# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For Quarterly Period Ended June 30, 2023**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________**

**Commission File Number 1-12658**

# ALBEMARLE CORPORATION
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Virginia** | **54-1692118** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

**4250 Congress Street, Suite 900**
**Charlotte, North Carolina 28209**
**(Address of principal executive offices) (Zip Code)**

**Registrant's telephone number, including area code - (980) 299-5700**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| **COMMON STOCK, $.01 Par Value** | **ALB** | **New York Stock Exchange** |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock, $.01 par value, outstanding as of July 26, 2023: 117,346,775

**ALBEMARLE CORPORATION**

**INDEX – FORM 10-Q**

## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements (Unaudited).**

### ALBEMARLE CORPORATION AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF INCOME
### (In Thousands, Except Per Share Amounts)
### (Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net sales | $ 2,370,190 | $ 1,479,593 | $ 4,950,442 | $ 2,607,321 |
| Cost of goods sold | 1,811,703 | 899,169 | 3,115,415 | 1,577,867 |
| Gross profit | 558,487 | 580,424 | 1,835,027 | 1,029,454 |
| Selling, general and administrative expenses | 397,070 | 128,942 | 551,376 | 241,510 |
| Research and development expenses | 21,419 | 17,386 | 41,890 | 33,469 |
| Loss on sale of interest in properties | — | — | — | 8,400 |
| Operating profit | 139,998 | 434,096 | 1,241,761 | 746,075 |
| Interest and financing expenses | (25,577) | (41,409) | (52,354) | (69,243) |
| Other income, net | 53,954 | 8,767 | 136,446 | 24,263 |
| Income before income taxes and equity in net income of unconsolidated investments | 168,375 | 401,454 | 1,325,853 | 701,095 |
| Income tax expense | 42,987 | 89,018 | 319,950 | 169,548 |
| Income before equity in net income of unconsolidated investments | 125,388 | 312,436 | 1,005,903 | 531,547 |
| Equity in net income of unconsolidated investments (net of tax) | 551,051 | 128,156 | 947,239 | 190,592 |
| Net income | 676,439 | 440,592 | 1,953,142 | 722,139 |
| Net income attributable to noncontrolling interests | (26,396) | (33,819) | (64,519) | (61,983) |
| Net income attributable to Albemarle Corporation | $ 650,043 | $ 406,773 | $ 1,888,623 | $ 660,156 |
| Basic earnings per share | $ 5.54 | $ 3.47 | $ 16.10 | $ 5.64 |
| Diluted earnings per share | $ 5.52 | $ 3.46 | $ 16.03 | $ 5.61 |
| Weighted-average common shares outstanding – basic | 117,332 | 117,116 | 117,282 | 117,091 |
| Weighted-average common shares outstanding – diluted | 117,769 | 117,724 | 117,805 | 117,689 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

**ALBEMARLE CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**(In Thousands)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net income | $ 676,439 | $ 440,592 | $ 1,953,142 | $ 722,139 |
| Other comprehensive (loss) income, net of tax: | | | | |
| Foreign currency translation and other | (5,635) | (117,821) | 40,581 | (123,710) |
| Cash flow hedge | 1,026 | (2,509) | 2,127 | 1,508 |
| Interest rate swap | — | 6,749 | — | 7,399 |
| Total other comprehensive (loss) income, net of tax | (4,609) | (113,581) | 42,708 | (114,803) |
| Comprehensive income | 671,830 | 327,011 | 1,995,850 | 607,336 |
| Comprehensive income attributable to noncontrolling interests | (26,396) | (33,757) | (64,511) | (61,868) |
| Comprehensive income attributable to Albemarle Corporation | $ 645,434 | $ 293,254 | $ 1,931,339 | $ 545,468 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

**ALBEMARLE CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(In Thousands)**
**(Unaudited)**

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,599,738 | $ 1,499,142 |
| Trade accounts receivable, less allowance for doubtful accounts (2023 – $3,008; 2022 – $2,534) | 1,344,278 | 1,190,970 |
| Other accounts receivable | 426,780 | 185,819 |
| Inventories | 3,658,623 | 2,076,031 |
| Other current assets | 425,358 | 234,955 |
| Total current assets | 7,454,777 | 5,186,917 |
| Property, plant and equipment, at cost | 10,396,965 | 9,354,330 |
| Less accumulated depreciation and amortization | 2,542,424 | 2,391,333 |
| Net property, plant and equipment | 7,854,541 | 6,962,997 |
| Investments | 1,621,424 | 1,150,553 |
| Other assets | 269,694 | 250,558 |
| Goodwill | 1,634,823 | 1,617,627 |
| Other intangibles, net of amortization | 274,409 | 287,870 |
| **Total assets** | $ 19,109,668 | $ 15,456,522 |
| **Liabilities And Equity** | | |
| Current liabilities: | | |
| Accounts payable to third parties | $ 1,960,068 | $ 1,533,624 |
| Accounts payable to related parties | 1,092,398 | 518,377 |
| Accrued expenses | 672,807 | 505,894 |
| Current portion of long-term debt | 6,247 | 2,128 |
| Dividends payable | 46,654 | 46,116 |
| Income taxes payable | 513,339 | 134,876 |
| Total current liabilities | 4,291,513 | 2,741,015 |
| Long-term debt | 3,509,289 | 3,214,972 |
| Postretirement benefits | 32,792 | 32,751 |
| Pension benefits | 159,131 | 159,571 |
| Other noncurrent liabilities | 700,825 | 636,596 |
| Deferred income taxes | 328,078 | 480,770 |
| Commitments and contingencies (Note 9) | | |
| Equity: | | |
| Albemarle Corporation shareholders' equity: | | |
| Common stock, $.01 par value, issued and outstanding – 117,340 in 2023 and 117,168 in 2022 | 1,174 | 1,172 |
| Additional paid-in capital | 2,936,036 | 2,940,840 |
| Accumulated other comprehensive loss | (517,946) | (560,662) |
| Retained earnings | 7,396,045 | 5,601,277 |
| Total Albemarle Corporation shareholders' equity | 9,815,309 | 7,982,627 |
| Noncontrolling interests | 272,731 | 208,220 |
| Total equity | 10,088,040 | 8,190,847 |
| **Total liabilities and equity** | $ 19,109,668 | $ 15,456,522 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

# ALBEMARLE CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
### (Unaudited)

| | Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Total Albemarle Shareholders' Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **(In Thousands, Except Share Data)** | **Shares** | **Amounts** | | | | | | |
| **Balance at March 31, 2023** | **117,299,392** | **$ 1,173** | **$ 2,931,961** | **$ (513,337)** | **$ 6,792,938** | **$ 9,212,735** | **$ 246,335** | **$ 9,459,070** |
| Net income | | | | | 650,043 | 650,043 | 26,396 | 676,439 |
| Other comprehensive loss | | | | (4,609) | | (4,609) | — | (4,609) |
| Cash dividends declared, $0.40 per common share | | | | | (46,936) | (46,936) | — | (46,936) |
| Stock-based compensation | | | 10,369 | | | 10,369 | | 10,369 |
| Exercise of stock options | — | — | — | | | — | | — |
| Issuance of common stock, net | 71,688 | 1 | (1) | | | — | | — |
| Withholding taxes paid on stock-based compensation award distributions | (31,201) | — | (6,293) | | | (6,293) | | (6,293) |
| **Balance at June 30, 2023** | **117,339,879** | **$ 1,174** | **$ 2,936,036** | **$ (517,946)** | **$ 7,396,045** | **$ 9,815,309** | **$ 272,731** | **$ 10,088,040** |
| **Balance at March 31, 2022** | **117,112,394** | **$ 1,171** | **$ 2,915,387** | **$ (393,619)** | **$ 3,303,661** | **$ 5,826,600** | **$ 208,452** | **$ 6,035,052** |
| Net income | | | | | 406,773 | 406,773 | 33,819 | 440,592 |
| Other comprehensive loss | | | | (113,519) | | (113,519) | (62) | (113,581) |
| Cash dividends declared, $0.395 per common share | | | | | (46,262) | (46,262) | (26,525) | (72,787) |
| Stock-based compensation | | | 11,424 | | | 11,424 | | 11,424 |
| Exercise of stock options | 7,289 | — | 436 | | | 436 | | 436 |
| Issuance of common stock, net | 3,066 | — | — | | | — | | — |
| Withholding taxes paid on stock-based compensation award distributions | (1,001) | — | (161) | | | (161) | | (161) |
| **Balance at June 30, 2022** | **117,121,748** | **$ 1,171** | **$ 2,927,086** | **$ (507,138)** | **$ 3,664,172** | **$ 6,085,291** | **$ 215,684** | **$ 6,300,975** |
| **Balance at December 31, 2022** | **117,168,366** | **$ 1,172** | **$ 2,940,840** | **$ (560,662)** | **$ 5,601,277** | **$ 7,982,627** | **$ 208,220** | **$ 8,190,847** |
| Net income | | | | | 1,888,623 | 1,888,623 | 64,519 | 1,953,142 |
| Other comprehensive income (loss) | | | | 42,716 | | 42,716 | (8) | 42,708 |
| Cash dividends declared, $0.80 per common share | | | | | (93,855) | (93,855) | — | (93,855) |
| Stock-based compensation | | | 20,027 | | | 20,027 | | 20,027 |
| Exercise of stock options | 1,220 | — | 81 | | | 81 | | 81 |
| Issuance of common stock, net | 276,860 | 3 | (3) | | | — | | — |
| Withholding taxes paid on stock-based compensation award distributions | (106,567) | (1) | (24,909) | | | (24,910) | | (24,910) |
| **Balance at June 30, 2023** | **117,339,879** | **$ 1,174** | **$ 2,936,036** | **$ (517,946)** | **$ 7,396,045** | **$ 9,815,309** | **$ 272,731** | **$ 10,088,040** |
| **Balance at December 31, 2021** | **117,015,333** | **$ 1,170** | **$ 2,920,007** | **$ (392,450)** | **$ 3,096,539** | **$ 5,625,266** | **$ 180,341** | **$ 5,805,607** |
| Net income | | | | | 660,156 | 660,156 | 61,983 | 722,139 |
| Other comprehensive loss | | | | (114,688) | | (114,688) | (115) | (114,803) |
| Cash dividends declared, $0.79 per common share | | | | | (92,523) | (92,523) | (26,525) | (119,048) |
| Stock-based compensation | | | 16,808 | | | 16,808 | | 16,808 |
| Exercise of stock options | 7,789 | — | 468 | | | 468 | | 468 |
| Issuance of common stock, net | 154,696 | 2 | 385 | | | 387 | | 387 |
| Withholding taxes paid on stock-based compensation award distributions | (56,070) | (1) | (10,582) | | | (10,583) | | (10,583) |
| **Balance at June 30, 2022** | **117,121,748** | **$ 1,171** | **$ 2,927,086** | **$ (507,138)** | **$ 3,664,172** | **$ 6,085,291** | **$ 215,684** | **$ 6,300,975** |

See accompanying Notes to the Condensed Consolidated Financial Statements.

**ALBEMARLE CORPORATION AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands)**
**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Cash and cash equivalents at beginning of year | $ 1,499,142 | $ 439,272 |
| Cash flows from operating activities: | | |
| Net income | 1,953,142 | 722,139 |
| Adjustments to reconcile net income to cash flows from operating activities: | | |
| Depreciation and amortization | 180,356 | 137,567 |
| Loss on sale of investment in properties | — | 8,400 |
| Stock-based compensation and other | 20,017 | 15,232 |
| Equity in net income of unconsolidated investments (net of tax) | (947,239) | (190,592) |
| Dividends received from unconsolidated investments and nonmarketable securities | 1,079,439 | 156,964 |
| Pension and postretirement benefit | 3,933 | (8,273) |
| Pension and postretirement contributions | (8,632) | (7,685) |
| Unrealized (gain) loss on investments in marketable securities | (61,434) | 3,061 |
| Loss on early extinguishment of debt | — | 19,219 |
| Deferred income taxes | (144,720) | 39,476 |
| Working capital changes | (1,155,408) | (888,036) |
| Non-cash transfer of 40% value of construction in progress of Kemerton plant to MRL | 11,623 | 96,314 |
| Other, net | (136,390) | (43,475) |
| Net cash provided by operating activities | 794,687 | 60,311 |
| Cash flows from investing activities: | | |
| Acquisitions, net of cash acquired | (8,240) | — |
| Capital expenditures | (919,295) | (502,607) |
| (Purchases) sales of marketable securities, net | (123,979) | 3,402 |
| Investments in equity and other corporate investments | (1,192) | (767) |
| Net cash used in investing activities | (1,052,706) | (499,972) |
| Cash flows from financing activities: | | |
| Repayments of long-term debt and credit agreements | — | (455,000) |
| Proceeds from borrowings of long-term debt and credit agreements | 300,000 | 1,964,216 |
| Other debt repayments, net | (1,500) | (390,601) |
| Fees related to early extinguishment of debt | — | (9,767) |
| Dividends paid to shareholders | (93,317) | (91,894) |
| Dividends paid to noncontrolling interests | (53,145) | (26,525) |
| Proceeds from exercise of stock options | 81 | 855 |
| Withholding taxes paid on stock-based compensation award distributions | (24,910) | (10,583) |
| Other | — | (4,172) |
| Net cash provided by financing activities | 127,209 | 976,529 |
| Net effect of foreign exchange on cash and cash equivalents | 231,406 | (45,544) |
| Increase in cash and cash equivalents | 100,596 | 491,324 |
| Cash and cash equivalents at end of period | $ 1,599,738 | $ 930,596 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

**ALBEMARLE CORPORATION AND SUBSIDIARIES**
**Notes to the Condensed Consolidated Financial Statements**
**(Unaudited)**

**NOTE 1—Basis of Presentation:**

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Albemarle Corporation and our wholly-owned, majority-owned and controlled subsidiaries (collectively, “Albemarle,” “we,” “us,” “our” or the “Company”) contain all adjustments necessary for a fair statement, in all material respects, of our consolidated balance sheets as of June 30, 2023 and December 31, 2022, our consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of changes in equity for the three- and six- month periods ended June 30, 2023 and 2022 and our condensed consolidated statements of cash flows for the six-month periods ended June 30, 2023 and 2022. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the U.S. Securities and Exchange Commission (“SEC”) on February 15, 2023. The December 31, 2022 consolidated balance sheet data herein was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles (“GAAP”) in the United States (“U.S.”). The results of operations for the three- and six-month periods ended June 30, 2023 are not necessarily indicative of the results to be expected for the full year.

**NOTE 2—Acquisitions:**

On October 25, 2022, the Company completed the acquisition of all of the outstanding equity of Guangxi Tianyuan New Energy Materials Co., Ltd. (“Qinzhou”) for approximately $200 million in cash, which includes a deferral of approximately $29 million. The first installment of the deferral, net of working capital adjustments, was paid in the second quarter of 2023, while the final installment was paid in July 2023. Qinzhou's operations include a lithium processing plant strategically positioned near the Port of Qinzhou in Guangxi, which began commercial production in the first half of 2022. The plant has designed annual conversion capacity of up to 25,000 metric tons of lithium carbonate equivalent (“LCE”) and is capable of producing battery-grade lithium carbonate and lithium hydroxide.

The aggregate purchase price noted above was allocated to the major categories of assets and liabilities acquired based upon their estimated fair values at the acquisition closing date, which were based, in part, upon third-party appraisals for certain assets. The fair value of the assets and liabilities was primarily related to Property, plant and equipment of $106.6 million, Other intangibles of $16.3 million, net current liabilities of $5.5 million, and long-term liabilities of $7.1 million. The excess of the purchase price over the preliminary estimated fair value of the net assets acquired was approximately $76.1 million and was recorded as Goodwill.

The allocation of the purchase price to the assets acquired and liabilities assumed, including the residual amount allocated to Goodwill, is based upon preliminary information and is subject to change within the measurement-period (up to one year from the acquisition date) as additional information concerning final asset and liability valuations is obtained. The primary area of the preliminary purchase price allocation that is not yet finalized relates to the fair value of the Other intangible assets and Goodwill. The fair value of the assets acquired and liabilities assumed was based on management’s estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. The discount rate is a significant assumption used in the valuation model. If the actual results differ from the estimates and judgments used in these fair values, the amounts recorded in the consolidated financial statements could be subject to possible impairment.

Goodwill arising from the acquisition was recorded within the Energy Storage segment and consists largely of anticipated synergies and economies of scale from the combined companies and overall strategic importance of the acquired businesses to Albemarle. The goodwill attributable to the acquisition will not be amortizable or deductible for tax purposes.

**NOTE 3—Income Taxes:**

The effective income tax rate for the three-month and six-month period ended June 30, 2023 was 25.5% and 24.1%, respectively, compared to 22.2% and 24.2% for the three-month and six-month period ended June 30, 2022, respectively. The three-month period ended June 30, 2023 included tax expense related to an uncertain tax position in Chile offset by a tax benefit related to foreign derived intangible income. The Company’s effective income tax rate fluctuates based on, among other factors, the amount and location of income. The difference between the U.S. federal statutory income tax rate and our effective income tax rate for the three- and six-month periods ended June 30, 2023 was impacted by a variety of factors, primarily the location in which income was earned, foreign-derived intangible income and an uncertain tax position recorded in Chile and a non-deductible accrual for the agreements in principle to resolve a previously disclosed legal matter with the U.S. Department of Justice (“DOJ”), the SEC, and the Dutch Public Prosecutor (“DPP”) (see Note 9, “Commitments and Contingencies,” for further information). The difference between the U.S. federal statutory income tax rate and our effective income tax rate for the three- and six-month period ended June 30, 2022 was impacted by a variety of factors, primarily global intangible low-taxed income and the location in which income was earned.

