

Albemarle Corporation Third Quarter 2016 Earnings

Conference Call/Webcast

Tuesday, Nov 8th, 2016

9:00am ET



Forward-Looking Statements

Some of the information presented in this presentation and the conference call and discussions that follow, including, without limitation, statements with respect to the planned sale of the Chemetall® business 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, 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 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

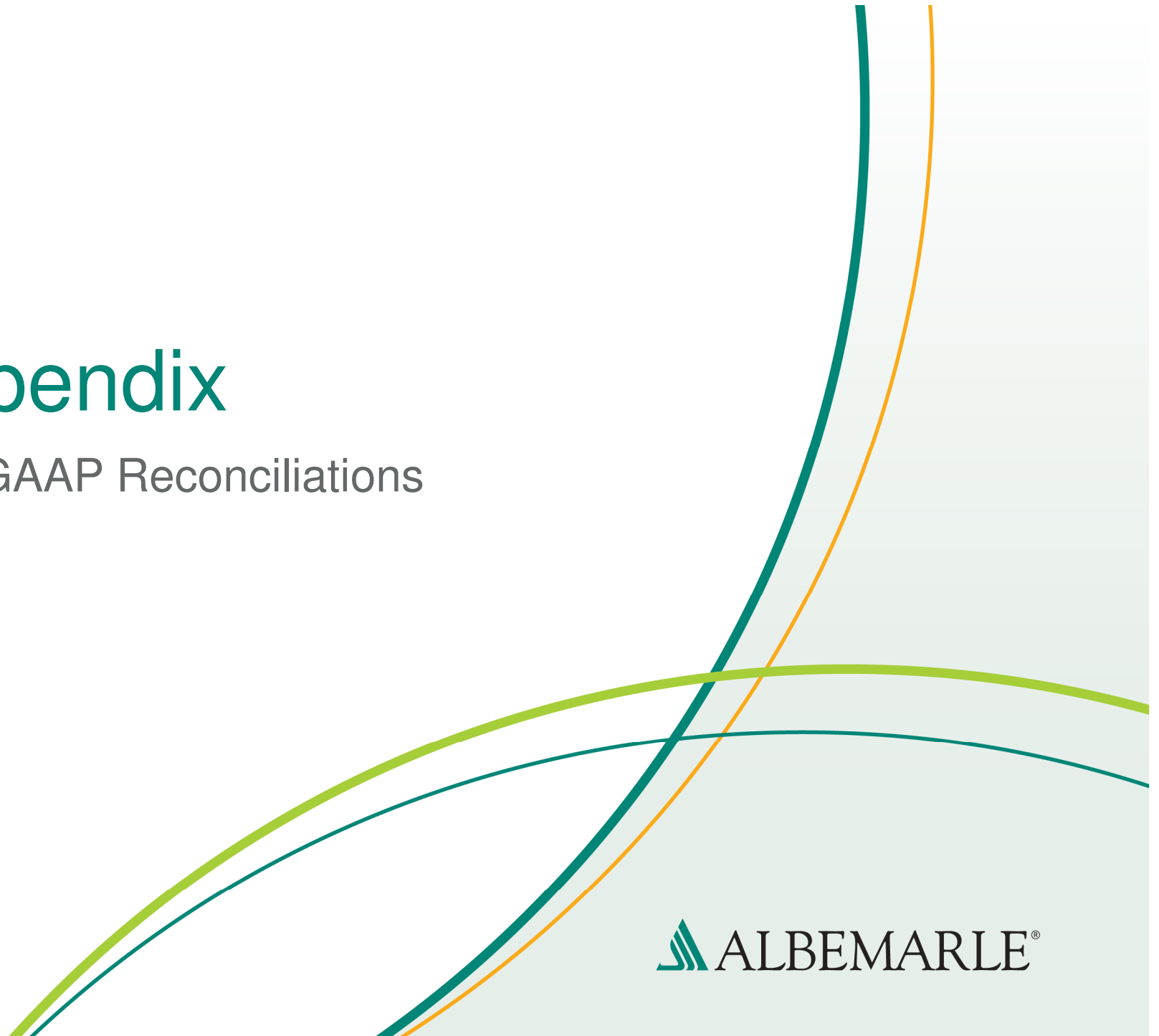
It should be noted that adjusted net income attributable to Albemarle Corporation (“adjusted earnings”), adjusted net income from continuing operations, adjusted diluted earnings per share attributable to Albemarle Corporation, adjusted diluted earnings per share from continuing operations, adjusted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



