

Albemarle Corporation Fourth Quarter and Full Year 2013 Earnings

Conference Call/Webcast
Wednesday, January 29, 2014
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 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.

Fourth Quarter 2013 Financial Results

	Q4 2013 (\$ in millions, except EPS)	Year-Over-Year	Sequential
Net Sales	\$ 692	1%	7%
Segment Income ¹	\$ 136	(10%)	0%
Net Income ex SI ^{1,2}	\$ 88	(16%)	(1%)
EBITDA ex SI ^{1,3}	\$ 147	(8%)	(4%)
EBITDA Margins ex SI ^{1,3}	21%	(207bps)	(237bps)
Diluted EPS ex SI ^{1,2}	\$ 1.08	(8%)	(1%)

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

² Reflects Net Income attributable to Albemarle Corporation, excluding special charges such as restructuring and non-operating pension and OPEB costs

³ Reflects EBITDA attributable to Albemarle Corporation, excluding special charges such as restructuring and non-operating pension and OPEB costs

Full Year 2013 Financial Results

	2013 (\$ in millions, except EPS)	Year-Over-Year
Net Sales	\$ 2,616	(5%)
Segment Income ¹	\$ 535	(19%)
Net Income ex SI ^{1,2}	\$ 342	(22%)
EBITDA ex SI ^{1,3}	\$ 576	(18%)
EBITDA Margins ex SI ^{1,3}	22%	(360bps)
Diluted EPS ex SI ^{1,2}	\$ 4.06	(16%)

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

²Reflects Net Income attributable to Albemarle Corporation, excluding special charges such as restructuring and non-operating pension and OPEB costs

³Reflects EBITDA attributable to Albemarle Corporation, excluding special charges such as restructuring and non-operating pension and OPEB costs

Financial Highlights

- Q4 2013 net income¹ of \$88M; \$1.08 per share
- Q4 2013 EBITDA² of \$147M, EBITDA margin of 21%
- Full year free cash flow³ of \$291M, up 27% y/y
- Successfully completed \$582M buyback program, reducing share count by ~10% y/y
- Catalysts 4Q net sales up on strong volumes, segment income higher on better mix, partially offset by higher fixed costs
- Polymer Solutions 4Q segment income down on lower pricing, lower utilization rates and unfavorable flame retardant mix, offsetting higher volume
- Fine Chemistry 4Q net sales and segment income down on cautious customer inventory management, lower utilization rates and higher fixed costs

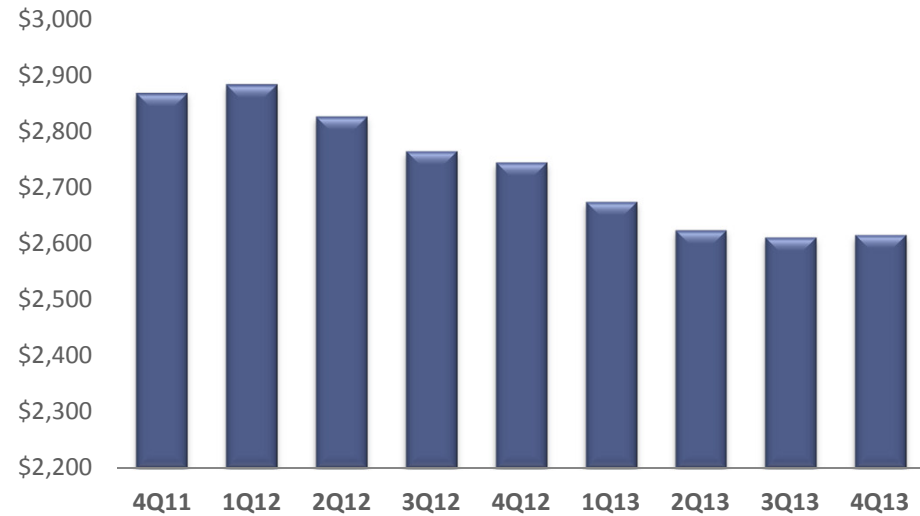
¹Reflects Net Income attributable to Albemarle Corporation, excluding special and non-operating pension and OPEB items

