WATSON PHARMACEUTICALS INC
Form 4
May 07, 2007

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person [*]
WEISS FRED G

(Last) (First) (Middle)

C/O FGW ASSOCIATES, 16450 MADDALENA PLACE

(Street)

DELRAY BEACH, FL 33446

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
WATSON PHARMACEUTICALS INC [WPI]

3. Date of Earliest Transaction (Month/Day/Year)
05/04/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, par value $0.0033	05/04/2007		A		3,334 (1)	A	$ 0	4,334 (2)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WEISS FRED G C/O FGW ASSOCIATES 16450 MADDALENA PLACE DELRAY BEACH, FL 33446	X			

Signatures

/s/FRED G. WEISS	05/07/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The restricted stock was issued pursuant to the Second Amendment and Restatement of the 2001 Incentive Award Plan of Watson Pharmaceuticals, Inc. and will vest on May 4, 2008.

(2) Includes shares of restricted stock issued pursuant to the Second Amendment and Restatement of the 2001 Incentive Award Plan of Watson Pharmaceuticals, Inc.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ing-right:2px;">

(9,524
)

—

(4
)

89,382

Amounts reclassified from accumulated other comprehensive loss
—

1

—

525

—

526

Other comprehensive income (loss), net of tax
98,910

1

(9,524
)

525

(4
)

89,908

Other comprehensive income attributable to noncontrolling interests
(283
)

—

—

—

—

(283
)
Balance at March 31, 2016
$
(364,745
)

$
(757
)

$
52,721

$
(18,336
)

$
(546
)

$
(331,663
)
Three months ended March 31, 2015

Balance at December 31, 2014
$
(52,264
)

$

—

$
11,384

$
(20,962
)

$
(571
)

$
(62,413
)
Other comprehensive (loss) income before reclassifications
(354,571
)

—

54,046

—

—

(300,525
)
Amounts reclassified from accumulated other comprehensive loss
—

2

—

527

27

556

Other comprehensive (loss) income, net of tax
(354,571
)

2

54,046

527

27

(299,969
)
Other comprehensive loss attributable to noncontrolling interests
100

—

—

—

—

100

Balance at March 31, 2015
$
(406,735
)

$
2

$
65,430

$
(20,435
)

$
(544
)

$
(362,282
)

(a) The pre-tax portion of amounts reclassified from accumulated other comprehensive (loss) income consists of amortization of prior service benefit, which is a component of pension and postretirement benefits cost (credit). See Note 13, “Pension Plans and Other Postretirement Benefits.”

(b) The pre-tax portion of amounts reclassified from accumulated other comprehensive (loss) income is included in interest expense.

The amount of income tax (expense) benefit allocated to each component of Other comprehensive income (loss) for the three-month periods ended March 31, 2016 and 2015 is provided in the following tables (in thousands):

	Three Months Ended March 31,									
	2016					2015				
	Foreign Currency Translation	Pension and Postretirement Benefits	Net Investment Hedge	Interest Rate Swap	Other	Foreign Currency Translation	Pension and Postretirement Benefits	Net Investment Hedge	Interest Rate Swap	Other
Other comprehensive income (loss), before tax	$99,281	$ 4	$(15,121)	$834	$(4)	$(387,812)	$ 6	$85,577	$834	$18
Income tax (expense) benefit	(371)	(3)	5,597	(309)	—	33,241	(4)	(31,531)	(307)	9
Other comprehensive income (loss), net of tax	$98,910	$ 1	$(9,524)	$525	$(4)	$(354,571)	$ 2	$54,046	$527	$27

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

NOTE 17—Related Party Transactions:

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

	Three Months Ended March 31,	
	2016	2015
Sales to unconsolidated affiliates	$6,389	$7,105
Purchases from unconsolidated affiliates	35,621	26,776

NOTE 18—Recently Issued Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board ("FASB") issued accounting guidance designed to enhance comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The core principle of the guidance is that revenue recognized from a transaction or event that arises from a contract with a customer should reflect the consideration to which an entity expects to be entitled in exchange for goods or services provided. To achieve that core principle the new guidance sets forth a five-step revenue recognition model that will need to be applied consistently to all contracts with customers, except those that are within the scope of other topics in the ASC. Also required are new disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. The new disclosures include qualitative and quantitative information about contracts with customers, significant judgments made in applying the revenue guidance, and assets recognized related to the costs to obtain or fulfill a contract. In March 2016 and April 2016, the FASB issued amendments to this new guidance that provides clarification about principal versus agent considerations, identification of performance obligations and accounting for the licensing of intellectual property. In addition, in May 2016, the FASB issued an amendment to the guidance that provides clarification about collectibility, noncash consideration, presentation of sales tax, and transition. These new requirements become effective for annual and interim reporting periods beginning after December 15, 2017. Early adoption is permitted for annual and interim reporting periods beginning after December 15, 2016. We are assessing the impact of these new requirements on our financial statements.

