

Albemarle Corporation 4th Quarter and Full Year 2012 Earnings

Conference Call/Webcast
Wednesday, Jan 23, 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. The Albemarle logo, consisting of a stylized 'A' symbol followed by the word 'ALBEMARLE' and a registered trademark symbol, is positioned in the bottom left corner.

 ALBEMARLE®

Forward-Looking Statements

Some of the information presented in this press release and the conference call 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 from expectations 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 and in our ability to pass through increases; acquisitions and divestitures, and changes in performance of acquired companies; 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, including 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; changes in monetary policies or inflation or interest rates, which may impact our ability to raise capital or increase our cost of funds, the performance of our pension fund investments and our pension expense and funding obligations; volatility and substantial uncertainties in the debt and equity markets; technology or intellectual property infringement 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 our 2012 Quarterly Reports on Form 10-Q.

Fourth Quarter 2012 Financial Results

	Q4 2012 (\$ in millions, except EPS)	Year-Over-Year (\$ in millions, except EPS)	Sequential
Net Sales	\$ 688	(3%)	4%
Segment Income ¹	\$ 151	(9%)	--
Net Income ex SI ^{1,2}	\$ 105	3%	2%
EBITDA ex SI ^{1,3}	\$ 160	(4%)	(7%)
EBITDA Margins ex SI ^{1,3}	23%	(24bps)	(268bps)
Diluted EPS ex SI ^{1,2}	\$ 1.17	4%	2%

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

²Reflects Net Income attributable to Albemarle Corporation, excluding special items

³Reflects EBITDA attributable to Albemarle Corporation, excluding special items

Full Year 2012 Financial Results

	2012 (\$ in millions, except EPS)	Year-Over-Year
Net Sales	\$ 2,745	(4%)
Segment Income ¹	\$ 661	(7%)
Net Income ex SI ^{1,2}	\$ 436	(2%)
EBITDA ex SI ^{1,3}	\$ 703	(2%)
EBITDA Margins ex SI ^{1,3}	26%	64bps
Diluted EPS ex SI ^{1,2}	\$ 4.85	(1%)

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

² Reflects Net Income attributable to Albemarle Corporation, excluding special items

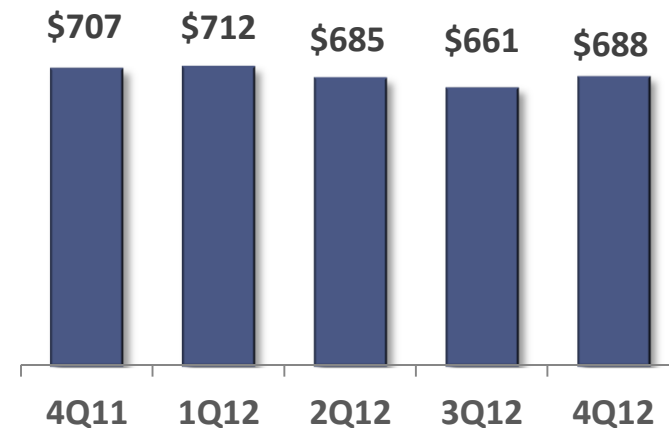
³ Reflects EBITDA attributable to Albemarle Corporation, excluding special items

Fourth Quarter and Full Year Net Sales and Net Income¹

Financial Highlights

- Q4 2012 net income¹ of \$105M; \$1.17 per share
- Q4 2012 EBITDA² of \$160M, (4%) y/y; EBITDA margin of 23%, (24bps) y/y
- Full year net income¹ of \$436M, or \$4.85 per share
- Full year EBITDA² of \$703M, (2%) y/y and EBITDA² margin of 26%, +64 bps y/y
- Strong Catalysts performance with annual volume up 9% with lower metals surcharges offsetting results
- Polymer Solutions delivers 23% 2012 segment margins on lower net sales and lower operating rates
- Fine Chemistry grows sales 5% driven by both performance chemicals and custom services momentum and delivers 21% segment margins

Net Sales
(\$ in millions)



Net Income
(\$ in millions, ex SI)



