

Albemarle Corporation Fourth Quarter 2017 Earnings and Non-GAAP Reconciliations

Conference Call/Webcast

Wednesday, February 28th, 2018

9:00am ET



Forward-Looking Statements

Some of the information presented in this presentation, the conference call and discussions that follow, including, without limitation, statements with respect to product development, 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 from the outlook expressed or implied in any forward-looking statement include, without limitation: changes in economic and business conditions; changes in financial and operating performance of our major customers and industries and markets served by us; the timing of orders received from customers; the gain or loss of significant customers; competition from other manufacturers; changes in the demand for our products or the end-user markets in which our products are sold; limitations or prohibitions on the manufacture and sale of our products; availability of raw materials; increases in the cost of raw materials and energy, and our ability to pass through such increases to our customers; changes in our markets in general; fluctuations in foreign currencies; changes in laws and government regulation impacting our operations or our products; the occurrence of regulatory proceedings, claims or litigation; the occurrence of cyber-security breaches, terrorist attacks, industrial accidents, natural disasters or climate change; hazards associated with chemicals manufacturing; the inability to maintain current levels of product or premises liability insurance or the denial of such coverage; political unrest affecting the global economy, including adverse effects from terrorism or hostilities; political instability affecting our manufacturing operations or joint ventures; changes in accounting standards; the inability to achieve results from our global manufacturing cost reduction initiatives as well as our ongoing continuous improvement and rationalization programs; changes in the jurisdictional mix of our earnings and changes in tax laws and rates; changes in monetary policies, inflation or interest rates that may impact our ability to raise capital or increase our cost of funds, impact the performance of our pension fund investments and increase our pension expense and funding obligations; volatility and uncertainties in the debt and equity markets; technology or intellectual property infringement, including cyber-security breaches, and other innovation risks; decisions we may make in the future; the ability to successfully execute, operate and integrate acquisitions and divestitures; and the other factors detailed from time to time in the reports we file with the SEC, including those described under “Risk Factors” in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q. These forward-looking statements speak only as of the date of this presentation. We assume no obligation to provide any revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

Non-GAAP Financial Measures

It should be noted that Adjusted net income attributable to Albemarle Corporation (“Adjusted earnings”), Adjusted 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.

Key Messages

Strong growth in Net Sales and adjusted EBITDA in 2017, led by Lithium, provides momentum going into 2018

2017 cash generation from Bromine Specialties and Refining Solutions as well as active portfolio management drive robust balance sheet to support Lithium investment

Increasing outlook for electric vehicle penetration by 2025

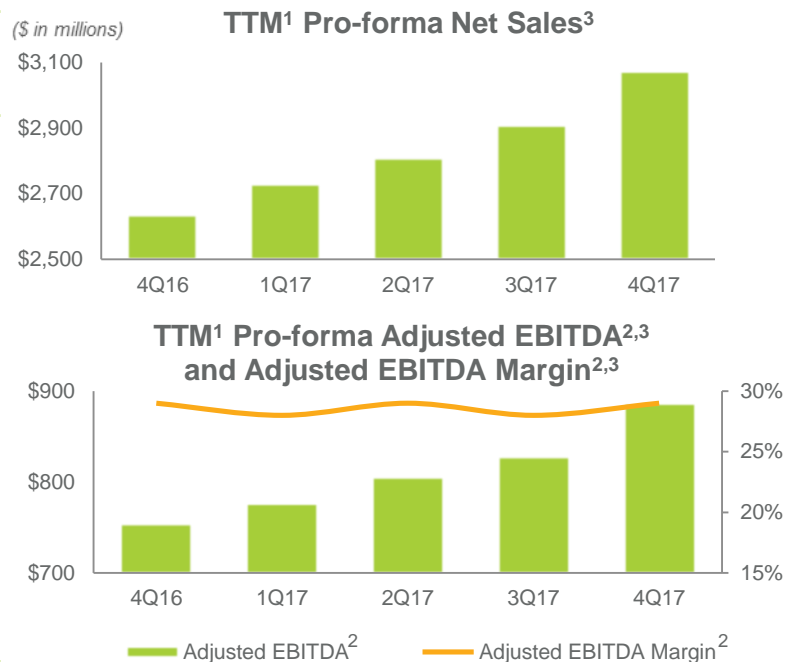
Lithium Wave I capacity expansion on track, and Wave II & III are being accelerated to meet increasing demand

Strong growth in 2018 with range of adjusted EPS guidance up 14% to 23% vs 2017 on a Pro Forma¹ basis

1. See slide 13 for details on FY 2017 Pro Forma

2017 Financial Highlights – Fourth Quarter and Full Year

(\$ in millions except EPS)	4Q 2017 Results	vs Prior Year	FY 2017 Results	vs Prior Year
Net Sales	\$858	23%	\$3,072	15%
Adjusted EBITDA²	\$246	31%	\$885	17%
Adjusted Diluted EPS²	\$1.34	72%	\$4.59	29%



