# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D. C. 20549**

# FORM 10-Q

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

**For Quarterly Period Ended March 31, 2004**

**OR**

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

**For Transition Period from ______ to ______.**

**Commission File Number 1-12658**

# ALBEMARLE CORPORATION

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

| | |
|---|---|
| **VIRGINIA**<br>**(State or other jurisdiction of incorporation or organization)** | **54-1692118**<br>**(I.R.S. Employer Identification No.)** |
| **330 SOUTH FOURTH STREET**<br>**RICHMOND, VIRGINIA**<br>**(Address of principal executive offices)** | **23219**<br>**(Zip Code)** |

**Registrant's telephone number, including area code - (804) 788-6000**

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

Number of shares of common stock, $.01 par value, outstanding as of April 30, 2004: 41,527,392

Table of Contents

ALBEMARLE CORPORATION

I N D E X

[Table of Contents](#)

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

ALBEMARLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars In Thousands)

| | March 31, 2004 | December 31, 2003 |
|---|---|---|
| | (Unaudited) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 50,521 | $ 35,173 |
| Accounts receivable, less allowance for doubtful accounts (2004 - $1,073; 2003 - $2,287) | 233,847 | 226,026 |
| Inventories: | | |
| Finished goods | 137,242 | 154,594 |
| Raw materials | 21,364 | 22,384 |
| Stores, supplies and other | 27,868 | 27,725 |
| | 186,474 | 204,703 |
| Deferred income taxes and prepaid expenses | 16,658 | 15,467 |
| Total current assets | 487,500 | 481,369 |
| Property, plant and equipment, at cost | 1,603,415 | 1,605,048 |
| Less accumulated depreciation and amortization | 1,089,903 | 1,078,043 |
| Net property, plant and equipment | 513,512 | 527,005 |
| Prepaid pension assets | 186,167 | 185,531 |
| Other assets and deferred charges | 77,199 | 74,802 |
| Goodwill | 36,700 | 36,832 |
| Other intangibles, net of amortization | 84,085 | 81,752 |
| **Total assets** | $ 1,385,163 | $ 1,387,291 |

See accompanying notes to the consolidated financial statements.

Table of Contents

ALBEMARLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars In Thousands)

| | March 31, 2004 | December 31, 2003 |
|---|---|---|
| | (Unaudited) | |
| **LIABILITIES AND SHAREHOLDERS’ EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 108,179 | $ 111,431 |
| Long-term debt, current portion | 47 | 190 |
| Accrued expenses | 70,597 | 70,610 |
| Dividends payable to shareholders | 11,556 | 5,494 |
| Income taxes payable | 26,406 | 22,346 |
| Total current liabilities | 216,785 | 210,071 |
| Long-term debt | 217,185 | 228,389 |
| Postretirement benefits | 68,299 | 66,969 |
| Other noncurrent liabilities | 102,875 | 101,976 |
| Deferred income taxes | 139,597 | 143,665 |
| Commitments and contingencies (Note 18) | | |
| Shareholders’ equity: | | |
| Common stock, $.01 par value, issued and outstanding - 41,470,782 in 2004 and 41,153,008 in 2003 | 415 | 412 |
| Additional paid-in capital | 5,136 | 736 |
| Accumulated other comprehensive income | 21,859 | 23,643 |
| Retained earnings | 613,012 | 611,430 |
| Total shareholders’ equity | 640,422 | 636,221 |
| **Total liabilities and shareholders’ equity** | $ 1,385,163 | $ 1,387,291 |

See accompanying notes to the consolidated financial statements.

Table of Contents

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2004 | 2003 |
| Net sales | $ 322,009 | $ 266,739 |
| Cost of goods sold | 261,225 | 208,197 |
| Gross profit | 60,784 | 58,542 |
| Selling, general and administrative expenses | 30,354 | 27,626 |
| Research and development expenses | 4,579 | 4,942 |
| Special items | 4,507 | — |
| Operating profit | 21,344 | 25,974 |
| Interest and financing expenses | (1,559) | (1,337) |
| Other (expense) income, net including minority interest | (1,083) | 3,573 |
| Income before income tax and cumulative effect of a change in accounting principle, net | 18,702 | 28,210 |
| Income taxes | 5,095 | 4,423 |
| Income before cumulative effect of a change in accounting principle, net | 13,607 | 23,787 |
| Cumulative effect of a change in accounting principle, net | — | (2,220) |
| **Net income** | $ 13,607 | $ 21,567 |
| **Basic earnings per share:** | | |
| Income before cumulative effect of a change in accounting principle, net | $ 0.33 | $ 0.57 |
| Cumulative effect of a change in accounting principle, net | — | (0.05) |
| Net income | $ 0.33 | $ 0.52 |
| **Diluted earnings per share:** | | |
| Income before cumulative effect of a change in accounting principle, net | $ 0.32 | $ 0.56 |
| Cumulative effect of a change in accounting principle, net | — | (0.05) |
| Net income | $ 0.32 | $ 0.51 |
| Cash dividends declared per share of common stock | $ 0.29 | $ 0.28 |

See accompanying notes to the consolidated financial statements.

Table of Contents

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2004 | 2003 |
| Net income | $ 13,607 | $ 21,567 |
| Other comprehensive income (loss), net of tax: | | |
| Unrealized gain (loss) on securities available for sale | 8 | (18) |
| Unrealized (loss) on hedging derivatives | (51) | — |
| Foreign currency translation | (1,741) | 3,268 |
| Other comprehensive income (loss) | (1,784) | 3,250 |
| **Comprehensive income** | $ 11,823 | $ 24,817 |

See accompanying notes to the consolidated financial statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2004 | 2003 |
| **Cash and cash equivalents at beginning of year** | $ 35,173 | $ 47,784 |
| **Cash flows from operating activities:** | | |
| Net income | 13,607 | 21,567 |
| Cumulative effect of a change in accounting principle, net (a) | — | 2,220 |
| Income before cumulative effect of a change in accounting principle, net | 13,607 | 23,787 |
| Adjustments to reconcile net income before cumulative effect of a change in accounting principle, net to cash flows from operating activities: | | |
| Depreciation and amortization | 21,566 | 20,138 |
| Working capital changes, net of the effects of acquisitions | 11,023 | 15,239 |
| Increase in prepaid pension assets | (636) | — |
| Increase in income tax receivable | — | (11,083) |
| Other, net | (835) | 639 |
| **Net cash provided from operating activities** | 44,725 | 48,720 |
| **Cash flows from investing activities:** | | |
| Capital expenditures | (8,398) | (8,857) |
| Investments in joint ventures and nonmarketable securities | (4,725) | (1,813) |
| Acquisitions of assets | (600) | (26,579) |
| Proceeds from liquidation of nonmarketable security | — | 4,216 |
| **Net cash used in investing activities** | (13,723) | (33,033) |
| **Cash flows from financing activities:** | | |
| Proceeds from borrowings | 7,965 | 42,033 |
| Proceeds from exercise of stock options | 3,499 | — |
| Repayments of long-term debt | (19,369) | (35,502) |
| Purchases of common stock | (827) | (13,213) |
| Dividends paid to shareholders | (5,963) | (5,918) |
| Dividends paid to minority interest | (500) | — |
| **Net cash used in financing activities** | (15,195) | (12,600) |
| Net effect of foreign exchange on cash and cash equivalents | (459) | 1,829 |
| **Increase in cash and cash equivalents** | 15,348 | 4,916 |
| **Cash and cash equivalents at end of period** | $ 50,521 | $ 52,700 |
| (a) Supplemental noncash disclosures due to a cumulative change in accounting principle: | | |
| Increase in property, plant and equipment | $ — | $ (6,520) |
| Increase in accumulated depreciation | — | 3,083 |
| Increase in other noncurrent liabilities | — | 6,922 |
| Decrease in deferred tax liabilities | — | (1,265) |
| Cumulative effect of a change in accounting principle, net | $ — | $ 2,220 |

See accompanying notes to the consolidated financial statements.

ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Share and Per-Share Amounts)
(Unaudited)

1. In the opinion of management, the accompanying consolidated financial statements of Albemarle Corporation and its wholly-owned subsidiaries ("Albemarle" or the "Company") contain all adjustments necessary for a fair presentation, in all material respects, of the Company's consolidated financial position as of March 31, 2004, and December 31, 2003, the consolidated results of operations and comprehensive income for the three-month periods ended March 31, 2004, and 2003, and condensed consolidated cash flows for the three-month periods ended March 31, 2004, and 2003. All adjustments are of a normal and recurring nature. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2003 Annual Report & Form 10-K. The December 31, 2003 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. The results of operations for the three-month period ended March 31, 2004, are not necessarily indicative of the results to be expected for the full year. Certain reclassifications have been made to the accompanying consolidated financial statements and the notes thereto to conform to the current presentation.

2. Long-term debt consists of the following:

| | March 31, 2004 | December 31, 2003 |
|---|---|---|
| Variable-rate bank loans | $ 200,585 | $ 207,935 |
| Industrial revenue bonds | 11,000 | 11,000 |
| Foreign borrowings | 4,732 | 8,687 |
| Miscellaneous | 915 | 957 |
| Total | 217,232 | 228,579 |
| Less amounts due within one year | 47 | 190 |
| Long-term debt | $ 217,185 | $ 228,389 |

3. Cost of goods sold includes foreign exchange transaction gains of $392 and $61 for the three-month periods ended March 31, 2004 and 2003, respectively.

ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Share and Per-Share Amounts)
(Unaudited)

4. Basic and diluted earnings per share for the three-month periods ended March 31, 2004 and 2003, are calculated as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2004 | 2003 |
| **Basic earnings per share** | | |
| Numerator: | | |
| Income before cumulative effect of a change in accounting principle, net | $ 13,607 | $23,787 |
| Cumulative effect of a change in accounting principle, net | — | (2,220) |
| Income available to shareholders, as reported | $ 13,607 | $21,567 |
| Denominator: | | |
| Average number of shares of common stock outstanding | 41,365 | 41,496 |
| Basic earnings per share: | | |
| Income before cumulative effect of a change in accounting principle, net | $ 0.33 | $ 0.57 |
| Cumulative effect of a change in accounting principle, net | — | (0.05) |
| Basic earnings per share | $ 0.33 | $ 0.52 |
| **Diluted earnings per share** | | |
| Numerator: | | |
| Income before cumulative effect of a change in accounting principle, net | $ 13,607 | $23,787 |
| Cumulative effect of a change in accounting principle, net | — | (2,220) |
| Income available to shareholders, as reported | $ 13,607 | $21,567 |
| Denominator: | | |
| Average number of shares of common stock outstanding | 41,365 | 41,496 |
| Shares issuable upon exercise of stock options and other common stock equivalents | 835 | 790 |
| Total shares | 42,200 | 42,286 |
| Diluted earnings per share: | | |
| Income before cumulative effect of a change in accounting principle, net | $ 0.32 | $ 0.56 |
| Cumulative of a change in accounting principle, net | — | (0.05) |
| Diluted earnings per share | $ 0.32 | $ 0.51 |

Table of Contents

ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Share and Per-Share Amounts)
(Unaudited)

5. The following table reflects the changes in consolidated shareholders' equity from December 31, 2003 through March 31, 2004:

| | Common Stock | | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Retained Earnings | Total Share-holders' Equity |
|---|---|---|---|---|---|---|
| | Shares | Amounts | | | | |
| Balance at December 31, 2003 | 41,153,008 | $ 412 | $ 736 | $ 23,643 | $ 611,430 | $ 636,221 |
| Net income | — | — | — | — | 13,607 | 13,607 |
| Foreign currency translation, net | — | — | — | (1,741) | — | (1,741) |
| Change in unrealized gain on marketable equity securities, net | — | — | — | 8 | — | 8 |
| Change in unrealized (loss) on hedging derivatives, net | — | — | — | (51) | — | (51) |
| Cash dividends declared | — | — | — | — | (12,025) | (12,025) |
| Stock option revaluation | — | — | 665 | — | — | 665 |
| Shares repurchased and retired | (27,569) | — | (826) | — | — | (826) |
| Shares issued upon exercise of stock options | 305,724 | 3 | 3,496 | — | — | 3,499 |
| Issuance of incentive award stock | 39,619 | — | 1,065 | — | — | 1,065 |
| Balance at March 31, 2004 | 41,470,782 | $ 415 | $ 5,136 | 21,859 | 613,012 | $ 640,422 |

6. At March 31, 2004, goodwill and other intangibles consist principally of goodwill, customer lists, trademarks, patents and other intangibles.

| | Balances at Beginning of Year | Additions at Cost | Amortization Charged to Expense | SFAS No. 52 Adjustments | Balances at March 31, 2004 |
|---|---|---|---|---|---|
| Goodwill | $ 36,832 | $ — | $ — | $ (132) | $ 36,700 |
| Other intangibles | $ 81,752 | $ 2,694 (a) | $ 1,452 | $ 1,090 | $ 84,085 |

(a) Other intangibles additions consist of a non-compete agreement ($416), an employment contract ($1,292), a customer list ($820) and other intangibles ($166) associated with the acquisition of the assets of Taerim International Corporation.

ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Share and Per-Share Amounts)
(Unaudited)

7. The significant differences between the U.S. Federal statutory income tax rate on pretax income and the effective income tax rate for the three-month periods ended March 31, 2004 and 2003, respectively, are as follows:

| | % of Income Before Income Taxes | |
|---|---|---|
| | Three Months Ended March 31, | |
| | 2004 | 2003 |
| Federal statutory rate | 35.0% | 35.0% |
| State taxes, net of federal tax benefit | 0.9 | 0.9 |
| Extraterritorial income exclusion | (3.2) | (2.5) |
| Depletion | (2.4) | (1.6) |
| Internal Revenue Service settlement | — | (15.9) |
| Other items, net | (3.1) | (0.2) |
| Effective income tax rate | 27.2% | 15.7% |

In March 2003, the Company recorded a receivable for an income tax refund of $11,083. The refund related to the Internal Revenue Service's examination of the Company's 1996 and 1997 tax returns. The net effect of the refund on the Condensed Consolidated Statement of Income for the period ended March 31, 2003 amounted to $7,092 or 17 cents per diluted share, including interest $4,113 ($2,620 after income taxes) and a refund of $6,970, offset by the reversal of a deferred tax asset previously recognized, totaling $2,498.

8. On January 21, 2003, the Company acquired Ethyl's fuel and lubricant antioxidants working capital, patents and other intellectual property for $26,579, including $1,500 ($1,250 paid through March 31, 2004) in additional consideration after Ethyl's purchases of antioxidant products from Albemarle and Albemarle's sales of antioxidant products to third parties for fuel and lubricant additive use met certain specified performance criteria. The Company acquired the antioxidants assets to further leverage core strengths in alkyls and orthoalkylation. A summary of the final purchase price allocation is as follows:

| | |
|---|---|
| Current assets | $ 4,685 |
| Property, plant and equipment | 300 |
| Other assets | 613 |
| Intangibles | 24,161 |
| Current liabilities | (2,230) |
| Noncurrent liabilities | (950) |
| Net cash paid | $26,579 |

ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Share and Per-Share Amounts)
(Unaudited)

9. Effective January 1, 2004, the Company acquired the business assets, customer lists and other intangibles of Taerim International Corporation ("Taerim") and formed Albemarle Korea Corporation located in Seoul. Taerim was formerly Albemarle's Korean distributor and representative. The acquisition purchase price, which totaled approximately $600 in cash and payables due over five years amounting to $2,400 on a discounted basis, consisted primarily of intangible assets. The final allocation of the purchase price will be completed in the second quarter of 2004.

| | |
|---|---|
| Inventory and other assets | $ 570 |
| Intangibles | 2,694 |
| Liabilities | (2,664) |
| Net cash paid | $ 600 |

10. During the first quarter of 2004, the Company recorded a special item charge in its Fine Chemicals segment of $4,507 ($2,871 after income taxes) that resulted from the layoff of 53 employees at the Pasadena plant zeolite facility and the related SFAS No. 88 pension curtailment charge ($898). The following table summarizes the total special charges related to the 2004 layoff and 2003 voluntary separation programs:

| | |
|---|---|
| Beginning accrual balance, January 1, 2004 | $ 1,193 |
| Workforce reduction charges, net | 3,449 |
| Payments | (2,624) |
| Overaccrual amounts reversed to income | (519) |
| Ending accrual balance, March 31, 2004 | $ 1,499* |

* The remaining 2004 amount will be paid during the year.

11. At March 31, 2004 and 2003, other assets and deferred charges include a receivable related to the probable insurance recovery of an insurance claim for 2002 amounting to $5,783.

12. The Company has the following recorded environmental liabilities primarily included in "Other noncurrent liabilities" at March 31, 2004:

| | |
|---|---|
| Beginning balance at December 31, 2003 | $29,122 |
| Payments | (93) |
| Foreign exchange | (652) |
| Ending balance at March 31, 2004 | $28,377 |

ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Share and Per-Share Amounts)
(Unaudited)

The amounts recorded represent management's best estimate of the Company's future remediation and other anticipated environmental costs relating to past operations. Although it is difficult to quantify the potential financial impact of compliance with environmental protection laws, management estimates, based on the latest available information, that there is a reasonable possibility that future environmental remediation costs associated with the Company's past operations, in excess of amounts already recorded, could be up to approximately $10,000 before income taxes, to be incurred over a period of time. However, the Company believes that any sum it may be required to pay in connection with environmental remediation matters in excess of the amounts recorded should occur over a period of time and should not have a material adverse effect upon results of operations, financial condition or cash flows of the Company on a consolidated basis but could have a material adverse impact in a particular quarterly reporting period.

13. The Company is a global manufacturer of specialty polymer and fine chemicals, grouped into two operating segments: Polymer Chemicals and Fine Chemicals. The operating segments were determined based on management responsibility. The Polymer Chemicals segment is comprised of flame retardants, catalysts and polymer additives. The Fine Chemicals segment is comprised of agrichemicals, pharmachemicals, fine chemistry services and intermediates and performance chemicals. Segment data includes intersegment transfers of raw materials at cost and foreign exchange transaction gains and losses, as well as allocations for certain corporate costs. The corporate and other expenses include certain corporate-related items not allocated to the reportable segments.

