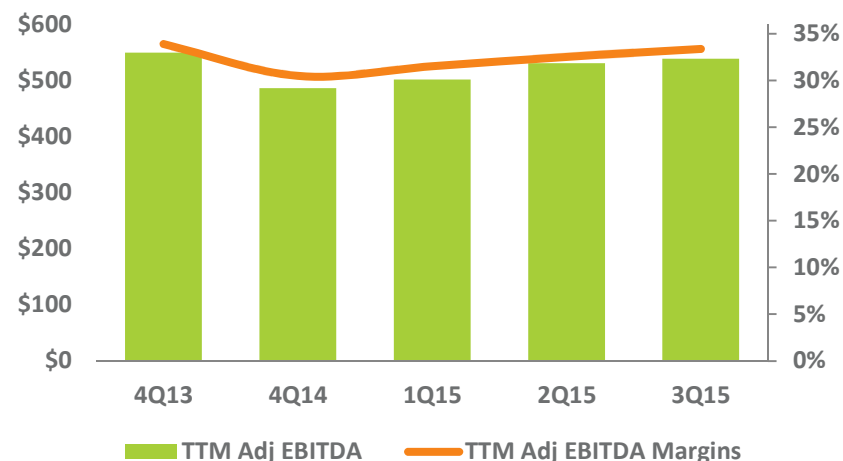


# Performance Chemicals

## 3<sup>rd</sup> Qtr Performance

(\$ in millions)	3Q 2015	Proforma 3Q 2014	△
<b>Net Sales</b>	\$400	\$417	(4%)
<i>Net Sales ex FX</i>	\$416		(0%)
<b>Adj. EBITDA</b>	\$136	\$128	6%
<i>Adj. EBITDA ex FX</i>	\$142		11%
<b>Adj. EBITDA Margin</b>	34%	31%	335 bps
<i>Adj. EBITDA Margin ex FX</i>	34%		328 bps

## Historical Trend



## Performance Drivers

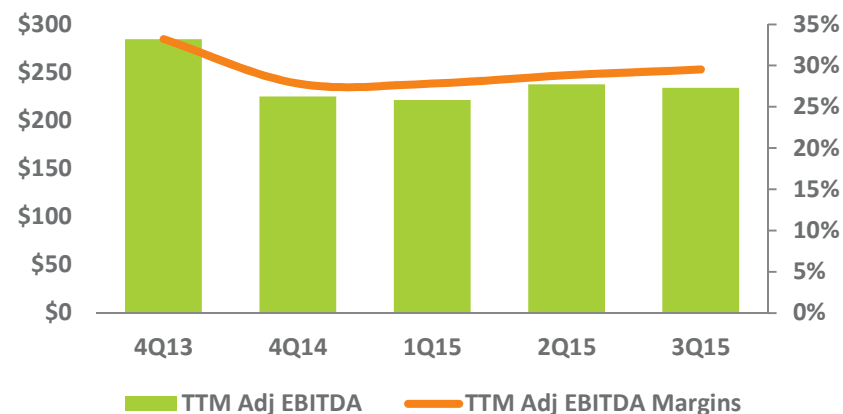
- Lithium continues to exceed expectations driven by volume growth in battery grade products. Overall pricing up 3% year to date excluding unfavorable currency exchange impacts with battery grade products up somewhat higher.
- Bromine sales were down but margins were up driven by improved pricing across the portfolio. Clear completion fluids were down compared to both 3Q 2014 and 2Q 2015. Expect market softness for flame retardants in 4Q, which may be due in part to year end inventory management.
- PCS driven by higher volumes and better product mix. Weaker Q4 expected from order timing and JVs.

# Performance Chemicals – bromine and lithium detail

## 3<sup>rd</sup> Qtr Bromine Performance

(\$ in millions)	3Q 2015	Proforma 3Q 2014	△
<b>Net Sales</b>	\$191	\$222	(14%)
<i>Net Sales ex FX</i>	\$196		(12%)
<b>Adj. EBITDA</b>	\$59	\$62	(6%)
<i>Adj. EBITDA ex FX</i>	\$62		(0%)
<b>Adj. EBITDA Margin</b>	31%	28%	281 bps
<i>Adj. EBITDA Margin ex FX</i>	32%		361 bps

