

# Albemarle Corporation Third Quarter 2019 Earnings

Conference Call/Webcast

Thursday, November 7, 2019

9:00am ET



# Forward-Looking Statements

Some of the information presented in this presentation, the conference call and discussions that follow, including, without limitation, statements with respect to product development, market trends, price, expected growth and earnings, demand for our products, capital projects, tax rates, stock repurchases, dividends, cash flow generation, economic trends, outlook and all other information relating to matters that are not historical facts may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from the views expressed.

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

# Non-GAAP Financial Measures

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

A description of these and other non-GAAP financial measures that we use to evaluate our operations and financial performance, and reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated and reported in accordance with GAAP, can be found in the Appendix to this presentation. The Company does not provide a reconciliation of forward looking non-GAAP financial measures to the most directly comparable financial measures calculated and reported in accordance with GAAP, as the Company is unable to estimate significant non-recurring or unusual items without unreasonable effort. The amounts and timing of these items are uncertain and could be material to the Company's results calculated in accordance with GAAP.

# Third Quarter 2019 Financial Summary

(In millions, except per share amounts)

	Q3 2019	Q3 2018	Variance
<b>Net Sales</b>	\$880	\$778	<b>13%</b>
<b>Net income attributable to Albemarle Corporation</b>	\$155	\$130	<b>20%</b>
<b>Adjusted EBITDA</b>	\$254	\$235	<b>8%</b>
<b>Diluted EPS</b>	\$1.46	\$1.20	<b>22%</b>
<b>Non-operating pension and OPEB items</b>	(0.01)	(0.02)	
<b>Non-recurring and other unusual items</b>	0.08	0.13	
<b>Adjusted Diluted EPS<sup>1</sup></b>	\$1.53	\$1.31	<b>17%</b>

# Third Quarter Key Messages

## Delivered Solid Third Quarter

- YoY growth in adjusted EBITDA across all segments

## Full year 2019

- Reaffirming full year 2019 Adj. EPS of \$6.00 to \$6.20 for total pro forma growth of 10% – 14%

## Continued Focus on Sustainable Cash Flow Generation

- In Q2 2019, announced capex reduction of \$1.5 billion over next five years and committed to generating free cash in 2021
- Initiating a cost management program to capture over \$100 million in sustainable cost savings over the next two years

## Advancing Strategy and Positioning for Long-term Growth

- Strengthened global lithium resource position and diversification through completion of MRL JV
- Made decision to idle production of the Wodgina mine

# Third Quarter 2019 Financial Highlights

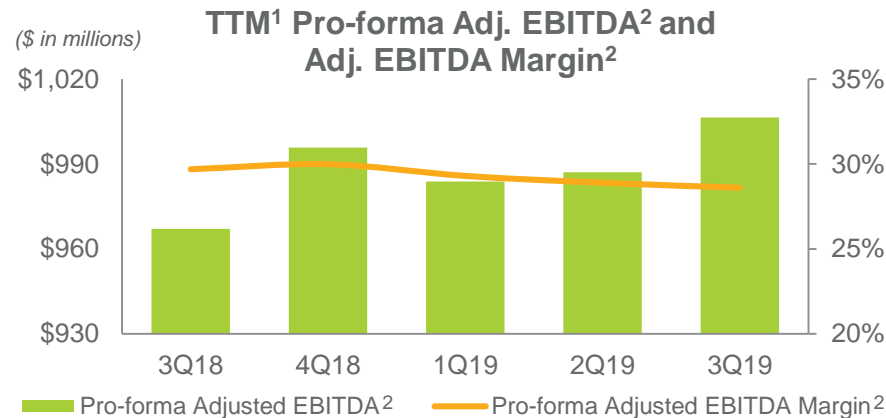
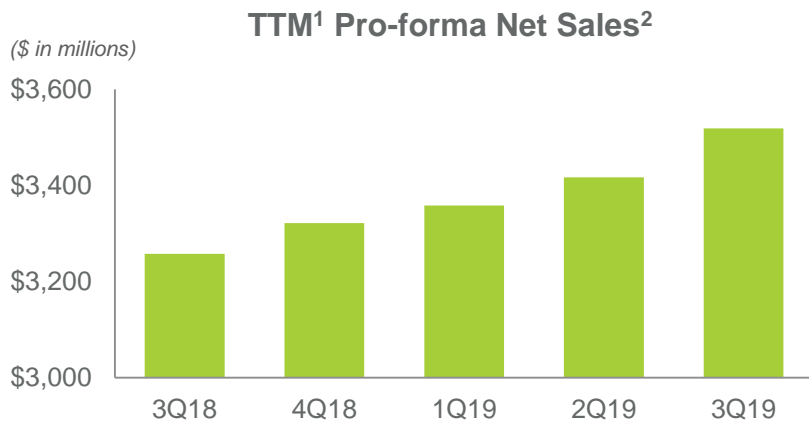
	Q3 2019 Results	Q3 2018	vs Prior Year
<b>Net Sales</b> Net Sales ex FX <sup>1</sup>	\$880 million \$888 million	\$778 million	+13% +14%
<b>Adjusted EBITDA</b> Adj. EBITDA ex FX <sup>1</sup>	\$254 million \$263 million	\$235 million	+8% +12%
<b>Adjusted Diluted EPS</b> Adj. Diluted EPS ex FX <sup>1</sup>	\$1.53 \$1.60	\$1.31	+17% +22%

