

Albemarle Corporation Fourth Quarter 2016 Earnings

Appendix & Non-GAAP Reconciliations

Conference Call/Webcast

Tuesday, Feb 28th, 2017

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 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, pro-forma net sales, net sales excluding the impact of foreign exchange translation (“ex FX”), EBITDA, adjusted EBITDA, adjusted EBITDA by operating segment, EBITDA margin, adjusted EBITDA margin, pro-forma adjusted EBITDA, pro-forma adjusted EBITDA margin, adjusted EBITDA excluding the impact of foreign exchange translation (“ex FX”), adjusted EBITDA margin excluding the impact of foreign exchange translation (“ex FX”), net debt to adjusted EBITDA, gross debt to adjusted 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 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.

Net Income

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
<i>(\$ in thousands)</i>				
Net income attributable to Albemarle Corporation	\$ 602,090	\$ 174,252	\$ 643,675	\$ 334,906
Add back:				
Income from discontinued operations (net of tax)	(559,974)	(13,402)	(202,131)	(32,476)
Earnings from continuing operations	42,116	160,850	441,544	302,430
Add back:				
Non-operating pension and OPEB items from continuing operations (net of tax)	17,868	(22,160)	17,608	(24,588)
Non-recurring and other unusual items from continuing operations (net of tax)	28,844	(30,634)	(55,374)	114,336
Adjusted net income from continuing operations	88,828	108,056	403,778	392,178
Pro-forma: Net impact of (income) from non-cash FX gain (net of tax)	—	—	—	(40,160)
Pro-forma: Net impact of (income) from divested businesses (net of tax)	—	(7,527)	—	(21,608)
Pro-forma adjusted net income from continuing operations	88,828	100,529	403,778	330,410
Net impact of (income) from non-cash FX gain (net of tax)	—	—	—	40,160
Net impact of income from divested businesses (net of tax)	—	7,527	—	21,608
Income from discontinued operations (net of tax)	559,974	13,402	202,131	32,476
Add back:				
Non-operating pension and OPEB items from discontinued operations (net of tax)	3,425	(6,553)	5,798	(7,738)
Non-recurring and other unusual items from discontinued operations (net of tax)	(550,868)	1,254	(128,340)	22,471
Adjusted net income attributable to Albemarle Corporation	\$ 101,359	\$ 116,159	\$ 483,367	\$ 439,387
Adjusted diluted earnings per share from continuing operations	\$ 0.78	\$ 0.96	\$ 3.57	\$ 3.52
Adjusted diluted earnings per share attributable to Albemarle Corporation	\$ 0.89	\$ 1.03	\$ 4.27	\$ 3.94
Pro-forma adjusted diluted earnings per share attributable to Albemarle Corporation	\$ 0.78	\$ 0.89	\$ 3.57	\$ 2.96
Weighted-average common shares outstanding – diluted	113,563	112,608	113,239	111,556

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. 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

(\$ in thousands)	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Net income attributable to Albemarle Corporation	\$ 602,090	\$ 174,252	\$ 643,675	\$ 334,906
Add back:				
Income from discontinued operations (net of tax)	(559,974)	(13,402)	(202,131)	(32,476)
Interest and financing expenses	18,321	19,457	65,181	81,650
Income tax expense (benefit)	34,728	(30,646)	96,263	11,134
Depreciation and amortization	49,687	38,368	190,975	181,173
EBITDA	144,852	188,029	793,963	576,387
Non-operating pension and OPEB items	26,368	(31,385)	25,589	(35,300)
Non-recurring and other unusual items (excluding items associated with interest expense)	16,164	17,837	(61,335)	214,913
Adjusted EBITDA	\$ 187,384	\$ 174,481	\$ 758,217	\$ 756,000
Pro-forma: Net impact of adjusted EBITDA from divested businesses	—	(7,778)	—	(86,640)
Pro-forma adjusted EBITDA	\$ 187,384	\$ 166,703	\$ 758,217	\$ 669,360
Net sales	\$ 696,655	\$ 722,610	\$ 2,677,203	\$ 2,826,429
Pro-forma: Net impact of net sales from divested businesses	—	(70,955)	—	(265,296)
Pro-forma net sales	\$ 696,655	\$ 651,655	\$ 2,677,203	\$ 2,561,133
EBITDA margin	20.8%	26.0%	29.7%	20.4%
Adjusted EBITDA margin	26.9%	24.1%	28.3%	26.7%
Year-over-year difference in Adjusted EBITDA margin	275 bps		157 bps	
Pro-forma adjusted EBITDA margin	26.9%	25.6%	28.3%	26.1%
Year-over-year difference in Pro-forma adjusted EBITDA margin	132 bps		219 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 Dec 31)*

