

Albemarle Corporation Second Quarter 2019 Earnings

Conference Call/Webcast
Thursday, August 8th, 2019
9:00am ET



Forward-Looking Statements

Some of the information presented in this presentation, the earnings conference call and discussions that follow, including, without limitation, information related to outlook and guidance, conversion capacity, production volumes, proposed joint ventures, market trends, pricing, expected growth, earnings and demand for our products, tax rates, dividends, cash flow generation, capital projects, electric vehicle demand, economic trends and all other information relating to matters that are not historical facts may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from the views expressed.

Factors that could cause actual results to differ materially from the outlook expressed or implied in any forward-looking statement include, without limitation: changes in economic and business conditions; changes in financial and operating performance of our major customers and industries and markets served by us; the timing of orders received from customers; the gain or loss of significant customers; competition from other manufacturers; changes in the demand for our products or the end-user markets in which our products are sold; limitations or prohibitions on the manufacture and sale of our products; availability of raw materials; increases in the cost of raw materials and energy, and our ability to pass through such increases to our customers; changes in our markets in general; fluctuations in foreign currencies; changes in laws and government regulation impacting our operations or our products; the occurrence of regulatory actions, proceedings, claims or litigation; the occurrence of cyber-security breaches, terrorist attacks, industrial accidents, natural disasters or climate change; the inability to maintain current levels of product or premises liability insurance or the denial of such coverage; regulatory approvals and the satisfaction of other closing conditions with respect to pending acquisitions; 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.

Second Quarter 2019 Financial Summary

(In millions, except per share amounts)

	Q2 2019	Q2 2018	Variance
Net Sales	\$885	\$854	4%
Net income attributable to Albemarle Corporation¹	\$154	\$302	-49%
Adjusted EBITDA	\$262	\$259	1%
Diluted earnings per share¹	\$1.45	\$2.73	-47%
Non-operating pension and OPEB items	(0.01)	(0.02)	
Non-recurring and other unusual items	0.10	(1.36)	
Adjusted diluted earnings per share²	\$1.55	\$1.36	14%



¹Included \$176.7 million, or \$1.60 per diluted share, after tax gain on sale of the polyolefin catalysts and components portion of the Performance Catalyst Solutions ("PCS") business ("Polyolefin Catalysts Divestiture") in 2018.

²Totals might not add due to rounding.

Second Quarter Key Messages

Adjusted diluted EPS up 20% over 2018 excluding the impact of currency and raising full year EPS guidance to \$6.25 - \$6.65

Lithium and Bromine saw YOY pricing and volume improvement and Catalyst saw YOY pricing improvement

Amended JV with MRL so that Albemarle will own 60% and MRL 40%

Delaying construction of ~125 kt LCE of planned new hydroxide capacity, reducing capital expenditures by approximately \$1.5 billion over the next 5 years

Albemarle to be free cash flow positive in 2021

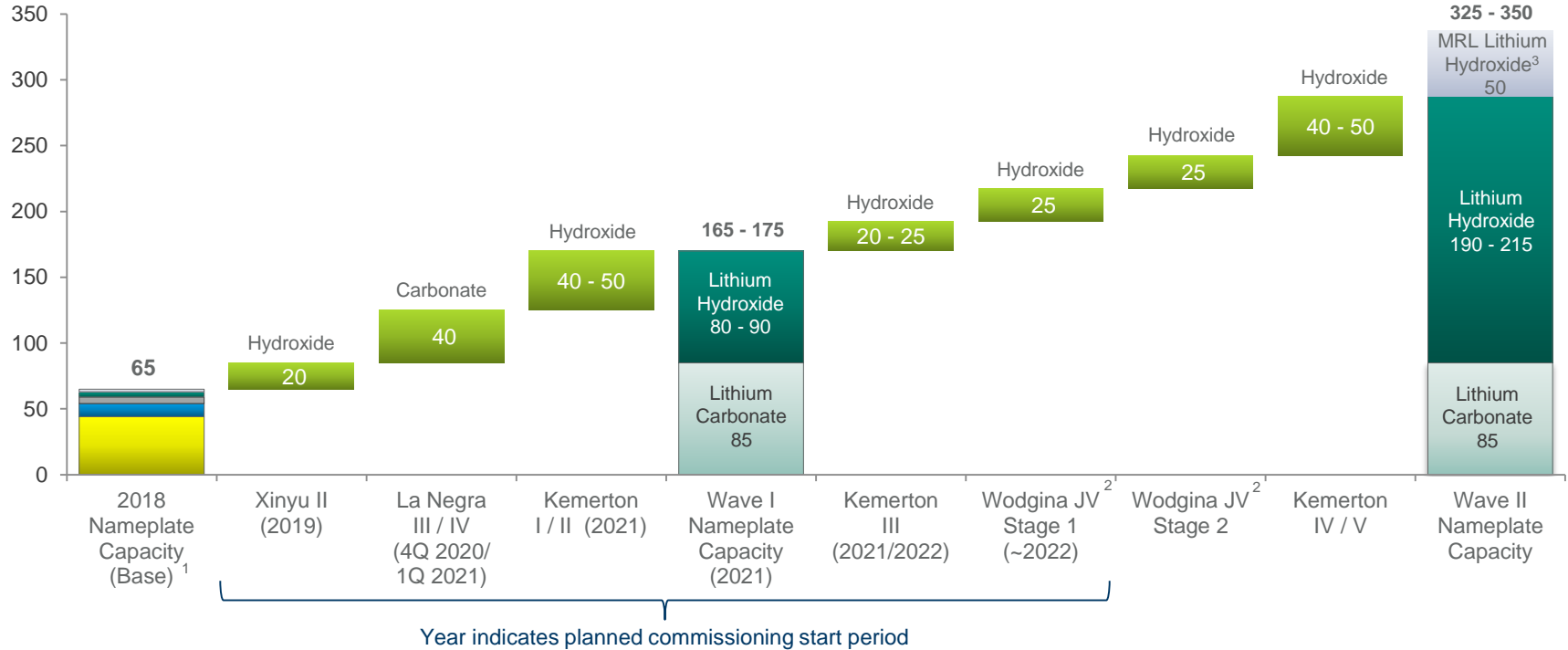
Second Quarter 2019 Financial Highlights

