

Albemarle

Fourth Quarter 2010 Earnings

Conference Call/Web Cast
Tuesday January 25, 2011 - 10:00am ET

Forward-Looking Statements

Some of the information presented in this press release including, without limitation, statements with respect to product development, improvements in productivity, market trends, implementation of price increases, expected growth 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 from expectations include, without limitation: deterioration in economic and business conditions; future financial and operating performance of our major customers and industries 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 inability to pass through such increases; performance of acquired companies; changes in our markets in general; fluctuations in foreign currencies; changes in laws and increased 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 unrest or 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 interest rates, to the extent such rates (1) affect our ability to raise capital or increase our cost of funds, (2) have an impact on the overall performance of our pension fund investments and (3) increase our pension expense and funding obligations; volatility and substantial uncertainties in the debt and equity markets; technology or intellectual property infringement and other risks; and the other factors detailed from time to time in the reports we file with the SEC.

Additional factors that could cause our results to differ materially from those described in the forward-looking statements can be found under “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the period ended December 31, 2009 and our 2010 Quarterly Reports on Form 10-Q and in our other public filings with the Securities and Exchange Commission. Readers are urged to review and consider carefully the disclosures we make in our filings with the Securities and Exchange Commission.

Fourth Quarter 2010 Financial Results

Comparisons

	Q4 2010 (in millions, except EPS)	Year-Over-Year (Y/Y)	Sequential
Net Sales	\$ 605	↑ 8%	↑ 3%
Operating Profit	\$ 111	↑ 76%	↓ 8%
Earnings ¹	\$ 85	↑ 36%	↓ 9%
EBITDA (ex SI) ²	\$ 140	↑ 39%	↓ 7%
Diluted EPS	\$ 0.92	↑ 35%	↓ 10%
Diluted EPS (ex SI) ²	\$ 0.92	↑ 44%	↓ 10%

Best Quarterly Sales Performance of the Year

¹ Reflects Net Income attributable to Albemarle Corporation

² Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

Full Year 2010 Financial Results

Year-Over-Year Comparisons

	2010 (in millions, except EPS)	2009 (in millions, except EPS)	Year-Over-Year (Y/Y)
Net Sales	\$ 2,363	\$ 2,005	↑ 18%
Operating Profit	\$ 415	\$ 186	↑ 123%
Earnings ¹	\$ 324	\$ 178	↑ 81%
EBITDA (ex SI) ²	\$ 545	\$ 320	↑ 70%
Diluted EPS	\$ 3.51	\$ 1.94	↑ 81%
Diluted EPS (ex SI) ²	\$ 3.56	\$ 1.86	↑ 91%

Record Annual EPS of \$3.56 – Up 91% from 2009

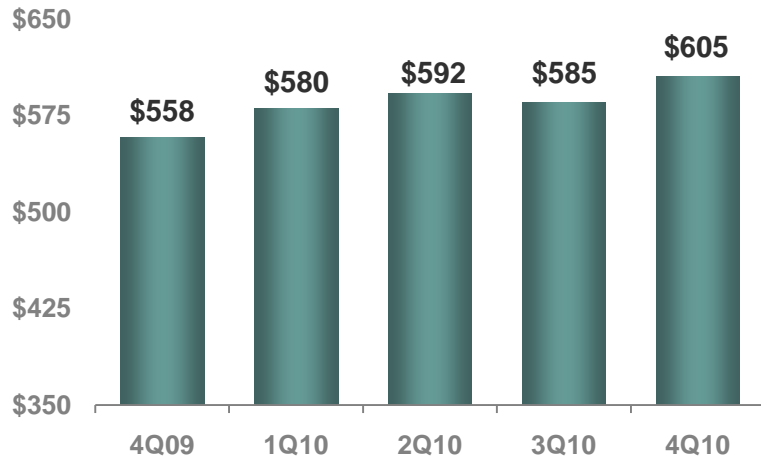
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² Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

