

Albemarle Corporation Third Quarter 2017 Earnings and Non-GAAP Reconciliations

Conference Call/Webcast

Thursday, November 9th, 2017

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, 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. Actual results could differ materially from the views expressed.

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, 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, 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.

Third Quarter 2017 Financial Highlights

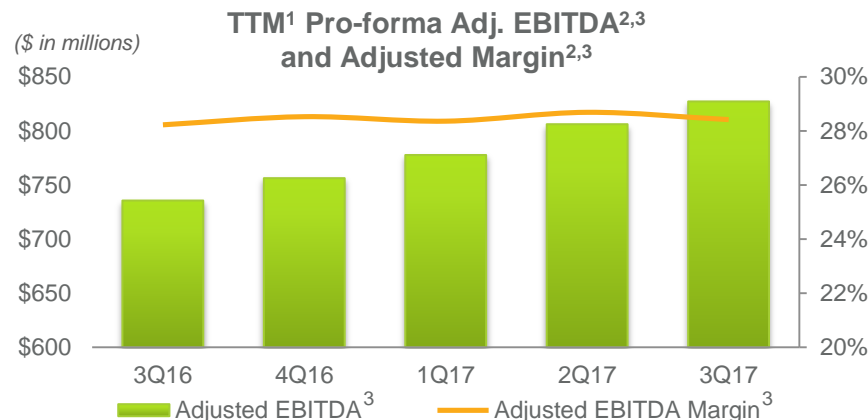
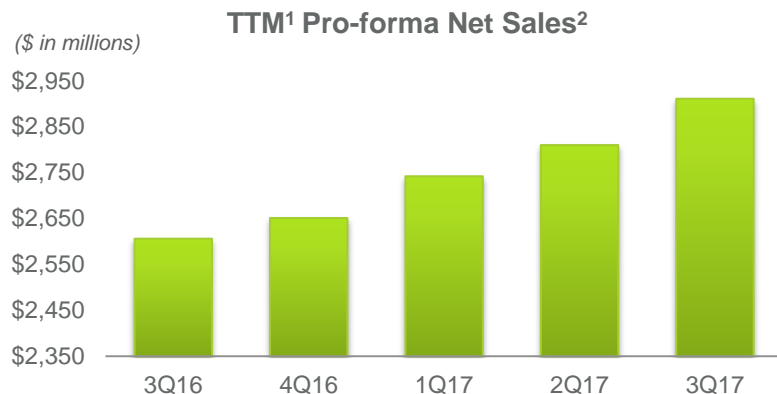
	3Q 2017 Results Continuing Operations	vs Prior Year Excluding Divested Business ¹
Net Sales	\$755 million	+15%
Adjusted EBITDA ²	\$209 million	+12%
Adjusted Diluted EPS ²	\$1.08	+20%

3Q 2017 Adjusted Diluted EPS² and Adjusted EBITDA² would have been higher than \$1.08 and \$209 million, respectively, without the unfavorable impact from Hurricane Harvey of approximately \$0.07 and \$11 million, respectively.

¹ Year-over-year calculated against 3Q 2016 Excluding Divested Business (Minerals).

² Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

Financial Highlights



Core Business Performance - Third Quarter 2017

Lithium & Advanced Materials – \$130M Adj. EBITDA³, up 42% YoY; 38% Adj. EBITDA³ margin

Bromine – \$64M Adj. EBITDA³; 30% Adj. EBITDA³ margin

Refining Solutions – \$43M Adj. EBITDA³; 25% Adj. EBITDA³ margin

¹ Trailing Twelve Months.

² Excludes net impact of divested business (Minerals), discontinued operations (Chemetal®). See pro-forma reconciliations in Appendix.

³ Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

Key Developments – Third Quarter 2017



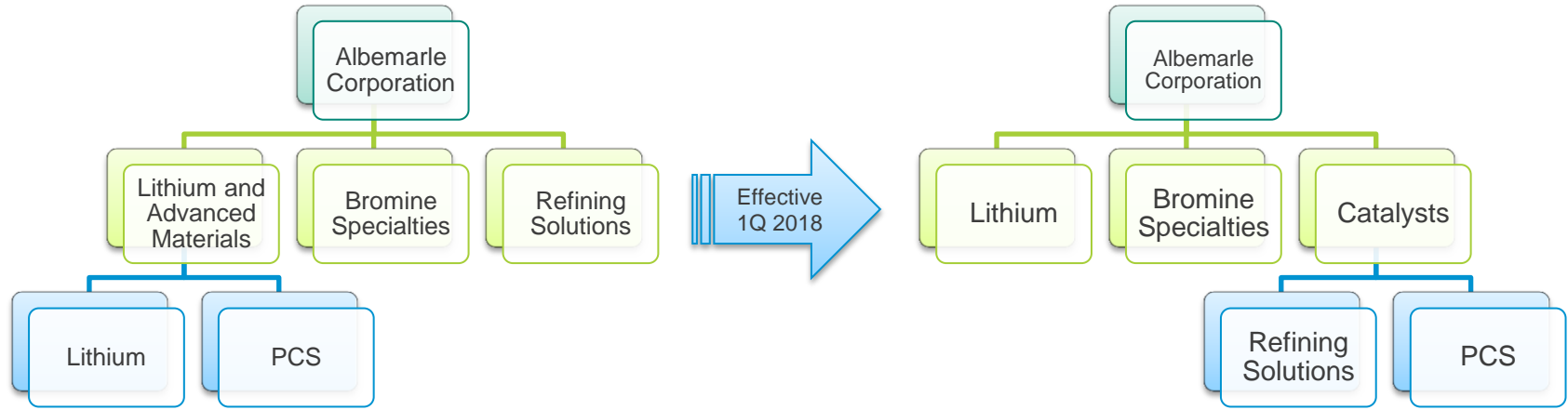
Announced new technology that could enable Albemarle to increase total lithium production in Chile

- Could increase capacity to approximately 125,000 metric tons of lithium carbonate equivalent (LCE) annually
- Increased capacity would not require additional pumping at Salar de Atacama
- Filed for increased lithium quota with Chile's Economic Development Agency (Corfo)



Initiated permit application in Australia for potential greenfield spodumene conversion site

2018 Catalysts Business Reorganization



Effective in the first quarter 2018, renaming Refining Solutions GBU to Catalysts and moving PCS from Lithium and Advanced Materials to Catalysts

Renaming Lithium & Advanced Materials to Lithium. Enables Lithium to be even more focused on executing growth strategy.

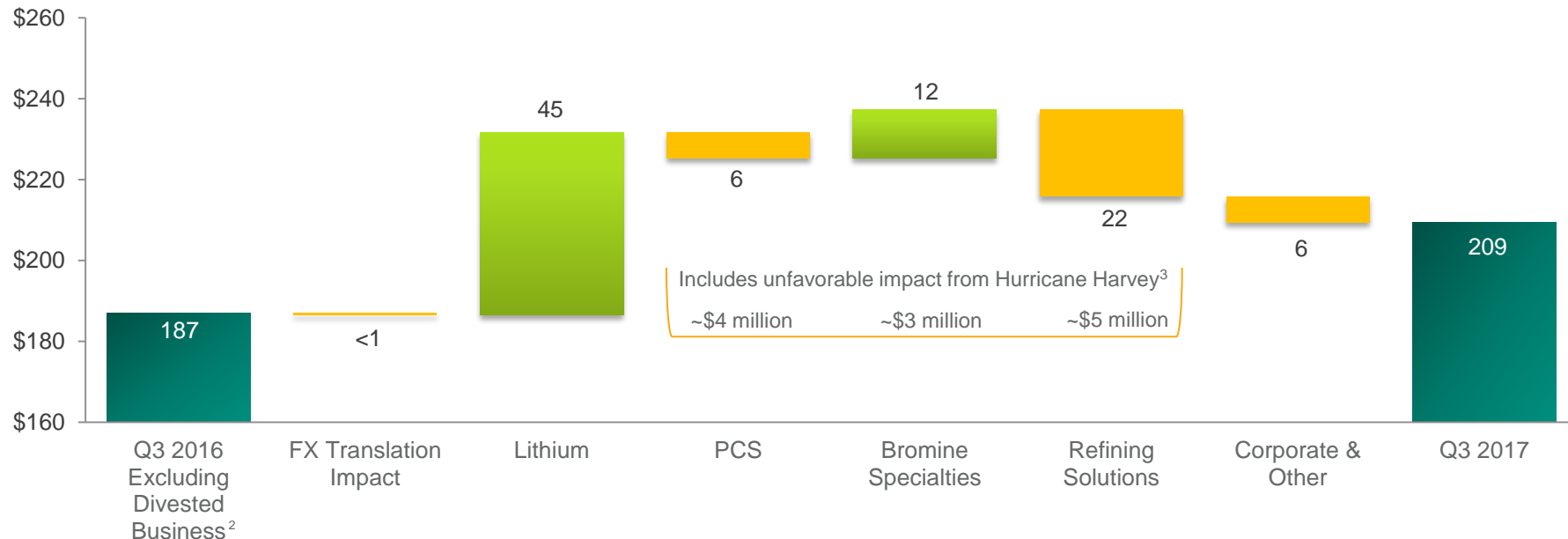
Straight-forward financial move of PCS Revenue and Adj. EBITDA¹ from Lithium to Catalysts

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

Adj. EBITDA¹ Bridge - Continuing Operations

Third Quarter 2017: Adj. EBITDA¹ growth of \$22 million², 12%²

(\$ in millions)



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

² Year-over-year calculated against 3Q 2016 Excluding Divested Business (Minerals).