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

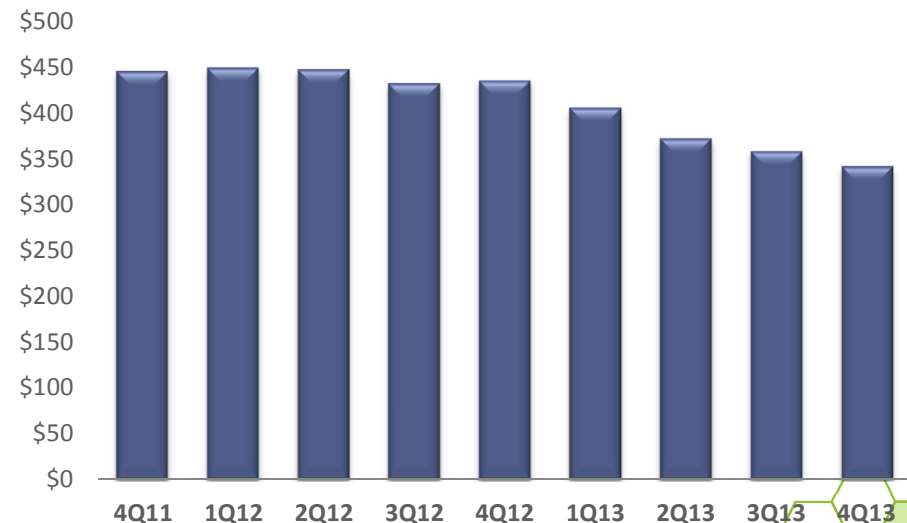
³See reconciliation on Financial Performance slide 10

TTM Sales

(\$ in millions)



TTM Net Income (ex. Special Items)



Catalysts

(\$ in millions)

4th Qtr Performance

	4Q 2013	vs. 4Q 2012	FY 2013	vs. FY 2012
Net Sales	\$306	4%	\$1,002	(6%)
Segment Income	\$80	2%	\$246	(16%)
Segment Margin	26%	(63bps)	25%	(284bps)

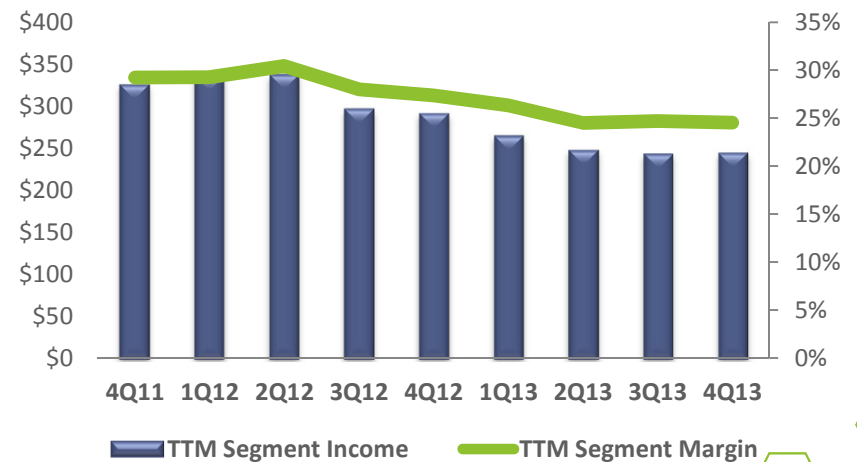
Performance Drivers

- Strong HOU 4Q on double-digit volume and profit growth driven by new customers and strong resid orders
- CFT achieved high 4Q volume and profit expectations due to favorable mix and strong execution to deliver several sizeable orders
- Full year sales decline despite HOU and CFT volume growth, due to lower metals pass through, which drove 7% of the total 10% y/y price decline
- PCS full year profitability depressed by higher fixed costs, softer plastics demand and pricing pressure

