

Albemarle Corporation

Second Quarter 2014 Earnings

Conference Call/Webcast
Thursday, July 31, 2014
9:00am ET

 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.

Second Quarter 2014 Financial Results

	2Q 2014 (\$ in millions, except EPS)	Year-Over-Year	Sequential
Net Sales	\$ 605	5%	1%
Segment Income ¹	\$ 141	12%	8%
Adjusted Net Income ^{1,2}	\$ 87	10%	11%
Adjusted EBITDA ^{1,3}	\$ 145	11%	6%
Adjusted EBITDA Margins ^{1,3}	24%	136bps	125bps
Adjusted Diluted EPS ^{1,2}	\$ 1.10	17%	12%

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

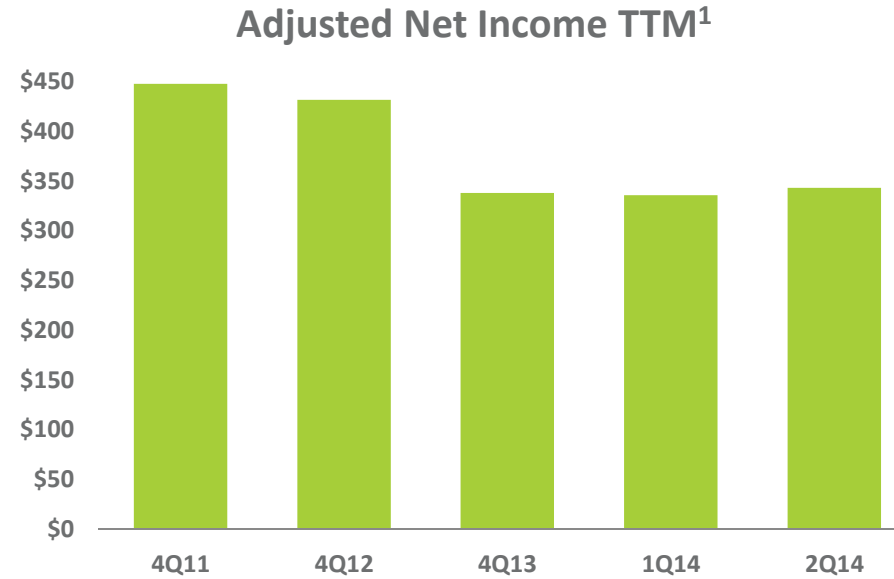
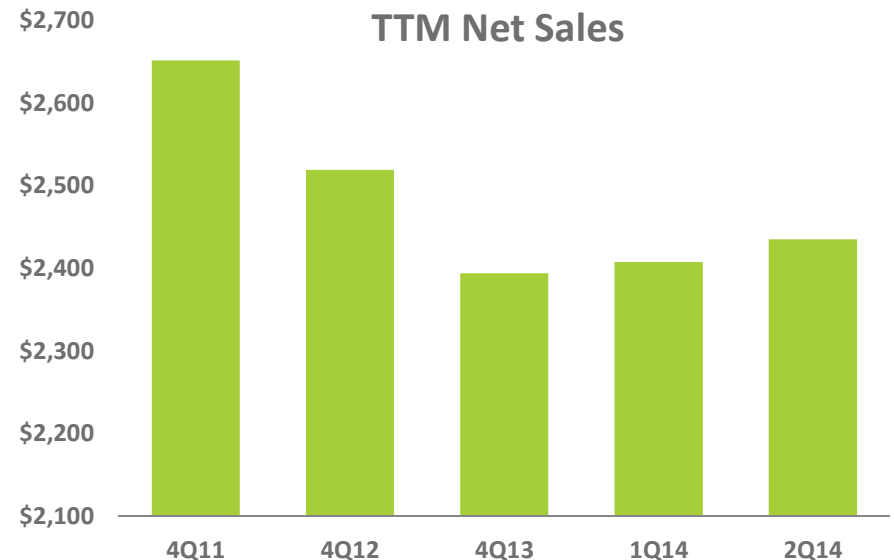
²Reflects Net Income attributable to Albemarle Corporation, excluding disc. operations, special charges such as restructuring and non-operating pension and OPEB costs

