UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(NO FEE REQUIRED)
For the fiscal year ended December 31, 1998
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(NO FEE REQUIRED)
For the transition period from________to________
Commission file number 1-12658

ALBEMARLE CORPORATION
(Exact name of registrant as specified in its charter)

VIRGINIA	54-1692118
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

330 SOUTH FOURTH STREET
P. O. BOX 1335
RICHMOND, VIRGINIA 23210
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: 804-788-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
COMMON STOCK, $.01 Par Value	NEW YORK STOCK EXCHANGE

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 at least the past 90 days. Yes _X_ No____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. _____

Aggregate market value of voting stock held by non-affiliates of the registrant as of January 31, 1999: $666,251,168*.

Number of shares of Common Stock outstanding as of January 31, 1999: 47,008,283.

* In determining this figure, an aggregate of 18,275,079 shares of Common Stock treated as beneficially owned by Floyd D. Gottwald, Jr., Bruce C. Gottwald and members of their families have been excluded and treated as shares held by affiliates. See Item 12 herein. The aggregate market value has been computed on the basis of the closing price in the New York Stock Exchange Composite Transactions on January 31, 1999, as reported by The Wall Street Journal.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of Albemarle Corporation's definitive Proxy Statement for its 1999 Annual Meeting of Shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

PART I

Item 1. BUSINESS

Albemarle Corporation ("the Company" or "Albemarle") was incorporated under the laws of the Commonwealth of Virginia on November 24, 1993, as a wholly-owned subsidiary of Ethyl Corporation ("Ethyl"). Ethyl thereafter transferred to Albemarle, Ethyl's olefins and derivatives, bromine chemicals and specialty chemicals businesses, and, as of the close of business on February 28, 1994, Ethyl distributed to its common shareholders all of the outstanding shares of Albemarle. Since February 28, 1994, the Company has been a publicly held operating company.

On March 1, 1996, the Company sold its alpha olefins, poly alpha olefins and synthetic alcohols businesses ("Olefins Business") to Amoco Chemical Company ("Amoco"). Currently, Albemarle is engaged in the polymers and fine chemicals businesses.

Unaudited pro forma condensed consolidated statement of income for the year ended December 31, 1996, which the Company believes is important to enable the reader to obtain a meaningful understanding of Albemarle's results of operations excluding the Olefins Business, is included in Note 18, "Supplemental Pro Forma Condensed Consolidated Financial Information (unaudited)", of the notes to the consolidated financial statements on pages 41 and 42. The unaudited pro forma condensed consolidated statement of income is for informational purposes only and does not purport to be indicative of the Company's future consolidated results of operations or what the consolidated results of operations would have been had Albemarle operated without the Olefins Business for all of 1996.

On July 24, 1997, the Company announced the realignment of its global business units into the Polymer Chemicals and Fine Chemicals' divisions effective October 1, 1997.

Description of Business

Albemarle is a major producer of specialty polymers and fine chemicals including polymer intermediates, cleaning product intermediates and additives, agrichemical intermediates, pharmachemical intermediates and bulk actives, catalysts, brominated flame retardants, bromine chemicals and potassium and chlorine chemicals. Albemarle employs approximately 2,700 people.

The following discussion of the Company's businesses as of December 31, 1998, should be read in conjunction with the information contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations on page 17.

The Company conducts its worldwide chemicals' operations through two global business units - Polymer Chemicals and Fine Chemicals, which, in conformity with the Company's adoption as of December 31, 1998, of the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 131 "Disclosures about Segments of an Enterprise and Related Information," are reported as two separate and distinct operating segments.

Albemarle manufactures a broad range of chemicals, most of which are additives to or intermediates for plastics, polymers and elastomers, cleaning products, agricultural compounds, pharmaceuticals, photographic chemicals, drilling compounds and biocides. Most sales of the Company's products are made directly to manufacturers of the aforementioned products, including chemical and polymer companies, pharmaceutical companies, cleaning product manufacturers, paper and photographic companies, drilling companies and water treatment companies.

The Company produces the majority of its products in the United States, but also has a production facility in France and has aluminum alkyls produced for it by Amoco at the Company's former Feluy, Belgium plant. The processes and technology for many of these products were developed in the Company's or its predecessor's research and development laboratories.

The Polymer Chemicals' operating segment produces a broad range of chemicals, including flame retardants, catalysts, polymer curatives and antioxidants.

In most flame retardants' products lines, the Company's plants operated below capacity during 1998. The expansion of brine field and bromine capacities at the Company's Magnolia, Ark. facility that started in 1995, continued. The result of the current phase of the program will be an approximate 30% bromine production capacity increase. During 1997, the Company announced plans to build a world-class production facility for tetrabromobisphenol-A flame retardant in Magnolia, targeted to start up in late 1999. The Company continues to focus on expansion of its bromine production capabilities.

The Company began receiving orders during 1997 for SAYTEX HP-7010 flame retardant, a new brominated polystyrene product for use in engineered plastics. The Company currently manufactures this product at its market development unit in its Baton Rouge research and development facility. A new commercial plant is under design with a targeted startup in 2000.

Aluminum alkyls are used as co-catalysts in the production of polyolefins, such as polyethylene and polypropylene, elastomers, alpha olefins such as hexene, octene and decene, and organotin heat stabilizers and in the preparation of organic intermediates. The Company has continued to expand and debottleneck its production units at Pasadena, Texas and Orangeburg, S.C. It also has strengthened its supply chain for methylaluminoxane ("MAO"), a co-catalyst used in metallocene catalyst systems, by increasing capacity for MAO and the key raw materials needed to make MAO. The Company has continued to build on its organometallics base and expand the portfolio of products and capabilities it offers its customers pursuing the development and commercialization of polymers based on metallocenes/single-site catalysts.

The Company also is expanding its efforts in polymer curatives, products used to control polyurethane and epoxy system

polymerization. Also produced are antioxidants and alkylated hindered phenolics that are used to maintain the performance integrity of thermoplastic resins. During 1998, the Company started up its new commercial scale Ethacure 300 curative plant.

Products of the Fine Chemicals' operating segment include elemental bromine, alkyl bromides, inorganic bromides, a number of bromine fine chemicals and pharmaceutical and agricultural intermediates. Applications for these products primarily exist in chemical synthesis, oil and gas well drilling and completion fluids, water purification, glass making, cleaning products, soil fumigation and chemical intermediates for pharmaceutical, photographic and agricultural chemicals. Other Fine Chemicals' products include tertiary amines for surfactants and biocides, disinfectants and sanitizers; zeolite A (sodium alumina silicate) used as a phosphate replacement in laundry detergent builders; and alkenyl succinic anhydride (ASA) used in paper-sizing formulations. These products have many varied customers. They are sold to suppliers for use in household, institutional and industrial cleaners, personal care products and industrial products.

The Company's primary bulk actives, ibuprofen and naproxen, are widely-used pharmaceuticals that provide fever reduction and temporary relief of aches and pains and menstrual cramps. Bulk ibuprofen is formulated into tablets by pharmaceutical companies who sell to customers in both the prescription and over-the-counter markets. Ibuprofen products accounted for more than 25% of the U.S. over-the-counter analgesic market in 1998. They compete against other painkillers containing aspirin, acetaminophen, ketoprofen and naproxen. The Company is one of the world's largest producers of ibuprofen. In 1998, the U.S. Food and Drug Administration ("FDA") granted approval for additional customers to use the naproxen product.

Agricultural intermediates are sold to chemical companies that supply finished products to farmers, governments and others. These products include orthoalkylated anilines for the acetanilide family of pre-emergent herbicides used on corn, soybeans and other crops and organophosphorus products for insecticide use.

The Company's subsidiary, Albemarle PPC ("APPC"), operates a plant in Thann, France. APPC is one of the world's largest producers of organic and inorganic brominated compounds used mainly in pharmaceutical, photographic and agricultural chemical intermediates. APPC also operates an electrolysis unit to produce high-purity caustic potash and potassium carbonate used in the glass, water treatment, cleaning product and food industries. APPC strengthens the Company's position in Fine Chemicals and provides substantial additional manufacturing and research and development capabilities in Europe.

In most Fine Chemicals' product lines, the Company's plants operated near capacity during 1998, with the exception of bulk naproxen which had excess capacity.

The Company operates on a worldwide basis with (i) manufacturing plants located in France and the United Kingdom in addition to facilities in the United States, (ii) offices and distribution terminals in Belgium, France, Japan and Singapore as well as the United States and (iii) offices in Shanghai and Bejing, China. The Company does not believe it has significant assets in countries in which those assets would be deemed to be exposed to substantial risk. See Note 16, "Operating Segments and Geographic Area Information" of notes to the consolidated financial statements in Item 8 on page 40.

Competition

The Company operates in a highly competitive marketplace, competing against a number of other companies in each of its product lines. Some markets involve a significant number of competitors, while others involve only a few. The competitors of the Company are both larger and smaller in terms of resources and market share. Competition generally is based on product performance, reputation for quality, price and customer service and support. The degree and nature of competition depends on the type of product involved.

In general, the Company competes in all of its markets on the basis of the quality and price of its products as well as customer services by maintaining a broad range of products and by focusing resources on products in which the Company has a competitive advantage. The Company endeavors to improve its reputation for quality products, competitive prices and excellent customer service and support. Competition in connection with all of the Company's products requires continuing investments in research and development, product and process improvements and specialized customer services. Through research and development, the Company and its subsidiaries continue to seek to increase margins by introducing value-added products and products based on proprietary technologies.

Raw Materials

Raw materials used by the Company include ethylene, potassium chloride, aluminum, ortho-toluidine, bisphenol-A, chlorine, phenol, isobutylene, caustic soda, toluene, diphenyl oxide, alumina trihydrate, dimethlyamine, phthalic anhydride, alpha olefins, maleic anhydride, ethanol, phosphorus, sulfuric acid and nitrogen, as well as electricity and natural gas as fuels, most of which are readily available from numerous suppliers and are purchased or provided under contracts at prices the Company believes are competitive. The Company also produces bromine in Arkansas from its extensive brine reserves backed by an active leasing program. The Company has supply agreements with the Dead Sea Bromine group of companies. The contracts essentially cover the bromine requirements for the production of bromine fine chemicals in our Thann, France facility and provide additional bromine if requested for the Company's other bromine needs.

Major Customers

Due to the diversity of product lines in which the Company competes, no major portion of the Company's sales or earnings was generated by one customer nor is the Company overly reliant on contracts with any one public, private or governmental entity.

Several of the Company's customers manufacture products for cyclical industries such as the agricultural, automotive, electronics and building and construction industries. As a result, demand for the products of the Company from customers in such industries also is cyclical. In addition, the profitability of sales of certain of the Company's products depends on the level of industry plant capacity utilization.

Due to the diversity and size of the Company's operations, there is little seasonal variation in revenues or earnings, except for certain agricultural products.

Other Matters

On September 30, 1998, the Company finalized the purchase of 5,738,241 of its common shares through a self-tender offer at a price of $19.50 per share plus expenses for an aggregate cost of $112.7 million. During 1998, the Company purchased an additional 1,174,500 shares for $27.9 million, at an average price of $23.79 per share, in market transactions. During 1997, the Company purchased 1,560,300 shares for $37.5 million, at an average price of $24.04 per share, in market transactions. As of December 31, 1998, the Company had authorization to purchase an additional 3,508,700 shares of its common stock.

On October 15, 1998, Albemarle Holdings Company Limited, a wholly-owned subsidiary of the Company, Jordan Dead Sea Industries Company Limited and Arab Potash Company announced the signing of a joint venture agreement to manufacture and market bromine and derivatives from a world-scale complex to be built in Jordan, near the Dead Sea. In furtherance of the joint venture agreement between the three companies, the Jordan Bromine Company Limited was formed on January 11, 1999. Jordan Bromine Company Limited will build units at Safi, Jordan to produce bromine, tetrabromobisphenol-A flame retardant, calcium bromine, chlorine and potassium hydroxide.