In February 2015, the FASB issued accounting guidance that changes the analysis that reporting entities must perform to determine whether certain types of legal entities should be consolidated. Specifically, the amendments affect (a) limited partnerships and similar legal entities; (b) the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships; and (c) certain investment funds. These amendments became effective on January 1, 2016 and did not have a material effect on our condensed consolidated financial statements.

In April and August 2015, the FASB issued accounting guidance that changes the balance sheet presentation of debt issuance costs (except for debt issuance costs related to line-of-credit arrangements). The guidance requires debt issuance costs relating to a recognized debt liability to be presented as a direct deduction from the carrying amount of the associated debt liability in the balance sheet. This new requirement became effective on January 1, 2016. See Note 10, "Long-Term Debt" for additional information.

In April 2015, the FASB issued accounting guidance that, among other things, provides for a practical expedient related to interim period remeasurements of defined benefit plan assets and obligations. The practical expedient permits entities to remeasure plan assets and obligations using the month-end that is closest to the date of the actual event. Disclosure of such election and related month-end remeasurement date is required. This guidance became effective on January 1, 2016 and did not have a material effect on our condensed consolidated financial statements.

In April 2015, the FASB issued accounting guidance which clarifies the proper method of accounting for fees paid in a cloud computing arrangement. The guidance requires software licenses included in a cloud computing arrangement to be accounted for consistently with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract. This guidance became effective on January 1, 2016 and did not have a material effect on our condensed consolidated financial statements.

In May 2015, the FASB issued accounting guidance for which investments measured at net asset value per share (or its equivalent) using the practical expedient should no longer be categorized within the fair value hierarchy. Although removed from the fair value hierarchy, disclosure of the nature, risks and amount of investments for which fair value is measured using

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the practical expedient is still required. This guidance became effective on January 1, 2016 and did not have a material effect on our condensed consolidated financial statements.

In July 2015, the FASB issued accounting guidance that requires inventory to be measured at the lower of cost and net realizable value. The scope of this guidance excludes inventory measured using the last-in first-out method or the retail inventory method. This new requirement will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and is to be applied prospectively. Early adoption is permitted. We are assessing the impact of this new requirement on our financial statements.

In February 2016, the FASB issued accounting guidance that requires assets and liabilities arising from leases to be recorded on the balance sheet. Additional disclosures are required regarding the amount, timing, and uncertainty of cash flows from leases. This new guidance will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is to be applied using a modified retrospective approach. Early adoption is permitted. We are assessing the impact of this new requirement on our financial statements.

In March 2016, the FASB issued accounting guidance that simplifies several aspects of the accounting for share-based payment awards. Among other things, this guidance requires all tax effects related to share-based payment awards to be recognized as income tax expense or benefit on the income statement, thus eliminating all additional paid-in capital pools. An entity should recognize excess tax benefits regardless of whether the benefit reduces income taxes payable in the current period. For interim reporting purposes, excess tax benefits and tax deficiencies should be accounted for as discrete items in the reporting period in which they occur. Additionally, this new guidance requires all tax related cash flows resulting from share-based payments to be presented as an operating activity on the statement of cash flows rather than as a financing activity. This guidance will be effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. We are assessing the impact of this new requirement on our financial statements.

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

Forward-looking Statements

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

These forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control. Therefore, there can be no assurance that our actual results will not differ materially from the results and expectations expressed or implied in the forward-looking statements. Factors that could cause actual results to differ materially 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;
- changes in the cost of raw materials and energy, and our ability to pass through such increases;
- 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, including the integration of Rockwood's operations, and realize anticipated synergies and other benefits; and
- the other factors detailed from time to time in the reports we file with the SEC.

We assume no obligation to provide revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws. The following discussion should be read together with our condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q.

