

Albemarle Corporation Fourth Quarter 2019 Earnings

Conference Call/Webcast

Thursday, February 20th, 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.

Fourth Quarter and Full Year 2019 Financial Summary

(In millions, except per share amounts)

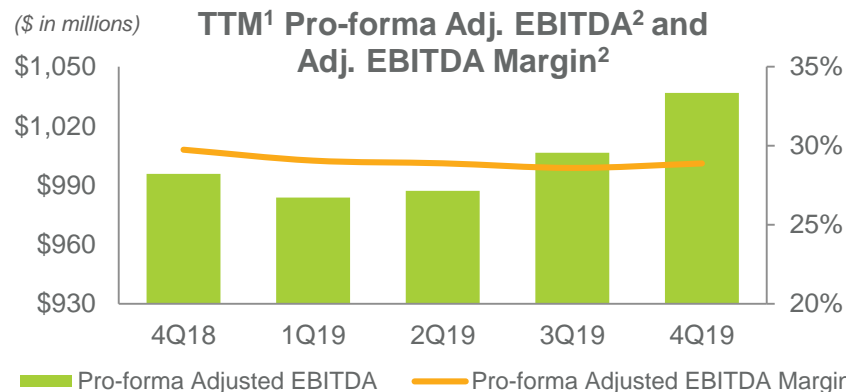
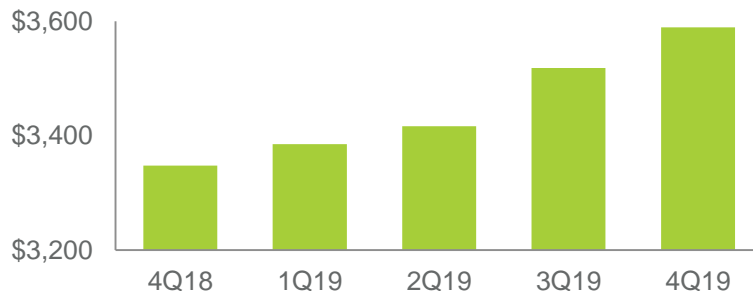
	Q4 2019	Q4 2018	Variance	FY 2019	FY 2018	Variance
Net Sales	\$993	\$922	8%	\$3,589	\$3,375	6%
Net income attributable to Albemarle Corporation¹	\$90	\$130	-30%	\$533	\$694	-23%
Adjusted EBITDA	\$295	\$264	12%	\$1,037	\$1,007	3%
Diluted EPS¹	\$0.85	\$1.21	-30%	\$5.02	\$6.34	-21%
Non-operating pension and OPEB items	0.19	0.08		0.18	0.03	
Non-recurring and other unusual items	0.69	0.24		0.85	(0.88)	
Adjusted Diluted EPS²	\$1.73	\$1.53	13%	\$6.04	\$5.48	10%

2019 Financial Highlights – Fourth Quarter and Full Year

(\$ in millions except EPS)

	4Q 2019	vs Prior Year	FY 2019	FY 2018 (Pro-forma ²)	vs Prior Year (Pro-forma ²)
Net Sales	\$993	8%	\$3,589	\$3,348	7%
Adjusted EBITDA	\$295	12%	\$1,037	\$996	4%
Adjusted EBITDA Margin	30%	101 bps	29%	30%	(86) bps
Adjusted Diluted EPS	\$1.73	13%	\$6.04	\$5.43	11%

(\$ in millions) TTM¹ Pro-forma Net Sales²



Net Sales and adjusted EBITDA continued growth

2019 Strategic Accomplishments Moving Toward 2024 Targets

Grow

- Increased Lithium LCE volume by 14%, maintained flat pricing
- Record production
 - Operational Excellence improvements at La Negra I/II and set production records in 4Q19
 - Commissioned Xinyu II and exceeded 2019 targets

Assess

- Announced processes to pursue strategic alternatives for FCS and PCS

Sustainability Framework

- Top quartile OSHA performance
- Completed Materiality Assessment

Maximize

- Initiated program to reach \$100 million in run rate cost savings by the end of 2021
- Generated strong free cash flow in Bromine and Catalysts
- Grew Bromine Adjusted EBITDA by 14%

Invest & Capital Allocation

- Increased dividend for 25th consecutive year resulting with inclusion in the S&P 500 Dividend Aristocrats Index
- Completed MARBL Lithium JV

2020 Critical Milestones

Grow

- Continue operational excellence initiatives across our organization
- Capital projects remain on track for 2021:
 - La Negra 3/4 startup in Q1 2021
 - Kemerton startup 2H 2021
- Lithium volume projected to be up slightly

Assess

- Complete FCS & PCS processes
- Continue to actively evaluate portfolio
- Look to acquire existing lithium conversion assets if the economics make sense and it creates higher ROIC than building

Sustainability Framework

- Establish baseline
- Set long-term targets with standardized reporting & metrics

Maximize

- Achieve \$50 million cost reduction in 2020; Position for annual run rate savings of over \$100MM by end of 2021
- Generate strong FCF in Bromine and Catalyst
- Position for FCF positive target in 2021