<i>(\$ in thousands)</i>	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Corporate	Consolidated Total
Three months ended December 31, 2016:							
Net income (loss) attributable to Albemarle Corporation	\$ 75,021	\$ 37,143	\$ 48,107	\$ 160,271	\$ (1,711)	\$ 443,530	\$ 602,090
Depreciation and amortization	27,478	9,806	9,236	46,520	1,673	1,494	49,687
Non-recurring and other unusual items (excluding items associated with interest expense)	—	—	—	—	—	16,164	16,164
Interest and financing expenses	—	—	—	—	—	18,321	18,321
Income tax expense	—	—	—	—	—	34,728	34,728
Income from discontinued operations (net of tax)	—	—	—	—	—	(559,974)	(559,974)
Non-operating pension and OPEB items	—	—	—	—	—	26,368	26,368
Adjusted EBITDA	\$ 102,499	\$ 46,949	\$ 57,343	\$ 206,791	\$ (38)	\$ (19,369)	\$ 187,384
Three months ended December 31, 2015:							
Net income attributable to Albemarle Corporation	\$ 60,602	\$ 32,121	\$ 42,072	\$ 134,795	\$ 23,137	\$ 16,320	\$ 174,252
Depreciation and amortization	16,539	10,101	8,642	35,282	1,316	1,770	38,368
Non-recurring and other unusual items (excluding items associated with interest expense)	738	—	1,971	2,709	—	15,128	17,837
Interest and financing expenses	—	—	—	—	—	19,457	19,457
Income tax benefit	—	—	—	—	—	(30,646)	(30,646)
Income from discontinued operations (net of tax)	—	—	—	—	—	(13,402)	(13,402)
Non-operating pension and OPEB items	—	—	—	—	—	(31,385)	(31,385)
Adjusted EBITDA	\$ 77,879	\$ 42,222	\$ 52,685	\$ 172,786	\$ 24,453	\$ (22,758)	\$ 174,481

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 Dec 31)*

(\$ in thousands)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Consolidated Total
Three months ended December 31, 2016:						
Net sales	\$ 278,266	\$ 194,513	\$ 193,093	\$ 665,872	\$ 30,001	\$ 696,655
Net income (loss) attributable to Albemarle Corporation	27.0%	19.1%	24.9%	24.1%	(5.7)%	86.5 %
Depreciation and amortization	9.9%	5.0%	4.8%	7.0%	5.6 %	7.1 %
Non-recurring and other unusual items (excluding items associated with interest expense)	—%	—%	—%	—%	— %	2.3 %
Interest and financing expenses	—%	—%	—%	—%	— %	2.6 %
Income tax expense	—%	—%	—%	—%	— %	5.0 %
Income from discontinued operations (net of tax)	—%	—%	—%	—%	— %	(80.4)%
Non-operating pension and OPEB items	—%	—%	—%	—%	— %	3.8 %
Adjusted EBITDA Margin	36.8%	24.1%	29.7%	31.1%	(0.1)%	26.9 %
Three months ended December 31, 2015:						
Net sales	\$ 213,993	\$ 171,462	\$ 200,420	\$ 585,875	\$133,437	\$ 722,610
Net income attributable to Albemarle Corporation	28.3%	18.7%	21.0%	23.0%	17.3 %	24.1 %
Depreciation and amortization	7.7%	5.9%	4.3%	6.0%	1.0 %	5.3 %
Non-recurring and other unusual items (excluding items associated with interest expense)	0.3%	—%	1.0%	0.5%	— %	2.5 %
Interest and financing expenses	—%	—%	—%	—%	— %	2.7 %
Income tax benefit	—%	—%	—%	—%	— %	(4.2)%
Income from discontinued operations (net of tax)	—%	—%	—%	—%	— %	(1.9)%
Non-operating pension and OPEB items	—%	—%	—%	—%	— %	(4.3)%
Adjusted EBITDA Margin	36.4%	24.6%	26.3%	29.5%	18.3 %	24.1 %

See above for adjusted EBITDA margin, a non-GAAP financial measure defined as adjusted EBITDA divided by net sales. See slide 6 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 \$782 and \$3,298 in the three months ended Dec 31, 2016 and 2015, respectively.

