

# Albemarle Corporation Second Quarter 2018 Earnings and Non-GAAP Reconciliations

Conference Call/Webcast

Wednesday, August 8<sup>th</sup>, 2018

9:00am ET



# Forward-Looking Statements

Some of the information presented in this presentation, the conference call and discussions that follow, including, without limitation, statements with respect to product development, market trends, price, expected growth and earnings, demand for our products, capital projects, tax rates, stock repurchases, dividends, cash flow generation, 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. Actual results could differ materially from the views expressed.

Factors that could cause actual results to differ materially from the outlook expressed or implied in any forward-looking statement 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 or the end-user markets in which our products are sold; limitations or prohibitions on the manufacture and sale of our products; availability of raw materials; increases in the cost of raw materials and energy, and our ability to pass through such increases to our customers; 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; hazards associated with chemicals manufacturing; 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 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; the ability to successfully execute, operate and integrate acquisitions and divestitures; 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 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

It should be noted that Adjusted net income attributable to Albemarle Corporation (“Adjusted earnings”), Adjusted diluted earnings per share attributable to Albemarle Corporation, Adjusted effective income tax rates, segment operating profit, segment income, pro-forma net sales, net sales excluding the impact of foreign exchange translation (“ex FX”), EBITDA, Adj. EBITDA, Adj. EBITDA by operating segment, EBITDA margin, Adj. EBITDA margin, pro-forma Adj. EBITDA, pro-forma Adj. EBITDA margin, Adj. EBITDA excluding the impact of foreign exchange translation (“ex FX”), Adj. EBITDA margin excluding the impact of foreign exchange translation (“ex FX”), net debt to Adj. EBITDA, gross debt to Adj. EBITDA, free cash flow, and Adjusted free cash flow 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. The Company’s chief operating decision maker uses these measures to assess the ongoing performance of the Company and its segments, as well as for business and enterprise planning purposes.

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.” The Company does not provide a reconciliation of forward looking non-GAAP financial measures to the most directly comparable financial measures calculated and reported in accordance with GAAP, as the Company is unable to estimate significant non-recurring or unusual items without unreasonable effort. The amounts and timing of these items are uncertain and could be material to the Company's results calculated in accordance with GAAP.

# Key Messages



Q2 2018 Adjusted EBITDA<sup>1</sup> up double digits in all three businesses

Lithium growth continues with volume and pricing up double digits

Raising FY 2018 net sales, adjusted EBITDA<sup>1</sup> and adjusted EPS<sup>1</sup> guidance

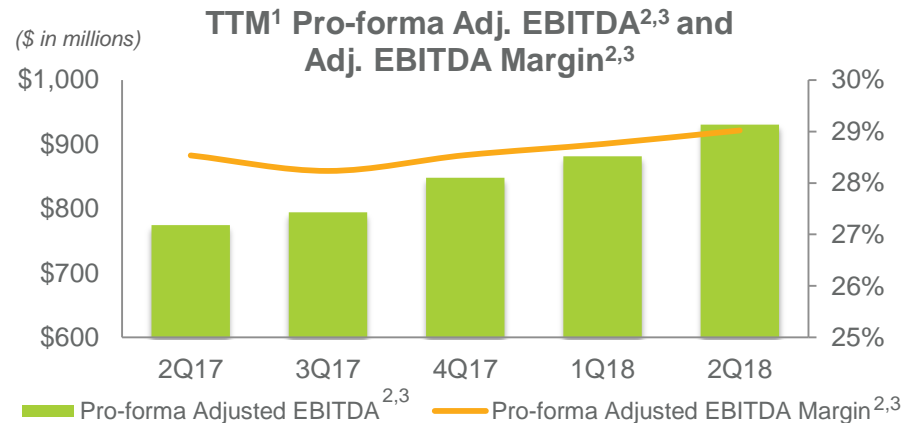
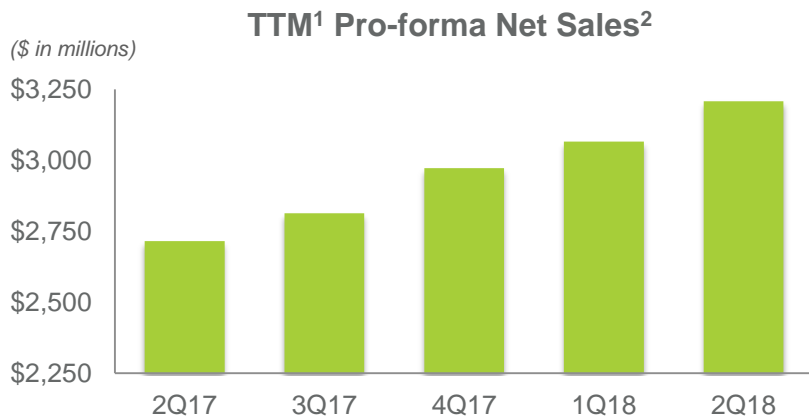
Initiating another \$250 million accelerated share repurchase program, subject to market conditions, to be completed by year end

# Second Quarter 2018 Financial Highlights

	Q2 2018 Results	vs Prior Year Pro-forma <sup>2</sup>
Net Sales	\$854 million	+20%
Adjusted EBITDA <sup>1</sup>	\$259 million	+24%
Adjusted Diluted EPS <sup>1</sup>	\$1.36	+28%