On October 30, 1998, the Company, through Albemarle UK Limited a newly created subsidiary, acquired the Teesport, United Kingdom, operations of Hodgson Specialty Chemicals division of BTP plc for approximately $15.2 million. The purchase price for this acquisition was allocated primarily to property, plant and equipment, goodwill and inventory.

Research and Patents

The Company's research and development ("R&D") efforts support each operating segment. With respect to Polymer Chemicals, the research focus is divided between new and improved flame retardants, polymerization catalysts and new polymer additives. Flame retardant research is targeted to satisfy increasing market needs for performance and quality in products manufactured from polystyrene, acrylonitrile-butadiene-styrene (ABS) and engineered thermoplastics. Catalysts research is targeted to meet the market needs for cost-effective metallocene catalyst systems for the production of improved polyolefin polymers. Development efforts are focused on efficiently debottlenecking pilot plant capacity to meet the expected demand for these businesses and to inventory new molecules to meet the expanding needs of our customers. These efforts are expected to continue into 1999 and beyond.

The primary focus of the Company's Fine Chemicals research program is the development of efficient processes for the manufacture of chemical intermediates for the pharmaceutical and agrichemical industries. A second area of focus is the development of efficient manufacturing processes for pharmaceutical and agricultural bulk active compounds which are no longer covered by patents. Another area of research is the development of biocides for industrial and recreational water treatment and other applications, especially products based on bromine chemistry. These efforts are expected to continue into 1999 and beyond.

In addition to the U.S. research facility in Baton Rouge, La., the Company's European businesses are supported by the research and development facilities at Louvain-la-Neuve, Belgium, and Thann, France.

The Company spent approximately $29.7 million, $31.4 million and $30.4 million in 1998, 1997 and 1996, respectively, on research and development, which amounts qualified under the technical accounting definition of research and development. Total R&D department spending for 1998 was about $41.6 million, including $11.9 million related to technical services support to customers and the Company's plants, testing of existing products, quality improvement and environmental studies.

The Company considers patents, licenses and trademarks to be of significance to its businesses. As of December 31, 1998, the Company owned 1,298 active United States and foreign patents, including 43 U.S. patents and 71 foreign patents issued in 1998. Some of these patents are licensed to others. In addition, rights under the patents and inventions of others have been acquired by the Company through licenses. The Company's patent position is actively managed and is deemed by it to be adequate for the conduct of its business.

Environmental Regulation

The Company maintains and operates manufacturing and distribution facilities and equipment which are used in the Polymer and Fine Chemicals' segments. These are subject to environmental risks and regulations, which are discussed more fully in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading "Environmental Matters" on page 21.

FINANCIAL INFORMATION AS TO INDUSTRY SEGMENTS AND GEOGRAPHIC AREAS

The Company's operations are in the chemicals industry. Industry segments and geographic area information for the Company's operations for the three years ended December 31, 1998, is presented in Note 16, "Operating Segments and Geographical Area Information" of the notes to the consolidated financial statements in Item 8 on page 40.

FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

Financial information about the Company's foreign and domestic operations and export sales for the three years ended December 31, 1998, is set forth in Note 16, "Operating Segments and Geographical Area Information" of the notes to the consolidated financial statements in Item 8 on page 40. Domestic export sales to non-affiliates may be made worldwide but are made primarily in the Asia Pacific region, Latin America and Europe. Foreign unaffiliated net sales are primarily in Europe, the Middle East and the Asia Pacific region.

Item 2. PROPERTIES

The Company's principal executive offices are located at 330 South Fourth Street, Richmond, Va., 23219, and its principal operations offices are located at 451 Florida Street, Baton Rouge, La., 70801. The Company leases its executive offices and operations offices in Richmond, Va. and Baton Rouge, La., respectively; and its regional offices in Singapore; Tokyo, Japan; and Beijing, China; as well as various other offices.

The following is a brief description of the principal plants and related facilities of the Company, all of which are owned except as stated below.

LOCATION	PRINCIPAL OPERATIONS
Baton Rouge, La. (2 facilities, one on leased land)	Research and product development activities
Pasadena, Texas	Production of aluminum alkyls, alkenyl succinic anhydride, orthoalkylated anilines, zeolite A and other chemicals
Louvain-la-Neuve, Belgium	Regional offices and research and customer technical service activities
Magnolia, Ark. (West Plant)	Production of flame retardants and bromine
Magnolia, Ark. (South Plant)	Production of flame retardants, bromine, several inorganic bromides, agrichemical intermediates and tertiary amines
Orangeburg, S.C.	Production of fine chemicals, including pharmaceutical intermediates, fuel additives, orthoalkylated phenols and polymer modifiers

Teesport, United Kingdom	Production of fine chemicals, including clear completion fluids, amines and quats
Thann, France	Production of organic and inorganic brominated pharmaceutical intermediates, photographic and agrichemical intermediates, high-purity caustic potash and potassium carbonate; research and product development activities
Takaishi City, Osaka, Japan (50 percent joint venture with Mitsui Chemicals, Inc.)	Production of aluminum alkyls
Feluy, Belgium (Leased by Amoco under a 99-year lease but operated for the Company)	Production of aluminum alkyls

The Company currently is adding capacity in the flame retardants and fine chemicals areas. The Company believes that its plants, including planned expansions, will be adequate at projected sales levels for 1999. Operating rates of certain plants vary with product mix and normal seasonal sales swings. The Company believes that its plants generally are well maintained and in good operating condition.

Certain Agreements Between Albemarle and Ethyl

Albemarle and Ethyl entered into agreements, dated as of February 28, 1994, pursuant to which the Company and Ethyl agreed to coordinate certain facilities and services of adjacent operating facilities at plants in Pasadena, Texas and Feluy, Belgium. Effective March 1, 1996, certain of these agreements were transferred to Amoco as part of the Olefins Business sale. In addition, Albemarle and Ethyl entered into agreements (term: 10 years - Ethyl has the right to extend for one additional 10-year term), dated as of February 28, 1994 for providing for the blending by Albemarle for Ethyl of certain products and the production of others at the Company's Orangeburg, S.C., plant.

Certain Agreements Between Albemarle and MEMC Pasadena, Inc. ("MEMC")

Albemarle and MEMC entered into agreements, dated as of July 31, 1995, and subsequently revised effective May 31, 1997, pursuant to which Albemarle currently provides support services to MEMC at its Pasadena, Texas, plant which consists of facilities for the production of electronic materials products. Effective May 31, 1997, Albemarle supplies certain utilities and services to the MEMC Pasadena plant site pursuant to a utilities and services agreement (the "Utilities and Services Agreement"). All of the utilities and services are supplied at Albemarle's cost plus a percentage fee. Albemarle furnishes certain utilities and services for a minimum of five years from the effective date (May 31, 1997) of the Utilities and Services Agreement, subject to the right of MEMC to terminate any one or more utilities or services on twelve months' notice. Albemarle will make available to MEMC certain other utilities and services for the duration of MEMC's lease of the property upon which the MEMC Pasadena plant site is located.

Certain Agreements Between Albemarle and Amoco

Albemarle and Amoco entered into agreements, dated as of March 1, 1996, pursuant to which the Company provides operating and support services, certain utilities and products to Amoco, and Amoco provides operating and support services, certain utilities and products to Albemarle.

Pasadena, Texas Agreements

After the sale, Amoco owns and operates the linear alpha olefins and synthetic alcohols facilities ("Amoco Pasadena plant"). Albemarle owns and operates all remaining Albemarle plants ("Albemarle Pasadena plant"). As a result of the sale, Albemarle supplies to Amoco certain utilities utilized by Amoco at the Amoco Pasadena plant and Amoco supplies to Albemarle certain utilities utilized by Albemarle at the Albemarle Pasadena plant.

Virtually all of the utilities, services and products supplied by Albemarle to Amoco and by Amoco to Albemarle in Pasadena, Texas, are supplied at the provider's cost plus a percentage fee. Most of the utilities, services and products supplied by Albemarle to Amoco and by Amoco to Albemarle have an initial term of 10 years, with an automatic extension for an additional 10-year term, unless terminated by either party at the end of the initial term upon two years notice.

With respect to products supplied by Albemarle to Amoco, and conversely Amoco to Albemarle, each may terminate the supply of such product to the other on 180 days notice.

Feluy, Belgium Agreements

After the sale, Amoco possesses (under a 99-year lease, with certain purchase options) and operates the linear alpha olefins and poly alpha olefin facilities. In addition, Amoco possesses (under the same lease) and operates the aluminum alkyls facilities exclusively for Albemarle (term: 10 years-Albemarle has the right to extend for one additional 10-year term). Albemarle supplies aluminum alkyl products to Amoco for use in the linear alpha olefins facility (term: 10 years-Amoco has the right to extend for one additional 10-year term). The services and products supplied by Albemarle to Amoco and by Amoco to Albemarle are at the provider's cost plus a percentage fee.

Item 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are 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, and products liability litigation.

While it is not possible to predict or determine the outcome of the proceedings presently pending, in the Company's opinion they will not result ultimately in any liability that is likely to have a material adverse effect upon the results of operations or financial condition of the Company and its subsidiaries on a consolidated basis.

In early January 1999, the U.S. Environmental Protection Agency ("EPA"), Region 6, issued an administrative complaint under section 113 of the Clean Air Act, alleging violations of EPA's rule regarding leaks and repairs of appliances containing hydrochlorofluorocarbons. EPA proposed a civil penalty of $162,000. The Company has filed an answer and request for an administrative hearing. Although the Company is vigorously contesting the complaint, it also has requested an informal settlement conference.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded primarily on the New York Stock Exchange under the symbol ALB.

The market price highs and lows (per the New York Stock Exchange) by quarters for the years 1998 and 1997 are listed below:

	1998		1997	
Quarter	High	Low	High	Low

First	25 15/16	21 1/8	20	17 7/8
Second	26 3/16	21 5/16	21 1/2	17 3/8
Third	25 1/16	16 3/4	27 1/4	20 13/16
Fourth	23 3/4	16	26 3/4	21 7/8

There were 47,008,283 shares of common stock held by 8,899 shareholders of record as of December 31, 1998.

The Company's current common stock dividend rate is $.40 per share on an annual basis after the Board of Directors on November 20, 1998 increased the quarterly dividend rate, payable January 1, 1999, by 11%, from $.09 to $.10 per share. The Company's quarterly dividend rate was previously increased on August 27, 1997, from $.07 to $.09 per share, or 29% effective with the October 1, 1997 payment.

Shareholders' equity per share at December 31, 1998 was $9.61, up slightly from $9.60 at December 31, 1997, primarily reflecting the purchase of 5,738,241 common shares through a tender offer finalized on September 30, 1998, and additional 1998 repurchases of 1,174,500 shares. Shareholders' equity per share at December 31, 1997 of $9.60 was up 4.6% from $9.18 at December 31, 1996.

Item 6. SELECTED FINANCIAL DATA

The information for the five years ended December 31, 1998, is contained in the "Five-Year Summary" included in Part IV, Item 14, Exhibit 99 on page 47.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Albemarle Corporation ("the Company" or "Albemarle") became an independent company upon the spin-off by Ethyl Corporation ("Ethyl") of its olefins and derivatives, bromine chemicals and specialty chemicals businesses. As of the close of business on February 28, 1994, Ethyl distributed to its common shareholders all of the outstanding common shares of Albemarle.

On March 1, 1996, the Company sold its alpha olefins, poly alpha olefins and synthetic alcohols businesses ("Olefins Business") to Amoco Chemical Company ("Amoco").

The following financial data and discussion provides an analysis of certain significant factors affecting the results of operations of the Company for years ended December 31, 1998, 1997 and 1996. In addition, a discussion of consolidated financial condition and sources of additional capital is included under a separate heading, "Financial Condition and Liquidity" on page 20. An unaudited pro forma condensed consolidated statement of income for the year ended December 31, 1996, which the Company believes is important to enable the reader to obtain a meaningful understanding of Albemarle's results of operations excluding the Olefins Business, is included in Note 18, "Supplemental Pro Forma Condensed Consolidated Financial Information (Unaudited)" of the notes to the consolidated financial statements in Item 8 on pages 41 and 42. The unaudited pro forma condensed consolidated statement of income is for informational purposes only and does not purport to be indicative of the Company's future consolidated results of operations or what the consolidated results of operations would have been had Albemarle operated without the Olefins Business for all of 1996.