	Q2 2019 Results	Q2 2018	vs Prior Year
Net Sales Net Sales ex FX ¹	\$885 million \$901 million	\$854 million	+4% +6%
Adjusted EBITDA Adj. EBITDA ex FX ¹	\$262 million \$274 million	\$259 million	+1% +6%
Adjusted Diluted EPS Adj. Diluted EPS ex FX ¹	\$1.55 \$1.63	\$1.36	+14% +20%

Business results, lower share count and tax rate drive EPS growth

Previously Disclosed Plan for Wave I & II Conversion Capacity Plan

All figures in kt LCE and represent estimates of lithium nameplate conversion capacity



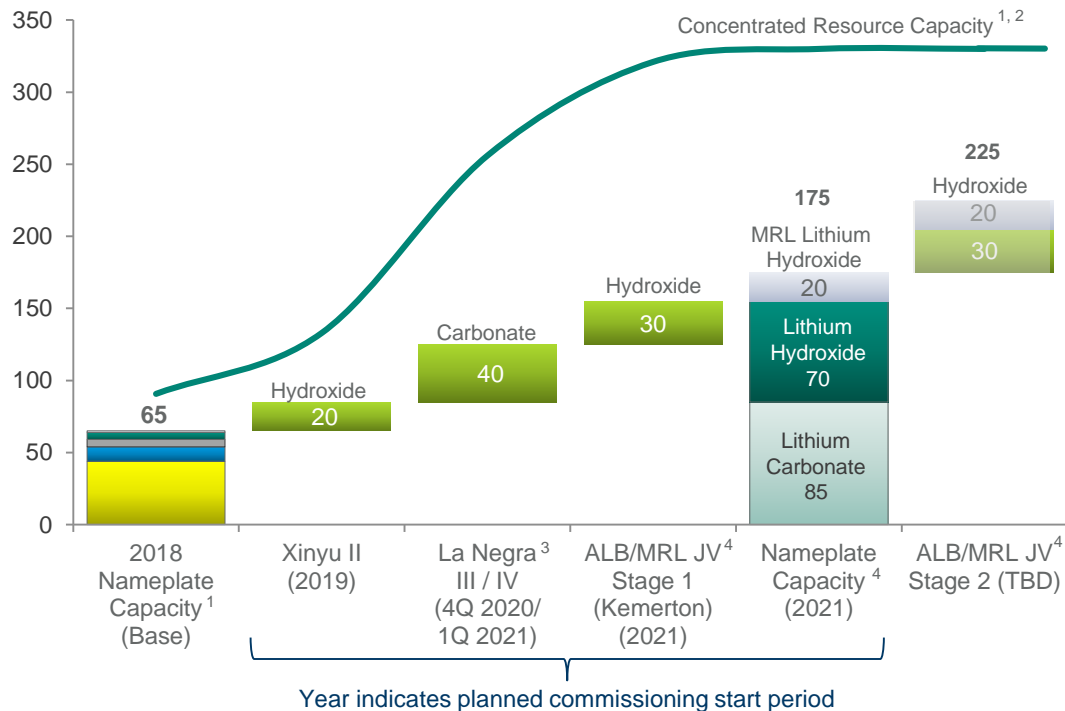
¹Conversion capacity does not include approximately 10 kt LCE of technical grade spodumene to non-battery applications.