Results driven by double digit Adjusted EBITDA<sup>1</sup> growth in Lithium, Bromine and Catalysts

# Segment Quarterly Highlights



## Core Business Performance - Second Quarter 2018

**Lithium** – \$142M Adj. EBITDA<sup>3</sup>, up 23% YoY; 45% Adj. EBITDA<sup>3</sup> margin

**Bromine Specialties** – \$69M Adj. EBITDA<sup>3</sup>, up 12%; 31% Adj. EBITDA<sup>3</sup> margin

**Catalysts** – \$75M Adj. EBITDA<sup>3</sup>, up 30%<sup>2</sup>; 26% Adj. EBITDA<sup>3</sup> margin

<sup>1</sup>Trailing Twelve Months.

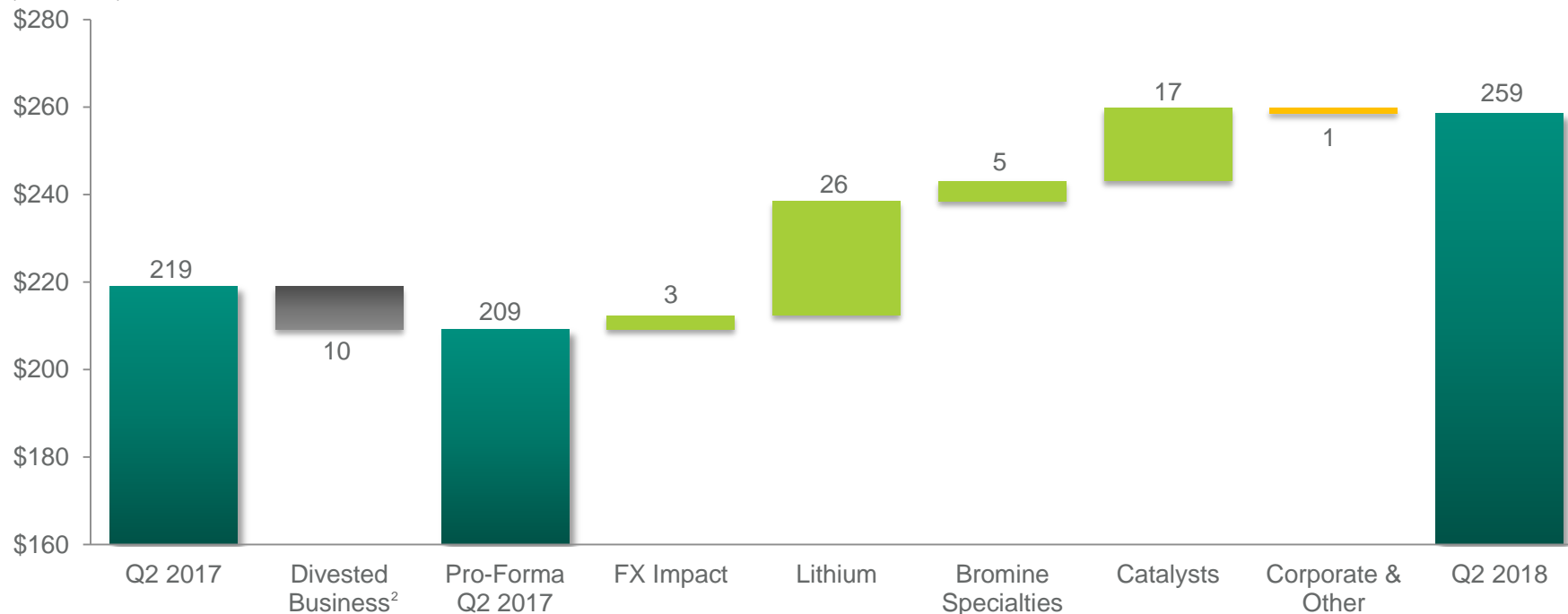
<sup>2</sup>Excludes net impact of divested business (Polyolefin Catalysts & Components). Pro-forma reconciliations in Appendix.

<sup>3</sup>Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

# Second Quarter 2018 Adjusted EBITDA<sup>1</sup> Bridge

Q2 2018: Adjusted EBITDA<sup>1</sup> growth<sup>2</sup> of \$50 million, 24% yoy

(\$ in millions)