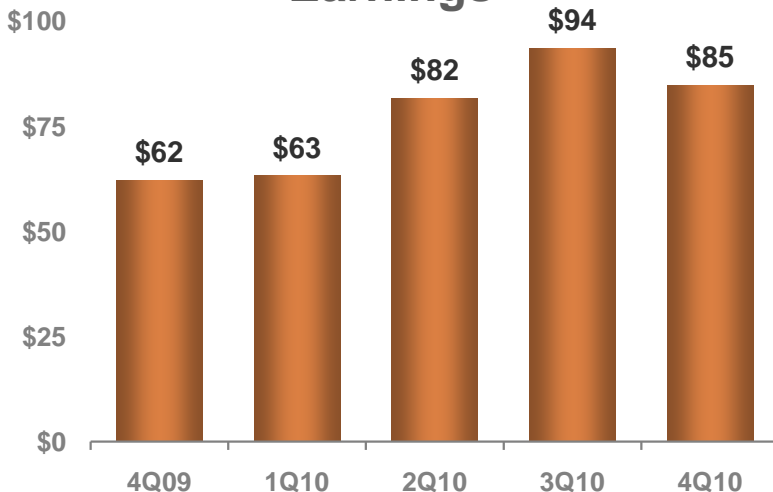


Fourth Quarter Net Sales and Earnings

Net Sales



Earnings



Quarter Highlights

- Quarterly net sales of \$605 million, up 8% Y/Y
- Quarterly earnings of \$85 million, up 36% Y/Y
- Record quarterly segment income in Fine Chemistry business, up 60% sequentially
- Strong Y/Y improvement in all three business segments, with record annual segment income in both Catalysts and Polymer Solutions

- Record annual EBITDA (ex SI) of \$545 million, EBITDA margin (ex SI) of 23%
- Cash and cash equivalents of \$530 million at year end
- Improved debt ratings - Moody's upgraded to Baa1 stable; S&P affirmed BBB rating and raised outlook to positive

Fine Chemistry

4th Qtr Performance

<i>In thousands</i>	4Q 2010	4Q 2009	△
Net Sales	\$153,450	\$145,696	5.3%
Segment Income	\$26,340	\$18,995	38.7%
Segment Income Margin	17.2%	13.0%	420bps

4th Qtr Y/Y Sales Comparison

Sales Growth	5.3%
Volume	3.8%
Price/Mix	4.2%
Currency	(2.7)%

Key Business Highlights

- Record quarterly segment income, up 39% Y/Y and 60 % sequentially
- Robust sequential volume improvement, mostly due to custom services and bromine portfolio which included a growth in demand for completion fluids
- Good traction on bromine pricing initiatives
- Improved Y/Y performance at JBC

Business Outlook

- Sustained tightness in global bromine supply with Chinese resources slowly depleting
- Further rebound of global completion fluids demand
- Continued development of new applications for bromine derivatives (Eg. food safety, mercury control, water treatment)

Polymer Solutions

4th Qtr Performance

<i>In thousands</i>	4Q 2010	4Q 2009	△
Net Sales	\$219,956	\$204,570	7.5%
Segment Income	\$50,958	\$32,410	57.2%
Segment Income Margin	23.2%	15.8%	740bps

4th Qtr Y/Y Sales Comparison

Sales Growth	7.5%
Volume	(5.5)%
Price/Mix	14.6%
Currency	(1.6)%

Key Business Highlights

- Superior Y/Y performance resulting in record annual segment income and segment margins
- Sequential volume decline due to seasonality, partially offset by pricing initiatives
- Tightness in supply of brominated and mineral flame retardants; sold-out position in some products

Business Outlook

- Continued demand strength in consumer electronics, particularly in emerging markets
- Demand growth in curatives and flame retardants supporting market improvement in commercial construction
- Focused sales growth in developing regions, especially in Asia
- Continued traction in pricing initiatives

Catalysts

4th Qtr Performance

<i>In thousands</i>	4Q 2010	4Q 2009	△
Net Sales	\$231,569	\$207,962	11.4%
Segment Income	\$58,544	\$41,831	40.0%
Segment Income Margin	25.3%	20.1%	520bps

4th Qtr Y/Y Sales Comparison

Sales Growth	11.4%
Volume	11.5%
Price/Mix	2.1%
Currency	(2.2)%

Key Business Highlights

- Superior Y/Y performance resulting in record annual segment income and segment margins
- Y/Y improved performance in Catalyst joint ventures contributed to increases in segment income
- Solid sequential volume and sales growth in Polymer Catalysts, FCC and HPC businesses; partially offset by unfavorable price/mix in HPC

Business Outlook

- Continued improvements in global fuel demand and in refinery utilization rates
- Focus on technology, productivity and working capital efficiencies
- Strong penetration into emerging markets, especially in Asia and the Middle-East