Invest & Capital Allocation

- Continue dividend growth
- 70% of capital spend in Lithium
- Reduce debt and maintain Investment Grade credit rating
- Invest to accelerate productivity improvements and build or buy lithium conversion assets

Results of Our Materiality Assessment Led to Our Sustainability Framework

Sustainable Business Model

Foster a sustainable business model that creates long-term value for all stakeholders

Community Engagement

Actively collaborate and engage in the communities in which we work and live



Our People & Workplace

Promote an inclusive and diverse workplace for all employees with a focus on safety, mutual respect, development and wellbeing

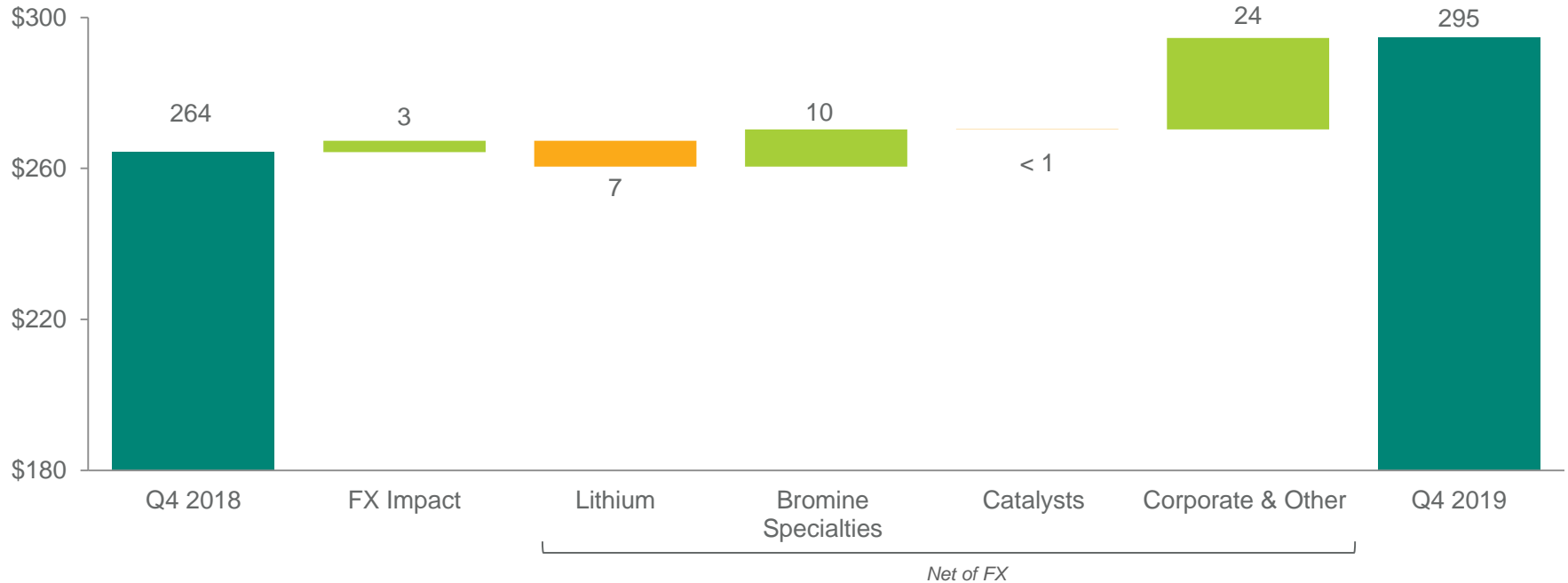
Natural Resource Management

Responsibly manage our use of resources and materials

Fourth Quarter 2019 Adjusted EBITDA Bridge

12% YOY Net of FX

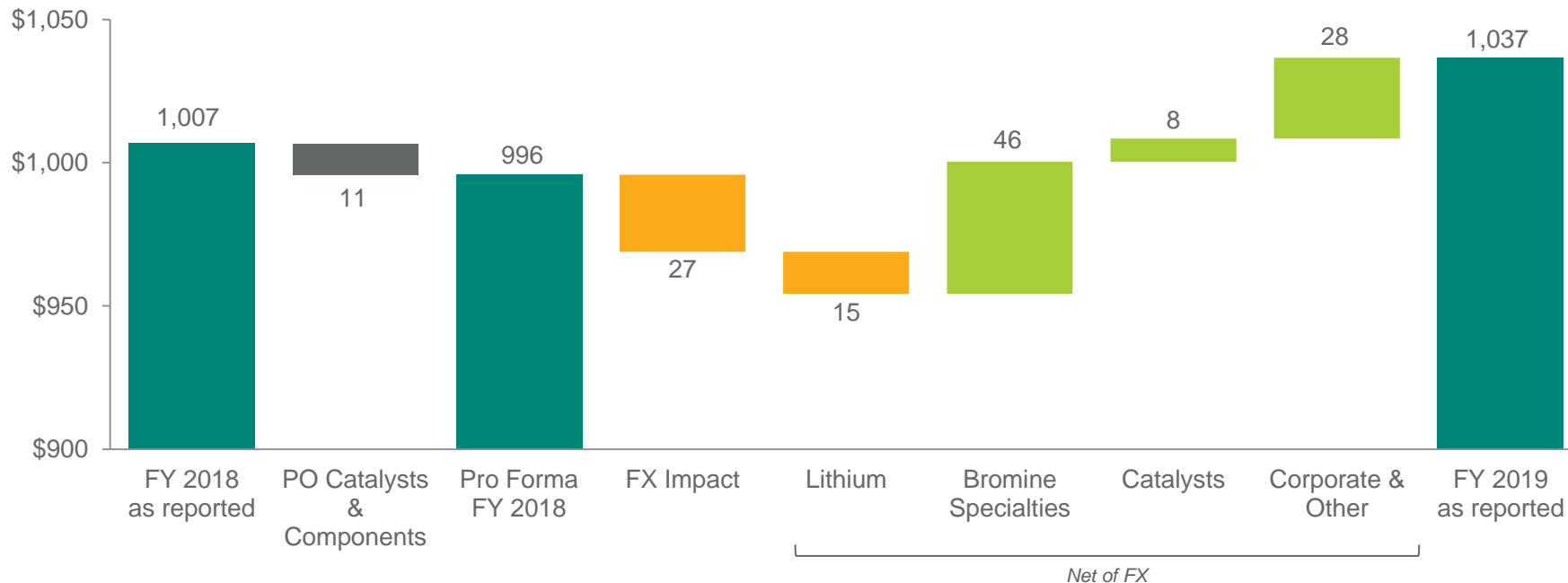
(\$ in millions)



Full Year 2019 Adjusted EBITDA Bridge

3% YOY Net of FX

(\$ in millions)

