

# Albemarle Corporation

## First Quarter 2016 Earnings

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Conference Call/Webcast  
Wednesday, May 11, 2016  
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 regulatory proceedings, claims or litigation; the occurrence of cyber security breaches, terrorist attacks, industrial accidents, natural disasters, or climate change; 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 execute, operate and integrate acquisitions and divestitures, including the integration of 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

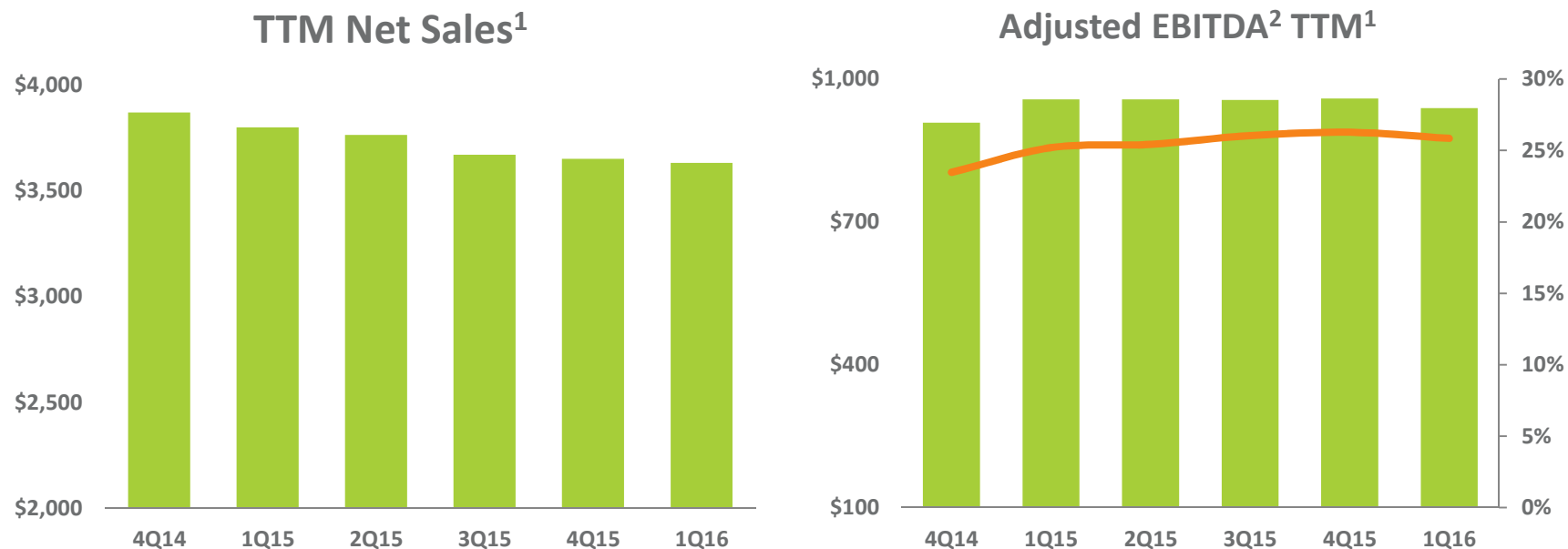
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It should be noted that adjusted net income attributable to Albemarle Corporation (“adjusted earnings”), adjusted diluted earnings per share, adjusted effective income tax rates, segment operating profit, segment income, EBITDA, adjusted EBITDA, adjusted 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.”

# First Quarter 2016 Financial Highlights<sup>1</sup>

(\$ in millions)



## Highlights - First Quarter 2016

**Net Sales** - up 7% excluding impact of divestitures and unfavorable currency exchange impacts

**Adjusted EBITDA<sup>2</sup>** - \$245 million, 28% adjusted EBITDA margin

**Adjusted Diluted EPS<sup>2</sup>** - \$1.12

**Adjusted FCF<sup>3</sup>** - \$160 million, up from \$94 million in prior year

**Actual FCF<sup>3</sup>** - \$119 million, up from \$(5) million in prior year

<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 2015 for detail on historical results.

<sup>2</sup> Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

<sup>3</sup> Free Cash Flow is defined as Net Cash from Operations, add back pension and post-retirement contributions and subtract capital expenditures. Adjusted FCF adds back acquisition related cash expenses and cash taxes on repatriation of approximately \$100M and \$41M in 1Q15 and 1Q16, respectively. See slide 15 for details.