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The following is a discussion and analysis of results of operations for the three-month periods ended March 31, 2016 and 2015. A discussion of consolidated financial condition and sources of additional capital is included under a separate heading "Financial Condition and Liquidity" on page 33.

Overview

We are a leading global developer, manufacturer and marketer of highly-engineered specialty chemicals that meets customer needs across an exceptionally diverse range of end markets. The end markets we serve include the petroleum refining, consumer electronics, energy storage, construction, automotive, steel and aerospace, lubricants, pharmaceuticals, crop protection, household appliances, heating, ventilation, aluminum finishing, food safety and custom chemistry services. We believe that our commercial and geographic diversity, technical expertise, innovative capability, flexible, low-cost global manufacturing base, experienced management team and strategic focus on our core base technologies will enable us to maintain leading market positions in those areas of the specialty chemicals industry in which we operate.

Secular trends favorably impacting demand within the end markets that we serve combined with our diverse product portfolio, broad geographic presence and customer-focused solutions will continue to be key drivers to our future earnings growth. We continue to build upon our existing green solutions portfolio and our ongoing mission to provide innovative, yet commercially viable, clean energy products and services to the marketplace. We believe our disciplined cost reduction efforts, ongoing productivity improvements and the acquisition of Rockwood position us well to take advantage of strengthening economic conditions as they occur while softening the negative impact of the current challenging global economic environment.

First Quarter 2016

During the first quarter of 2016:

- Effective January 1, 2016, our former Performance Chemicals reportable segment was split into two separate reportable segments: (1) Lithium and Advanced Materials and (2) Bromine Specialties. This split did not affect the existing Refining Solutions and Chemetall Surface Treatment reportable segments.
- On January 4, 2016, we closed the sale of the metal sulfides business for net proceeds of approximately $137 million and recorded a gain of $11.5 million before income taxes in the first quarter of 2016 related to the sale.
- On February 1, 2016, we closed the sale of the minerals-based flame retardants and specialty chemicals business for net proceeds of approximately $187 million and recorded a gain of $111.3 million before income taxes in the first quarter of 2016 related to the sale.
- We repaid approximately $331 million of borrowings outstanding under the September 2015 Term Loan Agreement with proceeds from the divestitures closed in the first quarter of 2016.
- Our board of directors declared a quarterly dividend of $0.305 per share on February 26, 2016, which was paid on April 1, 2016 to shareholders of record at the close of business as of March 16, 2016.
- Our net sales for the quarter were $865.4 million, down 2% from net sales of $884.4 million in the first quarter of 2015.
- Earnings per share were $2.02 (on a diluted basis), an increase from first quarter 2015 results of $0.40 per diluted share. The first quarter of 2016 includes a net gain on the sales of businesses of $121.3 million.
- Cash provided by operating activities was $172.7 million in the first quarter, an increase from $45.8 million in the first quarter 2015.

Outlook

Effective January 1, 2016, the former Performance Chemicals segment was split into two separate reportable segments: (1) Lithium and Advanced Materials, which includes Performance Catalyst Solutions and Curatives ("PCS"), and (2) Bromine Specialties. Each segment has a dedicated team of sales, research and development, process engineering, manufacturing and sourcing, and business strategy personnel and has full accountability for improving execution through greater asset and market focus, agility and responsiveness. We expect this change to provide further clarity into the performance of each business.

The current global business environment presents a diverse set of opportunities and challenges in the markets we serve, from slow and uneven global growth, currency exchange volatility, significantly lower crude oil prices, a dynamic pricing environment in bromine derivatives and an ever-changing landscape in electronics, to the continuous need for cutting edge catalysts and technology by our refinery customers, diverse energy storage needs including exciting opportunities in electric vehicles, and increasingly stringent environmental standards. Amidst these dynamics, we believe our business fundamentals are sound and that we are strategically well-positioned as we remain focused on increasing sales volumes, significant deleveraging following our acquisition of Rockwood, optimizing and improving the value of our portfolio through pricing and product

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development, managing costs and delivering value to our customers. We believe that our businesses remain positioned to capitalize on new business opportunities and long-term trends driving growth within our end markets and to respond quickly to improved economic conditions. Additionally, we are well on track to exceed our expectations regarding synergies from the acquisition of the Rockwood businesses in 2015.