Summary of Segment Results

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2004 | | 2003 | |
| | Revenues | Income | Revenues | Income |
| Polymer Chemicals | $ 195,383 | $ 21,333 | $ 147,227 | $ 16,349 |
| Fine Chemicals | 126,626 | 5,286 | 119,512 | 14,288 |
| Segment totals | $ 322,009 | 26,619 | $ 266,739 | 30,637 |
| Corporate and other expenses | | (5,275) | | (4,663) |
| Operating profit | | 21,344 | | 25,974 |
| Interest and financing expenses | | (1,559) | | (1,337) |
| Other (expense) income, net including minority interest | | (1,083) | | 3,573 |
| Income before income taxes and cumulative effect of a change in accounting principle, net | | $ 18,702 | | $ 28,210 |

ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Share and Per-Share Amounts)
(Unaudited)

14. On January 1, 2003, the Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. At the time of adoption, the Company identified certain assets for which there are future retirement obligations. These future obligations are comprised primarily of the cost of closing various facilities and of capping brine wells. The financial statement impact at adoption of this Statement on the Company's consolidated statements of income in 2003 is reflected as a cumulative effect of a change in accounting principle amounting to $3,485 or $2,220 after income taxes.

15. Cash dividends declared for the three-month period ended March 31, 2004 totaled 29 cents per share, which included a dividend of 14.5 cents per share declared on January 30, 2004, payable April 1, 2004, as well as a dividend of 14.5 cents per share declared March 31, 2004, payable July 1, 2004. In 2003, the cash dividends declared for the three-month period ended March 31 totaled 28 cents per share, which included a dividend of 14 cents per share declared on January 31, 2003, payable on April 1, 2003, as well as a dividend of 14 cents per share declared March 26, 2003, payable July 1, 2003. The primary reason for the two dividend declarations in both first-quarter periods is the timing of the Board of Directors meeting dates.

16. During January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46 ("FIN 46" or the "Interpretation"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties; such entities are known as variable interest entities ("VIEs"). FIN 46 applied to all VIEs created after January 31, 2003. The FASB issued a revision to FIN 46 ("FIN 46-R") in December 2003. FIN 46-R is effective for the interim period ending March 31, 2004 for all new or existing VIEs. The Company has determined that the adoption of FIN 46-R at March 31, 2004 does not impact the Company or its results for this period then ended.

17. SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS No. 123") encourages, but does not require, companies to record at fair value, compensation cost for stock-based employee compensation plans. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB Opinion No. 25") and related interpretations. Under the intrinsic method, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. If compensation cost had been determined based on the fair value at the grant date under the

ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Share and Per-Share Amounts)
(Unaudited)

plans consistent with the method of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

| | | Three Months Ended March 31, | |
|---|---|---|---|
| | | 2004 | 2003 |
| Stock based compensation expense, net of taxes | as reported | $ 922 | $ 174 |
| | pro forma | $ 1,655 | $ 1,051 |
| Income before cumulative effect of a change in accounting principle, net | as reported | $13,607 | $23,787 |
| | pro forma | $12,874 | $23,043 |
| Net income | as reported | $13,607 | $21,567 |
| | pro forma | $12,874 | $20,754 |
| Basic earnings per share on income before cumulative effect of a change in accounting principle, net | as reported | $ 0.33 | $ 0.57 |
| | pro forma | $ 0.31 | $ 0.56 |
| Basic earnings per share on Net income | as reported | $ 0.33 | $ 0.52 |
| | pro forma | $ 0.31 | $ 0.50 |
| Diluted earnings per share on income before cumulative effect of a change in accounting principle, net | as reported | $ 0.32 | $ 0.56 |
| | pro forma | $ 0.30 | $ 0.54 |
| Diluted earnings per share on net income | as reported | $ 0.32 | $ 0.51 |
| | pro forma | $ 0.30 | $ 0.49 |

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for options granted in the three-months periods ended March 31, 2004 and 2003.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2004 | 2003 |
| Fair values of options granted | $10.02 | $8.62 |
| Dividend Yield | 2.37% | 2.54% |
| Volatility | 30.23% | 31.23% |
| Average expected life (in years) | 10 | 10 |
| Risk-free interest rate | 4.15% | 4.21% |

ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Share and Per-Share Amounts)
(Unaudited)

18. The following table summarizes the Company's contractual obligations for plant construction, purchases of equipment, unused letters of credit and various take or pay and throughput agreements:

| | 2Q 2004 | 3Q 2004 | 4Q 2004 | 2005 | 2006 | 2007 | 2008 | There-after |
|---|---|---|---|---|---|---|---|---|
| Take or pay / throughput agreements | $10,574 | $10,574 | $10,573 | $15,141 | $11,372 | $ 9,695 | $ 8,147 | $34,864 |
| Additional investment commitment payments | $ 1,703 | $ 283 | $ 327 | $ 803 | $ 805 | $ 805 | $ 30 | $ 229 |
| Capital projects | $ 6,862 | $ 969 | $ 1,791 | $ 1,955 | $ 1,554 | $ 1,554 | $ 3,263 | — |
| Letters of credit and guarantees | $ 263 | $ 654 | $ 1,203 | $22,654 | — | — | — | $ 52 |
| Total | $19,402 | $12,480 | $13,894 | $40,553 | $13,731 | $12,054 | $11,440 | $35,145 |

In addition, the Company has commitments, in the form of guarantees, for 50% of the loan amounts outstanding (which at March 31, 2004, amounted to $28,300) of its 50%-owned joint venture company, Jordan Bromine Company Limited ("JBC"). JBC entered into the loans in 2000 to finance construction of certain bromine and derivatives manufacturing facilities on the Dead Sea. The Company's total loan guarantee commitment for JBC is 50% of JBC's total loans, which could amount up to $45,000 if JBC makes all of its allowable draws.

19. In accordance with Financial Accounting Standards Board, Statement of Financial Accounting Standards No. 132, "*Employers' Disclosures about Pensions and Other Postretirement Benefits— an amendment of FASB Statements No. 87, 88, and 106*", the following information is provided for interim domestic financial statements (foreign information is excluded from the requirements until the period ended December 15, 2004):

| | March 31, 2004 | March 31, 2003 |
|---|---|---|
| **Net Periodic Pension Benefit Cost:** | | |
| Service cost | $ 2,276 | $ 1,960 |
| Interest cost | 6,230 | 4,962 |
| Expected return of assets | (10,342) | (8,757) |
| Plan pension curtailment * | 898 | — |
| Amortization of Unrecognized Amounts: | | |
| Net transition (asset)/obligation | (2) | (10) |
| Prior service charge | 179 | 318 |
| Net (gain)/loss | 638 | 202 |
| Total income | $ (123) | $ (1,325) |

ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Share and Per-Share Amounts)
(Unaudited)

| | March 31, 2004 | March 31, 2003 |
|---|---|---|
| **Net Periodic Postretirement Benefit Expense:** | | |
| Service cost | $ 487 | $ 456 |
| Interest cost | 1,070 | 1,123 |
| Expected return of assets | (114) | (133) |
| Amortization of Unrecognized Amounts: | | |
| Net transition (asset)/obligation | — | — |
| Prior service charge | (339) | (365) |
| Net (gain)/loss | 96 | 94 |
| Total expense | $ 1,200 | $ 1,175 |

* During first quarter ended March 31, 2004, a SFAS No. 88 pension curtailment charge was incurred totaling $898 due to the layoffs at the Pasadena plant zeolite facility.

The Company did not make any contributions to its pension plans in the first quarter of 2004; and at this time, none are anticipated for the remainder of the year.

On December 8, 2003, U. S. Government enacted legislation that expands Medicare, primarily adding a prescription drug benefit for Medicare-eligible retirees starting in 2006. The Company anticipates that the benefits it pays after 2006 will be lower as a result of the new Medicare provisions; however, the retiree medical obligations and costs reported do not reflect the impact of this legislation. The Company has deferred the recognition of the new Medicare provisions' impact as permitted by FASB Staff Position 106-1 due to open guidance about certain matters. The final accounting guidance could require changes to previously reported information.

20. On April 19, 2004, Albemarle announced that it expects to complete an agreement with Akzo Nobel N.V. (Akzo Nobel") to acquire its catalyst business, a leader in the production of petroleum refining catalysts, for 625 million euros in cash, subject to the advice of Akzo Nobel's Works Council and the approval of certain regulatory authorities. The acquisition is expected to close in the second quarter of 2004.

The transaction will be financed initially through a new senior credit facility and a bridge loan.

ITEM 2. Management's Discussion and Analysis of Results of Operations and Financial Condition, Additional Information and Recent Developments

The following data and discussion provides an analysis of certain significant factors affecting the results of operations of Albemarle Corporation and its subsidiaries ("Albemarle" or the "Company"), during the periods included in the accompanying consolidated statements of income and changes in the Company's financial condition since December 31, 2003.

Some of the information presented in this Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on the Company's current expectations, which are in turn based on our reasonable assumptions within the bounds of our knowledge of the business and operations. There can be no assurance, however, that the Company's actual results will not differ materially from the results and expectations in the forward-looking statements. Factors that could cause actual results to differ materially include, without limitation, 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, increases in the cost of products, increases in the cost of energy and raw materials (notably, ethylene, chlorine and natural gas), changes in the Company's markets in general, fluctuations in foreign currencies, changes in new product introductions resulting in increases in capital project requests and approvals leading to additional capital spending, changes in laws and regulations, unanticipated claims or litigation, the inability to obtain current levels of product or premises liability insurance or the denial of such coverage, political unrest affecting the global economy and changes in accounting standards.