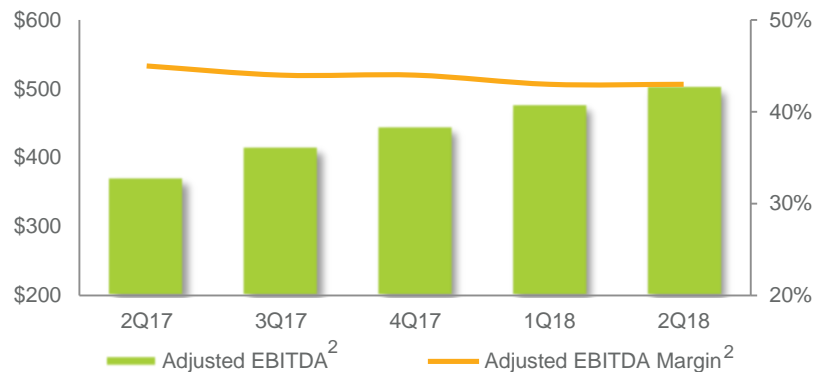


# Lithium

## Q2 2018 Performance

(\$ in millions)	Q2 2018	Q2 2017	Δ
<b>Net Sales</b>	<b>\$318</b>	<b>\$244</b>	<b>30%</b>
Net Sales ex FX <sup>1</sup>	\$310		27%
<b>Adj. EBITDA<sup>2</sup></b>	<b>\$142</b>	<b>\$115</b>	<b>23%</b>
Adj. EBITDA ex FX <sup>1</sup>	\$141		22%
<b>Adj. EBITDA Margin<sup>2</sup></b>	<b>45%</b>	<b>47%</b>	<b>(265 bps)</b>
Adj. EBITDA Margin ex FX <sup>1</sup>	45%		(179 bps)

## Historical Trend (TTM)



## Performance Drivers

- Q2 2018 Lithium net sales growth driven by volume (15%) and pricing (12%)
- Strong demand continues across the portfolio with assets and tolling partners running at max rates
- Capital projects proceeding as planned, Xinyu II front end commissioned in Q2 2018 and expect mechanical completion and commissioning of back end during Q4 2018

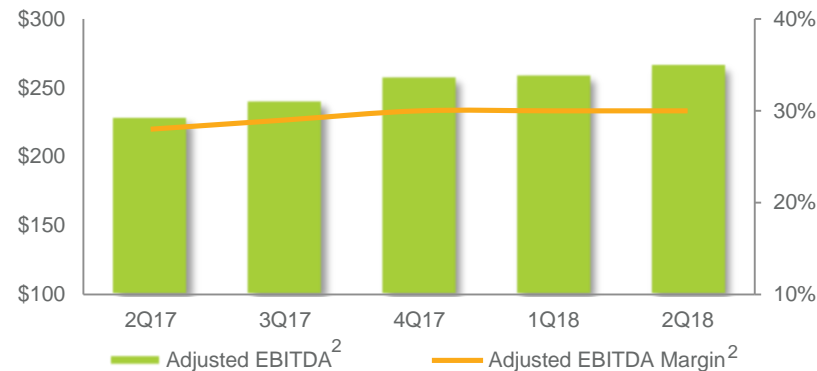


# Bromine Specialties

## Q2 2018 Performance

(\$ in millions)	Q2 2018	Q2 2017	Δ
<b>Net Sales</b>	<b>\$221</b>	<b>\$204</b>	<b>8%</b>
Net Sales ex FX <sup>1</sup>	\$217		7%
<b>Adj. EBITDA<sup>2</sup></b>	<b>\$69</b>	<b>\$62</b>	<b>12%</b>
Adj. EBITDA ex FX <sup>1</sup>	\$67		7%
<b>Adj. EBITDA Margin<sup>2</sup></b>	<b>31%</b>	<b>30%</b>	<b>102 bps</b>
Adj. EBITDA Margin ex FX <sup>1</sup>	31%		23 bps

## Historical Trend (TTM)



## Performance Drivers

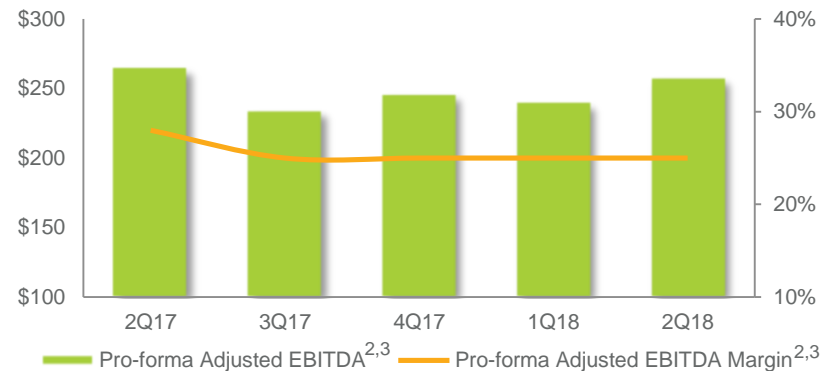
- Q2 2018 Bromine Specialties net sales growth driven by volume (3%) and pricing (3%)
- Higher pricing is offsetting higher input costs driven by crude oil chain
- Solid demand for flame retardants continues while China production remains low

# Catalysts

## Q2 2018 Performance

(\$ in millions)	Q2 2018	Q2 2017	Pro-forma <sup>3</sup> Q2 2017	Δ vs Pro-forma <sup>3</sup> Q2 2017
<b>Net Sales</b>	<b>\$285</b>	<b>\$258</b>	<b>\$233</b>	<b>23%</b>
Net Sales ex FX <sup>1</sup>	\$280			20%
<b>Adj. EBITDA<sup>2</sup></b>	<b>\$75</b>	<b>\$67</b>	<b>\$58</b>	<b>30%</b>
Adj. EBITDA ex FX <sup>1</sup>	\$75			30%
<b>Adj. EBITDA Margin<sup>2</sup></b>	<b>26%</b>	<b>26%</b>	<b>25%</b>	<b>156 bps</b>
Adj. EBITDA Margin ex FX <sup>1</sup>	27%			191 bps