**Net sales YoY growth driven by increased volume with all segments**

# Update on 60/40 JV between ALB and MRL

- Announced close on October 31, 2019 on JV called MARBL Lithium
- Access to high-quality spodumene source, strengthening our long-term asset position by increasing capacity to support future demand
- \$1.3 billion investment
  - Cash payment of \$820 million for 60% interest in Wodgina Mine
  - Contributed 40% interest in 50,000 ton lithium hydroxide conversion trains being built by Albemarle at Kemerton in Western Australia
  - Albemarle will market 100% of the output
- Made the decision to idle production at Wodgina until market condition supports bringing the mine back into production
- 50 ktpa lithium hydroxide conversion capacity at Kemerton is currently scheduled to be commissioned in stages starting in the first half of 2021
- 2020 EBITDA impact is expected to be a \$10 million expense and have a \$0.50 impact on EPS; once fully built out to 100 ktpa, of lithium hydroxide production; expect ROIC of 17% to 19%

# Q3 2019 Segment Quarterly Highlights



## Core Business Performance

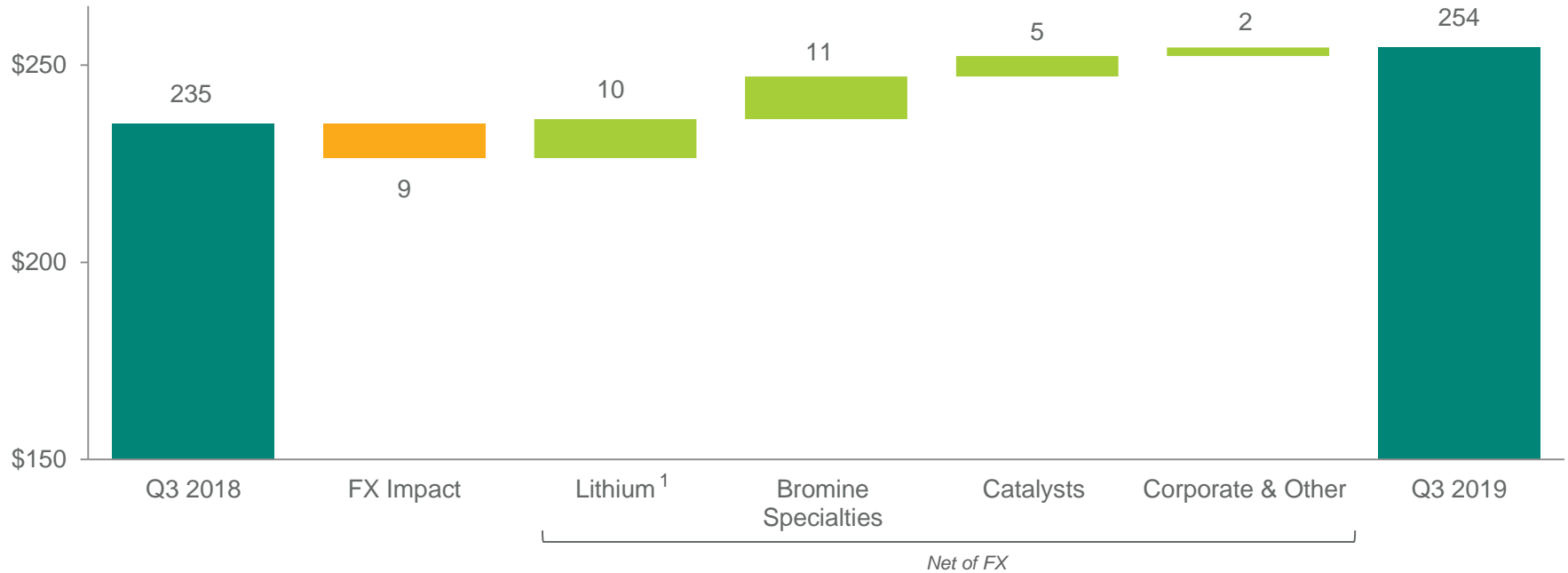
<b>Lithium</b>	\$127M Adj. EBITDA; 39% Adj. EBITDA margin; 23% Net Sales <sup>3</sup> YOY
<b>Bromine Specialties</b>	\$89M Adj. EBITDA; 35% Adj. EBITDA margin; 11% Net Sales <sup>3</sup> YOY
<b>Catalysts</b>	\$67M Adj. EBITDA; 26% Adj. EBITDA margin; 5% Net Sales <sup>3</sup> YOY