The following factors, among others, could affect the consummation of the proposed transaction with Akzo Nobel: the execution of a definitive sale and purchase agreement, the advice from Akzo Nobel's Works Council, the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Act and the receipt of other competition law clearances. The following factors, among others, could affect the anticipated results of that transaction: consummation of the financing on terms favorable to the Company, the ability to integrate successfully the acquired business within the expected timeframes or at all, and ongoing operations of the business. The Company assumes no obligation to provide revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

Results of Operations

First Quarter 2004 Compared with First Quarter 2003

*Net Sales*

Net sales by operating segment for the first-quarter periods ended March 31, 2004 and 2003 are as follows:

| | Net Sales (In Thousands) | |
|---|---|---|
| | **2004** | **2003** |
| Polymer Chemicals | $ 195,383 | $ 147,227 |
| Fine Chemicals | 126,626 | 119,512 |
| Segment Totals | $ 322,009 | $ 266,739 |

Net sales for first quarter 2004 of $322.0 million were up $55.3 million (20.7%) from first-quarter 2003 net sales of $266.7 million. Polymer Chemicals' net sales increased $48.2 million (32.7%) primarily due to the contributions made by the Company's 2003 acquisitions ($17.1 million), the favorable impact of foreign exchange ($9.6 million) and higher volumes in flame retardants ($15.9 million) and catalysts and additives ($9.1 million) offset, in part, by lower prices ($3.5 million), primarily in flame retardants. Fine Chemicals' net sales increased $7.1 million (6.0%) primarily due to the favorable impact of foreign exchange ($6.9 million), higher volumes in bulk active pharmaceuticals and agricultural chemicals ($4.5 million), the contributions made by the Company's 2003 acquisition ($4.0 million) and higher sales prices in fine chemistry services and intermediates ($1.8 million). The increase was partially offset by an unfavorable sales mix in performance chemicals ($8.4 million) and lower prices in bulk active pharmaceuticals ($1.4 million).

*Operating Costs and Expenses*

Cost of goods sold in the first quarter of 2004 increased $53.0 million (25.5%) from the corresponding 2003 period. The increase was primarily due to the impact of the Company's 2003 acquisitions and higher sales volumes in the 2004 period as well as the idling of the zeolite business assets and higher raw material costs. The gross profit margin decreased approximately 300 basis points to 18.9% in first-quarter 2004 from 21.9% for the corresponding period in 2003.

Selling, general and administrative ("SG&A") expenses and research and development ("R&D") expenses increased $2.4 million (7.3%) in the first quarter of 2004 versus first-quarter 2003 primarily due to higher employee incentive costs ($1.7 million), the unfavorable impact of foreign exchange ($1.1 million) and higher outside legal costs ($0.5 million) offset, in part, by the benefits of cost reduction efforts and a voluntary separation program implemented in the third quarter of 2003. As a percentage of net sales, SG&A expenses and R&D expenses were 10.8% in 2004 versus 12.2% in the 2003 quarter.

*Operating Profit*

Operating profit by reportable operating segment for the three-month period ended March 31, 2004, and 2003 is as follows:

| | **Operating Profit (In Thousands)** | |
|---|---|---|
| | **2004** | **2003** |
| Polymer Chemicals | $21,333 | $16,349 |
| Fine Chemicals | 5,286 | 14,288 |
| Segment Totals | 26,619 | 30,637 |
| Corporate and Other Expenses | (5,275) | (4,663) |
| Operating Profit | $21,344 | $25,974 |

First-quarter 2004 operating profit, including a special item charge in the Fine Chemicals' segment of $4.5 million that resulted from the layoff of 53 employees at the Pasadena plant zeolite facility and their related SFAS No. 88 pension curtailment charge ($0.9 million), was down $4.6 million (17.8%) from first-quarter 2003 operating profit. Excluding the workforce reduction, first-quarter 2004 operating profit approximated the 2003 period.

Polymer Chemicals' first-quarter 2004 segment operating profit increased $5.0 million (30.5%) from first-quarter 2003. The increase was primarily due to higher shipments ($5.6 million) in catalysts and additives ($3.2 million) and flame retardants ($2.4 million), the overall favorable net effects of foreign exchange ($3.9 million) and favorable manufacturing and production costs ($0.8 million), offset, in part, by lower prices ($3.5 million), primarily in flame retardants, and unfavorable raw material costs ($1.8 million).

Fine Chemicals' first-quarter 2004 segment operating profit, including a special item charge of $4.5 million that resulted from the layoff of 53 employees at the Pasadena plant zeolite facility and their related SFAS No. 88 pension curtailment charge ($0.9 million), decreased $9.0 million (63.0%) from first-quarter 2003. Excluding the special item, first-quarter 2004 segment operating profit decreased $4.5 million (31.5%) from first-quarter 2003 primarily due to unfavorable plant utilization and manufacturing costs ($6.3 million), unfavorable sales mix in performance chemicals ($1.9 million) and lower prices in bulk active pharmaceuticals ($1.4 million). The decrease was partially offset by higher shipments in bulk active pharmaceuticals ($2.8 million), higher prices in performance chemicals ($0.9 million) and the overall favorable net effects of foreign exchange ($0.9 million).

Corporate and other expenses for the first-quarter of 2004 increased $0.6 million (13.1%) from first-quarter 2003 primarily due to higher estimated employee incentive costs offset, in part, by the Company's overall cost reduction efforts.

*Interest and Financing Expenses*

Interest and financing expenses for first-quarter 2004 amounted to $1.6 million, up slightly from $1.3 million in first-quarter 2003 due to higher average outstanding debt in the 2004 period.

*Other (Expense) Income Net, Including Minority Interest*

Other (expense) income for the first-quarter 2004 amounted to $(1.1) million, down $4.7 million from the 2003 corresponding period. First-quarter 2003 included interest income of $4.1 million from an Internal Revenue Service ("IRS") income tax settlement mentioned in Income Taxes below.

*Income Taxes*

First-quarter 2004 effective income tax rate was 27.2%, up from 15.7% for the corresponding period in 2003. Income taxes for the 2003 period primarily benefited from an IRS income tax settlement detailed in the following table.

| | Income Tax Expense (Benefit) | Impact on Profit (Loss) |
|---|---|---|
| Tax Refund | $ (6,970) | $ 6,970 |
| Interest on Refund | 1,493 | 2,620 |
| Reversal of Deferred Tax Item | 2,498 | (2,498) |
| Total | $ (2,979) | $ 7,092 |

Financial Condition and Liquidity

Cash and cash equivalents at March 31, 2004, were $50.5 million, representing an increase of $15.3 million from $35.2 million at year-end 2003.

Cash flows provided from operating activities of $44.7 million, together with approximately $8.0 million of proceeds from borrowings, were used to cover operating activities, repay debt of $19.4 million, fund capital expenditures, pay quarterly dividends to shareholders, fund investments in joint ventures and nonmarketable securities, purchase 27,569 shares of the Company's common stock, purchase the assets and intellectual property of Taerim for approximately $0.6 million, and increase cash and cash equivalents by $15.3 million. We anticipate that cash provided from operations in the future will be sufficient to pay our operating expenses, satisfy debt-service obligations and make dividend payments.

The change in the Company's accumulated other comprehensive loss from December 31, 2003, was due primarily to net foreign currency translation adjustments (strengthening of the the U.S. Dollar versus the Euro and Japanese Yen), net of related deferred taxes.

The noncurrent portion of the Company's long-term debt amounted to $217.2 million at March 31, 2004, compared to $228.4 million at the end of 2003. The Company's long-term debt, including the current portion, as a percentage of total capitalization amounted to 25.3% at March 31, 2004. The Company is guarantor of $45.0 million of long-term debt, in the form of commitments, on behalf of its 50-percent owned joint venture company, Jordan Bromine Company Limited. The Company's long-term debt, including the guarantee, as a percent of total capitalization amounted to 29.1% at March 31, 2004.

Borrowings under the Company's Credit Agreement dated September 10, 2002, are conditioned upon compliance with the following financial covenants: (a) consolidated interest coverage ratio, as defined, must be greater or equal to 3.00:1.00, (b) consolidated leverage ratio, as defined, must be less than or equal to 3.50:1.00, (c) consolidated tangible domestic assets, as defined, must be equal to or greater than $750 million for the Company to make investments in entities and enterprises that are organized outside the United States, (d) with the exception of liens specified in the Credit Agreement, liens may not attach to assets with a value of more than 10% of consolidated net worth, as defined in the agreement. As of March 31, 2004, the Company was in compliance with these covenants.

The Company's capital expenditures in the first three months of 2004 decreased 5.2% from the three-month period of 2003. For the year, capital expenditures are forecasted to be greater than the 2003 level. Capital spending will be financed primarily with cash flow provided from operations with additional cash needed, if any, provided from debt. The amount and timing of any additional borrowings will depend on the Company's specific cash requirements.

The Company is subject to federal, state, local and foreign requirements regulating the handling, manufacture and use of materials (some of which may be classified as hazardous or toxic by one or more regulatory agencies), the discharge of materials into the environment and the protection of the environment. To our knowledge, we are currently complying, and expecting to continue to comply, in all material respects with existing environmental laws, regulations, statutes and ordinances. Such compliance with federal, state, local and foreign environmental protection laws is not expected to have in the future a material effect on earnings or the competitive position of Albemarle.

Among other environmental requirements, we are subject to the federal Superfund law, and similar state laws, under which the Company may be designated as a potentially responsible party and may be liable for a share of the costs associated with cleaning up various hazardous waste sites.