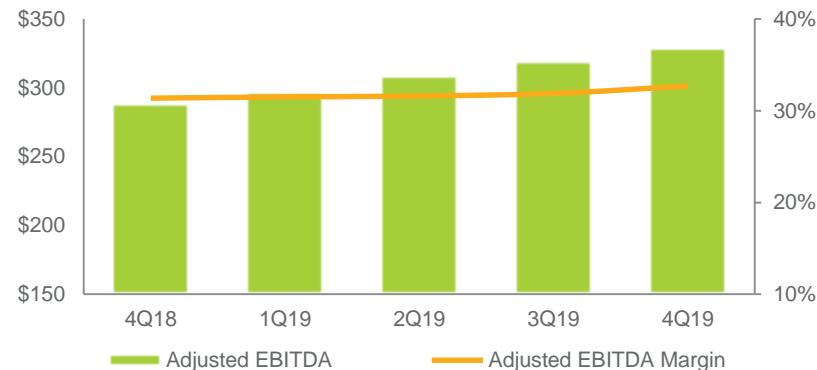


Bromine Specialties

Q4 and FY 2019 Performance

(\$ in millions)	4Q 2019	Δ 4Q 2018	FY 2019	Δ FY 2018
Net Sales	\$243	2%	\$1,004	9%
Net Sales ex FX ¹	\$244	2%	\$1,013	10%
Adj. EBITDA	\$80	14%	\$328	14%
Adj. EBITDA ex FX ¹	\$80	14%	\$334	16%
Adj. EBITDA Margin	33%	338 bps	33%	132 bps
Adj. EBITDA Margin ex FX ¹	33%	341 bps	33%	160 bps

Historical Trend (TTM)



Performance Drivers

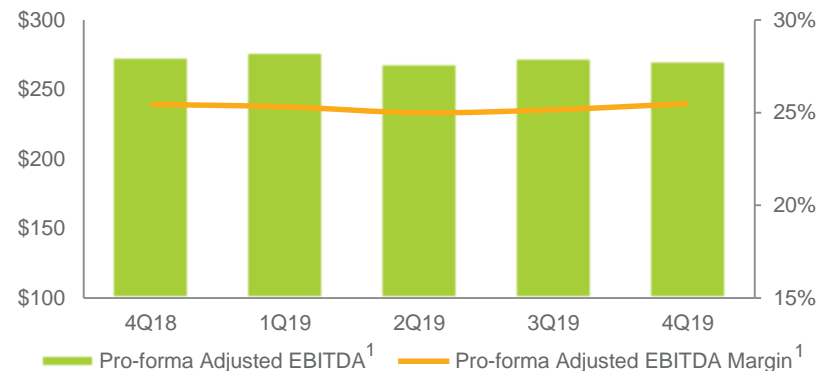
- Q4 2019 net sales¹ driven by favorable customer mix and pricing (3%)
- FY 2019 net sales over \$1 billion (9%) and strong adjusted EBITDA margin of 33%
- Volume growth was supported by tetrabrom expansion at JBC, commissioned in mid-2018

Catalysts

Q4 and FY 2019 Performance

(\$ in millions)	4Q 2019	Δ 4Q 2018	FY 2019	Δ FY 2018 Pro-forma ²
Net Sales	\$283	-7%	\$1,062	-1%
Net Sales ex FX ¹	\$286	-6%	\$1,079	0%
Adj. EBITDA	\$77	-3%	\$271	-1%
Adj. EBITDA ex FX ¹	\$79	0%	\$282	3%
Adj. EBITDA Margin	27%	131 bps	25%	4 bps
Adj. EBITDA Margin ex FX ¹	28%	167 bps	26%	65 bps