# Key Accomplishments – First Quarter 2016

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- Strong performance across all core businesses
  - » Increased battery grade lithium demand and higher pricing contributed to a 26% increase in Lithium's adjusted EBITDA<sup>1</sup>
  - » Refining Solutions adjusted EBITDA<sup>1</sup> growth of 31% driven by solid quarters for both Heavy Oil Upgrading (FCC) and Clean Fuels Technology (HPC)
  - » Chemetall® Surface Treatment delivered net sales and adjusted EBITDA<sup>1</sup> increases of 8% and 14%, respectively
  - » Bromine Specialties exceeded expectations with adjusted EBITDA<sup>1</sup> of \$62M, up 16% year over year
- Key developments
  - » Decision to keep Fine Chemistry Services and run as standalone business resulting from offers below expected valuation
  - » Percentage of lithium carbonate and hydroxide volumes covered under multi-year contracts increased to more than 60%
  - » Achieved synergies that will deliver \$105 million versus FY 2014 (approaching goal of \$120 million)
  - » Retired \$300M Term Loan A, reducing net debt to about \$3.3 billion as of March 2016, in line with our forecast

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

# Full Year 2016 Guidance vs Pro Forma 2015

	Division	Initial Outlook		Updated Outlook	Business Environment
Refining Solutions	Heavy Oil Upgrading				<ul style="list-style-type: none"> <li>Catalysts demand for transportation fuel sustained at the high levels of 2015</li> <li>High number of trials at customers</li> <li>Marginal price impact from announced price increase within 2016</li> </ul>
	Clean Fuel Technologies				<ul style="list-style-type: none"> <li>Increased change outs by refiners excluding South America</li> <li>Improved segment and product mix</li> </ul>
Bromine Specialties	Bromine Specialties				<ul style="list-style-type: none"> <li>Exceeded expectations in Q1 2016 on higher than expected volumes for completion fluids outside US</li> <li>Expect completion fluids weakness in 2H16 with reduced CAPEX spending by major oil companies</li> <li>Loss of methyl bromide contract creates difficult Q2 year over year comparison</li> </ul>
Lithium and Advanced Materials	Lithium				<ul style="list-style-type: none"> <li>Volume growth in battery grade applications and continued price improvement</li> <li>Over 60 % of Li Carbonate and Hydroxide volumes under multi-year contracts as of Q1 2016 quarter-end</li> <li>Volume growth through tolling of spodumene in 2016</li> <li>Volume growth from Chile expansion to start in 2017</li> </ul>
	PCS / Curatives				<ul style="list-style-type: none"> <li>Volume growth expected to be in line with market growth</li> <li>Benefits from competitor outages in 2015 not expected to re-occur in 2016</li> <li>Headwinds of up to \$10M adj EBITDA from recently filed Sun Edison bankruptcy</li> </ul>
Surface Treatment	Surface Treatment				<ul style="list-style-type: none"> <li>Geographic and end market diversity continues to drive growth particularly in automotive components and coil</li> </ul>
Total Company					<ul style="list-style-type: none"> <li>Business outperformed Q1 2016 expectations</li> <li>Net sales guidance raised to \$3.3-3.6B (from \$3.2-3.4B)</li> <li>Adj EBITDA guidance raised to \$920-970M (from \$900-950M)</li> <li>Adj EBITDA margins around 28%</li> <li>Adj EPS guidance raised to \$3.90-4.25 (from \$3.45-3.80)</li> <li>Free Cash Flow \$450-550M (\$550-650M adjusted)</li> </ul>

# First Quarter 2016 Financial Results

	1Q 2016 (\$ in millions, except EPS)	Proforma 1Q 2015 <sup>1</sup> (\$ in millions, except EPS)	1Q 2015 (\$ in millions, except EPS)
Net Sales	\$ 865	\$ 830	\$ 884
Net Sales ex F/X	\$ 888		
Adjusted EBITDA <sup>2,4</sup>	\$ 245	\$ 205	\$ 266
Adj. EBITDA ex F/X	\$ 249		
Adjusted EBITDA Margin <sup>2,4</sup>	28%	25%	30%
Adjusted Net Earnings <sup>2,3</sup>	\$ 126	\$ 85	\$ 127
Adjusted Diluted EPS <sup>2,3</sup>	\$ 1.12	\$ 0.78	\$ 1.17 <sup>6</sup>
Free Cash Flow (YTD) <sup>5</sup>	\$ 119	\$ (13)	\$ (5)

<sup>1</sup>Proforma Q1 2015 excludes 1Q15 non-cash FX gain and net impact of divested businesses. See slides 8 and 9 for details.

