

Albemarle Corporation Third Quarter 2018 Earnings

Conference Call/Webcast

Thursday, November 8th, 2018

9:00am ET



Forward-Looking Statements

Some of the information presented in this presentation, the earnings conference call and discussions that follow, including, without limitation, information related to product development, production capacity, committed volumes, market trends, pricing, expected growth, earnings and demand for our products, input costs, surcharges, tax rates, stock repurchases, dividends, cash flow generation, costs and cost synergies, capital projects, 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 actions, 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, including adverse effects from terrorism or hostilities; political instability affecting our manufacturing operations or joint ventures; changes in accounting standards; the inability to achieve results from our global manufacturing cost reduction initiatives as well as our ongoing continuous improvement and rationalization programs; changes in the jurisdictional mix of our earnings and changes in tax laws and rates; changes in monetary policies, inflation or interest rates that may impact our ability to raise capital or increase our cost of funds, impact the performance of our pension fund investments and increase our pension expense and funding obligations; volatility and uncertainties in the debt and equity markets; technology or intellectual property infringement, including cyber-security breaches, and other innovation risks; decisions we may make in the future; the ability to successfully execute, operate and integrate acquisitions and divestitures; and the other factors detailed from time to time in the reports we file with the SEC, including those described under “Risk Factors” in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q. These forward-looking statements speak only as of the date of this presentation. We assume no obligation to provide any revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

Non-GAAP Financial Measures

It should be noted that Adjusted net income attributable to Albemarle Corporation (“Adjusted earnings”), Adjusted diluted earnings per share attributable to Albemarle Corporation, Adjusted effective income tax rates, segment operating profit, segment income, pro-forma net sales, net sales excluding the impact of foreign exchange translation (“ex FX”), EBITDA, Adj. EBITDA, Adj. EBITDA by operating segment, EBITDA margin, Adj. EBITDA margin, pro-forma Adj. EBITDA, pro-forma Adj. EBITDA margin, Adj. EBITDA excluding the impact of foreign exchange translation (“ex FX”), Adj. EBITDA margin excluding the impact of foreign exchange translation (“ex FX”), net debt to Adj. EBITDA, gross debt to Adj. EBITDA, free cash flow, and Adjusted free cash flow are financial measures that are not required by, or presented in accordance with, accounting principles generally accepted in the United States, or GAAP. These measures are presented here to provide additional useful measurements to review our operations, provide transparency to investors and enable period-to-period comparability of financial performance. The Company’s chief operating decision maker uses these measures to assess the ongoing performance of the Company and its segments, as well as for business and enterprise planning purposes.

A description of these and other non-GAAP financial measures that we use to evaluate our operations and financial performance, and reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated and reported in accordance with GAAP, can be found in the Appendix to this presentation. 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



Continued double digit growth in adjusted diluted EPS and adjusted EBITDA

Bromine Specialties grew adjusted EBITDA >20%

Lithium positioned well long-term with significant portion of capacity committed

Completed May 2018 accelerated share repurchase (ASR) program
Expect August 2018 \$250 million ASR program to complete by the end of 2018

Third Quarter 2018 Financial Summary

In millions, except per share amounts	Q3 2018	Q3 2017	Variance
Net Sales	\$778	\$755	3%
Net income attributable to Albemarle Corporation	\$130	\$119	9%
Adjusted EBITDA	\$235	\$209	12%
Diluted earnings per share	\$1.20	\$1.06	13%
Non-operating pension and OPEB items	(0.02)	(0.01)	
Non-recurring and other unusual items	0.13	0.02	
Adjusted diluted earnings per share¹	\$1.31	\$1.08	21%

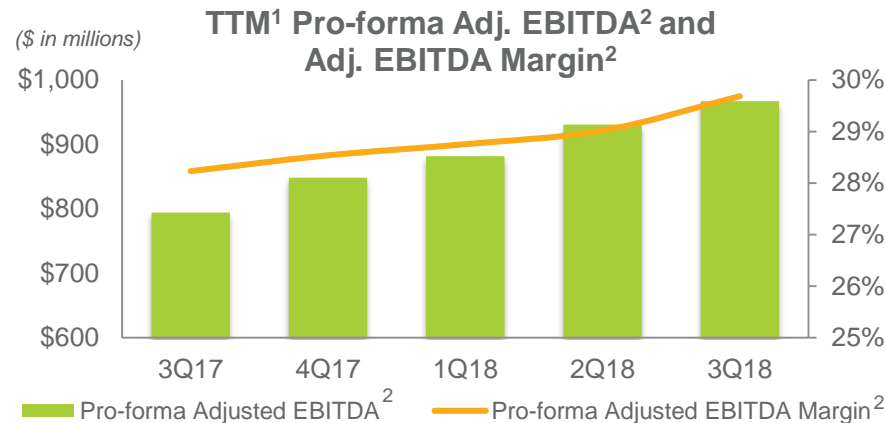
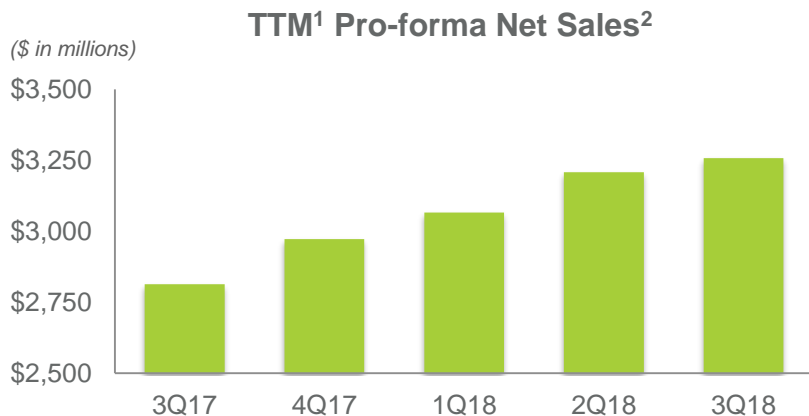
¹Totals might not add due to rounding.