Fine Chemistry

4th Qtr & Full Year Performance

(\$ in millions)	4Q 2012	vs. 4Q 2011	FY 2012	vs. FY 2011
Net Sales	\$193	(7%)	\$785	5%
Segment Income	\$36	(19%)	\$166	15%
Segment Income Margin	18%	(264 bps)	21%	193 bps

Key Business Highlights

- Record annual segment income with expanded margins
- Clear completion volumes +34% in 4Q and +8% for 2012
- Specialty Bromides experienced 26% annual profit growth driven by water treatment, industrial solvents and food safety antimicrobials
- Custom Services delivered record profits driven by new contracts and capacity expansion, despite 4Q lull due to campaign timing

Y/Y Sales Comparison

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

Business Outlook

- Strong global drilling activity expected to continue supporting completion fluid demand
- Custom Services grows pipeline, with emphasis on agriculture, electronic materials and custom pharmaceuticals

Polymer Solutions

4th Qtr & Full Year Performance

(\$ in millions)	4Q 2012	vs. 4Q 2011	FY 2012	vs. FY 2011
Net Sales	\$200	(4%)	\$892	(11%)
Segment Income	\$36	(3%)	\$203	(16%)
Segment Income Margin	18%	23 bps	23%	(137 bps)

Key Business Highlights

- Solid earnings power demonstrated despite soft electronics markets, broad European economic weakness and lower operating rates
- 4Q volume gain principally attributable to mineral FRs, antioxidants and curatives
- Pricing held with pockets of softness in printed wiring board, antioxidants and mineral FRs

Y/Y Sales Comparison

	4 th Qtr	Full Year
Sales Growth	(4%)	(11%)
Volume / Mix	7%	(7%)
Price	(6%)	(1%)
Phosphorus Business	(4%)	(2%)
Currency	(1%)	(1%)

Business Outlook

- Uncertainty regarding electronics demand may persist into 1H13 based on order book and market indicators
- Post-Chinese New Year will provide next indication of electronics demand trajectory
- Mineral FRs showing signs of 1H13 volume improvement
- Operating rates likely to increase modestly in 1H13

Catalysts

4th Qtr & Full Year Performance

(\$ in millions)	4Q 2012	vs. 4Q 2011	FY 2012	vs. FY 2011
Net Sales	\$294	2%	\$1,068	(4%)
Segment Income	\$79	(6%)	\$292	(10%)
Segment Income Margin	27%	(229 bps)	27%	(186 bps)

Key Business Highlights

- Record annual earnings for all divisions excluding metals impact
- FCC delivered annual volume growth of 14%
- 4Q12 HPC volume rise of 27% and favorable mix drove excellent finish to a record earnings year
- PCS 4Q12 results benefitted from more normal operating rates, driving strong finish to record earnings year

Y/Y Sales Comparison

	4 th Qtr	Full Year
Sales Growth	2%	(4%)
Volume / Mix	20%	4%
Price	(17%)	(6%)
Currency	(1%)	(2%)

Business Outlook

- Refinery catalysts fundamentals solid, tempered by less favorable HPC mix and loss of volume due to planned FCC turnarounds
- PCS expected to continue favorable trajectory driven by continued market shift in polymer catalysts toward metallocenes
- Investments in Korea and Saudi Arabia ramping up, with incremental start-up cost headwind during 1H13 pre-commercial production phase

Financial Performance

Free Cash Flow

(\$ in millions)

Full Year Ended December 31

	<u>2012</u>	<u>2011</u>
Net Income ¹	\$312	\$392
Restructuring and other charges	112	–
Depreciation & Amortization	99	97
Change in Working Capital	(87)	(37)
Other ²	53	35
Net Cash from Operations	489	487
Less: Capital Expenditures	(281)	(191)
Add Back: Pension Contributions	22	60

Free Cash Flow

\$230

\$356

¹Reflects Net Income attributable to Albemarle Corporation

²Includes pension contributions of \$22 for 2012 and \$60 for 2011

³Excluding special items and one-time tax discretely

⁴Excludes JV debt not guaranteed by Company

Other Financial Highlights as of

12/31/2012

(\$ in millions)