<sup>2</sup>Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

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

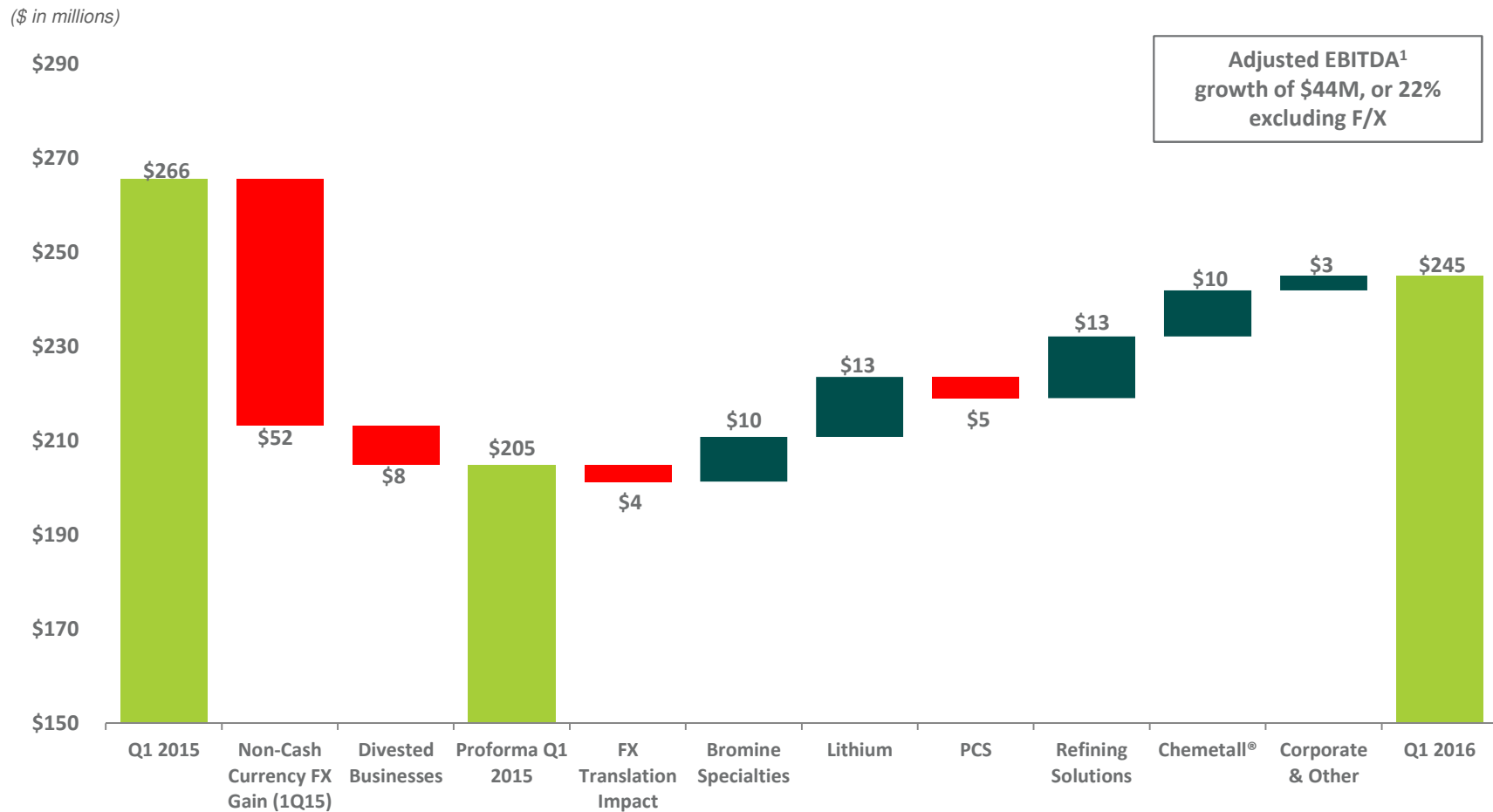
<sup>4</sup>Reflects EBITDA attributable to Albemarle Corporation, before discontinued operations and the special and non-operating pension and OPEB items.

<sup>5</sup>Free Cash Flow is defined as Net Cash from Operations, add back pension and post-retirement contributions and subtract capital expenditures.