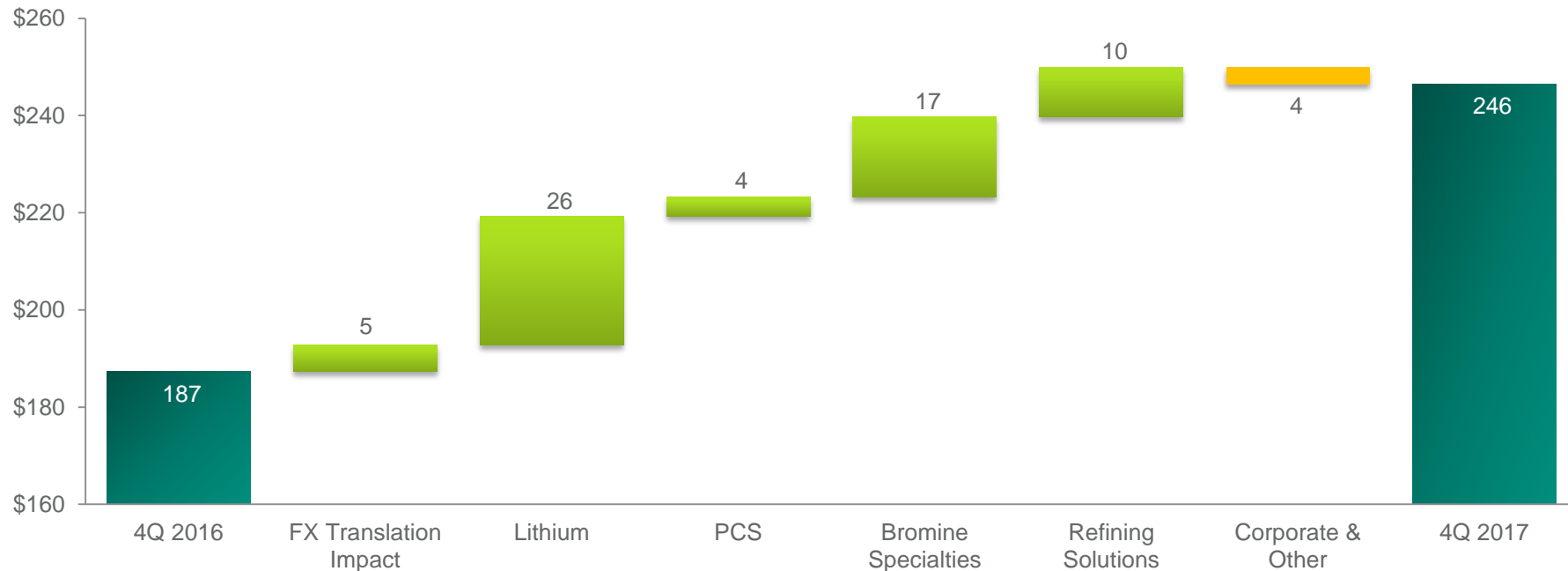
Strong quarter over quarter growth driven by price and volume in Lithium and volume in Bromine Specialties and Refining Solutions

1. Trailing Twelve Months.
 2. Non-GAAP measure. See Non-GAAP reconciliations in Appendix.
 3. Excludes net impact from divested businesses.

Fourth Quarter 2017 Adjusted EBITDA¹ Bridge

4Q 2017: Adjusted EBITDA¹ growth of \$58 million, 31%

(\$ in millions)

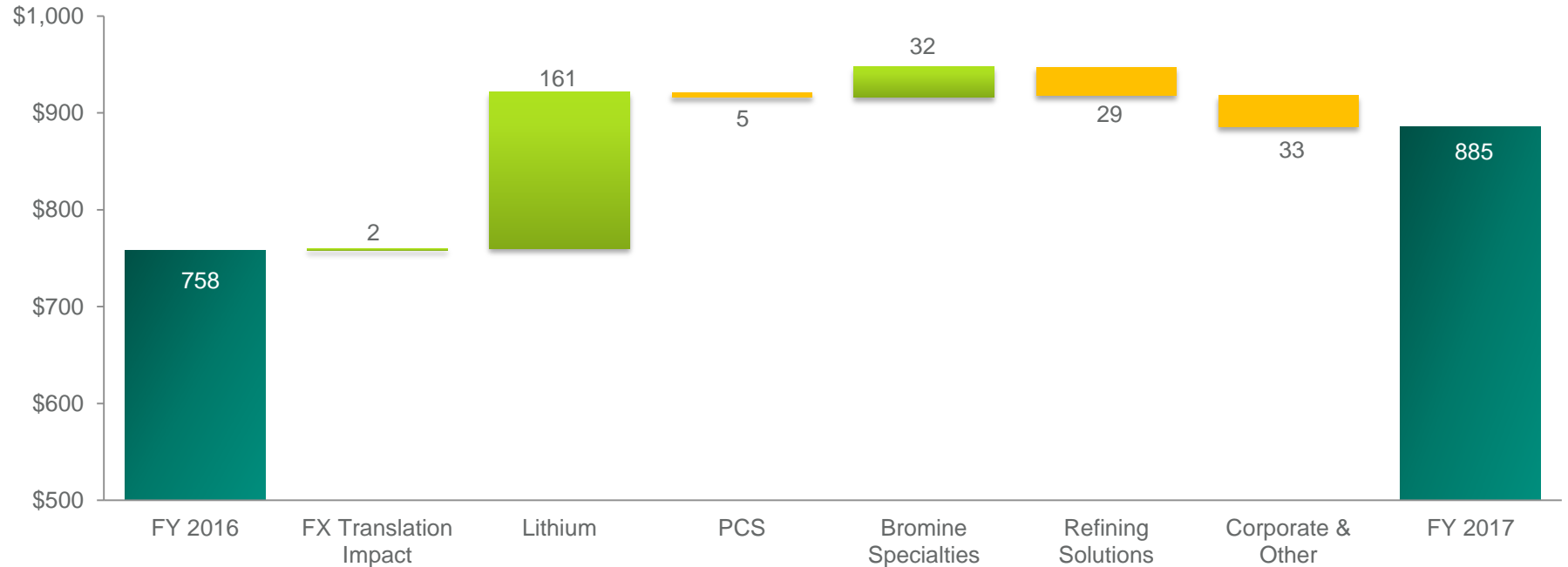


¹ Non-GAAP measure. See Non-GAAP reconciliations in Appendix. Bridge numbers may not reconcile due to rounding.