# Third Quarter 2019 Adjusted EBITDA Bridge

12% YOY Net of FX

(\$ in millions)

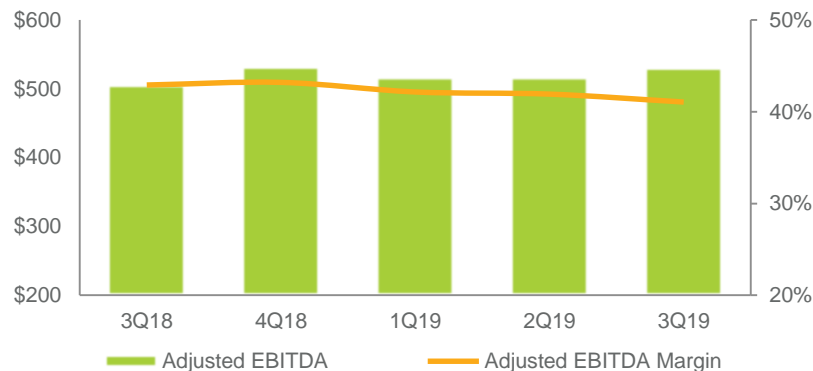


# Lithium

## Q3 2019 Performance

(\$ in millions)	Q3 2019	Q3 2018	Δ
<b>Net Sales</b>	<b>\$330</b>	<b>\$271</b>	<b>22%</b>
Net Sales ex FX <sup>1</sup>	\$333		23%
<b>Adj. EBITDA</b>	<b>\$127</b>	<b>\$114</b>	<b>12%</b>
Adj. EBITDA ex FX <sup>1</sup>	\$123		9%
<b>Adj. EBITDA Margin</b>	<b>39%</b>	<b>42%</b>	<b>(336) bps</b>
Adj. EBITDA Margin ex FX <sup>1</sup>	37%		(491) bps

## Historical Trend (TTM)



## Performance Drivers

- Net sales<sup>1</sup> driven mainly by volume (+22%) and slightly by price (+1%)
- Sales were lower than expected primarily due to shipment delays from Typhoon Tapah
- EBITDA was driven by the higher use of tollers to meet customer commitments due to operating reliability issues in Chile and an out-of-period adjustment of \$7 million for lithium carbonate inventory values
- Pricing was slightly up but we continue to experience price pressure in China and on technical grade product

# Global Lithium Salts Market Price Summary

		High	Q3 2018	Q3 2019	Y-o-Y change	Q2 2019	Q3 2019	Q-o-Q change
<b>Asian Metal</b>	Carbonate	\$24.45 (Q4 2017)	\$14.96	\$10.75	-30%	\$12.55	\$10.75	-14%
	Hydroxide	\$22.53 (Q4 2017)	\$18.22	\$12.21	-33%	\$14.30	\$12.21	-15%
<b>Benchmark Mineral Intelligence</b>	Carbonate	\$16.48 (Q1 2018)	\$14.96	\$10.61	-30%	\$11.93	\$10.61	-11%
	Hydroxide	\$19.02 (Q2 2018)	\$18.21	\$12.56	-31%	\$13.79	\$12.56	-9%
<b>Average</b>	Carbonate	\$21.24 (Q4 2017)	\$14.96	\$10.68	-29%	\$12.24	\$10.68	-13%
	Hydroxide	\$20.55 (Q4 2017)	\$18.22	\$12.39	-32%	\$14.05	\$12.39	-12%