EBITDA - by Segment (twelve-months ended Dec 31)

<i>(\$ in thousands)</i>	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Corporate	Consolidated Total
Year ended December 31, 2016:							
Net income (loss) attributable to Albemarle Corporation	\$ 261,394	\$ 187,364	\$ 202,874	\$ 651,632	\$ 131,301	\$ (139,258)	\$ 643,675
Depreciation and amortization	101,966	39,562	36,089	177,617	7,302	6,056	190,975
Non-recurring and other unusual items (excluding items associated with interest expense)	—	—	—	—	(123,831)	62,496	(61,335)
Interest and financing expenses	—	—	—	—	—	65,181	65,181
Income tax expense	—	—	—	—	—	96,263	96,263
Income from discontinued operations (net of tax)	—	—	—	—	—	(202,131)	(202,131)
Non-operating pension and OPEB items	—	—	—	—	—	25,589	25,589
Adjusted EBITDA	<u>\$ 363,360</u>	<u>\$ 226,926</u>	<u>\$ 238,963</u>	<u>\$ 829,249</u>	<u>\$ 14,772</u>	<u>\$ (85,804)</u>	<u>\$ 758,217</u>
Year ended December 31, 2015:							
Net income (loss) attributable to Albemarle Corporation	\$ 148,821	\$ 186,474	\$ 161,585	\$ 496,880	\$ 32,781	\$ (194,755)	\$ 334,906
Depreciation and amortization	84,069	36,179	34,039	154,287	18,183	8,703	181,173
Non-recurring and other unusual items (excluding items associated with interest expense)	79,977	—	1,971	81,948	3,029	129,936	214,913
Interest and financing expenses	—	—	—	—	—	81,650	81,650
Income tax expense	—	—	—	—	—	11,134	11,134
Income from discontinued operations (net of tax)	—	—	—	—	—	(32,476)	(32,476)
Non-operating pension and OPEB items	—	—	—	—	—	(35,300)	(35,300)
Adjusted EBITDA	<u>\$ 312,867</u>	<u>\$ 222,653</u>	<u>\$ 197,595</u>	<u>\$ 733,115</u>	<u>\$ 53,993</u>	<u>\$ (31,108)</u>	<u>\$ 756,000</u>

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 (twelve-months ended Dec 31)

(\$ in thousands)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Consolidated Total
Year ended December 31, 2016:						
Net sales	\$ 968,216	\$ 792,425	\$ 732,137	\$ 2,492,778	\$ 180,988	\$ 2,677,203
Net income (loss) attributable to Albemarle Corporation	27.0%	23.6%	27.7%	26.1%	72.5 %	24.0 %
Depreciation and amortization	10.5%	5.0%	4.9%	7.1%	4.0 %	7.1 %
Non-recurring and other unusual items (excluding items associated with interest expense)	—%	—%	—%	—%	(68.4)%	(2.3)%
Interest and financing expenses	—%	—%	—%	—%	—%	2.4 %
Income tax expense	—%	—%	—%	—%	—%	3.6 %
Income from discontinued operations (net of tax)	—%	—%	—%	—%	—%	(7.6)%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	1.0 %
Adjusted EBITDA Margin	37.5%	28.6%	32.6%	33.3%	8.2 %	28.3 %
Year ended December 31, 2015:						
Net sales	\$ 834,590	\$ 775,729	\$ 729,261	\$ 2,339,580	\$ 471,434	\$ 2,826,429
Net income attributable to Albemarle Corporation	17.8%	24.0%	22.2%	21.2%	7.0 %	11.8 %
Depreciation and amortization	10.1%	4.7%	4.7%	6.6%	3.9 %	6.4 %
Non-recurring and other unusual items (excluding items associated with interest expense)	9.6%	—%	0.3%	3.5%	0.6 %	7.6 %
Interest and financing expenses	—%	—%	—%	—%	—%	2.9 %
Income tax benefit	—%	—%	—%	—%	—%	0.4 %
Income from discontinued operations (net of tax)	—%	—%	—%	—%	—%	(1.1)%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(1.2)%
Adjusted EBITDA Margin	37.5%	28.7%	27.1%	31.3%	11.5 %	26.7 %

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 \$3,437 and \$15,415 in the twelve months ended Dec 31, 2016 and 2015, respectively.