Additional Information

Outlook

Overview

The first-quarter of 2004 marked a significant period in Albemarle's history with the announcement of our intention to acquire the refinery catalysts business of Akzo Nobel N. V. ("Akzo"), subject to advice of their Works Council and the approval of certain regulatory authorities. Akzo has a leading market position in the refinery catalysts business in refineries around the world.

The refinery catalysts business to be acquired had sales of about $406 million in 2003 (based upon a conversion rate of 1.20 USD to Euro), with additional sales totaling $160 million in three 50 percent-owned joint ventures.

While the Akzo refinery catalysts business acquisition is the most significant corporate news this quarter, other corporate initiatives continue to progress. The status of a manufacturing cost reduction program, which began in 2003 with the intent of reducing expenses by $50 million over three years, is now marking about $15 million in savings recognized to date. The Company will continue this program and expand it to incorporate the Akzo team following the closing of the acquisition. In addition, we delivered an outstanding effort in lowering our working capital requirements in the first-quarter—our cash-to-cash measure was reduced by about 40 percent from fourth-quarter 2003 levels driven by exceptional inventory management across the business portfolio. The Company intends to continue its close management of this effort in hopes of capturing additional working capital benefits even as sales volumes climb.

Inflation in raw materials continues to be a concern as the global economy continues to make moderate growth. Alumina trihydrate, chlorine, bisphenol-A and phenol are all up in the first quarter of 2004, resulting in a negative impact of about $2 million versus last year's same quarter. As it looks today, we believe that raw material costs will be up about $10 million in 2004 versus 2003, with energy costs adding another $2 or $3 million to that. We will continue to look for efficient purchasing methods, lowering plant costs and increasing prices across a wide array of products to help overcome these headwinds.

Asian manufacturers, and new capacity in developing countries continued to provide aggressive competition across a range of products in the first quarter of 2004, and we expect this trend to continue. Over the past five years, our margins have been affected by more aggressive global competition, but over the long-term, Albemarle's objective is to construct a global, low-cost portfolio network of sourcing locations based on new technology—both internally developed and acquired—and, providing a high level of service to our customers. We continue to meet the global competitive changes, and expect to remain very competitive across all our chosen product lines.

Foreign exchange fluctuations affect our sales and operating profits. The weakened dollar of 2003 now seems to be rebounding. In the short-term, this is a positive for our acquisitions denominated in the relatively weakening currencies. Generally, the weaker dollar is good for Albemarle sales, however. Based on the 2003 sales mix, Albemarle calculated the impact on net sales of movement in exchange rates of the dollar against significant sales currencies for the Company: A movement of 1% in the Japanese yen will affect dollar sales figures by about $700,000 on an annual basis. The European Union’s euro’s fluctuation of 1% against the dollar will change Albemarle sales by about $3 million on an annual basis. These figures will change as we integrate the anticipated Akzo refinery catalyst acquisition in the third and fourth quarters of 2004, as we will be adding employees and facilities in The Netherlands.

Albemarle continues to forecast an effective tax rate of 29 percent.

As a further example of the cost reduction efforts in place, Albemarle limited wage and salary increases this year and instituted a variable pay program tied to improvement in earnings-per-share growth. Such programs will have an impact on costs going forward, and should provide a way to achieve additional productivity gains.

*Fine Chemicals*

The fine chemistry services and intermediates (“Services”) area of Fine Chemicals has developed a portfolio of about 83 products, which is up 75 percent over a two-year period. Our team quoted on over 150 projects in February and March 2004, setting a record level of proposals in February and a second highest level ever in March.

Services operating profit was up about $1 million versus the fourth quarter of 2003 in the first quarter of 2004, and up 40 percent versus last year’s first quarter as customer acceptance and new product commercialization continues to grow. In this area, we are developing a strong portfolio of new products for major global customers such as Glaxo Smith Kline, Pfizer, Schering-Plough, BASF, Dow, and Dupont. Our efforts to build a broader product and customer base are continuing, and we’re very pleased with the progress of this changeover from our traditional focus on large-scale products for a limited number of customers.

Overall Fine Chemicals volumes also improved in the first quarter of 2004 versus the first quarter of 2003, driven by bromine from our Jordan Bromine joint venture, methyl bromide, pharmaceuticals and intermediates. The expansion of our fine chemistry services and the effective development of our world-class bromine franchise are the two critically important aspects of our strategy in this segment, and we are very pleased with our progress in both areas.

The soil fumigant methyl bromide was to be phased out of use in the United States, Europe and Japan by the beginning of 2005, except for critical uses and other limited exemptions. Recent regulatory decisions have provided another year of transition, and this extension through 2005 is a very positive development.

We have been in the process of rebuilding the portfolio of Fine Chemicals for several years, and we have experienced maturation of some products. In the case of zeolites, which are used in the deteriorating powder detergent marketplace, we expect to transition these assets into other value-adding activities. The elimination of the zeolite detergent builder volume will continue to affect Fine Chemicals revenues by about $9 million quarter-to-quarter throughout 2004, and our Fine Chemicals’ team has addressed this reduction in sales with increased shipments in other areas. By the end of February, we significantly reduced our fixed costs in the zeolite plant, and the loss from this event is likely to be limited as a result—an earnings effect of about one to two cents per quarter is estimated.

Fine Chemicals also is affected by Asian competitors - particularly in the larger quantity, generic pharmaceutical products. We combat these competitive issues through increased marketing efforts, product enhancements, cost control and sourcing initiatives. These competitive pressures are not new to the Company or the chemical industry, but it is often difficult to predict the impact on our customers. In the case of ibuprofen, we have seen a nominal price decrease from the first quarter of 2003 to the present. While this will affect our margins, we continue to drive down costs in our plant, and will maintain our supply position in key accounts. Volume growth in pharmaceuticals continues to be good, and this is also helping to offset market pricing pressure. As world markets continue to develop for ibuprofen and naproxen, and as new products with combinations of these drugs with others are developed, the growth in this product area should continue at strong single digit percentages per year into the near future.

Our bromine franchise continues to generate positive results. Pricing and volumes are increasing at double-digit rates as supply is tight and demand is increasing globally. Our agricultural chemical intermediates volumes were sequentially higher in the first quarter of 2004, due to stronger volumes of intermediates for pre-emergent herbicides. While volumes are expected to continue strong in many of the agricultural chemicals for the remainder of the year, an intermediate used in Lorsban and Dursban trademarked pesticide products will decrease due to restrictions on residential use.

The Fine Chemicals’ segment team continues to work against these raw material, energy and product maturation issues with a strong development track record. While this effort is showing early signs of success in many areas, we believe the performance of the segment in 2004 will be down, with some recovery coming in 2005.

*Polymer Chemicals*

General indicators of the economic recovery for consumer electronics, such as the book-to-bill ratio for printed wiring boards continue strong; and television and personal computer sales continue to drive higher shipments in Albemarle’s Polymer Chemicals segment. Segment revenues and operating profit grew at 30 percent in the first quarter of 2004 versus the same quarter in 2003. Mineral flame retardants, antioxidants, and curatives all showed strengthening year-to-year performance, and we expect the strong demand to continue for the foreseeable future.

The demand strength, along with increases in raw materials and energy, has set the stage for increases in prices for our polymer chemicals. We announced price increases of 10 percent for CP-2000, our tetrabrom product, HP900 and chlorinated phosphate ester flame retardants effective in March and April. This activity to raise prices is a general trend in the industry, and we are beginning to see improvements in this area. Additionally, for the first quarter, we achieved higher pricing for key mineral flame retardants which are also in tight supply.

Albemarle’s joint venture CP-2000 tetrabrom plant in Jordan which uses a patented continuous process, has made qualification runs of the product, and customers have been qualifying the new plant’s output. The timing of our new production and the general economic recovery coincide, and we now are producing a very high quality product for the markets in Asia and Europe. The plant’s production will be increased gradually over time as customers are set up to receive from this facility. We expect to be producing at a 12,000 metric tons capacity for this plant by year-end 2004. The plant is readily expandable, and further capacity can be added as demand increases.

Performance is also strong in our recently acquired fuel and lube antioxidant business, polyurethane curatives, and intermediates for PVC stabilization.

The combination of increasing demand and the prospects of rising prices are positive indicators for the Polymer Chemicals segment in 2004, and the Company expects to continue to benefit from these trends in the near term. Significant raw material increases, particularly for alumina trihydrate, phenol and phosphorus-based products must be dealt with and success of the price increases is critical to our profitability in our Polymer Chemicals in 2004. While such raw materials concerns are not insurmountable, the success of the price increases is an important factor in improving margins in Polymer Chemicals in 2004.

Additional information regarding the Company, its products, markets and financial performance is provided at the Company's Internet web site, www.albemarle.com.

Recent Developments

The Company and Traveler's Insurance Company have successfully mediated a dispute related to payments to be made to the Company in connection with coverage for the period 1950 through 2000. Pursuant to the understanding reached by the parties, Travelers would pay to the Company a total of $7.425 million in the following installments: $4.675 million within 21 days of execution of the settlement agreement, $1.375 million on February 1, 2005 and $1.375 million on February 1, 2006. The Company expects the parties to enter into a definitive settlement agreement in the near future.