Full Year 2017 Adjusted EBITDA¹ Bridge

Full Year 2017: Adj. EBITDA¹ growth of \$127 million, 17%

(\$ in millions)



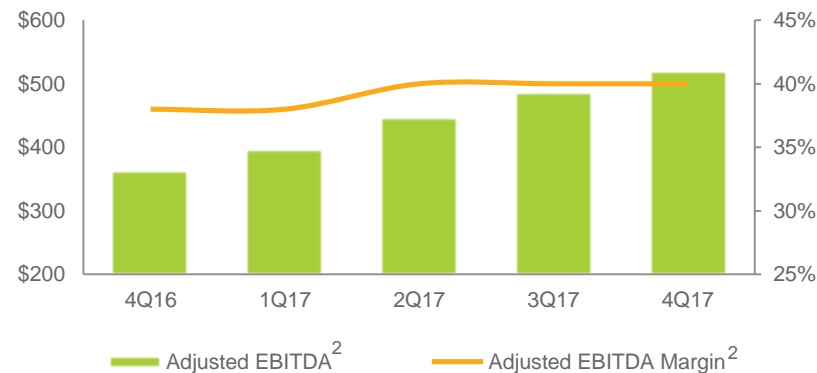
¹ Non-GAAP measure. See Non-GAAP reconciliations in Appendix. Bridge numbers may not reconcile due to rounding.

Lithium and Advanced Materials

4Q and FY 2017 Performance

(\$ in millions)	4Q 2017	Δ 4Q 2016	FY 2017	Δ FY 2016
Net Sales	\$362	30%	\$1,308	35%
Net Sales ex FX ¹	\$359	29%	\$1,307	35%
Adj. EBITDA²	\$136	32%	\$519	43%
Adj. EBITDA ex FX ¹	\$133	30%	\$519	43%
Adj. EBITDA Margin²	37%	63 bps	40%	211 bps
Adj. EBITDA Margin ex FX ¹	37%	14 bps	40%	218 bps

Historical Trend (TTM)



Performance Drivers

- 4Q 2017 Lithium net sales growth, excluding FX¹ impacts, driven by volume (11%) and pricing (27%)
- FY 2017 Lithium net sales growth, excluding FX¹ impacts, driven by volume (24%) and pricing (28%)
- Volume and pricing growth driven primarily in battery grade lithium salts
- La Negra III and Xinyu II expansion projects on track

1. Non-GAAP measure. Favorable FX impact on 4Q 2017 Net Sales and Adj. EBITDA of \$3M and \$3M, respectively. Favorable (Unfavorable) FX impact on FY 2017 Net Sales and Adj. EBITDA of \$1M and (\$1M), respectively.

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

Lithium and Adv. Materials – Lithium and PCS detail

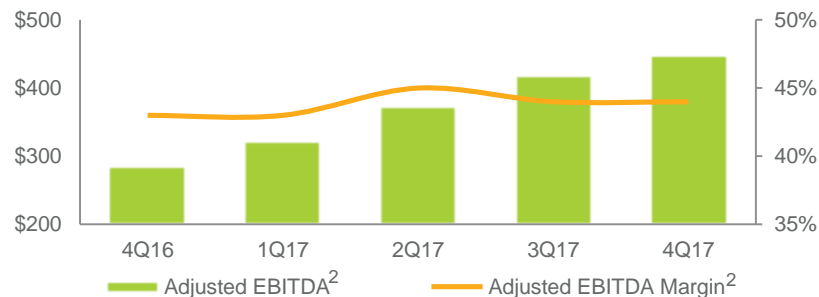
Lithium – 4Q and FY 2017 Performance

(\$ in millions)	4Q 2017	Δ 4Q 2016	FY 2017	Δ FY 2016
Net Sales	\$290	39%	\$1,019	52%
Net Sales ex FX ¹	\$287	38%	\$1,018	52%
Adj. EBITDA²	\$119	33%	\$447	56%
Adj. EBITDA ex FX ¹	\$116	30%	\$447	56%
Adj. EBITDA Margin²	41%	(183 bps)	44%	112 bps
Adj. EBITDA Margin ex FX ¹	40%	(244 bps)	44%	118 bps

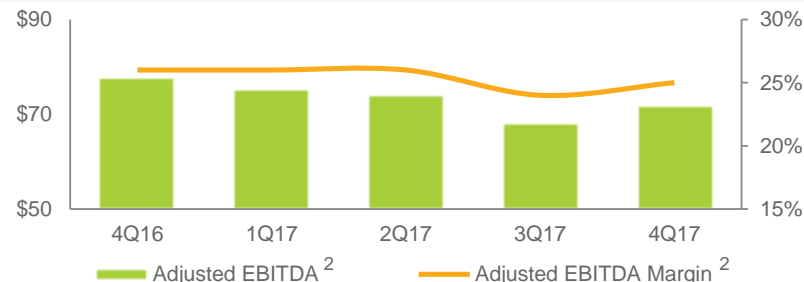
PCS – 4Q and FY 2017 Performance

(\$ in millions)	4Q 2017	Δ 4Q 2016	FY 2017	Δ FY 2016
Net Sales	\$73	4%	\$289	(3%)
Net Sales ex FX ³	\$73	4%	\$289	(3%)
Adj. EBITDA²	\$17	27%	\$72	(7%)
Adj. EBITDA ex FX ³	\$17	28%	\$72	(7%)
Adj. EBITDA Margin²	23%	436 bps	25%	(109 bps)
Adj. EBITDA Margin ex FX ¹	24%	453 bps	25%	(101 bps)

Lithium Historical Trends (TTM)



PCS Historical Trends (TTM)



¹Non-GAAP measure. Favorable FX impact on 4Q 2017 Net Sales and Adj. EBITDA of \$3M and \$3M, respectively. Favorable (Unfavorable) FX impact on FY 2017 Net Sales and Adj. EBITDA of \$1M and <(\$1M), respectively.