## Historical Trend (TTM)



## Performance Drivers

- Q2 2018 Catalysts net sales growth driven by volume (16%) and pricing/mix (2%)
- Adjusted EBITDA<sup>2</sup> growth from higher net sales, Hurricane Harvey insurance claim payment (\$2 million), partially offset by Force Majeure in Curatives due to a raw material shortage (\$5 million)

# Cash Flow and Net Debt

## Six Months Ended June 30

(\$ in millions)

	<u>2018</u>	<u>2017</u>
<b>Net Cash from Operations</b>	<b>\$224</b>	<b>(\$54)</b>
Less: Capital Expenditures	(281)	(98)
Add Back: Pension Contributions <sup>1</sup>	7	11
<b>Free Cash Flow<sup>2</sup></b>	<b>(\$50)</b>	<b>(\$141)</b>
Non-recurring and other unusual cash items	40	59
Cash taxes on repatriation/Chemetal® sale	40	255
<b>Adjusted Free Cash Flow<sup>2</sup></b>	<b>\$30</b>	<b>\$173</b>

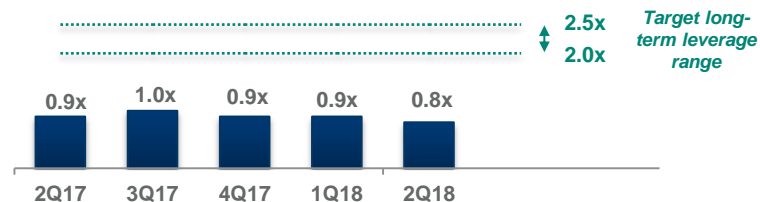
## Selected Financial Metrics

(\$ in millions)

(as of 06/30/2018)







<b>Dividends Paid:</b>	<b>\$72</b>
<b>Dividend Growth (Y/Y)<sup>3</sup>:</b>	<b>5%</b>
<b>Cash Balance:</b>	<b>\$908</b>
<b>Gross Debt<sup>4</sup>:</b>	<b>\$1,615</b>
<b>Net Debt to Adj. EBITDA<sup>5</sup>:</b>	<b>0.8x</b>

## Net Debt to Adj. EBITDA<sup>5</sup>



**Initiating \$250 million accelerated share repurchase program, subject to market conditions, to be completed by year end**  
**Expect Net Debt to Adj. EBITDA<sup>5</sup> to end year at ~1.2x**

# Full Year 2018 Business Guidance vs 2017

Business Unit	Prior Outlook	Updated Outlook	Business Environment
Lithium			<ul style="list-style-type: none"> <li>FY 2018 Adj. EBITDA<sup>1</sup> expected to increase low-to-mid 20's on % basis vs prior year</li> <li>Expect 1H 2018 to be similar to 2H 2018; Q3 similar to Q1 and Q4 similar to Q2</li> <li>Favorable outlook driven by strong volume and price improvements, primarily in battery grade product portfolio</li> </ul>
Bromine Specialties			<ul style="list-style-type: none"> <li>FY 2018 Adj. EBITDA<sup>1</sup> expected to be up high single-digit vs prior year</li> <li>Improved outlook driven by solid demand for flame retardants and higher pricing in some derivatives, partially offset by higher raw material and freight costs</li> </ul>
Catalysts <sup>2</sup>			<ul style="list-style-type: none"> <li>FY 2018 Adj. EBITDA<sup>1</sup> expected to increase high single-digit vs prior year on pro-forma<sup>2</sup> basis driven by higher volume, favorable product mix and higher pricing in FCC</li> <li>Q4 2018 expected to be stronger than Q3 2018</li> <li>Now expect ~\$5 million (vs \$10 million previously) unfavorable impact to Adj. EBITDA<sup>1</sup> in FY2018 due to raw material shortage in Curatives product line</li> <li>Anticipate favorable benefit of \$5 million from Hurricane Harvey insurance settlements with \$2 million already received in Q2 2018</li> </ul>

 Better than 2017

 Better than 2017 and Prior Outlook

# Full Year 2018 Guidance

	FY 2017	FY 2017 Pro Forma <sup>3</sup>	Prior FY 2018 Guidance <sup>4</sup>		Updated FY 2018 Guidance <sup>4</sup>	Updated 2018 Guidance vs FY 2017 Pro-Forma <sup>3</sup>
<b>Net Sales</b>	\$3.07B	\$3.00B	\$3.2 – \$3.4B	▲	\$3.3 – \$3.5B	10% – 17%
<b>Adjusted EBITDA<sup>1</sup></b>	\$885M	\$859M	\$955 – \$1,005M	▲	\$990 – \$1,020M	15% – 19%
<b>Adjusted EBITDA Margin<sup>1</sup></b>	29%	29%	29% – 30%	=	29% – 30%	
<b>Adjusted Diluted EPS<sup>1</sup></b>	\$4.59	\$4.40	\$5.10 – \$5.40	▲	\$5.30 – \$5.50	20% – 25%
<b>D&amp;A</b>	\$197	\$192	N/A		\$195 – \$205	
<b>Net Cash from Operations<sup>2</sup></b>	\$304M	\$278M	\$660 – \$730M	=	\$660 – \$730M	
<b>Capital Expenditures</b>	\$318M	\$313M	\$800 – \$900M	=	\$800 – \$900M	
<b>Adjusted Free Cash Flow<sup>2</sup></b>	\$354M	\$333M	(\$150) – \$50M	=	(\$150) – \$50M	

<sup>1</sup>Non-GAAP measure. See Non-GAAP reconciliation in Appendix for 2017 figures.