Historical Trend (TTM)



Performance Drivers

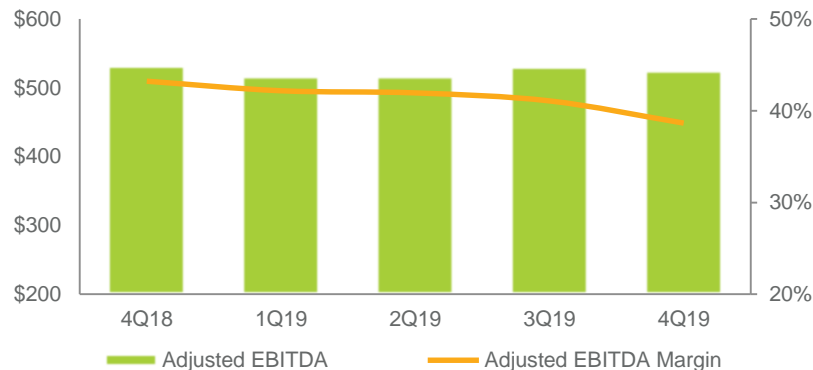
- Q4 2019 net sales¹ driven by pricing (+4%) and offset by lower volume (-10%), primarily due to delayed FCC customer start-ups
- FY 2019 Refining Catalysts delivered mid-single digit percent adjusted EBITDA growth, excluding one-time settlements in 2018
- FY 2019 HPC had strong sale volumes and favorable product mix; FCC had low-single digit prices increases
- PCS down due to loss of key customer contract at beginning of 2019 (-14%)

Lithium

Q4 and FY 2019 Performance

(\$ in millions)	4Q 2019	Δ 4Q 2018	FY 2019	Δ FY 2018
Net Sales	\$411	20%	\$1,358	11%
Net Sales ex FX ¹	\$418	22%	\$1,381	12%
Adj. EBITDA	\$140	-3%	\$525	-1%
Adj. EBITDA ex FX ¹	\$138	-5%	\$516	-3%
Adj. EBITDA Margin	34%	(823) bps	39%	(457) bps
Adj. EBITDA Margin ex FX ¹	33%	(934) bps	37%	(582) bps

Historical Trend (TTM)



Performance Drivers

- Q4 2019 net sales¹ driven mainly by volume (+27%) partially offset by customer mix (-5%), pricing flat year on year
- Increased tolling to meet customer commitments and customer mix resulted in an adjusted EBITDA margin of 34% for the quarter
- FY 2019 sales were up 11%
- FY 2019 Lithium LCE volume grew by 14%

Cash Flow and Net Debt

Twelve Months Ended 12/31/19

(\$ in millions)

	<u>2019</u>	<u>2018</u>
Net Cash from Operations	\$719	\$546
Less: Capital Expenditures	(852)	(700)
Add Back: Pension Contributions	16	15
Free Cash Flow	(\$117)	(\$139)

- Net Cash from operations benefited from reduced inventory in Bromine and Catalyst and increased earnings of our businesses.
- Focus on maintaining investment grade rating
- Increased borrowing in October to close MARBL JV

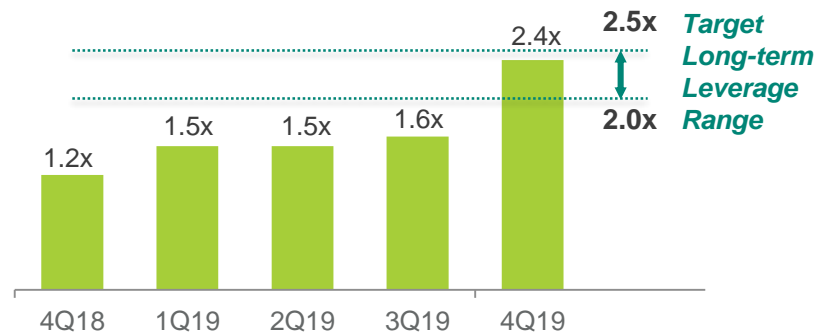
Selected Financial Metrics

(\$ in millions)

(as of 12/31/2019)







Dividends Paid (YTD)	\$152
Dividend Growth (Y/Y)¹	10%
Cash Balance	\$613
Gross Debt²	\$3,050

Net Debt to Adj. EBITDA³



Full Year 2020 Business Guidance vs 2019

As of February 19, 2020

Business Unit	Updated Outlook	Business Environment
Lithium		<ul style="list-style-type: none"> Adj. EBITDA expected to be down in the range of 20% Volume to be slightly up and offset by downward pricing Expect stronger second half than the first Expect adj. EBITDA margins to range in the lower to mid 30%
Bromine Specialties		<ul style="list-style-type: none"> Adj. EBITDA expected to be flat to slightly down Weakness in automotive to be offset by allocating bromine to electronic and other markets China domestic demand remains flat Monitoring 2H20 pricing as a result of increased global supply availability
Catalysts		<ul style="list-style-type: none"> Adj. EBITDA expected to be flat to slightly up FCC catalyst volume to benefit from strong demand CFT expected to be slightly down due to incumbency mix and lower year for distillates Expect stronger second half than the first
<div>  Better than 2019  Flat vs. 2019  Lower than 2019 </div>		