On April 19, 2004, Albemarle announced that it expects to complete an agreement with Akzo Nobel N.V. ("Akzo Nobel") to acquire its catalyst business, a leader in the production of petroleum refining catalysts, for 625 million euros in cash, subject to the advice of Akzo Nobel's Works Council and the approval of certain regulatory authorities. The acquisition is expected to close in the second quarter of 2004.

The transaction will be financed initially through a new senior credit facility and a bridge loan.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in our interest rate risk, marketable security price risk or raw material price risk from the information provided in our Form 10-K for the year ended December 31, 2003, except as noted below.

The operations of the Company are exposed to market risk from changes in natural gas prices. The Company purchases natural gas to meet its production requirements. In the second quarter of 2003, the Company began hedging a portion of its 12 month rolling forecast for North American natural gas requirements, by entering into natural gas futures contracts, to help mitigate uncertainty and volatility.

Hedge transactions are executed with a major financial institution by the Company's purchasing personnel. Such derivatives are held to secure natural gas at fixed prices and not for trading.

The natural gas contracts qualify as cash flow hedges under SFAS No. 133 and are marked to market. The unrealized gains and/or losses are deferred and reported in Other Comprehensive Income to the extent that the unrealized gains and losses are offset by the forecasted transaction. Any unrealized gains and/or losses on the derivative instrument that are not offset by the forecasted transaction are recorded in earnings. At March 31, 2004, the Company recorded unrealized losses of approximately $80 ($51 net of tax) in Other Comprehensive Income.

ITEM 4. Controls and Procedures

The Company carried out an evaluation, with the participation of the Company's management, including the Company's President and Chief Executive Officer, and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Company's President and Chief Executive Officer, and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings. There has been no change in the Company's internal control over financial reporting during the quarter ended March 31, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II - OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is involved from time to time in legal proceedings of types regarded as common in the Company's businesses, particularly administrative or judicial proceedings seeking remediation under environmental laws, such as Superfund, products liability and premises liability litigation.

The Company maintains a financial accrual for these proceedings which includes defense costs and potential damages, as estimated by its General Counsel. The Company also maintains insurance to mitigate such risks. The Company is not party to any pending litigation proceedings that are expected to have a material adverse effect on the Company's results of operations, financial position or cash flows.

ITEM 2. Changes in Securities and Use of Proceeds

(e) Market for the Registrant's Common Equity and Related Stockholder Matters

The following table provides information about purchases made by or on behalf of the issuer during the quarter ended March 31, 2004 of shares of equity securities that are registered by the issuer pursuant to Section 12 of the Exchange Act:

| Period | Total Number of Shares Purchased (1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan(s) (2) | Maximum Number of Shares that May Yet Be Purchased Under the Plan(s) |
|---|---|---|---|---|
| February 2004 | 27,569 | $ 29.99 | 27,569 | 3,875,401 |
| Total | 27,569 | $ 29.99 | 27,569 | 3,875,401 |

(1) We repurchased an aggregate of 27,569 shares of our common stock pursuant to the repurchase plan that we publicly announced on October 25, 2000 (the "Repurchase Plan"). We repurchase shares of our common stock in open market transactions and in private transactions.

(2) On October 25, 2000, our board of directors approved the repurchase by us of up to an aggregate of 5 million shares of our common stock pursuant to the Repurchase Plan. The Repurchase Plan will expire when we have repurchased all shares authorized for repurchase thereunder, unless the Repurchase Plan is earlier terminated by action of our board of directors.

ITEM 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of shareholders held on March 31, 2004, there were 41,419,000 shares of common stock outstanding and entitled to vote, of which 37,129,752 were represented in person or by proxy. The voting shareholders elected the directors nominated in the Proxy Statement with the following affirmative votes and votes withheld:

| Director | Affirmative Votes |
|---|---|
| Mark C. Rohr | 36,842,813 |
| Lloyd B. Andrew | 36,840,044 |
| Charles E. Stewart | 36,846,939 |
| William M. Gottwald | 36,740,188 |
| Seymour S. Preston III | 36,845,340 |
| John Sherman, Jr. | 36,846,056 |
| Floyd D. Gottwald, Jr. | 36,732,003 |
| Richard L. Morrill | 36,844,059 |
| Anne M. Whittemore | 36,848,839 |
| John D. Gottwald | 36,738,863 |

The shareholders also approved the ratification of PricewaterhouseCoopers LLP as the Company's auditors for the fiscal year ending December 31, 2004 with 36,593,316 affirmative votes, 511,409 negative votes and 25,026 abstained.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.11 Amended and Restated Directors' Deferred Compensation Plan

31.1 Section 302 Certification of Chief Executive Officer

31.2 Section 302 Certification of Chief Financial Officer

32.1 Section 906 Certification of Chief Executive Officer

32.2 Section 906 Certification of Chief Financial Officer

(b) Reports on Form 8-K

(1) The Company furnished a Form 8-K, on January 29, 2004 under Item 12 thereof, which included the Company's earnings press release for the quarter ended December 31, 2003.

SIGNATURES

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

ALBEMARLE CORPORATION
(Registrant)

Date: May 7, 2004

By: /s/ PAUL F. ROCHELEAU

Paul F. Rocheleau
Senior Vice President and
Chief Financial Officer

Table of Contents

## EXHIBIT INDEX

| | | Page Numbers |
|---|---|---|
| 10.11 | Amended and Restated Directors' Deferred Compensation Plan | 31-41 |
| 31.1 | Section 302 Certification of Chief Executive Officer | 42 |
| 31.2 | Section 302 Certification of Chief Financial Officer | 43 |
| 32.1 | Section 906 Certification of Chief Executive Officer | 44 |
| 32.2 | Section 906 Certification of Chief Financial Officer | 45 |

**Exhibit 10.11**

ALBEMARLE CORPORATION
DIRECTORS' DEFERRED COMPENSATION PLAN

Originally Effective July 1, 1996
Amended and Restated Effective April 1, 2004

TABLE OF CONTENTS

1. **PURPOSE.** The Albemarle Corporation Directors' Deferred Compensation Plan (the "Plan"), is intended to constitute a deferred compensation plan for corporate directors' fees.

2. **DEFINITIONS.** The following definitions apply to this Plan and to the Deferral Election Forms.

(a) **Administrator** means the Company's Chief Financial Officer.

(b) **Beneficiary** or **Beneficiaries** means a person or persons or other entity designated on a Beneficiary Designation Form by a Participant as allowed in subsection 8(c) to receive a Deferred Benefit. If there is no valid designation by the Participant, or if the designated Beneficiary or Beneficiaries fail to survive the Participant or otherwise fail to take the benefit, the Participant's Beneficiary is the first of the following who survives the Participant: a Participant's spouse (the person legally married to the Participant when the Participant dies); the Participant's children in equal shares and the Participant's estate.

(c) **Beneficiary Designation Form** means a form acceptable to the Administrator or his designee used by a Participant according to this Plan to name his Beneficiary or Beneficiaries who will receive his Deferred Benefits under this Plan if he dies.

(d) **Board** means the board of directors of the Company.

(e) **Chair Fee** means that portion of a Director's Compensation that is fixed and paid for service as a Chair of the Audit Committee, the Executive Compensation Committee or the Nominating and Governance Committee of the Board, which Fees shall be paid on a quarterly basis.

(f) **Committee Fee** means that portion of a Director's Compensation that is fixed and paid for service on the Audit Committee, the Executive Compensation Committee or the Nominating and Governance Committee of the Board, which Fees shall be paid on a quarterly basis.

(g) **Common Stock** means the common stock of the Company.

(h) **Company** means Albemarle Corporation and any successor business by merger, purchase, or otherwise that maintains the Plan.

(i) **Compensation** means a Director's Chair Fees, Committee Fees and Director Fees for the Deferral Year.

(j) **Deferral Election Form** means a document governed by the provisions of section 4 of this Plan, including the portion that is the Distribution Election Form and the related Beneficiary Designation Form that applies to all of that Participant's Deferred Benefits under the Plan.

(k) **Deferral Year** means a calendar year for which a Director has an operative Deferral Election Form.

(l) **Deferred Benefit** means either a Deferred Cash Benefit or a Deferred Stock Benefit under the Plan for a Participant who has submitted an operative Deferral Election Form pursuant to section 4 of this Plan.

(m) **Deferred Cash Account** means that bookkeeping record established for each Participant who elects a Deferred Cash Benefit. A Deferred Cash Account is established only for purposes of measuring a Deferred Cash Benefit and not to segregate assets or to identify assets that may or must be used to satisfy a Deferred Cash Benefit. A Deferred Cash Account will be credited with the Participant's Compensation deferred as a Deferred Cash Benefit according to a Deferred Election Form and according to section 6 of this Plan. A Deferred Cash Account will be credited periodically with amounts based upon interest rates established by the Administrator under subsection 6(b) of this Plan.

(n) **Deferred Cash Benefit** means the Deferred Benefit elected by a Participant under section 4 that results in payments governed by sections 6 and 8 of this Plan.

(o) **Deferred Stock Account** means that bookkeeping record established for each Participant who elects a Deferred Stock Benefit. A Deferred Stock Account is established only for purposes of measuring a Deferred Stock Benefit and not to segregate assets or to identify assets that may or must be used to satisfy a Deferred Stock Benefit. A Deferred Stock Account will be credited with the Participant's Compensation deferred as a Deferred Stock Benefit according to a Deferral Election Form and according to section 7 of this Plan. A Deferred Stock Account will be credited periodically with amounts determined under subsection 7(b) of this Plan.