Third Quarter 2018 Financial Highlights

	Q3 2018 Results	vs Prior Year Pro-forma ¹
Net Sales	\$778 million	+7%
Adjusted EBITDA	\$235 million	+18%
Adjusted Diluted EPS	\$1.31	+31%

8th consecutive quarter of double digit adjusted EBITDA growth

Segment Quarterly Highlights



Core Business Performance - Third Quarter 2018

Lithium – \$114M Adj. EBITDA; 42% Adj. EBITDA margin

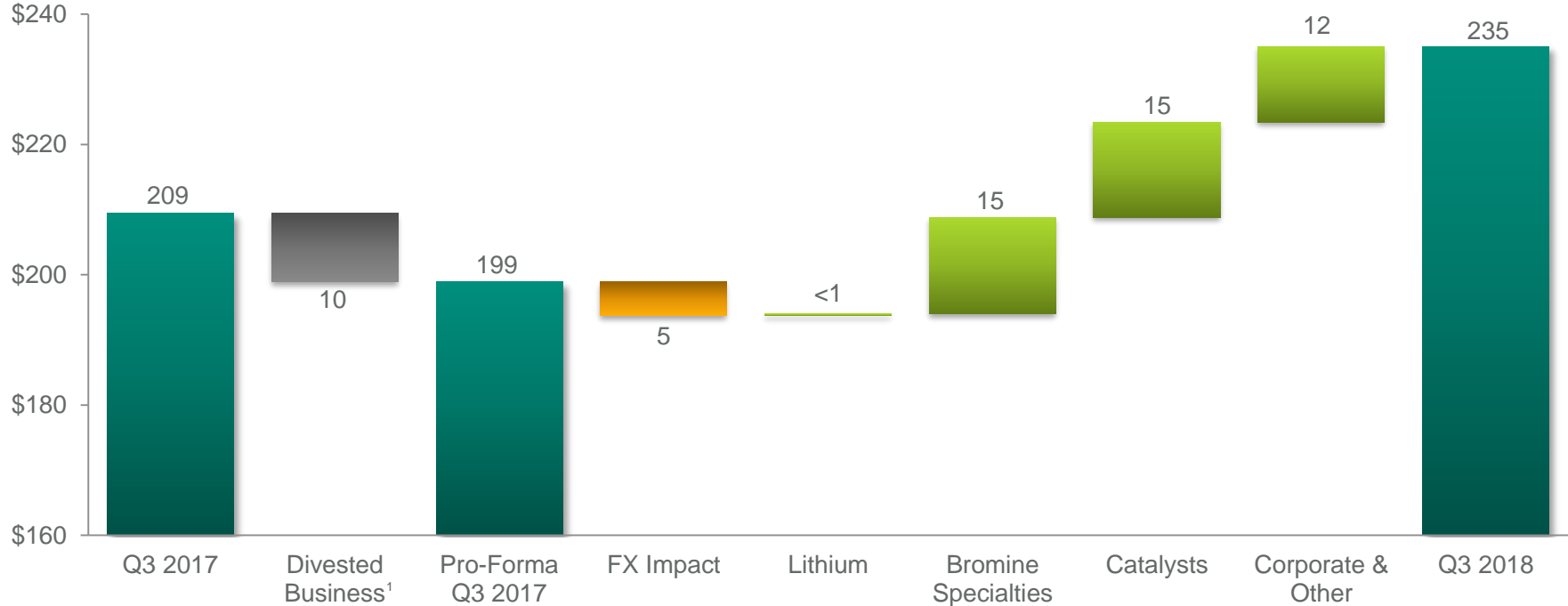
Bromine Specialties – \$79M Adj. EBITDA, up 23% YoY; 34% Adj. EBITDA margin

Catalysts – \$63M Adj. EBITDA; 25% Adj. EBITDA margin

Third Quarter 2018 Adjusted EBITDA Bridge

Q3 2018: Adjusted EBITDA growth¹ of \$36 million, 18% YOY

(\$ in millions)



Note: Bridge numbers may not reconcile due to rounding.

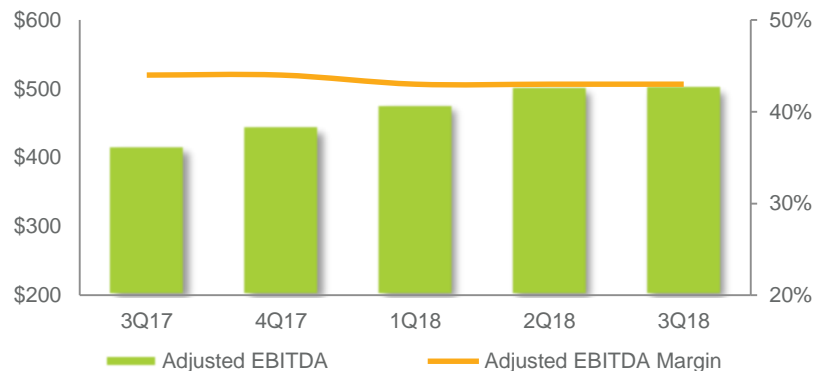
¹Year-over-year growth calculated against pro-forma Q3 2017 which excludes net impact from divested business (Polyolefin Catalysts & Components). Pro-forma reconciliations in Appendix.