## Key Points

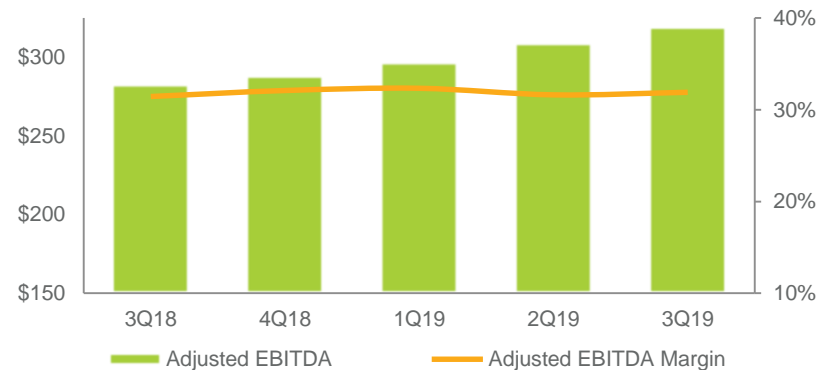
- Global pricing is down for both lithium carbonate and hydroxide YoY and QoQ and expect the trend to continue into Q4 2019 and 2020
- China lithium carbonate is now near marginal cost of production, approximately \$7.00/kg
- Expect to see downward pricing pressure extend outside of China

# Bromine Specialties

## Q3 2019 Performance

(\$ in millions)	Q3 2019	Q3 2018	Δ
<b>Net Sales</b>	<b>\$256</b>	<b>\$233</b>	<b>10%</b>
Net Sales ex FX <sup>1</sup>	\$258		11%
<b>Adj. EBITDA</b>	<b>\$89</b>	<b>\$79</b>	<b>13%</b>
Adj. EBITDA ex FX <sup>1</sup>	\$89		14%
<b>Adj. EBITDA Margin</b>	<b>35%</b>	<b>34%</b>	<b>87 bps</b>
Adj. EBITDA Margin ex FX <sup>1</sup>	35%		93 bps

## Historical Trend (TTM)



## Performance Drivers

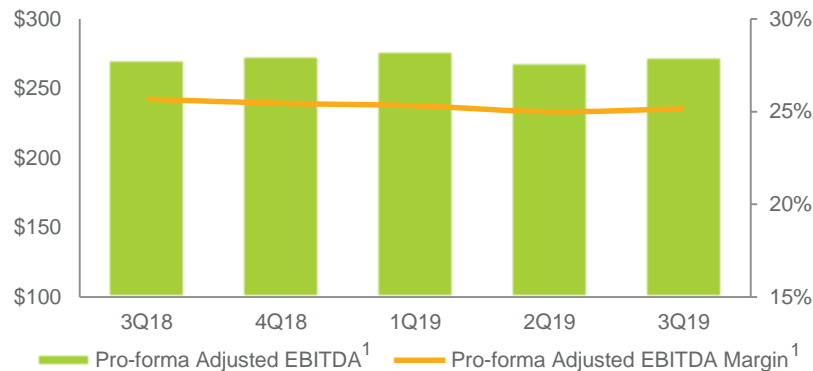
- Net sales<sup>1</sup> growth driven by volume (+4%) and price (+7%)
- Magnolia and JBC continue to operate at higher than expected volumes
- Market remains tight on supply with domestic China supply lower than previous years

# Catalysts

## Q3 2019 Performance

(\$ in millions)	Q3 2019	Q3 2018	Δ
<b>Net Sales</b>	<b>\$261</b>	<b>\$251</b>	<b>4%</b>
Net Sales ex FX <sup>1</sup>	\$265		5%
<b>Adj. EBITDA</b>	<b>\$67</b>	<b>\$63</b>	<b>7%</b>
Adj. EBITDA ex FX <sup>1</sup>	\$68		8%
<b>Adj. EBITDA Margin</b>	<b>26%</b>	<b>25%</b>	<b>69 bps</b>
Adj. EBITDA Margin ex FX <sup>1</sup>	26%		68 bps

## Historical Trend (TTM)



## Performance Drivers

- Net sales<sup>1</sup> driven by HPC volume and FCC pricing
- FCC had favorable pricing (low to mid single digits) offset by lower volumes
- HPC benefited from higher sales volume and a favorable product mix

# Cash Flow and Net Debt

## Nine Months Ended 9/30/19

(\$ in millions)