4th Qtr Y/Y Sales Comparison

	4 th Qtr	Full Year
Sales Growth	4%	(6%)
Volume / Mix	7%	4%
Price	(3%)	(10%)
Currency	--	--

Historical Trend



Polymer Solutions

(\$ in millions)

4th Qtr Performance

	4Q 2013	vs. 4Q 2012	FY 2013	vs. FY 2012
Net Sales	\$201	0%	\$864	(3%)
Segment Income	\$27	(24%)	\$158	(22%)
Segment Margin	14%	(447bps)	18%	(445bps)

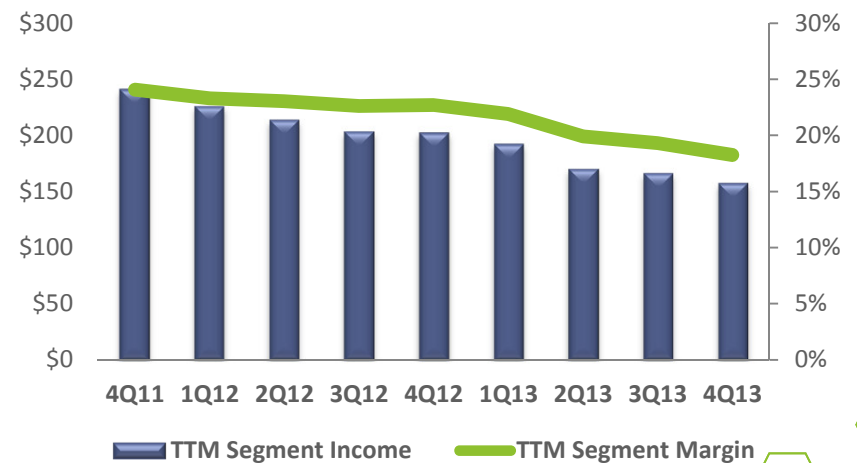
Performance Drivers

- Sluggish electronics (excluding connectors) and construction trends continued in 4Q, impacting BFR volumes and price
- 4Q MFR volume growth, due to improved European auto wire and cable market, offset by pricing
- Full year Flame Retardant volumes up, but segment income down on pricing and higher costs
- Stabilizers and Curatives sales and profit growth driven by geographic expansion and lower raw material costs

4th Qtr Y/Y Sales Comparison

	4 th Qtr	Full Year
Sales Growth	0%	(3%)
Volume / Mix	6%	7%
Price	(5%)	(6%)
Phosphorus Business	(1%)	(4%)
Currency	--	--

Historical Trend



Fine Chemistry

(\$ in millions)

4th Qtr Performance

	4Q 2013	vs. 4Q 2012	FY 2013	vs. FY 2012
Net Sales	\$185	(4%)	\$750	(4%)
Segment Income	\$29	(20%)	\$132	(21%)
Segment Margin	15%	(294bps)	18%	(363bps)