Coronavirus Update

As of February 19, 2020

Business Area	Assessment
General	<ul style="list-style-type: none">• Zero confirmed cases among our employees• Actively managing situation to protect employees and communities• Complying with all government and health agency recommendations and requirements• To date, have experienced minimal order reductions from our customers globally• Expect weak first quarter in China
Lithium	<ul style="list-style-type: none">• Operating Chinese production assets at reduced capacity but have been able to fulfill all customer orders; Working with local government offices to determine next steps to resume normal operations• Monitoring potential impacts due to logistics disruption (in-bound and out-bound)• Limited, but some risk to domestic China sales• Position in auto OEM supply chains may delay the impact on our business• Managing potential delays to capital purchases from China for Kemerton project
Bromine Specialties	<ul style="list-style-type: none">• Monitoring impact on Chinese customers; some orders could push into Q2• Primary logistics risk is from shortage of drivers
Catalysts	<ul style="list-style-type: none">• Potential FCC volume impact due to reduction in imported fuels as a result of travel restrictions in China• Monitoring supply of raw materials from China although we have sufficient inventory into Q2

Minimal financial impact to date, but ultimately will depend on the length and severity of the outbreak

Full Year 2020 Guidance vs 2019

As of February 19, 2020

	FY 2019	FY 2020 Guidance	2020 Guidance vs FY 2019
Net Sales	\$3.6B	\$3.48B – \$3.53B	-2% to -3%
Adj. EBITDA	\$1,037M	\$880M – \$930M	-10% to -15%
Adj. EBITDA Margin	29%	25.4% – 26.5%	
Adj. Diluted EPS	\$6.04	\$4.80 – \$5.10	-16% to -21%
Net Cash from Operations	\$719M	\$700M – \$800M	-2% to 12%
Capital Expenditures	\$852M	\$1,000M – \$1,100M	

Additional Inputs for Full Year 2020 Guidance

As of February 19, 2020 (\$ in millions)

	FY 2020 Estimate
Depreciation and amortization	\$200 – \$215
Adjusted effective income tax rate	18.5% – 19.5%
Corporate Costs	\$135 – \$145
Interest and financing expenses	\$50 – \$55
Weighted-average common shares outstanding – diluted	~106.3M

Upcoming Investor Events

First Quarter 2020 Investor Relations Events

Date	Event	Location
March 10 th	J.P. Morgan Industrials Conference	New York City
March 24 th	2020 Goldman Sachs Chemicals Intensity Days Conference	New Orleans
March 26 th	New York Non-Deal Roadshow	New York City
March 27 th	Boston Non-Deal Roadshow	Boston

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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

(\$ in thousands)

Net income attributable to Albemarle Corporation

Add back:

Non-operating pension and OPEB items (net of tax)

Non-recurring and other unusual items (net of tax)

Adjusted net income attributable to Albemarle Corporation

Adjusted diluted earnings per share

Weighted-average common shares outstanding – diluted

Three Months Ended		Year Ended	
December 31,		December 31,	
2019	2018	2019	2018
\$ 90,391	\$ 129,596	\$ 533,228	\$ 693,562
20,453	8,829	18,648	3,234
73,430	25,291	90,669	(96,440)
184,274	163,716	642,545	600,356
\$ 1.73	\$ 1.53	\$ 6.04	\$ 5.48
106,314	107,005	106,321	109,458

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 (benefit) expense

Depreciation and amortization

EBITDA

Non-operating pension and OPEB items

Non-recurring and other unusual items (excluding items associated with interest expense)

Adjusted EBITDA

Net sales

EBITDA margin

Adjusted EBITDA margin

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Net income attributable to Albemarle Corporation	\$ 90,391	\$ 129,596	\$ 533,228	\$ 693,562
Add back:				
Interest and financing expenses	22,400	12,571	57,695	52,405
Income tax (benefit) expense	(5,105)	11,196	88,161	144,826
Depreciation and amortization	56,766	50,187	213,484	200,698
EBITDA	164,452	203,550	892,568	1,091,491
Non-operating pension and OPEB items	28,780	11,881	26,970	5,285
Non-recurring and other unusual items (excluding items associated with interest expense)	101,431	48,871	117,243	(90,112)
Adjusted EBITDA	\$ 294,663	\$ 264,302	\$ 1,036,781	\$ 1,006,664
Net sales	\$ 992,564	\$ 921,699	\$ 3,589,427	\$ 3,374,950
EBITDA margin	16.6%	22.1%	24.9%	32.3%
Adjusted EBITDA margin	29.7%	28.7%	28.9%	29.8%

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 Dec 31)*

(\$ in thousands)