Lithium

Q3 2018 Performance

(\$ in millions)	Q3 2018	Q3 2017	Δ
Net Sales	\$271	\$269	1%
Net Sales ex FX ¹	\$271		1%
Adj. EBITDA	\$114	\$113	1%
Adj. EBITDA ex FX ¹	\$113		<1%
Adj. EBITDA Margin	42%	42%	(1) bps
Adj. EBITDA Margin ex FX ¹	42%		(16) bps

Historical Trend (TTM)



Performance Drivers

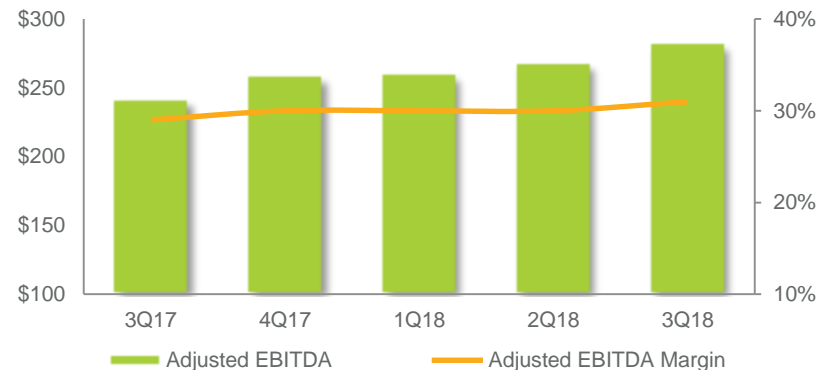
- Q3 2018 Lithium net sales growth driven by price (6%) and partially offset by volume (-5%)
- Majority of price increase driven by battery grade lithium salts
- Volume decline related to unexpected plant outages: Approximately one week in Kings Mountain related to Hurricane Florence, two weeks at Xinyu, China due to unannounced environmental inspection by local officials, one week in Chile due to power grid blackout and line failure of soda ash delivery system. All mentioned plants are back online and operating at forecasted rates.

Bromine Specialties

Q3 2018 Performance

(\$ in millions)	Q3 2018	Q3 2017	Δ
Net Sales	\$233	\$213	9%
Net Sales ex FX ¹	\$233		9%
Adj. EBITDA	\$79	\$64	23%
Adj. EBITDA ex FX ¹	\$79		23%
Adj. EBITDA Margin	34%	30%	376 bps
Adj. EBITDA Margin ex FX ¹	34%		380 bps

Historical Trend (TTM)



Performance Drivers

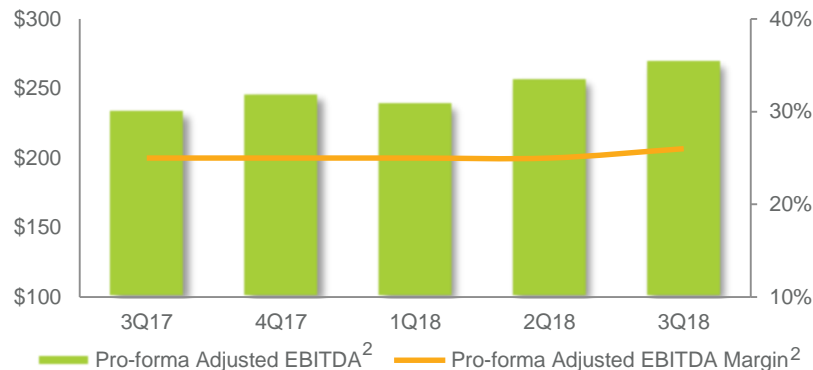
- Q3 2018 Bromine Specialties net sales growth driven by volume (2%) and pricing (7%)
- Solid demand across portfolio with clear completion fluids about flat
- Adjusted EBITDA growth driven by higher price and volume, partially offset by higher raw materials

Catalysts

Q3 2018 Performance

(\$ in millions)	Q3 2018	Q3 2017	Pro-forma ² Q3 2017	Δ vs Pro-forma ² Q3 2017
Net Sales	\$251	\$245	\$218	15%
Net Sales ex FX ¹	\$251			15%
Adj. EBITDA	\$63	\$60	\$50	25%
Adj. EBITDA ex FX ¹	\$65			29%
Adj. EBITDA Margin	25%	25%	23%	200 bps
Adj. EBITDA Margin ex FX ¹	26%			274 bps

Historical Trend (TTM)