**NOTE 4—Earnings Per Share:**

Basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2023 and 2022 are calculated as follows (in thousands, except per share amounts):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Basic earnings per share** | | | | |
| Numerator: | | | | |
| Net income attributable to Albemarle Corporation | $ 650,043 | $ 406,773 | $ 1,888,623 | $ 660,156 |
| Denominator: | | | | |
| Weighted-average common shares for basic earnings per share | 117,332 | 117,116 | 117,282 | 117,091 |
| Basic earnings per share | $ 5.54 | $ 3.47 | $ 16.10 | $ 5.64 |
| **Diluted earnings per share** | | | | |
| Numerator: | | | | |
| Net income attributable to Albemarle Corporation | $ 650,043 | $ 406,773 | $ 1,888,623 | $ 660,156 |
| Denominator: | | | | |
| Weighted-average common shares for basic earnings per share | 117,332 | 117,116 | 117,282 | 117,091 |
| Incremental shares under stock compensation plans | 437 | 608 | 523 | 598 |
| Weighted-average common shares for diluted earnings per share | 117,769 | 117,724 | 117,805 | 117,689 |
| Diluted earnings per share | $ 5.52 | $ 3.46 | $ 16.03 | $ 5.61 |

At June 30, 2023 there were 51,316 common stock equivalents not included in the computation of diluted earnings per share because their effect would have been anti-dilutive.

On May 2, 2023, the Company declared a cash dividend of $0.40, an increase from the prior year regular quarterly dividend. This dividend was paid on July 3, 2023 to shareholders of record at the close of business as of June 16, 2023. On July 18, 2023, the Company declared a cash dividend of $0.40 per share, which is payable on October 2, 2023 to shareholders of record at the close of business as of September 15, 2023.

**NOTE 5—Inventories:**

The following table provides a breakdown of inventories at June 30, 2023 and December 31, 2022 (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Finished goods | $ 3,164,540 | $ 1,679,473 |
| Raw materials and work in process[(a)] | 378,463 | 296,998 |
| Stores, supplies and other | 115,620 | 99,560 |
| Total | $ 3,658,623 | $ 2,076,031 |

(a) Includes $174.1 million and $133.2 million at June 30, 2023 and December 31, 2022, respectively, of work in process in our Energy Storage segment.

The Company eliminates the balance of deferred profits on sales from its equity method investments to the Company to Inventories, specifically finished goods. Deferred profits from equity method investments totaled $750.9 million and $332.3 million as of June 30, 2023 and December 31, 2022, respectively.

**NOTE 6—Investments:**

*MARBL Joint Venture Agreement Restructuring*

On July 19, 2023, the Company announced it agreed to amend the terms of definitive agreements signed with Mineral Resources Limited (“MRL”) in February 2023 to restructure the parties' MARBL lithium joint venture in Australia (“MARBL”). This amended agreement is intended to significantly simplify the commercial operation agreements previously entered into, retain full control of downstream conversion assets and to provide greater strategic opportunities for each company based on their global operations and the evolving lithium market.

Under the new agreements, Albemarle will acquire the remaining 40% ownership of the Kemerton lithium hydroxide processing facility in Australia currently jointly owned with Mineral Resources through the MARBL joint venture. Albemarle will also retain full ownership of its Qinzhou and Meishan lithium processing facilities in China, which were previously going to be owned 50% by MRL under the terms of the previously announced agreement restructuring. In exchange for the remaining ownership interest in Kemerton, Albemarle will pay cash and sell 10% of its interest in the Wodgina Lithium Mine Project (“Wodgina”) to MRL. Albemarle expects to pay MRL between an estimated $380 million to $400 million, depending on the closing date of the transaction, which includes net consideration for the remaining ownership of Kemerton as well as an economic effective date of the transaction retroactive to April 1, 2022. After closing, Albemarle and MRL will each own 50% of Wodgina, and MRL will operate the Wodgina mine on behalf of the joint venture.

This transaction is expected to close in the second half of 2023 and is subject to regulatory approval and other customary closing conditions.

*Variable Interest Entities*

The Company holds a 49% equity interest in Windfield Holdings Pty. Ltd. (“Talison”), where the ownership parties share risks and benefits disproportionate to their voting interests. As a result, the Company considers Talison to be a variable interest entity (“VIE”), however this investment is not consolidated as the Company is not the primary beneficiary. The carrying amount of the Company’s 49% equity interest in Windfield, which is our most significant VIE, was $945.5 million and $694.5 million at June 30, 2023 and December 31, 2022, respectively. The Company’s aggregate net investment in all other entities which it considers to be VIEs of which the Company is not the primary beneficiary was $6.8 million at June 30, 2023 and $6.7 million at December 31, 2022. The Company’s unconsolidated VIEs are reported in Investments on the consolidated balance sheets. The Company does not guarantee debt for, or have other financial support obligations to, these entities, and its maximum exposure to loss in connection with its continuing involvement with these entities is limited to the carrying value of the investments.

The following table summarizes the unaudited results of operations for the Talison joint venture, which met the significant subsidiary test for subsidiaries not consolidated or 50% or less owned persons under Rule 10-01 of Regulation S-X, for the three-month periods ended June 30, 2023 and 2022 (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net sales | $ 2,319,020 | $ 626,692 | $ 4,278,318 | $ 1,019,525 |
| Gross profit | 2,244,236 | 567,660 | 4,145,936 | 922,102 |
| Income before income taxes | 2,151,879 | 453,370 | 3,936,029 | 745,922 |
| Net income | 1,506,326 | 317,363 | 2,755,228 | 522,150 |

*Other*

As part of the proceeds from the sale of the fine chemistry services (“FCS”) business on June 1, 2021, W.R. Grace & Co. (“Grace”) issued Albemarle preferred equity of a Grace subsidiary having an aggregate stated value of $270 million. The preferred equity can be redeemed at Grace’s option under certain conditions and began accruing PIK dividends at an annual rate of 12% beginning on June 1, 2023. In addition, the preferred equity can be redeemed by Albemarle when the accumulated balance reaches 200% of the original value. This preferred equity had a fair value of $272.7 million and $260.1 million at June 30, 2023 and December 31, 2022, respectively, which is reported in Investments in the consolidated balance sheets.

**ALBEMARLE CORPORATION AND SUBSIDIARIES**
**Notes to the Condensed Consolidated Financial Statements**
**(Unaudited)**

**NOTE 7—Goodwill and Other Intangibles:**

The following table summarizes the changes in goodwill by reportable segment for the six months ended June 30, 2023 (in thousands):

| | Energy Storage | Specialties | Ketjen | Total |
|---|---|---|---|---|
| Balance at December 31, 2022 | $ 1,424,275 | $ 20,319 | $ 173,033 | $ 1,617,627 |
| Segment realignment[a] | (12,316) | 12,316 | — | — |
| Foreign currency translation adjustments and other | 12,124 | — | 5,072 | 17,196 |
| Balance at June 30, 2023 | $ 1,424,083 | $ 32,635 | $ 178,105 | $ 1,634,823 |

(a) Effective January 1, 2023, the Company realigned its Lithium and Bromine reportable segments into the Energy Storage and Specialties reportable segments. See Note 11, “Segment Information,” for additional details. As a result, the Company transferred goodwill from its legacy Lithium segment to the new Specialties reportable segment during the six months ended June 30, 2023.

The following table summarizes the changes in other intangibles and related accumulated amortization for the six months ended June 30, 2023 (in thousands):

| | Customer Lists and Relationships | Trade Names and Trademarks[a] | Patents and Technology | Other | Total |
|---|---|---|---|---|---|
| **Gross Asset Value** | | | | | |
| Balance at December 31, 2022 | $ 412,670 | $ 13,161 | $ 46,399 | $ 35,186 | $ 507,416 |
| Foreign currency translation adjustments and other | 2,885 | 310 | (517) | 196 | 2,874 |
| Balance at June 30, 2023 | $ 415,555 | $ 13,471 | $ 45,882 | $ 35,382 | $ 510,290 |
| **Accumulated Amortization** | | | | | |
| Balance at December 31, 2022 | $ (177,627) | $ (3,587) | $ (23,790) | $ (14,542) | $ (219,546) |
| Amortization | (13,063) | — | (1,307) | (489) | (14,859) |
| Foreign currency translation adjustments and other | (1,173) | (69) | (192) | (42) | (1,476) |
| Balance at June 30, 2023 | $ (191,863) | $ (3,656) | $ (25,289) | $ (15,073) | $ (235,881) |
| Net Book Value at December 31, 2022 | $ 235,043 | $ 9,574 | $ 22,609 | $ 20,644 | $ 287,870 |
| Net Book Value at June 30, 2023 | $ 223,692 | $ 9,815 | $ 20,593 | $ 20,309 | $ 274,409 |

(a) Net Book Value includes only indefinite-lived intangible assets.

**NOTE 8—Long-Term Debt:**

Long-term debt at June 30, 2023 and December 31, 2022 consisted of the following (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| 1.125% notes due 2025 | $ 413,371 | $ 401,265 |
| 1.625% notes due 2028 | 548,050 | 532,000 |
| 3.45% Senior notes due 2029 | 171,612 | 171,612 |
| 4.65% Senior notes due 2027 | 650,000 | 650,000 |
| 5.05% Senior notes due 2032 | 600,000 | 600,000 |
| 5.45% Senior notes due 2044 | 350,000 | 350,000 |
| 5.65% Senior notes due 2052 | 450,000 | 450,000 |
| Variable-rate foreign bank loans | 2,776 | 2,997 |
| Finance lease obligations | 122,053 | 76,537 |
| Other | 311,641 | 11,378 |
| Unamortized discount and debt issuance costs | (103,967) | (28,689) |
| Total long-term debt | 3,515,536 | 3,217,100 |
| Less amounts due within one year | 6,247 | 2,128 |
| Long-term debt, less current portion | $ 3,509,289 | $ 3,214,972 |

In the second quarter of 2023 the Company received a loan of $300.0 million to be repaid in five equal annual installments beginning on December 31, 2026. This interest-free loan was discounted using an imputed interest rate of 5.53% and the Company will amortize that discount through Interest and financing expenses over the term of the loan.

**NOTE 9—Commitments and Contingencies:**

*Environmental*

The following activity was recorded in environmental liabilities for the six months ended June 30, 2023 (in thousands):

| | |
|---|---|
| Beginning balance at December 31, 2022 | $ 38,245 |
| Expenditures | (1,769) |
| Accretion of discount | 573 |
| Additions and changes in estimates | 1,869 |
| Foreign currency translation adjustments and other | 629 |
| Ending balance at June 30, 2023 | 39,547 |
| Less amounts reported in Accrued expenses | 7,909 |
| Amounts reported in Other noncurrent liabilities | $ 31,638 |

Environmental remediation liabilities included discounted liabilities of $31.9 million and $30.1 million at June 30, 2023 and December 31, 2022, respectively, discounted at rates with a weighted-average of 3.6% and 3.4%, respectively, and with the undiscounted amount totaling $60.4 million and $57.5 million at June 30, 2023 and December 31, 2022, respectively. For certain locations where the Company is operating groundwater monitoring and/or remediation systems, prior owners or insurers have assumed all or most of the responsibility.

The amounts recorded represent our future remediation and other anticipated environmental liabilities. These liabilities typically arise during the normal course of our operational and environmental management activities or at the time of acquisition of the site, and are based on internal analysis as well as input from outside consultants. As evaluations proceed at each relevant site, changes in risk assessment practices, remediation techniques and regulatory requirements can occur, therefore such liability estimates may be adjusted accordingly. The timing and duration of remediation activities at these sites will be determined when evaluations are completed. Although it is difficult to quantify the potential financial impact of these remediation liabilities, management estimates (based on the latest available information) that there is a reasonable possibility that future environmental remediation costs associated with our past operations could represent an additional $21 million before income taxes, in excess of amounts already recorded.

We believe that any sum we may be required to pay in connection with environmental remediation matters in excess of the amounts recorded would likely occur over a period of time and would likely not have a material adverse effect upon our results of operations, financial condition or cash flows on a consolidated annual basis although any such sum could have a material adverse impact on our results of operations, financial condition or cash flows in a particular quarterly reporting period.

*Litigation*

We are involved from time to time in legal proceedings of types regarded as common in our business, including administrative or judicial proceedings seeking remediation under environmental laws, such as the federal Comprehensive Environmental Response, Compensation and Liability Act, commonly known as CERCLA or Superfund, products liability, breach of contract liability and premises liability litigation. Where appropriate, we may establish financial reserves for such proceedings. We also maintain insurance to mitigate certain of such risks. Costs for legal services are generally expensed as incurred.

As first reported in 2018, following receipt of information regarding potential improper payments being made by third-party sales representatives of our Refining Solutions business, within what is now our Ketjen segment, we investigated and voluntarily self-reported potential violations of the U.S. Foreign Corrupt Practices Act to the DOJ and SEC, and also reported this conduct to the DPP. Since reporting these matters to the DOJ, SEC, and DPP, we have cooperated with these agencies in their investigations of this historical conduct. We have implemented appropriate remedial measures and strengthened our compliance program and related internal controls.

As previously disclosed, we have been engaged in discussions with respect to the foregoing matters, and we have now reached agreements in principle to resolve these matters with the DOJ and SEC. DPP has confirmed it will not pursue action in this matter. In connection with this anticipated resolution, which relates to conduct prior to 2018, we would enter into a Non-Prosecution Agreement with the DOJ and an administrative resolution with the SEC, and pay a total of approximately $218.5 million in aggregate fines, disgorgement, and prejudgment interest to the DOJ and SEC. The anticipated resolution does not include a compliance monitorship, and we would agree to certain ongoing compliance reporting obligations. As we have agreements in principle only, there can be no assurance that we will enter into definitive agreements with respect to such resolution or as to the potential timing, final terms, or collateral consequences of any such resolution.

Based on the agreements in principle, we have recorded a charge of $218.5 million in Selling, General and Administrative Expenses in our Consolidated Statement of Operations and accrued a corresponding liability on our Consolidated Balance Sheet during the second quarter of 2023. Amounts payable to authorities pursuant to any potential final resolution could differ from the amount recorded in our consolidated financial statements. Based on available information to date, we do not expect any such difference would be material to our consolidated financial position.

*Indemnities*

We are indemnified by third parties in connection with certain matters related to acquired and divested businesses. Although we believe that the financial condition of those parties who may have indemnification obligations to the Company is generally sound, in the event the Company seeks indemnity under any of these agreements or through other means, there can be no assurance that any party who may have obligations to indemnify us will adhere to their obligations and we may have to resort to legal action to enforce our rights under the indemnities.

The Company may be subject to indemnity claims relating to properties or businesses it divested, including properties or businesses of acquired businesses that were divested prior to the completion of the acquisition. In the opinion of management, and based upon information currently available, the ultimate resolution of any indemnification obligations owed to the Company or by the Company is not expected to have a material effect on the Company’s financial condition, results of operations or cash flows. The Company had approximately $29.6 million and $66.1 million at June 30, 2023 and December 31, 2022, respectively, recorded in Other noncurrent liabilities, primarily related to the indemnification of certain income and non-income tax liabilities associated with the Chemetall Surface Treatment entities sold in 2017.

*Other*

We have contracts with certain of our customers which serve as guarantees on product delivery and performance according to customer specifications that can cover both shipments on an individual basis, as well as blanket coverage of multiple shipments under certain customer supply contracts. The financial coverage provided by these guarantees is typically based on a percentage of net sales value.

**NOTE 10—Leases:**

We lease certain office space, buildings, transportation and equipment in various countries. The initial lease terms generally range from 1 to 30 years for real estate leases, and from 2 to 15 years for non-real estate leases. Leases with an initial term of 12 months or less are not recorded on the balance sheet, and we recognize lease expense for these leases on a straight-line basis over the lease term.

Many leases include options to terminate or renew, with renewal terms that can extend the lease term from 1 to 50 years or more. The exercise of lease renewal options is at our sole discretion. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following table provides details of our lease contracts for the three-month and six-month periods ended June 30, 2023 and 2022 (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Operating lease cost | $ 14,311 | $ 10,590 | $ 26,062 | $ 21,201 |
| Finance lease cost: | | | | |
| Amortization of right of use assets | 1,935 | 972 | 2,780 | 1,402 |
| Interest on lease liabilities | 1,635 | 840 | 2,694 | 1,693 |
| Total finance lease cost | 3,570 | 1,812 | 5,474 | 3,095 |
| | | | | |
| Short-term lease cost | 4,860 | 3,271 | 9,920 | 5,970 |
| Variable lease cost | 4,766 | 1,914 | 8,275 | 2,631 |
| Total lease cost | $ 27,507 | $ 17,587 | $ 49,731 | $ 32,897 |

Supplemental cash flow information related to our lease contracts for the six-month periods ended June 30, 2023 and 2022 is as follows (in thousands):

| | Six Months Ended June 30, | |
|---|---|---|
| | **2023** | **2022** |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ 24,816 | $ 17,539 |
| Operating cash flows from finance leases | 2,400 | 1,185 |
| Financing cash flows from finance leases | 1,081 | 661 |
| Right-of-use assets obtained in exchange for lease obligations: | | |
| Operating leases | 30,581 | 1,560 |
| Finance leases | 46,773 | — |

**ALBEMARLE CORPORATION AND SUBSIDIARIES**
**Notes to the Condensed Consolidated Financial Statements**
**(Unaudited)**

Supplemental balance sheet information related to our lease contracts, including the location on balance sheet, at June 30, 2023 and December 31, 2022 is as follows (in thousands, except as noted):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Operating leases: | | |
| Other assets | $ 138,278 | $ 128,173 |
| | | |
| Accrued expenses | 36,750 | 35,515 |
| Other noncurrent liabilities | 111,652 | 99,269 |
| Total operating lease liabilities | 148,402 | 134,784 |
| Finance leases: | | |
| Net property, plant and equipment | 125,304 | 81,356 |
| | | |
| Current portion of long-term debt[(a)] | 9,370 | 4,995 |
| Long-term debt | 115,806 | 74,409 |
| Total finance lease liabilities | 125,176 | 79,404 |
| Weighted average remaining lease term (in years): | | |
| Operating leases | 11.8 | 13.3 |
| Finance leases | 21.5 | 22.8 |
| Weighted average discount rate (%): | | |
| Operating leases | 4.32 % | 3.60 % |
| Finance leases | 4.65 % | 4.41 % |

(a) Balance includes accrued interest of finance lease recorded in Accrued liabilities.