Appendix

Non-GAAP Reconciliations



Net Income

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
<i>(\$ in thousands)</i>				
Net income attributable to Albemarle Corporation	\$ 128,220	\$ 65,392	\$ 41,585	\$ 160,654
Add back:				
(Income) loss from discontinued operations (net of tax)	(23,185)	(11,030)	357,843	(19,074)
Earnings from continuing operations	105,035	54,362	399,428	141,580
Add back:				
Non-operating pension and OPEB items from continuing operations (net of tax)	(154)	(724)	(260)	(2,428)
Non-recurring and other unusual items from continuing operations (net of tax)	(2,170)	31,865	(84,218)	144,970
Adjusted net income from continuing operations	102,711	85,503	314,950	284,122
Pro-forma: Net impact of (income) from divested businesses (net of tax)	—	(4,636)	—	(14,641)
Pro-forma adjusted net income from continuing operations	102,711	80,867	314,950	269,481
Net impact of income from divested businesses (net of tax)	—	4,636	—	14,641
Income (loss) from discontinued operations (net of tax)	23,185	11,030	(357,843)	19,074
Add back:				
Non-operating pension and OPEB items from discontinued operations (net of tax)	2,217	200	2,373	(1,185)
Non-recurring and other unusual items from discontinued operations (net of tax)	5,014	4,199	422,528	21,217
Adjusted net income attributable to Albemarle Corporation	\$ 133,127	\$ 100,932	\$ 382,008	\$ 323,228
Adjusted diluted earnings per share from continuing operations	\$ 0.91	\$ 0.76	\$ 2.78	\$ 2.55
Adjusted diluted earnings per share attributable to Albemarle Corporation	\$ 1.17	\$ 0.90	\$ 3.38	\$ 2.91
Pro-forma adjusted diluted earnings per share attributable to Albemarle Corporation	\$ 0.91	\$ 0.72	\$ 2.78	N/A
Weighted-average common shares outstanding – diluted	113,448	112,544	113,131	111,205

See above for a reconciliation of adjusted net income attributable to Albemarle Corporation ("adjusted earnings"), adjusted net income from continuing operations, 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 net income attributable to Albemarle Corporation is defined as Net income attributable to Albemarle Corporation before discontinued operations and the non-recurring, other unusual and non-operating pension and OPEB items as listed above. Prof-forma adjusted net income is defined as Net income attributable to Albemarle Corporation before discontinued operations and the non-recurring, other unusual and non-operating pension and OPEB items, and the net impact of divested businesses.

EBITDA - Pro-forma

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
<i>(\$ in thousands)</i>				
Net income attributable to Albemarle Corporation	\$ 128,220	\$ 65,392	\$ 41,585	\$ 160,654
Add back:				
(Income) loss from discontinued operations (net of tax)	(23,185)	(11,030)	357,843	(19,074)
Interest and financing expenses	15,946	19,294	46,860	62,193
Income tax expense	12,394	13,144	61,535	41,780
Depreciation and amortization	47,974	48,643	141,288	142,805
EBITDA	181,349	135,443	649,111	388,358
Non-operating pension and OPEB items	(231)	(1,306)	(779)	(3,915)
Non-recurring and other unusual items (excluding items associated with interest expense)	7,211	46,544	(77,499)	197,076
Adjusted EBITDA	\$ 188,329	\$ 180,681	\$ 570,833	\$ 581,519
Pro-forma: Net impact of adjusted EBITDA from divested businesses	—	(8,734)	—	(26,463)
Pro-forma adjusted EBITDA	\$ 188,329	\$ 171,947	\$ 570,833	\$ 555,056
Net sales	\$ 654,010	\$ 693,216	\$ 1,980,548	\$ 2,103,819
Pro-forma: Net impact of net sales from divested businesses	—	(73,258)	—	(194,341)
Pro-forma net sales	\$ 654,010	\$ 619,958	\$ 1,980,548	\$ 1,909,478
EBITDA margin	27.7%	19.5%	32.8%	18.5%
Adjusted EBITDA margin	28.8%	26.1%	28.8%	27.6%
Year-over-year difference in Adjusted EBITDA margin	270 bps		120 bps	
Pro-forma adjusted EBITDA margin	28.8%	27.7%	28.8%	29.1%

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, 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 divested businesses.