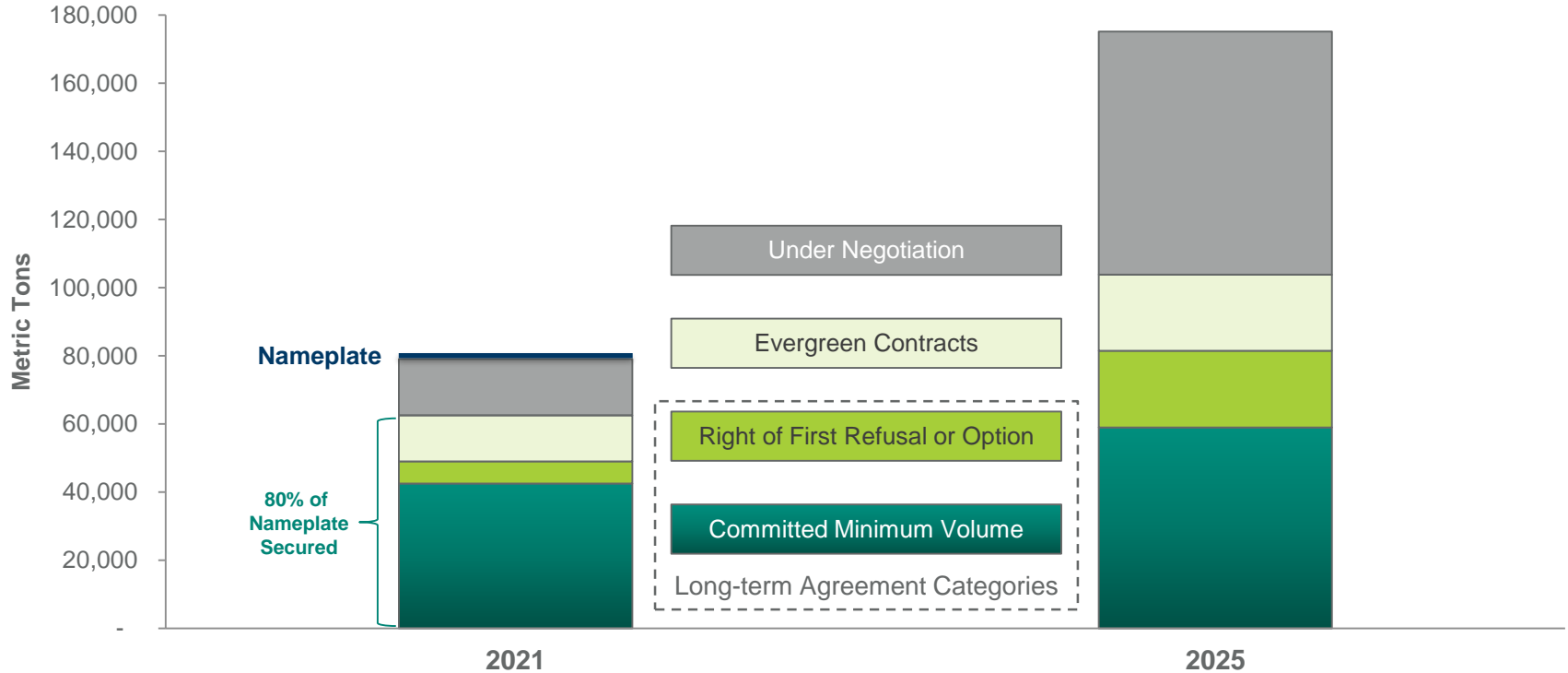


Performance Drivers

- Q3 2018 Catalysts net sales growth driven by volume (12%) and pricing (3%)
- FCC and CFT catalysts contributed approximately equally to the net sales and adj. EBITDA growth
- The collection of ~\$2 million in partial insurance claims in Q3 2018 and the Q3 2017 unfavorable impact of almost \$9 million from Hurricane Harvey contributed to the solid YoY adjusted EBITDA growth

Current State of Lithium Hydroxide Under Contract

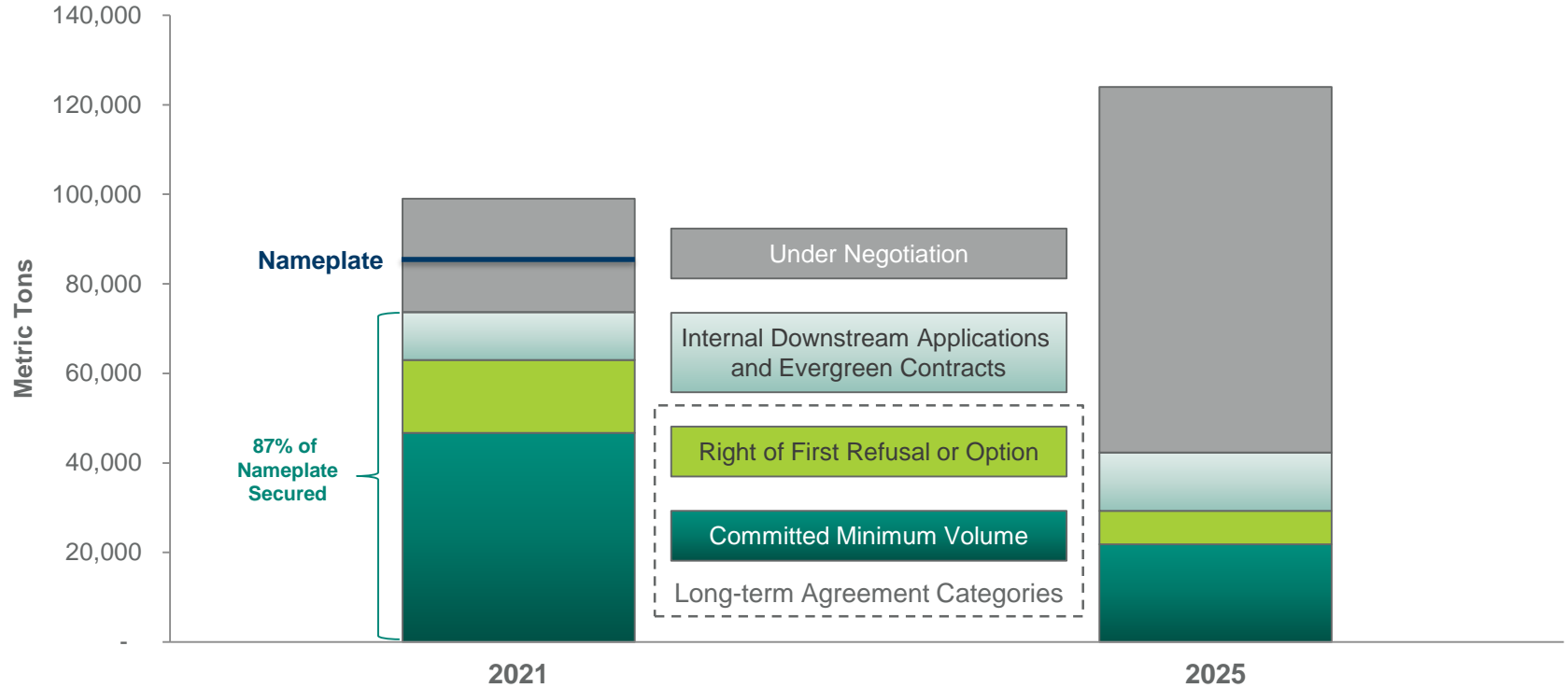
As of November 7th, 2018



2021 and 2025 sales price for Committed Minimum Volume is equal to or greater than the 2018 average selling price

Current State of Lithium Carbonate Under Contract

As of November 7th, 2018



2021 and 2025 sales price for Committed Minimum Volume is equal to or greater than the 2018 average selling price

Contract Definitions

Committed Minimum Volume: The minimum volume that customer has committed to purchase under long-term agreement.

Right of First Refusal (ROFR): If customer has demand above the **Committed Minimum Volume**, it must offer that volume to Albemarle. Albemarle has the option, but is not required, to supply this volume.