³ Components of Hurricane Harvey impact do not add to \$11 million due to rounding.

Third Quarter 2017 Financial Results¹

	3Q 2017 (\$ in millions, except EPS)	3Q 2016 (\$ in millions, except EPS)	Pro-forma 3Q 2016 ² (\$ in millions, except EPS)	3Q 2017 YoY (vs Pro-forma 3Q 2016)
Net Sales	\$ 755	\$ 654	\$ 654	15%
Net Sales ex F/X	\$ 752			15%
Adj. EBITDA ^{3,5}	\$ 209	\$ 188	\$ 187	12%
Adj. EBITDA ex F/X ⁵	\$ 212			13%
Adj. EBITDA Margin ^{3,5}	28%	29%	29%	(84 bps)
Adjusted Net Income ^{3,4}	\$ 121	\$ 103	\$ 101	19%
Adjusted Diluted EPS ^{3,4}	\$ 1.08	\$ 0.91	\$ 0.89	20%

¹All measures reflect continuing operations only.

²Excludes net impact of divested business (Minerals).

³Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

⁴Reflects Net Income attributable to Albemarle Corporation, before discontinued operations and the special and non-operating pension and OPEB items.

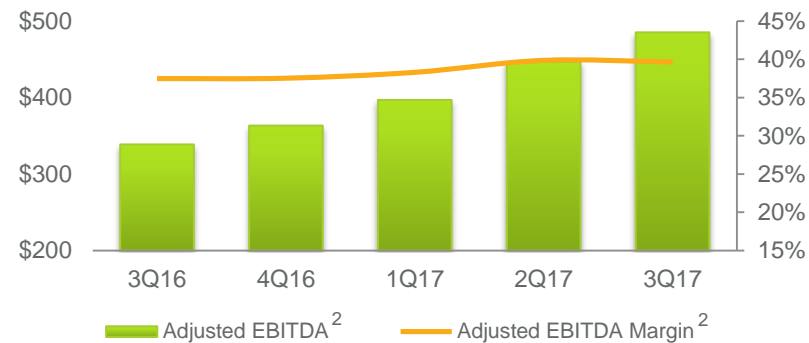
⁵Reflects EBITDA attributable to Albemarle Corporation, before discontinued operations and the special and non-operating pension and OPEB items.

Lithium and Advanced Materials

3Q 2017 Performance

(\$ in millions)	3Q 2017	3Q 2016	△
Net Sales	\$344	\$240	43%
<i>Net Sales ex FX¹</i>	\$342		42%
Adj. EBITDA²	\$130	\$92	42%
<i>Adj. EBITDA ex FX¹</i>	\$130		42%
Adj. EBITDA Margin²	38%	38%	(25 bps)
<i>Adj. EBITDA Margin ex FX¹</i>	38%		(1 bps)

Historical Trend (TTM)



Performance Drivers

- Lithium net sales growth excluding FX¹ of 61% driven by volume (29%) and pricing (32%)
- Battery grade products drove growth with continued strong outlook
- Strong sales demand supported by high operating efficiency in the Xinyu and Chengdu assets

¹ Non-GAAP measure. Favorable (Unfavorable) FX impact on 3Q17 Net Sales and Adj. EBITDA of \$2M and <(\$1M), respectively.

² Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

Lithium and Adv. Materials – Lithium and PCS detail

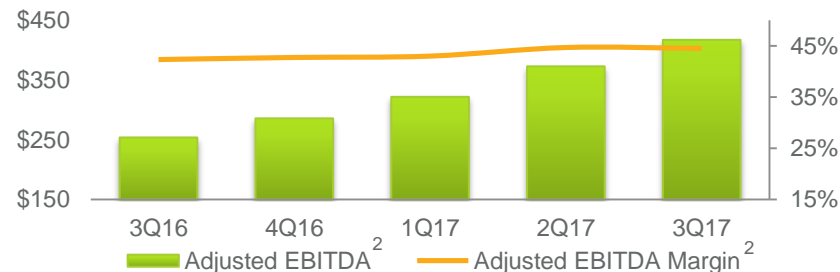
Lithium – 3Q 2017 Performance

(\$ in millions)	3Q 2017	3Q 2016	△
Net Sales	\$269	\$166	62%
<i>Net Sales ex FX¹</i>	\$268		61%
Adj. EBITDA²	\$113	\$69	65%
<i>Adj. EBITDA ex FX¹</i>	\$113		65%
Adj. EBITDA Margin²	42%	41%	70 bps
<i>Adj. EBITDA Margin ex FX¹</i>	42%		101 bps