<sup>2</sup>Free Cash Flow is a non-GAAP measure defined as Net Cash from Operations, add back pension and post-retirement contributions and subtract capital expenditures. See slide 11 for details.

<sup>3</sup>The FY 2017 Pro Forma calculation excludes the financial contribution from Polyolefin Catalyst & Components for the final nine months of 2017 because Albemarle closed the sale by the end of 1Q 2018. Pro Forma FY 2017 Net Cash from Operations is calculated by subtracting the Adjusted EBITDA associated with the Polyolefin Catalysts & Components. Pro Forma FY 2017 Adjusted Free Cash Flow calculated by subtracting the Adjusted EBITDA and adding back the Capital Expenditures associated with the Polyolefin Catalysts & Components.

<sup>4</sup>FY 2018 Guidance includes financial contribution from Polyolefin Catalysts & Components during Q1 2018 only.

**ALB**  
**LISTED**  
**NYSE**

**[www.albemarle.com](http://www.albemarle.com)**

# Appendix

Non-GAAP Reconciliations and  
Supplemental Information

# Adjusted Net Income - Pro-forma

	Three Months Ended	
	June 30,	
	2018	2017
<i>(\$ in thousands)</i>		
Net income attributable to Albemarle Corporation	\$ 302,461	\$ 103,333
Add back:		
Non-operating pension and OPEB items (net of tax)	(1,873)	(589)
Non-recurring and other unusual items (net of tax)	(150,618)	23,738
Adjusted net income attributable to Albemarle Corporation	149,970	126,482
Pro-forma: Net impact of income from divested business (net of tax)	—	(7,903)
Pro-forma adjusted net income attributable to Albemarle Corporation	\$ 149,970	\$ 118,579
Adjusted diluted earnings per share	\$ 1.36	\$ 1.13
Pro-forma adjusted diluted earnings per share	\$ 1.36	\$ 1.06
Weighted-average common shares outstanding – diluted	110,659	112,105

See above for a reconciliation of adjusted net income and pro-forma adjusted net income, the non-GAAP financial measures, to Net income attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with GAAP. Adjusted earnings is defined as earnings before the non-recurring, other unusual and non-operating pension and OPEB items as listed above. Pro-forma adjusted net income is defined as earnings before the non-recurring, other unusual and non-operating pension and OPEB items, and the net impact of the divested business.



# EBITDA and Adjusted EBITDA - Pro-forma

	Three Months Ended	
	June 30,	
	2018	2017
<i>(\$ in thousands)</i>		
Net income attributable to Albemarle Corporation	\$ 302,461	\$ 103,333
Add back:		
Interest and financing expenses	13,308	14,590
Income tax expense	80,102	23,130
Depreciation and amortization	50,474	49,122
<b>EBITDA</b>	<b>446,345</b>	<b>190,175</b>
Non-operating pension and OPEB items	(2,204)	(1,053)
Non-recurring and other unusual items (excluding items associated with interest expense)	(185,579)	29,819
<b>Adjusted EBITDA</b>	<b>258,562</b>	<b>218,941</b>
Pro-forma: Net impact of adjusted EBITDA from divested business	—	(9,766)
<b>Pro-forma adjusted EBITDA</b>	<b>\$ 258,562</b>	<b>\$ 209,175</b>
<b>Net sales</b>	<b>\$ 853,874</b>	<b>\$ 737,258</b>
Pro-forma: Net impact of net sales from divested business	—	(25,731)
<b>Pro-forma net sales</b>	<b>\$ 853,874</b>	<b>\$ 711,527</b>
EBITDA margin	52.3%	25.8%
Adjusted EBITDA margin	30.3%	29.7%
Pro-forma adjusted EBITDA margin	30.3%	29.4%

See above for a reconciliation of EBITDA, adjusted EBITDA, and pro-forma adjusted EBITDA, the non-GAAP financial measures, to Net income attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with GAAP. EBITDA is defined as Net income attributable to Albemarle Corporation before interest and financing expenses, income taxes, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA before the non-recurring, other unusual and non-operating pension and OPEB items as listed below. Pro-forma adjusted EBITDA is defined as adjusted EBITDA before the net impact of EBITDA from the divested business.

See above for a reconciliation of pro-forma net sales, the non-GAAP financial measure, to net sales, the most directly comparable financial measure calculated and reported in accordance with GAAP. Pro-forma net sales is defined as net sales before the net impact of net sales from the divested business.