RESULTS OF OPERATIONS

Net Sales

Net sales by operating segments for the three years ending December 31, are as follows:

	1998	1997	1996
Operating segments:			

Polymer Chemicals	$417,998	$411,134	$379,675
Fine Chemicals	402,864	418,716	394,688
Olefins Business	--	--	80,118
Total	$820,862	$829,850	$854,481

Net sales for 1998 amounted to $820.9 million down $9.0 million (1%) from $829.9 million in 1997. Fine Chemicals' net sales were down $15.9 million primarily due to lower shipments in agrichemicals and lower sales of non-manufactured products in the Asia Pacific region, offset in part, by higher shipments in pharmachemicals. Polymer Chemicals' net sales were up $6.9 million due to higher shipments in flame retardants and organometallics and catalysts, offset in part, by lower pricing and the effects of foreign exchange in Europe and the Asia Pacific region.

Net sales for 1997 amounted to $829.9 million, down $24.6 million (3%) from $854.5 million in 1996. Excluding the first two months net sales of the Olefins Business sold March 1, 1996, Albemarle's net sales for 1997 would have shown an increase of $55.5 million (7%) from 1996 due to higher shipments in Polymer Chemicals primarily organometallics, antioxidants and flame retardants, offset in part by the effects of a stronger U.S. dollar on sales in Europe and the Asia Pacific region. Fine Chemicals' net sales also were up over 1996 due primarily to higher shipments in agrichemicals and pharmachemicals.

Operating Costs and Expenses

Cost of goods sold in 1998 decreased $8.4 million from 1997 primarily due to improved plant utilizations, the impact of the Company's cost reduction program, and lower shipments in certain products offset in part, by the unfavorable effects of foreign exchange transaction losses of $3.0 million in 1998 versus foreign exchange transaction gains of $8.3 million in 1997, with the result that the gross profit margin increased to 31.8% in 1998 from 31.5% in 1997. Overall, Albemarle's raw material costs were lower in 1998 than 1997 reflecting softness in many of the commodity markets. Average 1998 energy costs also were lower with both electricity and natural gas prices lower than 1997.

Cost of goods sold in 1997 decreased $42.9 million from 1996 primarily due to the absence of the costs associated with the shipments of the Olefins Business for two months in 1996, offset in part by increased shipments in 1997, with the result that the gross profit margin increased to 31.5% in 1997 from 28.5% in 1996. The improvement in gross margin reflects improved plant utilizations and the impact of the Company's cost-reduction program. Average energy costs were higher during 1997 and reflected an unusually strong natural gas market. Albemarle's overall 1997 raw material prices were generally flat compared to 1996 with the exception of ethylene and ethylene derivatives which were higher.

Selling, general and administrative expenses, combined with research and development expenses ("SG&A"), decreased $5.6 million (4%) in 1998 from 1997, due primarily to lower outside consulting costs and the effects of the Company's concerted efforts to reach a total Company benchmark SG&A rate of 15% of net sales. The 1998 reduction in SG&A compares to a reduction of $9 million (6%) in 1997 from 1996, primarily due to lower outside consulting costs and lower-employee-related expenses resulting from the Company's workforce reduction program implemented in conjunction with the sale of the Olefins Business and lower expenses associated with the exercise of stock appreciation rights and the award of restricted stock in 1996, offset in part by normal salary increases in 1997. As a percentage of net sales, selling, general and administrative expenses, including research and development expenses, decreased to 16.5% in 1998 from 17% in 1997 versus 17.5% in 1996.

Operating Profit

Operating profit in 1998 increased 4% from 1997. Albemarle's raw material costs were lower in 1998 than 1997, reflecting softness in many of the commodity markets. Average 1998 energy costs also were lower with both electricity and natural gas prices lower than 1997. Polymer Chemicals' operating results benefited from increased shipments in flame retardants and organometallics and catalysts and improved plant utilizations in flame retardants and the impact of the Company's cost reduction program. Fine Chemicals' operating results benefited primarily from increased shipments (ibuprofen) and improved plant utilization in pharmachemicals. 1998 operating profit improvement, for both segments, was impacted by the unfavorable effects of foreign exchange versus the same period in 1997.

Operating profit in 1997 increased 29.2% from 1996. Excluding the first two months 1996 operating profit of the Olefins Business sold, 1997 operating profits would have shown an increase of approximately 33% over 1996. Fine Chemicals' operating results reflected increased shipments in agrichemicals and increased shipments and improved costs in pharmachemicals and bromine fine chemicals and improved costs in European potassium and chlorine chemicals, while Polymer Chemicals' operating results reflected higher shipments in organometallics and catalysts and antioxidants. Although flame retardants shipments were up, operating results for flame retardants were down in 1997 from 1996, primarily due to the effects of a stronger U.S. dollar. (See Note 16, "Operating Segments and Geographic Area Information" of the notes to the consolidated financial statements on page 40.)

Interest and Financing Expenses and Other Income

Interest and financing expenses in 1998 increased $3.8 million from 1997 primarily due to higher average debt outstanding. This compares to a decrease of $1.8 million in 1997 from 1996 primarily due to higher capitalization of interest on capital projects in 1997.

Other income, net, increased to $1.6 million in 1998 from $.9 million in 1997, due primarily to higher interest income. Other income, net decreased $3.1 million in 1997 from $4.0 million in 1996, due primarily to lower interest income.

Gain on Sale of Business

The Company's 1996 earnings include a gain of approximately $158.2 million ($94.4 million after income taxes) on the sale of the Olefins Business. (See Note 13, "Special Item" of the notes to the consolidated financial statements on page 39.)

Income Taxes

Income taxes in 1998 decreased $2.9 million (7%) compared to 1997 due primarily to a lower effective income tax rate in 1998 of 31% versus an effective income tax rate of 33.8% in 1997. The lower effective income tax rate in 1998 reflected a nonrecurring tax benefit.

Income taxes in 1997 decreased $56.1 million (58%) compared to 1996 reflecting a 52% decrease in pre-tax income while the effective income tax rate was 33.8% in 1997 versus a 38.3% rate for 1996. Excluding the effect of the gain on the sale of the Olefins Business, the effective income tax rate for 1996 would have been 34.5% which is slightly higher than the 1997 rate.

See Note 12, "Income Taxes" of the notes to the consolidated financial statements on pages 37 and 38 for details of changes in effective income tax rates.

1999 Outlook

The 1998 performance of the Company reflects high utilization of the Company's plants, stock repurchases of more than 6.9 million shares, diminished sales due to the impact of foreign exchange, the faltering Asian economies and slow starts in the sales of new products. 1998 cash flows from operations were up from 1997.

Going forward to 1999, continuation of the high plant utilization depends upon demand for the Company's products. Interest expense will be higher in 1999, reflecting higher average debt outstanding, primarily related to the 1998 share repurchase program. The Company will continue to work on infrastructure costs through its cost control efforts. We will continue to monitor the Company's foreign exchange exposure, where possible, and, in some cases, utilize foreign exchange hedges when and where appropriate.

For the Company's two operating segments, Polymer Chemicals and Fine Chemicals, we should see sales growth in 1999, assuming pricing, currency and volume objectives can be achieved. Sales growth likely will be greater in Fine Chemicals than in Polymer Chemicals. Volume should grow if economic conditions remain relatively strong outside of Asia and Latin America.

New products accounted for about $50 million in sales in 1998. The Company's lower-than-expected sales from introduction of new products in 1998 was related to government regulations, market conditions and other issues. New flame retardants, additional organometallics and catalysts and several new surface actives Albemarle believes, could drive these programs forward in 1999.

Polymer Chemicals

As we enter 1999, we are pleased with the growth of the customers we now supply in the Company's flame retardant business area. The strong increase in sales volume in 1998 took place in the face of pricing pressures that have more than reversed the 1997 price increases. We have fought to maintain excellent relationships with customers and will continue to do so. In third quarter 1999, we expect to start up a new tetrabromobisphenol-A plant in Magnolia, resulting in some additional costs. Customers are receiving qualification quantities.

We expect to follow through on customer qualification of the Company's new SAYTEX HP-7010 flame retardant with significant sales forecasted in 1999. The Company's sales growth forecast in flame retardants is in the high-single digit, perhaps double-digit sales increase in 1999, assuming the economies in Europe and the U.S. continue to grow and we are successful in the Company's sales and support efforts for existing products, while developing the Company's new product opportunities.

In the Company's organometallics and catalysts business, aluminum alkyls 1999 sales should be about even with 1998.
In the metallocene/single-site catalysts business, Albemarle serves the Company's customers through production of the metallocene/single-site complexes, co-catalysts, and supported catalyst systems. The production of metallocene/single-site complexes and supported catalyst systems is conducted under strict secrecy agreements. This business should grow strongly but from a small base, if polymer makers adopt these new catalysts in their processes.

Polymer additives and intermediates sales are expected to be flat with the upside in ETHACURE 300 curative, a polyurethane curative, offset by slack demand in some of the more established products being sold into a variety of polymer applications. ETHACURE 300 curative completed all the rigorous governmental requirements on November 28, 1998.

Fine Chemicals

We continue to pursue a pharmachemicals marketing strategy of building relationships with innovators in the pharmaceutical industry. The Company's research and development strategy is based on strong technical competencies in several important chemistries. The Company's manufacturing strategy is aimed at filling the Company's multi-purpose plant facility with other products, such as propofol and its intermediates. We continue to be very active on the naproxen qualification front for international customers, but the market growth is not as great as we expected, and a significant amount of excess manufacturing capacity is available. Globalization of the pharmachemicals business is another opportunity we will continue to pursue. Each of these issues will have the potential to impact the Company's business, and could affect the Company's projections for 1999 in pharmachemicals, where we see single-digit increases in sales.

For 1999 in agrichemicals, we expect to achieve high single-digit increases in sales; however, research and development ("R&D") spending and other costs may bring operating profit to or a little below 1998 levels in this mature business. The Company's focus for R&D continues to be on niche fine chemicals. We continue to explore methods of increasing business outside North America. Methyl bromide sales will be restricted by government regulations to 75% of 1991 production in 1999, going to 50% in 2001 and 30% in 2003, under current U.S. and international regulations. Albemarle intends to continue sales of this product for soil fumigant purposes until sales are suspended January 1, 2005.

Bromine and derivatives' growth in 1999 will be dependent upon the recovery of oil drilling, the continued substitution of bromine for chlorine in many applications and the integration of the Teesport, United Kingdom operation the Company acquired on October 30, 1998. Double-digit sales and operating profit growth may be possible for this portion of the Fine Chemicals' segment, dependent upon these market factors. Additional cost reductions in manufacturing and continuing favorable chlorine and other raw material prices are necessary to support this growth, however, several of these factors are not under the Company's control.

As we begin 1999, the surface actives' biocides business is beginning to make intermediate shipments to new customers and has more than 20 product registrations pending with government authorities. Currently, we believe we can grow sales in double digits, and could do the same in operating profits with positive contributions from the new Teesport facility's products developed for this business area, and the approvals of product registrations in the United States. Other key issues in this business going into 1999 include competitive pressures in builders for detergents and the short-term startup costs associated with bringing new products on line.

Potassium and chlorine chemicals' 1999 results will depend on the regaining of strength in the Asian economy and a favorable caustic/chlorine balance in Europe.

In summary, the Company's two business segments, Polymer Chemicals and Fine Chemicals, should deliver high single-digit or low double-digit sales growth in 1999 with the current plan, assuming pricing, currency and volume objectives can be achieved and the economic conditions remain relatively strong outside of Asia and Latin America.