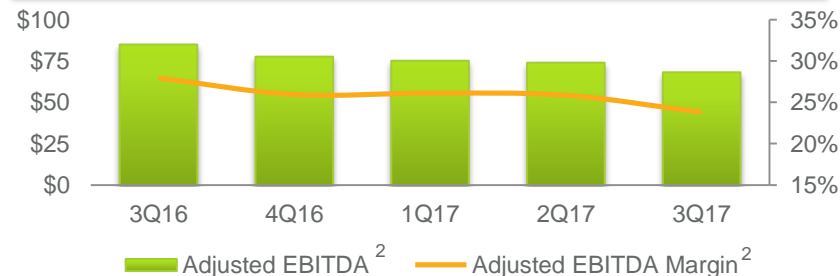
PCS – 3Q 2017 Performance

(\$ in millions)	3Q 2017	3Q 2016	△
Net Sales	\$74	\$74	0%
<i>Net Sales ex FX³</i>	\$74		1%
Adj. EBITDA²	\$17	\$23	(25%)
<i>Adj. EBITDA ex FX³</i>	\$17		(25%)
Adj. EBITDA Margin²	23%	31%	(794 bps)
<i>Adj. EBITDA Margin ex FX³</i>	23%		(784 bps)

Lithium Historical Trends (TTM)



PCS Historical Trends (TTM)



¹Favorable (Unfavorable) FX impact on Net Sales and Adj. EBITDA of \$2M and <(\$1M), respectively.

²Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

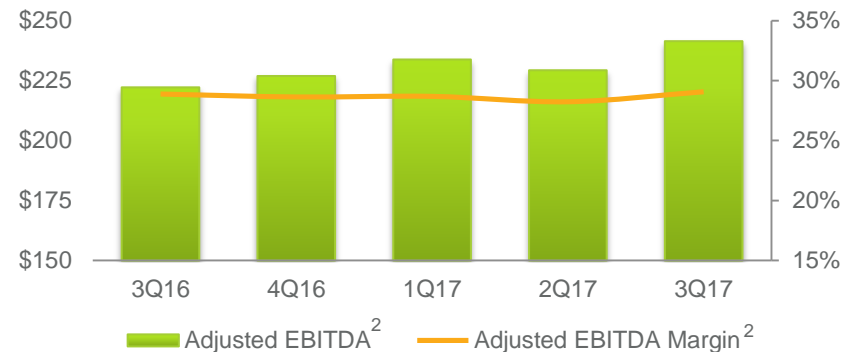
³Unfavorable FX impact on Net Sales and Adj. EBITDA of <(\$1M) and <(\$1M), respectively.

Bromine Specialties

3Q 2017 Performance

(\$ in millions)	3Q 2017	3Q 2016	△
Net Sales	\$213	\$194	9%
<i>Net Sales ex FX¹</i>	\$213		9%
Adj. EBITDA²	\$64	\$52	23%
<i>Adj. EBITDA ex FX¹</i>	\$64		23%
Adj. EBITDA Margin²	30%	27%	339 bps
<i>Adj. EBITDA Margin ex FX¹</i>	30%		337 bps

Historical Trend (TTM)



Performance Drivers

- Improvement driven by solid demand in Flame Retardants and strong operational performance
- Volumes benefited from reduced production and derivatives exports by China bromine companies. Have seen recent production restarts in 4Q.
- Clear brine fluids demand remains below historic levels with uncertain outlook

¹Favorable FX impact on Net Sales and Adj. EBITDA of <\$1M and <\$1M, respectively.

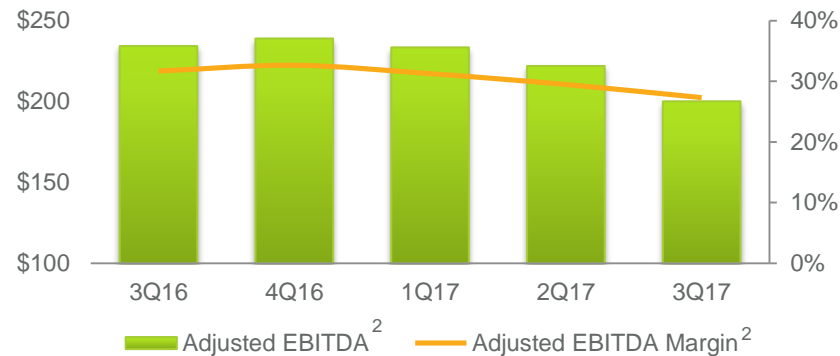
²Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