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 divested businesses.

EBITDA - including Discontinued Operations

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
<i>(\$ in thousands)</i>				
Net income attributable to Albemarle Corporation	\$ 128,220	\$ 65,392	\$ 41,585	\$ 160,654
Add back:				
(Income) loss from discontinued operations (net of tax)	(23,185)	(11,030)	357,843	(19,074)
Interest and financing expenses	15,946	19,294	46,860	62,193
Income tax expense	12,394	13,144	61,535	41,780
Depreciation and amortization	47,974	48,643	141,288	142,805
EBITDA	181,349	135,443	649,111	388,358
Non-operating pension and OPEB items	(231)	(1,306)	(779)	(3,915)
Non-recurring and other unusual items (excluding items associated with interest expense)	7,211	46,544	(77,499)	197,076
Adjusted EBITDA	\$ 188,329	\$ 180,681	\$ 570,833	\$ 581,519
Income (loss) from discontinued operations before tax	30,673	14,745	72,718	25,412
Interest and financing expenses from discontinued operations	9,864	12,764	29,912	38,792
Depreciation and amortization from discontinued operations	—	20,260	35,196	57,567
Non-operating pension and OPEB items from discontinued operations	3,178	229	3,365	(1,985)
Non-recurring and other unusual items from discontinued operations	8,992	6,284	17,511	29,346
Adjusted EBITDA including discontinued operations	\$ 241,036	\$ 234,963	\$ 729,535	\$ 730,651
Net sales	\$ 654,010	\$ 693,216	\$ 1,980,548	\$ 2,103,819
Net sales from discontinued operations	211,347	211,877	637,889	617,163
Net sales including discontinued operations	\$ 865,357	\$ 905,093	\$ 2,618,437	\$ 2,720,982
EBITDA margin	27.7%	19.5%	32.8%	18.5%
Adjusted EBITDA margin	28.8%	26.1%	28.8%	27.6%
Adjusted EBITDA margin including discontinued operations	27.9%	26.0%	27.9%	26.9%

See above for a reconciliation of EBITDA, adjusted EBITDA, and adjusted EBITDA including discontinued operations, 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, 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.

EBITDA - by Segment *(three-months ended Sept 30)*

(\$ in thousands)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Corporate	Consolidated Total
Three months ended September 30, 2016:							
Net income (loss) attributable to Albemarle Corporation	\$ 66,166	\$ 41,621	\$ 55,981	\$ 163,768	\$ 3,806	\$ (39,354)	\$ 128,220
Depreciation and amortization	25,553	10,186	8,979	44,718	1,664	1,592	47,974
Non-recurring and other unusual items	—	—	—	—	—	7,211	7,211
Interest and financing expenses	—	—	—	—	—	15,946	15,946
Income tax expense	—	—	—	—	—	12,394	12,394
Income from discontinued operations (net of tax)	—	—	—	—	—	(23,185)	(23,185)
Non-operating pension and OPEB items	—	—	—	—	—	(231)	(231)
Adjusted EBITDA	\$ 91,719	\$ 51,807	\$ 64,960	\$ 208,486	\$ 5,470	\$ (25,627)	\$ 188,329
Three months ended September 30, 2015:							
Net income (loss) attributable to Albemarle Corporation	\$ 38,498	\$ 49,395	\$ 45,713	\$ 133,606	\$ 617	\$ (68,831)	\$ 65,392
Depreciation and amortization	22,076	9,406	8,804	40,286	5,645	2,712	48,643
Non-recurring and other unusual items	16,834	—	—	16,834	—	29,710	46,544
Interest and financing expenses	—	—	—	—	—	19,294	19,294
Income tax expense	—	—	—	—	—	13,144	13,144
Income from discontinued operations (net of tax)	—	—	—	—	—	(11,030)	(11,030)
Non-operating pension and OPEB items	—	—	—	—	—	(1,306)	(1,306)
Adjusted EBITDA	\$ 77,408	\$ 58,801	\$ 54,517	\$ 190,726	\$ 6,262	\$ (16,307)	\$ 180,681

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. Adjusted earnings on a segment basis is defined as earnings before discontinued operations and the special and non-operating pension and OPEB items as listed above. EBITDA is defined as earnings 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 above.