Maturities of lease liabilities at June 30, 2023 were as follows (in thousands):

| | Operating Leases | Finance Leases |
|---|---|---|
| Remainder of 2023 | $ 23,714 | $ 6,625 |
| 2024 | 32,442 | 12,998 |
| 2025 | 20,563 | 9,872 |
| 2026 | 16,535 | 9,215 |
| 2027 | 14,385 | 9,215 |
| Thereafter | 114,078 | 148,691 |
| Total lease payments | 221,717 | 196,616 |
| Less imputed interest | 73,315 | 71,440 |
| Total | $ 148,402 | $ 125,176 |

**NOTE 11—Segment Information:**

Effective January 1, 2023, the Company realigned its Lithium and Bromine global business units into a new corporate structure designed to better meet customer needs and foster talent required to deliver in a competitive global environment. In addition, the Company announced its decision to retain its Catalysts business under a separate, wholly-owned subsidiary renamed Ketjen. As a result, the Company’s three reportable segments include: (1) Energy Storage; (2) Specialties; and (3) Ketjen. Each segment has a dedicated team of sales, research and development, process engineering, manufacturing and sourcing, and business strategy personnel and has full accountability for improving execution through greater asset and market focus, agility and responsiveness. This business structure aligns with the markets and customers we serve through each of the segments. This structure also facilitates the continued standardization of business processes across the organization, and is consistent with the manner in which information is presently used internally by the Company’s chief operating decision maker to evaluate performance and make resource allocation decisions. The segment information for the prior year period been recast to conform to the current year presentation.

The Corporate category is not considered to be a segment and includes corporate-related items not allocated to the operating segments. Pension and other post-employment benefit ("OPEB") service cost (which represents the benefits earned by active employees during the period) and amortization of prior service cost or benefit are allocated to the reportable segments and Corporate, whereas the remaining components of pension and OPEB benefits cost or credit ("Non-operating pension and OPEB items") are included in Corporate. Segment data includes inter-segment transfers of raw materials at cost and allocations for certain corporate costs.

The Company's chief operating decision maker uses adjusted EBITDA (as defined below) to assess the ongoing performance of the Company's business segments and to allocate resources. The Company defines adjusted EBITDA as earnings before interest and financing expenses, income tax expenses, depreciation and amortization, as adjusted on a consistent basis for certain non-operating, non-recurring or unusual items in a balanced manner and on a segment basis. These non-operating, non-recurring or unusual items may include acquisition and integration related costs, gains or losses on sales of businesses, restructuring charges, facility divestiture charges, certain litigation and arbitration costs and charges, non-operating pension and OPEB items and other significant non-recurring items. In addition, management uses adjusted EBITDA for business and enterprise planning purposes and as a significant component in the calculation of performance-based compensation for management and other employees. The Company has reported adjusted EBITDA because management believes it provides additional useful measurements to review the Company's operations, provides transparency to investors and enables period-to-period comparability of financial performance. Adjusted EBITDA is a financial measure that is not required by, or presented in accordance with, U.S. GAAP. Adjusted EBITDA should not be considered as an alternative to Net (loss) income attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with U.S. GAAP, or any other financial measure reported in accordance with U.S. GAAP.

Segment information for the three-month and six-month periods ended June 30, 2023 and 2022 were as follows (in thousands). Prior period amounts have been recast to reflect the current segment structure.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Net sales:** | | | | |
| Energy Storage | $ 1,763,065 | $ 802,393 | $ 3,706,747 | $ 1,266,097 |
| Specialties | 371,302 | 466,875 | 790,080 | 913,022 |
| Ketjen | 235,823 | 210,325 | 453,615 | 428,202 |
| Total net sales | $ 2,370,190 | $ 1,479,593 | $ 4,950,442 | $ 2,607,321 |
| **Adjusted EBITDA:** | | | | |
| Energy Storage | $ 932,023 | $ 483,517 | $ 2,338,204 | $ 768,764 |
| Specialties | 60,200 | 147,374 | 222,358 | 299,976 |
| Ketjen | 42,882 | 9,792 | 57,425 | 26,702 |
| Total segment adjusted EBITDA | 1,035,105 | 640,683 | 2,617,987 | 1,095,442 |
| Corporate | (2,839) | (30,474) | 9,998 | (53,303) |
| Total adjusted EBITDA | $ 1,032,266 | $ 610,209 | $ 2,627,985 | $ 1,042,139 |
| **Depreciation and amortization:** | | | | |
| Energy Storage | $ 56,540 | $ 38,814 | $ 108,702 | $ 73,860 |
| Specialties | 21,299 | 16,910 | 41,191 | 33,063 |
| Ketjen | 13,084 | 13,175 | 26,227 | 26,096 |
| Corporate | 2,162 | 2,094 | 4,236 | 4,548 |
| Total depreciation and amortization | $ 93,085 | $ 70,993 | $ 180,356 | $ 137,567 |

**ALBEMARLE CORPORATION AND SUBSIDIARIES**
**Notes to the Condensed Consolidated Financial Statements**
**(Unaudited)**

See below for a reconciliation of total segment adjusted EBITDA to the companies consolidated Net income attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with U.S. GAAP (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Total segment adjusted EBITDA | $ 1,035,105 | $ 640,683 | $ 2,617,987 | $ 1,095,442 |
| Corporate expenses, net | (2,839) | (30,474) | 9,998 | (53,303) |
| Depreciation and amortization | (93,085) | (70,993) | (180,356) | (137,567) |
| Interest and financing expenses[a] | (25,577) | (41,409) | (52,354) | (69,243) |
| Income tax expense | (42,987) | (89,018) | (319,950) | (169,548) |
| Loss on sale of interest in properties, net[b] | — | — | — | (8,400) |
| Acquisition and integration related costs[c] | (6,502) | (5,375) | (11,610) | (7,099) |
| Non-operating pension and OPEB items | (612) | 5,038 | (1,213) | 10,318 |
| Mark-to-market gain on public equity securities[d] | 15,020 | — | 60,846 | — |
| Legal accrual[e] | (218,510) | — | (218,510) | — |
| Other[f] | (9,970) | (1,679) | (16,215) | (444) |
| Net income attributable to Albemarle Corporation | $ 650,043 | $ 406,773 | $ 1,888,623 | $ 660,156 |

(a) Included in Interest and financing expenses for the three and six months ended June 30, 2022 was a loss on early extinguishment of debt of $19.2 million following the May 2022 repayment of Senior Notes due in 2024. In addition, Interest and financing expenses for the six months ended June 30, 2022 is the correction of an out of period error of $17.5 million related to the overstatement of capitalized interest in prior periods.

(b) Expense recorded as a result of revised estimates of the obligation to construct certain lithium hydroxide conversion assets in Kemerton, Western Australia, due to cost overruns from supply chain, labor and COVID-19 pandemic related issues. The corresponding obligation was recorded in Accrued liabilities to be transferred to MRL, which maintains a 40% ownership interest in these Kemerton assets.

(c) Costs related to the acquisition, integration and potential divestitures for various significant projects, recorded in Selling, general and administrative expenses ("SG&A").

(d) Gain recorded in Other income, net for the three and six months ended June 30, 2023, resulting from the increase in fair value of investments in public equity securities.

(e) Accrual recorded in SG&A for the agreements in principle to resolve a previously disclosed legal matter with the DOJ, SEC and DPP. See Note 9, "Commitments and Contingencies," for further details.

(f) Included amounts for the three months ended June 30, 2023 recorded in:
- SG&A - $7.4 million of severance costs in the Ketjen business which are primarily expected to be paid out during 2023, $0.7 million of facility closure expenses related to offices in Germany and $0.6 million primarily related to shortfall contributions for a multiemployer plan financial improvement plan.
- Other income, net - $3.9 million of a loss resulting from the adjustment of indemnification related to previously disposed businesses, partially offset by a $2.7 million gain in the fair value of preferred equity of a Grace subsidiary.

Included amounts for the three months ended June 30, 2022 recorded in:
- Cost of goods sold - $0.5 million of expense related to the settlement of a legal matter resulting from a prior acquisition.
- SG&A - $1.1 million primarily related to facility closure expenses of offices in Germany.

Included amounts for the six months ended June 30, 2023 recorded in:
- SG&A - $7.4 million of severance costs in the Ketjen business which are primarily expected to be paid out during 2023, $1.9 million of charges primarily for environmental reserves at sites not part of our operations, $1.4 million of facility closure expenses related to offices in Germany and $0.6 million primarily related to shortfall contributions for a multiemployer plan financial improvement plan.
- Other income, net - $3.9 million of a loss resulting from the adjustment of indemnification related to previously disposed businesses and $3.6 million of charges for asset retirement obligations at a site not part of our operations, partially offset by a $2.7 million gain in the fair value of preferred equity of a Grace subsidiary.

Included amounts for the six months ended June 30, 2022 recorded in:
- Cost of goods sold - $0.5 million of expense related to the settlement of a legal matter resulting from a prior acquisition.
- SG&A - $4.3 million of gains from the sale of legacy properties not part of our operations, partially offset by $2.8 million of charges for environmental reserves at sites not part of our operations and $1.1 million of facility closure expenses related to offices in Germany.
- Other income, net - $0.6 million gain related to a settlement received from a legal matter in a prior period.

**NOTE 12—Pension Plans and Other Postretirement Benefits:**

The components of pension and postretirement benefits cost (credit) for the three-month and six-month periods ended June 30, 2023 and 2022 were as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Pension Benefits Cost (Credit):** | | | | |
| Service cost | $ 1,334 | $ 970 | $ 2,655 | $ 1,955 |
| Interest cost | 8,558 | 5,568 | 17,100 | 11,173 |
| Expected return on assets | (8,415) | (10,932) | (16,824) | (22,144) |
| Amortization of prior service benefit | 21 | 23 | 41 | 47 |
| Total net pension benefits cost (credit) | $ 1,498 | $ (4,371) | $ 2,972 | $ (8,969) |
| **Postretirement Benefits Cost:** | | | | |
| Service cost | $ 12 | $ 22 | $ 24 | $ 43 |
| Interest cost | 469 | 326 | 937 | 653 |
| Total net postretirement benefits cost | $ 481 | $ 348 | $ 961 | $ 696 |
| Total net pension and postretirement benefits cost (credit) | $ 1,979 | $ (4,023) | $ 3,933 | $ (8,273) |

All components of net benefit cost (credit), other than service cost, are included in Other income, net on the consolidated statements of income.

During the three-month and six-month periods ended June 30, 2023, the Company made contributions of $5.8 million and $8.6 million to its qualified and nonqualified pension plans, and the U.S. postretirement benefit plan. During the three-month and six-month periods ended June 30, 2022 the Company made contributions of $3.8 million and $7.7 million, respectively, to its qualified and nonqualified pension plans, and the U.S. postretirement benefit plan.

**NOTE 13—Fair Value of Financial Instruments:**

In assessing the fair value of financial instruments, we use methods and assumptions that are based on market conditions and other risk factors existing at the time of assessment. Fair value information for our financial instruments is as follows:

Long-Term Debt—the fair values of our notes are estimated using Level 1 inputs and account for the difference between the recorded amount and fair value of our long-term debt. The carrying value of our remaining long-term debt reported in the accompanying consolidated balance sheets approximates fair value as substantially all of such debt bears interest based on prevailing variable market rates currently available in the countries in which we have borrowings.

| | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Recorded Amount | Fair Value | Recorded Amount | Fair Value |
| | (In thousands) | | | |
| Long-term debt | $ 3,536,838 | $ 3,331,991 | $ 3,239,853 | $ 2,993,027 |

Foreign Currency Forward Contracts—during the fourth quarter of 2019, we entered into a foreign currency forward contract to hedge the cash flow exposure of non-functional currency purchases during the construction of the Kemerton plant in Australia. This derivative financial instrument is used to manage risk and is not used for trading or other speculative purposes. This foreign currency forward contract has been designated as a hedging instrument under ASC 815, *Derivatives and Hedging*. We had outstanding designated foreign currency forward contracts with notional values totaling the equivalent of $1.1 billion and $64.5 million at June 30, 2023 and December 31, 2022, respectively.

We also enter into foreign currency forward contracts in connection with our risk management strategies that have not been designated as hedging instruments under ASC 815, *Derivatives and Hedging*, in an attempt to minimize the financial impact of changes in foreign currency exchange rates. These derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes. The fair values of our non-designated foreign currency forward contracts are estimated based on current settlement values. At June 30, 2023 and December 31, 2022, we had outstanding non-designated foreign currency forward contracts with notional values totaling $6.7 billion and $2.8 billion, respectively, hedging our exposure to various currencies including the Chinese Renminbi, Euro, Australian Dollar, Chilean Peso and Japanese Yen.

The following table summarizes the fair value of our foreign currency forward contracts included in the consolidated balance sheets as of June 30, 2023 and December 31, 2022 (in thousands):

| | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| **Designated as hedging instruments** | | | | |
| Other current assets | $ 281 | $ — | $ — | $ — |
| Other assets | 888 | — | — | — |
| Accrued expenses | — | 31 | — | 3,159 |
| Other noncurrent liabilities | — | 94 | — | — |
| Total designated as hedging instruments | 1,169 | 125 | — | 3,159 |
| **Not designated as hedging instruments** | | | | |
| Other current assets | 25,383 | — | 6,016 | — |
| Accrued expenses | — | 257 | — | 85 |
| Total not designated as hedging instruments | 25,383 | 257 | 6,016 | 85 |
| Total | $ 26,552 | $ 382 | $ 6,016 | $ 3,244 |

The following table summarizes the net gains (losses) recognized for our foreign currency forward contracts during the three-month and six-month periods ended June 30, 2023 and 2022 (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Designated as hedging instruments** | | | | |
| Income (loss) recognized in Other comprehensive income | $ 1,026 | $ (2,508) | $ 2,127 | $ 1,509 |
| **Not designated as hedging instruments** | | | | |
| Income (loss) recognized in Other income, net[(a)] | $ 208,174 | $ (23,298) | $ 243,407 | $ (27,270) |

(a) Fluctuations in the value of our foreign currency forward contracts not designated as hedging instruments are generally expected to be offset by changes in the value of the underlying exposures being hedged, which are also reported in Other income, net.

In addition, for the six-month periods ended June 30, 2023 and 2022, we recorded net cash receipts of $224.2 million and $19.8 million, respectively, in Other, net, in our condensed consolidated statements of cash flows.

Unrealized gains and losses related to the cash flow hedges will be reclassified to earnings over the life of the related assets when settled and the related assets are placed into service.

The counterparties to our foreign currency forward contracts are major financial institutions with which we generally have other financial relationships. We are exposed to credit loss in the event of nonperformance by these counterparties. However, we do not anticipate nonperformance by the counterparties.

**NOTE 14—Fair Value Measurement:**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The inputs used to measure fair value are classified into the following hierarchy:

| | |
|---|---|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities |
| Level 2 | Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability |
| Level 3 | Unobservable inputs for the asset or liability |

We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables set forth our financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2023 and December 31, 2022 (in thousands):

| | June 30, 2023 | Quoted Prices in Active Markets for Identical Items (Level 1) | Quoted Prices in Active Markets for Similar Items (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets: | | | | |
| Available for sale debt securities[(a)] | $ 272,700 | $ — | $ — | $ 272,700 |
| Investments under executive deferred compensation plan[(b)] | $ 29,933 | $ 29,933 | $ — | $ — |
| Public equity securities[(c)] | $ 194,724 | $ 194,724 | $ — | $ — |
| Private equity securities measured at net asset value[(d)(e)] | $ 6,390 | $ — | $ — | $ — |
| Foreign currency forward contracts[(f)] | $ 26,552 | $ — | $ 26,552 | $ — |
| | | | | |
| Liabilities: | | | | |
| Obligations under executive deferred compensation plan[(b)] | $ 29,933 | $ 29,933 | $ — | $ — |
| Foreign currency forward contracts[(f)] | $ 382 | $ — | $ 382 | $ — |

| | December 31, 2022 | Quoted Prices in Active Markets for Identical Items (Level 1) | Quoted Prices in Active Markets for Similar Items (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets: | | | | |
| Available for sale debt securities[(a)] | $ 260,139 | $ — | $ — | $ 260,139 |
| Investments under executive deferred compensation plan[(b)] | $ 27,270 | $ 27,270 | $ — | $ — |
| Public equity securities[(c)] | $ 5,890 | $ 5,890 | $ — | $ — |
| Private equity securities measured at net asset value[(d)(e)] | $ 6,375 | $ — | $ — | $ — |
| Foreign currency forward contracts[(f)] | $ 6,016 | $ — | $ 6,016 | $ — |
| | | | | |
| Liabilities: | | | | |
| Obligations under executive deferred compensation plan[(b)] | $ 27,270 | $ 27,270 | $ — | $ — |
| Foreign currency forward contracts[(f)] | $ 3,244 | $ — | $ 3,244 | $ — |

(a) Preferred equity of a Grace subsidiary acquired as a portion of the proceeds of the FCS sale on June 1, 2021. A third-party estimate of the fair value was prepared using expected future cash flows over the period up to when the asset is likely to be redeemed, applying a discount rate that appropriately captures a market participant's view of the risk associated with the investment. These are considered to be Level 3 inputs.

(b) We maintain an Executive Deferred Compensation Plan ("EDCP") that was adopted in 2001 and subsequently amended. The purpose of the EDCP is to provide current tax planning opportunities as well as supplemental funds upon the retirement or death of certain of our employees. The EDCP is intended to aid in attracting and retaining employees of exceptional ability by providing them with these benefits. We also maintain a Benefit Protection Trust (the "Trust") that was created to provide a source of funds to assist in meeting the obligations of the EDCP, subject to the claims of our creditors in the event of our insolvency. Assets of the Trust are consolidated in accordance with authoritative guidance. The assets of the Trust consist primarily of mutual fund investments (which are accounted for as trading securities and are marked-to-market on a monthly basis through the consolidated statements of income) and cash and cash equivalents. As such, these assets and obligations are classified within Level 1.

(c) Holdings in equity securities of public companies reported in Investments in the consolidated balance sheets. The fair value is measured using publicly available share prices of the investments, with any changes reported in Other income, net in our consolidated statements of income. During the six-month period ended June 30, 2023, the Company purchased approximately $121.9 million of shares in a publicly-traded company. In addition, the Company recorded a mark-to-market gain of $15.0 million and $60.8 million on all public equity securities during the three- and six-month periods ended June 30, 2023 in Other income, net.