# Adjusted EBITDA - by Segment *(three months ended June 30)*

(\$ in thousands)

	Lithium	Bromine Specialties	Catalysts	Reportable Segments Total	All Other	Corporate	Consolidated Total
<b>Three months ended June 30, 2018:</b>							
Net income (loss) attributable to Albemarle Corporation	\$ 117,292	\$ 59,673	\$ 280,887	\$ 457,852	\$ (2,079)	\$ (153,312)	\$ 302,461
Depreciation and amortization	24,325	9,694	12,920	46,939	1,978	1,557	50,474
Non-recurring and other unusual items	—	—	(218,705)	(218,705)	—	33,126	(185,579)
Interest and financing expenses	—	—	—	—	—	13,308	13,308
Income tax expense	—	—	—	—	—	80,102	80,102
Non-operating pension and OPEB items	—	—	—	—	—	(2,204)	(2,204)
<b>Adjusted EBITDA</b>	<b>\$ 141,617</b>	<b>\$ 69,367</b>	<b>\$ 75,102</b>	<b>\$ 286,086</b>	<b>\$ (101)</b>	<b>\$ (27,423)</b>	<b>\$ 258,562</b>
<b>Three months ended June 30, 2017:</b>							
Net income (loss) attributable to Albemarle Corporation	\$ 81,819	\$ 51,739	\$ 53,994	\$ 187,552	\$ 152	\$ (84,371)	\$ 103,333
Depreciation and amortization	21,460	10,336	13,433	45,229	2,292	1,601	49,122
Non-recurring and other unusual items	11,921	—	—	11,921	—	17,898	29,819
Interest and financing expenses	—	—	—	—	—	14,590	14,590
Income tax expense	—	—	—	—	—	23,130	23,130
Non-operating pension and OPEB items	—	—	—	—	—	(1,053)	(1,053)
<b>Adjusted EBITDA</b>	<b>\$ 115,200</b>	<b>\$ 62,075</b>	<b>\$ 67,427</b>	<b>\$ 244,702</b>	<b>\$ 2,444</b>	<b>\$ (28,205)</b>	<b>\$ 218,941</b>
Pro-forma: Net impact of adjusted EBITDA from divested business	—	—	(9,766)	(9,766)	—	—	(9,766)
<b>Pro-forma adjusted EBITDA</b>	<b>\$ 115,200</b>	<b>\$ 62,075</b>	<b>\$ 57,661</b>	<b>\$ 234,936</b>	<b>\$ 2,444</b>	<b>\$ (28,205)</b>	<b>\$ 209,175</b>

See above for a reconciliation of adjusted EBITDA on a segment basis, the non-GAAP financial measure, to Net income attributable to Albemarle Corporation ("earnings"), the most directly comparable financial measure calculated and reporting in accordance with GAAP. EBITDA is defined as earnings before interest and financing expenses, income taxes, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA before the non-recurring, other unusual and non-operating pension and OPEB items as listed above.

# Adjusted EBITDA - Margin by Segment *(three months ended June 30)*

(\$ in thousands)

	Lithium	Bromine Specialties	Catalysts	Reportable Segments Total	All Other	Consolidated Total
<b>Three months ended June 30, 2018:</b>						
Net sales	\$ 317,563	\$ 220,514	\$ 284,966	\$ 823,043	\$ 30,748	\$ 853,874
Net income (loss) attributable to Albemarle Corporation	36.9%	27.1%	98.6%	55.6%	(6.8)%	35.4%
Depreciation and amortization	7.7%	4.4%	4.5%	5.7%	6.4%	5.9%
Non-recurring and other unusual items	—%	—%	(76.7)%	(26.6)%	—%	(21.7)%
Interest and financing expenses	—%	—%	—%	—%	—%	1.6%
Income tax expense	—%	—%	—%	—%	—%	9.4%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(0.3)%
<b>Adjusted EBITDA Margin</b>	<b>44.6%</b>	<b>31.5%</b>	<b>26.4%</b>	<b>34.8%</b>	<b>(0.3)%</b>	<b>30.3%</b>
<b>Three months ended June 30, 2017:</b>						
Net sales	\$ 243,821	\$ 203,945	\$ 258,255	\$ 706,021	\$ 30,704	\$ 737,258
Pro-forma: Net impact of net sales from divested business	—	—	(25,731)	(25,731)	—	(25,731)
Pro-forma net sales	\$ 243,821	\$ 203,945	\$ 232,524	\$ 680,290	\$ 30,704	\$ 711,527
Net income (loss) attributable to Albemarle Corporation	33.6%	25.4%	20.9%	26.6%	0.5%	14.0%
Depreciation and amortization	8.8%	5.1%	5.2%	6.4%	7.5%	6.7%
Non-recurring and other unusual items	4.9%	—%	—%	1.7%	—%	4.0%
Interest and financing expenses	—%	—%	—%	—%	—%	2.0%
Income tax expense	—%	—%	—%	—%	—%	3.1%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(0.1)%
<b>Adjusted EBITDA Margin</b>	<b>47.2%</b>	<b>30.4%</b>	<b>26.1%</b>	<b>34.7%</b>	<b>8.0%</b>	<b>29.7%</b>
<b>Pro-forma Adjusted EBITDA Margin</b>	<b>47.2%</b>	<b>30.4%</b>	<b>24.8%</b>	<b>34.5%</b>	<b>8.0%</b>	<b>29.4%</b>

See above for adjusted EBITDA margin, a non-GAAP financial measure defined as adjusted EBITDA divided by net sales. See slide 18 for the related reconciliation of adjusted EBITDA on a segment basis, the non-GAAP financial measure, to Net income attributable to Albemarle Corporation ("earnings"), the most directly comparable financial measure calculated and reporting in accordance with GAAP.