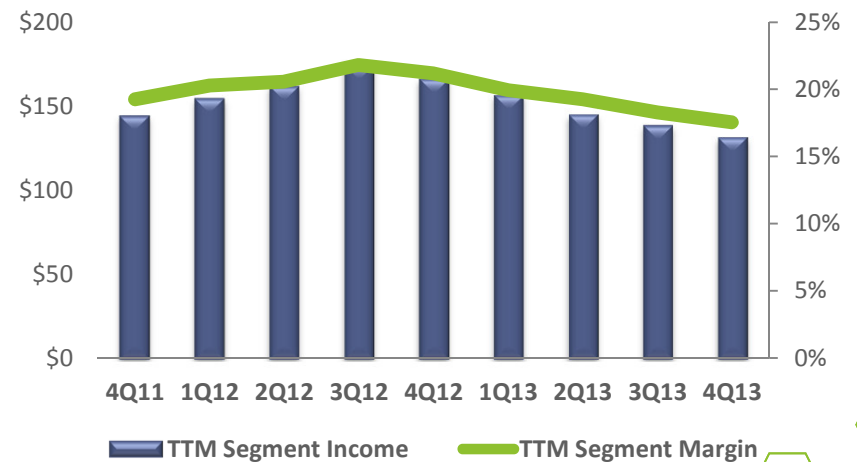
Performance Drivers

- 4Q sales and segment income softness driven by inventory destocking and well completion delays at key NA and ME clear completion fluid customers
- 4Q Fine Chemistry Services results continued to show 2H13 recovery, benefiting from pickup in ag and electronics contracts
- Full year results reflect lower prices and utilization rates in bromine and HBr, increased fixed costs related to new capacity and 1H13 Custom Services lull, offsetting strong clear completion fluid results

4th Qtr Y/Y Sales Comparison

	4 th Qtr	Full Year
Sales Growth	(4%)	(4%)
Volume / Mix	(5%)	(3%)
Price	1%	(1%)
Currency	--	--

Historical Trend



Sales Volume Variance By Major Product Groups

	Volume Performance	
	4Q13 vs. 4Q12	TTM 4Q13 vs. TTM 4Q12
Heavy Oil Upgrading	++	++
Clean Fuel Technology	-	+
Performance Catalysts Solutions	-	-
Brominated Flame Retardants	~	+
Mineral Flame Retardants	++	+
Bromine Derivatives (ex FRs) ¹	-	+

++ Represents growth above 10%, + represents growth between 3% and 10%, ~ represents (2%) to 2%, - represents decline between (3%) and (10%), -- represents decline of more than 10%

¹ Includes elemental bromine and all non-FR bromine derivatives

Financial Performance

(\$ in millions)

Free Cash Flow (FCF)

Twelve Months Ended 12/31/13		
	2013	2012
Net Income ¹	\$413	\$312
Restructuring and Pension Charges	(60)	154
Depreciation & Amortization	107	99
Change in Working Capital	(64)	(98)
Other ²	37	22
Net Cash from Operations	433	489
Less: Capital Expenditures	(155)	(281)
Add Back: Pension Contributions	13	22
Free Cash Flow	\$291	\$230

¹ Reflects Net Income attributable to Albemarle Corporation

² Includes pension contributions of \$13 for 2013 and \$22 for 2012

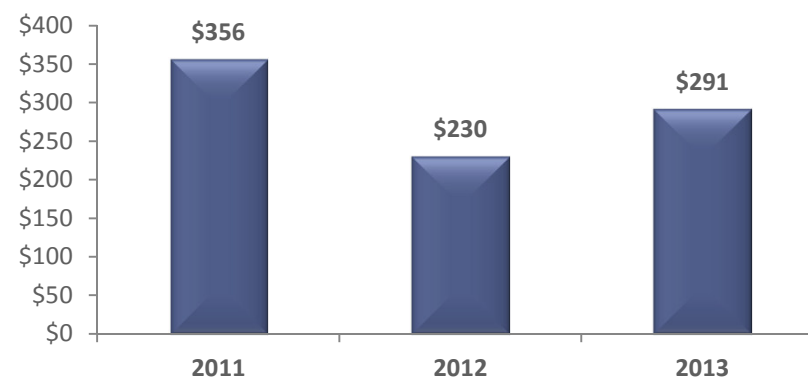
³ Excludes JV debt not guaranteed by Company

⁴ Excluding special and non-operating pension and OPEB items

Other Financial Highlights as of 12/31/2013

- Dividends Paid: \$78
- Dividend Growth (Y/Y): 13%
- Shares Repurchased: \$582
- Net Debt³: \$588
- Net Debt to EBITDA⁴: 1.0x