(p) **Deferred Stock Benefit** means the Deferred Benefit elected by a Participant under section 4 that results in payments governed by sections 7 and 8 of this Plan.

(q) **Director Fee** means that portion of a Director's Compensation that is fixed and paid without regard to his attendance at meetings and which is payable on a quarterly basis.

(r) **Directors** means those duly elected members of the Board who are not employees of the Company.

(s) **Distribution Election Form** means that part of a Deferral Election Form used by a Participant according to this Plan to establish the duration of deferral and the frequency of payments of a Deferred Benefit. If a Deferred Benefit has no Distribution Election Form that is operative according to section 4 of this Plan, distribution of that Deferred Benefit is governed by section 8 of this Plan.

(t) **Election Date** means the date established by this Plan as the date before which a Director must submit a valid Deferral Election Form to the Administrator. For each Deferral Year, the Election Date is December 31 of the preceding calendar year. However, for an individual who becomes a Director during a Deferral Year, the Election Date is the thirtieth day following the date that he becomes a Director. The Administrator may set an earlier date as the Election Date for any Deferral Year.

(u) **Fair Market Value** means, on any given date, the closing price of a share of Common Stock as reported on the New York Stock Exchange composite tape on such day or, if the Common Stock was not traded on the New York Stock Exchange on such day, then the next preceding day that the Common Stock was traded on such exchange, all as reported by such source as the Administrator may select. If shares of Common Stock are not then traded on the New York Stock Exchange, the Fair Market Value shall be determined by the Administrator using any reasonable method in good faith.

(v) **Participant** means, with respect to any Deferral Year, a Director whose Deferral Election Form is operative for that Deferral Year.

(w) **Plan** means the Albemarle Corporation Directors' Deferred Compensation Plan.

(x) **Terminate**, **Terminating**, or **Termination**, with respect to a Participant, mean cessation of his relationship with the Company as a Director whether by death, disability or severance for any other reason.

3. **PARTICIPATION.** A Director becomes a Participant for any Deferral Year by filing a valid Deferral Election Form according to section 4 on or before the Election Date for that Deferral Year, but only if his Deferral Election Form is operative according to section 4.

4. **DEFERRAL ELECTION.** A deferral election is valid when a Deferral Election Form is completed, signed by the electing Director, and received by the Administrator. Deferral elections are governed by the provisions of this section.

(a) A Participant may elect a Deferred Benefit for any Deferral Year if he is a Director at the beginning of that Deferral Year or becomes a Director during that Deferral Year.

(b) Before each Deferral Year's Election Date, each Director will be provided with a Deferral Election Form and a Beneficiary Designation Form. Under the Deferral Election Form for a single Deferral Year, a Director may elect on or before the Election Date to defer the receipt of all or part of his

Committee Fee (in 10% multiples), or all or part of his Director Fees (in 10% multiples), or a combination thereof for the Deferral Year that will be earned and payable after the Election Date. A Director's election for the Deferral Year with respect to his Committee Fee shall also apply to any Chair Fee he is paid for the Deferral Year. Notwithstanding the foregoing, for the Deferral Year 2004 only, (a) a Director's election on his Deferral Election Form to defer his Retainer Fee (as such term was defined under the Plan effective as of March 31, 2004) shall automatically be applied to defer the same dollar amount of his Director Fee for the remainder of the year, and (b) a Director's election on his Deferral Election Form to defer his Meeting Fees (as such term was defined under the Plan effective as of March 31, 2004) shall automatically be applied to defer the same dollar amount of his Committee Fees for the remainder of the year; a Director's Chair Fees for 2004 may not be deferred.

(c) A Participant's Deferral Election Form for the Participant's Committee Fees (which shall also apply to his Chair Fees, if any) may specify a Deferred Cash Benefit (in 10% increments of the deferred amount) or a Deferred Stock Benefit (in 10% increments of the deferred amount), or a combination thereof and for the Participant's Director Fees may specify a Deferred Cash Benefit (in 10% increments of the deferred amount) or a Deferred Stock Benefit (in 10% increments of the deferred amount), or a combination thereof A Participant may not elect to convert a Deferred Cash Benefit to a Deferred Stock Benefit or to convert a Deferred Stock Benefit to a Deferred Cash Benefit.

(d) Each Distribution Election Form is part of the Deferral Election Form on which it appears or to which it states that it is related. The Administrator may allow a Participant to file one Distribution Election Form for all of his Deferred Stock Benefits, all of his Deferred Cash Benefits or all of his Deferred Benefits. The Administrator may allow a Participant to file multiple Distribution Election Forms that each relate to Deferred Stock Benefits, Deferred Cash Benefits, or both for one or more Deferral Years. The provisions of section 8 of this Plan apply to any Deferred Benefit under this Plan if there is no operative Distribution Election Form for that Deferred Benefit.

(e) If he does so before the last business day of the Deferral Year, the Administrator may reject any Deferral Election Form or any Distribution Election Form or both, and the Administrator is not required to state a reason for any rejection. The Administrator may modify any Distribution Election Form at any time to the extent necessary to comply with any federal securities laws or regulations. However, the Administrator's rejection of any Deferral Election Form or any Distribution Election Form or the Administrator's modification of any Distribution Election Form must be based upon action taken without regard to any vote of the Director whose Deferral Election Form or Distribution Election Form is under consideration, and the Administrator's rejections must be made on a uniform basis with respect to similarly situated Directors. If the Administrator rejects a Deferral Election Form, the Director must be paid the amounts he would then have been entitled to receive if he had not submitted the rejected Deferral Election Form.

(f) A Director may not revoke a Deferral Election Form or a Distribution Election Form after the Deferral Year begins. Any revocation before the beginning of the Deferral Year is the same as a failure to submit a Deferral Election Form or a Distribution Election Form. Any writing signed by a Director expressing an intention to revoke his Deferral Election Form or a related Distribution Election Form and delivered to the Administrator before the close of business on the relevant Election Date is a revocation.

(g) The maximum aggregate number of shares of Common Stock that may be issued under this Plan is 50,000 shares. The maximum number of shares which may be issued under this Plan shall be adjusted as the Administrator shall determine to be equitably required in the event that (a) the Company (i) effects one or more stock dividends, stock split-ups, subdivisions or consolidations of shares or (ii) engages in a transaction to which Section 424 of the Code applies or (b) there occurs any other event which, in the judgment of the Administrator necessitates such action. Any determination made under this subsection by the Administrator shall be final and conclusive. The issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the maximum number of shares which may be issued under this Plan.

5. **EFFECT OF NO ELECTION**. A Director who has not submitted a valid Deferral Election Form to the Administrator on or before the relevant Election Date may not defer his Compensation for the Deferral Year under this Plan. The Deferred Benefit of a Director who submits a valid Deferral Election Form but fails to submit a valid Distribution Election Form for that Deferred Benefit before the relevant Election Date or who otherwise has no valid Distribution Election Form for that Deferred Benefit is governed by section 8 of this Plan.

6. **DEFERRED CASH BENEFITS**.

(a) Deferred Cash Benefits will be set up in a Deferred Cash Account for each Participant and credited with interest at rates determined by the Administrator. Deferred Cash Benefits are credited to the applicable Participant's Deferred Cash Account as of the day they would have been paid but for the deferral. Interest is credited on the first day of each month based on the Deferred Cash Account balance at the end of the preceding day.

(b) Interest will be credited to Deferred Cash Accounts based on average three-month United States Treasury Bill rates Auction Average (Investment), as published by the Federal Reserve Board for the month immediately preceding the day the interest is credited. Notwithstanding the preceding sentence, the Administrator may change the basis on which the interest rate is determined. Interest credits are accrued monthly on accumulated Deferred Cash Accounts. Interest is accrued through the end of the month preceding the month of distribution of a Deferred Cash Benefit.

7. **DEFERRED STOCK BENEFITS**.

(a) Deferred Stock Benefits will be set up in a Deferred Stock Account for each electing Participant and credited with earnings in accordance with subsection 7(b). A Deferred Stock Benefit attributable to a Director Fee is credited to the Participant's Deferred Stock Account as a number of whole and fractional shares of Common Stock as of the day the Fee would have been paid but for the deferral, based on the Fair Market Value on the business day preceding that date. A Deferred Stock Benefit attributable to a Chair Fee is credited to the Participant's Deferred Stock Account as a number of whole and fractional shares of Common Stock as of the day the Fee would have been paid but for the deferral, based on the Fair Market Value on the business day preceding that date. A Deferred Stock Benefit attributable to a Committee Fee is credited to the Participant's Deferred Stock Account as a number of whole and fractional shares of Common Stock as of the day the Fee would have been paid but for the deferral, based on the Fair Market Value on the business day preceding that date.

(b) The basis for additional credits to Deferred Stock Accounts (in whole and fractional shares of Common Stock) will be variable rates based on the value of dividends paid on Common Stock and the Fair Market Value on the date that such dividends are paid on Common Stock. The value of a Deferred Stock Account at any relevant time equals the value of the shares of Common Stock as if the Compensation deferred by the Participant under the Plan and any additional credits under this subsection had been used to purchase Common Stock at the Fair Market Value on the date those amounts were credited to the Deferred Stock Account. Additional credits are accrued through the end of the month preceding the month of distribution of a Deferred Stock Benefit.