EBITDA - Margin by Segment *(three-months ended Sept 30)*

(\$ in thousands)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Consolidated Total
Three months ended September 30, 2016:						
Net sales	\$ 240,424	\$ 194,496	\$ 190,453	\$ 625,373	\$ 28,272	\$ 654,010
Net income (loss) attributable to Albemarle Corporation	27.5%	21.4%	29.4%	26.2%	13.5%	19.6%
Depreciation and amortization	10.6%	5.2%	4.7%	7.2%	5.9%	7.3%
Non-recurring and other unusual items	—%	—%	—%	—%	—%	1.1%
Interest and financing expenses	—%	—%	—%	—%	—%	2.4%
Income tax expense	—%	—%	—%	—%	—%	1.9%
Income from discontinued operations (net of tax)	—%	—%	—%	—%	—%	(3.5)%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	—%
Adjusted EBITDA Margin	38.1%	26.6%	34.1%	33.3%	19.3%	28.8%
Three months ended September 30, 2015:						
Net sales	\$ 208,820	\$ 190,716	\$ 185,102	\$ 584,638	\$ 102,224	\$ 693,216
Net income (loss) attributable to Albemarle Corporation	18.4%	25.9%	24.7%	22.9%	0.6%	9.4%
Depreciation and amortization	10.6%	4.9%	4.8%	6.9%	5.5%	7.0%
Non-recurring and other unusual items	8.1%	—%	—%	2.9%	—%	6.7%
Interest and financing expenses	—%	—%	—%	—%	—%	2.8%
Income tax expense	—%	—%	—%	—%	—%	1.9%
Income from discontinued operations (net of tax)	—%	—%	—%	—%	—%	(1.6)%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(0.2)%
Adjusted EBITDA Margin	37.1%	30.8%	29.5%	32.6%	6.1%	26.1%

See above for adjusted EBITDA margin, a non-GAAP financial measure defined as adjusted EBITDA divided by net sales. See slide 8 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 \$365 and \$6,353 in the three months ended Sept 30, 2016 and 2015, respectively.

EBITDA - by Segment *(nine-months ended Sept 30)*

(\$ in thousands)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Corporate	Consolidated Total
Nine months ended September 30, 2016:							
Net income (loss) attributable to Albemarle Corporation	\$ 186,373	\$ 150,221	\$ 154,767	\$ 491,361	\$ 133,012	\$ (582,788)	\$ 41,585
Depreciation and amortization	74,488	29,756	26,853	131,097	5,629	4,562	141,288
Non-recurring and other unusual items	—	—	—	—	(123,831)	46,332	(77,499)
Interest and financing expenses	—	—	—	—	—	46,860	46,860
Income tax expense	—	—	—	—	—	61,535	61,535
Loss from discontinued operations (net of tax)	—	—	—	—	—	357,843	357,843
Non-operating pension and OPEB items	—	—	—	—	—	(779)	(779)
Adjusted EBITDA	\$ 260,861	\$ 179,977	\$ 181,620	\$ 622,458	\$ 14,810	\$ (66,435)	\$ 570,833
Nine months ended September 30, 2015:							
Net income (loss) attributable to Albemarle Corporation	\$ 88,219	\$ 154,353	\$ 119,513	\$ 362,085	\$ 9,644	\$ (211,075)	\$ 160,654
Depreciation and amortization	67,530	26,078	25,397	119,005	16,867	6,933	142,805
Non-recurring and other unusual items (excluding items associated with interest expense)	79,239	—	—	79,239	3,029	114,808	197,076
Interest and financing expenses	—	—	—	—	—	62,193	62,193
Income tax expense	—	—	—	—	—	41,780	41,780
Income from discontinued operations (net of tax)	—	—	—	—	—	(19,074)	(19,074)
Non-operating pension and OPEB items	—	—	—	—	—	(3,915)	(3,915)
Adjusted EBITDA	\$ 234,988	\$ 180,431	\$ 144,910	\$ 560,329	\$ 29,540	\$ (8,350)	\$ 581,519

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. Adjusted earnings on a segment basis is defined as earnings before discontinued operations and the special and non-operating pension and OPEB items as listed above. EBITDA is defined as earnings 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 above.