FCF Historical Trend



Returned \$660M in Capital to Shareholders and Established Net Debt-to-EBITDA Floor of 1.0x

APPENDIX

Non-GAAP Reconciliations

Segment Operating Profit & Segment Income

(\$ in thousands)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Total segment operating profit	\$ 135,071	\$ 147,505	\$ 530,125	\$ 641,660
Corporate & other *	124,473	(98,740)	86,145	(123,811)
Restructuring and other charges, net	<u>(33,361)</u>	<u>(16,982)</u>	<u>(33,361)</u>	<u>(111,685)</u>
GAAP Operating profit	<u>\$ 226,183</u>	<u>\$ 31,783</u>	<u>\$ 582,909</u>	<u>\$ 406,164</u>
Total segment income	\$ 136,079	\$ 150,600	\$ 535,191	\$ 661,156
Corporate & other	124,473	(98,740)	86,145	(123,831)
Restructuring and other charges, net	(33,361)	(16,982)	(33,361)	(111,685)
Interest and financing expenses	(9,224)	(7,666)	(31,559)	(32,800)
Other (expenses) income, net	(628)	(335)	(6,923)	1,229
Income tax expense (benefit)	<u>(61,406)</u>	<u>10,849</u>	<u>(136,322)</u>	<u>(82,533)</u>
GAAP Net income attributable to Albemarle Corporation	<u>\$ 155,933</u>	<u>\$ 37,726</u>	<u>\$ 413,171</u>	<u>\$ 311,536</u>

*Excludes corporate noncontrolling interest adjustments of \$(20) for the year ended December 31, 2012.

Net Income and EBITDA

(\$ in thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012
Net income attributable to Albemarle Corporation	\$ 155,933	\$ 37,726	\$ 413,171	\$ 311,536
Add back:				
Non-operating pension and OPEB items (net of tax)	(89,464)	53,657	(92,829)	41,706
Special items (net of tax)	21,945	13,837	21,945	82,937
Net income attributable to Albemarle Corporation excluding special and non-operating pension and OPEB items	\$ 88,414	\$ 105,220	\$ 342,287	\$ 436,179
Net income attributable to Albemarle Corporation	\$ 155,933	\$ 37,726	\$ 413,171	\$ 311,536
Add back:				
Interest and financing expenses	9,224	7,666	31,559	32,800
Income tax expense (benefit)	61,406	(10,849)	136,322	82,533
Depreciation and amortization	27,893	24,592	107,370	99,020
EBITDA	254,456	59,135	688,422	525,889
Non-operating pension and OPEB items	(140,818)	84,189	(146,193)	65,279
Special items	33,361	16,982	33,361	111,685
EBITDA excluding special and non-operating pension and OPEB items	\$ 146,999	\$ 160,306	\$ 575,590	\$ 702,853
Net sales	\$ 691,956	\$ 687,596	\$ 2,616,416	\$ 2,745,420
EBITDA Margin	36.8%	8.6%	26.3%	19.2%
EBITDA Margin excluding special and non-operating pension and OPEB items	21.2%	23.3%	22.0%	25.6%

Net Debt

(\$ in thousands)

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Total-Long term debt	\$ 1,078,864	\$ 699,288
JV debt not guaranteed by Company (consolidated but guaranteed by others)	(13,207)	(16,232)
Less Cash and cash equivalents	<u>(477,239)</u>	<u>(477,696)</u>
Net Debt	<u>\$ 588,418</u>	<u>\$ 205,360</u>

Diluted EPS

	Three Months Ended	
	December 31,	
	2013	2012
Diluted earnings per share	\$ 1.91	\$ 0.42
Non-operating pension and OPEB items	(1.09)	0.60
Special items	<u>0.27</u>	<u>0.15</u>
Diluted earnings per share excluding special and non-operating pension and OPEB items	<u>\$ 1.08</u>	<u>\$ 1.17</u>

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¹Totals may not add due to rounding

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