Additionally, FCF includes acquisition related cash expenses and cash taxes on repatriation of approximately \$100M and \$41M in 1Q15 and 1Q16, respectively. See slide 15 for details.

<sup>6</sup>1Q15 EPS was positively affected by non-cash FX gains on pre-tax of \$52.4 million, or \$0.36 diluted EPS, associated with cash on hand subsequent to the ROC acquisition.

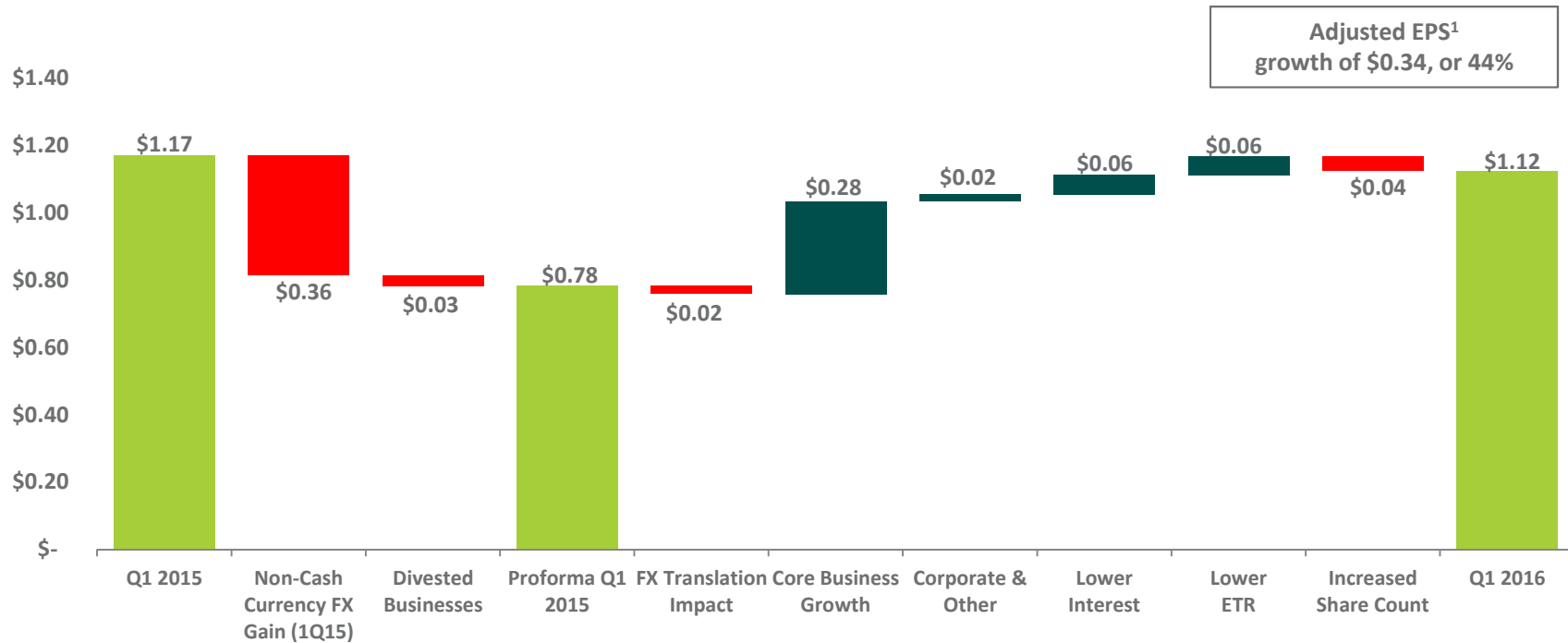
# First Quarter 2016 Adjusted EBITDA<sup>1</sup> Bridge



<sup>1</sup>Non-GAAP measure. See Non-GAAP reconciliations in Appendix. Bridge numbers may not reconcile due to rounding.



# First Quarter 2016 Adjusted EPS<sup>1</sup> Bridge



- Adjusted EPS<sup>1</sup> growth from proforma Q1 2015 led by core business growth of \$0.28 excluding unfavorable currency exchange impacts.
- Lower interest expense from the refinancing of Rockwood 2020s (4Q15) and retiring of \$300M Term Loan A (1Q16).
- First quarter 2016 effective tax rate (ETR) of ~22% was lower than originally expected due to country mix.