²Represents ALB 50% share of Wodgina JV capacity, subject to transaction closing.

³Represents MRL 50% share of Wodgina JV that ALB would have 100% marketing responsibility for upon transaction closing.

Current Conversion Capacity Plan

All figures in kt LCE and represent estimates of lithium nameplate conversion capacity



Changes vs Q1 2019

- Reduce conversion capacity by approximately 125 kt LCE and capital expenditures by approximately \$1.5 billion over the next 5 years.
 - Kemerton I & II contributed to ALB/MRL JV (50 kt LCE)
 - Decision not to build at Wodgina site (50 kt LCE)
 - Decision not to build Kemerton III-V (75 kt LCE)
 - Reflects potential build or buy of additional 50 kt LCE in the ALB/MRL JV, with lower capital intensity, if market dynamics indicate such capacity is needed.

Sufficient, high quality resources to feed future capacity expansions

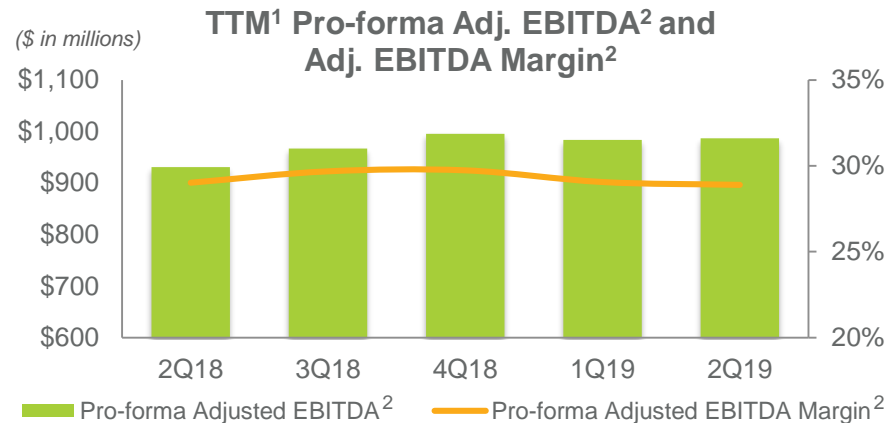
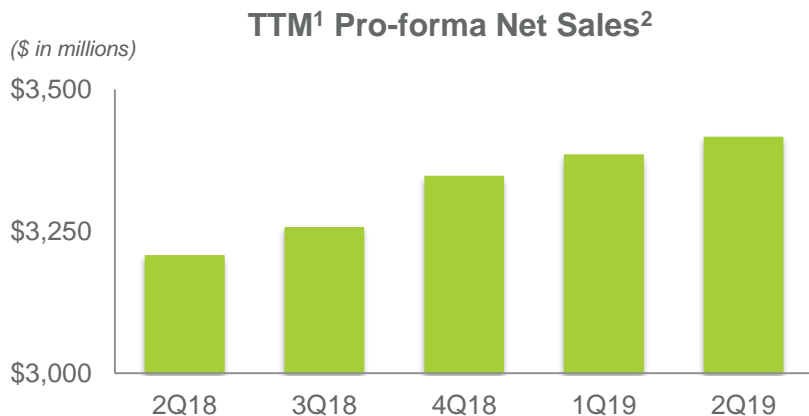
¹Conversion capacity and concentrated resource capacity does not include 10 to 15 kt LCE of technical grade spodumene to non-battery applications.

²Includes Albemarle rights to spodumene and brine resources from Greenbushes, Wodgina, Salar de Atacama, and Silver Peak to be marketed by Albemarle.

³In order to operate full nameplate capacity, need to execute the Salar Yield Improvement Project.

⁴Pending transaction closing, the ALB/MRL JV provides ALB 100% marketing responsibility for the MRL hydroxide share (60%:40%, ALB:MRL)