	<u>2019</u>	<u>2018</u>
<b>Net Cash from Operations</b>	<b>\$346</b>	<b>\$377</b>
Less: Capital Expenditures	(608)	(472)
Add Back: Pension Contributions	11	11
<b>Free Cash Flow</b>	<b>(\$251)</b>	<b>(\$84)</b>

- Initiating a program aimed at capturing over \$100 million in sustainable cost saving over the next two years
- Albemarle estimates the net debt to EBITDA to be around 2.6x after the MRL deal closes

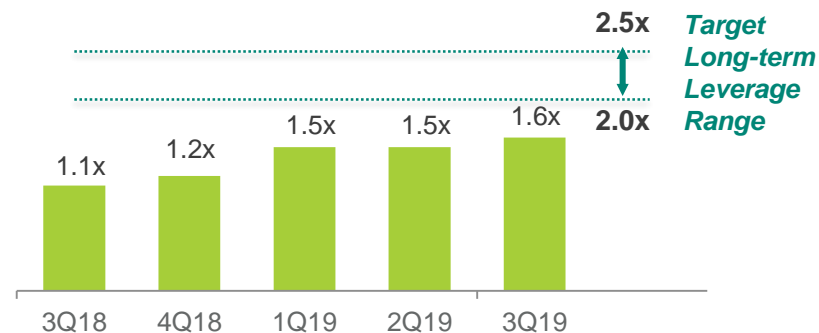
## Selected Financial Metrics

(\$ in millions)

(as of 9/30/2019)




<b>Dividends Paid (YTD)</b>	<b>\$113</b>
<b>Dividend Growth (Y/Y)<sup>1</sup></b>	<b>10%</b>
<b>Cash Balance</b>	<b>\$318</b>
<b>Gross Debt<sup>2</sup></b>	<b>\$1,922</b>

## Net Debt to Adj. EBITDA<sup>3</sup>



# Full Year 2019 Business Guidance vs 2018

As of November 6, 2019

Business Unit	Updated Outlook	Business Environment
Lithium		<ul style="list-style-type: none"> <li>• Adj. EBITDA growth expected to be in the low to mid single digits</li> <li>• Favorable outlook driven by volume growth and flat to slightly upward pricing</li> <li>• Expect adj. EBITDA margins to remain around 40%</li> </ul>
Bromine Specialties		<ul style="list-style-type: none"> <li>• Adj. EBITDA growth expected to be in the low double digits</li> <li>• Weakness in automotive and construction markets to date have been offset by allocating bromine to electronic and other markets where demand has, thus far, remained strong</li> <li>• China domestic supply remains low</li> </ul>
Catalysts <sup>1</sup>		<ul style="list-style-type: none"> <li>• Adj. EBITDA expected to be down low single digits on a pro-forma<sup>1</sup> basis</li> <li>• PCS headwind of \$11 million adj. EBITDA in 2019 from loss of customer contract</li> <li>• Delay in startup of large FCC units negatively impacting 2019, but customers are expected to start production in 2020</li> </ul>

 Better than 2018	 Better than 2018; reduced from Q2 Prior Outlook	 Flat vs. 2018	 Lower than 2018
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# Full Year 2019 Guidance vs 2018

As of November 6, 2019

	FY 2018	FY 2018 Pro-forma <sup>1</sup>	FY 2019 Guidance	2019 Guidance vs FY 2018 Pro-Forma <sup>1</sup>
Net Sales	\$3.37B	\$3.35B	\$3.6B – \$3.7B	7% – 10%
Adj. EBITDA	\$1,007M	\$996M	\$1,020M – \$1,060M	2% – 6%
Adj. EBITDA Margin	30%	30%	28% – 29%	
Adj. Diluted EPS	\$5.48	\$5.43	\$6.00 – \$6.20	10% – 14%
Net Cash from Operations	\$546M	\$535M	\$700M – \$800M	31% – 50%
Capital Expenditures	\$700M	\$700M	\$900M – \$950M	



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# Appendix

Non-GAAP Reconciliations and  
Supplemental Information

# Definitions of Non-GAAP Measures

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

# Adjusted Net Income

	Three Months Ended	
	September 30,	
	2019	2018
<i>(\$ in thousands)</i>		
Net income attributable to Albemarle Corporation	\$ 155,070	\$ 129,745
Add back:		
Non-operating pension and OPEB items (net of tax)	(543)	(1,856)
Non-recurring and other unusual items (net of tax)	8,497	13,568
Adjusted net income attributable to Albemarle Corporation	\$ 163,024	\$ 141,457
Adjusted diluted earnings per share	\$ 1.53	\$ 1.31
Weighted-average common shares outstanding – diluted	106,299	108,302