EBITDA - Margin by Segment (*nine-months ended Sept 30*)

(\$ in thousands)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Consolidated Total
Nine months ended September 30, 2016:						
Net sales	\$ 689,950	\$ 597,912	\$ 539,044	\$ 1,826,906	\$ 150,987	\$ 1,980,548
Net income (loss) attributable to Albemarle Corporation	27.0%	25.1%	28.7%	26.9%	88.1%	2.1%
Depreciation and amortization	10.8%	5.0%	5.0%	7.2%	3.7%	7.1%
Non-recurring and other unusual items	—%	—%	—%	—%	(82.0)%	(3.9)%
Interest and financing expenses	—%	—%	—%	—%	—%	2.4%
Income tax expense	—%	—%	—%	—%	—%	3.1%
Income from discontinued operations (net of tax)	—%	—%	—%	—%	—%	18.1%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	—%
Adjusted EBITDA Margin	37.8%	30.1%	33.7%	34.1%	9.8%	28.8%
Nine months ended September 30, 2015:						
Net sales	\$ 620,597	\$ 604,267	\$ 528,841	\$ 175,370	\$ 337,997	\$ 2,103,819
Net income (loss) attributable to Albemarle Corporation	14.2%	25.5%	22.6%	206.5%	2.9%	7.6%
Depreciation and amortization	10.9%	4.3%	4.8%	67.9%	5.0%	6.8%
Non-recurring and other unusual items	12.8%	—%	—%	45.2%	0.9%	9.4%
Interest and financing expenses	—%	—%	—%	—%	—%	3.0%
Income tax expense	—%	—%	—%	—%	—%	2.0%
Income from discontinued operations (net of tax)	—%	—%	—%	—%	—%	(0.9)%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(0.2)%
Adjusted EBITDA Margin	37.9%	29.9%	27.4%	319.5%	8.7%	27.6%

See above for adjusted EBITDA margin, a non-GAAP financial measure defined as adjusted EBITDA divided by net sales. See slide 10 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 \$2,655 and \$12,117 in the nine months ended Sept 30, 2016 and 2015, respectively.

EBITDA - Lithium & Adv. Materials

<i>(\$ in thousands)</i>	Lithium	PCS	Total Lithium and Advanced Materials
Three months ended September 30, 2016:			
Net income attributable to Albemarle Corporation	\$ 46,848	\$ 19,318	\$ 66,166
Depreciation and amortization	21,789	3,764	25,553
Adjusted EBITDA	\$ 68,637	\$ 23,082	\$ 91,719
Three months ended September 30, 2015:			
Net income attributable to Albemarle Corporation	\$ 16,507	\$ 21,991	\$ 38,498
Depreciation and amortization	18,769	3,307	22,076
Non-recurring and other unusual items	16,834	—	16,834
Adjusted EBITDA	\$ 52,110	\$ 25,298	\$ 77,408
Nine months ended September 30, 2016:			
Net income attributable to Albemarle Corporation	\$ 133,323	\$ 53,050	\$ 186,373
Depreciation and amortization	63,294	11,194	74,488
Adjusted EBITDA	\$ 196,617	\$ 64,244	\$ 260,861
Nine months ended September 30, 2015:			
Net income attributable to Albemarle Corporation	\$ 20,222	\$ 67,997	\$ 88,219
Depreciation and amortization	56,872	10,658	67,530
Non-recurring and other unusual items	79,239	—	79,239
Adjusted EBITDA	\$ 156,333	\$ 78,655	\$ 234,988

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. Adjusted earnings on a segment basis is defined as earnings before discontinued operations and the special and non-operating pension and OPEB items as listed above. EBITDA is defined as earnings 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 above.