Some of the information presented in this Annual Report & Form 10-K constitutes forward-looking comments within the meaning of the Private Securities Litigation Reform Act of 1995. Although the Company believes its expectations are based on reasonable assumptions within the bounds of its knowledge, there can be no assurance that actual results will not differ materially from its expectations due to a number of factors including, 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 the Company's products, increases in the cost of the product, changes in the markets in general, fluctuations in foreign currencies and significant changes in new product introduction resulting in increases in capital project requests and approvals leading to additional capital spending.

FINANCIAL CONDITION AND LIQUIDITY

Cash and cash equivalents at December 31, 1998 were $21.2 million, which represents a decrease of $13.1 million from $34.3 million at year-end 1997.

Cash provided from operating activities was $137.2 million, which together with $110.5 million of proceeds from borrowings and existing cash and cash equivalents of $13.1 million were used to cover operating activities in 1998, including a working capital increase (mainly reflecting higher inventories), capital expenditures, payment of quarterly dividends to common shareholders, purchase of 6,912,741 shares of common stock for $140.6 million, the acquisition of the Teesport, United Kingdom facility and repayment of a portion of long-term debt.

Cash and cash equivalents at December 31, 1997 were $34.3 million, which represented an increase of $20.1 million from $14.2 million at year-end 1996.

Cash provided from operating activities was $98.8 million, which together with $61.1 million of proceeds from borrowings were used to cover operating activities in 1997, including a working capital increase (mainly reflecting higher accounts receivable and inventories and a decrease in accounts payable), capital expenditures, payment of quarterly dividends to common shareholders, purchase of 1,560,300 shares of common stock for $37.5 million and repayment of a portion of long-term debt, with the balance added to cash and cash equivalents.

The Company anticipates that cash provided from operating activities in the future will be sufficient to cover its operating expenses, debt service obligations, dividend payments to common shareholders and to fund its capital expenditures.

The noncurrent portion of the Company's long-term debt amounted to $192.5 million at December 31, 1998, compared to $91.4 million at the end of 1997. The Company's total long-term debt, including the current portion, as a percentage of total capitalization at December 31, 1998, was approximately 29.9%. (See Note 8, "Long-Term Debt" of the notes to the consolidated financial statements on pages 31 and 32 for details of the Company's long-term borrowings.)

The Company, at December 31, 1998, had the flexibility to borrow up to a total of $500 million ($140 million outstanding at December 31, 1998) under its Competitive Advance and Revolving Credit Facility Agreement ("Credit Agreement"). The Credit Agreement contains certain covenants typical for a credit agreement of its size and nature, including financial covenants requiring the Company to maintain consolidated indebtedness (as defined) of not more than 60% of the sum of the Company's consolidated shareholders' equity (as defined) and consolidated indebtedness. The amount and timing of any borrowings will depend on the Company's specific cash requirements.

The Company's foreign currency translation adjustments, net of related deferred taxes, at December 31, 1998, increased from December 31, 1997, primarily due to the strengthening of foreign currencies against the U.S. dollar. Capital expenditures in 1998 of $76.7 million were lower than the 1997 level of $85.3 million. The Company's capital spending program is expected to be in the $80 - $90 million range over the next few years. This increase is expected to expand capacities at existing facilities to support an expected increase in sales. Capital spending for environmental and safety projects is expected to be about the same over the next few years. Future capital spending is expected to be financed primarily with cash provided from operating activities, with the balance, if necessary, provided by additional long-term debt. The Company continues to evaluate potential acquisitions of facilities and/or businesses, particularly in areas where our know-how adds value.

MARKET RISK MANAGEMENT

In the normal course of operations, the Company is exposed to changes in financial market conditions due to the denomination of its business transactions in diverse foreign currencies and the Company's ongoing manufacturing and funding activities. As a result, future earnings, cash flows and fair values of assets and liabilities are subject to uncertainty. The Company has established policies, procedures and internal processes governing its management of uncertain market conditions, and uses both operational and financial market actions in its risk management activities, which include the use of derivative instruments. The Company does not use derivative instruments for trading purposes. The Company only enters into derivative contracts based on economic analysis of underlying exposures anticipating that adverse impacts on future earnings, cash flows and fair values due to fluctuations in foreign currency exchange rates will be offset by the proceeds from and changes in fair value of the derivative instruments. The Company does not hedge its exposure to market risks in a manner that completely eliminates the effects of changing market conditions on earnings, cash flows and fair values.

Short-term exposures to changing foreign currency exchange rates are primarily due to operating cash flows denominated in foreign currencies. The Company covers certain known and anticipated operating exposures by using forward contracts. The primary currencies for which the Company has foreign currency exchange rate exposure are the euro, Japanese yen, British pound sterling and the U.S. dollar (in certain of its foreign locations). In response to the greater fluctuations in foreign currency exchange rates in recent periods, the Company has increased the degree of risk management activities to minimize their impact on earnings of future periods.

The Company's financial instruments subject to foreign currency exchange risk consist of foreign currency forward contracts and represent a net liability position of $.4 million at December 31, 1998. The Company conducted a sensitivity analysis on the fair value of its foreign currency hedge portfolio assuming instantaneous 10% changes in foreign currency exchange rates from their levels as of December 31, 1998, with all other variables held constant. A 10% appreciation of the U.S. dollar against foreign currencies would result in an increase of $.6 million in the fair value of foreign currency exchange hedging contracts. A 10% depreciation of the U.S. dollar against foreign currencies would result in a decrease of $.8 million in the fair value of foreign currency exchange hedging contracts. The sensitivity in fair value of the foreign currency hedge portfolio represents changes in fair values estimated based on market conditions as of December 31, 1998, without reflecting the effects of underlying anticipated transactions. When those anticipated transactions are realized, actual effects of changing foreign currency exchange rates could have a material impact on earnings and cash flows in future periods.

Environmental Matters

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 the best of the Company's knowledge, it is currently complying with and expects 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, the Company is subject to the federal Superfund law, and similar state laws, under which the Company may be designated as a potentially

responsible party ("PRP") and may be liable for a share of the costs associated with cleaning up various hazardous waste sites. Management believes that in most cases, the Company's participation is de minimis. Further, almost all such sites represent environmental issues that are quite mature and have been investigated, studied and in many cases settled by the Company or its predecessor company. In de minimis PRP matters, the Company's policy generally is to negotiate a consent decree and to pay any apportioned settlement, enabling the Company to be effectively relieved of any further liability as a PRP, except for remote contingencies. In other than de minimis PRP matters, the Company's records indicate that unresolved exposures should be immaterial. The Company accrues and expenses its proportionate share of PRP costs in accordance with Statement of Financial Accounting Standards ("SFAS") No. 5 "Accounting for Contingencies" and Financial Accounting Standards Board's ("FASB") Interpretation No. 14, as clarified by American Institute of Certified Public Accountant's Statement of Position 96-1. Because management has been actively involved in evaluating environmental matters, the Company is able to conclude that the outstanding environmental liabilities for unresolved PRP sites should not be material to operations.

The Company's environmental and safety operating costs charged to expense, which are not considered to be normal operating costs were approximately $14.6 million in 1998 versus approximately $13.3 million in 1997 and $11.5 million in 1996, excluding depreciation of previous capital expenditures, and are expected to be in the same range in the next few years. Costs for remediation have been accrued and payments related to sites are charged against accrued liabilities, which at December 31, 1998, totaled approximately $9.2 million. There is a reasonable possibility that future remediation costs in excess of amounts already recorded could be up to $8.0 million before income taxes. 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 impact on its financial condition or annual results of operations, but could have a material adverse impact in a particular quarterly reporting period.

Capital expenditures for pollution-abatement and safety projects for the Company, including such costs that are included in other projects, were approximately $8.5 million, $17.2 million and $14.7 million in 1998, 1997 and 1996, respectively. For each of the next few years, capital expenditures for these types of projects are likely to be in the same range as the 1998 level. Management's estimates of the effects of compliance with governmental pollution-abatement and safety regulations are subject to (i) the possibility of changes in the applicable statutes and regulations or in judicial or administrative construction of such statutes and regulations, and (ii) uncertainty as to whether anticipated solutions to pollution problems will be successful, or whether additional expenditures may prove necessary.

Year 2000 Update

General

Albemarle's company-wide Year 2000 Project ("Project") generally is proceeding on schedule. The Project is addressing the ability of computer programs and embedded computer chips to distinguish between the year 1900 and the year 2000. In 1994, the Company began significant re-engineering of its business processes across the Company including improved access to business information through common, integrated computing systems. As a result, Albemarle replaced its business systems with systems from SAP America, Inc., Oracle Corporation, PeopleSoft and Lotus which are designed to be Year 2000 compliant. The Company became fully operational on these systems in 1997.

Project

The Company has a global Project team, with certain location specific sub teams. The Project includes three major areas - corporate systems, local hardware and software systems, and third-party suppliers of goods and services. The general phases of the Project are: (1) inventorying date-aware items; (2) determining criticality and assigning priorities to identified items; (3) assessing the Year 2000 compliance of items determined to be material to the Company; (4) repairing, replacing or identifying workarounds for material items that are determined not to be Year 2000 compliant; (5) testing material items; (6) identifying critical third parties; and (7) designing contingency plans. Material items are those believed by the Company to have a risk involving the safety of individuals, or that may cause damage to property or the environment, or substantially affect revenues.

At December 31, 1998, the inventory, priority assessment and compliance assessment phases of each area of the Project were essentially complete. Corporate systems on schedule at December 31, 1998 include hardware and systems software, networks and telecommunications. All corporate systems activities are expected to be completed by mid-1999.

Local hardware and software systems include process control and instrumentation systems, laboratory data systems and building systems. Operational improvements already underway address some of the Year 2000 concerns. Some manufacturer replacements or upgrades are behind schedule. The Company, however, estimates necessary replacements, upgrades, or work arounds should be completed by mid-1999.

The third-party suppliers phase includes the process of identifying and prioritizing critical suppliers of goods and services and identifying their plans and progress. The Company recently has completed the identification phase and has begun evaluations of its most critical suppliers. These evaluations will be followed by the development of contingency plans as necessary. This Project phase is scheduled for completion by mid-1999, with monitoring planned through the remainder of 1999 and early 2000.

Costs

The total cost associated with required modifications to become Year 2000 compliant is not expected to be material to the Company's financial position or operations. The estimated total cost of the Project is approximately $4 million of which approximately half is or will be expensed and half is or will be capital items. The estimate includes allowances for some items for which a fix or work around is still being determined. The estimate does not include Albemarle's potential share of Year 2000 costs that may be incurred by small joint ventures in which the Company participates or entities in which the Company holds a minority interest. The total amount expended on the Project through December 31, 1998, was approximately $1.6 million. Internal direct costs (compensation and benefits) are estimated for the Project and included above, but are not separately tracked.

Risks

Since the Company's products are not date aware, Albemarle's Year 2000 issues revolve around its suppliers' ability to supply, its ability to produce, its business processes functioning properly, and its customers ability to purchase. Contingency plans will be developed for the most critical third-party suppliers of goods and services. For example, these plans may include inventory increases of raw materials and finished products and/or changes in the mix of suppliers for certain goods or services. Contingency plans for manufacturing and other business processes will include increased sensitivity at the actual changeover from December 31, 1999 to January 1, 2000 and alternative methods, including manual processing, for business information processes.

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of certain normal business activities or operations, which could materially and adversely affect the Company's results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party suppliers and customers, the Company is unable to determine at this time whether the consequences of Year 2000 problems will have a material impact on the Company's results of operations, liquidity or financial condition. The Project is expected to reduce significantly the Company's level of uncertainty about the Year 2000 problem and, in particular, about the Year 2000 compliance and readiness of its material third-party suppliers. The Company believes with the previously accomplished implementation of global business systems and completion of the Project as scheduled, the probability of material interruptions of normal operations should be reduced significantly.

Readers are cautioned that to the extent legally permissible, this statement should be considered a Year 2000 Readiness Disclosure pursuant to the Year 2000 Information and Readiness Disclosure Act and that forward-looking statements contained in the Year 2000 Update should be read in conjunction with the Company's disclosures regarding the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 included on page 20.