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

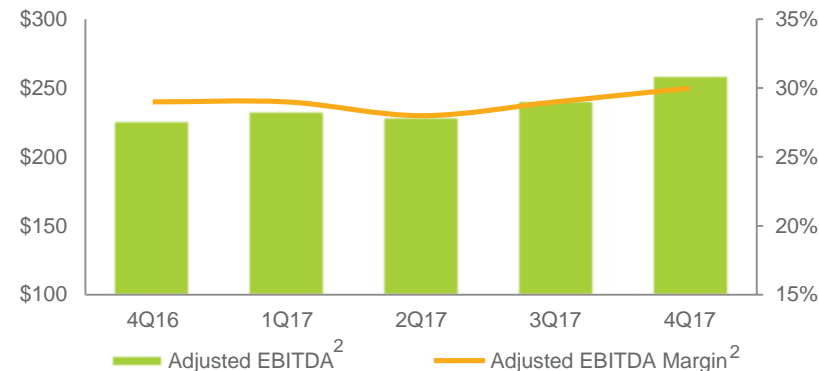
³Non-GAAP measure. Favorable (Unfavorable) FX impact on 4Q 2017 Net Sales and Adj. EBITDA of <\$1M and <(\$1M), respectively. Favorable (Unfavorable) FX impact on FY 2017 Net Sales and Adj. EBITDA of <\$1M and <(\$1M), respectively.

Bromine Specialties

4Q and FY 2017 Performance

(\$ in millions)	4Q 2017	Δ 4Q 2016	FY 2017	Δ FY 2016
Net Sales	\$219	13%	\$855	8%
Net Sales ex FX ¹	\$218	12%	\$855	8%
Adj. EBITDA²	\$64	37%	\$259	14%
Adj. EBITDA ex FX ¹	\$64	35%	\$259	14%
Adj. EBITDA Margin²	29%	526 bps	30%	164 bps
Adj. EBITDA Margin ex FX ¹	29%	494 bps	30%	161 bps

Historical Trend (TTM)



Performance Drivers

- 4Q 2017 improvement driven by demand for flame retardants and other bromine derivatives, higher pricing on certain bromine derivatives, and higher operating rates
- In FY 2017, the business continued to benefit from solid Flame Retardants growth and reduced production by Chinese bromine companies. However, restarts of local Chinese producers continued through 4Q17 and into January 2018.

1. Non-GAAP measure. Favorable FX impact on 4Q 2017 Net Sales and Adj. EBITDA of \$1M and \$1M, respectively. Favorable FX impact on FY 2017 Net Sales and Adj. EBITDA of <\$1M and <\$1M, respectively.

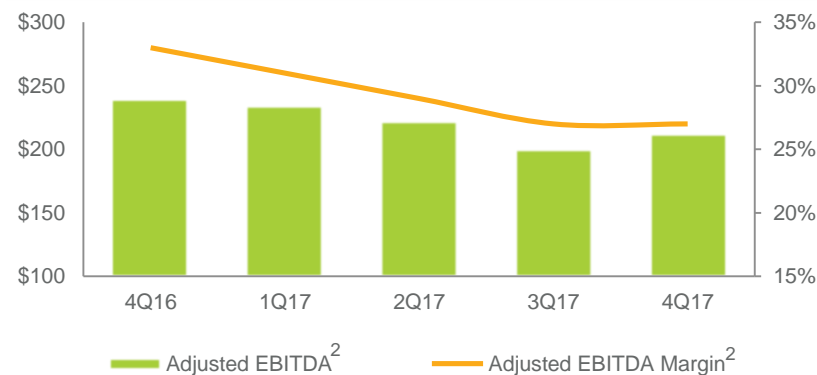
2. Non-GAAP measure. See Non-GAAP reconciliations in Appendix.

Refining Solutions

4Q and FY 2017 Performance

(\$ in millions)	4Q 2017	Δ 4Q 2016	FY 2017	Δ FY 2016
Net Sales	\$238	23%	\$778	6%
Net Sales ex FX ¹	\$234	21%	\$776	6%
Adj. EBITDA²	\$69	21%	\$212	(11%)
Adj. EBITDA ex FX ¹	\$68	18%	\$210	(12%)
Adj. EBITDA Margin²	29%	(66 bps)	27%	(540 bps)
Adj. EBITDA Margin ex FX ¹	29%	(84 bps)	27%	(562 bps)

Historical Trend (TTM)



Performance Drivers

- Strong 4Q 2017 results driven by higher volume and favorable product mix in both Clean Fuel Technologies (CFT) and Fluid Catalytic Cracking (FCC), despite \$5.5 million unfavorable adjusted EBITDA² impact from Hurricane Harvey
- Full year 2017 results driven by strong volumes in CFT and FCC, unfavorable product mix, higher input costs, and full year \$10.3 million unfavorable impact on adjusted EBITDA² from Hurricane Harvey

1. Non-GAAP measure. Favorable FX impact on 4Q 2017 Net Sales and Adj. EBITDA of \$4M and \$2M, respectively. Favorable FX impact on FY 2017 Net Sales and Adj. EBITDA of \$3M and \$2M, respectively..