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

Second Quarter 2014 Financial Results

- 2Q 2014 adjusted net income¹ of \$87M; \$1.10 per share
- 2Q 2014 adjusted EBITDA² of \$145M, 24% EBITDA margin
- YTD 2014 FCF³ of \$253M up substantially y/y on working capital improvements and lower CAPEX
- Catalyst Solutions net sales and segment income up y/y on strong volumes across the segment
- Performance Chemicals segment income down due to soft y/y clear completion volumes and weak HBCD
- On July 15, 2014, announced an agreement to acquire Rockwood Holdings for a cash and stock value of approximately \$6.2 billion
- Executed accelerated share repurchase program to buyback \$100M shares in 2Q

¹Reflects Net Income attributable to Albemarle Corporation, excluding disc. operations, special and non-operating pension and OPEB items
²Reflects EBITDA attributable to Albemarle Corporation, excluding disc. operations, special and non-operating pension and OPEB items
³See reconciliation on Financial Performance slide 8



Catalyst Solutions

(\$ in millions)

2nd Qtr Performance

(\$ in millions)	2Q 2014	2Q 2013	△
Net Sales	\$271	\$234	16%
Segment Income	\$68	\$44	56%
Segment Income Margin	25%	19%	643bps

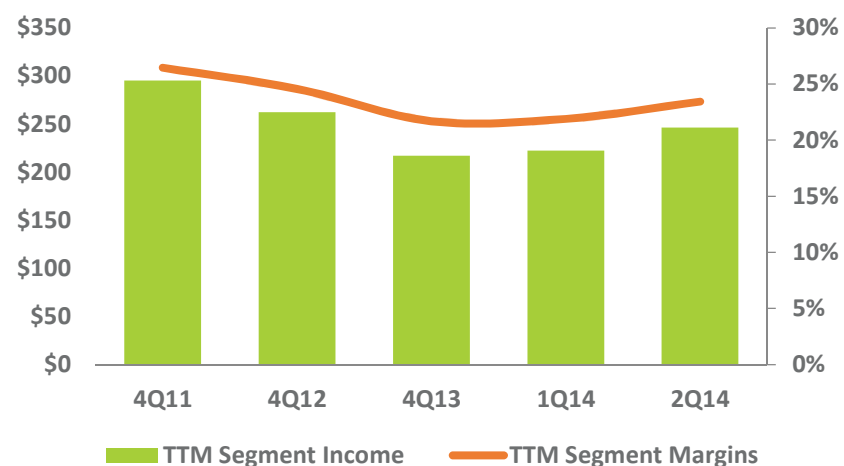
2nd Qtr Y/Y Sales Comparison

Sales Growth	16%
Volume / Mix	14%
Price	1%
Currency	1%

Performance Drivers

- Strong y/y revenue growth driven by refinery and polymer catalyst volume increases
- Refinery catalyst strength driven by Asia and ME, high catalyst addition rates in FCC and order timing in HPC/CFT
- Substantial y/y margin expansion due to volume and mix improvement, and high operating rates ahead of 3Q Bayport expansion turnaround

Historical Trend



Performance Chemicals

(\$ in millions)

2nd Qtr Performance

(\$ in millions)	2Q 2014	2Q 2013	△
Net Sales	\$334	\$343	(3%)
Segment Income	\$73	\$83	(12%)
Segment Income Margin	22%	24%	(225bps)