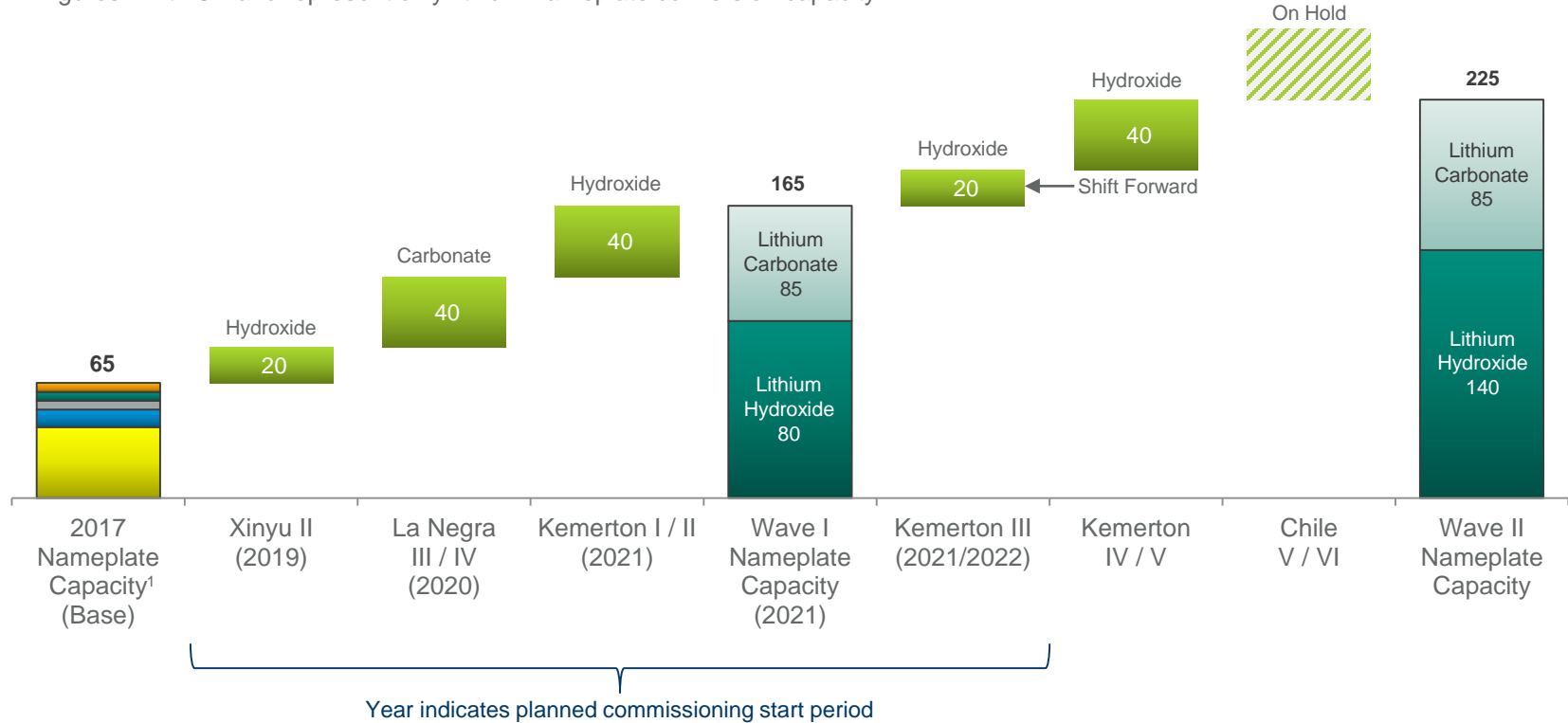
Option: Customer demand above the **Committed Minimum Volume** and **ROFR** categories. Albemarle has the option, but is not required, to supply this volume.

Evergreen Contracts: One to two-year contracts with customers (the majority for use in greases, ceramics and lubricants) with evergreen provisions, many of which have already extended beyond their initial term. Contracts with evergreen provisions are automatically renewed (rolled over) after the then expiring term until cancelled by either party.

Internal Downstream Applications: Lithium volume that is converted by Albemarle to downstream derivatives such as lithium hydroxide, butyl lithium, lithium metal and lithium halides.

Wave I On Track; Wave II Updated; Chile V / VI On Hold

All figures in kt LCE and represent only lithium nameplate conversion capacity



Chile Regulatory Environment and Status

	Chile Environmental Superintendent (SMA)	Chile's Economic Development Agency (CORFO)	The Chilean Nuclear Energy Commission (CCHEN)
Regulatory Authority	Enforces operating permit that defines brine pump rate at the Salar de Atacama	Authorizes production of lithium	Authorizes sales of lithium
Permits and Agreements	January 2016 Permit: Allows Albemarle to pump brine at an annual average rate of 442 liters per second by the end of 2018. This permit expires in 2044.	Original Agreement: 0.6 million LCE remaining as of January 2017 January 2017 Amendment: Provides Albemarle with authorization to produce an incremental 1.4 million MTs LCE March 2018 Amendment: If Albemarle elects to build Chile V / VI, allows Albemarle to produce an incremental 1.4 million MTs LCE	January 2017 Authorization: Authorizes sale of lithium production quota granted by CORFO in January 2017 Amendment. March 2018: Simultaneous with March 2018 CORFO Amendment, Albemarle submitted request to increase the lithium sales authorization September 2018: CCHEN rejected March 2018 submission November 2018: Albemarle working with CCHEN to address concerns prior to re-submission
Estimated Annual Volume through 2043 (MTs LCE per year)	80,000 at current lithium yield; SMA enforces brine pump rate, not lithium production quota	80,000 ¹ ; increases up to 145,000 ¹ if Albemarle builds Chile V / VI	80,000 ¹ with current authorization; would increase up to 145,000 ¹ when new submission is approved

Albemarle has the permits, agreements and authorizations in place to produce and sell at least 80,000 MTs annually through 2043

Cash Flow and Net Debt

Nine Months Ended September 30

(\$ in millions)