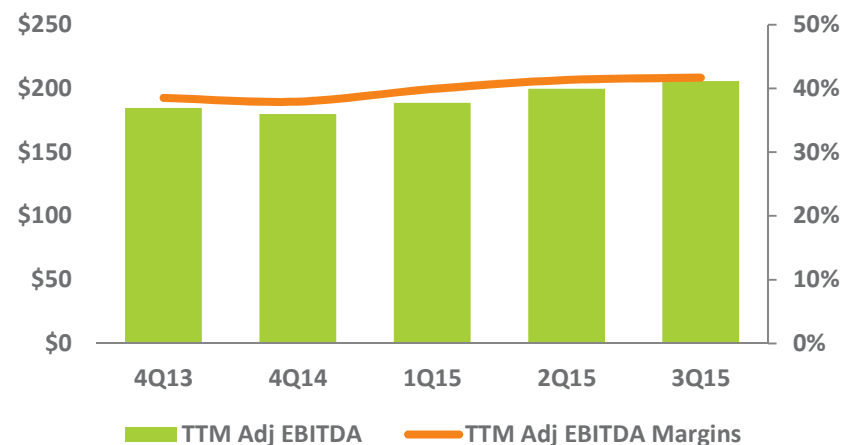
## Bromine Historical Trends



## 3<sup>rd</sup> Qtr Lithium Performance

(\$ in millions)	3Q 2015	Proforma 3Q 2014	△
<b>Net Sales</b>	\$128	\$117	10%
<i>Net Sales ex FX</i>	\$138		17%
<b>Adj. EBITDA</b>	\$52	\$46	14%
<i>Adj. EBITDA ex FX</i>	\$54		16%
<b>Adj. EBITDA Margin</b>	41%	39%	141 bps
<i>Adj. EBITDA Margin ex FX</i>	39%		(30 bps)

## Lithium Historical Trends

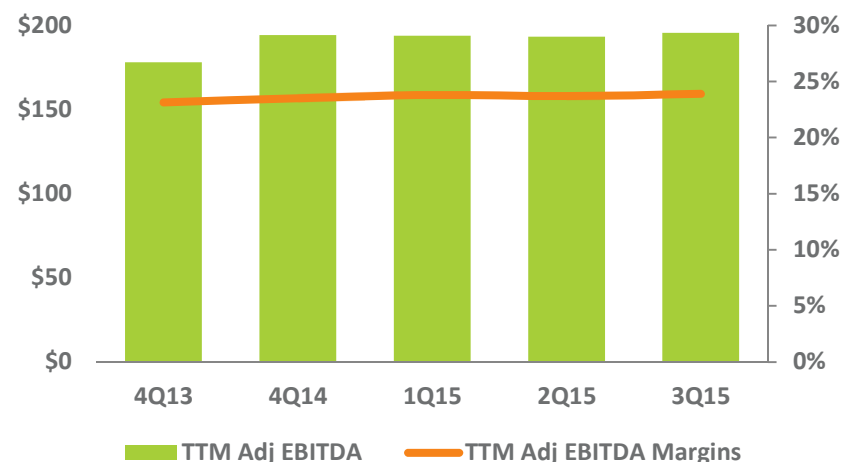


# Chemetall® Surface Treatment

## 3<sup>rd</sup> Qtr Performance

(\$ in millions)	3Q 2015	Proforma 3Q 2014	△
<b>Net Sales</b>	\$212	\$209	1%
<i>Net Sales ex FX</i>	\$238		14%
<b>Adj. EBITDA</b>	\$54	\$51	5%
<i>Adj. EBITDA ex FX</i>	\$60		16%
<b>Adj. EBITDA Margin</b>	25%	25%	79 bps
<i>Adj. EBITDA Margin ex FX</i>	25%		31 bps

## Historical Trend



## Performance Drivers

- Results in line with expectations with improved volumes and pricing plus the 1Q acquisition of Shanghai JV
- Growth in all regions led by Asia Pacific and North America in spite of challenging environments in Russia/Ukraine and South America
- Solid growth in all key markets led by automotive, aerospace and aluminum finishing