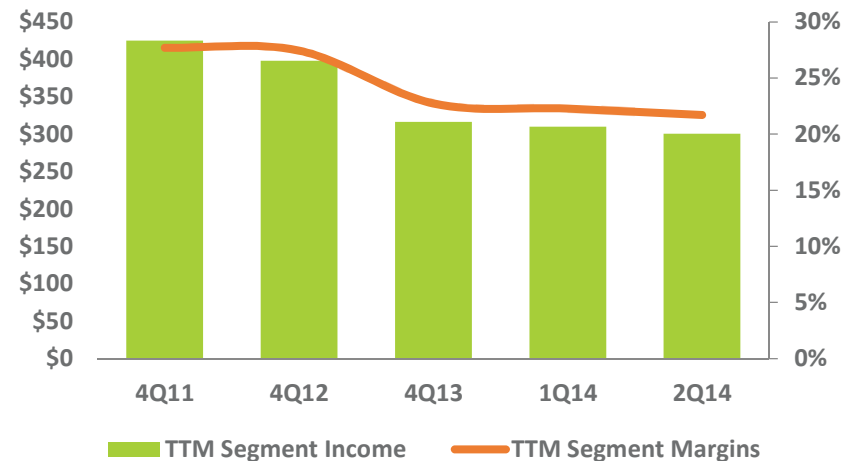
2nd Qtr Y/Y Sales Comparison

Sales Growth	(3%)
Volume / Mix	(3%)
Price	(1%)
Currency	1%

Performance Drivers

- Lower Specialty Chemicals volumes, reflecting lower than expected clear completion fluid volumes
- Lower y/y HBCD (insulating foam) and connectors sales in Fire Safety Solutions, offset favorable Fine Chemistry Services results
- Bromine pricing trends remain soft y/y, but have stabilized sequentially

Historical Trend



Sales Volume Variance By Major Product Groups

	Volume Performance	
	2Q14 vs. 2Q13	TTM 2Q14 vs. TTM 2Q13
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)

Six Months Ended June 30

	<u>2014</u>	<u>2013</u>
Net Income Attributable to ALB ¹	\$79	\$167
Restructuring and Pension Charges	24	3
Pre Tax Discontinued Operations	81	0
Depreciation & Amortization	53	52
Change in Working Capital	63	(53)
Other	(5)	10
Net Cash from Operations	295	179
Less: Capital Expenditures	(47)	(103)
Add Back: Pension Contributions	5	4
Free Cash Flow	\$253	\$80

¹ Reflects Net Income attributable to Albemarle Corporation

² Excludes JV debt not guaranteed by Company

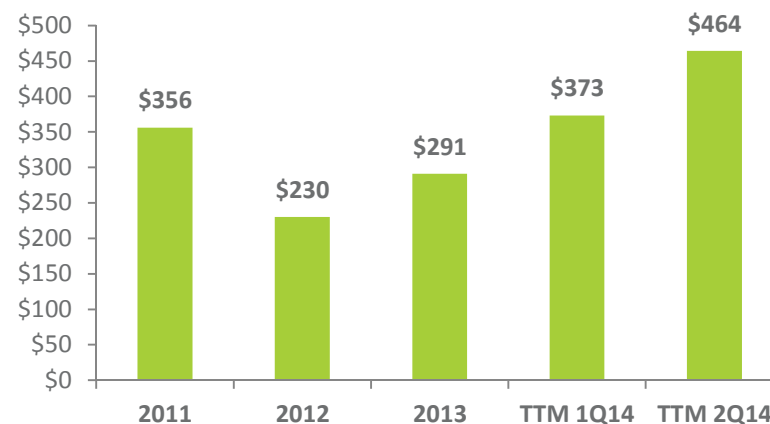
³ Excludes disc. ops, special ,and non-operating pension and OPEB items

Other Financial Highlights as of 6/30/2014

(\$ in millions)

- **Dividends Paid:** \$41
- **Dividend Growth (Y/Y):** 6%
- **Shares Repurchased:** \$150
- **Net Debt²:** \$541
- **Net Debt to Adj. EBITDA³:** 0.9x

FCF Historical Trend



Returned \$191M in Capital to Shareholders
Maintained Net Debt-to-EBITDA of ~1.0x