New Accounting Pronouncements

The FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" in June 1998, which is effective for financial statements for all fiscal quarters beginning after June 15, 1999. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company will adopt SFAS No. 133 in 1999. At the time of adoption, this standard is not expected to have a material impact on the financial position or results of operations of the Company.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Balance Sheets

(In Thousands of Dollars Except Share Data)

December 31	1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,180	$ 34,322
Accounts receivable, less allowance for doubtful accounts (1998-$2,782; 1997-$2,449)	145,207	154,421
Inventories:		
Finished goods	97,684	65,998
Raw materials	11,684	7,424
Stores, supplies and other	17,838	16,861
	127,206	90,283
Deferred income taxes and prepaid expenses	17,937	17,710
Total current assets	311,530	296,736
Property, plant and equipment, at cost	1,259,340	1,188,252
Less accumulated depreciation and amortization	744,672	691,612
Net property, plant and equipment	514,668	496,640
Other assets and deferred charges	90,308	77,204
Goodwill and other intangibles - net of amortization	21,291	17,601
Total assets	$ 937,797	$ 888,181
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 45,073	$ 50,668
Long-term debt, current portion	408	379
Accrued expenses	53,300	47,578
Dividends payable	4,701	4,952
Income taxes payable	4,454	8,983
Total current liabilities	107,936	112,560
Long-term debt	192,530	91,414
Other noncurrent liabilities	75,664	69,704
Deferred income taxes	110,000	97,167
Shareholders' equity:		
Common stock, $.01 par value (authorized 150,000,000 shares) issued - 47,008,283 in 1998 and 53,886,802 in 1997	470	539
Additional paid-in capital	78,724	218,841
Accumulated other comprehensive income (loss)	7,360	(1,445)
Retained earnings	365,113	299,401
Total shareholders' equity	451,667	517,336
Total liabilities and shareholders' equity	$ 937,797	$ 888,181

<FN>

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

(In Thousands Except Per-Share Amounts)

Years Ended December 31	1998	1997	1996
Net sales	$ 820,862	$ 829,850	$ 854,481
Cost of goods sold	560,057	568,424	611,353
Gross profit	260,805	261,426	243,128
Selling, general and administrative expenses	105,435	109,273	119,260
Research and development expenses	29,655	31,446	30,442
Operating profit	125,715	120,707	93,426
Interest and financing expenses	4,487	719	2,529
Gain on sale of business	--	--	(158,157)
Other income, net	(1,570)	(917)	(4,025)
Income before income taxes	122,798	120,905	253,079
Income taxes	38,066	40,923	97,020
Net income	$ 84,732	$ 79,982	$ 156,059
Basic earnings per share	$ 1.64	$ 1.45	$ 2.67
Shares used to compute basic earnings per share	51,558	55,164	58,353
Diluted earnings per share	$ 1.63	$ 1.44	$ 2.65
Shares used to compute diluted earnings per share	52,136	55,668	58,842
Cash dividends declared per share of common stock	$ .37	$ .32	$ .25

<FN>
See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes In Shareholders' Equity

(In Thousands of Dollars Except Share Data)

	Common Stock Shares	Common Stock Amounts	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)

Balance, January 1, 1996	66,076,853	$ 661	$ 498,827	$ 27,604
Comprehensive income:				
Net income for 1996				
Foreign currency translation (net of deferred tax benefit of $6,675)				(10,927)
Total comprehensive income				
Cash dividends declared for 1996				
Exercise of stock options and SARs	178,840	2	2,636	
Award of restricted stock	34,680		832	
Shares purchased and retired	(11,244,190)	(113)	(251,405)	
Balance at December 31, 1996	55,046,123	550	250,890	16,677
Comprehensive income:				
Net income for 1997				
Foreign currency translation (net of deferred tax benefit of $11,072)				(18,122)
Total comprehensive income				
Cash dividends declared for 1997				
Exercise of stock options and SARs	400,919	4	5,451	
Shares purchased and retired	(1,560,300)	(15)	(37,500)	
Balance at December 31, 1997	53,886,802	539	218,841	(1,445)
Comprehensive income:				
Net income for 1998				
Foreign currency translation (net of taxes of $5,380)				8,805
Total comprehensive income				
Cash dividends declared for 1998				
Exercise of stock options	34,222		419	
Shares purchased and retired	(6,912,741)	(69)	(140,536)	
Balance at December 31, 1998	47,008,283	$ 470	$ 78,724	$ 7,360

<FN>
See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes In Shareholders' Equity

(In Thousands of Dollars Except Share Data)

	Retained Earnings	Total Shareholders' Equity
Balance, January 1,		

1996	$ 95,474	$ 622,566
Comprehensive income:		
Net income for 1996	156,059	156,059
Foreign currency translation (net of deferred tax benefit of $6,675)		(10,927)
Total comprehensive income		145,132
Cash dividends declared for 1996	(14,452)	(14,452)
Exercise of stock options and SARs		2,638
Award of restricted stock		832
Shares purchased and retired		(251,518)
Balance at December 31, 1996	237,081	505,198
Comprehensive income:		
Net income for 1997	79,982	79,982
Foreign currency translation (net of deferred tax benefit of $11,072)		(18,122)
Total comprehensive income		61,860
Cash dividends declared for 1997	(17,662)	(17,662)
Exercise of stock options and SARs		5,455
Shares purchased and retired		(37,515)
Balance at December 31, 1997	299,401	517,336
Comprehensive income:		
Net income for 1998	84,732	84,732
Foreign currency translation (net of deferred taxes of $5,380)		8,805
Total comprehensive income		93,537
Cash dividends declared for 1998	(19,020)	(19,020)
Exercise of stock options		419
Shares purchased and retired		(140,605)
Balance at December 31, 1998	$ 365,113	$ 451,667

<FN>
See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(In Thousands of Dollars)

Years Ended December 31	1998	1997	1996
Cash and cash equivalents at			

beginning of year	$ 34,322	$ 14,242	$ 33,130
Cash flows from operating activities:			
Net income	84,732	79,982	156,059
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	75,012	69,044	71,044
Deferred income taxes	7,730	8,070	(21,404)
Gain on sale of business	--	--	(158,157)
Change in assets and liabilities, net of effects of the purchase/sale of businesses:			
Decrease (increase) in accounts receivable	14,528	(21,069)	(9,830)
(Increase) in inventories	(31,557)	(11,378)	(3,234)
(Decrease) increase in accounts payable	(7,008)	(12,889)	13,001
Increase (decrease) in accrued expenses and income taxes	399	(11,423)	(11,596)
Other, net	(6,622)	(1,529)	(7,414)
Net cash provided from operating activities	137,214	98,808	28,469
Cash flows from investing activities:			
Capital expenditures	(76,747)	(85,284)	(90,439)
Acquisition of business	(15,229)	--	--
Proceeds from sale of business, net of expenses and $42,297 of trade accounts payable paid by the Company	--	--	487,345
Other, net	2,213	(5,006)	2,318
Net cash (used in) provided from investing activities	(89,763)	(90,290)	399,224
Cash flows from financing activities:			
Purchases of common stock	(140,605)	(37,515)	(251,518)
Repayments of long-term debt	(11,652)	(413)	(206,672)
Proceeds from borrowings	110,516	61,102	23,944
Dividends paid	(19,271)	(16,563)	(14,233)
Proceeds from exercise of stock options	419	4,951	1,898
Net cash (used in) provided from financing activities	(60,593)	11,562	(446,581)
(Decrease) increase in cash and cash equivalents	(13,142)	20,080	(18,888)
Cash and cash equivalents at end of year	$ 21,180	$ 34,322	$ 14,242

<FN>
See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

NOTE 1 Summary of Significant Accounting Policies:

Consolidation

The consolidated financial statements include the accounts and operations of Albemarle Corporation and all of its wholly-owned subsidiaries ("the Company" or "Albemarle"). All significant intercompany accounts and transactions are eliminated in consolidation.

Basis of Presentation

Albemarle Corporation became an independent company upon the spin-off by Ethyl Corporation ("Ethyl") of its olefins and derivatives, bromine chemicals and specialty chemicals businesses ("the predecessor businesses"). As of the close of business on February 28, 1994, Ethyl distributed to its common shareholders all of the outstanding common shares of Albemarle. The distribution was made in the form of a tax-free dividend. One share of the Company's common stock was distributed to Ethyl common shareholders for every two shares of Ethyl common stock held.

On March 1, 1996, the Company sold its alpha olefins, poly alpha olefins and synthetic alcohols businesses ("Olefins Business") to Amoco Chemical Company ("Amoco"). Due to the significance of the sale on the operations of the Company, certain unaudited pro forma disclosures have been included. See Note 18, "Supplemental Pro Forma Condensed Consolidated Financial Information (Unaudited)".

Certain amounts in the accompanying consolidated financial statements and notes thereto have been reclassified to conform to the current presentation.

Cash and Cash Equivalents

Cash and cash equivalents in the accompanying consolidated financial statements consist of cash and time deposits of the Company for the years ended December 31, 1998 and 1997. Time deposits of 90 days or less are stated at cost, which approximates market value.

Accumulated Other Comprehensive Income (Loss)

Effective January 1, 1998, the Company adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 130 "Reporting Comprehensive Income," which established rules for the reporting and the display of comprehensive income. The Company reflects foreign currency translation adjustments of $14,185,000, ($29,194,000) and ($17,602,000) in 1998, 1997, and 1996, respectively, net of deferred income taxes (tax benefits) in accumulated other comprehensive income (loss) in the shareholders' equity section of the consolidated balance sheets and displays the components of comprehensive income in the consolidated statements of changes in shareholders' equity. The adoption of SFAS No. 130 had no effect on financial position or operations of the Company. Prior years' financial statements have been reclassified to reflect current presentation.

Foreign Currency Translation

The assets and liabilities of all foreign subsidiaries were prepared in their respective local currencies and translated into U.S. dollars based on the current exchange rate in effect at the balance sheet dates, while income and expenses were translated at average rates for the periods presented. Translation adjustments have no effect on net income. Transaction adjustments are included in cost of goods sold. Foreign currency transaction adjustments resulted in (losses) gains of $(3,023,000), $8,325,000 and $8,049,000 in 1998, 1997 and 1996, respectively.

Inventories

Inventories are stated at the lower of cost or market, with cost determined on the last-in, first-out ("LIFO") basis for substantially all domestic inventories except stores and supplies, and on either the weighted-average or first-in, first-out cost basis for other inventories. Cost elements included in finished goods inventories are raw materials, direct labor and manufacturing overhead. Raw materials include purchase and delivery costs. Stores and supplies include purchase costs.

Property, Plant and Equipment

Accounts include costs of assets constructed or purchased, related delivery and installation costs and interest incurred on significant capital projects during their construction periods. Expenditures for renewals and betterments also are capitalized, but expenditures for repairs and maintenance are expensed as incurred. The cost and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts, and gains or losses thereon are included in income. Depreciation is computed primarily by the straight-line method based on the estimated useful lives of the assets.

The Company evaluates historical and expected undiscounted operating cash flows of the related business units or fair value of property, plant and equipment to determine the future recoverability of any property, plant and equipment recorded. For purposes of determining these evaluations, undiscounted cash flows are grouped at levels which management uses to operate the business, which in some cases include businesses on a worldwide basis. Recorded property, plant and equipment is reevaluated on the same basis at the end of each accounting period whenever any significant, permanent changes in business or circumstances have occurred which might impair recovery.

The costs of brine wells, leases and royalty interests are primarily amortized over the estimated average life of the well. On a yearly basis, for all wells, this approximates a unit-of-production method based upon estimated reserves and production volumes.

Environmental Compliance and Remediation

Environmental compliance costs include the cost of purchasing and/or constructing assets to prevent, limit and/or control pollution or to monitor the environmental status at various locations. These costs are capitalized and depreciated based on estimated useful lives.

Environmental compliance costs also include maintenance and operating costs with respect to pollution prevention and control facilities and other administrative costs. Such operating costs are expensed as incurred.