Segment Quarterly Highlights



Core Business Performance - Second Quarter 2019

Lithium – \$142M Adj. EBITDA; 44% Adj. EBITDA margin; 5% Net Sales³ YOY

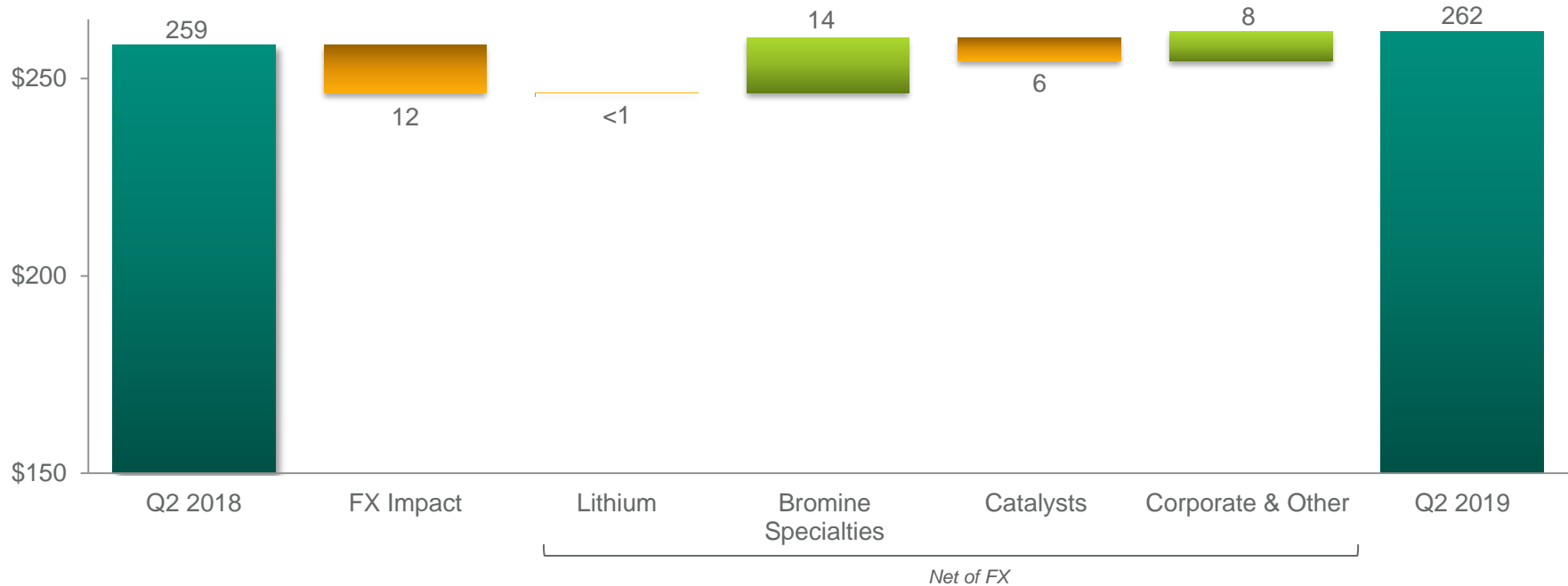
Bromine – \$81M Adj. EBITDA; 32% Adj. EBITDA margin; 17% Net Sales³ YOY

Catalysts – \$67M Adj. EBITDA; 25% Adj. EBITDA margin; -5% Net Sales³ YOY

Second Quarter 2019 Adjusted EBITDA Bridge

Q2 2019: Adjusted EBITDA up \$15 million, 6% YOY Net of FX

(\$ in millions)

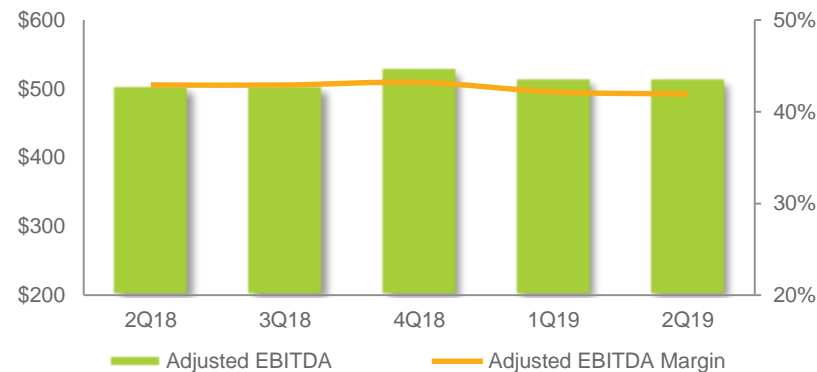


Lithium

Q2 2019 Performance

(\$ in millions)	Q2 2019	Q2 2018	Δ
Net Sales	\$325	\$318	2%
Net Sales ex FX ¹	\$332		5%
Adj. EBITDA	\$142	\$142	0%
Adj. EBITDA ex FX ¹	\$142		0%
Adj. EBITDA Margin	44%	45%	(94) Bps
Adj. EBITDA Margin ex FX ¹	43%		(197) bps

Historical Trend (TTM)