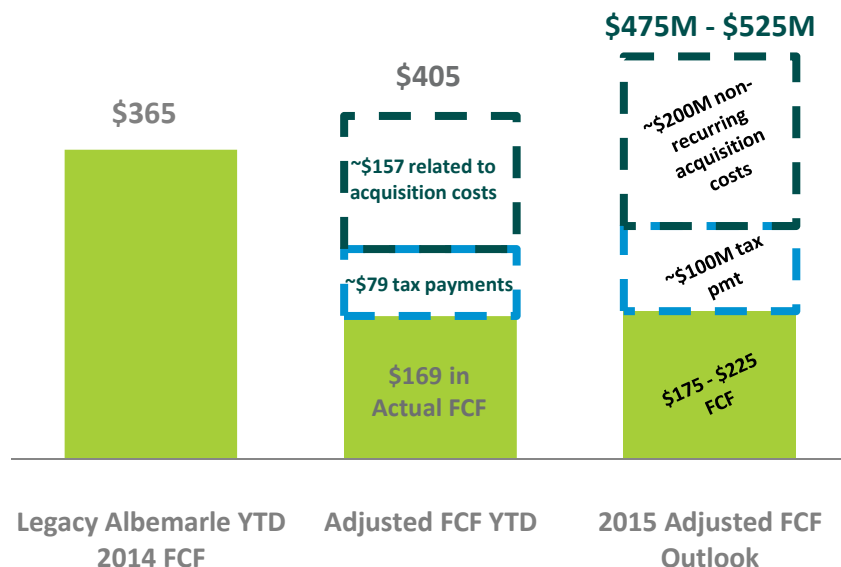
# Financial Performance

## Nine Months Ended September 30

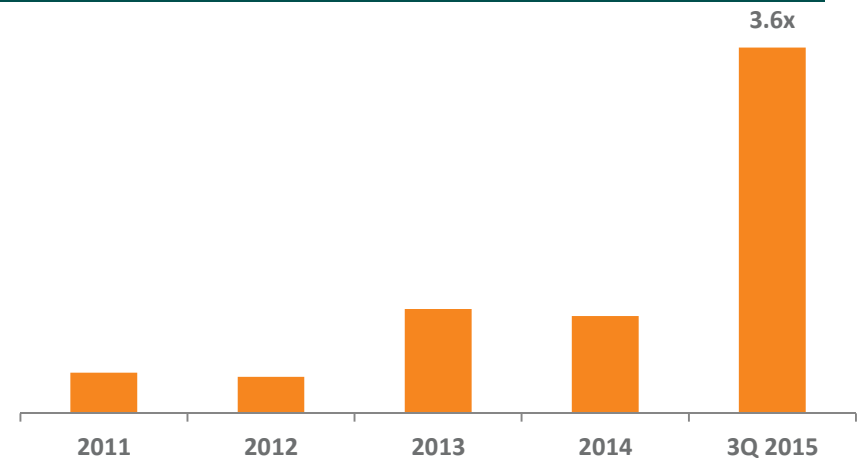
(\$ in millions)	2015	2014 <sup>1</sup>
Net Cash from Operations	317	431
Less: Capital Expenditures	(165)	(77)
Add Back: Pension Contributions	17	11
<b>Free Cash Flow<sup>1</sup></b>	<b>\$169</b>	<b>\$365</b>

## Select Financial Metrics

(\$ in millions)	(as of 9/30/2015)
• Dividends Paid:	\$87
• Dividend Growth (Y/Y) <sup>2</sup> :	5%
• Cash Balance:	\$234
• Net Debt <sup>3</sup> :	\$3,683



## 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>2016 target increased from \$100 million to \$120 million based on results to date and our confidence to execute additional projects</li> <li>Completed projects to date that will deliver at least \$60 million in savings in 2015 and roughly \$85 million in 2016 (full year impact)</li> </ul>
	<b>Reorganization and integration update</b>	<ul style="list-style-type: none"> <li>Major projects benefiting by drawing people from entire organization with diverse backgrounds and experiences</li> <li>New Johnsonville butyl lithium capacity rationalization</li> <li>Consolidating back office functions in 1Q 2016 for North American operations of Chemetall and Lithium into existing shared services center</li> </ul>
	<b>Strategic Divestitures of non-core businesses</b>	<ul style="list-style-type: none"> <li>Exclusive negotiation to sell Metal Sulfides and Minerals with goal of end of year closing</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 ~\$50 million in 2016</li> <li>Around \$2 billion already brought back to US to date, with another ~\$1.5 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 31% in 3Q</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 battery grade lithium derivative 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>Startup of La Negra lithium carbonate expansion continuing as planned</li> <li>New battery grade lithium derivative plant announced in 3Q – scale up, design and siting underway – with targeted 2020 startup</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, new business, and high refinery operating rates</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>Volume stabilized in 3Q but mix continues to be weak</li> <li>Euro-based competitor pricing pressure</li> </ul>
Performance Chemicals	Bromine	↓		↔	<ul style="list-style-type: none"> <li>Drilling completion fluids volumes have held up YTD in GOM but began to decline in 3Q</li> <li>Losing volume 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 products</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>Weaker 4Q expected from seasonal order timing and JV impacts</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 \$240 – \$250M on Sales and \$55 – \$60M on EBITDA</li> <li>Sales \$3.6b to \$3.7b – flat to up 2% – ex FX</li> <li>Tightening Adjusted EBITDA to \$940M to \$960M – up 3-6% ex FX</li> <li>Margins increasing to 25%-26% excluding Q1 FX gain</li> <li>Free Cash Flow \$175M to \$225M</li> <li>Narrowing Adjusted EPS to \$3.65 to \$3.80 due to weak Fine Chemistry Services performance</li> </ul>

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