(d) Primarily consists of private equity securities reported in Investments in the consolidated balance sheets. The changes in fair value are reported in Other income, net in our consolidated statements of income.

(e) Holdings in certain private equity securities are measured at fair value using the net asset value per share (or its equivalent) practical expedient and have not been categorized in the fair value hierarchy.

(f) As a result of our global operating and financing activities, we are exposed to market risks from changes in foreign currency exchange rates which may adversely affect our operating results and financial position. When deemed appropriate, we minimize our risks from foreign currency exchange rate fluctuations through the use of foreign currency forward contracts. The foreign currency forward contracts are valued using broker quotations or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are classified within Level 2. See Note 13, "Fair Value of Financial Instruments," for further details about our foreign currency forward contracts.

The following tables set forth the reconciliation of the beginning and ending balance for the Level 3 recurring fair value measurements (in thousands):

| | Available for Sale Debt Securities |
|---|---|
| Beginning balance at December 31, 2022 | $ 260,139 |
| Fair value adjustment | 7,255 |
| Accretion of discount | 5,306 |
| Ending balance at June 30, 2023 | $ 272,700 |

**NOTE 15—Accumulated Other Comprehensive (Loss) Income:**

The components and activity in Accumulated other comprehensive (loss) income (net of deferred income taxes) consisted of the following during the periods indicated below (in thousands):

| | Foreign Currency Translation and Other | Cash Flow Hedge[(a)] | Interest Rate Swap[(b)] | Total |
|---|---|---|---|---|
| **Three months ended June 30, 2023** | | | | |
| Balance at March 31, 2023 | $ (516,662) | $ 3,325 | $ — | $ (513,337) |
| Other comprehensive (loss) income before reclassifications | (5,652) | 1,026 | — | (4,626) |
| Amounts reclassified from accumulated other comprehensive loss | 17 | — | — | 17 |
| Other comprehensive (loss) income, net of tax | (5,635) | 1,026 | — | (4,609) |
| Other comprehensive income attributable to noncontrolling interests | — | — | — | — |
| Balance at June 30, 2023 | $ (522,297) | $ 4,351 | $ — | $ (517,946) |
| **Three months ended June 30, 2022** | | | | |
| Balance at March 31, 2022 | $ (397,510) | $ 10,640 | $ (6,749) | $ (393,619) |
| Other comprehensive loss before reclassifications | (117,840) | (2,509) | — | (120,349) |
| Amounts reclassified from accumulated other comprehensive loss | 19 | — | 6,749 | 6,768 |
| Other comprehensive (loss) income, net of tax | (117,821) | (2,509) | 6,749 | (113,581) |
| Other comprehensive loss attributable to noncontrolling interests | 62 | — | — | 62 |
| Balance at June 30, 2022 | $ (515,269) | $ 8,131 | $ — | $ (507,138) |
| **Six months ended June 30, 2023** | | | | |
| Balance at December 31, 2022 | $ (562,886) | $ 2,224 | $ — | $ (560,662) |
| Other comprehensive income before reclassifications | 40,548 | 2,127 | — | 42,675 |
| Amounts reclassified from accumulated other comprehensive loss | 33 | — | — | 33 |
| Other comprehensive income, net of tax | 40,581 | 2,127 | — | 42,708 |
| Other comprehensive income attributable to noncontrolling interests | 8 | — | — | 8 |
| Balance at June 30, 2023 | $ (522,297) | $ 4,351 | $ — | $ (517,946) |
| **Six months ended June 30, 2022** | | | | |
| Balance at December 31, 2021 | $ (391,674) | $ 6,623 | $ (7,399) | $ (392,450) |
| Other comprehensive (loss) income before reclassifications | (123,749) | 1,508 | — | (122,241) |
| Amounts reclassified from accumulated other comprehensive loss | 39 | — | 7,399 | 7,438 |
| Other comprehensive (loss) income, net of tax | (123,710) | 1,508 | 7,399 | (114,803) |
| Other comprehensive income attributable to noncontrolling interests | 115 | — | — | 115 |
| Balance at June 30, 2022 | $ (515,269) | $ 8,131 | $ — | $ (507,138) |

(a) We entered into a foreign currency forward contract, which was designated and accounted for as a cash flow hedge under ASC 815, *Derivatives and Hedging*. See Note 14, “Fair Value of Financial Instruments,” for additional information.
(b) The pre-tax portion of amounts reclassified from accumulated other comprehensive loss is included in interest expense. The balance of this interest rate swap was being amortized to Interest and financing expenses over the life of the 4.15% senior notes originally due in 2024. In the second quarter of 2022, the Company repaid these notes, and as a result, reclassified the remaining balance of this interest rate swap to interest expense during the same period as part of an early extinguishment of debt.

The amount of income tax expense allocated to each component of Other comprehensive income (loss) for the three-month and six-month periods ended June 30, 2023 and 2022 is provided in the following tables (in thousands):

| | Foreign Currency Translation and Other | Cash Flow Hedge | Interest Rate Swap | Total |
|---|---|---|---|---|
| **Three months ended June 30, 2023** | | | | |
| Other comprehensive (loss) income, before tax | $ (5,631) | $ 1,026 | $ — | $ (4,605) |
| Income tax expense | (4) | — | — | (4) |
| Other comprehensive (loss) income, net of tax | $ (5,635) | $ 1,026 | $ — | $ (4,609) |
| **Three months ended June 30, 2022** | | | | |
| Other comprehensive (loss) income, before tax | $ (118,431) | $ (2,509) | $ 8,905 | $ (112,035) |
| Income tax benefit | 610 | — | (2,156) | (1,546) |
| Other comprehensive (loss) income, net of tax | $ (117,821) | $ (2,509) | $ 6,749 | $ (113,581) |
| **Six months ended June 30, 2023** | | | | |
| Other comprehensive income, before tax | $ 40,347 | $ 2,127 | $ — | $ 42,474 |
| Income tax benefit | 234 | — | — | 234 |
| Other comprehensive income, net of tax | $ 40,581 | $ 2,127 | $ — | $ 42,708 |
| **Six months ended June 30, 2022** | | | | |
| Other comprehensive (loss) income, before tax | $ (124,889) | $ 1,508 | $ 9,739 | $ (113,642) |
| Income tax benefit (expense) | 1,179 | — | (2,340) | (1,161) |
| Other comprehensive (loss) income, net of tax | $ (123,710) | $ 1,508 | $ 7,399 | $ (114,803) |

**NOTE 16—Related Party Transactions:**

Our consolidated statements of income include sales to and purchases from unconsolidated affiliates in the ordinary course of business as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Sales to unconsolidated affiliates | $ 3,673 | $ 7,214 | $ 10,773 | $ 14,869 |
| Purchases from unconsolidated affiliates[(a)(b)] | $ 1,114,944 | $ 314,886 | $ 2,187,488 | $ 531,440 |

(a) Purchases from unconsolidated affiliates primarily relate to spodumene purchased from the Company's Windfield joint venture.
(b) Cost of goods sold on the consolidated statements of income included purchases from related unconsolidated affiliates of $421.0 million and $97.6 million during the three-month periods ended June 30, 2023 and 2022, respectively, and $774.2 million and $158.6 million for the six-month periods ended June 30, 2023 and 2022, respectively.

Our consolidated balance sheets include accounts receivable due from and payable to unconsolidated affiliates in the ordinary course of business as follows (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Receivables from unconsolidated affiliates | $ 14,724 | $ 21,495 |
| Payables to unconsolidated affiliates[(a)] | $ 1,092,398 | $ 518,377 |

(a) Payables to unconsolidated affiliates primarily relate spodumene purchased from the Company's Windfield joint venture under normal payment terms.

**NOTE 17—Supplemental Cash Flow Information:**

Supplemental information related to the condensed consolidated statements of cash flows is as follows (in thousands):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Supplemental non-cash disclosure related to investing and financing activities: | | |
| Capital expenditures included in Accounts payable | $ 408,998 | $ 222,533 |
| Promissory note issued for capital expenditures[(a)] | $ — | $ 10,876 |

(a) During 2022, the Company issued a promissory note with a present value of $10.9 million for land purchased in Kings Mountain, NC. The promissory note is payable in equal annual installments from the years 2027 to 2048.

As part of the purchase price paid for the acquisition of a 60% interest in the MRL Wodgina Project, the Company transferred $11.6 million and $96.3 million of its construction in progress of the designated Kemerton assets during the six months ended June 30, 2023 and 2022, respectively, representing MRL's 40% interest in the assets. The cash outflow for these assets was recorded in Capital expenditures within Cash flows from investing activities on the condensed consolidated statements of cash flows. The non-cash transfer of these assets is recorded in Non-cash transfer of 40% value of construction in progress of the Kemerton plant to MRL within Cash flows from operating activities on the consolidated statements of cash flows.

Other, net within Cash flows from operating activities on the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2023 and 2022 included $64.4 million and $42.5 million, respectively, representing the reclassification of the current portion of the one-time transition tax resulting from the enactment of the U.S. Tax Cuts and Jobs Act, from Other noncurrent liabilities to Income taxes payable within current liabilities.

**NOTE 18—Recently Issued Accounting Pronouncements:**

In March 2020, the Financial Accounting Standards Board ("FASB") issued accounting guidance that provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The guidance applies only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. In January 2021, the FASB issued additional accounting guidance which clarifies that certain optional expedients and exceptions apply to derivatives that are affected by the discounting transition. The guidance under both FASB issuances was originally effective March 12, 2020 through December 31, 2022. However, in December 2022, the FASB issued an update to defer the sunset date of this guidance to December 31, 2024. The Company currently does not expect this guidance to have a significant impact on its consolidated financial statements.

In October 2021, the FASB issued guidance on how to recognize and measure acquired contract assets and liabilities from revenue contracts in a business combination, which requires the acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contracts with Customers* as if it had originated the contracts. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2022, including interim periods within those annual periods. This guidance does not currently, nor is it expected to, have a significant impact on its consolidated financial statements.

In March 2022, the FASB issued accounting guidance that expands the Company's abilities to hedge the benchmark interest rate risk of portfolios of financial assets or beneficial interests in a fair value hedge. This guidance expands the use of the portfolio layer method to allow multiple hedges of a single closed portfolio of assets using spot starting, forward starting, and amortizing-notional swaps. This also permits both prepayable and non prepayable financial assets to be included in the closed portfolio of assets hedged in a portfolio layer hedge. In addition, this guidance requires that basis adjustments not be allocated to individual assets for active portfolio layer method hedges, but rather be maintained on the closed portfolio of assets as a whole. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2022, including interim periods within those annual periods. This guidance does not currently, nor is it expected to, have a significant impact on its consolidated financial statements.

In March 2023, the FASB issued guidance which requires the Company to amortize leasehold improvements associated with common control leases over the asset's useful life to the common control group regardless of the lease term. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2023, including interim periods within those annual periods. The Company currently does not expect this guidance to have a significant impact on its consolidated financial statements.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

***Forward-looking Statements***

Some of the information presented in this Quarterly Report on Form 10-Q, including the documents incorporated by reference herein, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on our current expectations, which are in turn based on assumptions that we believe are reasonable based on our current knowledge of our business and operations. We have used words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "would," "will" and variations of such words and similar expressions to identify such forward-looking statements.

These forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control. There can be no assurance that our actual results will not differ materially from the results and expectations expressed or implied in the forward-looking statements. Factors that could cause actual results to differ materially from the outlook expressed or implied in any forward-looking statement include, without limitation, information related to:

- changes in economic and business conditions;
- product development;
- 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;
- fluctuations in lithium market pricing, which could impact our revenues and profitability particularly due to our increased exposure to index-referenced and variable-priced contracts for battery grade lithium sales;
- inflationary trends in our input costs, such as raw materials, transportation and energy, and their effects on our business and financial results;
- changes with respect to contract renegotiations;
- potential production volume shortfalls;
- 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;
- technological change and development;
- 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 (including with respect to the U.S. Foreign Corrupt Practices Act and foreign anti-corruption laws);
- the occurrence of cyber-security breaches, terrorist attacks, industrial accidents or natural disasters;
- the effects of climate change, including any regulatory changes to which we might be subject;
- hazards associated with chemicals manufacturing;
- the inability to maintain current levels of insurance, including 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 or interpretation;
- 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;
- future acquisition and divestiture transactions, including the ability to successfully execute, operate and integrate acquisitions and divestitures and incurring additional indebtedness;
- expected benefits from proposed transactions;
- timing of active and proposed projects;
- impact of any future pandemics;
- impacts of the military conflict between Russia and Ukraine and the global response to it;
- performance of our partners in joint ventures and other projects;
- changes in credit ratings;
- the inability to realize the benefits of our decision to retain our Ketjen business as a wholly-owned subsidiary and to realign our Lithium and Bromine global business units into a new corporate structure, including Energy Storage and Specialties business units; and
- the other factors detailed from time to time in the reports we file with the Securities and Exchange Commission ("SEC").

These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. 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. The following discussion should be read together with our condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q.

The following is a discussion and analysis of our results of operations for the three-month and six-month periods ended June 30, 2023 and 2022. A discussion of our consolidated financial condition and sources of additional capital is included under a separate heading "Financial Condition and Liquidity."

***Overview***

We are a leading global developer, manufacturer and marketer of highly-engineered specialty chemicals that are designed to meet our customers' needs across a diverse range of end markets. Our corporate purpose is making the world safe and sustainable by powering the potential of people. The end markets we serve include energy storage, petroleum refining, consumer electronics, construction, automotive, lubricants, pharmaceuticals and crop protection. We believe that our commercial and geographic diversity, technical expertise, access to high-quality resources, innovative capability, flexible, low-cost global manufacturing base, experienced management team and strategic focus on our core base technologies will enable us to maintain leading positions in those areas of the specialty chemicals industry in which we operate.

Secular trends favorably impacting demand within the end markets that we serve combined with our diverse product portfolio, broad geographic presence and customer-focused solutions will continue to be key drivers of our future earnings growth. We continue to build upon our existing green solutions portfolio and our ongoing mission to provide innovative, yet commercially viable, clean energy products and services to the marketplace to contribute to our sustainable revenue. For example, our Energy Storage business contributes to the growth of clean miles driven with electric vehicles and more efficient use of renewable energy through grid storage; Specialties enables the prevention of fires starting in electronic equipment, greater fuel efficiency from rubber tires and the reduction of emissions from coal fired power plants; and the Ketjen business creates efficiency of natural resources through more usable products from a single barrel of oil, enables safer, greener production of alkylates used to produce more environmentally-friendly fuels, and reduced emissions through cleaner transportation fuels. We believe our disciplined cost reduction efforts and ongoing productivity improvements, among other factors, position us well to take advantage of strengthening economic conditions as they occur, while softening the negative impact of the current challenging global economic environment.

***Second Quarter 2023***

During the second quarter of 2023:

- Our board of directors declared a quarterly dividend of $0.40 per share on May 2, 2023, which was paid on July 3, 2023 to shareholders of record at the close of business as of June 16, 2023.
- We entered into a definitive agreement with Ford Motor Company to deliver battery-grade lithium hydroxide to support the automaker's ability to scale electric vehicle ("EV") production. Albemarle will supply more than 100,000 metric tons of battery-grade lithium hydroxide for approximately three million future Ford EV batteries. The five-year supply agreement starts in 2026 and continues through 2030.

- Our net sales for the quarter were $2.4 billion, an increase of 60% compared to net sales of $1.5 billion in the second quarter of 2022.
- Diluted earnings per share was $5.52, compared to $3.46 in the second quarter of 2022.

***Outlook***

The current global business environment presents a diverse set of opportunities and challenges in the markets we serve. In particular, the market for lithium battery and energy storage, particularly for EVs, remains strong, providing the opportunity to continue to develop high quality and innovative products while managing the high cost of expanding capacity. The other markets we serve continue to present various opportunities for value and growth as we have positioned ourselves to manage the impact on our business of changing global conditions, such as slow and uneven global growth, currency exchange volatility, crude oil price fluctuation, a dynamic pricing environment, an ever-changing landscape in electronics, the continuous need for cutting edge catalysts and technology by our refinery customers and increasingly stringent environmental standards. Amidst these dynamics, we believe our business fundamentals are sound and that we are strategically well-positioned as we remain focused on increasing sales volumes, optimizing and improving the value of our portfolio primarily through pricing and product development, managing costs and delivering value to our customers and shareholders. We believe that our businesses remain well-positioned to capitalize on new business opportunities and long-term trends driving growth within our end markets and to respond quickly to changes in economic conditions in these markets.

Beginning in the first quarter of 2023, the chief operating decision maker began evaluating performance, forecasting and making resource allocation decisions based on our previously announced realignment of the Lithium and Bromine global business units. The new corporate structure was designed to better meet customer needs and foster talent required to deliver in a competitive global environment. The realignment resulted in the following three reportable segments: (1) Energy Storage; (2) Specialties; and (3) Ketjen.

**Energy Storage:** We expect Energy Storage results to increase year-over-year in 2023, mainly due to increased pricing as well as higher sales volume. The increased market pricing reflects tight market conditions, primarily in battery- and tech-grade carbonate and hydroxide, as well as renegotiations of certain of our long-term agreements. Some of our renegotiated contracts include higher prices on existing long-term agreements that are more reflective of current market conditions. In other cases, we have moved from previous fixed-price, long-term agreements towards index-referenced and variable-priced contracts. As a result, our Energy Storage business is more aligned with changes in market and index pricing than it has been in the past. Lithium pricing continues to fluctuate during 2023, and any decrease could negatively impact results during the remainder of the year. While we expect these prices to remain strong throughout the year, a material decline in these market prices would have a negative impact on our outlook. The increased sales volume is primarily expected from new capacity coming on line from La Negra, Chile, Kemerton, Western Australia, and Qinzhou, China, as well as additional tolling volume supported by increased spodumene production out of Australia. While we ramp up our new capacity, we will continue to utilize tolling arrangements to meet growing customer demand. EV sales are expected to continue to increase over the prior year as the lithium battery market remains strong.