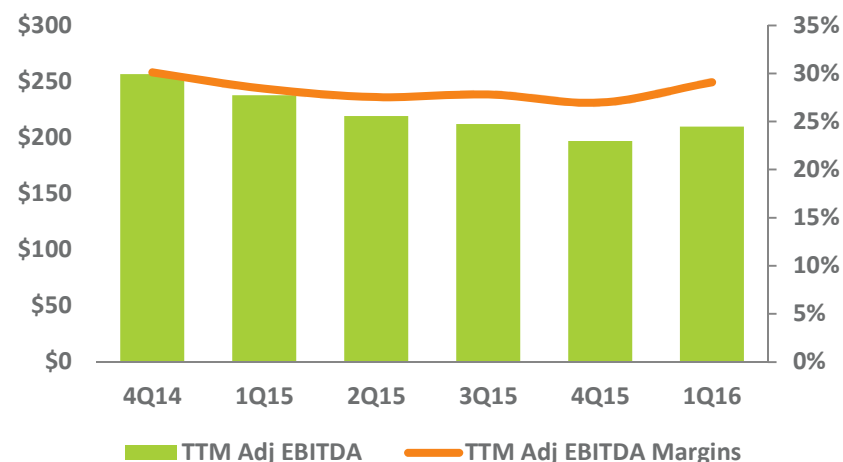
<sup>1</sup>Non-GAAP measure. See Non-GAAP reconciliations in Appendix. Bridge numbers may not reconcile due to rounding.

# Refining Solutions

## 1st Qtr Performance

(\$ in millions)	1Q 2016	1Q 2015	△
<b>Net Sales</b>	<b>\$171</b>	<b>\$179</b>	<b>(5%)</b>
<i>Net Sales ex FX</i>	\$173		(3%)
<b>Adj. EBITDA<sup>1</sup></b>	<b>\$55</b>	<b>\$42</b>	<b>31%</b>
<i>Adj. EBITDA ex FX</i>	\$55		31%
<b>Adj. EBITDA Margin<sup>1</sup></b>	<b>32%</b>	<b>24%</b>	<b>874 bps</b>
<i>Adj. EBITDA Margin ex FX</i>	32%		842 bps

## Historical Trend



## Performance Drivers

- Both Heavy Oil Upgrading (FCC) and Clean Fuels Technologies (HPC) performed in line with expectations in the first quarter.
- Heavy Oil Upgrading (FCC) adjusted EBITDA<sup>1</sup> up on volume compared to Q1 2015 which was negatively impacted by an elevated number of customer trials.
- Clean Fuels Technologies (HPC) delivered a strong first quarter despite a difficult operating environment driven by a favorable product mix and lower variable and fixed costs.

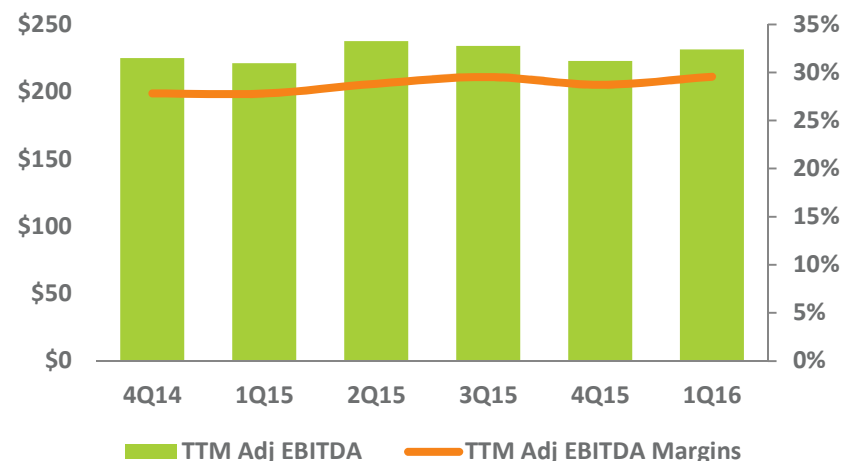
<sup>1</sup>Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

# Bromine Specialties

## 1st Qtr Performance

(\$ in millions)	1Q 2016	1Q 2015	△
<b>Net Sales</b>	<b>\$197</b>	<b>\$190</b>	<b>4%</b>
<i>Net Sales ex FX</i>	\$198		4%
<b>Adj. EBITDA<sup>1</sup></b>	<b>\$62</b>	<b>\$53</b>	<b>16%</b>
<i>Adj. EBITDA ex FX</i>	\$62		18%
<b>Adj. EBITDA Margin<sup>1</sup></b>	<b>31%</b>	<b>28%</b>	<b>342 bps</b>
<i>Adj. EBITDA Margin ex FX</i>	32%		359 bps

## Historical Trend



## Performance Drivers

- Bromine exceeded expectations in first quarter 2016 largely due to higher than anticipated clear brine demand outside of the US and timing of certain flame retardant orders.
- Also benefitted from higher sales pricing, favorable raw materials pricing, and lower operating costs.
- Q2 2016 faces a tough comparison to prior year due to loss of methyl bromide contract.