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

# EBITDA and Adjusted EBITDA

*(\$ in thousands)*

Net income attributable to Albemarle Corporation

Add back:

Interest and financing expenses

Income tax expense

Depreciation and amortization

**EBITDA**

Non-operating pension and OPEB items

Non-recurring and other unusual items

**Adjusted EBITDA**

**Net sales**

EBITDA margin

Adjusted EBITDA margin

**Three Months Ended**

**September 30,**

	<b>2019</b>	<b>2018</b>
	<b>\$ 155,070</b>	<b>\$ 129,745</b>
	11,108	12,988
	25,341	33,167
	54,487	49,707
	246,006	225,607
	(551)	(2,195)
	8,896	11,670
	254,351	235,082
	<b>\$ 879,747</b>	<b>\$ 777,748</b>
	28.0%	29.0%
	28.9%	30.2%

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

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

(\$ in thousands)

	Lithium	Bromine Specialties	Catalysts	Reportable Segments Total	All Other	Corporate	Consolidated Total
<b>Three months ended September 30, 2019:</b>							
Net income (loss) attributable to Albemarle Corporation	\$ 102,136	\$ 75,224	\$ 54,345	\$ 231,705	\$ 8,305	\$ (84,940)	\$ 155,070
Depreciation and amortization	25,212	12,448	12,599	50,259	2,143	2,085	54,487
Non-recurring and other unusual items	111	1,142	—	1,253	—	7,643	8,896
Interest and financing expenses	—	—	—	—	—	11,108	11,108
Income tax expense	—	—	—	—	—	25,341	25,341
Non-operating pension and OPEB items	—	—	—	—	—	(551)	(551)
<b>Adjusted EBITDA</b>	<b>\$ 127,459</b>	<b>\$ 88,814</b>	<b>\$ 66,944</b>	<b>\$ 283,217</b>	<b>\$ 10,448</b>	<b>\$ (39,314)</b>	<b>\$ 254,351</b>
<b>Three months ended September 30, 2018:</b>							
Net income (loss) attributable to Albemarle Corporation	\$ 90,313	\$ 67,967	\$ 50,491	\$ 208,771	\$ 1,978	\$ (81,004)	\$ 129,745
Depreciation and amortization	23,370	10,618	12,111	46,099	1,990	1,618	49,707
Non-recurring and other unusual items	(54)	—	—	(54)	—	11,724	11,670
Interest and financing expenses	—	—	—	—	—	12,988	12,988
Income tax expense	—	—	—	—	—	33,167	33,167
Non-operating pension and OPEB items	—	—	—	—	—	(2,195)	(2,195)
<b>Adjusted EBITDA</b>	<b>\$ 113,629</b>	<b>\$ 78,585</b>	<b>\$ 62,602</b>	<b>\$ 254,816</b>	<b>\$ 3,968</b>	<b>\$ (23,702)</b>	<b>\$ 235,082</b>

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

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

(\$ in thousands)

	Lithium	Bromine Specialties	Catalysts	Reportable Segments Total	All Other	Consolidated Total
<b>Three months ended September 30, 2019:</b>						
Net sales	\$ 330,386	\$ 256,267	\$ 261,346	\$ 847,999	\$ 31,748	\$ 879,747
Net income (loss) attributable to Albemarle Corporation	30.9%	29.4%	20.8%	27.3%	26.2%	17.6%
Depreciation and amortization	7.6%	4.9%	4.8%	5.9%	6.8%	6.2%
Non-recurring and other unusual items	—%	0.4%	—%	0.1%	—%	1.0%
Interest and financing expenses	—%	—%	—%	—%	—%	1.3%
Income tax expense	—%	—%	—%	—%	—%	2.9%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(0.1)%
<b>Adjusted EBITDA Margin</b>	<b>38.6%</b>	<b>34.7%</b>	<b>25.6%</b>	<b>33.4%</b>	<b>32.9%</b>	<b>28.9%</b>
<b>Three months ended September 30, 2018:</b>						
Net sales	\$ 270,928	\$ 232,616	\$ 251,139	\$ 754,683	\$ 23,065	\$ 777,748
Net income (loss) attributable to Albemarle Corporation	33.3%	29.2%	20.1%	27.7%	8.6%	16.7%
Depreciation and amortization	8.6%	4.6%	4.8%	6.1%	8.6%	6.4%
Non-recurring and other unusual items	—%	—%	—%	—%	—%	1.5%
Interest and financing expenses	—%	—%	—%	—%	—%	1.7%
Income tax expense	—%	—%	—%	—%	—%	4.2%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(0.3)%
<b>Adjusted EBITDA Margin</b>	<b>41.9%</b>	<b>33.8%</b>	<b>24.9%</b>	<b>33.8%</b>	<b>17.2%</b>	<b>30.2%</b>