EBITDA - Lithium & Adv. Materials Margins

<i>(\$ in thousands)</i>	Lithium	PCS	Total Lithium and Advanced Materials
Three months ended September 30, 2016:			
Net sales	\$ 166,406	\$ 74,018	\$ 240,424
Net income attributable to Albemarle Corporation	28.2%	26.1%	27.5%
Depreciation and amortization	13.1%	5.1%	10.6%
Adjusted EBITDA	41.2%	31.2%	38.1%
Three months ended September 30, 2015:			
Net sales	\$ 128,404	\$ 80,416	\$ 208,820
Net income attributable to Albemarle Corporation	12.9%	27.3%	18.4%
Depreciation and amortization	14.6%	4.1%	10.6%
Non-recurring and other unusual items	13.1%	—%	8.1%
Adjusted EBITDA	40.6%	31.5%	37.1%
Nine months ended September 30, 2016:			
Net sales	\$ 460,679	\$ 229,271	\$ 689,950
Net income attributable to Albemarle Corporation	28.9%	23.1%	27.0%
Depreciation and amortization	13.7%	4.9%	10.8%
Adjusted EBITDA	42.7%	28.0%	37.8%
Nine months ended September 30, 2015:			
Net sales	\$ 369,811	\$ 250,786	\$ 620,597
Net income attributable to Albemarle Corporation	5.5%	27.1%	14.2%
Depreciation and amortization	15.4%	4.2%	10.9%
Non-recurring and other unusual items	21.4%	—%	12.8%
Adjusted EBITDA	42.3%	31.4%	37.9%

See above for adjusted EBITDA margin, a non-GAAP financial measure defined as adjusted EBITDA divided by net sales. See slide 12 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.

EBITDA - Continuing Operations (*Twelve Months Ended*)

	Twelve Months Ended			
	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016
<i>(\$ in thousands)</i>				
Continuing Operations				
Net income attributable to Albemarle Corporation	\$ 334,906	\$ 519,977	\$ 153,009	\$ 215,837
Depreciation and amortization	181,173	178,992	180,325	179,656
Non-recurring and other unusual items (excluding items associated with interest expense)	214,913	18,648	(20,329)	(59,662)
Interest and financing expenses	81,650	74,464	69,665	66,317
Income tax expense (benefit)	11,134	22,834	31,639	30,889
Income (loss) from discontinued operations (net of tax)	(32,437)	(51,847)	356,615	344,480
Non-operating pension and OPEB items	(35,300)	(34,496)	(33,239)	(32,164)
Adjusted EBITDA	\$ 756,039	\$ 728,572	\$ 737,685	\$ 745,353
Pro-forma: non-cash foreign exchange gain	(52,400)	—	—	—
Pro-forma: Net impact of adjusted EBITDA from divested businesses	(33,717)	(25,416)	(15,987)	(7,253)
Pro-forma Adjusted EBITDA	\$ 669,996	\$ 703,230	\$ 721,772	\$ 738,154
Net Sales	\$ 2,826,428	\$ 2,791,325	\$ 2,742,363	\$ 2,703,158
Pro-forma: Net impact of net sales from divested businesses	(265,296)	(210,979)	(144,213)	(70,955)
Pro-forma Net Sales	\$ 2,561,132	\$ 2,580,346	\$ 2,598,150	\$ 2,632,203
Pro-forma Adjusted EBITDA Margin	26%	27%	28%	28%

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, 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 divested businesses.

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 divested businesses.

EBITDA - Lithium & Adv. Materials (Twelve Months Ended)