Environmental remediation costs of facilities used in current operations are generally immaterial and are expensed as incurred. Remediation costs and post-remediation costs at facilities or off-plant disposal sites that relate to an existing condition caused by past operations are accrued as liabilities and expensed when such costs are reasonably estimated.

Goodwill and Other Intangibles

Goodwill and other intangibles consist principally of goodwill, product licenses and patents. Goodwill amounting to $18,913,000 and $14,528,000 at December 31, 1998 and 1997, respectively, net of accumulated amortization and effects of foreign currency translation adjustments, arose from the 1998 acquisition of the Teesport, United Kingdom, operations of Hodgson Specialty Chemicals division of BTP plc and the 1993 acquisition of Potasse et Produits Chimiques SA ("PPC") and is being amortized on a straight-line basis over periods of 16 to 20 years. Intangible assets ($2,378,000 and $3,073,000 at December 31, 1998 and 1997, respectively, net of accumulated amortization and effects of foreign currency translation adjustments) are amortized on a straight-line basis over periods from three to 17 years. Amortization of goodwill and other intangibles amounted to $2,097,000, $2,754,000 and $4,255,000 for 1998, 1997 and 1996, respectively.

Accumulated amortization of goodwill and other intangibles was $14,795,000 and $12,698,000 at the end of 1998 and 1997, respectively. The Company evaluates historical and expected undiscounted operating cash flows of the related business units to determine the future recoverability of any goodwill recorded. For purposes of determining these evaluations, undiscounted cash flows are grouped at levels which management uses to operate the business, which in some cases include businesses on a worldwide basis. Recorded goodwill is reevaluated on the same basis at the end of each accounting period whenever any significant, permanent changes in business or circumstances have occurred which might impair recovery.

Research and Development Expenses

The Company-sponsored research and development expenses related to present and future products are expensed currently as incurred.

Pension Plans and Other Postretirement Benefits

Annual costs of pension plans are determined actuarially based on SFAS No. 87, "Employers' Accounting for Pensions" ("SFAS No. 87"). The Company's policy is to fund U.S. pension plans at amounts not less than the minimum requirements of the Employee Retirement Income Security Act of 1974 and generally for obligations under its foreign plans to deposit funds with trustees and/or under insurance policies. Annual costs of other postretirement plans are accounted for based on SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions". The policy of the Company is to fund postretirement health benefits for retirees on a pay-as-you-go basis.

During 1998, the Company adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("SFAS No. 132"). SFAS No. 132 revised and standardized the disclosure requirements for pensions and other postretirement benefit plans to the extent practicable. It does not change the measurement or recognition of these plans.

Employee Savings Plan

Certain Company employees participate in the Albemarle defined contribution 401(k) employee savings plan which is generally available to all full-time salaried and non-union hourly employees and to employees who are covered by a collective bargaining agreement which included such participation. The plan is funded with contributions by participants and the Company. Expenses recorded for the 401(k) plan by the Company approximated $5,100,000, $4,900,000 and $4,900,000 in 1998, 1997 and 1996, respectively.

Income Taxes

The Company and its subsidiaries file consolidated U.S. Federal income tax returns and individual foreign income tax returns.

Deferred income taxes result from temporary differences in the recognition of income and expenses for financial and income tax reporting purposes, using the liability or balance sheet method. Such temporary differences result primarily from differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. It is the Company's policy to record deferred income taxes on any undistributed earnings of foreign subsidiaries that are not deemed to be, or are not intended to be, permanently reinvested in those subsidiaries.

In connection with the spin-off as of the close of business on February 28, 1994, the Company and Ethyl entered into a tax sharing agreement whereby Ethyl agreed to indemnify and hold harmless the Company against all taxes attributable to the predecessor businesses prior to the spin-off, with the exception of certain of the Company's subsidiaries which remained responsible for their taxes.

Earnings Per Share

The Company calculates earnings per share ("EPS") as required by SFAS No. 128, "Earnings Per Share," which requires dual presentation of basic and diluted EPS.

Financial Instruments

The Company manages its foreign currency exposures by maintaining certain assets and liabilities in approximate balance and through the use of foreign exchange contracts. The principal objective of such contracts is to minimize the risks and/or costs associated with global operating activities. The Company does not utilize financial instruments for trading or other speculative purposes. The counterparties to these contractual agreements are major financial institutions with which the Company generally also has other financial relationships. The Company is exposed to credit loss in the event of nonperformance by these counterparties. However, the Company does not anticipate nonperformance by the other parties, and no material loss would be expected from their nonperformance.

The Company enters into forward currency exchange contracts, which typically expire within one year, in the regular course of business to assist in managing its exposure against foreign currency fluctuations on sales and intercompany transactions. While these hedging contracts are subject to fluctuations in value, such fluctuations are generally offset by the value of the underlying foreign currency exposures being hedged. Gains and losses on forward contracts are recognized currently in income. The Company had outstanding forward exchange contracts at December 31, 1998, hedging Japanese yen receivables and revenues with a notional value totaling $6,512,000. The Company had outstanding forward exchange contracts at December 31, 1997, hedging Japanese yen and German mark receivables and revenues with a notional value totaling $23,527,000. For the years ended December 31, 1998, 1997 and 1996, the Company recognized (losses) gains of $(876,000), $2,167,000 and $694,000, respectively, in income before income taxes on its forward exchange contracts.

Stock-Based Compensation

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 (See Note 9, "Capital Stock"). 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

New Accounting Pronouncements

The FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" in June, 1998, which is effective for financial statements for all fiscal quarters beginning after June 15, 1999. SFAS No. 133 establishes accounting and reporting standards for derivative instruments including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company will adopt SFAS No. 133 in 1999. At the time of adoption, this standard is not expected to have a material impact on the financial position or results of operations of the Company.

NOTE 2 Supplemental Cash Flow Information:

Supplemental information for the consolidated statements of cash flows is as follows:

(In Thousands)	1998	1997	1996
Cash paid during the year for:			
Income taxes	$37,650	$37,475	$110,771
Interest and financing expenses (net of capitalization)	4,492	574	2,910

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NOTE 3 Earnings Per Share:

Basic and diluted earnings per share are calculated as follows:

(In Thousands, Except Per-Share Data)	1998	1997	1996
Basic earnings per share			
Numerator:			
Income available to stockholders, as reported	$84,732	$79,982	$156,059
Denominator:			
Average number of shares of common stock outstanding	51,558	55,164	58,353
Basic earnings per share	$ 1.64	$ 1.45	$ 2.67
Diluted earnings per share			
Numerator:			
Income available to stockholders, as reported	$84,732	$79,982	$156,059
Denominator:			
Average number of shares of common stock outstanding	51,558	55,164	58,353
Shares issuable upon exercise of stock options	578	504	489
Total shares	52,136	55,668	58,842
Diluted earnings per share	$ 1.63	$ 1.44	$ 2.65

NOTE 4 Inventories:

Domestic inventories stated on the LIFO basis amounted to $68,201,000 and $42,957,000 at December 31, 1998 and 1997, respectively, which are below replacement cost by approximately $34,766,000 and $35,983,000, respectively.

NOTE 5 Deferred Income Taxes and Prepaid Expenses:

Deferred income taxes and prepaid expenses consist of the following:

(In Thousands)	1998	1997
Deferred income taxes - current	$15,250	$14,680
Prepaid expenses	2,687	3,030
Total	$17,937	$17,710

NOTE 6 Property, Plant and Equipment:

Property, plant and equipment, at cost, consists of the following:

(In Thousands)	1998	1997
Land	$ 18,887	$ 18,582
Land improvements	35,849	36,177
Buildings	87,186	83,906
Machinery and equipment	1,075,277	993,160
Construction in progress	42,141	56,427
Total	$1,259,340	$1,188,252

The cost of property, plant and equipment is depreciated, generally by the straight-line method, over the following useful lives: land improvements - 5 to 30 years; buildings - 10 to 40 years; and machinery and equipment - 3 to 25 years.

Interest capitalized on significant capital projects in 1998, 1997, and 1996 was $1,598,000, $1,826,000 and $823,000, respectively, while amortization of capitalized interest (which is included in depreciation expense) in 1998, 1997 and 1996 was $1,460,000, $1,382,000 and $1,610,000, respectively.

NOTE 7 Accrued Expenses:

Accrued expenses consist of the following:

(In Thousands)	1998	1997
Employee benefits, payroll and related taxes	$25,592	$21,392
Taxes other than income and payroll	6,860	3,900
Other	20,848	22,286
Total	$53,300	$47,578

NOTE 8 Long-Term Debt:

Long-term debt consists of the following:

(In Thousands)	1998	1997
Variable-rate bank loans	$169,600	$77,000
Foreign borrowings	22,216	13,645
Miscellaneous	1,122	1,148
Total	192,938	91,793
Less amounts due within one year	408	379
Long-term debt	$192,530	$91,414

Maturities of long-term debt for the next five years are as follows: 1999- $408,000; 2000 - $366,000; 2001 - $369,000; 2002 - $190,325,000; 2003 - $380,000 and 2004 through 2016 - $1,090,000.

On September 24, 1996, the Company entered into a five-year, $500 million unsecured Competitive Advance and

Revolving Credit Facility Agreement (the "Credit Agreement"). The maturity date of the Credit Agreement was extended to September 29, 2002. At December 31, 1998 and 1997, $140 and $70 million in borrowings were outstanding under the Credit Agreement, respectively. The Credit Agreement contains certain covenants typical for a credit agreement of its size and nature, including financial covenants requiring the Company to limit consolidated indebtedness (as defined) to not more than 60% of the sum of the Company's consolidated shareholders' equity (as defined) and consolidated indebtedness. The average interest rate on 1998 and 1997 borrowings under the Credit Agreement was 5.70% and 5.88%, respectively, with a year-end interest rate of 5.67% and 6.11% on the balance outstanding at December 31, 1998 and 1997, respectively.

The Company has four additional agreements with domestic banks which provide immediate uncommitted credit lines, on a short-term basis, up to a maximum of $135 million at the individual bank's money market rate. At December 31, 1998 and 1997, $29.6 million and $7 million in borrowings from these agreements were outstanding, respectively, which the Company has the ability to refinance with borrowings under the Credit Agreement; therefore, these amounts have been classified as long-term debt. The average interest rate on borrowings under these agreements was 5.51% and 5.64% in 1998 and 1997, respectively, with a year-end interest rate of 5.40% and 6.88% on balances outstanding at December 31, 1998 and 1997, respectively.

One of the Company's foreign subsidiaries modified an existing agreement with a foreign bank during 1998 which provides immediate uncommitted credit lines, on a short-term basis, up to a maximum of approximately 2.5 billion Japanese yen ($21.7 million) at the individual bank's money market rate. At December 31, 1998 and 1997, borrowings under this agreement consisted of 2.3 billion Japanese yen ($19.6 million) and 1.5 billion Japanese yen ($11.6 million), respectively. The average interest rate on borrowings under this agreement was 1.62% and 1.63% in 1998 and 1997, respectively. Another foreign subsidiary of the Company entered into an agreement with a foreign bank during 1998 to provide immediate uncommitted credit lines, on a short-term basis, up to a maximum of approximately 3 million British pound sterling ($5 million) at the individual bank's money market rate. This agreement has been guaranteed by the Company. At December 31, 1998, borrowings under this agreement consisted of approximately 0.4 million British pounds sterling ($0.7 million). The average interest rate on borrowings under this agreement was 7.6%. The Company has the ability to refinance borrowings from these agreements with borrowings under the Credit Agreement. Therefore, these amounts have been classified as long-term debt. Additional foreign borrowings at December 31, 1998 and 1997, consisted of 10.5 million French francs ($1.9 million) and 12.57 million French francs ($2.1 million), respectively. The average interest rate on these borrowings were 0.48% and 0.50% in 1998 and 1997, respectively.

One of the Company's foreign subsidiaries has a separate, additional agreement with a foreign bank which provides an immediate uncommitted credit line, on a short-term basis, up to a maximum of approximately $14.5 million at the individual bank's money market rate. This agreement has been guaranteed by the Company. At December 31, 1998 and 1997, no borrowings were outstanding under this agreement, respectively.