EBITDA - Lithium & Adv. Materials

<i>(\$ in thousands)</i>	Lithium	PCS	Total Lithium and Advanced Materials
Three months ended December 31, 2016:			
Net income attributable to Albemarle Corporation	\$ 65,529	\$ 9,492	\$ 75,021
Depreciation and amortization	23,568	3,910	27,478
Adjusted EBITDA	\$ 89,097	\$ 13,402	\$ 102,499
Three months ended December 31, 2015:			
Net income attributable to Albemarle Corporation	\$ 43,251	\$ 17,351	\$ 60,602
Depreciation and amortization	13,142	3,397	16,539
Non-recurring and other unusual items	738	—	738
Adjusted EBITDA	\$ 57,131	\$ 20,748	\$ 77,879
Year ended December 31, 2016:			
Net income attributable to Albemarle Corporation	\$ 198,852	\$ 62,542	\$ 261,394
Depreciation and amortization	86,862	15,104	101,966
Adjusted EBITDA	\$ 285,714	\$ 77,646	\$ 363,360
Year ended December 31, 2015:			
Net income attributable to Albemarle Corporation	\$ 63,473	\$ 85,348	\$ 148,821
Depreciation and amortization	70,014	14,055	84,069
Non-recurring and other unusual items	79,977	—	79,977
Adjusted EBITDA	\$ 213,464	\$ 99,403	\$ 312,867

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 December 31, 2016:			
Net sales	\$ 208,173	\$ 70,093	\$ 278,266
Net income attributable to Albemarle Corporation	31.5%	13.5%	27.0%
Depreciation and amortization	11.3%	5.6%	9.9%
Adjusted EBITDA	42.8%	19.1%	36.8%
Three months ended December 31, 2015:			
Net sales	\$ 139,033	\$ 74,960	\$ 213,993
Net income attributable to Albemarle Corporation	31.1%	23.1%	28.3%
Depreciation and amortization	9.5%	4.5%	7.7%
Non-recurring and other unusual items	0.5%	—%	0.3%
Adjusted EBITDA	41.1%	27.7%	36.4%
Year ended December 31, 2016:			
Net sales	\$ 668,852	\$ 299,364	\$ 968,216
Net income attributable to Albemarle Corporation	29.7%	20.9%	27.0%
Depreciation and amortization	13.0%	5.0%	10.5%
Adjusted EBITDA	42.7%	25.9%	37.5%
Year ended December 31, 2015:			
Net sales	\$ 508,844	\$ 325,746	\$ 834,590
Net income attributable to Albemarle Corporation	12.5%	26.2%	17.8%
Depreciation and amortization	13.8%	4.3%	10.1%
Non-recurring and other unusual items	15.7%	—%	9.6%
Adjusted EBITDA	42.0%	30.5%	37.5%

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.

EBITDA - Continuing Operations (*Twelve Months Ended*)

(\$ in thousands)	Twelve Months Ended				
	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016
Continuing Operations					
Net income attributable to Albemarle Corporation	\$ 334,906	\$ 519,977	\$ 153,009	\$ 215,837	\$ 643,675
Depreciation and amortization	181,173	178,992	180,325	179,656	190,975
Non-recurring and other unusual items (excluding items associated with interest expense)	214,913	18,648	(20,329)	(59,662)	(61,335)
Interest and financing expenses	81,650	74,464	69,665	66,317	65,181
Income tax expense	11,134	22,834	31,639	30,889	96,263
(Income) loss from discontinued operations (net of tax)	(32,476)	(51,886)	356,576	344,441	(202,131)
Non-operating pension and OPEB items	(35,300)	(34,496)	(33,239)	(32,164)	25,589
Adjusted EBITDA	\$ 756,000	\$ 728,533	\$ 737,646	\$ 745,314	\$ 758,217
Pro-forma: non-cash foreign exchange gain	(52,400)	—	—	—	—
Pro-forma: Net impact of adjusted EBITDA from divested businesses	(34,240)	(25,941)	(16,512)	(7,778)	—
Pro-forma Adjusted EBITDA	\$ 669,360	\$ 702,592	\$ 721,134	\$ 737,536	\$ 758,217
Net Sales	\$ 2,826,429	\$ 2,791,325	\$ 2,742,363	\$ 2,703,158	\$ 2,677,203
Pro-forma: Net impact of net sales from divested businesses	(265,296)	(210,979)	(144,213)	(70,955)	—
Pro-forma Net Sales	\$ 2,561,133	\$ 2,580,346	\$ 2,598,150	\$ 2,632,203	\$ 2,677,203
Pro-forma Adjusted EBITDA Margin	26%	27%	28%	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				
	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016
Lithium and Advanced Materials					
Net income attributable to Albemarle Corporation	\$ 148,821	\$ 184,957	\$ 219,307	\$ 246,975	\$ 261,394
Depreciation and amortization	84,069	85,394	87,550	91,027	101,966
Non-recurring and other unusual items (excluding items associated with interest expense)	79,977	51,395	17,572	738	—
Adjusted EBITDA	312,867	321,746	324,429	338,740	363,360
Net Sales	834,590	851,877	872,339	903,943	968,216
Adjusted EBITDA Margin	37%	38%	37%	37%	38%
Lithium					
Net income attributable to Albemarle Corporation	\$ 63,473	\$ 103,891	\$ 146,233	\$ 176,574	\$ 198,852
Depreciation and amortization	70,014	71,434	73,416	76,436	86,862
Non-recurring and other unusual items (excluding items associated with interest expense)	79,977	51,395	17,572	738	—
Adjusted EBITDA	213,464	226,720	237,221	253,748	285,714
Net Sales	508,844	531,018	561,683	599,685	668,852
Adjusted EBITDA Margin	42%	43%	42%	42%	43%
PCS					
Net income attributable to Albemarle Corporation	\$ 85,348	\$ 81,066	\$ 73,074	\$ 70,401	\$ 62,542
Depreciation and amortization	14,055	13,960	14,134	14,591	15,104
Adjusted EBITDA	99,403	95,026	87,208	84,992	77,646
Net Sales	325,746	320,859	310,656	304,257	299,364
Adjusted EBITDA Margin	31%	30%	28%	28%	26%