(\$ in thousands)	Twelve Months Ended				
	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016
Lithium and Advanced Materials					
Net income attributable to Albemarle Corporation	\$ 141,527	\$ 148,821	\$ 184,957	\$ 219,307	\$ 246,975
Depreciation and amortization	84,364	84,069	85,394	87,550	91,027
Non-recurring and other unusual items (excluding items associated with interest expense)	79,239	79,977	51,395	17,572	738
Adjusted EBITDA	305,130	312,867	321,746	324,429	338,740
Net Sales	822,297	834,590	851,877	872,339	903,943
Adjusted EBITDA Margin	37%	37%	38%	37%	37%
Lithium					
Net income attributable to Albemarle Corporation	\$ 57,949	\$ 63,473	\$ 103,891	\$ 146,233	\$ 176,574
Depreciation and amortization	68,846	70,014	71,434	73,416	76,436
Non-recurring and other unusual items (excluding items associated with interest expense)	79,239	79,977	51,395	17,572	738
Adjusted EBITDA	206,034	213,464	226,720	237,221	253,748
Net Sales	494,311	508,844	531,018	561,683	599,685
Adjusted EBITDA Margin	42%	42%	43%	42%	42%
PCS					
Net income attributable to Albemarle Corporation	\$ 83,578	\$ 85,348	\$ 81,066	\$ 73,074	\$ 70,401
Depreciation and amortization	15,518	14,055	13,960	14,134	14,591
Adjusted EBITDA	99,096	99,403	95,026	87,208	84,992
Net Sales	327,986	325,746	320,859	310,656	304,257
Adjusted EBITDA Margin	30%	31%	30%	28%	28%

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. Adjusted earnings on a segment basis is defined as earnings before discontinued operations and the special and non-operating pension and OPEB items as listed above. EBITDA is defined as earnings 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 above.

EBITDA - Bromine Specialties & Refining Solutions

(Twelve Months Ended)

(\$ in thousands)	Twelve Months Ended				
	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016
Bromine Specialties					
Net income attributable to Albemarle Corporation	\$ 198,711	\$ 186,474	\$ 193,855	\$ 190,116	\$ 182,342
Depreciation and amortization	35,183	36,179	37,473	39,077	39,857
Adjusted EBITDA	233,894	222,653	231,328	229,193	222,199
Net Sales	792,568	775,729	782,802	765,593	769,374
Adjusted EBITDA Margin	30%	29%	30%	30%	29%
Refining Solutions					
Net income attributable to Albemarle Corporation	\$ 179,420	\$ 161,585	\$ 173,816	\$ 186,571	\$ 196,839
Depreciation and amortization	32,716	34,039	34,689	35,320	35,495
Non-recurring and other unusual items (excluding items associated with interest expense)	—	1,971	1,971	1,971	1,971
Adjusted EBITDA	212,136	197,595	210,476	223,862	234,305
Net Sales	762,341	729,261	720,675	734,113	739,464
Adjusted EBITDA Margin	28%	27%	29%	30%	32%

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. Adjusted earnings on a segment basis is defined as earnings before discontinued operations and the special and non-operating pension and OPEB items as listed above. EBITDA is defined as earnings 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 above.

EBITDA supplemental¹

(\$ in thousands)

	Twelve Months Ended	Three Months Ended			
	Sep 30, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015
Adjusted EBITDA	\$ 745,353	\$ 188,329	\$ 190,471	\$ 192,033	\$ 174,520
Adjusted EBITDA from discontinued operations (a)	212,799	52,707	53,052	52,943	54,097
Net income attributable to noncontrolling interests	37,331	9,477	12,067	7,362	8,425
Adjusted equity in net income of unconsolidated investments (net of tax)	(57,132)	(15,363)	(14,295)	(16,566)	(10,908)
Dividends received from unconsolidated investments	37,745	3,460	31,322	200	2,763
Consolidated EBITDA	\$ 976,097	\$ 238,611	\$ 272,617	\$ 235,972	\$ 228,897
Total Long Term Debt (as reported)	\$ 3,449,332				
Long-term debt recorded in Liabilities held for sale	1,011				
Capital leases recorded in Liabilities held for sale	15,466				
Off balance sheet obligations and other	57,207				
Consolidated Funded Debt	3,523,017				
Less Cash	233,599				
Consolidated Funded Net Debt	\$ 3,289,418				
Consolidated Funded Net Debt to Consolidated EBITDA Ratio	3.4				
(a) Adjusted EBITDA from discontinued operations:					
Income from discontinued operations before tax		\$ 30,673	\$ 19,235	\$ 22,810	\$ 25,728
Depreciation and amortization from discontinued operations		—	18,252	16,944	21,336
Interest and financing expense from discontinued operations		9,864	9,911	10,137	12,280
Non-recurring, other unusual and non-operating pension and OPEB items from discontinued operations		12,170	5,654	3,052	(5,247)
Adjusted EBITDA from discontinued operations		\$ 52,707	\$ 53,052	\$ 52,943	\$ 54,097