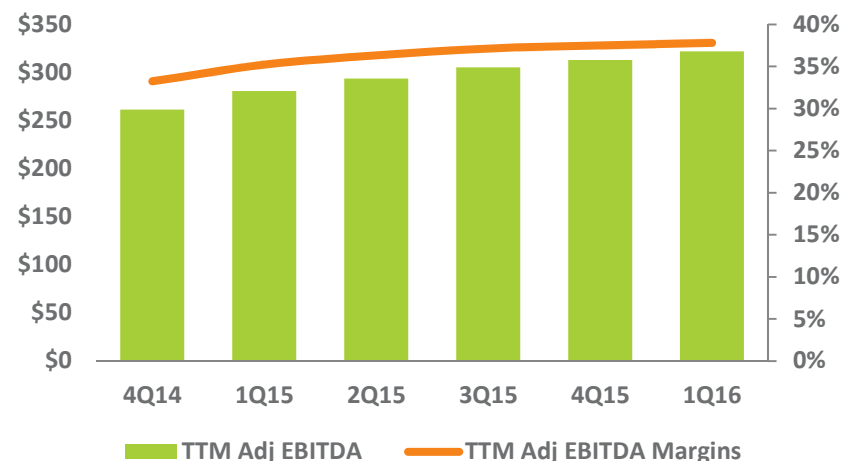
<sup>1</sup>Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

# Lithium and Advanced Materials

## 1st Qtr Performance

(\$ in millions)	1Q 2016	1Q 2015	△
<b>Net Sales</b>	<b>\$216</b>	<b>\$199</b>	<b>9%</b>
<i>Net Sales ex FX</i>	\$220		11%
<b>Adj. EBITDA<sup>1</sup></b>	<b>\$87</b>	<b>\$78</b>	<b>11%</b>
<i>Adj. EBITDA ex FX</i>	\$86		11%
<b>Adj. EBITDA Margin<sup>1</sup></b>	<b>40%</b>	<b>39%</b>	<b>96 bps</b>
<i>Adj. EBITDA Margin ex FX</i>	39%		(8) bps

## Historical Trend



## Performance Drivers

- Lithium growth driven by increased battery grade volumes and pricing, partially offset by headwinds in Potash pricing (Lithium production by-product).
- PCS performed as expected, adjusted EBITDA<sup>1</sup> down 16% compared to a strong Q1 2015 which benefitted from certain non-recurring sales.
- PCS faces a potential headwind of up to \$10 million for the rest of the year due to the bankruptcy filing by Sun Edison, a customer that also shares the Pasadena plant site.

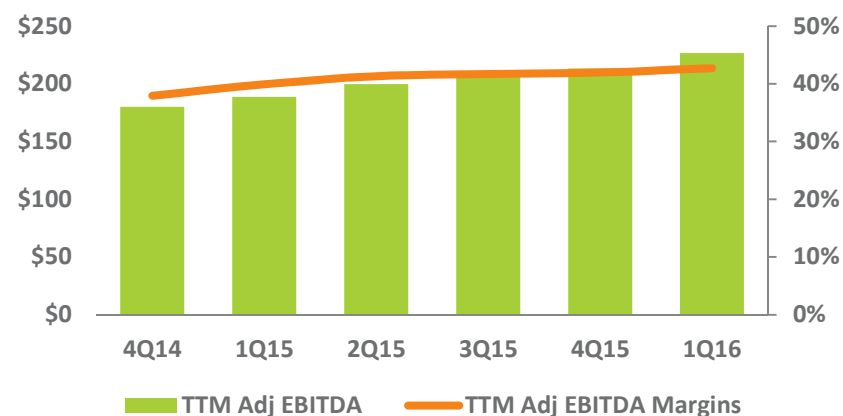
<sup>1</sup>Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