NOTE 9 Capital Stock:

Preferred Stock

The Company has the authority to issue 15,000,000 shares of preferred stock, in one or more classes or series. No shares of the Company's preferred stock have been issued to date.

Stock Purchases

On September 30, 1998, the Company finalized the purchase of 5,738,241 of its common shares through a self-tender offer at a price of $19.50 per share plus expenses for an aggregate cost of approximately $112.7 million. Earlier in 1998, the Company purchased, in market transactions, an additional 1,174,500 shares for $27.9 million, at an average price of $23.79 per share. During 1997, the Company purchased, in market transactions, 1,560,300 shares for $37.5 million, at an average price of $24.04 per share.

On April 1, 1996, the Company purchased 9,484,465 of its common shares through a self-tender offer at a price of $23 per share plus expenses for an aggregate cost of $219.4 million, following the sale of the Olefins Business to Amoco. During 1996, the Company purchased an additional 1,756,500 shares for $32.1 million, at an average price of $18.25 per share, in market transactions. As of December 31, 1998, the Company had authorization to purchase an additional 3,508,700 shares of its common stock.

Stock Option Plans

The Company has two incentive plans (1994 and 1998 plans). The plans provide for incentive awards payable in either cash or common stock of the Company, qualified and non-qualified stock options ("stock options"), stock appreciation rights ("SARs"), and restricted stock awards and performance awards ("stock awards"). Under the 1998 plan, which was approved by shareholders at the 1998 Annual Meeting, a maximum of 3,000,000 shares of the Company's common stock may be issued as incentive awards, stock options, SARs or stock awards. Under the 1994 plan, a maximum of 3,200,000 shares of the Company's common stock could be issued pursuant to the exercise of stock options, SARs or the grant of stock awards. After the adoption of the 1998 plan, it is not anticipated that any additional grants or awards will be made under the 1994 plan.

Stock options outstanding under the two plans have been granted at prices which are either equal to or above the market value of the stock on the date of grant and expire 7 to 10 years after issuance. The stock options become exercisable based upon growth in either operating earnings as defined from the base-year earnings, or the increase in fair market value ("FMV") of the Company's common stock, during a specified period, from the FMV on the date of grant. However, stock options for 40,000 shares granted in 1998 become exercisable at the end of the sixth year.

Restricted stock award agreements totaling 250,000 of contingent shares of Albemarle common stock were made with certain employees of the Company in 1998. These shares earn out over a two- or four-year period based on certain performance criteria, which, if exceeded, could result in as many as 500,000 shares of restricted stock being issued, or none may be issued if the performance criteria are not met.

The compensation expense associated with these programs in 1998, 1997 and 1996 amounted to approximately $2.2 million, $1.3 million and $2.6 million, respectively.

Stock option activity in 1996, 1997 and 1998 is shown below:

	Shares Available for Grant	Options Activity	Options Price	Weighted-Average Exercise Price
January 1, 1996	1,420,619	1,770,409	$9.45 - $14.81	$13.05
Non-qualifying stock options granted	(293,000)	293,000*	$17.38	$17.38
Exercised	--	(301,646)	$9.45 - $13.47	$13.00
Lapsed	10,000	(10,000)	$13.13	$13.13
Restricted stock awards	(34,680)			

December 31, 1996	1,102,939	1,751,763	$9.45 - $17.38	$13.78
Exercised	--	(473,254)	$9.45 - $14.81	$13.03
December 31, 1997	1,102,939	1,278,509	$9.45 - $17.38	$14.06
1998 Plan adoption	3,000,000			
Non-qualifying stock options granted	(590,000)	590,000*	$25.25 - $25.75	$25.71
Exercised	--	(34,222)	$9.45 - $13.47	$12.26
Restricted stock awards	(250,000)			
December 31, 1998	3,262,939	1,834,287	$10.36 - $25.75	$17.84

*The weighted average fair values of options granted during 1998 and 1996 were $7.26 and $6.47, respectively.

The following table summarizes information about fixed-price stock options at December 31, 1998:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding @ 12/31/98	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable @12/31/98	Weighted-Average Exercise Price
$12.29	1,708	0.7 years	$ 12.29	1,708	$ 12.29
10.36	5,339	1.8 years	10.36	5,339	10.36
12.12	18,759	3.0 years	12.12	18,759	12.12
13.47	33,860	4.0 years	13.47	33,860	13.47
13.13	891,621	5.2 years	13.13	891,621	13.13
17.38	293,000	7.7 years	17.38	175,800	17.38
25.25	50,000	9.3 years	25.25	--	25.25
25.75	500,000	9.3 years	25.75	--	25.75
25.75	40,000	6.8 years	25.75	--	25.75
	1,834,287			1,127,087	

As discussed in Note 1, "Summary of Significant Accounting Policies", the Company accounts for stock-based compensation plans under APB Opinion No. 25. If compensation cost had been determined based on the fair value at the grant date for awards made in 1998 and 1996 under the 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:

		1998	1997
Net income	as reported	$84,732	$79,982
	pro forma	$83,924	$79,394
Basic earnings per share	as reported	$ 1.64	$ 1.45
	pro forma	$ 1.63	$ 1.44
Diluted earnings per share	as reported	$ 1.63	$ 1.44
	pro forma	$ 1.61	$ 1.43

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 1998 and 1996, respectively: dividend yield 1.94% and 2.61%; expected volatility of 30.44% and 29.33%; risk-free interest rate of 4.65% and 6.39%; and expected lives of 7 and 8 years.

NOTE 10 Rental Expense and Other Data:

Rental Expense

The Company has a number of operating lease agreements, primarily for office space, transportation equipment and storage facilities. Future minimum lease payments for the next five years for all noncancelable leases as of December 31, 1998 are $6,430,000 for 1999, $4,715,000 for 2000, $3,373,000 for 2001, $2,719,000 for 2002, $2,066,000 for 2003, and amounts payable after 2003 are $1,000. Rental expense was approximately $12,400,000 for 1998, $13,200,000 for 1997, and $15,000,000 for 1996.

Contractual and Other Commitments

Contractual obligations for plant construction, purchases of real property and equipment and various take or pay and throughput agreements amounted to approximately $20,000,000 at December 31, 1998.

Service Agreements

The Company and Ethyl are parties to various agreements, dated as of February 28, 1994, pursuant to which the Company and Ethyl agreed to coordinate certain facilities and services of adjacent operating facilities at plants in Pasadena, Texas and Feluy, Belgium. In addition, the Company and Ethyl are parties to agreements providing for the blending by the Company of Ethyl's additive products and the production of antioxidants and manganese-based antiknock compounds at the Orangeburg, S.C. plant. The Company's billings to Ethyl in 1998, 1997 and 1996 in connection with these agreements amounted to approximately $31 million, $29 million and $34 million, respectively.

The Company and MEMC Pasadena, Inc. ("MEMC Pasadena") are parties to agreements dated as of July 31, 1995 and subsequently revised effective May 31, 1997, pursuant to which the Company provides certain utilities and services to the MEMC Pasadena site which is located at Albemarle's Pasadena plant and on which the electronic materials facility is located. MEMC Pasadena agreed to reimburse Albemarle for all the costs and expenses plus a percentage fee incurred as a result of these agreements. The Company's billings to MEMC Pasadena, in connection with these agreements amounted to approximately $9 million in 1998, $38 million in 1997 and $41 million in 1996. The reduction in 1998 from 1997 was the result of the Company providing fewer services as a result of the 1997 revision to the agreements, including, but not limited to, plant operations and engineering costs.

The Company and Amoco are parties to numerous operating and service agreements, dated as of March 1, 1996, pursuant to which the Company provides operating and support services, certain utilities and products to Amoco, and Amoco provides operating and support services, certain utilities and products to Albemarle. The Company's billings to Amoco in 1998, 1997 and 1996, in connection with these agreements, amounted to approximately $41 million, $42 million and $42 million, respectively. Amoco's billings to the Company in 1998, 1997 and 1996, in connection with these agreements, amounted to $17 million, $15 million and $17 million, respectively.

Environmental

The Company accrues for environmental remediation costs and post-remediation costs on an undiscounted basis at facilities or off-plant disposal sites that relate to existing conditions caused by past operations in the accounting period in which responsibility is established and when the related costs are estimable. In developing these cost estimates, evaluation is given to currently available facts regarding each site, with consideration given to existing technology, presently enacted laws and regulations, prior experience in remediation of contaminated sites, the financial capability of other potentially responsible parties and other factors, subject to uncertainties inherent in the estimation process. Additionally, these estimates are reviewed periodically, with adjustments to the accruals recorded as necessary. The Company has recorded liabilities of approximately $9.2 million and $8.9 million at December 31, 1998 and 1997, respectively, which represents 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 to be incurred over a period of time associated with the Company's past operations in excess of amounts already recorded, could be up to $8.0 million before income taxes. 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 will not have a material adverse impact on its financial condition or annual results of operations, but could have a material adverse impact in a particular quarterly reporting period.

Litigation

The Company is from time-to-time subject to routine litigation incidental to its businesses. 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 or financial condition. Accordingly, no additional disclosures are required.

NOTE 11   Pension Plans and Other Postretirement Benefits:

The Company has primarily noncontributory defined benefit pension plans covering most employees. The benefits for these plans are based primarily on compensation and/or years of service. The funding policy for each plan complies with the requirements of relevant governmental laws and regulations. Plan assets consist principally of common stock, U.S. government and corporate obligations and group annuity contracts. The pension information for all periods presented includes amounts related to salaried and hourly plans. The prepaid benefit cost related to pensions is included in "Other assets and deferred charges" on the consolidated balance sheets.

The Company provides postretirement medical benefits and life insurance for certain groups of retired employees. Medical and life insurance benefit costs are funded principally on a pay-as-you-go basis. Although the availability of medical coverage after retirement varies for different groups of employees, the majority of employees who retire before becoming eligible for Medicare can continue group coverage by paying all or most of the cost of a composite monthly premium designed to cover the claims incurred by active and retired employees. The availability of group coverage for Medicare-eligible retirees also varies by employee group with coverage designed either to supplement or coordinate with Medicare. Retirees generally pay a portion of the cost of the coverage. Plan assets for retiree life insurance are held under an insurance contract and reserved for retiree life insurance benefits. The accrued postretirement benefit cost is included in "Other noncurrent liabilities" in the consolidated balance sheets.

Pension coverage for employees of the Company's foreign subsidiaries is provided through separate plans. Obligations under such plans are systematically provided for by depositing funds with trustees or under insurance policies. The pension cost, actuarial present value of benefit obligations and plan assets have been combined with the Company's other pension disclosure information presented.