See above for adjusted EBITDA margin, a non-GAAP financial measure defined as adjusted EBITDA divided by net sales. See slide 22 for the related reconciliation of adjusted EBITDA on a segment basis, the non-GAAP financial measure, to Net income attributable to Albemarle Corporation ("earnings"), the most directly comparable financial measure calculated and reporting in accordance with GAAP.

# Adjusted EBITDA - Continuing Operations (twelve months ended)

(\$ in thousands)

	Twelve Months Ended				
	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019
<b>Continuing Operations</b>					
Net income attributable to Albemarle Corporation	\$ 345,600	\$ 693,562	\$ 695,371	\$ 547,108	\$ 572,433
Depreciation and amortization	203,352	200,698	199,651	202,125	206,905
Non-recurring and other unusual items (excluding items associated with interest expense)	(109,373)	(90,112)	(131,540)	67,457	64,683
Interest and financing expenses	56,289	52,405	51,453	49,746	47,866
Income tax expense	511,851	144,826	161,979	112,288	104,462
Non-operating pension and OPEB items	(19,577)	5,285	6,899	8,427	10,071
<b>Adjusted EBITDA</b>	<b>\$ 988,142</b>	<b>\$ 1,006,664</b>	<b>\$ 983,813</b>	<b>\$ 987,151</b>	<b>\$ 1,006,420</b>
Pro-forma: Net impact of adjusted EBITDA from divested businesses	(21,028)	(10,872)	—	—	—
<b>Pro-forma Adjusted EBITDA</b>	<b>\$ 967,114</b>	<b>\$ 995,792</b>	<b>\$ 983,813</b>	<b>\$ 987,151</b>	<b>\$ 1,006,420</b>
Net Sales	\$ 3,311,040	\$ 3,374,950	\$ 3,385,385	\$ 3,416,563	\$ 3,518,562
Pro-forma: Net impact of Net Sales from divested business	(53,306)	(27,082)	—	—	—
<b>Pro-forma Net Sales</b>	<b>\$ 3,257,734</b>	<b>\$ 3,347,868</b>	<b>\$ 3,385,385</b>	<b>\$ 3,416,563</b>	<b>\$ 3,518,562</b>
<b>Pro-forma Adjusted EBITDA Margin</b>	30%	30%	29%	29%	29%

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

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



# Adjusted EBITDA - by Segment (twelve months ended)

(\$ in thousands)	Twelve Months Ended				
	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019
<b>Lithium</b>					
Net income attributable to Albemarle Corporation	\$ 409,753	\$ 428,212	\$ 413,047	\$ 413,058	\$ 424,881
Depreciation and amortization	96,798	95,193	93,220	93,260	95,102
Non-recurring and other unusual items	(1,635)	7,368	9,108	9,219	9,384
Adjusted EBITDA	504,916	530,773	515,375	515,537	529,367
Net Sales	1,176,120	1,228,171	1,222,025	1,229,220	1,288,678
Adjusted EBITDA Margin	43%	43%	42%	42%	41%
<b>Bromine Specialties</b>					
Net income attributable to Albemarle Corporation	\$ 241,822	\$ 246,509	\$ 254,453	\$ 264,396	\$ 271,653
Depreciation and amortization	40,501	41,607	42,291	44,313	46,143
Non-recurring and other unusual items	—	—	—	—	1,142
Adjusted EBITDA	282,323	288,116	296,744	308,709	318,938
Net Sales	897,853	917,880	941,293	976,212	999,863
Adjusted EBITDA Margin	31%	31%	32%	32%	32%
<b>Catalysts</b>					
Net income attributable to Albemarle Corporation	\$ 458,897	\$ 445,604	\$ 437,803	\$ 211,040	\$ 214,894
Depreciation and amortization	51,655	49,131	49,173	49,004	49,492
Non-recurring and other unusual items	(218,705)	(210,428)	(210,428)	8,277	8,277
Adjusted EBITDA	291,847	284,307	276,548	268,321	272,663
Pro-forma: Net impact of adjusted EBITDA from divested business	(21,028)	(10,872)	—	—	—
<b>Pro-forma Adjusted EBITDA</b>	270,819	273,435	276,548	268,321	272,663
Net Sales	1,107,987	1,101,554	1,092,485	1,073,820	1,084,027
Pro-forma: Net impact of net sales from divested business	(53,306)	(27,082)	—	—	—
Pro-forma Net Sales	1,054,681	1,074,472	1,092,485	1,073,820	1,084,027
Pro-forma Adjusted EBITDA Margin	26%	25%	25%	25%	25%