Consolidated Total includes net sales from Corporate (not shown) of \$83 and \$533 in the three months ended June 30, 2018 and 2017, respectively.

# Adjusted EBITDA - Continuing Operations (twelve months ended)

(\$ in thousands)	Twelve Months Ended				
	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
<b>Continuing Operations</b>					
Net income attributable to Albemarle Corporation	\$ 884,856	\$ 875,306	\$ 54,850	\$ 135,397	\$ 334,525
Depreciation and amortization	191,853	193,774	196,928	202,188	203,540
Non-recurring and other unusual items (excluding items associated with interest expense)	88,866	89,214	102,660	101,914	(113,484)
Interest and financing expenses	117,370	117,216	115,350	60,375	59,093
Income tax expense	82,223	88,324	431,817	440,207	497,179
Income from discontinued operations (net of tax)	(583,159)	(559,974)	—	—	—
Non-operating pension and OPEB items	24,021	23,224	(16,125)	(17,259)	(18,410)
<b>Adjusted EBITDA</b>	<b>\$ 806,030</b>	<b>\$ 827,084</b>	<b>\$ 885,480</b>	<b>\$ 922,822</b>	<b>\$ 962,443</b>
Pro-forma: Net impact of adjusted EBITDA from divested business	(31,186)	(32,798)	(37,123)	(41,287)	(31,521)
<b>Pro-forma Adjusted EBITDA</b>	<b>\$ 774,844</b>	<b>\$ 794,286</b>	<b>\$ 848,357</b>	<b>\$ 881,535</b>	<b>\$ 930,922</b>
Net Sales	\$ 2,809,986	\$ 2,910,842	\$ 3,071,976	\$ 3,171,542	\$ 3,288,158
Pro-forma: Net impact of Net Sales from divested business	(94,545)	(97,595)	(99,491)	(106,013)	(80,282)
<b>Pro-forma Net Sales</b>	<b>\$ 2,715,441</b>	<b>\$ 2,813,247</b>	<b>\$ 2,972,485</b>	<b>\$ 3,065,529</b>	<b>\$ 3,207,876</b>
<b>Pro-forma Adjusted EBITDA Margin</b>	29%	28%	29%	29%	29%

See above for a reconciliation of adjusted EBITDA and pro-forma adjusted EBITDA, the non-GAAP financial measures, to Net income attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with GAAP. EBITDA is defined as Net income attributable to Albemarle Corporation before interest and financing expenses, income taxes, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA before discontinued operations and the non-recurring, other unusual and non-operating pension and OPEB items as listed below. Pro-forma adjusted EBITDA is defined as adjusted EBITDA before the net impact of EBITDA from the divested business.

See above for a reconciliation of pro-forma net sales, the non-GAAP financial measure, to net sales, the most directly comparable financial measure calculated and reported in accordance with GAAP. Pro-forma net sales is defined as net sales before the net impact of net sales from the divested business.

# Adjusted EBITDA - by Segment (twelve months ended)

(\$ in thousands)	Twelve Months Ended				
	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
<b>Lithium</b>					
Net income attributable to Albemarle Corporation	\$ 271,810	\$ 314,707	\$ 342,992	\$ 373,712	\$ 409,185
Depreciation and amortization	85,882	86,409	87,879	92,879	95,744
Non-recurring and other unusual items	15,094	15,977	15,781	11,223	(698)
<b>Adjusted EBITDA</b>	<b>372,786</b>	<b>417,093</b>	<b>446,652</b>	<b>477,814</b>	<b>504,231</b>
Net Sales	834,629	937,461	1,018,885	1,100,688	1,174,430
Adjusted EBITDA Margin	45%	44%	44%	43%	43%
<b>Bromine Specialties</b>					
Net income attributable to Albemarle Corporation	\$ 189,197	\$ 201,336	\$ 218,839	\$ 219,681	\$ 227,615
Depreciation and amortization	40,122	40,112	40,062	40,701	40,059
<b>Adjusted EBITDA</b>	<b>229,319</b>	<b>241,448</b>	<b>258,901</b>	<b>260,382</b>	<b>267,674</b>
Net Sales	812,145	830,572	855,143	861,591	878,160
Adjusted EBITDA Margin	28%	29%	30%	30%	30%
<b>Catalysts</b>					
Net income attributable to Albemarle Corporation	\$ 243,858	\$ 216,405	\$ 230,665	\$ 229,359	\$ 456,252
Depreciation and amortization	52,105	53,160	54,468	53,855	53,342
Non-recurring and other unusual items	—	(1,250)	(1,250)	(1,250)	(219,955)
<b>Adjusted EBITDA</b>	<b>295,963</b>	<b>268,315</b>	<b>283,883</b>	<b>281,964</b>	<b>289,639</b>
Pro-forma: Net impact of adjusted EBITDA from divested business	(30,425)	(33,323)	(37,123)	(41,287)	(31,521)
<b>Pro-forma Adjusted EBITDA</b>	<b>265,538</b>	<b>234,992</b>	<b>246,760</b>	<b>240,677</b>	<b>258,118</b>
Net Sales	1,039,470	1,019,593	1,067,572	1,074,731	1,101,442
Pro-forma: Net impact of net sales from divested business	(95,015)	(97,595)	(99,491)	(106,013)	(80,282)
<b>Pro-forma Net Sales</b>	<b>944,455</b>	<b>921,998</b>	<b>968,081</b>	<b>968,718</b>	<b>1,021,160</b>
Pro-forma Adjusted EBITDA Margin	28%	25%	25%	25%	25%