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

Cash Flow and Net Debt

Twelve Months Ended December 31

(\$ in millions)

	<u>2017</u>	<u>2016</u>
Net Cash from Operations	\$304	\$736
Less: Capital Expenditures	(318)	(197)
Add Back: Pension Contributions ¹	21	20
Free Cash Flow²	\$7	\$559
Acquisition, integration, restructuring costs	90	95
Cash taxes on repatriation/Chemetal [®] sale	257	20
Adjusted Free Cash Flow²	\$354	\$674

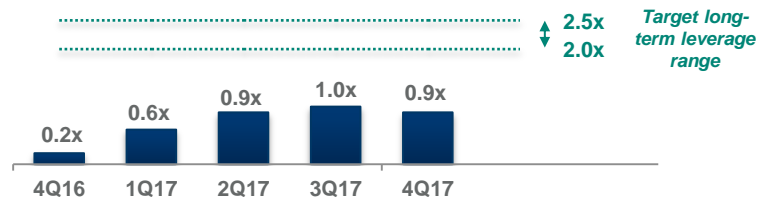
Selected Financial Metrics

(\$ in millions)

(as of 12/31/2017)

Dividends Paid:	\$141
Dividend Growth (Y/Y)³:	5%
Cash Balance:	\$1,137
Gross Debt⁴:	\$1,837
Net Debt to Adj. EBITDA⁵:	0.9x

Net Debt to Adj. EBITDA⁵



- 2017 amount includes \$8 million related to company employees in the German multiemployer plan and \$13 million related to U.S. defined benefit and other postretirement plans.
- Non-GAAP measures. Adjusted Free Cash Flow excludes a one time tax payment related to the sale of Chemetal[®] business of approximately \$257 million.
- Represents annual increase in dividend per share.
- Excludes JV debt not guaranteed by Company.
- Gross Debt to Adj. EBITDA and Net Debt to Adj. EBITDA ratios are based on the bank covenant definition. See appendix for reconciliations.

Full Year 2018 Guidance

	FY 2017	FY 2017 Pro Forma ³	FY 2018 Guidance ⁴	2018 Guidance vs FY 2017 Pro-Forma ³
Net Sales	\$3.07B	\$3.00B	\$3.2 – \$3.4B	7% – 15%
Adjusted EBITDA ¹	\$885M	\$859M	\$955 – \$1,005M	11% – 17%
Adjusted EBITDA Margin ¹	29%	29%	29% – 30%	
Adjusted Diluted EPS ¹	\$4.59	\$4.40	\$5.00 – \$5.40	14% – 23%
Net Cash from Operations ²	\$304M	\$278M	\$660 – \$730M	
Capital Expenditures	\$318M	\$313M	\$800 – \$900M	
Adjusted Free Cash Flow ²	\$354M	\$333M	(\$150) – \$50M	

1. Non-GAAP measure. See Non-GAAP reconciliation in Appendix for 2017 figures.

2. Free Cash Flow is a non-GAAP measure defined as Net Cash from Operations, add back pension and post-retirement contributions and subtract capital expenditures. See slide 12 for details.

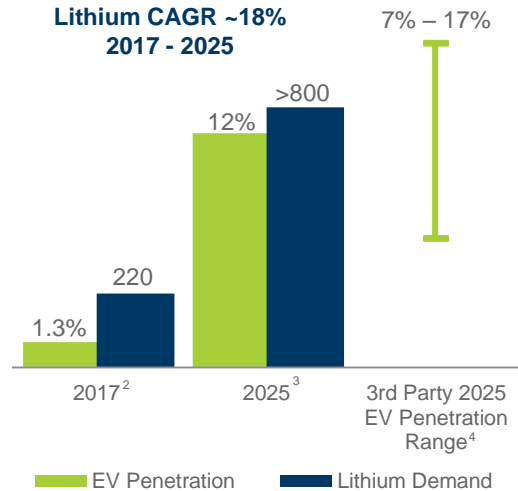
3. The FY 2017 Pro Forma calculation excludes the financial contribution from Polyolefin Catalyst & Components for the final nine months of 2017 because Albemarle anticipates to close the sale by the end of 1Q 2018. Pro Forma FY 2017 Net Cash from Operations is calculated by subtracting the Adjusted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

4. FY 2018 Guidance assumes financial contribution from Polyolefin Catalysts & Components ends at the end of 1Q 2018 when the sale closes.

Increasing EV Penetration Accelerates Lithium Investment

Higher 2025 EV¹ Penetration Outlook

Lithium demand in kt lithium carbonate equivalent (LCE)






Accelerated Investment Necessary to Supply Long-term Customer Commitments

2018	2021	2025	Volume (KT LCE)	2018 CAPEX (million)
Wave I: La Negra III, Xinyu II, first phase Australia spodumene conversion			~100	\$450 - \$550
Wave II: Atacama yield technology and La Negra IV, second phase Australia spodumene conversion			~100	
Wave III: Kings Mountain, Antofalla, others			TBA	\$100 - \$125

2018 Lithium Growth CAPEX Expected to Range Between \$550 - \$675 million

1. Represents the sum of plug-in hybrid electric vehicles (PHEV) and battery electric vehicles (BEV)
 2. 2017 Lithium demand is an Albemarle estimate. 2017 EV penetration calculated by dividing total plug-in EVs sold (1.2 million per InsideEVs) by global light duty vehicles sold (94.5 million per IHS).
 3. Albemarle estimates.
 4. Represents the range of 3rd party research estimates from Roskill, Bloomberg, Rivalry, Autonomy, IEA, BMO Capital Markets, Morningstar, Citi Investment Research (US), Deutsche Bank, Goldman Sachs, Instine|Numora (America), Morgan Stanley, UBS, and Oppenheimer.