Performance Drivers

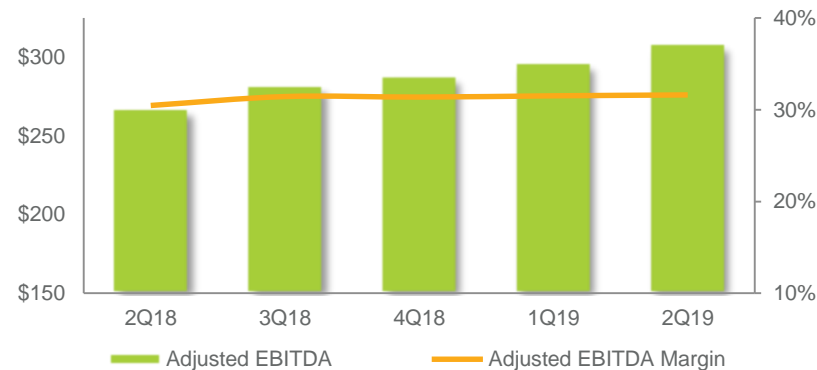
- Q2 2019 Lithium net sales¹ driven by volume (3%) and price/mix (2%), primarily in battery grade materials.
- Several large hydroxide customer qualifications are complete for Xinyu II.
- With reduced capital expenditures in the medium term, expect global business unit to be cash flow positive in 2021.

Bromine Specialties

Q2 2019 Performance

(\$ in millions)	Q2 2019	Q2 2018	Δ
Net Sales	\$255	\$221	16%
Net Sales ex FX ¹	\$259		17%
Adj. EBITDA	\$81	\$69	17%
Adj. EBITDA ex FX ¹	\$83		20%
Adj. EBITDA Margin	32%	31%	38 bps
Adj. EBITDA Margin ex FX ¹	32%		78 bps

Historical Trend (TTM)



Performance Drivers

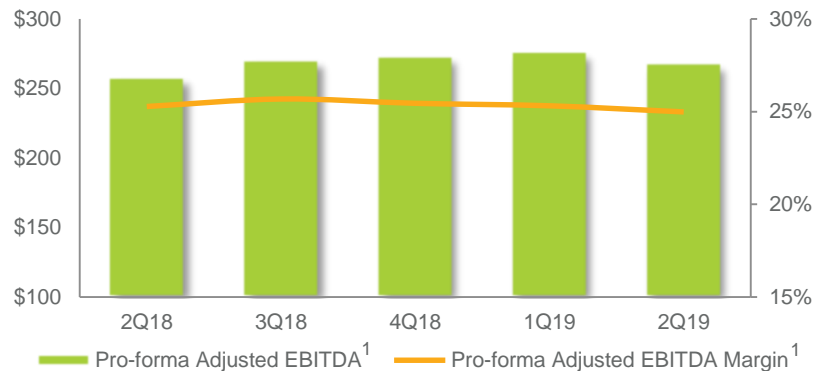
- Q2 2019 Bromine net sales¹ growth driven by volume (11%) and price (6%), primarily in flame retardants for electronics, clear completion fluids, and polymer resins.
- Demand remained solid, with some weakness in automotive and construction.

Catalysts

Q2 2019 Performance

(\$ in millions)	Q2 2019	Q2 2018	Δ
Net Sales	\$266	\$285	-7%
Net Sales ex FX ¹	\$272		-5%
Adj. EBITDA	\$67	\$75	-11%
Adj. EBITDA ex FX ¹	\$69		-8%
Adj. EBITDA Margin	25%	26%	(124) bps
Adj. EBITDA Margin ex FX ¹	25%		(91) bps

Historical Trend (TTM)



Performance Drivers

- Q2 2019 Catalyst net sales¹ impacted by unfavorable volume (-7%) due to the delays in start-up of some new FCC units and customer mix, partially off-set by price (2%).
- Higher sales volume and a favorable product mix in Clean Fuel Technology, or HPC.

Cash Flow and Net Debt

Six Months Ended June 30

(\$ in millions)

	<u>2019</u>	<u>2018</u>
Net Cash from Operations	\$199	\$224
Less: Capital Expenditures	(416)	(281)
Add Back: Pension Contributions	8	7
Free Cash Flow	(\$209)	(\$50)

- Capital expenditure full year guidance increased to \$900 - \$1,000 million due to Kemerton project spend being pulled forward into 2019. Total expenditures for entire Kemerton project remains on track.
- Ceasing work on capital expansion projects in lithium should reduce cash expenditures by approximately \$1.5 billion over the next 5 years.

Selected Financial Metrics

(\$ in millions)

(as of 06/30/2019)

Dividends Paid (YTD):	\$74
Dividend Growth (Y/Y)¹:	10%
Cash Balance:	\$398
Gross Debt²:	\$1,889


Net Debt to Adj. EBITDA³



Full Year 2019 Business Guidance vs 2018

As of August 7, 2019

Business Unit	Prior Outlook	Updated Outlook	Business Environment
Lithium			<ul style="list-style-type: none"> Adj. EBITDA growth expected to be in the mid to high teens vs prior year Favorable outlook driven by volume growth and flat to slightly upward pricing Expect adj. EBITDA margins to remain above 40%
Bromine Specialties			<ul style="list-style-type: none"> Adj. EBITDA growth expected to be in the range of 10% Weakness in automotive and construction markets to date have been offset by allocating bromine to other markets where demand thus far has remained more robust
Catalysts ¹			<ul style="list-style-type: none"> Adj. EBITDA expected to be down mid single digits vs prior year on a pro-forma¹ basis PCS headwind of \$11 million adj. EBITDA in 2019 from loss of customer contract Delay in startup of large FCC units negatively impacting 2019, but only a timing issue