In 2022, we announced agreements for a strategic investment in China with plans to build a battery grade lithium conversion plant in Meishan initially targeting 50,000 metric tons of LCE per year. Construction of the Meishan facility is currently underway and is expected to be completed in 2024. In addition, we announced a restructure of agreements for the MARBL joint venture in Australia. The restructured agreements will, among other things, increase our interest in the first two conversion trains of the Kemerton processing plant from 60% to 100% in exchange for 10% of our ownership interest in the Wodgina Lithium Mine Project and cash. Following the transaction, we will maintain a 50% ownership interest in the Wodgina Lithium Mine Project. This agreement restructuring will be completed in phases and is subject to regulatory approval.

On a longer-term basis, we believe that demand for lithium will continue to grow as new lithium applications advance and the use of plug-in hybrid electric vehicles and full battery electric vehicles increases. This demand for lithium is supported by a favorable backdrop of steadily declining lithium-ion battery costs, increasing battery performance, continuing significant investments in the battery and EV supply chain by cathode and battery producers and automotive OEMs and favorable global public policy toward e-mobility/renewable energy usage. Our outlook is also bolstered by long-term supply agreements with key strategic customers, reflecting our standing as a preferred global lithium partner, highlighted by our scale, access to geographically diverse, low-cost resources and long-term track record of reliability of supply and operating execution.

**Specialties:** We expect both net sales and profitability to be lower in 2023 due to reduced customer demand in certain markets. We expect volume recovery in the fourth quarter, but at a slower rate than expected earlier in the year. We have taken measures to reduce the negative impact of lower demand throughout the year. One anticipated contributor to future growth is the December 2022 launch of MercLok, a groundbreaking new bromine-based product that sequesters elemental and ionic mercury in the environment.

On a longer-term basis, we continue to believe that improving global standards of living, widespread digitization, increasing demand for data management capacity and the potential for increasingly stringent fire safety regulations in developing markets are likely to drive continued demand for fire safety, bromine and lithium specialties products. We are focused on profitably growing our globally competitive production networks to serve all major bromine and lithium specialties consuming products and markets. The combination of our solid, long-term business fundamentals, strong cost position, product innovations and effective management of raw material costs should enable us to manage our business through end-market challenges and to capitalize on opportunities that are expected with favorable market trends in select end markets.

**Ketjen:** Total Ketjen results in 2023 are expected to increase year-over-year due to higher pricing, while raw material and energy costs have stabilized, which is expected to continue for the remainder of 2023. In addition, volume is expected to grow across each of the Ketjen businesses. The fluidized catalytic cracking (“FCC”) market has recovered from the COVID-19 pandemic as a result of increased travel and depletion of global gasoline inventories. Hydroprocessing catalysts (“HPC”) demand tends to be lumpier than FCC demand, but we have seen increased demand as refineries are taking turnarounds. Additionally, we have signed an agreement to supply unique technologies to new markets, such as the hydrotreated vegetable oil market, which supports the energy transition for sustainable fuels and supports our business growth. Our decision to retain this business as a separate, wholly-owned subsidiary is intended to better meet customer needs and foster talent required to deliver in a competitive global environment.

On a longer-term basis, we believe increased global demand for transportation fuels, new refinery start-ups and ongoing adoption of cleaner fuels will be the primary drivers of growth in our Ketjen business. We believe delivering superior end-use performance continues to be the most effective way to create sustainable value in the refinery catalysts industry. We also believe our technologies continue to provide significant performance and financial benefits to refiners challenged to meet tighter regulations around the world, including those managing new contaminants present in North America tight oil, and those in the Middle East and Asia seeking to use heavier feedstock while pushing for higher propylene yields. Longer-term, we believe that the global crude supply will get heavier and more sour, a trend that bodes well for our catalysts portfolio. With superior technology and production capacities, and expected growth in end market demand, we believe that Ketjen remains well-positioned for the future. In performance catalyst solutions (“PCS”), we expect growth on a longer-term basis in our organometallics business due to growing global demand for plastics driven by rising standards of living and infrastructure spending.

**Corporate:** In the first quarter of 2023, we increased our quarterly dividend rate to $0.40 per share. We continue to focus on cash generation, working capital management and process efficiencies. We expect our global effective tax rate will vary based on the locales in which income is actually earned and remains subject to potential volatility from changing legislation in the United States, such as the Inflation Reduction Act and the CHIPS and Science Act of 2022, and other tax jurisdictions.

We remain committed to evaluating the merits of any opportunities that may arise for acquisitions or other business development activities that will complement our business footprint. Additional information regarding our products, markets and financial performance is provided at our website, *www.albemarle.com*. Our website is not a part of this document nor is it incorporated herein by reference.

***Results of Operations***

The following data and discussion provides an analysis of certain significant factors affecting our results of operations during the periods included in the accompanying consolidated statements of income.

*Second Quarter 2023 Compared to Second Quarter 2022*

***Net Sales***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 2,370,190 | $ 1,479,593 | $ 890,597 | 60 % |

- $700.4 million increase attributable to increased pricing primarily from our Energy Storage and Ketjen businesses
- $224.3 million increase attributable to higher sales volume primarily in Energy Storage and Ketjen, partially offset by lower sales volume in Specialties
- $33.9 million of unfavorable currency translation resulting from the stronger U.S. Dollar against various currencies

***Gross Profit***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Gross profit | $ 558,487 | $ 580,424 | $ (21,937) | (4)% |
| Gross profit margin | 23.6 % | 39.2 % | | |

- Favorable pricing impacts and higher sales volume in Energy Storage and Ketjen
- Higher costs recorded in the current period from sales of lithium resulting from the higher priced spodumene used during the lithium conversion process
- Increased utility and material costs in Energy Storage and Specialties
- Increased commission expenses in Chile resulting from the higher pricing in Lithium
- Unfavorable currency exchange impacts resulting from the stronger U.S. Dollar against various currencies

***Selling, General and Administrative ("SG&A") Expenses***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Selling, general and administrative expenses | $ 397,070 | $ 128,942 | $ 268,128 | 208 % |
| Percentage of Net sales | 16.8 % | 8.7 % | | |

- $218.5 million legal accrual recorded for the agreements in principle to resolve a previously disclosed legal matter with the U.S. Department of Justice ("DOJ"), SEC and Dutch Public Prosecutor ("DPP"). See Note 9, "Commitments and Contingencies," for further details
- Higher compensation expenses across all businesses and Corporate
- Partially offset by productivity improvements and a reduction in administrative costs

***Research and Development Expenses***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Research and development expenses | $ 21,419 | $ 17,386 | $ 4,033 | 23 % |
| Percentage of Net sales | 0.9 % | 1.2 % | | |

***Interest and Financing Expenses***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Interest and financing expenses | $ (25,577) | $ (41,409) | $ 15,832 | (38)% |

- 2022 included an expense of $17.5 million related to the early extinguishment of debt
- Increased debt balance in 2023 compared to 2022

***Other Income, Net***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Other income, net | $ 53,954 | $ 8,767 | $ 45,187 | 515 % |

- $22.5 million increase attributable to foreign exchange impacts from gains recorded in 2023
- 2023 included a $15.0 million net gain related to the fair value adjustment of equity securities in public companies
- $15.6 million increase attributable to interest income from higher cash balances in 2023
- Partially offset by a $5.6 million increase in expense related to non-operating pension and OPEB items

***Income Tax Expense***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Income tax expense | $ 42,987 | $ 89,018 | $ (46,031) | (52)% |
| Effective income tax rate | 25.5 % | 22.2 % | | |

- 2023 included tax impact of a non-deductible $218.5 million legal accrual recorded for the agreements in principle to resolve a previously disclosed legal matter with the DOJ, SEC and DPP
- 2023 included a tax reserve related to an uncertain tax position in Chile
- 2022 included a benefit from global intangible low-taxed income associated with a payment made in 2022 to settle a legacy legal matter
- Change in geographic mix of earnings

***Equity in Net Income of Unconsolidated Investments***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Equity in net income of unconsolidated investments | $ 551,051 | $ 128,156 | $ 422,895 | 330 % |

- Increased earnings from strong pricing and volume increases from the Windfield Holdings Pty Ltd (“Talison”) joint venture

***Net Income Attributable to Noncontrolling Interests***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net income attributable to noncontrolling interests | $ (26,396) | $ (33,819) | $ 7,423 | (22)% |

- Decrease in consolidated income related to our Jordan Bromine Company Limited (“JBC”) joint venture primarily due to lower volume

***Net Income Attributable to Albemarle Corporation***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net income attributable to Albemarle Corporation | $ 650,043 | $ 406,773 | $ 243,270 | 60 % |
| Percentage of Net sales | 27.4 % | 27.5 % | | |
| Basic earnings per share | $ 5.54 | $ 3.47 | $ 2.07 | 60 % |
| Diluted earnings per share | $ 5.52 | $ 3.46 | $ 2.06 | 60 % |

- Favorable pricing impacts and higher sales volume in Energy Storage and Ketjen
- Increased earnings from Talison joint venture
- $15.0 million net gain related to the fair value adjustment of equity securities in public companies
- Higher costs recorded in the current period from sales of lithium resulting from the higher priced spodumene used during the lithium conversion process
- $218.5 million legal accrual recorded for the agreements in principle to resolve a previously disclosed legal matter with the DOJ, SEC and DPP. See Note 9, “Commitments and Contingencies,” for further details
- Productivity improvements and a reduction in administrative costs
- Increased commission expenses in Chile resulting from the higher pricing in Lithium
- Increased utility and material costs in each of our businesses
- Increased SG&A expenses, primarily related to increased compensation expense

***Other Comprehensive (Loss) Income, Net of Tax***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Other comprehensive (loss) income, net of tax | $ (4,609) | $ (113,581) | $ 108,972 | (96)% |
| ▪ Foreign currency translation and other | $ (5,635) | $ (117,821) | $ 112,186 | (95)% |

- 2023 included unfavorable movements in the Chinese Renminbi of approximately $18 million and the Japanese Yen of approximately $11 million, partially offset by favorable movements in the Euro of approximately $16 million, the Brazilian Real of approximately $4 million and a net favorable variance in various other currencies of $3 million
- 2022 included unfavorable movements in the Euro of approximately $69 million, the Chinese Renminbi of approximately $31 million, the Japanese Yen of approximately $8 million, the Brazilian Real of approximately $4 million and a net unfavorable variance in various other currencies of $9 million

| | | | | |
|---|---|---|---|---|
| ▪ Cash flow hedge | $ 1,026 | $ (2,509) | $ 3,535 | (141)% |
| ▪ Interest rate swap | $ — | $ 6,749 | $ (6,749) | (100)% |

***Segment Information Overview.*** We have identified three reportable segments according to the nature and economic characteristics of our products as well as the manner in which the information is used internally by the Company’s chief operating decision maker to evaluate performance and make resource allocation decisions. Effective January 1, 2023 our reportable business segments consisted of: (1) Energy Storage, (2) Specialties and (3) Ketjen.

The Corporate category is not considered to be a segment and includes corporate-related items not allocated to the operating segments. Pension and OPEB service cost (which represents the benefits earned by active employees during the period) and amortization of prior service cost or benefit are allocated to the reportable segments, All Other, and Corporate, whereas the remaining components of pension and OPEB benefits cost or credit (“Non-operating pension and OPEB items”) are included in Corporate. Segment data includes intersegment transfers of raw materials at cost and allocations for certain corporate costs.

Our chief operating decision maker uses adjusted EBITDA (as defined below) to assess the ongoing performance of the Company's business segments and to allocate resources. We define adjusted EBITDA as earnings before interest and financing expenses, income tax expense, depreciation and amortization, as adjusted on a consistent basis for certain non-operating, non-recurring or unusual items in a balanced manner and on a segment basis. These non-operating, non-recurring or unusual items may include acquisition and integration-related costs, gains or losses on sales of businesses, restructuring charges, facility divestiture charges, certain litigation and arbitration costs and charges, non-operating pension and OPEB items and other significant non-recurring items. In addition, management uses adjusted EBITDA for business planning purposes and as a significant component in the calculation of performance-based compensation for management and other employees. We have reported adjusted EBITDA because management believes it provides additional useful measurements to review the Company's operations, provides transparency to investors and enables period-to-period comparability of financial performance. Adjusted EBITDA is a financial measure that is not required by, or presented in accordance with, the generally accepted accounting principles in the United States ("U.S. GAAP"). Adjusted EBITDA should not be considered as an alternative to Net (loss) income attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with U.S. GAAP, or any other financial measure reported in accordance with U.S. GAAP.

| | Three Months Ended June 30, | | | | Percentage Change |
|---|---|---|---|---|---|
| | 2023 | % | 2022 | % | 2023 vs 2022 |
| | (In thousands, except percentages) | | | | |
| **Net sales:** | | | | | |
| Energy Storage | $ 1,763,065 | 74.4 % | $ 802,393 | 54.2 % | 120 % |
| Specialties | 371,302 | 15.7 % | 466,875 | 31.6 % | (20)% |
| Ketjen | 235,823 | 9.9 % | 210,325 | 14.2 % | 12 % |
| Total net sales | $ 2,370,190 | 100.0 % | $ 1,479,593 | 100.0 % | 60 % |
| **Adjusted EBITDA:** | | | | | |
| Energy Storage | $ 932,023 | 90.3 % | $ 483,517 | 79.2 % | 93 % |
| Specialties | 60,200 | 5.8 % | 147,374 | 24.2 % | (59)% |
| Ketjen | 42,882 | 4.2 % | 9,792 | 1.6 % | 338 % |
| Total segment adjusted EBITDA | 1,035,105 | 100.3 % | 640,683 | 105.0 % | 62 % |
| Corporate | (2,839) | (0.3)% | (30,474) | (5.0)% | 91 % |
| Total adjusted EBITDA | $ 1,032,266 | 100.0 % | $ 610,209 | 100.0 % | 69 % |

See below for a reconciliation of total segment adjusted EBITDA to consolidated Net income attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with U.S. GAAP (in thousands):

| | Three Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Total segment adjusted EBITDA | $ 1,035,105 | $ 640,683 |
| Corporate expenses, net | (2,839) | (30,474) |
| Depreciation and amortization | (93,085) | (70,993) |
| Interest and financing expenses[(a)] | (25,577) | (41,409) |
| Income tax expense | (42,987) | (89,018) |
| Acquisition and integration related costs[(b)] | (6,502) | (5,375) |
| Non-operating pension and OPEB items | (612) | 5,038 |
| Mark-to-market gain on public equity securities[(c)] | 15,020 | — |
| Legal accrual[(d)] | (218,510) | — |
| Other[(e)] | (9,970) | (1,679) |
| Net income attributable to Albemarle Corporation | $ 650,043 | $ 406,773 |

(a) Included in Interest and financing expenses for the three months ended June 30, 2022 was a loss on early extinguishment of debt of $19.2 million following the May 2022 repayment of Senior Notes due in 2024.
(b) Costs related to the acquisition, integration and potential divestitures for various significant projects, recorded in SG&A.
(c) Gain recorded in Other income, net for the three months ended June 30, 2023, resulting from the net increase in fair value of investments in public equity securities.

(d) Accrual recorded in SG&A representing minimum probable loss to resolve the DOJ, SEC and DPP investigation. See Note 9, "Commitments and Contingencies," for further details.

(e) Included amounts for the three months ended June 30, 2023 recorded in:
- SG&A - $7.4 million of severance costs in the Ketjen business which are primarily expected to be paid out during 2023, $0.7 million of facility closure expenses related to offices in Germany and $0.6 million primarily related to shortfall contributions for a multiemployer plan financial improvement plan.
- Other income, net - $3.9 million of a loss resulting from the adjustment of indemnification related to previously disposed businesses, partially offset by a $2.7 million gain in the fair value of preferred equity of a Grace subsidiary.

Included amounts for the three months ended June 30, 2022 recorded in:
- Cost of goods sold - $0.5 million of expense related to the settlement of a legal matter resulting from a prior acquisition.
- SG&A - $1.1 million primarily related to facility closure expenses of offices in Germany.