Full Year 2018 Business Guidance vs 2017

GBU	Outlook	Business Environment
Lithium		<ul style="list-style-type: none"> FY 2018 Adj. EBITDA¹ expected to increase by greater than 20% compared to 2017 Favorable outlook driven by strong volume and price improvements, primarily in battery grade product portfolio Wave I expansion projects remain on track and increasing spend to accelerate Wave II projects Lithium Adj. EBITDA¹ margins expected to remain above 40%
Bromine Specialties		<ul style="list-style-type: none"> FY 2018 Adj. EBITDA¹ expected to be flat vs prior year Expect healthy demand for flame retardants and other bromine derivatives partially offset by higher raw material and freight costs
Catalysts ²		<ul style="list-style-type: none"> FY 2018 Adj. EBITDA¹ expected to increase mid-to-high single digit vs prior year² driven by higher volume and favorable product mix Growth in FCC volume and favorable product mix partially offset by increased input costs Favorable product mix in CFT driving higher margins

1. Non-GAAP measure.

2. Guidance provided on pro forma basis to include the first quarter of 2018 and exclude the final nine months of 2017 financial contribution of Polyolefin Catalysts & Components business, which is expected to be sold at the end of 1Q 2018



2018 Tax Changes

Tax Cuts and Jobs Act (TCJA)

2017 – \$367 million net charges¹

- \$429 million expense recognized for transition tax, payable over 8 years
- \$62 million income recognized for revaluation of deferred tax assets and liabilities due to corporate tax rate reduction

2018 Impact¹

- \$34 million cash tax payment representing first installment of the \$429 million transition tax recognized in 2017

1. All amounts are provisional estimates

2. FY 2017 effective tax rate excluding special items, non-operating pension, and OPEB items.

2018 Effective Tax Rate Changes

2017 Effective Tax Rate² 18.8%

Chile mining tax rate increase ↑

Chile statutory rate increase ↑

U.S. Tax Cuts and Jobs Act Net Impact ↑

Geographic Mix ↑

2018 Effective Tax Rate Guidance 23 – 24%

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Appendix

Non-GAAP Reconciliations and
Supplemental Information

Net Income

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
<i>(\$ in thousands)</i>				
Net (loss) income attributable to Albemarle Corporation	\$ (218,366)	\$ 602,090	\$ 54,850	\$ 643,675
Add back:				
Income from discontinued operations (net of tax)	—	(559,974)	—	(202,131)
Earnings from continuing operations	(218,366)	42,116	54,850	441,544
Add back:				
Non-operating pension and OPEB items from continuing operations (net of tax)	(8,455)	17,868	(10,548)	17,608
Non-recurring and other unusual items from continuing operations (net of tax)	376,641	28,844	471,559	(55,374)
Adjusted net income from continuing operations	149,820	88,828	515,861	403,778
Adjusted diluted earnings per share from continuing operations	\$ 1.34	\$ 0.78	\$ 4.59	\$ 3.57
Weighted-average common shares outstanding – diluted	112,152	113,563	112,380	113,239

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
<i>(\$ in thousands)</i>				
Net (loss) income attributable to Albemarle Corporation	\$ (218,366)	\$ 602,090	\$ 54,850	\$ 643,675
Add back:				
Income from discontinued operations (net of tax)	—	(559,974)	—	(202,131)
Interest and financing expenses	16,455	18,321	115,350	65,181
Income tax expense	378,221	34,728	431,817	96,263
Depreciation and amortization	52,841	49,687	196,928	190,975
EBITDA	229,151	144,852	798,945	793,963
Non-operating pension and OPEB items	(12,981)	26,368	(16,125)	25,589
Non-recurring and other unusual items (excluding items associated with interest expense)	29,610	16,164	102,660	(61,335)
Adjusted EBITDA	\$ 245,780	\$ 187,384	\$ 885,480	\$ 758,217
Net sales	\$ 857,789	\$ 696,655	\$ 3,071,976	\$ 2,677,203
EBITDA margin	26.7%	20.8%	26.0%	29.7%
Adjusted EBITDA margin	28.7%	26.9%	28.8%	28.3%
Year-over-year difference in adjusted EBITDA margin		176 bps		50 bps

See above for a reconciliation of EBITDA, adjusted EBITDA, and pro-forma adjusted EBITDA, 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. 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.

EBITDA - by Segment *(three months ended December 31)*

(\$ in thousands)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Corporate	Consolidated Total
Three months ended December 31, 2017:							
Net income (loss) attributable to Albemarle Corporation	\$ 107,705	\$ 54,646	\$ 57,968	\$ 220,319	\$ 3,899	\$ (442,584)	\$ (218,366)
Depreciation and amortization	28,232	9,756	11,260	49,248	2,073	1,520	52,841
Non-recurring and other unusual items	(196)	—	—	(196)	—	29,806	29,610
Interest and financing expenses	—	—	—	—	—	16,455	16,455
Income tax expense	—	—	—	—	—	378,221	378,221
Non-operating pension and OPEB items	—	—	—	—	—	(12,981)	(12,981)
Adjusted EBITDA	\$ 135,741	\$ 64,402	\$ 69,228	\$ 269,371	\$ 5,972	\$ (29,563)	\$ 245,780
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

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 December 31)*

(\$ in thousands)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Consolidated Total
Three months ended December 31, 2017:						
Net sales	\$ 362,362	\$ 219,084	\$ 238,400	\$ 819,846	\$ 37,770	\$ 857,789
Net income (loss) attributable to Albemarle Corporation	29.7%	24.9%	24.3%	26.9%	10.3%	(25.5)%
Depreciation and amortization	7.8%	4.5%	4.7%	6.0%	5.5%	6.2%
Non-recurring and other unusual items	(0.1)%	—%	—%	—%	—%	3.5%
Interest and financing expenses	—%	—%	—%	—%	—%	1.9%
Income tax expense	—%	—%	—%	—%	—%	44.1%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(1.5)%
Adjusted EBITDA Margin	37.5%	29.4%	29.0%	32.9%	15.8%	28.7%
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%

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 \$173 and \$782 in the three months ended December 31, 2017 and 2016, respectively.