Refining Solutions

3Q 2017 Performance

(\$ in millions)	3Q 2017	3Q 2016	△
Net Sales	\$170	\$190	(11%)
<i>Net Sales ex FX¹</i>	\$169		(11%)
Adj. EBITDA²	\$43	\$65	(34%)
<i>Adj. EBITDA ex FX</i>	\$43		(33%)
Adj. EBITDA Margin²	25%	34%	(878 bps)
<i>Adj. EBITDA Margin ex FX¹</i>	26%		(841 bps)

Historical Trend (TTM)



Performance Drivers

- Performance below expectations; Adj. EBITDA impact of ~\$5 million from Hurricane Harvey
- Margins impacted by higher input costs and product mix
- Clean Fuel Technology (CFT) sales lower due to order timing
- Fluid Catalytic Cracking (FCC) sales flat
- Expect strong fourth quarter due to CFT order timing with some risk of CFT orders slipping

¹Favorable (Unfavorable) FX impact on Net Sales and Adj. EBITDA of \$1M and <(\$1M), respectively.

²Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

Financial Performance

Nine Months Ended September 30

(\$ in millions)

	<u>2017</u>	<u>2016</u>
Net Cash from Operations	\$75	\$454
Less: Capital Expenditures	(188)	(141)
Add Back: Pension Contributions ¹	16	14
Free Cash Flow²	(\$97)	\$327
Acquisition, integration, restructuring costs	78	70
Cash taxes on repatriation/Chemetall® sale	255	20
Adjusted Free Cash Flow²	\$236	\$417

¹ 2017 amount includes \$7 million related to the German multiemployer plan and \$10 million related to U.S. defined benefit and other postretirement plans. The sum of the components may not add due to rounding.

² Non-GAAP measures. Adjusted Free Cash Flow excludes a one time tax payment related to the sale of Chemetall® business of approximately \$255 million.

³ Represents annual increase in dividend per share.

⁴ Excludes JV debt not guaranteed by Company.

⁵ Gross Debt to Adj. EBITDA and Net Debt to Adj. EBITDA ratios are based on the bank covenant definition. See appendix for reconciliations.

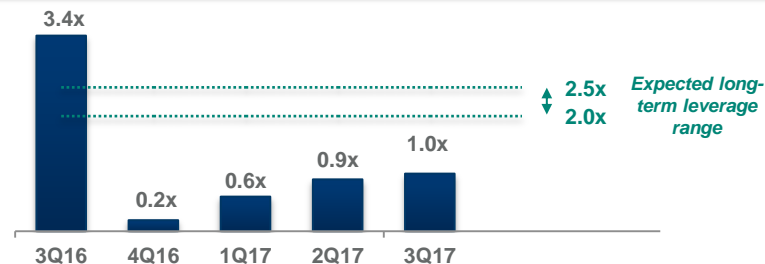
Selected Financial Metrics

(\$ in millions)









(as of 09/30/2017)

Dividends Paid:	\$105
Dividend Growth (Y/Y)³:	5%
Cash Balance:	\$1,045
Gross Debt⁴:	\$1,790
Net Debt to Adj. EBITDA⁵:	1.0x

Net Debt to Adj. EBITDA⁵



Full Year 2017 Business Guidance vs 2016

GBU	Division	Prior Outlook	Updated Outlook	Business Environment
Lithium and Advanced Materials	Lithium			<ul style="list-style-type: none"> Lithium Adj. EBITDA expected to increase by greater than 50% compared to 2016. Outlook driven by strong volume and price improvements, primarily in battery grade product portfolio. 'Wave 1' expansion projects remain on track and actively working to evaluate and develop 'Wave 2' lithium resources (startups beyond FY2021) Lithium Adj. EBITDA margins expected to remain above 40% despite additional \$60-70M of costs from royalty and community payments in Chile and expenses related to 'Wave 2' resource evaluation Increased exploration costs during the second half of the year somewhat reduce margin rates vs the first half
	PCS			<ul style="list-style-type: none"> Adj. EBITDA expected to be down mid to high single digits vs 2016 primarily due to hurricane Harvey Competitive environment in organometallics remains the greatest challenge partially offset by focused cost and productivity improvements
Bromine Specialties	Bromine Specialties			<ul style="list-style-type: none"> Full-year Adj. EBITDA expected to increase by high single digits to low double digits on a percentage basis vs prior year Elevated demand in flame retardants, elemental bromine, specialty bromine derivatives, with productivity improvements
Refining Solutions	Refining Solutions			<ul style="list-style-type: none"> Refining Solutions Adj. EBITDA expected to be down low double digits on a percentage basis vs prior year Fourth quarter outlook remains strong with the risk of some orders slipping into 2018 FCC expected to be down including negative impacts from Hurricane Harvey Solid demand environment for FCC catalysts continues; offset by unfavorable product mix Strong Resid volumes in CFT driving higher revenue and lower margins Overall customer buying patterns remain consistent despite current oil price levels