***Energy Storage***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 1,763,065 | $ 802,393 | $ 960,672 | 120 % |

- $700.1 million increase attributable to favorable pricing impacts, reflecting tight market conditions, primarily in battery- and tech-grade carbonate and hydroxide, as well as greater volumes sold under index-referenced and variable-priced contracts, and mix
- $290.8 million increase attributable to higher sales volume, primarily driven by new capacity from La Negra III/IV in Chile and Quinzhou, China, as well as increased tolling
- $30.2 million decrease attributable to unfavorable currency translation resulting from the stronger U.S. Dollar against various currencies

| | | | | |
|---|---|---|---|---|
| Adjusted EBITDA | $ 932,023 | $ 483,517 | $ 448,506 | 93 % |

- Favorable pricing impacts and higher sales volume
- Increased equity in net income from the Talison joint venture, driven by increased pricing and sales volume
- Savings from designed productivity improvements
- Higher costs recorded in the current period from sales of lithium resulting from the higher priced spodumene used during the lithium conversion process
- Increased SG&A expenses from higher compensation and other administrative costs
- Increased utility and freight costs
- Increased spending for investments to support business growth
- Increased commission expenses in Chile resulting from the higher pricing in Lithium
- $18.9 million decrease attributable to unfavorable currency translation resulting from the stronger U.S. Dollar against various currencies

***Specialties***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 371,302 | $ 466,875 | $ (95,573) | (20)% |

- $68.2 million decrease attributable to lower sales volumes related to decreased demand across all products
- $23.8 million decrease attributable to unfavorable pricing impacts across several divisions
- $3.6 million decrease attributable to unfavorable currency translation resulting from the stronger U.S. Dollar against various currencies

| | | | | |
|---|---|---|---|---|
| Adjusted EBITDA | $ 60,200 | $ 147,374 | $ (87,174) | (59)% |

- Lower sales volume and unfavorable pricing impacts
- Increased manufacturing costs resulting from decreased production, increased utilities and material costs
- $3.4 million decrease attributable to unfavorable currency translation resulting from the stronger U.S. Dollar against various currencies

***Ketjen***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 235,823 | $ 210,325 | $ 25,498 | 12 % |

- $24.0 million increase attributable to favorable pricing impacts, primarily in clean fuel technologies and PCS
- $1.6 million increase attributable to higher sales volume, primarily from the timing of clean fuel technologies sales and shipments

| | | | | |
|---|---|---|---|---|
| Adjusted EBITDA | $ 42,882 | $ 9,792 | $ 33,090 | 338 % |

- Favorable pricing impacts and higher sales volume
- $24 million gain recorded for insurance claim receipts
- Increased freight costs, utilities and material costs

***Corporate***

| *In thousands* | Q2 2023 | Q2 2022 | $ Change | % Change |
|---|---|---|---|---|
| Adjusted EBITDA | $ (2,839) | $ (30,474) | $ 27,635 | 91 % |

- $22.4 million increase attributable to favorable currency exchange impacts
- Increase in interest income due to higher cash balances in 2023
- Decrease in incentive compensation costs

*First Six Months 2023 Compared to First Six Months 2022*

***Net Sales***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 4,950,442 | $ 2,607,321 | $ 2,343,121 | 90 % |

- $2.2 billion increase attributable to increased pricing from each of our businesses
- $214.7 million increase attributable to higher sales volume in Energy Storage, partially offset by lower sales volume in Specialties and Ketjen
- $77.0 million of unfavorable currency translation resulting from the stronger U.S. Dollar against various currencies

***Gross Profit***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Gross profit | $ 1,835,027 | $ 1,029,454 | $ 805,573 | 78 % |
| Gross profit margin | 37.1 % | 39.5 % | | |

- Favorable pricing impacts from each of our businesses and higher sales volume in Energy Storage
- Higher costs recorded in the current period from sales of lithium resulting from the higher priced spodumene used during the lithium conversion process
- Increased utility and material costs in each of our businesses
- Increased commission expenses in Chile resulting from the higher pricing in Lithium
- Unfavorable currency exchange impacts resulting from the stronger U.S. Dollar against various currencies

***Selling, General and Administrative Expenses***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Selling, general and administrative expenses | $ 551,376 | $ 241,510 | $ 309,866 | 128 % |
| Percentage of Net sales | 11.1 % | 9.3 % | | |

- $218.5 million legal accrual recorded for the agreements in principle to resolve a previously disclosed legal matter with the DOJ, SEC and DPP. See Note 9, "Commitments and Contingencies," for further details
- Higher compensation expenses across all businesses and Corporate
- Partially offset by productivity improvements and a reduction in administrative costs

***Research and Development Expenses***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Research and development expenses | $ 41,890 | $ 33,469 | $ 8,421 | 25 % |
| Percentage of Net sales | 0.8 % | 1.3 % | | |

***Loss on Sale of Interest in Properties***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Loss on sale of interest in properties | $ — | $ 8,400 | $ (8,400) | |

- Expense related to cost overruns for MRL's 40% interest in lithium hydroxide conversion assets being built in Kemerton, Western Australia

***Interest and Financing Expenses***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Interest and financing expenses | $ (52,354) | $ (69,243) | $ 16,889 | (24)% |

- 2022 included a $19.2 million loss on early extinguishment of debt, representing the tender premiums, fees, unamortized discounts, unamortized deferred financing costs and accelerated amortization of the interest rate swap balance from the redemption of debt during the second quarter of 2022
- 2022 also included an expense of $17.5 million related to the correction of out of period errors regarding overstated capitalized interest values in prior periods
- Increased average debt balance during 2023 compared to 2022 following the issuance of $1.7 billion in new senior notes

***Other Income, Net***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Other income, net | $ 136,446 | $ 24,263 | $ 112,183 | 462 % |

- 2023 included a $60.8 million net gain related to the fair value adjustment of equity securities in public companies
- $36.1 million increase attributable to foreign exchange impacts from gains recorded in 2023
- $30.7 million increase attributable to interest income from higher cash balances in 2023
- $11.5 million increase attributable to expense related to non-operating pension and OPEB items

***Income Tax Expense***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Income tax expense | $ 319,950 | $ 169,548 | $ 150,402 | 89 % |
| Effective income tax rate | 24.1 % | 24.2 % | | |

- 2023 included tax impact of a non-deductible $218.5 million legal accrual recorded for the agreements in principle to resolve a previously disclosed legal matter with the DOJ, SEC and DPP
- 2023 included a tax reserve related to an uncertain tax position in Chile
- 2022 included a benefit from global intangible low-taxed income associated with a payment made in 2022 to settle a legacy legal matter
- Change in geographic mix of earnings

***Equity in Net Income of Unconsolidated Investments***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Equity in net income of unconsolidated investments | $ 947,239 | $ 190,592 | $ 756,647 | 397 % |

- Increased earnings from strong pricing and volume increases from the Talison joint venture
- $14.8 million increase attributable to favorable foreign exchange impacts from the Talison joint venture

***Net Income Attributable to Noncontrolling Interests***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net income attributable to noncontrolling interests | $ (64,519) | $ (61,983) | $ (2,536) | 4 % |

- Increase in consolidated income related to our JBC joint venture primarily due to favorable pricing

***Net Income Attributable to Albemarle Corporation***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net income attributable to Albemarle Corporation | $ 1,888,623 | $ 660,156 | $ 1,228,467 | 186 % |
| Percentage of Net sales | 38.2 % | 25.3 % | | |
| Basic earnings per share | $ 16.10 | $ 5.64 | $ 10.46 | 185 % |
| Diluted earnings per share | $ 16.03 | $ 5.61 | $ 10.42 | 186 % |

- Favorable pricing impacts in all of our businesses and higher sales volume in Energy Storage
- Increased earnings from Talison joint venture
- $60.8 million net gain related to the fair value adjustment of equity securities in public companies
- Higher costs recorded in the current period from sales of lithium resulting from the higher priced spodumene used during the lithium conversion process
- $219.3 million legal accrual recorded for the agreements in principle to resolve a previously disclosed legal matter with the DOJ, SEC and DPP. See Note 9, "Commitments and Contingencies," for further details
- Productivity improvements and a reduction in administrative costs
- Increased commission expenses in Chile resulting from the higher pricing in Lithium
- Increased utility and material costs in each of our businesses
- Increased SG&A expenses, primarily related to increased compensation expense

***Other Comprehensive Income (loss), Net of Tax***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Other comprehensive income (loss), net of tax | $ 42,708 | $ (114,803) | $ 157,511 | (137)% |
| ▪ Foreign currency translation and other | $ 40,581 | $ (123,710) | $ 164,291 | (133)% |

- 2023 included favorable movements in the Euro of approximately $44 million and the Brazilian Real of approximately $5 million and a net favorable variance in various other currencies of $5 million, partially offset by unfavorable movements in the Japanese Yen of approximately $9 million and the Chinese Renminbi of approximately $4 million
- 2022 included unfavorable movements in the Euro of approximately $68 million, the Chinese Renminbi of approximately $32 million, the Japanese Yen of approximately $15 million, the Taiwanese Dollar of approximately $6 million and a net unfavorable variance in various other currencies of $6 million

| | | | | |
|---|---|---|---|---|
| ▪ Cash flow hedge | $ 2,127 | $ 1,508 | $ 619 | 41 % |
| ▪ Interest rate swap | $ — | $ 7,399 | $ (7,399) | (100)% |

- Accelerated the amortization of the remaining interest rate swap balance in 2022 as a result of the repayment of the 4.15% senior notes due in 2024

***Segment Information Overview.*** Summarized financial information concerning our reportable segments is shown in the following tables.

| | Six Months Ended June 30, | | | | Percentage Change |
|---|---|---|---|---|---|
| | 2023 | % | 2022 | % | 2023 vs 2022 |
| | (In thousands, except percentages) | | | | |
| **Net sales:** | | | | | |
| Energy Storage | $ 3,706,747 | 74.9 % | $ 1,266,097 | 48.6 % | 193 % |
| Specialties | 790,080 | 15.9 % | 913,022 | 35.0 % | (13)% |
| Ketjen | 453,615 | 9.2 % | 428,202 | 16.4 % | 6 % |
| Total net sales | $ 4,950,442 | 100.0 % | $ 2,607,321 | 100.0 % | 90 % |
| **Adjusted EBITDA:** | | | | | |
| Energy Storage | $ 2,338,204 | 89.0 % | $ 768,764 | 73.7 % | 204 % |
| Specialties | 222,358 | 8.4 % | 299,976 | 28.8 % | (26)% |
| Ketjen | 57,425 | 2.2 % | 26,702 | 2.6 % | 115 % |
| Total segment adjusted EBITDA | 2,617,987 | 99.6 % | 1,095,442 | 105.1 % | 139 % |
| Corporate | 9,998 | 0.4 % | (53,303) | (5.1)% | 119 % |
| Total adjusted EBITDA | $ 2,627,985 | 100.0 % | $ 1,042,139 | 100.0 % | 152 % |

See below for a reconciliation of total segment adjusted EBITDA to consolidated Net income attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with U.S. GAAP (in thousands):

| | Six Months Ended June 30, | |
|---|---|---|
| | **2023** | **2022** |
| Total segment adjusted EBITDA | $ 2,617,987 | $ 1,095,442 |
| Corporate expenses, net | 9,998 | (53,303) |
| Depreciation and amortization | (180,356) | (137,567) |
| Interest and financing expenses[(a)] | (52,354) | (69,243) |
| Income tax expense | (319,950) | (169,548) |
| Loss on sale of interest in properties, net[(b)] | — | (8,400) |
| Acquisition and integration related costs[(c)] | (11,610) | (7,099) |
| Non-operating pension and OPEB items | (1,213) | 10,318 |
| Mark-to-market gain on public equity securities[(d)] | 60,846 | — |
| Legal accrual[(e)] | (218,510) | — |
| Other[(f)] | (16,215) | (444) |
| Net income attributable to Albemarle Corporation | $ 1,888,623 | $ 660,156 |

(a) Included in Interest and financing expenses for the six months ended June 30, 2022 was a loss on early extinguishment of debt of $19.2 million following the May 2022 repayment of Senior Notes due in 2024. In addition, Interest and financing expenses for the six months ended June 30, 2022 is the correction of an out of period error of $17.5 million related to the overstatement of capitalized interest in prior periods.

(b) Expense recorded as a result of revised estimates of the obligation to construct certain lithium hydroxide conversion assets in Kemerton, Western Australia, due to cost overruns from supply chain, labor and COVID-19 pandemic related issues. The corresponding obligation was recorded in Accrued liabilities to be transferred to MRL, which maintains a 40% ownership interest in these Kemerton assets.

(c) Costs related to the acquisition, integration and potential divestitures for various significant projects, recorded in SG&A.

(d) Gain recorded in Other income, net for the six months ended June 30, 2023, resulting from the net increase in fair value of investments in public equity securities.

(e) Accrual recorded in SG&A representing minimum probable loss to resolve the DOJ, SEC and DPP investigation. See Note 9, "Commitments and Contingencies," for further details.

(f) Included amounts for the six months ended June 30, 2023 recorded in:

- SG&A - $7.4 million of severance costs in the Ketjen business which are primarily expected to be paid out during 2023, $1.9 million of charges primarily for environmental reserves at sites not part of our operations, $1.4 million of facility closure expenses related to offices in Germany and $0.6 million primarily related to shortfall contributions for a multiemployer plan financial improvement plan.
- Other income, net - $3.9 million of a loss resulting from the adjustment of indemnification related to previously disposed businesses and $3.6 million of charges for asset retirement obligations at a site not part of our operations, partially offset by a $2.7 million gain in the fair value of preferred equity of a Grace subsidiary.

Included amounts for the six months ended June 30, 2022 recorded in:

- Cost of goods sold - $0.5 million of expense related to the settlement of a legal matter resulting from a prior acquisition.
- SG&A - $4.3 million of gains from the sale of legacy properties not part of our operations, partially offset by $2.8 million of charges for environmental reserves at sites not part of our operations and $1.1 million of facility closure expenses related to offices in Germany.
- Other income, net - $0.6 million gain related to a settlement received from a legal matter in a prior period.

***Energy Storage***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 3,706,747 | $ 1,266,097 | $ 2,440,650 | 193 % |

- $2.1 billion increase attributable to favorable pricing impacts, reflecting tight market conditions, primarily in battery- and tech-grade carbonate and hydroxide, as well as greater volumes sold under index-referenced and variable-priced contracts, and mix
- $374.1 million increase attributable to higher sales volume, primarily driven by new capacity from La Negra III/IV in Chile and Quinzhou, China, as well as increased tolling
- $60.8 million decrease attributable to unfavorable currency translation resulting from the stronger U.S. Dollar against various currencies

| | | | | |
|---|---|---|---|---|
| Adjusted EBITDA | $ 2,338,204 | $ 768,764 | $ 1,569,440 | 204 % |

- Favorable pricing impacts and higher sales volume
- Increased equity in net income from the Talison joint venture, driven by increased pricing and sales volume
- Savings from designed productivity improvements
- Higher costs recorded in the current period from sales of lithium resulting from the higher priced spodumene used during the lithium conversion process
- Increased SG&A expenses from higher compensation and other administrative costs
- Increased utility and freight costs
- Increased spending for investments to support business growth
- Increased commission expenses in Chile resulting from the higher pricing in Lithium
- $39.9 million decrease attributable to unfavorable currency translation resulting from the stronger U.S. Dollar against various currencies

***Specialties***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 790,080 | $ 913,022 | $ (122,942) | (13)% |

- $135.5 million decrease attributable to lower sales volumes related to decreased demand across all products
- $26.6 million increase attributable to favorable pricing impacts across several divisions
- $14.1 million decrease attributable to unfavorable currency translation resulting from the stronger U.S. Dollar against various currencies

| | | | | |
|---|---|---|---|---|
| Adjusted EBITDA | $ 222,358 | $ 299,976 | $ (77,618) | (26)% |

- Lower sales volume and unfavorable pricing impacts
- Increased manufacturing costs resulting from decreased production, increased utilities and material costs
- $9.1 million decrease attributable to unfavorable currency translation resulting from the stronger U.S. Dollar against various currencies

***Ketjen***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 453,615 | $ 428,202 | $ 25,413 | 6 % |

- $51.4 million increase attributable to favorable pricing impacts, primarily in clean fuel technologies and PCS
- $23.9 million decrease attributable to lower sales volume, primarily from the timing of clean fuel technologies sales
- $2.1 million decrease attributable to unfavorable currency translation resulting from the stronger U.S. Dollar against various currencies

| | | | | |
|---|---|---|---|---|
| Adjusted EBITDA | $ 57,425 | $ 26,702 | $ 30,723 | 115 % |

- Favorable pricing impacts, partially offset by lower sales volume
- $24 million gain recorded for insurance claim receipts
- Increase in incentive compensation costs

***Corporate***

| *In thousands* | YTD 2023 | YTD 2022 | $ Change | % Change |
|---|---|---|---|---|
| Adjusted EBITDA | $ 9,998 | $ (53,303) | $ 63,301 | 119 % |

- $50.9 million increase attributable to favorable currency exchange impacts, including a $14.8 million increase in foreign exchange impacts from our Talison joint venture
- Increase in interest income due to higher cash balances in 2023
- Decrease in incentive compensation costs

***Financial Condition and Liquidity***

*Overview*

The principal uses of cash in our business generally have been capital investments and resource development costs, funding working capital, and service of debt. We also make contributions to our defined benefit pension plans, pay dividends to our shareholders and have the ability to repurchase shares of our common stock. Historically, cash to fund the needs of our business has been principally provided by cash from operations, debt financing and equity issuances.

We are continually focused on working capital efficiency particularly in the areas of accounts receivable, payables and inventory. We anticipate that cash on hand, cash provided by operating activities, proceeds from divestitures and borrowings will be sufficient to pay our operating expenses, satisfy debt service obligations, fund capital expenditures and other investing activities, fund pension contributions and pay dividends for the foreseeable future.

*Cash Flow*

During the first six months of 2023, cash on hand, cash provided by operations and proceeds from borrowings of long-term debt of $300.0 million funded $919.3 million of capital expenditures for plant, machinery and equipment and dividends to shareholders of $93.3 million. Our operations provided $794.7 million of cash flows during the first six months of 2023, as compared to $60.3 million for the first six months of 2022. The change compared to prior year was primarily due to increased earnings from the Energy Storage segment and higher dividends received from unconsolidated investments, partially offset by an increase in working capital of $267.4 million. The outflow from working capital in 2023 was primarily driven by increased inventory balances from the higher cost of lithium spodumene. This was partially offset by increased accounts payable which includes the higher pricing on lithium spodumene purchases from our Talison joint venture. Overall, our cash and cash equivalents increased by $100.6 million to $1.6 billion at June 30, 2023 from $1.5 billion at December 31, 2022.

Capital expenditures for the six-month period ended June 30, 2023 of $919.3 million were primarily associated with plant, machinery and equipment. We expect our capital expenditures to be between $1.9 billion and $2.1 billion in 2023, primarily for Energy Storage growth and capacity increases, including in Australia, Chile, China and Silver Peak, Nevada, as well as productivity and continuity of operations projects in all segments. Train I of our Kemerton, Western Australia plant is complete and ramping through the commissioning stage. Train II has achieved mechanical completion and transitioned to the commissioning stage. In addition, construction of our announced lithium conversion plant in Meishan, China is progressing on schedule, with estimated completion in 2024.

On July 19, 2023, the Company announced it agreed to amend the terms of definitive agreements signed with Mineral Resources Limited (“MRL”) in February 2023 to restructure the parties' MARBL lithium joint venture in Australia (“MARBL”). This amended agreement is intended to significantly simplify the commercial operation agreements previously entered into, retain full control of downstream conversion assets and to provide greater strategic opportunities for each company based on their global operations and the evolving lithium market.

Under the new agreements, Albemarle will acquire the remaining 40% ownership of the Kemerton lithium hydroxide processing facility in Australia currently jointly owned with Mineral Resources through the MARBL joint venture. Albemarle will also retain full ownership of its Qinzhou and Meishan lithium processing facilities in China, which were previously going to be owned 50% by MRL under the terms of the previously announced agreement restructuring. In exchange for the remaining ownership interest in Kemerton, Albemarle will pay cash and sell 10% of its interest in the Wodgina Lithium Mine Project (“Wodgina”) to MRL. Albemarle expects to pay MRL between an estimated $380 million to $400 million, depending on the closing date of the transaction, which includes net consideration for the remaining ownership of Kemerton as well as an economic effective date of the transaction retroactive to April 1, 2022. After closing, Albemarle and MRL will each own 50% of Wodgina, and MRL will operate the Wodgina mine on behalf of the joint venture.