 Better than 2018
  Better than 2018; reduced from Prior Outlook
  Flat vs 2018
  Lower than 2018

Full Year 2019 Guidance vs 2018

As of August 7, 2019

	FY 2018	FY 2018 Pro-forma ¹	FY 2019 Guidance	Change from Prior Guidance	2019 Guidance vs FY 2018 Pro-Forma ¹
Net Sales	\$3.37B	\$3.35B	\$3.65B – \$3.85B		9% – 15%
Adjusted EBITDA	\$1,007M	\$996M	\$1,070M – \$1,140M		7% – 14%
Adjusted EBITDA Margin	30%	30%	29% – 31%		
Adjusted Diluted EPS	\$5.48	\$5.43	\$6.25 – \$6.65	↑	15% – 22%
Net Cash from Operations	\$546M	\$535M	\$700M – \$800M		31% – 50%
Capital Expenditures	\$700M	\$700M	\$900M – \$1,000M	↑	

Full year adjusted EPS increased to \$6.25 - \$6.65

Additional Inputs for Full Year 2019 Guidance

As of August 7, 2019 (\$ in millions)

	FY 2019 Estimate
Depreciation and amortization	\$207 – \$213
Adjusted effective income tax rate	20% – 22%
Corporate Costs	\$130 – \$140
Interest and financing expenses	\$45 – \$50
Weighted-average common shares outstanding – diluted	~106M

ALB
LISTED
NYSE

www.albemarle.com

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	
	June 30,	
	2019	2018
<i>(\$ in thousands)</i>		
Net income attributable to Albemarle Corporation	\$ 154,198	\$ 302,461
Add back:		
Non-operating pension and OPEB items (net of tax)	(693)	(1,873)
Non-recurring and other unusual items (net of tax)	10,754	(150,618)
Adjusted net income attributable to Albemarle Corporation	\$ 164,259	\$ 149,970
Adjusted diluted earnings per share	\$ 1.55	\$ 1.36
Weighted-average common shares outstanding – diluted	106,316	110,659

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

June 30,

	2019	2018
	\$ 154,198	\$ 302,461
	11,601	13,308
	30,411	80,102
	52,948	50,474
	249,158	446,345
	(676)	(2,204)
	13,418	(185,579)
	261,900	258,562
	\$ 885,052	\$ 853,874
	28.2%	52.3%
	29.6%	30.3%

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 June 30)*

(\$ in thousands)

	Lithium	Bromine Specialties	Catalysts	Reportable Segments Total	All Other	Corporate	Consolidated Total
Three months ended June 30, 2019:							
Net income (loss) attributable to Albemarle Corporation	\$ 117,303	\$ 69,616	\$ 54,124	\$ 241,043	\$ 9,118	\$ (95,963)	\$ 154,198
Depreciation and amortization	24,365	11,716	12,751	48,832	2,122	1,994	52,948
Non-recurring and other unusual items	111	—	—	111	—	13,307	13,418
Interest and financing expenses	—	—	—	—	—	11,601	11,601
Income tax expense	—	—	—	—	—	30,411	30,411
Non-operating pension and OPEB items	—	—	—	—	—	(676)	(676)
Adjusted EBITDA	\$ 141,779	\$ 81,332	\$ 66,875	\$ 289,986	\$ 11,240	\$ (39,326)	\$ 261,900
Three months ended June 30, 2018:							
Net income (loss) attributable to Albemarle Corporation	\$ 117,292	\$ 59,673	\$ 280,887	\$ 457,852	\$ (2,079)	\$ (153,312)	\$ 302,461
Depreciation and amortization	24,325	9,694	12,920	46,939	1,978	1,557	50,474
Non-recurring and other unusual items	—	—	(218,705)	(218,705)	—	33,126	(185,579)
Interest and financing expenses	—	—	—	—	—	13,308	13,308
Income tax expense	—	—	—	—	—	80,102	80,102
Non-operating pension and OPEB items	—	—	—	—	—	(2,204)	(2,204)
Adjusted EBITDA	\$ 141,617	\$ 69,367	\$ 75,102	\$ 286,086	\$ (101)	\$ (27,423)	\$ 258,562

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 June 30)*

(\$ in thousands)