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

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

# Adjusted EBITDA supplemental<sup>1</sup>

(\$ in thousands)

	Twelve Months Ended	Three Months Ended			
	Sep 30, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
<b>Adjusted EBITDA</b>	<b>\$ 1,006,420</b>	<b>\$ 254,351</b>	<b>\$ 261,900</b>	<b>\$ 225,867</b>	<b>\$ 264,302</b>
Net income attributable to noncontrolling interests	71,730	16,548	20,772	17,957	16,453
Equity in net income of unconsolidated investments (net of tax)	(134,264)	(33,236)	(38,310)	(35,181)	(27,537)
Dividends received from unconsolidated investments	87,603	2,691	57,257	3,034	24,621
<b>Consolidated EBITDA</b>	<b>\$ 1,031,489</b>	<b>\$ 240,354</b>	<b>\$ 301,619</b>	<b>\$ 211,677</b>	<b>\$ 277,839</b>
<b>Total Long Term Debt (as reported)</b>	<b>\$ 1,921,944</b>				
Off balance sheet obligations and other	79,500				
<b>Consolidated Funded Debt</b>	<b>\$ 2,001,444</b>				
Less Cash	317,823				
<b>Consolidated Funded Net Debt</b>	<b>\$ 1,683,621</b>				
<b>Consolidated Funded Debt to Consolidated EBITDA Ratio</b>	<b>1.9</b>				
<b>Consolidated Funded Net Debt to Consolidated EBITDA Ratio</b>	<b>1.6</b>				

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

# Diluted EPS

	Three Months Ended	
	September 30,	
	2019	2018
Diluted earnings per share attributable to Albemarle Corporation	\$ 1.46	\$ 1.20
Add back:		
Non-operating pension and OPEB items (net of tax)	(0.01)	(0.02)
Non-recurring and other unusual items (net of tax)		
Restructuring and other	—	0.04
Acquisition and integration related costs	0.03	0.03
Legal accrual	—	0.02
Other	0.05	0.04
Total non-recurring and other unusual items	0.08	0.13
Adjusted diluted earnings per share <sup>1</sup>	\$ 1.53	\$ 1.31

<sup>1</sup>Totals may not add due to rounding

# Effective Tax Rate

*(\$ in thousands)*

**Three months ended September 30, 2019:**

As reported  
 Non-recurring, other unusual and non-operating pension and OPEB items  
 As adjusted

	<b>Income before income taxes and equity in net income of unconsolidated investments</b>	<b>Income tax expense</b>	<b>Effective income tax rate</b>
As reported	\$ 163,723	\$ 25,341	15.5%
Non-recurring, other unusual and non-operating pension and OPEB items	8,345	391	
As adjusted	<u>\$ 172,068</u>	<u>\$ 25,732</u>	15.0%

**Three months ended September 30, 2018:**

As reported  
 Non-recurring, other unusual and non-operating pension and OPEB items  
 As adjusted

As reported	\$ 154,565	\$ 33,167	21.5%
Non-recurring, other unusual and non-operating pension and OPEB items	9,475	(2,237)	
As adjusted	<u>\$ 164,040</u>	<u>\$ 30,930</u>	18.9%

See above for a reconciliation of the adjusted effective income tax rate, the non-GAAP financial measure, to the effective income tax rate, the most directly comparable financial measure calculated and reporting in accordance with GAAP.

# Equity Income and Noncontrolling Interest

	Three Months Ended September 30,			
	2019		2018	
	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest
<i>(\$ in thousands)</i>				
Lithium	\$ 31,603	\$ —	\$ 17,901	\$ —
Bromine Specialties	—	(16,492)	—	(13,717)
Catalysts	1,633	—	4,180	—
Corporate	—	(56)	—	(17)
Total Company	<u>\$ 33,236</u>	<u>\$ (16,548)</u>	<u>\$ 22,081</u>	<u>\$ (13,734)</u>

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