Full Year 2017 Guidance

	Previous FY 2017 Guidance		Updated FY 2017 Guidance
Net Sales	\$2.90 – 3.05B	▲	\$3.00 – 3.05B
Adj. EBITDA ^{1,2}	\$835 – 875M	▲	\$860 – 875M
Adj. EBITDA Margin ^{1,2}	28 - 29%	=	28 - 29%
Adjusted Diluted EPS ^{1,3}	\$4.20 – 4.40	▲	\$4.40 – 4.50
D&A	\$175 – 195M	▲	\$185 – 195M
Net Cash from Operations	\$225 – 325M	▲	\$255 – 305M
Capital Expenditures	\$325 – 375M	▼	\$310 – 350M
Adjusted Free Cash Flow ⁴	\$225 – 325M	▲	\$275 – 325M

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

² Reflects EBITDA attributable to Albemarle Corporation, before discontinued operations and the special and non-operating pension and OPEB items.

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

⁴ Adjusted Free Cash Flow is a non-GAAP measure defined as Net Cash from Operations, add back pension and post-retirement contributions, subtract capital expenditures and excludes \$325-375M of one-time cash expenses and taxes, including premiums paid to extinguish debt, integration related cash expenses (*Jiangxi Jiangli*) and cash taxes on the sale of Chemetall®.

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Appendix

Non-GAAP Reconciliations and
Supplemental Information

Net Income

	Three Months Ended	
	September 30,	
	2017	2016
<i>(\$ in thousands)</i>		
Net income attributable to Albemarle Corporation	\$ 118,670	\$ 128,220
Add back:		
Income from discontinued operations (net of tax)	—	(23,185)
Earnings from continuing operations	118,670	105,035
Add back:		
Non-operating pension and OPEB items from continuing operations (net of tax)	(694)	(154)
Non-recurring and other unusual items from continuing operations (net of tax)	2,575	(2,170)
Adjusted net income from continuing operations	120,551	102,711
Pro-forma: Net impact of income from divested businesses (net of tax)	—	(1,286)
Pro-forma adjusted net income from continuing operations	120,551	101,425
Adjusted diluted earnings per share from continuing operations	\$ 1.08	\$ 0.91
Pro-forma adjusted diluted earnings per share attributable to continuing operations	\$ 1.08	\$ 0.89
Weighted-average common shares outstanding – diluted	111,975	113,448

See above for a reconciliation of adjusted net income from continuing operations, and pro-forma adjusted net income, the non-GAAP financial measures, to Net income (loss) attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with GAAP. Adjusted earnings 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. Pro-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	
	September 30,	
	2017	2016
<i>(\$ in thousands)</i>		
Net income attributable to Albemarle Corporation	\$ 118,670	\$ 128,220
Add back:		
Income from discontinued operations (net of tax)	—	(23,185)
Interest and financing expenses	15,792	15,946
Income tax expense	18,495	12,394
Depreciation and amortization	49,895	47,974
EBITDA	202,852	181,349
Non-operating pension and OPEB items	(1,028)	(231)
Non-recurring and other unusual items (excluding items associated with interest expense)	7,559	7,211
Adjusted EBITDA	\$ 209,383	\$ 188,329
Pro-forma: Net impact of adjusted EBITDA from divested businesses	—	(1,286)
Pro-forma adjusted EBITDA	\$ 209,383	\$ 187,043
Net sales	\$ 754,866	\$ 654,010
Pro-forma: Net impact of net sales from divested businesses	—	470
Pro-forma net sales	\$ 754,866	\$ 654,480
EBITDA margin	26.9%	27.7%
Adjusted EBITDA margin	27.7%	28.8%
Year-over-year difference in adjusted EBITDA margin	(106 bps)	
Pro-forma adjusted EBITDA margin	27.7%	28.6%
Year-over-year difference in Pro-forma adjusted EBITDA margin	(84 bps)	

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 - by Segment *(three months ended September 30)*

(\$ in thousands)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Corporate	Consolidated Total
Three months ended September 30, 2017:							
Net income (loss) attributable to Albemarle Corporation	\$ 103,199	\$ 53,760	\$ 34,392	\$ 191,351	\$ (1,776)	\$ (70,905)	\$ 118,670
Depreciation and amortization	26,136	10,176	9,978	46,290	2,082	1,523	49,895
Non-recurring and other unusual items	883	—	(1,250)	(367)	—	7,926	7,559
Interest and financing expenses	—	—	—	—	—	15,792	15,792
Income tax expense	—	—	—	—	—	18,495	18,495
Non-operating pension and OPEB items	—	—	—	—	—	(1,028)	(1,028)
Adjusted EBITDA	\$ 130,218	\$ 63,936	\$ 43,120	\$ 237,274	\$ 306	\$ (28,197)	\$ 209,383
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