	Lithium	Bromine Specialties	Catalysts	Reportable Segments Total	All Other	Consolidated Total
Three months ended June 30, 2019:						
Net sales	\$ 324,758	\$ 255,433	\$ 266,301	\$ 846,492	\$ 38,560	\$ 885,052
Net income (loss) attributable to Albemarle Corporation	36.1%	27.3%	20.3%	28.5%	23.6%	17.4%
Depreciation and amortization	7.5%	4.6%	4.8%	5.8%	5.5%	6.0%
Non-recurring and other unusual items	—%	—%	—%	—%	—%	1.5%
Interest and financing expenses	—%	—%	—%	—%	—%	1.3%
Income tax expense	—%	—%	—%	—%	—%	3.5%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(0.1)%
Adjusted EBITDA Margin	43.7%	31.8%	25.1%	34.3%	29.1%	29.6%
Three months ended June 30, 2018:						
Net sales	\$ 317,563	\$ 220,514	\$ 284,966	\$ 823,043	\$ 30,748	\$ 853,874
Net income (loss) attributable to Albemarle Corporation	36.9%	27.1%	98.6%	55.6%	(6.8)%	35.4%
Depreciation and amortization	7.7%	4.4%	4.5%	5.7%	6.4%	5.9%
Non-recurring and other unusual items	—%	—%	(76.7)%	(26.6)%	—%	(21.7)%
Interest and financing expenses	—%	—%	—%	—%	—%	1.6%
Income tax expense	—%	—%	—%	—%	—%	9.4%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	(0.3)%
Adjusted EBITDA Margin	44.6%	31.5%	26.4%	34.8%	(0.3)%	30.3%

See above for adjusted EBITDA margin, a non-GAAP financial measure defined as adjusted EBITDA divided by net sales. See slide 25 for the related reconciliation of adjusted EBITDA on a segment basis, the non-GAAP financial measure, to Net income attributable to Albemarle Corporation ("earnings"), the most directly comparable financial measure calculated and reporting in accordance with GAAP.

Consolidated Total includes net sales from Corporate (not shown) of \$83 in the three months ended June 30, 2018.

Adjusted EBITDA - Continuing Operations (twelve months ended)

	Twelve Months Ended				
	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019
(\$ in thousands)					
Continuing Operations					
Net income attributable to Albemarle Corporation	\$ 334,525	\$ 345,600	\$ 693,562	\$ 695,371	\$ 547,108
Depreciation and amortization	203,540	203,352	200,698	199,651	202,125
Non-recurring and other unusual items (excluding items associated with interest expense)	(113,484)	(109,373)	(90,112)	(131,540)	67,457
Interest and financing expenses	59,093	56,289	52,405	51,453	49,746
Income tax expense	497,179	511,851	144,826	161,979	112,288
Non-operating pension and OPEB items	(18,410)	(19,577)	5,285	6,899	8,427
Adjusted EBITDA	\$ 962,443	\$ 988,142	\$ 1,006,664	\$ 983,813	\$ 987,151
Pro-forma: Net impact of adjusted EBITDA from divested businesses	(31,521)	(21,028)	(10,872)	—	—
Pro-forma Adjusted EBITDA	\$ 930,922	\$ 967,114	\$ 995,792	\$ 983,813	\$ 987,151
Net Sales	\$ 3,288,158	\$ 3,311,040	\$ 3,374,950	\$ 3,385,385	\$ 3,416,563
Pro-forma: Net impact of Net Sales from divested business	(80,282)	(53,306)	(27,082)	—	—
Pro-forma Net Sales	\$ 3,207,876	\$ 3,257,734	\$ 3,347,868	\$ 3,385,385	\$ 3,416,563
Pro-forma Adjusted EBITDA Margin	29%	30%	30%	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				
	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019
Lithium					
Net income attributable to Albemarle Corporation	\$ 409,185	\$ 409,753	\$ 428,212	\$ 413,047	\$ 413,058
Depreciation and amortization	95,744	96,798	95,193	93,220	93,260
Non-recurring and other unusual items	(698)	(1,635)	7,368	9,108	9,219
Adjusted EBITDA	504,231	504,916	530,773	515,375	515,537
Net Sales	1,174,430	1,176,120	1,228,171	1,222,025	1,229,220
Adjusted EBITDA Margin	43%	43%	43%	42%	42%
Bromine Specialties					
Net income attributable to Albemarle Corporation	\$ 227,615	\$ 241,822	\$ 246,509	\$ 254,453	\$ 264,396
Depreciation and amortization	40,059	40,501	41,607	42,291	44,313
Adjusted EBITDA	267,674	282,323	288,116	296,744	308,709
Net Sales	878,160	897,853	917,880	941,293	976,212
Adjusted EBITDA Margin	30%	31%	31%	32%	32%
Catalysts					
Net income attributable to Albemarle Corporation	\$ 456,252	\$ 458,897	\$ 445,604	\$ 437,803	\$ 211,040
Depreciation and amortization	53,342	51,655	49,131	49,173	49,004
Non-recurring and other unusual items	(219,955)	(218,705)	(210,428)	(210,428)	8,277
Adjusted EBITDA	289,639	291,847	284,307	276,548	268,321
Pro-forma: Net impact of adjusted EBITDA from divested business	(31,521)	(21,028)	(10,872)	—	—
Pro-forma Adjusted EBITDA	258,118	270,819	273,435	276,548	268,321
Net Sales	1,101,442	1,107,987	1,101,554	1,092,485	1,073,820
Pro-forma: Net impact of net sales from divested business	(80,282)	(53,306)	(27,082)	—	—
Pro-forma Net Sales	1,021,160	1,054,681	1,074,472	1,092,485	1,073,820
Pro-forma Adjusted EBITDA Margin	25%	26%	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 supplemental¹