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

Diluted EPS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Diluted earnings per share attributable to Albemarle Corporation	\$ 1.13	\$ 0.58	\$ 0.37	\$ 1.44
Add back:				
Non-operating pension and OPEB items from continuing operations (net of tax)	—	(0.01)	—	(0.02)
Non-recurring and other unusual items from continuing operations (net of tax)				
Utilization of inventory markup	—	0.12	—	0.58
Write-off of research and development fixed assets	0.01	—	0.01	—
Restructuring and other, net	—	(0.04)	—	(0.04)
Gain on sales of businesses, net	—	—	(1.02)	—
Acquisition and integration related costs	0.03	0.20	0.26	0.70
Gain on sales of properties, net	(0.01)	—	(0.01)	—
Interest and financing expenses related to Rockwood acquisition	—	—	—	0.01
Financing fees related to Rockwood acquisition	—	—	—	0.03
Discrete tax items	(0.05)	—	0.01	0.02
Total non-recurring and other unusual items	(0.02)	0.28	(0.75)	1.30
(Income) loss from discontinued operations (net of tax)	(0.20)	(0.10)	3.16	(0.17)
Adjusted diluted earnings per share from continuing operations ¹	\$ 0.91	\$ 0.76	\$ 2.78	\$ 2.55
Income (Loss) from discontinued operations (net of tax)	0.20	0.10	(3.16)	0.17
Add back:				
Non-operating pension and OPEB items from discontinued operations (net of tax)	0.02	—	0.02	(0.01)
Non-recurring and other unusual items from discontinued operations (net of tax)	0.04	0.04	3.73	0.19
Adjusted diluted earnings per share attributable to Albemarle Corporation ¹	\$ 1.17	\$ 0.90	\$ 3.38	\$ 2.91

¹Totals may not add due to rounding

Effective Tax Rate

	Income from continuing operations before income taxes and equity in net income of unconsolidated investments	Income tax expense	Effective income tax rate
Three months ended September 30, 2016:			
As reported	\$ 111,953	\$ 12,394	11.1%
Non-recurring, other unusual and non-operating pension and OPEB items from continuing operations	6,980	9,304	
As adjusted	\$ 118,933	\$ 21,698	18.2%
Three months ended September 30, 2015:			
As reported	\$ 67,250	\$ 13,144	19.5%
Non-recurring, other unusual and non-operating pension and OPEB items from continuing operations	36,156	14,097	
As adjusted	\$ 103,406	\$ 27,241	26.3%

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 Non-controlling Interest

(\$ in thousands)	Three Months Ended Sept 30,				Nine Months Ended Sept 30,			
	2016		2015		2016		2015	
	Equity Income	Non-Controlling Interest	Equity Income	Non-Controlling Interest	Equity Income	Non-Controlling Interest	Equity Income	Non-Controlling Interest
Bromine Specialties	\$ —	\$ (9,464)	\$ —	\$ (5,371)	\$ —	\$ (28,853)	\$ —	\$ (16,604)
Lithium and Advanced Materials*	10,385	—	(624)	—	27,530	—	490	—
Refining Solutions	4,568	—	4,053	—	16,301	—	12,723	—
All Other	—	—	2,307	—	959	—	6,742	—
Corporate	—	(13)	—	(109)	—	(53)	—	(129)
Total Company¹	\$ 14,953	\$ (9,477)	\$ 5,736	\$ (5,480)	\$ 44,790	\$ (28,906)	\$ 19,955	\$ (16,733)

* Includes Inventory Step-Up

LAM - As Reported Equity Income	\$ 10,385	\$ (624)	\$ 27,530	\$ 490
Inventory Step-Up	—	9,082	—	26,933
LAM - As Adjusted Equity Income	\$ 10,385	\$ 8,458	\$ 27,530	\$ 27,423
As Reported Equity Income	\$ 14,953	\$ 5,736	\$ 44,790	\$ 19,955
Inventory Step-Up	—	9,082	—	26,933
Adjusted Equity in Net Income of Unconsolidated Investments (net of tax)	\$ 14,953	\$ 14,818	\$ 44,790	\$ 46,888

¹Totals may not add due to rounding

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