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 September 30)*

<i>(\$ in thousands)</i>	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Consolidated Total
Three months ended September 30, 2017:						
Net sales	\$ 343,557	\$ 212,923	\$ 170,275	\$ 726,755	\$ 28,021	\$ 754,866
Net income (loss) attributable to Albemarle Corporation	30.0%	25.2%	20.2%	26.3%	(6.3)%	15.7%
Depreciation and amortization	7.6%	4.8%	5.9%	6.4%	7.4%	6.6%
Non-recurring and other unusual items	0.3%	—%	(0.7)%	(0.1)%	—%	1.0%
Interest and financing expenses	—%	—%	—%	—%	—%	2.1%
Income tax expense	—%	—%	—%	—%	—%	2.4%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(0.1)%
Adjusted EBITDA Margin	37.9%	30.0%	25.3%	32.6%	1.1%	27.7%
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)%
Adjusted EBITDA Margin	38.1%	26.6%	34.1%	33.3%	19.3%	28.8%

See above for adjusted EBITDA margin, a non-GAAP financial measure defined as adjusted EBITDA divided by net sales. See slide 21 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 \$90 and \$365 in the three months ended September 30, 2017 and 2016, respectively.

EBITDA - Lithium & Adv. Materials

<i>(\$ in thousands)</i>	Lithium	PCS	Total Lithium and Advanced Materials
Three months ended September 30, 2017:			
Net income attributable to Albemarle Corporation	\$ 89,745	\$ 13,454	\$ 103,199
Depreciation and amortization	22,316	3,820	26,136
Non-recurring and other unusual items	883	—	883
Adjusted EBITDA	\$ 112,944	\$ 17,274	\$ 130,218
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

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, 2017:			
Net sales	\$ 269,238	\$ 74,319	\$ 343,557
Net income attributable to Albemarle Corporation	33.3%	18.1%	30.0%
Depreciation and amortization	8.3%	5.1%	7.6%
Non-recurring and other unusual items	0.3%	—%	0.3%
Adjusted EBITDA	41.9%	23.2%	37.9%
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%

See above for adjusted EBITDA margin, a non-GAAP financial measure defined as adjusted EBITDA divided by net sales. See slide 23 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)

(\$ in thousands)	Twelve Months Ended				
	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017
Continuing Operations					
Net income attributable to Albemarle Corporation	\$ 215,837	\$ 643,675	\$ 466,702	\$ 884,856	\$ 875,306
Depreciation and amortization	179,656	190,975	192,436	191,853	193,774
Non-recurring and other unusual items (excluding items associated with interest expense)	(59,662)	(61,335)	77,103	88,866	89,214
Interest and financing expenses	66,317	65,181	118,580	117,370	117,216
Income tax expense	30,889	96,263	82,749	82,223	88,324
Income (loss) from discontinued operations (net of tax)	344,441	(202,131)	(184,819)	(583,159)	(559,974)
Non-operating pension and OPEB items	(32,164)	25,589	24,809	24,021	23,224
Adjusted EBITDA	\$ 745,314	\$ 758,217	\$ 777,560	\$ 806,030	\$ 827,084
Pro-forma: Net impact of adjusted EBITDA from divested businesses	(11,708)	(3,405)	(1,346)	(761)	525
Pro-forma Adjusted EBITDA	\$ 733,606	\$ 754,812	\$ 776,214	\$ 805,269	\$ 827,609
Net Sales	\$ 2,703,158	\$ 2,677,203	\$ 2,742,055	\$ 2,809,986	\$ 2,910,842
Pro-forma: Net impact of adjusted EBITDA from divested businesses	(109,522)	(38,567)	(12,435)	470	—
Pro-forma Net Sales	\$ 2,593,636	\$ 2,638,636	\$ 2,729,620	\$ 2,810,456	\$ 2,910,842
Pro-forma Adjusted EBITDA Margin	28%	29%	28%	29%	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, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017
Lithium and Advanced Materials					
Net income attributable to Albemarle Corporation	\$ 246,975	\$ 261,394	\$ 292,173	\$ 330,643	\$ 367,676
Depreciation and amortization	91,027	101,966	101,562	101,052	101,635
Non-recurring and other unusual items	738	—	3,173	15,094	15,977
Adjusted EBITDA	338,740	363,360	396,908	446,789	485,288
Net Sales	903,943	968,216	1,036,418	1,120,924	1,224,057
Adjusted EBITDA Margin	37%	38%	38%	40%	40%
Lithium					
Net income attributable to Albemarle Corporation	\$ 176,574	\$ 198,852	\$ 232,120	\$ 271,810	\$ 314,707
Depreciation and amortization	76,436	86,862	86,439	85,882	86,409
Non-recurring and other unusual items	738	—	3,173	15,094	15,977
Adjusted EBITDA	253,748	285,714	321,732	372,786	417,093
Net Sales	599,712	668,852	748,521	834,629	937,461
Adjusted EBITDA Margin	42%	43%	43%	45%	44%
PCS					
Net income attributable to Albemarle Corporation	\$ 70,401	\$ 62,542	\$ 60,053	\$ 58,833	\$ 52,969
Depreciation and amortization	14,591	15,104	15,123	15,170	15,226
Adjusted EBITDA	84,992	77,646	75,176	74,003	68,195
Net Sales	304,231	299,364	287,897	286,295	286,596
Adjusted EBITDA Margin	28%	26%	26%	26%	24%