(\$ in thousands)

	Twelve Months Ended	Three Months Ended			
	Jun 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018
Adjusted EBITDA	\$ 987,151	\$ 261,900	\$ 225,867	\$ 264,302	\$ 235,082
Net income attributable to noncontrolling interests	68,916	20,772	17,957	16,453	13,734
Equity in net income of unconsolidated investments (net of tax)	(123,109)	(38,310)	(35,181)	(27,537)	(22,081)
Dividends received from unconsolidated investments	87,661	57,257	3,034	24,621	2,749
Consolidated EBITDA	\$ 1,020,619	\$ 301,619	\$ 211,677	\$ 277,839	\$ 229,484
Total Long Term Debt (as reported)	\$ 1,889,110				
Off balance sheet obligations and other	79,500				
Consolidated Funded Debt	\$ 1,968,610				
Less Cash	398,183				
Consolidated Funded Net Debt	\$ 1,570,427				
Consolidated Funded Debt to Consolidated EBITDA Ratio	1.9				
Consolidated Funded Net Debt to Consolidated EBITDA Ratio	1.5				

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

Diluted EPS

	Three Months Ended	
	June 30,	
	2019	2018
Diluted earnings per share attributable to Albemarle Corporation	\$ 1.45	\$ 2.73
Add back:		
Non-operating pension and OPEB items (net of tax)	(0.01)	(0.02)
Non-recurring and other unusual items (net of tax)		
Acquisition and integration related costs	0.04	0.05
Albemarle Foundation contribution	—	0.11
Gain on sale of business	—	(1.60)
Legal accrual	—	0.07
Other	0.07	0.01
Discrete tax items	(0.01)	—
Total non-recurring and other unusual items	0.10	(1.36)
Adjusted diluted earnings per share ¹	\$ 1.55	\$ 1.36

¹Totals may not add due to rounding

Effective Tax Rate

(\$ in thousands)

Three months ended June 30, 2019:

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

Three months ended June 30, 2018:

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

	Income before income taxes and equity in net income of unconsolidated investments	Income tax expense	Effective income tax rate
As reported	\$ 167,071	\$ 30,411	18.2%
Non-recurring, other unusual and non-operating pension and OPEB items	12,742	2,681	
As adjusted	<u>\$ 179,813</u>	<u>\$ 33,092</u>	18.4%
As reported	\$ 371,819	\$ 80,102	21.5%
Non-recurring, other unusual and non-operating pension and OPEB items	(187,783)	(35,292)	
As adjusted	<u>\$ 184,036</u>	<u>\$ 44,810</u>	24.4%

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 June 30,			
	2019		2018	
	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest
<i>(\$ in thousands)</i>				
Lithium	\$ 32,203	\$ —	\$ 14,728	\$ —
Bromine Specialties	—	(20,775)	—	(8,207)
Catalysts	6,107	—	4,241	—
Corporate	—	3	—	(18)
Total Company	<u>\$ 38,310</u>	<u>\$ (20,772)</u>	<u>\$ 18,969</u>	<u>\$ (8,225)</u>

Adjusted EPS - Continuing Operations *(twelve months ended)*

(\$ in thousands)

	Twelve Months Ended	Three Months Ended			
	Jun 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018
Net income attributable to Albemarle Corporation	\$ 547,108	\$ 154,198	\$ 133,569	\$ 129,596	\$ 129,745
Add back:					
Non-operating pension and OPEB items (net of tax)	5,711	(693)	(569)	8,829	(1,856)
Non-recurring and other unusual items (net of tax)	47,601	10,754	(2,012)	25,291	13,568
Adjusted net income from continuing operations	\$ 600,420	\$ 164,259	\$ 130,988	\$ 163,716	\$ 141,457
Adjusted diluted earnings per share from continuing operations	\$ 5.62	\$ 1.55	\$ 1.23	\$ 1.53	\$ 1.31
Weighted-average common shares outstanding - diluted		106,316	106,356	107,005	108,302

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