Lithium and Advanced Materials: We expect continued strong growth for the remainder of 2016, led by demand in battery-grade applications and continued price improvement in Lithium. PCS experienced strong growth in 2015 due to market demand in general and due to certain competitor outages. While we expect most of the PCS business to maintain a similar level of profitability in 2016, we may be challenged due to the bankruptcy filing of one of our customers, which could impact Income before income taxes and adjusted EBITDA by as much as $10 million this year.

On a longer term basis, we believe that demand for lithium will continue to grow as new applications for lithium power continue to be developed and the use of plug-in hybrid electric vehicles and battery electric vehicles escalates. In addition, we expect growth in PCS to come from growing global demand for plastics driven by rising standards of living and infrastructure spending, particularly in Asia and the Middle East.

Bromine Specialties: We expect the remainder of 2016 to be challenging for Bromine sales and profitability growth due to an expected decline in demand for clear brine fluids used in offshore drilling projects as well as the expiration of a methyl bromide supply agreement at the end of 2015 that was not replaced. Through working capital discipline and strong controls on costs, we expect to generate healthy cash flows in the Bromine business despite these challenges.

We believe that the combination of solid, long-term business fundamentals, with our strong cost position, product innovations and effective management of raw material inventory inflation will enable us to manage our business through end market challenges and to capitalize on opportunities that are expected with favorable market trends in select end markets and with a more evenly sustained economic recovery.

On a longer term basis, we continue to believe that improving global standards of living, widespread digitization, increasing demand for data management capacity and the potential for increasingly stringent fire safety regulations in developing markets are likely to drive continued demand for fire safety products. Demand for drilling completion fluids in 2015 held up better than expected, but is likely to be impacted negatively in the short term as a result of sustained lower oil prices impacting offshore drilling projects around the world. Longer term, absent an increase in regulatory pressure on offshore drilling, we would expect this business to resume a solid growth trajectory once oil prices recover from recent levels as we expect that deep water drilling will continue to increase around the world. We are focused on profitably growing our globally competitive bromine and derivatives production network to serve all major bromine consuming products and markets. We believe the global supply/demand gap will tighten as demand for existing and possible new uses of bromine expands over time.

Refining Solutions: In 2016, despite some near-term concerns about how the price of oil will impact the crude slate used by refineries and the resulting demand for catalysts, we expect to see continued, sustained high level performance from heavy oil upgrading as well as improvement in clean fuels technology results due to increased change outs by refiners and an improved product mix, although certain national oil companies, among others, are expected to look for ways to delay catalysts change outs due to the current oil economic environment.

On a longer term basis, we believe increased global demand for transportation fuels and implementation of more stringent fuel quality requirements will drive growth in our Refining Solutions business. Delivering superior end-use performance continues to be the most effective way to create sustainable value in the refinery catalysts industry, and we believe our technologies continue to provide significant performance and financial benefits to refiners challenged to meet tighter regulations around the world, those managing new contaminants present in North America tight oil, and those in the Middle East and Asia seeking to use heavier feedstock while pushing for higher propylene yields. While lower oil prices may impact the overall crude slate for a period of time, longer term, we believe that the global crude supply will get heavier and more sour, trends that bode well for catalysts demand. Given this and based on our technology, current production capacities and expected growth in end market demand, we believe that we remain well-positioned for the future.

Chemetall Surface Treatment: Demand for surface treatment products generally follows the activity levels of metal processing manufacturers, including the automotive, steel and aerospace industries, as well as products sold to general industrial markets, including heavy equipment, household appliances, manufacturing, heating, ventilation and aluminum finishing. We believe that our strong customer relationships, service and our geographic and end market diversity coupled with the growth coming from recently completed acquisitions, will lead to continued growth for the remainder of 2016.

On a longer term basis, we expect to continue to generate growth from our focus on new product development, improving process technologies, expanding our customer base, and broadening our technology capabilities in existing and new markets through internal research and development and bolt-on acquisitions.

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All Other: During the first quarter of 2016, we closed the previously announced sales of the metal sulfides business and the minerals-based flame retardants and specialty chemicals businesses. The cash generated from the sale of these businesses was used to reduce borrowings outstanding under the September 2015 Term Loan Agreement.

In April 2016, we concluded that we would discontinue efforts to sell the fine chemistry services business. This business is expected to deliver improved results versus 2015 and will continue to be reported outside of the Company’s reportable segments.