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, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017
Bromine Specialties					
Net income attributable to Albemarle Corporation	\$ 182,342	\$ 187,364	\$ 194,205	\$ 189,197	\$ 201,336
Depreciation and amortization	39,857	39,562	39,601	40,122	40,112
Adjusted EBITDA	222,199	226,926	233,806	229,319	241,448
Net Sales	769,374	792,425	815,063	812,145	830,572
Adjusted EBITDA Margin	29%	29%	29%	28%	29%
Refining Solutions					
Net income attributable to Albemarle Corporation	\$ 196,839	\$ 202,874	\$ 197,034	\$ 185,025	\$ 163,436
Depreciation and amortization	35,495	36,089	36,434	36,935	37,934
Non-recurring and other unusual items	1,971	—	—	—	(1,250)
Adjusted EBITDA	234,305	238,963	233,468	221,960	200,120
Net Sales	739,464	732,137	746,970	753,175	732,997
Adjusted EBITDA Margin	32%	33%	31%	29%	27%

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 reported 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, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
Adjusted EBITDA	\$ 827,084	\$ 209,383	\$ 218,941	\$ 211,376	\$ 187,384
Net income attributable to noncontrolling interests	41,511	11,523	10,356	11,444	8,188
Equity in net income of unconsolidated investments (net of tax)	(70,110)	(19,044)	(15,048)	(21,171)	(14,847)
Dividends received from unconsolidated investments	20,677	3,446	5,903	2,551	8,777
Consolidated EBITDA	\$ 819,162	\$ 205,308	\$ 220,152	\$ 204,200	\$ 189,502
Total Long Term Debt (as reported)	\$ 1,789,529				
Off balance sheet obligations and other	69,400				
Consolidated Funded Debt	\$ 1,858,929				
Less Cash	1,045,339				
Consolidated Funded Net Debt	\$ 813,590				
Consolidated Funded Debt to Consolidated EBITDA Ratio	2.3				
Consolidated Funded Net Debt to Consolidated EBITDA Ratio	1.0				

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

Diluted EPS

	Three Months Ended	
	September 30,	
	2017	2016
Diluted earnings per share attributable to Albemarle Corporation	\$ 1.06	\$ 1.13
Add back:		
Non-operating pension and OPEB items from continuing operations (net of tax)	(0.01)	—
Non-recurring and other unusual items from continuing operations (net of tax)		
Write-off of research and development fixed assets	—	0.01
Acquisition and integration related costs	0.02	0.03
Gain on sales of properties, net	—	(0.01)
Gain on acquisition	0.01	—
Multiemployer plan shortfall contributions	0.01	—
Other	(0.01)	—
Discrete tax items	(0.01)	(0.05)
Total non-recurring and other unusual items	0.02	(0.02)
Discontinued operations (net of tax)	—	(0.20)
Adjusted diluted earnings per share from continuing operations ¹	\$ 1.08	\$ 0.91

¹Totals may not add due to rounding

Effective Tax Rate

<i>(\$ in thousands)</i>	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, 2017:			
As reported	\$ 129,644	\$ 18,495	14.3%
Non-recurring, other unusual and non-operating pension and OPEB items from continuing operations	6,531	4,650	
As adjusted	<u>\$ 136,175</u>	<u>\$ 23,145</u>	17.0%
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	<u>\$ 118,933</u>	<u>\$ 21,698</u>	18.2%

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 September 30,				Nine Months Ended September 30,			
	2017		2016		2017		2016	
	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest
<i>(\$ in thousands)</i>								
Lithium and Advanced Materials	\$ 13,373	\$ —	\$ 10,385	\$ —	\$ 37,595	\$ —	\$ 27,530	\$ —
Bromine Specialties	—	(11,523)	—	(9,464)	—	(33,323)	—	(28,853)
Refining Solutions	5,671	—	4,568	—	17,668	—	16,301	—
Corporate	—	—	—	(13)	—	—	—	(53)
Total Company	\$ 19,044	\$ (11,523)	\$ 14,953	\$ (9,477)	\$ 55,263	\$ (33,323)	\$ 44,790	\$ (28,906)

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