	Lithium	Bromine Specialties	Catalysts	Reportable Segments Total	All Other	Corporate	Consolidated Total
Three months ended December 31, 2019:							
Net income (loss) attributable to Albemarle Corporation	\$ 29,158	\$ 67,625	\$ 63,358	\$ 160,141	\$ 18,559	\$ (88,309)	\$ 90,391
Depreciation and amortization	27,755	12,330	12,582	52,667	2,138	1,961	56,766
Non-recurring and other unusual items (excluding items associated with interest expense)	83,167	(241)	794	83,720	—	17,711	101,431
Interest and financing expenses	—	—	—	—	—	22,400	22,400
Income tax expense	—	—	—	—	—	(5,105)	(5,105)
Non-operating pension and OPEB items	—	—	—	—	—	28,780	28,780
Adjusted EBITDA	\$ 140,080	\$ 79,714	\$ 76,734	\$ 296,528	\$ 20,697	\$ (22,562)	\$ 294,663
Three months ended December 31, 2018:							
Net income (loss) attributable to Albemarle Corporation	\$ 112,273	\$ 59,333	\$ 58,566	\$ 230,172	\$ 4,359	\$ (104,935)	\$ 129,596
Depreciation and amortization	23,433	10,862	11,930	46,225	2,003	1,959	50,187
Non-recurring and other unusual items	8,807	—	8,277	17,084	—	31,787	48,871
Interest and financing expenses	—	—	—	—	—	12,571	12,571
Income tax expense	—	—	—	—	—	11,196	11,196
Non-operating pension and OPEB items	—	—	—	—	—	11,881	11,881
Adjusted EBITDA	\$ 144,513	\$ 70,195	\$ 78,773	\$ 293,481	\$ 6,362	\$ (35,541)	\$ 264,302

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 Dec 31)*

(\$ in thousands)

Three months ended December 31, 2019:

	Lithium	Bromine Specialties	Catalysts	Reportable Segments Total	All Other	Consolidated Total
Net sales	\$ 411,140	\$ 243,464	\$ 282,522	\$ 937,126	\$ 55,438	\$ 992,564
Net income (loss) attributable to Albemarle Corporation	7.1%	27.8%	22.4%	17.1%	33.5%	9.1%
Depreciation and amortization	6.8%	5.1%	4.5%	5.6%	3.9%	5.7%
Non-recurring and other unusual items (excluding items associated with interest expense)	20.2%	(0.1)%	0.3%	8.9%	—%	10.2%
Interest and financing expenses	—%	—%	—%	—%	—%	2.3%
Income tax expense	—%	—%	—%	—%	—%	(0.5)%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	2.9%
Adjusted EBITDA Margin	34.1%	32.7%	27.2%	31.6%	37.3%	29.7%

Three months ended December 31, 2018:

Net sales	\$ 341,648	\$ 239,111	\$ 304,732	\$ 885,491	\$ 36,208	\$ 921,699
Net income (loss) attributable to Albemarle Corporation	32.9%	24.8%	19.2%	26.0%	12.0%	14.1%
Depreciation and amortization	6.9%	4.5%	3.9%	5.2%	5.5%	5.4%
Non-recurring and other unusual items	2.6%	—%	2.7%	1.9%	—%	5.3%
Interest and financing expenses	—%	—%	—%	—%	—%	1.4%
Income tax expense	—%	—%	—%	—%	—%	1.2%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	1.3%
Adjusted EBITDA Margin	42.3%	29.4%	25.8%	33.1%	17.6%	28.7%

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.

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

(\$ in thousands)

Year ended December 31, 2019:

	Lithium	Bromine Specialties	Catalysts	Reportable Segments Total	All Other	Corporate	Consolidated Total
Net income (loss) attributable to Albemarle Corporation	\$ 341,767	\$ 279,945	\$ 219,686	\$ 841,398	\$ 41,188	\$ (349,358)	\$ 533,228
Depreciation and amortization	99,424	47,611	50,144	197,179	8,440	7,865	213,484
Non-recurring and other unusual items (excluding items associated with interest expense)	83,743	901	794	85,438	—	31,805	117,243
Interest and financing expenses	—	—	—	—	—	57,695	57,695
Income tax expense	—	—	—	—	—	88,161	88,161
Non-operating pension and OPEB items	—	—	—	—	—	26,970	26,970
Adjusted EBITDA	\$ 524,934	\$ 328,457	\$ 270,624	\$ 1,124,015	\$ 49,628	\$ (136,862)	\$ 1,036,781

Year ended December 31, 2018:

Net income (loss) attributable to Albemarle Corporation	\$ 428,212	\$ 246,509	\$ 445,604	\$ 1,120,325	\$ 6,018	\$ (432,781)	\$ 693,562
Depreciation and amortization	95,193	41,607	49,131	185,931	8,073	6,694	200,698
Non-recurring and other unusual items	7,368	—	(210,428)	(203,060)	—	112,948	(90,112)
Interest and financing expenses	—	—	—	—	—	52,405	52,405
Income tax expense	—	—	—	—	—	144,826	144,826
Non-operating pension and OPEB items	—	—	—	—	—	5,285	5,285
Adjusted EBITDA	\$ 530,773	\$ 288,116	\$ 284,307	\$ 1,103,196	\$ 14,091	\$ (110,623)	\$ 1,006,664
Pro-forma: Net impact of adjusted EBITDA from divested business	—	—	(10,872)	(10,872)	—	—	(10,872)
Pro-forma adjusted EBITDA	\$ 530,773	\$ 288,116	\$ 273,435	\$ 1,092,324	\$ 14,091	\$ (110,623)	\$ 995,792

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.