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				
	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016
Bromine Specialties					
Net income attributable to Albemarle Corporation	\$ 186,474	\$ 193,855	\$ 190,116	\$ 182,342	\$ 187,364
Depreciation and amortization	36,179	37,473	39,077	39,857	39,562
Adjusted EBITDA	222,653	231,328	229,193	222,199	226,926
Net Sales	775,729	782,802	765,593	769,374	792,425
Adjusted EBITDA Margin	29%	30%	30%	29%	29%
Refining Solutions					
Net income attributable to Albemarle Corporation	\$ 161,585	\$ 173,816	\$ 186,571	\$ 196,839	\$ 202,874
Depreciation and amortization	34,039	34,689	35,320	35,495	36,089
Non-recurring and other unusual items (excluding items associated with interest expense)	1,971	1,971	1,971	1,971	—
Adjusted EBITDA	197,595	210,476	223,862	234,305	238,963
Net Sales	729,261	720,675	734,113	739,464	732,137
Adjusted EBITDA Margin	27%	29%	30%	32%	33%

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			
	Dec 31, 2016	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016
Adjusted EBITDA	\$ 758,217	\$ 187,384	\$ 188,329	\$ 190,471	\$ 192,033
Net income attributable to noncontrolling interests	37,094	8,188	9,477	12,067	7,362
Adjusted equity in net income of unconsolidated investments (net of tax)	(59,637)	(14,847)	(14,953)	(13,846)	(15,991)
Dividends received from unconsolidated investments	43,759	8,777	3,460	31,322	200
Consolidated EBITDA	\$ 779,433	\$ 189,502	\$ 186,313	\$ 220,014	\$ 183,604
Total Long Term Debt (as reported)	\$ 2,369,262				
Off balance sheet obligations and other	51,300				
Consolidated Funded Debt	\$ 2,420,562				
Less Cash	2,269,756				
Consolidated Funded Net Debt	\$ 150,806				
Consolidated Funded Debt to Consolidated EBITDA Ratio	3.1				
Consolidated Funded Net Debt to Consolidated EBITDA Ratio	0.2				