This transaction is expected to close in the second half of 2023 and is subject to regulatory approval and other customary closing conditions.

Net current assets were $3.2 billion and $2.4 billion at June 30, 2023 and December 31, 2022, respectively. The increase is primarily due to increased inventory and accounts receivable balances from higher lithium pricing. Additional changes in the components of net current assets are primarily due to the timing of the sale of goods and other ordinary transactions leading up to the balance sheet dates. The additional changes are not the result of any policy changes by the Company, and do not reflect any change in either the quality of our net current assets or our expectation of success in converting net working capital to cash in the ordinary course of business.

On February 23, 2023, we increased our quarterly dividend rate to $0.40 per share, an increase from the quarterly rate of $0.395 per share paid in 2022. The cash dividend declared on May 2, 2023 was paid on July 3, 2023 to shareholders of record at the close of business as of June 16, 2023.

At June 30, 2023 and December 31, 2022, our cash and cash equivalents included $1.2 billion and $1.3 billion, respectively, held by our foreign subsidiaries. The majority of these foreign cash balances are associated with earnings that we have asserted are indefinitely reinvested and which we plan to use to support our continued growth plans outside the U.S. through funding of capital expenditures, acquisitions, research, operating expenses or other similar cash needs of our foreign operations. From time to time, we repatriate cash associated with earnings from our foreign subsidiaries to the U.S. for normal operating needs through intercompany dividends, but only from subsidiaries whose earnings we have not asserted to be indefinitely reinvested or whose earnings qualify as "previously taxed income" as defined by the Internal Revenue Code. There were no repatriations of cash from foreign operations during the first six months of 2023 and 2022.

While we continue to closely monitor our cash generation, working capital management and capital spending in light of continuing uncertainties in the global economy, we believe that we will continue to have the financial flexibility and capability to opportunistically fund future growth initiatives. Additionally, we anticipate that future capital spending, including business acquisitions, share repurchases and other cash outlays, should be financed primarily with cash flow provided by operations and cash on hand, with additional cash needed, if any, provided by borrowings. The amount and timing of any additional borrowings will depend on our specific cash requirements.

*Long-Term Debt*

We currently have the following notes outstanding:

| Issue Month/Year | Principal (in millions) | Interest Rate | Interest Payment Dates | Maturity Date |
|---|---|---|---|---|
| November 2019 | €371.7 | 1.125% | November 25 | November 25, 2025 |
| May 2022[(a)] | $650.0 | 4.65% | June 1 and December 1 | June 1, 2027 |
| November 2019 | €500.0 | 1.625% | November 25 | November 25, 2028 |
| November 2019[(a)] | $171.6 | 3.45% | May 15 and November 15 | November 15, 2029 |
| May 2022[(a)] | $600.0 | 5.05% | June 1 and December 1 | June 1, 2032 |
| November 2014[(a)] | $350.0 | 5.45% | June 1 and December 1 | December 1, 2044 |
| May 2022[(a)] | $450.0 | 5.65% | June 1 and December 1 | June 1, 2052 |

(a) Denotes senior notes.

Our senior notes are senior unsecured obligations and rank equally with all our other senior unsecured indebtedness from time to time outstanding. The notes are effectively subordinated to all of our existing or future secured indebtedness and to the existing and future indebtedness of our subsidiaries. As is customary for such long-term debt instruments, each series of notes outstanding has terms that allow us to redeem the notes before maturity, in whole at any time or in part from time to time, at a redemption price equal to the greater of (i) 100% of the principal amount of these notes to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis using the comparable government rate (as defined in the indentures governing these notes) plus between 25 and 40 basis points, depending on the series of notes, plus, in each case, accrued interest thereon to the date of redemption. Holders may require us to purchase such notes at 101% upon a change of control triggering event, as defined in the indentures. These notes are subject to typical events of default, including bankruptcy and insolvency events, nonpayment and the acceleration of certain subsidiary indebtedness of $40 million or more caused by a nonpayment default.

Our Euro notes issued in 2019 are unsecured and unsubordinated obligations and rank equally in right of payment to all our other unsecured senior obligations. The Euro notes are effectively subordinated to all of our existing or future secured indebtedness and to the existing and future indebtedness of our subsidiaries. As is customary for such long-term debt instruments, each series of notes outstanding has terms that allow us to redeem the notes before their maturity, in whole at any time or in part from time to time, at a redemption price equal to the greater of (i) 100% of the principal amount of the notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal thereof and interest thereon (exclusive of interest accrued to, but excluding, the date of redemption) discounted to the redemption date on an annual basis using the bond rate (as defined in the indentures governing these notes) plus between 25 and 35 basis points, depending on the series of notes, plus, in each case, accrued and unpaid interest on the principal amount being redeemed to, but excluding, the date of redemption. Holders may require us to purchase such notes at 101% upon a change of control triggering event, as defined in the indentures. These notes are subject to typical events of default, including bankruptcy and insolvency events, nonpayment and the acceleration of certain subsidiary indebtedness exceeding $100 million caused by a nonpayment default.

On October 28, 2022, we amended our revolving, unsecured credit agreement (the “2018 Credit Agreement”), which provides for borrowings of up to $1.5 billion and matures on October 28, 2027. The 2018 Credit Agreement was originally dated as of June 21, 2018, and was previously amended on August 14, 2019, May 11, 2020 and December 10, 2021. Borrowings under the 2018 Credit Agreement bear interest at variable rates based on a benchmark rate depending on the currency in which the loans are denominated, plus an applicable margin which ranges from 0.910% to 1.375%, depending on the Company’s credit rating from Standard & Poor’s Ratings Services LLC (“S&P”), Moody’s Investors Services, Inc. (“Moody’s”) and Fitch Ratings, Inc. (“Fitch”). With respect to loans denominated in U.S. dollars, interest is calculated using the term Secured Overnight Financing Rate (“SOFR”) plus a term SOFR adjustment of 0.10%, plus the applicable margin. The applicable margin on the facility was 1.125% as of June 30, 2023. As of June 30, 2023 there were no borrowings outstanding under the 2018 Credit Agreement.

Borrowings under the 2018 Credit Agreement are conditioned upon satisfaction of certain conditions precedent, including the absence of defaults. The Company is subject to one financial covenant, as well as customary affirmative and negative covenants. The financial covenant requires that the Company’s consolidated net funded debt to consolidated EBITDA ratio (as such terms are defined in the 2018 Credit Agreement) be less than or equal to 3.50:1 for all fiscal quarters, subject to adjustments in accordance with the terms of the 2018 Credit Agreement relating to a consummation of an acquisition where the consideration includes cash proceeds from issuance of funded debt in excess of $500 million. The 2018 Credit Agreement also contains customary default provisions, including defaults for non-payment, breach of representations and warranties, insolvency, non-performance of covenants and cross-defaults to other material indebtedness. The occurrence of an event of default under the 2018 Credit Agreement could result in all loans and other obligations becoming immediately due and payable and the 2018 Credit Agreement being terminated.

On May 29, 2013, we entered into agreements to initiate a commercial paper program on a private placement basis under which we may issue unsecured commercial paper notes (the “Commercial Paper Notes”) from time-to-time up to a maximum aggregate principal amount outstanding at any time of $750.0 million. On May 17, 2023, we entered into definitive documentation to increase the size of our existing commercial paper program. The maximum aggregate face amount of Commercial Paper Notes outstanding at any time is $1.5 billion (up from $750 million prior to the increase). The proceeds from the issuance of the Commercial Paper Notes are expected to be used for general corporate purposes, including the repayment of other debt of the Company. The 2018 Credit Agreement is available to repay the Commercial Paper Notes, if necessary. Aggregate borrowings outstanding under the 2018 Credit Agreement and the Commercial Paper Notes will not exceed the $1.5 billion current maximum amount available under the 2018 Credit Agreement. The Commercial Paper Notes will be sold at a discount from par, or alternatively, will be sold at par and bear interest at rates that will vary based upon market conditions at the time of issuance. The maturities of the Commercial Paper Notes will vary but may not exceed 397 days from the date of issue. The definitive documents relating to the commercial paper program contain customary representations, warranties, default and indemnification provisions. There were no Commercial Paper Notes outstanding at June 30, 2023.

In the second quarter of 2023 the Company received a loan of $300.0 million to be repaid in five equal annual installments beginning on December 31, 2026. This interest-free loan was discounted using an imputed interest rate of 5.5% and the Company will amortize that discount through Interest and financing expenses over the term of the loan.

When constructing new facilities or making major enhancements to existing facilities, we may have the opportunity to enter into incentive agreements with local government agencies in order to reduce certain state and local tax expenditures. Under these agreements, we transfer the related assets to various local government entities and receive bonds. We immediately lease the facilities from the local government entities and have an option to repurchase the facilities for a nominal amount upon tendering the bonds to the local government entities at various predetermined dates. The bonds and the associated obligations for the leases of the facilities offset, and the underlying assets are recorded in property, plant and equipment. We currently have the ability to transfer up to $540 million in assets under these arrangements. At June 30, 2023, there are $14.3 million of bonds outstanding under these arrangements.

The non-current portion of our long-term debt amounted to $3.5 billion at June 30, 2023, compared to $3.2 billion at December 31, 2022. In addition, at June 30, 2023, we had availability to borrow $1.5 billion under our commercial paper program and the 2018 Credit Agreement, and $207.4 million under other existing lines of credit, subject to the financial covenant under the 2018 Credit Agreement. We have the ability and intent to refinance our borrowings under our other existing lines of credit with borrowings under the 2018 Credit Agreement, as applicable. Therefore, the amounts outstanding under those lines of credit, if any, are classified as long-term debt. We believe that at June 30, 2023 we were, and that we currently are, in compliance with all of our long-term debt covenants.

*Off-Balance Sheet Arrangements*

In the ordinary course of business with customers, vendors and others, we have entered into off-balance sheet arrangements, including bank guarantees and letters of credit, which totaled approximately $189.1 million at June 30, 2023. None of these off-balance sheet arrangements has had, or is likely to have, a material effect on our current or future financial condition, results of operations, liquidity or capital resources.

*Other Obligations*

Our contractual obligations have not significantly changed, based on our ordinary business activities and projected capital expenditures noted above, from the information we provided in our Annual Report on Form 10-K for the year ended December 31, 2022.

Total expected 2023 contributions to our domestic and foreign qualified and nonqualified pension plans, including the Albemarle Corporation Supplemental Executive Retirement Plan, are expected to approximate $15 million. We may choose to make additional pension contributions in excess of this amount. We have made contributions of $7.7 million to our domestic and foreign pension plans (both qualified and nonqualified) during the six-month period ended June 30, 2023.

The liability related to uncertain tax positions, including interest and penalties, recorded in Other noncurrent liabilities totaled $136.3 million at June 30, 2023 and $83.7 million at December 31, 2022. Related assets for corresponding offsetting benefits recorded in Other assets totaled $31.8 million at June 30, 2023 and $32.4 million at December 31, 2022. We cannot estimate the amounts of any cash payments associated with these liabilities for the remainder of 2023 or the next twelve months, and we are unable to estimate the timing of any such cash payments in the future at this time.

We are subject to federal, state, local and foreign requirements regulating the handling, manufacture and use of materials (some of which may be classified as hazardous or toxic by one or more regulatory agencies), the discharge of materials into the environment and the protection of the environment. To our knowledge, we are currently complying, and expect to continue to comply, in all material respects with applicable environmental laws, regulations, statutes and ordinances. Compliance with existing federal, state, local and foreign environmental protection laws is not expected to have a material effect on capital expenditures, earnings or our competitive position, but the costs associated with increased legal or regulatory requirements could have an adverse effect on our operating results.

Among other environmental requirements, we are subject to the federal Superfund law, and similar state laws, under which we may be designated as a potentially responsible party ("PRP"), and may be liable for a share of the costs associated with cleaning up various hazardous waste sites. Management believes that in cases in which we may have liability as a PRP, our liability for our share of cleanup is de minimis. Further, almost all such sites represent environmental issues that are quite mature and have been investigated, studied and in many cases settled. In de minimis situations, our policy generally is to negotiate a consent decree and to pay any apportioned settlement, enabling us to be effectively relieved of any further liability as a PRP, except for remote contingencies. In other than de minimis PRP matters, our records indicate that unresolved PRP exposures should be immaterial. We accrue and expense our proportionate share of PRP costs. Because management has been actively involved in evaluating environmental matters, we are able to conclude that the outstanding environmental liabilities for unresolved PRP sites should not have a material adverse effect upon our results of operations or financial condition.

*Liquidity Outlook*

We anticipate that cash on hand and cash provided by operating activities, divestitures and borrowings will be sufficient to pay our operating expenses, satisfy debt service obligations, fund any capital expenditures and share repurchases, make acquisitions, make pension contributions and pay dividends for the foreseeable future. Our main focus in the short-term, during the continued uncertainty surrounding the global economy, including recent inflationary trends, is to continue to maintain financial flexibility by continuing our cost savings initiative, while still protecting our employees and customers, committing to shareholder returns and maintaining an investment grade rating. Over the next three years, in terms of uses of cash, we will continue to invest in growth of the businesses and return value to shareholders. Additionally, we will continue to evaluate the merits of any opportunities that may arise for acquisitions of businesses or assets, which may require additional liquidity. For example, we recently announced we submitted a non-binding proposal to acquire all outstanding shares of Liontown Resources, owner of a lithium resource in Western Australia, in cash. Financing the purchase price of such transaction or any other acquisitions could involve borrowing under existing or new credit facilities and/or the issuance of debt or equity securities, in addition to cash on hand.

Our growth investments include the acquisition all of the outstanding equity of Qinzhou for approximately $200 million in cash in October 2022. Qinzhou's operations include a recently constructed lithium processing plant that has designed annual conversion capacity of up to 25,000 metric tons of LCE and is capable of producing battery-grade lithium carbonate and lithium hydroxide. In addition, we announced agreements for a strategic investment in China with plans to build a battery grade lithium conversion plant in Meishan initially targeting 50,000 metric tonnes of LCE per year. Construction of the Meishan facility is currently underway and is expected to be completed in 2024. We also announced the decision to build two additional processing trains at the Kemerton lithium hydroxide plant in Western Australia. The additional trains would increase the facility's production by 50,000 metric tonnes per year.

In October 2022, we announced we had been awarded a nearly $150 million grant from the U.S. Department of Energy to expand domestic manufacturing of batteries for EVs and the electrical grid and for materials and components currently imported from other countries. The grant funding is intended to support a portion of the anticipated cost to construct a new, commercial-scale U.S.-based lithium concentrator facility at our Kings Mountain, North Carolina, location. We expect the concentrator facility to create hundreds of construction and full-time jobs, and to supply up to 350,000 metric tonnes per year of spodumene concentrate to our previously announced mega-flex lithium conversion facility.

In addition, we recently announced plans to construct a new $1.3 billion lithium mega-flex processing facility in South Carolina capable of annually producing approximately 50,000 metric tonnes of battery-grade lithium hydroxide, with the potential to expand up to 100,000 metric tonnes. Construction is expected to begin in late 2024. In December 2022, we also acquired a location in Charlotte, North Carolina, where we intend to invest at least $180 million to establish the Albemarle Technology Park, a world-class facility designed for novel materials research, advanced process development, and acceleration of next-generation lithium products to market. We anticipate that innovations from the new site will enhance lithium recovery, improve production methods, and introduce new forms of lithium to enable breakthrough levels of battery performance. In addition, we anticipate the creation of at least 200 jobs at the site.

Our cash flows from operations may be negatively affected by adverse consequences to our customers and the markets in which we compete as a result of moderating global economic conditions, continuing inflationary trends and reduced capital availability. We have experienced, and may continue to experience, volatility and increases in the price of certain raw materials and in transportation and energy costs as a result of global market and supply chain disruptions and the broader inflationary environment. As a result, we are planning for various economic scenarios and actively monitoring our balance sheet to maintain the financial flexibility needed.

Although we maintain business relationships with a diverse group of financial institutions as sources of financing, an adverse change in their credit standing could lead them to not honor their contractual credit commitments to us, decline funding under our existing but uncommitted lines of credit with them, not renew their extensions of credit or not provide new financing to us. While the global corporate bond and bank loan markets remain strong, periods of elevated uncertainty related to the stability of the banking system, future pandemics or global economic and/or geopolitical concerns may limit efficient access to such markets for extended periods of time. If such concerns heighten, we may incur increased borrowing costs and reduced credit capacity as our various credit facilities mature. If the U.S. Federal Reserve or similar national reserve banks in other countries decide to continue tightening the monetary supply, we may incur increased borrowing costs (as interest rates increase on our variable rate credit facilities, as our various credit facilities mature or as we refinance any maturing fixed rate debt obligations), although these cost increases would be partially offset by increased income rates on portions of our cash deposits.

As first reported in 2018, following receipt of information regarding potential improper payments being made by third-party sales representatives of our Refining Solutions business, within what is now our Ketjen segment, we investigated and voluntarily self-reported potential violations of the U.S. Foreign Corrupt Practices Act to the DOJ and SEC, and also reported this conduct to the DPP. Since reporting these matters to the DOJ, SEC, and DPP, we have cooperated with these agencies in their investigations of this historical conduct. We have implemented appropriate remedial measures and strengthened our compliance program and related internal controls.

As previously disclosed, we have been engaged in discussions with respect to the foregoing matters, and we have now reached agreements in principle to resolve these matters with the DOJ and SEC. DPP has confirmed it will not pursue action in this matter. In connection with this anticipated resolution, which relates to conduct prior to 2018, we would enter into a Non-Prosecution Agreement with the DOJ and an administrative resolution with the SEC, and pay a total of approximately $218.5 million in aggregate fines, disgorgement, and prejudgment interest to the DOJ and SEC. The anticipated resolution does not include a compliance monitorship, and we would agree to certain ongoing compliance reporting obligations. As we have agreements in principle only, there can be no assurance that we will enter into definitive agreements with respect to such resolution or as to the potential timing, final terms, or collateral consequences of any such resolution.