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

(\$ in thousands)

Year ended December 31, 2019:

	Lithium	Bromine Specialties	Catalysts	Reportable Segments Total	All Other	Consolidated Total
Net sales	\$ 1,358,170	\$ 1,004,216	\$ 1,061,817	\$ 3,424,203	\$ 165,224	\$ 3,589,427
Net income (loss) attributable to Albemarle Corporation	25.2%	27.9%	20.7%	24.6%	24.9%	14.9%
Depreciation and amortization	7.3%	4.7%	4.7%	5.8%	5.1%	5.9%
Non-recurring and other unusual items (excluding items associated with interest expense)	6.2%	0.1%	0.1%	2.5%	—%	3.3%
Interest and financing expenses	—%	—%	—%	—%	—%	1.6%
Income tax expense	—%	—%	—%	—%	—%	2.5%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	0.8%
Adjusted EBITDA Margin	38.7%	32.7%	25.5%	32.8%	30.0%	28.9%

Year ended December 31, 2018:

Net sales	\$ 1,228,171	\$ 917,880	\$ 1,101,554	\$ 3,247,605	\$ 127,186	\$ 3,374,950
Net income (loss) attributable to Albemarle Corporation	34.9%	26.9%	40.5%	34.5%	4.7%	20.6%
Depreciation and amortization	7.8%	4.5%	4.5%	5.7%	6.3%	5.9%
Non-recurring and other unusual items	0.6%	—%	(19.1)%	(6.3)%	—%	(2.7)%
Interest and financing expenses	—%	—%	—%	—%	—%	1.5%
Income tax expense	—%	—%	—%	—%	—%	4.3%
Non-operating pension and OPEB items	—%	—%	—%	—%	—%	0.2%
Adjusted EBITDA Margin	43.2%	31.4%	25.8%	34.0%	11.1%	29.8%

See above for adjusted EBITDA margin, a non-GAAP financial measure defined as adjusted EBITDA divided by net sales. See previous slide 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 \$159 in the twelve months ended December 31, 2018.

Adjusted EBITDA - (twelve months ended)

(\$ in thousands)

	Twelve Months Ended				
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Net income attributable to Albemarle Corporation	\$ 533,228	\$ 572,433	\$ 547,108	\$ 695,371	\$ 693,562
Depreciation and amortization	213,484	206,905	202,125	199,651	200,698
Non-recurring and other unusual items (excluding items associated with interest expense)	117,243	64,683	67,457	(131,540)	(90,112)
Interest and financing expenses	57,695	47,866	49,746	51,453	52,405
Income tax expense	88,161	104,462	112,288	161,979	144,826
Non-operating pension and OPEB items	26,970	10,071	8,427	6,899	5,285
Adjusted EBITDA	\$ 1,036,781	\$ 1,006,420	\$ 987,151	\$ 983,813	\$ 1,006,664
Pro-forma: Net impact of adjusted EBITDA from divested businesses	—	—	—	—	(10,872)
Pro-forma Adjusted EBITDA	\$ 1,036,781	\$ 1,006,420	\$ 987,151	\$ 983,813	\$ 995,792
Net Sales	\$ 3,589,427	\$ 3,518,562	\$ 3,416,563	\$ 3,385,385	\$ 3,374,950
Pro-forma: Net impact of adjusted EBITDA from divested businesses	—	—	—	—	(27,082)
Pro-forma Net Sales	\$ 3,589,427	\$ 3,518,562	\$ 3,416,563	\$ 3,385,385	\$ 3,347,868
Pro-forma Adjusted EBITDA Margin	29%	29%	29%	29%	30%

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

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

Adjusted EBITDA - by Segment (twelve months ended)

(\$ in thousands)