	<u>2018</u>	<u>2017</u>
Net Cash from Operations	\$377	\$75
Less: Capital Expenditures	(472)	(188)
Add Back: Pension Contributions ¹	11	16
Free Cash Flow	(\$84)	(\$97)
Non-recurring and other unusual cash items	82	78
Cash taxes on repatriation/Chemetal® sale	40	255
Adjusted Free Cash Flow	\$38	\$236

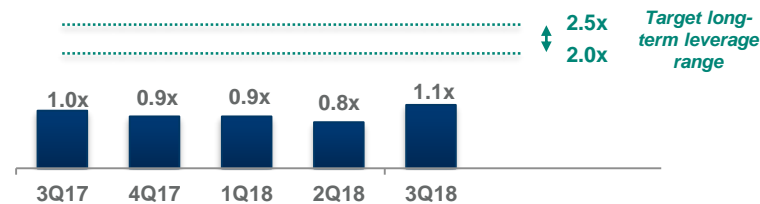
Selected Financial Metrics

(\$ in millions)

(as of 09/30/2018)

Dividends Paid:	\$109
Dividend Growth (Y/Y)²:	5%
Cash Balance:	\$641
Gross Debt³:	\$1,698
Net Debt to Adj. EBITDA⁴:	1.1x

Net Debt to Adj. EBITDA⁴



Expect August 2018 \$250 million accelerated share repurchase program to complete by end of 2018

Full Year 2018 Business Guidance vs 2017

Business Unit	Outlook	Business Environment
Lithium	↑	<ul style="list-style-type: none"> FY 2018 Adj. EBITDA expected to increase low 20's on % basis vs prior year Favorable outlook driven by strong volume and price improvements, primarily in battery grade product portfolio
Bromine Specialties	↑	<ul style="list-style-type: none"> FY 2018 Adj. EBITDA expected to be up low double-digits vs prior year Outlook driven by solid demand for flame retardants and higher pricing in most derivatives partially offset by higher raw material and freight costs
Catalysts ¹	↑	<ul style="list-style-type: none"> FY 2018 Adj. EBITDA expected to increase high single-digit vs prior year on pro-forma¹ basis driven by higher volume, favorable product mix and higher pricing in FCC Collected approximately \$4 million year-to-date for Hurricane Harvey insurance settlement

↑ Better than 2017

Full Year 2018 Guidance On Track

	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	\$3.3 – \$3.5B	10% – 17%
Adjusted EBITDA ¹	\$885M	\$859M	\$990 – \$1,020M	15% – 19%
Adjusted EBITDA Margin ¹	29%	29%	29% – 30%	
Adjusted Diluted EPS ¹	\$4.59	\$4.40	\$5.30 – \$5.50	20% – 25%
D&A	\$197	\$192	\$195 – \$205	
Capital Expenditures	\$318M	\$313M	\$800 – \$900M	
Adjusted Free Cash Flow ²	\$354M	\$333M	(\$150) – \$50M	

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

²Free 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 17 for details.

³The FY 2017 Pro Forma calculation excludes the financial contribution from Polyolefin Catalyst & Components for the final nine months of 2017 because Albemarle closed the sale on April 3, 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.

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

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Appendix

Non-GAAP Reconciliations and
Supplemental Information

Definitions of Non-GAAP Measures

Non-GAAP Measure	Description
Adjusted net income	Net income attributable to Albemarle Corporation before non-recurring, other unusual and non-operating pension and OPEB.
Pro-forma adjusted net income	Net income attributable to Albemarle Corporation before non-recurring, other unusual and non-operating pension and OPEB items, and the net impact of the divested business.
Adjusted diluted EPS	Diluted EPS before non-recurring, other unusual and non-operating pension and OPEB.
Pro-form adjusted diluted EPS	Diluted EPS before non-recurring, other unusual and non-operating pension and OPEB items, and the net impact of the divested business.
EBITDA	Net income attributable to Albemarle Corporation before interest and financing expenses, income taxes, and depreciation and amortization.
Adjusted EBITDA	EBITDA before non-recurring, other unusual and non-operating pension and OPEB.
Pro-forma adjusted EBITDA	Adjusted EBITDA before the net impact of EBITDA of the divested business.
Pro-forma Net Sales	Net Sales before the impact of Net Sales from the divested business.
Adjusted Effective Income Tax Rate	Reported effective income tax rate before the tax impact of non-recurring, other unusual and non-operating pension and OPEB items.

Adjusted Net Income - Pro-forma

(\$ in thousands)	Three Months Ended	
	September 30,	
	2018	2017
Net income attributable to Albemarle Corporation	\$ 129,745	\$ 118,670
Add back:		
Non-operating pension and OPEB items (net of tax)	(1,856)	(694)
Non-recurring and other unusual items (net of tax)	13,568	2,575
Adjusted net income attributable to Albemarle Corporation	141,457	120,551
Pro-forma: Net impact of income from divested business (net of tax)	—	(8,710)
Pro-forma adjusted net income attributable to Albemarle Corporation	\$ 141,457	\$ 111,841
Adjusted diluted earnings per share	\$ 1.31	\$ 1.08
Pro-forma adjusted diluted earnings per share	\$ 1.31	\$ 1.00
Weighted-average common shares outstanding – diluted	108,302	111,975

See above for a reconciliation of adjusted net income and pro-forma adjusted net income, the non-GAAP financial measures, to Net income attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with GAAP.

EBITDA and Adjusted EBITDA - Pro-forma

<i>(\$ in thousands)</i>	Three Months Ended	
	September 30,	
	2018	2017
Net income attributable to Albemarle Corporation	\$ 129,745	\$ 118,670
Add back:		
Interest and financing expenses	12,988	15,792
Income tax expense	33,167	18,495
Depreciation and amortization	49,707	49,895
EBITDA	225,607	202,852
Non-operating pension and OPEB items	(2,195)	(1,028)
Non-recurring and other unusual items (excluding items associated with interest expense)	11,670	7,559
Adjusted EBITDA	235,082	209,383
Pro-forma: Net impact of adjusted EBITDA from divested business	—	(10,493)
Pro-forma adjusted EBITDA	\$ 235,082	\$ 198,890
Net sales	\$ 777,748	\$ 754,866
Pro-forma: Net impact of net sales from divested business	—	(26,976)
Pro-forma net sales	\$ 777,748	\$ 727,890
EBITDA margin	29.0%	26.9%
Adjusted EBITDA margin	30.2%	27.7%
Pro-forma adjusted EBITDA margin	30.2%	27.3%

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.