See above for a reconciliation of adjusted EBITDA and pro-forma adjusted EBITDA on a segment basis, the non-GAAP financial measures, to Net income attributable to Albemarle Corporation (“earnings”), the most directly comparable financial measure calculated and reporting in accordance with GAAP. EBITDA is defined as earnings before interest and financing expenses, income taxes, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA before the non-recurring, other unusual and non-operating pension and OPEB items as listed above. Pro-forma adjusted EBITDA is defined as adjusted EBITDA before the net impact of EBITDA from the divested business.

See above for a reconciliation of pro-forma net sales on a segment basis, the non-GAAP financial measure, to net sales, the most directly comparable financial measure calculated and reported in accordance with GAAP. Pro-forma net sales is defined as net sales before the net impact of net sales from the divested business.

# Adjusted EBITDA supplemental<sup>1</sup>

(\$ in thousands)

	Twelve Months Ended	Three Months Ended			
	Jun 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017
<b>Adjusted EBITDA</b>	<b>\$ 962,443</b>	<b>\$ 258,562</b>	<b>\$ 248,718</b>	<b>\$ 245,780</b>	<b>\$ 209,383</b>
Net income attributable to noncontrolling interests	38,208	8,225	7,165	11,295	11,523
Equity in net income of unconsolidated investments (net of tax)	(87,914)	(18,969)	(20,677)	(29,224)	(19,044)
Dividends received from unconsolidated investments	60,977	4,583	25,462	27,486	3,446
<b>Consolidated EBITDA</b>	<b>\$ 973,714</b>	<b>\$ 252,401</b>	<b>\$ 260,668</b>	<b>\$ 255,337</b>	<b>\$ 205,308</b>
<b>Total Long Term Debt (as reported)</b>	<b>\$ 1,615,405</b>				
Off balance sheet obligations and other	61,800				
<b>Consolidated Funded Debt</b>	<b>\$ 1,677,205</b>				
Less Cash	908,144				
<b>Consolidated Funded Net Debt</b>	<b>\$ 769,061</b>				
<b>Consolidated Funded Debt to Consolidated EBITDA Ratio</b>	<b>1.7</b>				
<b>Consolidated Funded Net Debt to Consolidated EBITDA Ratio</b>	<b>0.8</b>				

<sup>1</sup> This supplemental is for net-debt-to-adjusted EBITDA ratio based on the bank covenant definition.

# Diluted EPS

	Three Months Ended	
	June 30,	
	2018	2017
Diluted earnings per share attributable to Albemarle Corporation	\$ 2.73	\$ 0.92
Add back:		
Non-operating pension and OPEB items (net of tax)	(0.02)	(0.01)
Non-recurring and other unusual items (net of tax)		
Utilization of inventory markup	—	0.08
Restructuring and other	—	0.02
Acquisition and integration related costs	0.05	0.04
Albemarle Foundation contribution	0.11	—
Gain on sale of business	(1.60)	—
Legal accrual	0.07	—
Multiemployer plan shortfall contributions	—	0.03
Other	0.01	0.02
Discrete tax items	—	0.02
Total non-recurring and other unusual items	(1.36)	0.21
Adjusted diluted earnings per share <sup>1</sup>	\$ 1.36	\$ 1.13

<sup>1</sup>Totals may not add due to rounding

# Effective Tax Rate

*(\$ in thousands)*

	Income before income taxes and equity in net income of unconsolidated investments	Income tax expense	Effective income tax rate
<b>Three months ended June 30, 2018:</b>			
As reported	\$ 371,819	\$ 80,102	21.5%
Non-recurring, other unusual and non-operating pension and OPEB items	(187,783)	(35,292)	
As adjusted	\$ 184,036	\$ 44,810	24.4%
<b>Three months ended June 30, 2017:</b>			
As reported	\$ 121,771	\$ 23,130	19.0%
Non-recurring, other unusual and non-operating pension and OPEB items	28,766	5,617	
As adjusted	\$ 150,537	\$ 28,747	19.1%

See above for a reconciliation of the adjusted effective income tax rate, the non-GAAP financial measure, to the effective income tax rate, the most directly comparable financial measure calculated and reporting in accordance with GAAP.



# Equity Income and Noncontrolling Interest

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest
<i>(\$ in thousands)</i>								
Lithium	\$ 14,728	\$ —	\$ 12,450	\$ —	\$ 30,918	\$ —	\$ 26,707	\$ —
Bromine Specialties	—	(8,207)	—	(10,387)	—	(15,356)	—	(21,811)
Catalysts	4,241	—	2,598	—	8,728	—	9,512	—
Corporate	—	(18)	—	31	—	(34)	—	11
Total Company	\$ 18,969	\$ (8,225)	\$ 15,048	\$ (10,356)	\$ 39,646	\$ (15,390)	\$ 36,219	\$ (21,800)

**ALB**  
**LISTED**  
**NYSE**

**[www.albemarle.com](http://www.albemarle.com)**