# Lithium and Adv. Materials – Lithium and PCS detail

## Lithium - 1st Qtr Performance

(\$ in millions)	1Q 2016	1Q 2015	△
<b>Net Sales</b>	<b>\$137</b>	<b>\$114</b>	<b>19%</b>
<i>Net Sales ex FX</i>	\$140		23%
<b>Adj. EBITDA<sup>1</sup></b>	<b>\$64</b>	<b>\$51</b>	<b>26%</b>
<i>Adj. EBITDA ex FX</i>	\$63		25%
<b>Adj. EBITDA Margin<sup>1</sup></b>	<b>47%</b>	<b>44%</b>	<b>253 bps</b>
<i>Adj. EBITDA Margin ex FX</i>	45%		103 bps

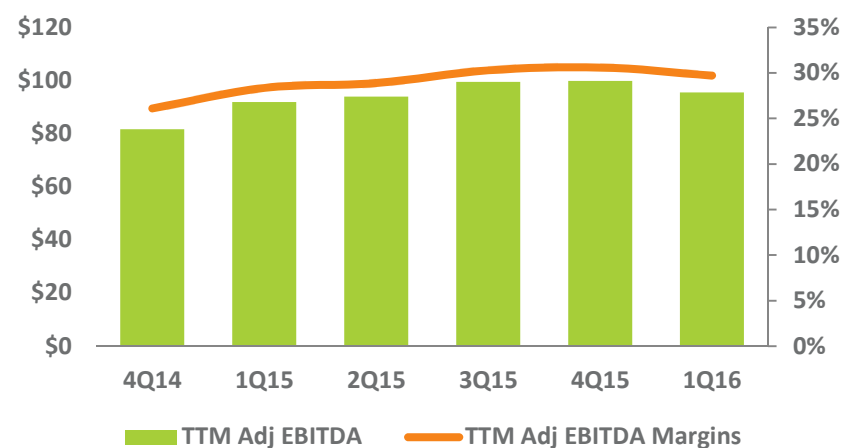
## Lithium Historical Trends



## PCS - 1st Qtr Performance

(\$ in millions)	1Q 2016	1Q 2015	△
<b>Net Sales</b>	<b>\$80</b>	<b>\$84</b>	<b>(6%)</b>
<i>Net Sales ex FX</i>	\$80		(5%)
<b>Adj. EBITDA<sup>1</sup></b>	<b>\$23</b>	<b>\$27</b>	<b>(16%)</b>
<i>Adj. EBITDA ex FX</i>	\$22		(17%)
<b>Adj. EBITDA Margin<sup>1</sup></b>	<b>28%</b>	<b>32%</b>	<b>(358) bps</b>
<i>Adj. EBITDA Margin ex FX</i>	28%		(410) bps

## PCS Historical Trends



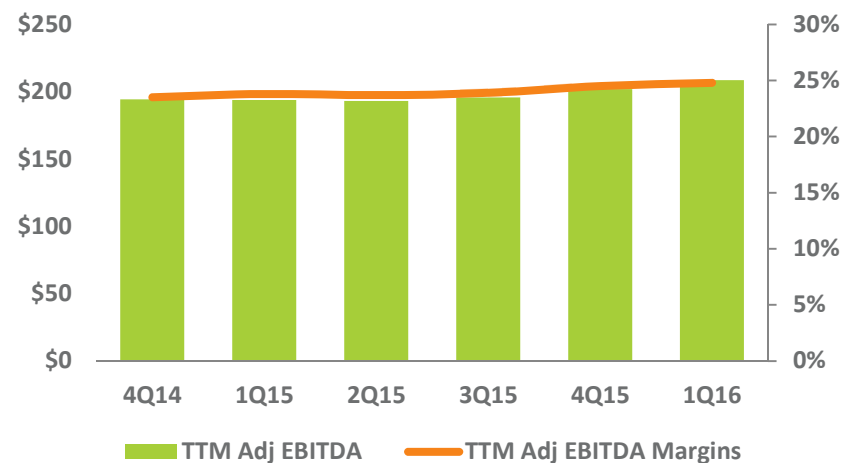
<sup>1</sup>Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

# Chemetall® Surface Treatment

## 1st Qtr Performance

(\$ in millions)	1Q 2016	1Q 2015	△
<b>Net Sales</b>	<b>\$208</b>	<b>\$192</b>	<b>8%</b>
<i>Net Sales ex FX</i>	\$223		16%
<b>Adj. EBITDA<sup>1</sup></b>	<b>\$53</b>	<b>\$46</b>	<b>14%</b>
<i>Adj. EBITDA ex FX</i>	\$56		21%
<b>Adj. EBITDA Margin<sup>1</sup></b>	<b>25%</b>	<b>24%</b>	<b>128 bps</b>
<i>Adj. EBITDA Margin ex FX</i>	25%		105 bps

## Historical Trend



## Performance Drivers

- Year over year net sales growth of 8% and adjusted EBITDA<sup>1</sup> growth of 14% as a result of improved volumes, pricing, and a full quarter of results from China JV acquisitions.
- Strong sales in Asia Pacific, particularly in China and India.
- Solid year over year volume growth in automotive components and coil.