Corporate: In the first quarter of 2016, we increased our quarterly dividend rate to $0.305 per share. We continue to focus on cash generation, working capital management and process efficiencies. We expect our global effective tax rate for 2016 to be approximately 20.2%; however, our rate will vary based on the locales in which income is actually earned and remains subject to potential volatility from changing legislation in the U.S. and other tax jurisdictions.

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

Results of Operations

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

First Quarter 2016 Compared to First Quarter 2015

Selected Financial Data (Unaudited)

	Three Months Ended March 31,		Percentage Change
	2016	2015	2016 vs. 2015
	(In thousands, except percentages and per share amounts)		
NET SALES	$ 865,398	$ 884,404	(2)%
Cost of goods sold	528,000	625,938	(16)%
GROSS PROFIT	337,398	258,466	31 %
GROSS PROFIT MARGIN	39.0 %	29.2 %	
Selling, general and administrative expenses	139,157	135,765	2 %
Research and development expenses	23,401	26,492	(12)%
Gain on sales of businesses, net	(121,324)	—	*
Acquisition and integration related costs	21,356	59,523	(64)%
OPERATING PROFIT	274,808	36,686	649 %
OPERATING PROFIT MARGIN	31.8 %	4.1 %	
Interest and financing expenses	(25,251)	(35,746)	(29)%
Other income, net	410	49,957	(99)%
INCOME BEFORE INCOME TAXES AND EQUITY IN NET INCOME OF UNCONSOLIDATED INVESTMENTS	249,967	50,897	391 %
Income tax expense	30,985	14,140	119 %
Effective tax rate	12.4 %	27.8 %	
INCOME BEFORE EQUITY IN NET INCOME OF UNCONSOLIDATED INVESTMENTS	218,982	36,757	496 %
Equity in net income of unconsolidated investments (net of tax)	16,566	10,392	59 %
NET INCOME	235,548	47,149	400 %
Net income attributable to noncontrolling interests	(7,362)	(4,034)	82 %
NET INCOME ATTRIBUTABLE TO ALBEMARLE CORPORATION	$ 228,186	$ 43,115	429 %
PERCENTAGE OF NET SALES	26.4 %	4.9 %	
Basic earnings per share	$ 2.03	$ 0.40	408 %
Diluted earnings per share	$ 2.02	$ 0.40	405 %

*Percentage calculation is not meaningful.

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Net Sales

For the three-month period ended March 31, 2016, we recorded net sales of $865.4 million, a decrease of $19.0 million, or 2%, compared to net sales of $884.4 million for the three-month period ended March 31, 2015. On January 4, 2016, we closed the sale of the metal sulfides business and on February 1, 2016, we closed the sale of the minerals-based flame retardants and specialty chemicals businesses. The divestiture of these businesses reduced revenue by $54.3 million as compared to the three-month period ended March 31, 2015. Excluding the impact of the divested businesses noted above, revenue increased by $35.3 million due to $50.9 million of higher volumes due to market demand, and $7.4 million of favorable price impacts partially offset by $23.0 million of unfavorable currency exchange impacts.

Gross Profit

For the three-month period ended March 31, 2016, our gross profit increased $78.9 million, or 31%, from the corresponding 2015 period. Gross profit includes charges of $0.2 million and $40.3 million in the three-month periods ended March 31, 2016 and 2015, respectively, for the utilization of the inventory markup recorded as part of purchase accounting for the acquisition of Rockwood. Excluding these charges, gross profit increased by $38.8 million, or 13%, due primarily to higher overall sales volumes, favorable pricing impacts, and $15.5 million in lower variable and fixed costs. Overall, these factors contributed to a higher gross profit margin for the three-month period ended March 31, 2016 of 39.0%, up from 29.2% in the corresponding period in 2015. Excluding the inventory markup charges, gross profit margin was 39.0% for the three-month period ended March 31, 2016 as compared to 33.8% in the corresponding period in 2015.

Selling, General and Administrative Expenses

For the three-month period ended March 31, 2016, our selling, general and administrative (“SG&A”) expenses increased $3.4 million, or 2%, from the three-month period ended March 31, 2015. The increase is primarily due to $3.3 million of non-operating pension and OPEB gains recorded in the three-month period ended March 31, 2015. As a percentage of net sales, SG&A expenses were 16.1% for the three-month period ended March 31, 2016, compared to 15.4% for the corresponding period in 2015. Excluding non-operating gains on pension and OPEB plans, SG&A expenses were 16.1% of net sales for the three month period ended March 31, 2016, compared to 15.7% for the corresponding period in 2015.