Based on the agreements in principle, we have recorded a charge of $218.5 million in Selling, General and Administrative Expenses in our Consolidated Statement of Operations and accrued a corresponding liability on our Consolidated Balance Sheet during the second quarter of 2023. Amounts payable to authorities pursuant to any potential final resolution could differ from the amount recorded in our consolidated financial statements. Based on available information to date, we do not expect any such difference would be material to our consolidated financial position.

Overall, with generally strong cash-generative businesses and no significant long-term debt maturities before 2025, we believe we have, and will be able to maintain, a solid liquidity position.

We had cash and cash equivalents totaling $1.6 billion at June 30, 2023, of which $1.2 billion is held by our foreign subsidiaries. This cash represents an important source of our liquidity and is invested in bank accounts or money market investments with no limitations on access. The cash held by our foreign subsidiaries is intended for use outside of the U.S. We anticipate that any needs for liquidity within the U.S. in excess of our cash held in the U.S. can be readily satisfied with borrowings under our existing U.S. credit facilities or our commercial paper program.

*Guarantor Financial Information*

***Albemarle Wodgina Pty Ltd Issued Notes***

Albemarle Wodgina Pty Ltd (the "Issuer"), a wholly-owned subsidiary of Albemarle Corporation, issued $300.0 million aggregate principal amount of 3.45% Senior Notes due 2029 (the "3.45% Senior Notes") in November 2019. The 3.45% Senior Notes are fully and unconditionally guaranteed (the "Guarantee") on a senior unsecured basis by Albemarle Corporation (the "Parent Guarantor"). No direct or indirect subsidiaries of the Parent Guarantor guarantee the 3.45% Senior Notes (such subsidiaries are referred to as the "Non-Guarantors").

In 2019, we completed the acquisition of a 60% interest in MRL's Wodgina hard rock lithium mine project ("Wodgina Project") in Western Australia and formed an unincorporated joint venture with MRL, named MARBL Lithium Joint Venture, for the exploration, development, mining, processing and production of lithium and other minerals (other than iron ore and tantalum) from the Wodgina spodumene mine and for the operation of the Kemerton assets in Western Australia. We participate in the Wodgina Project through our ownership interest in the Issuer. On July 19, we announced an agreement to amend the terms of this joint venture to decrease our ownership interest in the MARBL joint venture and the Wodgina Project to 50%, subject to regulatory approvals.

The Parent Guarantor conducts its U.S. Specialties and Ketjen operations directly, and conducts its other operations (other than operations conducted through the Issuer) through the Non-Guarantors.

The 3.45% Senior Notes are the Issuer's senior unsecured obligations and rank equally in right of payment to the senior indebtedness of the Issuer, effectively subordinated to all of the secured indebtedness of the Issuer, to the extent of the value of the assets securing that indebtedness, and structurally subordinated to all indebtedness and other liabilities of its subsidiaries. The Guarantee is the senior unsecured obligation of the Parent Guarantor and ranks equally in right of payment to the senior indebtedness of the Parent Guarantor, effectively subordinated to the secured debt of the Parent Guarantor to the extent of the value of the assets securing the indebtedness and structurally subordinated to all indebtedness and other liabilities of its subsidiaries.

For cash management purposes, the Parent Guarantor transfers cash among itself, the Issuer and the Non-Guarantors through intercompany financing arrangements, contributions or declaration of dividends between the respective parent and its subsidiaries. The transfer of cash under these activities facilitates the ability of the recipient to make specified third-party payments for principal and interest on the Issuer and/or the Parent Guarantor's outstanding debt, common stock dividends and common stock repurchases. There are no significant restrictions on the ability of the Issuer or the Parent Guarantor to obtain funds from subsidiaries by dividend or loan.

The following tables present summarized financial information for the Parent Guarantor and the Issuer on a combined basis after elimination of (i) intercompany transactions and balances among the Issuer and the Parent Guarantor and (ii) equity in earnings from and investments in any subsidiary that is a Non-Guarantor. Each entity in the combined financial information follows the same accounting policies as described herein and in our Annual Report on Form 10-K for the year ended December 31, 2022.

**Summarized Statement of Operations**

| *$ in thousands* | Six Months Ended June 30, 2023 | Year Ended December 31, 2022 |
|---|---|---|
| Net sales[(a)] | $ 1,388,359 | $ 2,981,170 |
| Gross profit | 617,402 | 636,894 |
| Income before income taxes and equity in net income of unconsolidated investments[(b)] | 294,946 | 52,048 |
| Net income attributable to the Parent Guarantor and the Issuer | 147,717 | 119,551 |

(a) Includes net sales to Non-Guarantors of $950.5 million and $2.2 billion for the six months ended June 30, 2023 and year ended December 31, 2022, respectively.
(b) Includes intergroup expenses to Non-Guarantors of $64.0 million and $134.2 million for the six months ended June 30, 2023 and year ended December 31, 2022, respectively.

**Summarized Balance Sheet**

| *$ in thousands* | | June 30, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Current assets[(a)] | $ | 1,558,747 | $ | 1,274,018 |
| Net property, plant and equipment | | 3,535,602 | | 3,379,369 |
| Other noncurrent assets[(b)] | | 589,941 | | 687,603 |
| | | | | |
| Current liabilities[(c)] | $ | 2,604,564 | $ | 2,103,749 |
| Long-term debt | | 2,261,628 | | 2,260,397 |
| Other noncurrent liabilities[(d)] | | 6,953,849 | | 7,173,636 |

(a) Includes receivables from Non-Guarantors of $512.8 million and $605.3 million at June 30, 2023 and December 31, 2022, respectively.
(b) Includes noncurrent receivables from Non-Guarantors of $105.8 million and $109.3 million at June 30, 2023 and December 31, 2022, respectively.
(c) Includes current payables to Non-Guarantors of $1.7 billion and $1.6 billion at June 30, 2023 and December 31, 2022, respectively.
(d) Includes noncurrent payables to Non-Guarantors of $6.5 billion and $6.6 billion at June 30, 2023 and December 31, 2022, respectively.

The 3.45% Senior Notes are structurally subordinated to the indebtedness and other liabilities of the Non-Guarantors. The Non-Guarantors are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the 3.45% Senior Notes or the Indenture under which the 3.45% Senior Notes were issued, or to make any funds available therefor, whether by dividends, loans, distributions or other payments. Any right that the Parent Guarantor has to receive any assets of any of the Non-Guarantors upon the liquidation or reorganization of any Non-Guarantor, and the consequent rights of holders of the 3.45% Senior Notes to realize proceeds from the sale of any of a Non-Guarantor's assets, would be effectively subordinated to the claims of such Non-Guarantor's creditors, including trade creditors and holders of preferred equity interests, if any, of such Non-Guarantor. Accordingly, in the event of a bankruptcy, liquidation or reorganization of any of the Non-Guarantors, the Non-Guarantors will pay the holders of their debts, holders of preferred equity interests, if any, and their trade creditors before they will be able to distribute any of their assets to the Parent Guarantor.

The 3.45% Senior Notes are obligations of the Issuer. The Issuer's cash flow and ability to make payments on the 3.45% Senior Notes could be dependent upon the earnings it derives from the production from MARBL for the Wodgina Project. Absent income received from sales of its share of production from MARBL, the Issuer's ability to service the 3.45% Senior Notes could be dependent upon the earnings of the Parent Guarantor's subsidiaries and other joint ventures and the payment of those earnings to the Issuer in the form of equity, loans or advances and through repayment of loans or advances from the Issuer.

The Issuer's obligations in respect of MARBL are guaranteed by the Parent Guarantor. Further, under MARBL pursuant to a deed of cross security between the Issuer, the joint venture partner and the manager of the project (the "Manager"), each of the Issuer, and the joint venture partner have granted security to each other and the Manager for the obligations each of the Issuer and the joint venture partner have to each other and to the Manager. The claims of the joint venture partner, the Manager and other secured creditors of the Issuer will have priority as to the assets of the Issuer over the claims of holders of the 3.45% Senior Notes.

***Albemarle Corporation Issued Notes***

In March 2021, Albemarle New Holding GmbH (the "Subsidiary Guarantor"), a wholly-owned subsidiary of Albemarle Corporation, added a full and unconditional guarantee (the "Upstream Guarantee") to all securities of Albemarle Corporation (the "Parent Issuer") issued and outstanding as of such date and, subject to the terms of the applicable amendment or supplement, securities issuable by the Parent Issuer pursuant to the Indenture, dated as of January 20, 2005, as amended and supplemented from time to time (the "Indenture"). No other direct or indirect subsidiaries of the Parent Issuer guarantee these securities (such subsidiaries are referred to as the "Upstream Non-Guarantors"). See Long-term debt section above for a description of the securities issued by the Parent Issuer.

The current securities outstanding under the Indenture are the Parent Issuer's unsecured and unsubordinated obligations and rank equally in right of payment with all other unsecured and unsubordinated indebtedness of the Parent Issuer. All securities currently outstanding under the Indenture are effectively subordinated to the Parent Issuer's existing and future secured indebtedness to the extent of the value of the assets securing that indebtedness. With respect to any series of securities issued under the Indenture that is subject to the Upstream Guarantee (which series of securities does not include the 2022 Notes), the Upstream Guarantee is, and will be, an unsecured and unsubordinated obligation of the Subsidiary Guarantor, ranking pari passu with all other existing and future unsubordinated and unsecured indebtedness of the Subsidiary Guarantor. All securities currently outstanding under the Indenture (other than the 2022 Notes) are effectively subordinated to all existing and future indebtedness and other liabilities of the Parent's Subsidiaries other than the Subsidiary Guarantor. The 2022 Notes are effectively subordinated to all existing and future indebtedness and other liabilities of the Parent's Subsidiaries, including the Subsidiary Guarantor.

For cash management purposes, the Parent Issuer transfers cash among itself, the Subsidiary Guarantor and the Upstream Non-Guarantors through intercompany financing arrangements, contributions or declaration of dividends between the respective parent and its subsidiaries. The transfer of cash under these activities facilitates the ability of the recipient to make specified third-party payments for principal and interest on the Parent Issuer and/or the Subsidiary Guarantor's outstanding debt, common stock dividends and common stock repurchases. There are no significant restrictions on the ability of the Parent Issuer or the Subsidiary Guarantor to obtain funds from subsidiaries by dividend or loan.

The following tables present summarized financial information for the Subsidiary Guarantor and the Parent Issuer on a combined basis after elimination of (i) intercompany transactions and balances among the Parent Issuer and the Subsidiary Guarantor and (ii) equity in earnings from and investments in any subsidiary that is an Upstream Non-Guarantor. Each entity in the combined financial information follows the same accounting policies as described herein and in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

**Summarized Statement of Operations**

| *$ in thousands* | Six Months Ended June 30, 2023 | Year Ended December 31, 2022 |
|---|---|---|
| Net sales[(a)] | $ 675,273 | $ 2,557,914 |
| Gross profit | 92,646 | 353,515 |
| Loss before income taxes and equity in net income of unconsolidated investments[(b)] | (240,600) | (121,421) |
| Loss attributable to the Subsidiary Guarantor and the Parent Issuer | (440,277) | (77,487) |

(a) Includes net sales to Non-Guarantors of $268.5 million and $1.8 billion for the six months ended June 30, 2023 and year ended December 31, 2022, respectively.
(b) Includes intergroup expenses to Non-Guarantors of $50.0 million and $25.4 million for the six months ended June 30, 2023 and year ended December 31, 2022, respectively.

**Summarized Balance Sheet**

| *$ in thousands* | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Current assets[(a)] | $ 1,124,374 | $ 1,261,682 |
| Net property, plant and equipment | 973,492 | 893,715 |
| Other non-current assets[(b)] | 1,688,173 | 1,783,357 |
| | | |
| Current liabilities[(c)] | $ 2,450,882 | $ 1,981,456 |
| Long-term debt | 2,985,717 | 2,955,934 |
| Other noncurrent liabilities[(d)] | 6,302,512 | 6,393,534 |

(a) Includes receivables from Non-Guarantors of $343.8 million and $644.0 million at June 30, 2023 and December 31, 2022, respectively.
(b) Includes noncurrent receivables from Non-Guarantors of $1.1 billion and $1.2 billion at June 30, 2023 and December 31, 2022, respectively.
(c) Includes current payables to Non-Guarantors of $1.7 billion and $1.6 billion at June 30, 2023 and December 31, 2022, respectively.
(d) Includes noncurrent payables to Non-Guarantors of $5.8 billion and $5.8 billion at June 30, 2023 and December 31, 2022, respectively.

These securities are structurally subordinated to the indebtedness and other liabilities of the Upstream Non-Guarantors. The Upstream Non-Guarantors are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to these securities or the Indenture under which these securities were issued, or to make any funds available therefor, whether by dividends, loans, distributions or other payments. Any right that the Subsidiary Guarantor has to receive any assets of any of the Upstream Non-Guarantors upon the liquidation or reorganization of any Upstream Non-Guarantors, and the consequent rights of holders of these securities to realize proceeds from the sale of any of an Upstream Non-Guarantor's assets, would be effectively subordinated to the claims of such Upstream Non-Guarantor's creditors, including trade creditors and holders of preferred equity interests, if any, of such Upstream Non-Guarantor. Accordingly, in the event of a bankruptcy, liquidation or reorganization of any of the Upstream Non-Guarantors, the Upstream Non-Guarantors will pay the holders of their debts, holders of preferred equity interests, if any, and their trade creditors before they will be able to distribute any of their assets to the Subsidiary Guarantor.

*Summary of Critical Accounting Policies and Estimates*

There have been no significant changes in our critical accounting policies and estimates from the information we provided in our Annual Report on Form 10-K for the year ended December 31, 2022.

*Recent Accounting Pronouncements*

For a description of recent accounting pronouncements, see Item 1 Financial Statements – Note 18, "Recently Issued Accounting Pronouncements" to the Notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no significant changes in our interest rate risk, foreign currency exchange rate exposure, marketable securities price risk or raw material price risk from the information we provided in our Annual Report on Form 10-K for the year ended December 31, 2022, except as noted below.

We had variable interest rate borrowings of $2.8 million outstanding at June 30, 2023, bearing a weighted average interest rate of 0.38% and representing less than 1% of our total outstanding debt. A hypothetical 100 basis point increase in the interest rate applicable to these borrowings would change our annualized interest expense by less than $0.1 million as of June 30, 2023. We may enter into interest rate swaps, collars or similar instruments with the objective of reducing interest rate volatility relating to our borrowing costs.

Our financial instruments, which are subject to foreign currency exchange risk, consist of foreign currency forward contracts with an aggregate notional value of $7.8 billion and with a fair value representing a net asset position of $26.2 million at June 30, 2023. Fluctuations in the value of these contracts are generally offset by the value of the underlying exposures being hedged. We conducted a sensitivity analysis on the fair value of our foreign currency hedge portfolio assuming an instantaneous 10% change in select foreign currency exchange rates from their levels as of June 30, 2023, with all other variables held constant. A 10% appreciation of the U.S. Dollar against foreign currencies that we hedge would result in an increase of approximately $12.7 million in the fair value of our foreign currency forward contracts. A 10% depreciation of the U.S. Dollar against these foreign currencies would result in a decrease of approximately $82.9 million in the fair value of our foreign currency forward contracts. The sensitivity of the fair value of our foreign currency hedge portfolio represents changes in fair values estimated based on market conditions as of June 30, 2023, without reflecting the effects of underlying anticipated transactions. When those anticipated transactions are realized, actual effects of changing foreign currency exchange rates could have a material impact on our earnings and cash flows in future periods.

## Item 4. Controls and Procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

No change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) occurred during the second quarter ended June 30, 2023 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

We are involved from time to time in legal proceedings of types regarded as common in our business, including administrative or judicial proceedings seeking remediation under environmental laws, such as Superfund, products liability, breach of contract liability and premises liability litigation. Where appropriate, we may establish financial reserves for such proceedings. We also maintain insurance to mitigate certain of such risks. Additional information with respect to this Item 1 is contained in Note 9 to the Notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

### Item 1A. Risk Factors.

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. The risk factors set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 describe some of the risks and uncertainties associated with our business. These risks and uncertainties have the potential to materially affect our results of operations and our financial condition. We do not believe that there have been any material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

### Item 5. Other Information.

N/A.

### Item 6. Exhibits.

(a) Exhibits

| | |
|---|---|
| #10.1 | Albemarle Corporation 2023 Stock Compensation and Deferral Election Plan for Non-Employee Directors [filed as Appendix A to the Company’s Definitive Proxy Statement filed on March 21, 2023, and incorporated herein by reference] |
| *31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a). |
| *31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a). |
| *32.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350. |
| *32.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350. |
| 101 | Interactive Data File (Quarterly Report on Form 10-Q, for the quarterly period ended June 30, 2023, furnished in XBRL (eXtensible Business Reporting Language)). |

# Management contract or compensatory plan or arrangement.
* Included with this filing.

Attached as Exhibit 101 to this report are the following documents formatted in XBRL: (i) the Consolidated Statements of Income for the six months ended June 30, 2023 and 2022, (ii) the Consolidated Statements of Comprehensive Income for the six months ended June 30, 2023 and 2022, (iii) the Consolidated Balance Sheets at June 30, 2023 and December 31, 2022, (iv) the Consolidated Statements of Changes in Equity for the six months ended June 30, 2023 and 2022, (v) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023 and 2022 and (vi) the Notes to the Condensed Consolidated Financial Statements.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALBEMARLE CORPORATION
(Registrant)

Date: August 2, 2023

By: /s/ SCOTT A. TOZIER

**Scott A. Tozier**
**Executive Vice President and Chief Financial Officer**
**(principal financial officer)**

**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, J. Kent Masters, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Albemarle Corporation for the period ended June 30, 2023;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2023

/s/ J. KENT MASTERS

J. Kent Masters
Chairman, President and Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Scott A. Tozier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Albemarle Corporation for the period ended June 30, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2023

/s/ SCOTT A. TOZIER

Scott A. Tozier
Executive Vice President and Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Albemarle Corporation (the "Company") for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Kent Masters, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. KENT MASTERS

J. Kent Masters
Chairman, President and Chief Executive Officer
August 2, 2023

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Albemarle Corporation (the “Company”) for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott A. Tozier, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SCOTT A. TOZIER

Scott A. Tozier
Executive Vice President and Chief Financial Officer
August 2, 2023