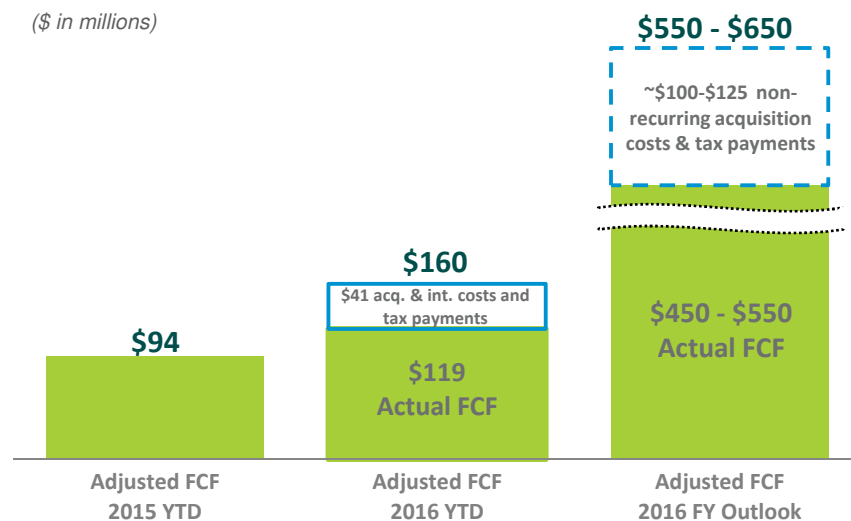
<sup>1</sup>Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

# Financial Performance

## Three Months Ended March 31

(\$ in millions)	2016	2015
<b>Net Cash from Operations</b>	<b>173</b>	<b>46</b>
Less: Capital Expenditures	(58)	(57)
Add Back: Pension Contributions	4	6
<b>Free Cash Flow</b>	<b>\$119</b>	<b>(\$5)</b>
Acquisition and integration related costs	21	100
Cash taxes on repatriation	20	-
<b>Adjusted Free Cash Flow</b>	<b>\$160</b>	<b>\$94</b>

(\$ in millions)



## Select Financial Metrics

(\$ in millions)

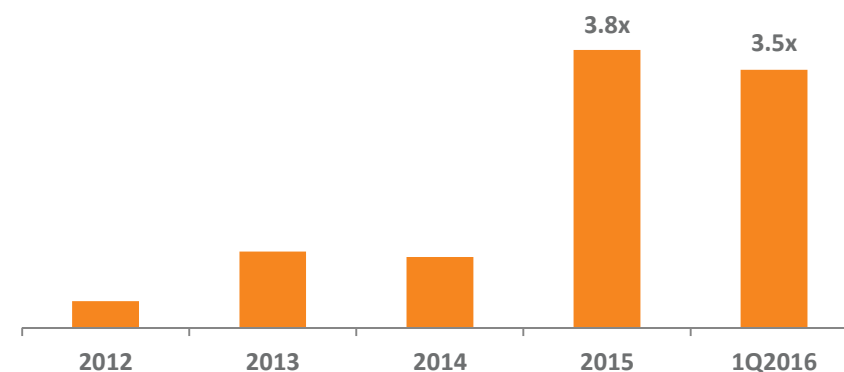
(as of 03/31/2016)

- **Dividends Paid:** \$33
- **Dividend Growth (Y/Y)<sup>1</sup>:** 5%
- **Cash Balance:** \$252
- **Net Debt<sup>2</sup>:** \$3,338

<sup>1</sup> Represents annual increase in dividend per share. Actual cash dividends paid increased 50% Y/Y.

<sup>2</sup> Excludes JV debt not guaranteed by Company.

## Net-Debt-to-Adj. EBITDA<sup>3</sup>



<sup>3</sup> Net-Debt-to-Adjusted EBITDA ratio is based on the bank covenant definition.

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