Research and Development Expenses

For the three-month period ended March 31, 2016, our research and development (“R&D”) expenses decreased $3.1 million, or 12%, from the three-month period ended March 31, 2015. As a percentage of net sales, R&D expenses were 2.7% and 3.0% for the three-month periods ended March 31, 2016 and 2015, respectively.

Gain on Sales of Businesses, Net

In the first quarter of 2016, we closed the sales of the metal sulfides and the minerals-based flame retardants and specialty chemicals businesses and recorded gains before income taxes of $11.5 million and $111.3 million, respectively. In addition, Gain on sales of businesses, net, for the first quarter of 2016 includes a loss of $1.5 million on the sale of our wafer reclaim business.

Acquisition and Integration Related Costs

The three-month period ended March 31, 2016 includes $19.7 million of integration costs resulting from the acquisition of Rockwood (mainly consisting of professional services and advisory fees, costs to achieve synergies, relocation costs, and other integration costs) and $1.7 million of costs in connection with other significant projects. The three-month period ended March 31, 2015 includes $57.4 million of acquisition and integration related costs directly related to the acquisition of Rockwood and $2.1 million of costs in connection with other significant projects.

Interest and Financing Expenses

Interest and financing expenses for the three-month period ended March 31, 2016 decreased $10.5 million to $25.3 million from the corresponding 2015 period, due mainly to lower debt levels as well as the favorable impact of the refinancing of the senior notes assumed from Rockwood that was completed on October 15, 2015.

Other Income, Net

Other income, net, for the three-month period ended March 31, 2016 was $0.4 million versus $50.0 million for the corresponding 2015 period. The change was primarily due to $52.4 million of favorable foreign currency translation gains in 2015 related to cash denominated in U.S. Dollars held by foreign subsidiaries where the European Union Euro serves as the functional currency, which was repatriated using the applicable transaction rates during the first quarter of 2015.

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Income Tax Expense
The effective income tax rate for the first quarter of 2016 was 12.4% compared to 27.8% for the first quarter of 2015. Our effective income tax rate differs from the U.S. federal statutory income tax rates in the comparative periods primarily due to the impact of earnings from outside the U.S. The decrease in the effective tax rate for the three month period ended March 31, 2016 compared to the same period in 2015 is primarily driven by the income from the sales of the businesses and associated tax expense of $6.3 million.
Equity in Net Income of Unconsolidated Investments
Equity in net income of unconsolidated investments was $16.6 million for the three-month period ended March 31, 2016 compared to $10.4 million in the same period last year. Equity in net income of unconsolidated investments for the three-month period ended March 31, 2015 includes a $7.9 million charge for utilization of fair value adjustments to inventories in connection with the Rockwood acquisition. Excluding this charge, equity in net income of unconsolidated investments decreased by $1.7 million primarily due to the sale of our ownership interest in Magnifin Magnesiaprodukte GmbH during the the three-month period ended March 31, 2016. This was partially offset by higher equity income reported by our Refining Solutions segment joint venture Nippon Ketjen Company Limited primarily due to higher sales volumes.
Net Income Attributable to Noncontrolling Interests
For the three-month period ended March 31, 2016, net income attributable to noncontrolling interests was $7.4 million compared to $4.0 million in the same period last year. This increase of $3.4 million was due primarily to changes in consolidated income related to our Jordanian joint venture.
Net Income Attributable to Albemarle Corporation
Net income attributable to Albemarle Corporation increased to $228.2 million in the three-month period ended March 31, 2016, from $43.1 million in the three-month period ended March 31, 2015. The three-month period ended March 31, 2015 includes a $48.2 million charge for utilization of fair value adjustments to inventories and the current year includes a $121.3 million gain on sales of businesses. Excluding these items, net income attributable to Albemarle increased by $15.7 million. The increase is primarily due to higher gross profit associated with stronger business results, a $38.1 million reduction in acquisition and integration costs, lower interest associated with lower debt levels and the favorable impact of the refinancing that was completed on October 15, 2015, and a lower overall effective tax rate, partially offset by $52.4 million of favorable foreign currency translation gains in 2015 related to cash denominated in U.S. Dollars held by foreign subsidiaries where the European Union Euro serves as the functional currency.
Other Comprehensive Income (Loss), Net of Tax
Total other comprehensive income (loss), after income taxes, was $89.9 million for the three-month period ended March 31, 2016 compared to ($300.0) million for the corresponding period in 2015. The majority of these amounts are the result of translating our foreign subsidiary financial statements from their local currencies to U.S. Dollars. In the 2016 period, other comprehensive income from foreign currency translation adjustments was $98.9 million, mainly as a result of favorable movements in the European Union Euro of approximately $58 million, the British Pound Sterling of approximately $23 million, the Brazilian Real of approximately $6 million, and a net favorable variance in various other currencies totaling approximately $12 million (each approximately $2 million or less). Also included in total other comprehensive income for the 2016 period is a loss of $9.5 million in connection with the revaluation of our €700.0 million senior notes which have been designated as a hedge of our net investment in foreign operations. In the 2015 period, other comprehensive loss from foreign currency translation adjustments was $354.6 million, mainly as a result of unfavorable movements in the European Union Euro of approximately $310 million, the British Pound Sterling of approximately $21 million, and the Brazilian Real of approximately $16 million. Also included in total other comprehensive loss for the 2015 period is income of $54.0 million in connection with the revaluation of our €700.0 million senior notes which have been designated as a hedge of our net investment in foreign operations.