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

Diluted EPS

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
Diluted earnings per share attributable to Albemarle Corporation	\$ 5.30	\$ 1.55	\$ 5.68	\$ 3.00
Add back:				
Non-operating pension and OPEB items from continuing operations (net of tax)	0.16	(0.20)	0.16	(0.22)
Non-recurring and other unusual items from continuing operations (net of tax)				
Utilization of inventory markup	—	0.02	—	0.60
Write-off of research and development fixed assets	—	—	0.01	—
Restructuring and other, net	—	(0.01)	—	(0.05)
Gain on sales of businesses, net	—	—	(1.02)	—
Acquisition and integration related costs	0.05	0.06	0.31	0.76
Loss on extinguishment of debt	0.01	0.03	0.01	0.03
Interest and financing expenses related to Rockwood acquisition	—	—	—	0.01
Other	0.03	—	0.02	0.03
Impairment of unconsolidated investment	—	0.02	—	0.02
Discrete tax items	0.16	(0.39)	0.18	(0.37)
Total non-recurring and other unusual items	0.25	(0.27)	(0.49)	1.03
Income from discontinued operations (net of tax)	(4.93)	(0.12)	(1.78)	(0.29)
Adjusted diluted earnings per share from continuing operations ¹	\$ 0.78	\$ 0.96	\$ 3.57	\$ 3.52
Income from discontinued operations (net of tax)	4.93	0.12	1.78	0.29
Add back:				
Non-operating pension and OPEB items from discontinued operations (net of tax)	0.03	(0.06)	0.05	(0.07)
Non-recurring and other unusual items from discontinued operations (net of tax)	(4.85)	0.01	(1.13)	0.20
Adjusted diluted earnings per share attributable to Albemarle Corporation ¹	\$ 0.89	\$ 1.03	\$ 4.27	\$ 3.94

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 (benefit)	Effective income tax rate
Three months ended December 31, 2016:			
As reported	\$ 70,185	\$ 34,728	49.5 %
Non-recurring, other unusual and non-operating pension and OPEB items from continuing operations	44,453	(2,259)	
As adjusted	<u>\$ 114,638</u>	<u>\$ 32,469</u>	28.3 %
Three months ended December 31, 2015:			
As reported	\$ 130,606	\$ (30,646)	(23.5)%
Non-recurring, other unusual and non-operating pension and OPEB items from continuing operations	(10,338)	44,600	
As adjusted	<u>\$ 120,268</u>	<u>\$ 13,954</u>	11.6 %
Year ended December 31, 2016:			
As reported	\$ 515,264	\$ 96,263	18.7 %
Non-recurring, other unusual and non-operating pension and OPEB items from continuing operations	(33,825)	3,941	
As adjusted	<u>\$ 481,439</u>	<u>\$ 100,204</u>	20.8 %
Year ended December 31, 2015:			
As reported	\$ 310,744	\$ 11,134	3.6 %
Non-recurring, other unusual and non-operating pension and OPEB items from continuing operations	157,501	96,830	
As adjusted	<u>\$ 468,245</u>	<u>\$ 107,964</u>	23.1 %

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 Non-controlling Interest

	Three Months Ended Dec 31,				Twelve Months Ended Dec 31,			
	2016		2015		2016		2015	
	Equity Income	Non-Controlling Interest	Equity Income	Non-Controlling Interest	Equity Income	Non-Controlling Interest	Equity Income	Non-Controlling Interest
(\$ in thousands)								
Bromine Specialties	\$ —	\$ (8,188)	\$ —	\$ (8,425)	\$ —	\$ (37,094)	\$ —	\$ (25,158)
Lithium and Advanced Materials*	9,047	—	6,734	—	36,577	—	7,224	—
Refining Solutions	5,800	—	(1,374)	—	22,101	—	11,349	—
All Other	—	—	2,663	—	959	—	9,405	—
Corporate	—	—	—	—	—	—	—	—
Total Company ¹	\$ 14,847	\$ (8,188)	\$ 8,023	\$ (8,425)	\$ 59,637	\$ (37,094)	\$ 27,978	\$ (25,158)

* Includes Inventory Step-Up

LAM - As Reported Equity Income	\$ 9,047	\$ 6,734	\$ 36,577	\$ 7,224
Inventory Step-Up	—	173	—	27,106
LAM - As Adjusted Equity Income	\$ 9,047	\$ 6,907	\$ 36,577	\$ 34,330
RS - As Reported Equity Income	\$ 5,800	\$ (1,374)	\$ 22,101	\$ 11,349
Impairment Charge	—	1,971	—	1,971
RS - As Adjusted Equity Income	\$ 5,800	\$ 597	\$ 22,101	\$ 13,320
As Reported Equity Income	\$ 14,847	\$ 8,023	\$ 59,637	\$ 27,978
Inventory Step-Up	—	173	—	27,106
Impairment Charge	—	1,971	—	1,971
Adjusted Equity in Net Income of Unconsolidated Investments (net of tax)	\$ 14,847	\$ 10,167	\$ 59,637	\$ 57,055

¹Totals may not add due to rounding

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