- Net Working Capital: \$576
- Dividends Paid: \$69
- Dividends growth Y/Y: +19%
- Share Repurchases: \$64
- Cash balance: \$478
- Effective Tax Rate³: 24.5%
- Net Debt⁴: \$205

APPENDIX

Non-GAAP Reconciliations

Segment Operating Profit & Segment Income

(\$ in thousands)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Total segment operating profit	\$ 147,505	\$ 163,280	\$ 641,660	\$ 696,187
Corporate & other ¹	(98,740)	(112,483)	(123,811)	(178,393)
Restructuring and other charges, net	<u>(16,982)</u>	<u>—</u>	<u>(111,685)</u>	<u>—</u>
GAAP Operating profit	<u>\$ 31,783</u>	<u>\$ 50,797</u>	<u>\$ 406,164</u>	<u>\$ 517,794</u>
Total segment income	\$ 150,600	\$ 165,473	\$ 661,156	\$ 712,033
Corporate & other	(98,740)	(112,541)	(123,831)	(178,568)
Restructuring and other charges, net	(16,982)	—	(111,685)	—
Interest and financing expenses	(7,666)	(8,998)	(32,800)	(37,574)
Other (expenses) income, net	(335)	(177)	1,229	357
Income tax benefit (expense)	<u>10,849</u>	<u>1,791</u>	<u>(82,533)</u>	<u>(104,134)</u>
GAAP Net income attributable to Albemarle Corporation	<u>\$ 37,726</u>	<u>\$ 45,548</u>	<u>\$ 311,536</u>	<u>\$ 392,114</u>

¹ Excludes corporate equity income and noncontrolling interest adjustments of \$(58) for the three-month period ended December 31, 2011, and \$(20) and \$(175) for the years ended December 31, 2012 and 2011, respectively.

Net Income and EBITDA

(\$ in thousands)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Net income attributable to Albemarle Corporation	\$ 37,726	\$ 45,548	\$ 311,536	\$ 392,114
Add back:				
Non-operating pension and OPEB adjustments (net of tax)	53,649	56,331	41,729	54,231
Restructuring and other charges, net (net of tax)	10,333	—	83,923	—
Discrete tax items, net	3,504	—	(986)	—
Net income attributable to Albemarle Corporation excluding special items	\$ 105,212	\$ 101,879	\$ 436,202	\$ 446,345
Net income attributable to Albemarle Corporation	\$ 37,726	\$ 45,548	\$ 311,536	\$ 392,114
Add back:				
Interest and financing expenses	7,666	8,998	32,800	37,574
Income tax (benefit) expense	(10,849)	(1,791)	82,533	104,134
Depreciation and amortization	24,592	24,827	99,020	96,753
EBITDA	59,135	77,582	525,889	630,575
Non-operating pension and OPEB adjustments	84,220	89,083	65,316	85,765
Restructuring and other charges, net	16,982	—	111,685	—
EBITDA excluding special items	\$ 160,337	\$ 166,665	\$ 702,890	\$ 716,340
Net sales	\$ 687,596	\$ 707,390	\$ 2,745,420	\$ 2,869,005
EBITDA Margin	8.6%	11.0%	19.2%	22.0%
EBITDA Margin excluding special items	23.3%	23.6%	25.6%	25.0%

Net Debt

(\$ in thousands)

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Total-Long term debt	\$ 699,288	\$ 763,673
JV debt not guaranteed by Company/ (consolidated but guaranteed by others)	(16,232)	(23,401)
Less Cash and cash equivalents	<u>(477,696)</u>	<u>(469,416)</u>
Net Debt	<u>\$ 205,360</u>	<u>\$ 270,856</u>

Diluted EPS

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Diluted earnings per share	\$ 0.42	\$ 0.51	\$ 3.47	\$ 4.28
Special items per share				
Non-operating pension and OPEB adjustments	0.60	0.63	0.46	0.59
Restructuring and other special items, net	0.15	—	0.92	—
Diluted earnings per share excluding special items	\$ 1.17	\$ 1.13	\$ 4.85	\$ 4.88

*Totals may not add due to rounding

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