8. **DISTRIBUTIONS.** (a) According to a Participant's Distribution Election Form, but subject to Plan subsection 4(f), a Deferred Cash Benefit must be distributed in cash. According to a Participant's Distribution Election Form, but subject to Plan subsection 4(f), a Deferred Stock Benefit must be distributed in shares of Common Stock equal to the number of whole shares of Common Stock credited to the Participant's Deferred Stock Account on the last day of the month preceding the month of distribution. However, cash must be paid in lieu of a fractional share of Common Stock credited the Participant's Deferred Stock Account on the last day of the month preceding the month of distribution.

(b) Except for distributions triggered by a Participant's disability, Deferred Benefits will be paid in a lump sum unless the Participant's Distribution Election Form specifies installment payments over a period of up to 10 years. A Deferred Benefit payable in installments will continue to accrue additional credits under Plan subsection 6(b) or 7(b), as applicable, on the unpaid balance of a Deferred Cash Account and Deferred Stock Account through the end of the month preceding the month of distribution.

If a Participant Terminates as a result of his disability, Deferred Benefits will be paid to such Participant in installment payments over a period of 10 years commencing on the date his disability is certified by the Administrator unless the Administrator, in his sole discretion, approves a longer or shorter payment period. If, after his Termination as a result of disability, such Participant recovers before the balance of his Deferred Cash and Deferred Stock Accounts under the Plan are exhausted, his distributions will be discontinued and any remaining Deferred Benefits under the Plan will be governed by the provisions of this section and his Distribution Election Form.

Unless otherwise specified in a Participant's Distribution Election Form, any lump sum payment will be paid or installment payments will begin to be paid on the February 15 of the year after the Participant's sixty-fifth birthday or on the February 15 of the year after the Participant's Termination, if earlier. For distributions that would automatically be caused under the preceding sentence by a Participant's Termination (other than by death or disability) or for distributions that would otherwise automatically begin because a Participant reaches age sixty-five, the Participant may elect on his Distribution Election Form that payments are to begin

(i) on the February 15 following his Termination, without regard to his age; or

(ii) on the February 15 following his Termination and his attainment of a specified age; or

(iii) even if the Participant does not Terminate, on the February 15 following his attainment of a specified age.

For purposes of these distribution election alternatives, the specified age must be not less than the Participant's age two years from the Election Date pertaining to the applicable Deferral Year. With the consent of the Administrator, a Participant may amend his Distribution Election Form to postpone the commencement of benefit payments if (i) the amendment is approved by the Administrator before the calendar year in which benefit payments are scheduled to begin and (ii) the amended payment date conforms to the requirements of the Plan.

(c) Deferred Benefits may not be assigned by a Participant or Beneficiary. A Participant may use only one Beneficiary Designation Form to designate one or more Beneficiaries for all of his Deferred Benefits under the Plan; such designations are revocable. Each Beneficiary will receive his portion of the Participant's Deferred Cash Account and Deferred Stock Account on February 15 of the year following the Participant's death unless the Beneficiary's request for accelerated payment is approved at the Administrator's discretion under section 9 or unless the Beneficiary's request for a different distribution schedule is received before distributions begin and is approved at the Administrator's discretion. The Administrator may insist that multiple Beneficiaries agree upon a single distribution method.

(d) Any Common Stock distributed pursuant to the Plan shall have been acquired by an "agent independent of the issuer" (i.e., the Company) within the meaning of 17 CFR 240.10b-18, as such regulation or any successor is in effect from time to time. Such acquisitions may be effected in all cases on the open market or, in the event that the Company makes available newly issued common stock, directly from the Company, provided that such common stock has been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or any successor thereto at the time such purchase is made or an exemption from such registration requirement is, in the opinion of counsel to the Company, available.

9. **HARDSHIP DISTRIBUTIONS**.

(a) At his sole discretion and at the request of a Participant before or after the Participant's Termination, or at the request of any of the Participant's Beneficiaries after the Participant's death, the Administrator may accelerate and pay all or part of any amount attributable to a Participant's Deferred Benefits under this Plan. Accelerated distributions may be allowed only in the event of a financial emergency beyond the Participant's or Beneficiary's control and only if disallowance of a distribution would create a severe hardship for the Participant or Beneficiary. An accelerated distribution must be limited to the amountdetermined by the Administrator to be necessary to satisfy the financial emergency.

(b) For purposes of an accelerated distribution under this section, the Deferred Stock Benefit's value is determined by the value of the Deferred Stock Account at the time of the distribution.

(c) Only cash distributions are permitted under this section. Distributions under this section must first be made from the Participant's Deferred Cash Account before accelerating the distribution of any amount attributable to a Deferred Stock Benefit.

(d) A distribution under this section is in lieu of that portion of the Deferred Benefit that would have been paid otherwise. A Deferred Cash Benefit is adjusted for a distribution under this section by reducing the Participant's Deferred Cash Account by the amount of the distribution. A Deferred Stock Benefit is adjusted for a distribution under this section by reducing the value of the Participant's Deferred Stock Account by the amount of the distribution.

10. **COMPANY'S OBLIGATION.** The Plan is unfunded. A Deferred Benefit is at all times a mere contractual obligation of the Company. A Participant and his Beneficiaries have no right, title, or interest in the Deferred Benefits or any claim against them. The Company will not segregate any funds or assets for Deferred Benefits nor issue any notes or security for the payment of any Deferred Benefit.

11. **CONTROL BY PARTICIPANT.** A Participant has no control over Deferred Benefits except according to his Deferral Election Forms, his Distribution Election Forms, and his Beneficiary Designation Forms.

12. **CLAIMS AGAINST PARTICIPANT'S DEFERRED BENEFITS.** A Deferred Cash Account and a Deferred Stock Account relating to a Participant under this Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to do so is void. Deferred Benefits are not subject to attachment or legal process for a Participant's debts or other obligations. Nothing contained in this Plan gives any Participant any interest, lien, or claim against any specific asset of the Company. A Participant or his Beneficiary has no rights to receive Deferred Benefits other than as a general creditor.

13. **AMENDMENT OR TERMINATION.** Except as otherwise provided in this section, this Plan may be altered, amended, suspended, or terminated at any time by the Board. Except for a termination of the Plan caused by the determination of the Board that the laws upon which the Plan is based have changed in a manner that negates the Plan's objectives, the Board may not alter, amend, suspend, or terminate this Plan without the majority consent of all Directors who are Participants if that action would result either in a distribution of all Deferred Benefits in any manner other than as provided in this Plan or that would result in immediate taxation of Deferred Benefits to Participants. Notwithstanding the preceding sentence, if any amendment to the Plan, subsequent to the date the

Plan becomes effective, adversely affects Deferred Benefits elected hereunder, and after the effective date of any such amendment the Internal Revenue Service declines to rule favorably on any such amendment or will rule favorably only if the Board makes amendments to the Plan not acceptable to the Board, the Board, in its sole discretion, may accelerate the distribution of part or all amounts attributable to affected Deferred Benefits due Participants and Beneficiaries hereunder. No Plan amendment shall be effective prior to its approval by the Company's shareholders if the amendment (i) materially increases the benefits that may be provided under this Plan, (ii) materially changes the class of individuals who are eligible to participate in this Plan, or (iii) materially increases the number of shares of Common Stock that may be issued under this Plan. In addition, this Plan may not be amended more than once in any six month period unless such amendment is adopted to conform the Plan to requirements of the Internal Revenue Code of 1986 or the Employee Retirement Income Security Act of 1974 or any other applicable law.

14. **NOTICES.** Notices and elections under this Plan must be in writing. A notice or election is deemed delivered if it is delivered personally or if it is mailed by registered or certified mail to the person at his last known business address.

15. **WAIVER.** The waiver of a breach of any provision in this Plan does not operate as and may not be construed as a waiver of any later breach.

16. **CONSTRUCTION.** This Plan is created, adopted, and maintained according to the laws of Virginia (except its choice-of-law rules). It is governed by those laws in all respects. Headings and captions are only for convenience; they do not have substantive meaning. If a provision of this Plan is not valid or not enforceable, that fact in no way affects the validity or enforceability of any other provision. Use of the one gender includes all, and the singular and plural include each other.

17. **EFFECTIVENESS.** The Board originally adopted this Plan subject to the approval of the Company's shareholders at the 1996 annual meeting of the Company.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Mark C. Rohr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Albemarle Corporation for the period ending March 31, 2004;

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

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

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

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

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

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

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

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

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

Date: May 7, 2004

/s/ MARK C. ROHR

Mark C. Rohr, President and Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Paul F. Rocheleau, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Albemarle Corporation for the period ending March 31, 2004;

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

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

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

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

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

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

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

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

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

Date: May 7, 2004

/s/ PAUL F. ROCHELEAU

Paul F. Rocheleau, Senior Vice President and
Chief Financial Officer

**EXHIBIT 32.1**

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

In connection with the Quarterly Report on Form 10-Q of Albemarle Corporation (the "Company") for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark C. Rohr, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 7, 2004

/s/ MARK C. ROHR

Mark C. Rohr
President and Chief Executive Officer

**EXHIBIT 32.2**

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

In connection with the Quarterly Report on Form 10-Q of Albemarle Corporation (the "Company") for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul F. Rocheleau, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 7, 2004

/s/ PAUL F. ROCHELEAU

Paul F. Rocheleau
Senior Vice President and Chief Financial Officer