Segment Information Overview. We have identified four reportable segments according to the nature and economic characteristics of our products as well as the manner in which the information is used internally by the Company’s chief operating decision maker to evaluate performance and make resource allocation decisions. Our reportable

business segments consist of: (1) Lithium and Advanced Materials, which includes Lithium and PCS, (2) Bromine Specialties, (3) Refining Solutions and (4) Chemetall Surface Treatment.
Summarized financial information concerning our reportable segments is shown in the following tables. Results for 2015 have been recast to reflect the change in segments previously noted. The “All Other” category is comprised of three operating segments that do not fit into any of our core businesses subsequent to the acquisition of Rockwood: minerals-based flame

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retardants and specialty chemicals, fine chemistry services and metal sulfides. During the first quarter of 2016, we completed the sales of the metal sulfides business and the minerals-based flame retardants and specialty chemicals businesses.

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

The Company uses earnings before interest, taxes, depreciation and amortization, as adjusted for certain non-recurring or unusual items such as restructuring charges, facility divestiture charges, non-operating pension and OPEB items and other significant non-recurring items ("adjusted EBITDA"), on a segment basis to assess the ongoing performance of the Company's business segments. Adjusted EBITDA is a financial measure that is not required by, or presented in accordance with, U.S. GAAP. The Company has reported adjusted EBITDA because management believes it provides transparency to investors and enables period-to-period comparability of financial performance. Adjusted EBITDA should not be considered as an alternative to Net income (loss) attributable to Albemarle Corporation, the most directly comparable financial measure calculated and reported in accordance with U.S. GAAP.

	Three Months Ended March 31,				Percentage Change
	2016	%	2015	%	2016 vs. 2015
	(In thousands, except percentages)				
Net sales:					
Lithium and Advanced Materials	$216,173	25.0 %	$198,774	22.5 %	9 %
Bromine Specialties	196,553	22.7 %	189,592	21.4 %	4 %
Refining Solutions	170,579	19.7 %	179,166	20.3 %	(5)%
Chemetall Surface Treatment	208,187	24.1 %	192,091	21.7 %	8 %
All Other	72,089	8.3 %	122,369	13.8 %	(41)%
Corporate	1,817	0.2 %	2,412	0.3 %	(25)%
Total net sales	$865,398	100.0 %	$884,404	100.0%	(2)%
Adjusted EBITDA:					
Lithium and Advanced Materials	$86,474	35.3 %	$77,595	29.2 %	11 %
Bromine Specialties	61,608	25.1 %	52,933	19.9 %	16 %
Refining Solutions	55,074	22.5 %	42,193	15.9 %	31 %
Chemetall Surface Treatment	52,522	21.4 %	46,004	17.3 %	14 %
All Other	8,464	3.5 %	13,564	5.1 %	(38)%
Corporate	(19,166)	(7.8)%	33,339	12.6 %	(157)%