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.

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

(\$ in thousands)

	Lithium	Bromine Specialties	Catalysts	Reportable Segments Total	All Other	Corporate	Consolidated Total
Three months ended September 30, 2018:							
Net income (loss) attributable to Albemarle Corporation	\$ 90,313	\$ 67,967	\$ 50,491	\$ 208,771	\$ 1,978	\$ (81,004)	\$ 129,745
Depreciation and amortization	23,370	10,618	12,111	46,099	1,990	1,618	49,707
Non-recurring and other unusual items	(54)	—	—	(54)	—	11,724	11,670
Interest and financing expenses	—	—	—	—	—	12,988	12,988
Income tax expense	—	—	—	—	—	33,167	33,167
Non-operating pension and OPEB items	—	—	—	—	—	(2,195)	(2,195)
Adjusted EBITDA	\$ 113,629	\$ 78,585	\$ 62,602	\$ 254,816	\$ 3,968	\$ (23,702)	\$ 235,082
Three months ended September 30, 2017:							
Net income (loss) attributable to Albemarle Corporation	\$ 89,745	\$ 53,760	\$ 47,846	\$ 191,351	\$ (1,776)	\$ (70,905)	\$ 118,670
Depreciation and amortization	22,316	10,176	13,798	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	\$ 112,944	\$ 63,936	\$ 60,394	\$ 237,274	\$ 306	\$ (28,197)	\$ 209,383
Pro-forma: Net impact of adjusted EBITDA from divested business	—	—	(10,493)	(10,493)	—	—	(10,493)
Pro-forma adjusted EBITDA	\$ 112,944	\$ 63,936	\$ 49,901	\$ 226,781	\$ 306	\$ (28,197)	\$ 198,890

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

<i>(\$ in thousands)</i>	Lithium	Bromine Specialties	Catalysts	Reportable Segments Total	All Other	Consolidated Total
Three months ended September 30, 2018:						
Net sales	\$ 270,928	\$ 232,616	\$ 251,139	\$ 754,683	\$ 23,065	\$ 777,748
Net income (loss) attributable to Albemarle Corporation	33.3%	29.2%	20.1%	27.7%	8.6%	16.7%
Depreciation and amortization	8.6%	4.6%	4.8%	6.1%	8.6%	6.4%
Non-recurring and other unusual items	—%	—%	—%	—%	—%	1.5%
Interest and financing expenses	—%	—%	—%	—%	—%	1.7%
Income tax expense	—%	—%	—%	—%	—%	4.3%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(0.3)%
Adjusted EBITDA Margin	41.9%	33.8%	24.9%	33.8%	17.2%	30.2%
Three months ended September 30, 2017:						
Net sales	\$ 269,238	\$ 212,923	\$ 244,594	\$ 726,755	\$ 28,021	\$ 754,866
Pro-forma: Net impact of net sales from divested business	—	—	(26,976)	(26,976)	—	(26,976)
Pro-forma net sales	\$ 269,238	\$ 212,923	\$ 217,618	\$ 699,779	\$ 28,021	\$ 727,890
Adjusted EBITDA	\$ 112,944	\$ 63,936	\$ 60,394	\$ 237,274	\$ 306	\$ 209,383
Net income (loss) attributable to Albemarle Corporation	33.3%	25.2%	19.6%	26.3%	(6.3)%	15.7%
Depreciation and amortization	8.3%	4.8%	5.6%	6.4%	7.4%	6.6%
Non-recurring and other unusual items	0.3%	—%	(0.5)%	(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	41.9%	30.0%	24.7%	32.6%	1.1%	27.7%
Pro-forma Adjusted EBITDA Margin	41.9%	30.0%	22.9%	32.4%	1.1%	27.3%

See above for adjusted EBITDA margin, a non-GAAP financial measure defined as adjusted EBITDA divided by net sales. See slide 25 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 \$0 and \$90 in the three months ended September 30, 2018 and 2017, respectively.

Adjusted EBITDA - Continuing Operations (twelve months ended)

(\$ in thousands)	Twelve Months Ended				
	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018
Continuing Operations					
Net income attributable to Albemarle Corporation	\$ 875,306	\$ 54,850	\$ 135,397	\$ 334,525	\$ 345,600
Depreciation and amortization	193,774	196,928	202,188	203,540	203,352
Non-recurring and other unusual items (excluding items associated with interest expense)	89,214	102,660	101,914	(113,484)	(109,373)
Interest and financing expenses	117,216	115,350	60,375	59,093	56,289
Income tax expense	88,324	431,817	440,207	497,179	511,851
Income from discontinued operations (net of tax)	(559,974)	—	—	—	—
Non-operating pension and OPEB items	23,224	(16,125)	(17,259)	(18,410)	(19,577)
Adjusted EBITDA	\$ 827,084	\$ 885,480	\$ 922,822	\$ 962,443	\$ 988,142
Pro-forma: Net impact of adjusted EBITDA from divested businesses	(32,798)	(37,123)	(41,287)	(31,521)	(21,028)
Pro-forma Adjusted EBITDA	\$ 794,286	\$ 848,357	\$ 881,535	\$ 930,922	\$ 967,114
Net Sales	\$ 2,910,842	\$ 3,071,976	\$ 3,171,542	\$ 3,288,158	\$ 3,311,040
Pro-forma: Net impact of Net Sales from divested business	(97,595)	(99,491)	(106,013)	(80,282)	(53,306)
Pro-forma Net Sales	\$ 2,813,247	\$ 2,972,485	\$ 3,065,529	\$ 3,207,876	\$ 3,257,734
Pro-forma Adjusted EBITDA Margin	28%	29%	29%	29%	30%

See above for a reconciliation of adjusted EBITDA and pro-forma adjusted EBITDA, the non-GAAP financial measures, to Net income attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with GAAP.