	Twelve Months Ended				
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Lithium					
Net income attributable to Albemarle Corporation	\$ 341,766	\$ 424,881	\$ 413,058	\$ 413,047	\$ 428,212
Depreciation and amortization	99,424	95,102	93,260	93,220	95,193
Non-recurring and other unusual items	83,744	9,384	9,219	9,108	7,368
Adjusted EBITDA	524,934	529,367	515,537	515,375	530,773
Net sales	1,358,170	1,288,678	1,229,220	1,222,025	1,228,171
Adjusted EBITDA Margin	39%	41%	42%	42%	43%
Bromine Specialties					
Net income attributable to Albemarle Corporation	\$ 279,945	\$ 271,653	\$ 264,396	\$ 254,453	\$ 246,509
Depreciation and amortization	47,611	46,143	44,313	42,291	41,607
Non-recurring and other unusual items	901	1,142	—	—	—
Adjusted EBITDA	328,457	318,938	308,709	296,744	288,116
Net sales	1,004,216	999,863	976,212	941,293	917,880
Adjusted EBITDA Margin	33%	32%	32%	32%	31%
Catalysts					
Net income attributable to Albemarle Corporation	\$ 219,686	\$ 214,894	\$ 211,040	\$ 437,803	\$ 445,604
Depreciation and amortization	50,144	49,492	49,004	49,173	49,131
Non-recurring and other unusual items	794	8,277	8,277	(210,428)	(210,428)
Adjusted EBITDA	270,624	272,663	268,321	276,548	284,307
Pro-forma: Net impact of adjusted EBITDA from divested businesses	—	—	—	—	(10,872)
Pro-forma Adjusted EBITDA	270,624	272,663	268,321	276,548	273,435
Net sales	1,061,817	1,084,027	1,073,820	1,092,485	1,101,554
Pro-forma: Net impact of Net sales from divested businesses	—	—	—	—	(27,082)
Pro-forma Net sales	1,061,817	1,084,027	1,073,820	1,092,485	1,074,472
Pro-forma Adjusted EBITDA Margin	25%	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 measure, 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			
	Dec 31, 2019	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Adjusted EBITDA	\$ 1,036,781	\$ 294,663	\$ 254,351	\$ 261,900	\$ 225,867
Net income attributable to noncontrolling interests	71,129	15,852	16,548	20,772	17,957
Equity in net income of unconsolidated investments (net of tax)	(129,568)	(22,841)	(33,236)	(38,310)	(35,181)
Dividends received from unconsolidated investments	71,746	8,764	2,691	57,257	3,034
Consolidated EBITDA	\$ 1,050,088	\$ 296,438	\$ 240,354	\$ 301,619	\$ 211,677
Total Long Term Debt (as reported)	\$ 3,050,257				
Off balance sheet obligations and other	82,300				
Consolidated Funded Debt	\$ 3,132,557				
Less Cash	613,110				
Consolidated Funded Net Debt	\$ 2,519,447				
Consolidated Funded Debt to Consolidated EBITDA Ratio	3.0				
Consolidated Funded Net Debt to Consolidated EBITDA Ratio	2.4				

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

Diluted EPS

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Diluted earnings per share	\$ 0.85	\$ 1.21	\$ 5.02	\$ 6.34
Add back:				
Non-operating pension and OPEB items (net of tax)	0.19	0.08	0.18	0.03
Non-recurring and other unusual items (net of tax)				
Restructuring and other	—	—	0.05	0.03
Acquisition and integration related costs	0.05	0.05	0.15	0.14
Albemarle Foundation contribution	—	—	—	0.11
Gain on sale of business	—	0.06	—	(1.55)
Gain on sale of property	(0.02)	—	(0.10)	—
Stamp duty	0.61	—	0.61	—
Windfield tax settlement	0.16	—	0.16	—
Legal accrual	—	—	—	0.21
Environmental accrual	—	—	—	0.11
Loss on extinguishment of debt	0.04	—	0.04	—
Indemnification adjustments	—	0.23	—	0.23
Other	0.13	0.07	0.20	0.11
Discrete tax items	(0.28)	(0.17)	(0.26)	(0.27)
Total non-recurring and other unusual items	0.69	0.24	0.85	(0.88)
Adjusted diluted earnings per share ¹	\$ 1.73	\$ 1.53	\$ 6.04	\$ 5.48

¹Totals may not add due to rounding

Effective Tax Rate

(\$ in thousands)

Three months ended December 31, 2019:

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 (benefit) expense	Effective income tax rate
\$ 78,297	\$ (5,105)	(6.5)%
117,748	41,157	
<u>\$ 196,045</u>	<u>\$ 36,052</u>	18.4%

Three months ended December 31, 2018:

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

\$ 129,708	\$ 11,196	8.6%
60,752	26,632	
<u>\$ 190,460</u>	<u>\$ 37,828</u>	19.9%

Year ended December 31, 2019:

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

\$ 562,950	\$ 88,161	15.7%
131,750	39,725	
<u>\$ 694,700</u>	<u>\$ 127,886</u>	18.4%

Year ended December 31, 2018:

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

\$ 794,701	\$ 144,826	18.2%
(84,827)	8,379	
<u>\$ 709,874</u>	<u>\$ 153,205</u>	21.6%

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

(\$ in thousands)

	Three Months Ended December 31,				Year Ended December 31,			
	2019		2018		2019		2018	
	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest	Equity Income	Noncontrolling Interest
Lithium	\$ 14,976	\$ —	\$ 22,580	\$ —	\$ 108,152	\$ —	\$ 71,399	\$ —
Bromine Specialties	—	(15,901)	—	(16,451)	—	(71,107)	—	(45,524)
Catalysts	7,865	—	4,957	—	21,416	—	17,865	—
All Other	—	—	—	—	—	—	—	—
Corporate	—	49	—	(2)	—	(22)	—	(53)
Total Company	\$ 22,841	\$ (15,852)	\$ 27,537	\$ (16,453)	\$ 129,568	\$ (71,129)	\$ 89,264	\$ (45,577)



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