Financial Performance

Other Financial Highlights as of 12/31/2010

- Cash Flow from Ops: \$333.6MM
- Capital Expenditures: \$75.5MM
- Dividends Paid: \$49.6MM
- Share Repurchases: \$14.9MM
- Net Debt: \$305.2MM²
- Net Debt/Cap Ratio: 18%²
- Cash balance at 12/31/10: \$529.7MM

¹Non-GAAP measure

²Non-GAAP measure; also excludes non-guaranteed portion of JBC debt

Free Cash Flow¹

(\$ in millions)

Year Ended December 31		
	2010	2009
Earnings	\$324	\$178
Depreciation & Amortization	96	101
Change in Working Capital	(76)	104
Other	(10)	(24)
Net Cash from Operations	334	359
Less: Capital Expenditures	(75)	(101)
Free Cash Flow	\$259	\$258

Superior Financial Performance; Strong Cash from Operations & Free Cash Flow



APPENDIX

Reconciliations of GAAP to Non-GAAP

Segment Operating Profit & Segment Income

Segment Operating Profit & Segment Income (\$ in Thousands)	Fourth Quarter Ended		Year Ended	
	December 31,		December 31,	
	2010	2009	2010	2009
Total segment operating profit	\$ 131,811	\$ 91,659	\$ 494,311	\$ 246,060
Corporate & other *	(20,425)	(16,579)	(72,505)	(35,744)
Restructuring and other charges	—	(11,643)	(6,958)	(11,643)
Port de Bouc charges	—	—	—	(12,393)
GAAP Operating profit	<u>\$ 111,386</u>	<u>\$ 63,437</u>	<u>\$ 414,848</u>	<u>\$ 186,280</u>
Total segment income	\$ 135,842	\$ 93,236	\$ 519,182	\$ 257,133
Corporate & other	(20,798)	(16,667)	(73,040)	(35,750)
Restructuring and other charges	—	(11,643)	(6,958)	(11,643)
Port de Bouc charges	—	—	—	(12,393)
Interest and financing expenses	(7,474)	(6,023)	(25,533)	(24,584)
Other income (expense), net	1,204	(1,911)	2,788	(1,423)
Income tax (expense) benefit	<u>(23,802)</u>	<u>5,353</u>	<u>(92,719)</u>	<u>7,028</u>
GAAP Net income attributable to Albemarle Corporation	<u>\$ 84,972</u>	<u>\$ 62,345</u>	<u>\$ 323,720</u>	<u>\$ 178,368</u>

* Includes corporate equity income and noncontrolling interest adjustments of \$373 and \$88 for the three-month periods ended December 31, 2010 and 2009, respectively, and \$535 and \$6 for the years ended December 31, 2010 and 2009, respectively.



EBITDA Reconciliation

EBITDA Reconciliation (\$ in Thousands)	Fourth Quarter Ended		Year Ended	
	December 31,		December 31,	
	2010	2009	2010	2009
Net income attributable to Albemarle Corporation	\$ 84,972	\$ 62,345	\$ 323,720	\$ 178,368
Add:				
Interest and financing expenses	7,474	6,023	25,533	24,584
Income tax expense (benefit)	23,802	(5,353)	92,719	(7,028)
Depreciation and amortization	24,092	25,974	95,578	100,513
EBITDA	140,340	88,989	537,550	296,437
Restructuring and other charges	—	11,643	6,958	11,643
Port de Bouc charges	—	—	—	12,393
EBITDA excluding special items	\$ 140,340	\$ 100,632	\$ 544,508	\$ 320,473
Net Sales	\$ 604,975	\$ 558,228	\$ 2,362,764	\$ 2,005,394
EBITDA Margin	23.2%	15.9%	22.8%	14.8%
EBITDA Margin excluding special items	23.2%	18.0%	23.0%	16.0%



Net Debt Reconciliation

Net Debt Reconciliation			
(\$ in Thousands)			
	12/31/10	12/31/09	12/31/08
Total Debt	\$ 860,910	\$ 812,713	\$ 932,264
JV debt not guaranteed by the Company/ (consolidated but guaranteed by others)	(26,106)	(25,183)	(29,064)
Less cash and cash equivalents	(529,650)	(308,791)	(253,303)
Net Debt	\$305,154	\$478,739	\$649,897



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