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

(\$ in thousands)

	Lithium and Advanced Materials	Bromine Specialties	Refining Solutions	Reportable Segments Total	All Other	Corporate	Consolidated Total
Year ended December 31, 2017:							
Net income (loss) attributable to Albemarle Corporation	\$ 400,360	\$ 218,839	\$ 173,297	\$ 792,496	\$ 5,521	\$ (743,167)	\$ 54,850
Depreciation and amortization	102,389	40,062	39,958	182,409	8,357	6,162	196,928
Non-recurring and other unusual items (excluding items associated with interest expense)	15,781	—	(1,250)	14,531	—	88,129	102,660
Interest and financing expenses	—	—	—	—	—	115,350	115,350
Income tax expense	—	—	—	—	—	431,817	431,817
Non-operating pension and OPEB items	—	—	—	—	—	(16,125)	(16,125)
Adjusted EBITDA	\$ 518,530	\$ 258,901	\$ 212,005	\$ 989,436	\$ 13,878	\$ (117,834)	\$ 885,480
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	\$ 363,360	\$ 226,926	\$ 238,963	\$ 829,249	\$ 14,772	\$ (85,804)	\$ 758,217

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, 2017:						
Net sales	\$ 1,308,153	\$ 855,143	\$ 778,304	\$ 2,941,600	\$ 128,914	\$ 3,071,976
Net income (loss) attributable to Albemarle Corporation	30.6%	25.6%	22.3%	26.9%	4.3%	1.8%
Depreciation and amortization	7.8%	4.7%	5.1%	6.2%	6.5%	6.4%
Non-recurring and other unusual items (excluding items associated with interest expense)	1.2%	—%	(0.2)%	0.5%	—%	3.3%
Interest and financing expenses	—%	—%	—%	—%	—%	3.7%
Income tax expense	—%	—%	—%	—%	—%	14.1%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(0.5)%
Adjusted EBITDA Margin	39.6%	30.3%	27.2%	33.6%	10.8%	28.8%
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%

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.

Consolidated Total includes net sales from Corporate (not shown) of \$1,462 and \$3,437 in the twelve months ended December 31, 2017 and 2016, respectively.

EBITDA - Continuing Operations (Twelve Months Ended)

(\$ in thousands)	Twelve Months Ended				
	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
Continuing Operations					
Net income attributable to Albemarle Corporation	\$ 54,850	\$ 875,306	\$ 884,856	\$ 466,702	\$ 643,675
Depreciation and amortization	196,928	193,774	191,853	192,436	190,975
Non-recurring and other unusual items (excluding items associated with interest expense)	102,660	89,214	88,866	77,103	(61,335)
Interest and financing expenses	115,350	117,216	117,370	118,580	65,181
Income tax expense	431,817	88,324	82,223	82,749	96,263
Income from discontinued operations (net of tax)	—	(559,974)	(583,159)	(184,819)	(202,131)
Non-operating pension and OPEB items	(16,125)	23,224	24,021	24,809	25,589
Adjusted EBITDA	\$ 885,480	\$ 827,084	\$ 806,030	\$ 777,560	\$ 758,217
Pro-forma: Net impact of adjusted EBITDA from divested businesses	—	607	(679)	(1,264)	(3,323)
Pro-forma Adjusted EBITDA	\$ 885,480	\$ 827,691	\$ 805,351	\$ 776,296	\$ 754,894
Net Sales	\$ 3,071,976	\$ 2,910,842	\$ 2,809,986	\$ 2,742,055	\$ 2,677,203
Pro-forma: Net impact of adjusted EBITDA from divested businesses	—	—	470	(12,435)	(38,567)
Pro-forma Net Sales	\$ 3,071,976	\$ 2,910,842	\$ 2,810,456	\$ 2,729,620	\$ 2,638,636
Pro-forma Adjusted EBITDA Margin	29%	28%	29%	28%	29%