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.

Adjusted EBITDA - by Segment (twelve months ended)

(\$ in thousands)	Twelve Months Ended				
	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018
Lithium					
Net income attributable to Albemarle Corporation	\$ 314,707	\$ 342,992	\$ 373,712	\$ 409,185	\$ 409,753
Depreciation and amortization	86,409	87,879	92,879	95,744	96,798
Non-recurring and other unusual items	15,977	15,781	11,223	(698)	(1,635)
Adjusted EBITDA	417,093	446,652	477,814	504,231	504,916
Net Sales	937,461	1,018,885	1,100,688	1,174,430	1,176,120
Adjusted EBITDA Margin	44%	44%	43%	43%	43%
Bromine Specialties					
Net income attributable to Albemarle Corporation	\$ 201,336	\$ 218,839	\$ 219,681	\$ 227,615	\$ 241,822
Depreciation and amortization	40,112	40,062	40,701	40,059	40,501
Adjusted EBITDA	241,448	258,901	260,382	267,674	282,323
Net Sales	830,572	855,143	861,591	878,160	897,853
Adjusted EBITDA Margin	29%	30%	30%	30%	31%
Catalysts					
Net income attributable to Albemarle Corporation	\$ 216,405	\$ 230,665	\$ 229,359	\$ 456,252	\$ 458,897
Depreciation and amortization	53,160	54,468	53,855	53,342	51,655
Non-recurring and other unusual items	(1,250)	(1,250)	(1,250)	(219,955)	(218,705)
Adjusted EBITDA	268,315	283,883	281,964	289,639	291,847
Pro-forma: Net impact of adjusted EBITDA from divested business	(33,323)	(37,123)	(41,287)	(31,521)	(21,028)
Pro-forma Adjusted EBITDA	234,992	246,760	240,677	258,118	270,819
Net Sales	1,019,593	1,067,572	1,074,731	1,101,442	1,107,987
Pro-forma: Net impact of net sales from divested business	(97,595)	(99,491)	(106,013)	(80,282)	(53,306)
Pro-forma Net Sales	921,998	968,081	968,718	1,021,160	1,054,681
Pro-forma Adjusted EBITDA Margin	25%	25%	25%	25%	26%

See above for a reconciliation of adjusted EBITDA and pro-forma adjusted EBITDA on a segment basis, the non-GAAP financial measures, to Net income attributable to Albemarle Corporation ("earnings"), the most directly comparable financial measure calculated and reporting in accordance with GAAP.

See above for a reconciliation of pro-forma net sales on a segment basis, the non-GAAP financial measure, to net sales, the most directly comparable financial measure calculated and reported in accordance with GAAP.

Adjusted EBITDA supplemental¹

(\$ in thousands)

	Twelve Months Ended	Three Months Ended			
	Sep 30, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
Adjusted EBITDA	\$ 988,142	\$ 235,082	\$ 258,562	\$ 248,718	\$ 245,780
Net income attributable to noncontrolling interests	40,419	13,734	8,225	7,165	11,295
Equity in net income of unconsolidated investments (net of tax)	(90,951)	(22,081)	(18,969)	(20,677)	(29,224)
Dividends received from unconsolidated investments	60,280	2,749	4,583	25,462	27,486
Consolidated EBITDA	\$ 997,890	\$ 229,484	\$ 252,401	\$ 260,668	\$ 255,337
Total Long Term Debt (as reported)	\$ 1,697,793				
Off balance sheet obligations and other	69,300				
Consolidated Funded Debt	\$ 1,767,093				
Less Cash	641,226				
Consolidated Funded Net Debt	\$ 1,125,867				
Consolidated Funded Debt to Consolidated EBITDA Ratio	1.8				
Consolidated Funded Net Debt to Consolidated EBITDA Ratio	1.1				

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

Diluted EPS

	Three Months Ended	
	September 30,	
	2018	2017
Diluted earnings per share attributable to Albemarle Corporation	\$ 1.20	\$ 1.06
Add back:		
Non-operating pension and OPEB items (net of tax)	(0.02)	(0.01)
Non-recurring and other unusual items (net of tax)		
Restructuring and other	0.04	—
Acquisition and integration related costs	0.03	0.02
Gain on acquisition	—	0.01
Legal accrual	0.02	—
Multiemployer plan shortfall contributions	—	0.01
Other	0.04	(0.01)
Discrete tax items	—	(0.01)
Total non-recurring and other unusual items	0.13	0.02
Adjusted diluted earnings per share ¹	\$ 1.31	\$ 1.08

¹Totals may not add due to rounding

Effective Tax Rate

<i>(\$ in thousands)</i>	Income before income taxes and equity in net income of unconsolidated investments	Income tax expense	Effective income tax rate
Three months ended September 30, 2018:			
As reported	\$ 154,565	\$ 33,167	21.5%
Non-recurring, other unusual and non-operating pension and OPEB items	9,475	(2,237)	
As adjusted	<u>\$ 164,040</u>	<u>\$ 30,930</u>	18.9%
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	6,531	4,650	
As adjusted	<u>\$ 136,175</u>	<u>\$ 23,145</u>	17.0%

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,			
	2018		2017		2018		2017	
	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest
<i>(\$ in thousands)</i>								
Lithium	\$ 17,901	\$ —	\$ 13,292	\$ —	\$ 48,819	\$ —	\$ 39,999	\$ —
Bromine Specialties	—	(13,717)	—	(11,520)	—	(29,073)	—	(33,331)
Catalysts	4,180	—	5,752	—	12,908	—	15,264	—
Corporate	—	(17)	—	(3)	—	(51)	—	8
Total Company	\$ 22,081	\$ (13,734)	\$ 19,044	\$ (11,523)	\$ 61,727	\$ (29,124)	\$ 55,263	\$ (33,323)

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