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, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
Lithium and Advanced Materials					
Net income attributable to Albemarle Corporation	\$ 400,360	\$ 367,676	\$ 330,643	\$ 292,173	\$ 261,394
Depreciation and amortization	102,389	101,635	101,052	101,562	101,966
Non-recurring and other unusual items	15,781	15,977	15,094	3,173	—
Adjusted EBITDA	518,530	485,288	446,789	396,908	363,360
Net Sales	1,308,153	1,224,057	1,120,924	1,036,418	968,216
Adjusted EBITDA Margin	40%	40%	40%	38%	38%
Lithium					
Net income attributable to Albemarle Corporation	\$ 342,992	\$ 314,707	\$ 271,810	\$ 232,120	\$ 198,852
Depreciation and amortization	87,879	86,409	85,882	86,439	86,862
Non-recurring and other unusual items	15,781	15,977	15,094	3,173	—
Adjusted EBITDA	446,652	417,093	372,786	321,732	285,714
Net Sales	1,018,885	937,461	834,629	748,521	668,852
Adjusted EBITDA Margin	44%	44%	45%	43%	43%
PCS					
Net income attributable to Albemarle Corporation	\$ 57,368	\$ 52,969	\$ 58,833	\$ 60,053	\$ 62,542
Depreciation and amortization	14,510	15,226	15,170	15,123	15,104
Adjusted EBITDA	71,878	68,195	74,003	75,176	77,646
Net Sales	289,268	286,596	286,295	287,897	299,364
Adjusted EBITDA Margin	25%	24%	26%	26%	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, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
Bromine Specialties					
Net income attributable to Albemarle Corporation	\$ 218,839	\$ 201,336	\$ 189,197	\$ 194,205	\$ 187,364
Depreciation and amortization	40,062	40,112	40,122	39,601	39,562
Adjusted EBITDA	258,901	241,448	229,319	233,806	226,926
Net Sales	855,143	830,572	812,145	815,063	792,425
Adjusted EBITDA Margin	30%	29%	28%	29%	29%
Refining Solutions					
Net income attributable to Albemarle Corporation	\$ 173,297	\$ 163,436	\$ 185,025	\$ 197,034	\$ 202,874
Depreciation and amortization	39,958	37,934	36,935	36,434	36,089
Non-recurring and other unusual items	(1,250)	(1,250)	—	—	—
Adjusted EBITDA	212,005	200,120	221,960	233,468	238,963
Net Sales	778,304	732,997	753,175	746,970	732,137
Adjusted EBITDA Margin	27%	27%	29%	31%	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 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			
	Dec 31, 2017	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Adjusted EBITDA	\$ 885,480	\$ 245,780	\$ 209,383	\$ 218,941	\$ 211,376
Net income attributable to noncontrolling interests	44,618	11,295	11,523	10,356	11,444
Equity in net income of unconsolidated investments (net of tax)	(84,487)	(29,224)	(19,044)	(15,048)	(21,171)
Dividends received from unconsolidated investments	39,386	27,486	3,446	5,903	2,551
Consolidated EBITDA	\$ 884,997	\$ 255,337	\$ 205,308	\$ 220,152	\$ 204,200
Total Long Term Debt (as reported)	\$ 1,837,372				
Off balance sheet obligations and other	63,500				
Consolidated Funded Debt	\$ 1,900,872				
Less Cash	1,137,303				
Consolidated Funded Net Debt	\$ 763,569				
Consolidated Funded Debt to Consolidated EBITDA Ratio	2.1				
Consolidated Funded Net Debt to Consolidated EBITDA Ratio	0.9				

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

Diluted EPS

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Diluted (loss) earnings per share attributable to Albemarle Corporation	\$ (1.95)	\$ 5.30	\$ 0.49	\$ 5.68
Add back:				
Non-operating pension and OPEB items	(0.08)	0.16	(0.09)	0.16
Non-recurring and other unusual items from continuing operations (net of tax)				
Utilization of inventory markup	—	—	0.15	—
Restructuring and other, net	(0.01)	—	0.11	—
Acquisition and integration related costs	0.06	0.05	0.24	0.31
Gain on sales of businesses, net	—	—	—	(1.02)
Gain on acquisition	0.01	—	(0.04)	—
Loss on extinguishment of debt	(0.04)	0.01	0.30	0.01
Multiemployer plan shortfall contributions	0.02	—	0.06	—
Note receivable reserve	0.18	—	0.18	—
Other	(0.04)	0.03	—	0.03
Discrete tax items	3.18	0.16	3.20	0.18
Total non-recurring and other unusual items	3.36	0.25	4.20	(0.49)
Discontinued operations (net of tax)	—	(4.93)	—	(1.78)
Adjusted diluted earnings per share from continuing operations ¹	\$ 1.34	\$ 0.78	\$ 4.59	\$ 3.57

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 December 31, 2017:			
As reported	\$ 141,926	\$ 378,221	266.5%
Non-recurring, other unusual and non-operating pension and OPEB items	16,629	(351,557)	
As adjusted	<u>\$ 158,555</u>	<u>\$ 26,664</u>	16.8%
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	44,453	(2,259)	
As adjusted	<u>\$ 114,638</u>	<u>\$ 32,469</u>	28.3%
Year ended December 31, 2017:			
As reported	\$ 446,798	\$ 431,817	96.6%
Non-recurring, other unusual and non-operating pension and OPEB items	139,336	(321,675)	
As adjusted	<u>\$ 586,134</u>	<u>\$ 110,142</u>	18.8%
Year ended December 31, 2016:			
As reported	\$ 515,264	\$ 96,263	18.7%
Non-recurring, other unusual and non-operating pension and OPEB items	(33,825)	3,941	
As adjusted	<u>\$ 481,439</u>	<u>\$ 100,204</u>	20.8%

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 December 31,				Year Ended December 31,			
	2017		2016		2017		2016	
(\$ in thousands)	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest
Lithium and Advanced Materials	\$ 23,727	\$ —	\$ 9,047	\$ —	\$ 61,322	\$ —	\$ 36,577	\$ —
Bromine Specialties	—	(11,332)	—	(8,241)	—	(44,663)	—	(37,094)
Refining Solutions	5,497	—	5,800	—	23,165	—	22,101	—
All Other	—	—	—	—	—	—	959	—
Corporate	—	37	—	53	—	45	—	—
Total Company	\$ 29,224	\$ (11,295)	\$ 14,847	\$ (8,188)	\$ 84,487	\$ (44,618)	\$ 59,637	\$ (37,094)

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