The following provides a reconciliation of benefit obligations, plan assets, and funded status of the plans as well as a summary of significant assumptions:

(In Thousands Except for Assumptions)	Pension Benefits		Other Postretirement Benefits	
	1998	1997	1998	1997
Change in benefit obligation				
Benefit obligation at January 1	$ 302,807	$ 274,780	$ 50,060	$ 47,050
Service cost	8,419	7,350	1,940	1,765
Interest cost	21,407	20,361	3,600	3,286
Amendments	236	--	14	--
Change in discount rate assumptions	21,537	10,409	4,285	1,894
Actuarial loss (gain)	967	5,203	288	(1,981)
Benefits paid	(14,867)	(14,296)	(1,481)	(1,954)
Effect of foreign exchange	523	(1,000)	--	--
Benefit obligation at December 31	$ 341,029	$ 302,807	$ 58,706	$ 50,060
Change in plan assets				
Fair value of plan assets at January 1	$ 435,172	$ 382,190	$ 6,708	$ 7,339
Actual return on plan assets	57,356	66,759	471	610
Employer contributions	2,161	618	929	713
Benefits paid	(14,774)	(14,019)	(1,481)	(1,954)
Effect of foreign exchange	144	(376)	--	--
Fair value of plan assets at December 31	$ 480,059	$ 435,172	$ 6,627	$ 6,708
Funded status of plans				
Over (under) funded status	$ 139,030	$ 132,365	$ (52,079)	$ (43,352)
Unrecognized net gain	(73,406)	(74,642)	(4,227)	(9,297)
Unrecognized prior service cost	9,254	10,458	895	980
Unrecognized net transition asset	(7,693)	(10,411)	--	--
Prepaid (accrued) benefit cost at December 31	$ 67,185	$ 57,770	$ (55,411)	$ (51,669)
Assumptions as of December 31				
Discount rate	6.75%	7.25%	6.75%	7.25%
Expected return on plan assets	9.50%	9.50%	9.50%	9.50%

Rate of compensation increase	4.50%	4.50%	4.50%	4.50%

The components of net periodic pension and postretirement benefit (income) expense are as follows:

(In Thousands)	Pension Benefits			Other Postretirement Benefits		
	1998	1997	1996	1998	1997	1996
Service cost	$ 8,419	$ 7,350	$ 7,367	$ 1,940	$ 1,765	$ 1,855
Interest cost	21,407	20,361	18,950	3,600	3,286	3,222
Expected return on assets	(35,984)	(32,714)	(30,133)	(588)	(610)	(660)
Amortization of prior service cost	1,466	1,445	1,436	99	98	98
Amortization of (gain) loss	58	37	--	(381)	(573)	(349)
Amortization of transition asset	(2,718)	(2,719)	(2,718)	--	--	--
Benefit (income) expense	$ (7,352)	$(6,240)	$ (5,098)	$ 4,670	$ 3,966	$ 4,166

In 1996, the Company recognized a one-time curtailment loss and special termination benefits charge related to pension plans of $5.5 million and a one-time curtailment gain related to other postretirement benefits of $0.7 million, which were both included in the net gain on the sale of the Olefins Business (See Note 13, "Special Items"), as required by SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," reflecting the effects of the transfer of approximately 550 people who supported the Olefins Business sold to Amoco.

The assumed health care cost trend rate was 9% in 1998, 10% in 1997 and 11% in 1996, declining by 1% per year to an ultimate rate of 7%, except that managed care costs were assumed to be 6% in 1998, 7% in 1997 and 8% in 1996.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates at December 31, 1998 would have the following effects:

(In Thousands)	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 1,000	$ (800)
Effect on postretirement		

benefit obligation	$ 7,300	$ (5,800)

Other Postemployment Benefits

The Company also provides certain postemployment benefits to former or inactive employees who are not retirees. The Company funds postemployment benefits on a pay-as-you go basis. These benefits include salary continuance, severance and disability health care and life insurance which are accounted for under SFAS No. 112 "Employers' Accounting for Postemployment Benefits". The accrued postemployment benefit liability was approximately $1.7 million at the end of 1998, a decrease of about $0.2 million from 1997.

NOTE 12 Income Taxes:

Income before income taxes and current and deferred income taxes (benefits) are composed of the following:

(In Thousands) Years ended December 31	1998	1997	1996
Income before income taxes:			
Domestic	$110,877	$100,157	$232,889
Foreign	11,921	20,748	20,190
Total	$122,798	$120,905	$253,079
Current income taxes (benefits):			
Federal	$ 29,413	$ 26,586	$ 101,698
State	1,516	1,981	12,478
Foreign	(593)	4,286	4,248
Total	30,336	32,853	118,424
Deferred income tax (benefits):			
Federal	7,456	7,568	(18,070)
State	835	1,042	(2,415)
Foreign	(561)	(540)	(919)
Total	7,730	8,070	(21,404)
Total income taxes	$ 38,066	$ 40,923	$ 97,020

The significant differences between the U.S. federal statutory rate and the effective income tax rate are as follows:

	% of Income Before Income Taxes		
	1998	1997	1996
Federal statutory rate	35.0%	35.0%	35.0%
Foreign sales corporation benefit	(2.1)	(1.9)	(2.9)
State taxes, net of federal tax benefit	1.3	1.5	2.6
Depletion	(1.1)	(1.1)	(1.1)
Other items, net	(2.1)	0.3	0.9
Effective income tax rate on operations	31.0	33.8	34.5

Sale of business	--	--	3.8
Effective income tax rate	31.0%	33.8%	38.3%

The deferred income tax assets and deferred income tax liabilities recorded on the consolidated balance sheets as of December 31, 1998 and 1997, consist of the following:

(In Thousands)	1998	1997
Deferred tax assets:		
Postretirement benefits other than pensions	$ 20,760	$19,751
Future employee benefits	7,048	6,374
LIFO inventories	5,103	5,102
Accrued liabilities	3,476	2,891
Intercompany profit in inventories	2,957	3,484
Environmental reserves	2,936	2,634
Belgian subsidiary net operating loss carryforwards	--	9,384
Foreign currency translation adjustments	--	928
Other	4,136	3,871
Gross deferred tax assets	46,416	54,419
Valuation allowances	--	(2,105)
Net deferred tax assets	46,416	52,314
Deferred tax liabilities:		
Depreciation	100,876	93,243
Pensions	24,709	20,975
Gain on Belgian intercompany loan	7,648	7,648
Foreign currency translation adjustments	4,452	--
Capitalization of interest	2,116	2,216
Olefins Business sale deferred gains	169	7,267
Other	1,196	3,452
Gross deferred tax liabilities	141,166	134,801
Net deferred tax liabilities	$ 94,750	$ 82,487
Reconciliation to consolidated balance sheets:		
Current deferred tax assets	$ 15,250	$ 14,680
Deferred tax liabilities	110,000	97,167
Net deferred tax liabilities	$ 94,750	$ 82,487

Approximately $23 million and $22 million of accumulated operating loss carryforwards from the Company's Belgian subsidiary (approximately $9.4 million and $8.7 million tax benefit) were utilized in 1998 and 1997, respectively, to offset Belgian taxable income. Valuation allowances of $2.1 million related to accumulated operating loss carryforwards were reversed in 1998.

NOTE 13 Special Item:

On March 1, 1996, the Company sold its Olefins Business to Amoco for $487.3 million, including plant and equipment, other assets, inventory and accounts receivable net of expenses and trade accounts payable paid by the Company, and certain business-related liabilities transferred at the date of sale. The sale involved approximately 550 people who supported these businesses. Certain assets primarily located in Pasadena, Texas, Deer Park, Texas and Feluy, Belgium were included in the sale. The gain on the sale was $158.2 million ($94.4 million after income taxes) net of $44.3 million of costs incurred for early retirements and work-force reductions, abandonment costs of certain facilities and certain other accruals (including environmental) related to or in conjunction with the sale. The transaction included a number of operating and service agreements primarily focusing on the sharing of common facilities at the Pasadena plant site and the Feluy plant site operated by Amoco.

NOTE 14 Fair Value of Financial Instruments:

In assessing the fair value of financial instruments, the Company uses methods and assumptions that are based on market conditions and other risk factors existing at the time of assessment. Fair value information for the Company's financial instruments is as follows:

Cash and Cash Equivalents -The carrying value approximates fair value due to their short-term nature.

Long-term Debt -The carrying value of the Company's long-term debt reported in the accompanying consolidated balance sheets at December 31, 1998 and 1997, approximates fair value since substantially all of the Company's long-term debt bears interest based on prevailing variable market rates currently available in the countries in which the Company has borrowings.

Foreign Currency Exchange Contracts - The fair values of the Company's forward currency exchange contracts are estimated based on current settlement values. The fair value of the forward contracts represent a net liability position of $0.4 million at December 31, 1998 and a net asset position of $0.9 million at December 31, 1997, respectively.

NOTE 15 Quarterly Financial Summary (Unaudited):

(In Thousands Except Per-Share Amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1998				
Net sales	$ 215,149	$ 204,103	$ 196,192	$ 205,418
Gross profit	$ 67,821	$ 66,178	$ 57,509	$ 69,297
Net income	$ 22,649	$ 21,811	$ 17,577	$ 22,695
Basic earnings per share	$ .42	$ .41	$ .33	$ .48
Shares used to compute basic earnings per share (a)	53,469	53,069	52,695	46,999
Diluted earnings per share	$ .42	$ .41	$ .33	$ .48
Shares used to compute diluted earnings per share (a)	53,981	53,681	53,293	47,590
1997				
Net sales	$ 198,394	$ 207,675	$ 207,111	$ 216,670
Gross profit	$ 66,362	$ 67,809	$ 62,920	$ 64,335
Net income	$ 20,177	$ 20,363	$ 18,548	$ 20,894
Basic earnings per share	$ .37	$ .37	$ .34	$ .38
Shares used to compute basic earnings per share	55,046	55,204	55,333	55,072(b)
Diluted earnings per share	$ .36	$ .37	$ .33	$ .38
Shares used to compute diluted earnings per share	55,535	55,599	55,910	55,628(b)

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Notes (Share Data Represents Common Shares Purchased):
(a) Includes the effects of the purchase of 772,100, 338,600 and 5,802,041 common shares during the first, second and third quarters of 1998, respectively.
(b) Includes the effects of the purchase of 1,560,300 common shares during the 1997 fourth quarter.

NOTE 16 Operating Segments and Geographic Area Information:
In 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which changes the way the Company reports information about its operating segments. Prior years' segment data has been restated to conform to current presentation.

The Company is a global manufacturer of specialty polymer and fine chemicals, currently grouped into two operating segments: Polymer Chemicals and Fine Chemicals. Applying the criteria of SFAS No. 131 to prior years' operations, the Company would have had three segments which would have included the Olefins Business sold in 1996. The operating segments were determined based on management responsibility. The Polymer Chemicals' operating segment is comprised of flame retardants, organometallics and catalysts, and polymer additives and intermediates. The Fine Chemicals' operating segment is comprised of agrichemicals, bromine and derivatives, pharmachemicals, potassium and chlorine chemicals, and surface actives.

The accounting policies of the segments are the same as those described in Note 1, "Summary of Significant Accounting Policies." The Company evaluates the performance of its operating segments based on operating profit which represents income before income taxes, before gain on sale of business and before interest and financing expenses and other income, net. 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.

Summarized financial information concerning the Company's reportable segments is shown in the following table. The "Corporate & Other" column includes corporate-related items not allocated to the reportable segments.

Operating Segment Results

(In Thousands)	Polymer Chemicals	Fine Chemicals	Olefins Business(a)	Corporate & Other	Total
1998					
Net sales	$ 417,998	$ 402,864	-	-	$ 820,862
Operating profit(b)	75,751	68,762	-	$ (18,798)	125,715
Identifiable assets	322,944	475,810	-	139,043	937,797
Depreciation and amortization	29,807	43,800	-	1,405	75,012
Capital expenditures	40,012	30,147	-	6,588	76,747
1997					
Net sales	411,134	418,716	-	-	829,850
Operating profit(b)	72,802	65,274	-	(17,369)	120,707
Identifiable assets	281,616	472,283	-	134,282	888,181
Depreciation and amortization	26,728	40,965	-	1,351	69,044
Capital expenditures	28,115	55,537	-	1,632	85,284
1996					
Net sales	379,675	394,688	$ 80,118	-	854,481
Operating profit(b)	68,946	41,762	3,981	(21,263)	93,426
Identifiable assets	271,357	466,196	-	108,708	846,261
Depreciation and amortization	26,905	38,950	3,917	1,272	71,044
Capital expenditures	21,877	66,483	-	2,079	90,439

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Net Sales(c) (In Thousands)	1998	1997	1996
United States	$ 470,818	$ 453,211	$ 473,118
Foreign	350,044	376,639	381,363
Total	$ 820,862	$ 829,850	$ 854,481

Long-Lived Assets as of December 31 (In Thousands)	1998	1997	1996
United States	$ 406,928	$ 399,357	$ 383,874
France	109,206	109,841	128,666
Other foreign countries	19,825	5,043	6,276
Total	$ 535,959	$ 514,241	$ 518,816

Notes:
(a) See Note 13, "Special Item."
(b) Includes the effects of foreign exchange transaction (losses) gains of $(3,023), $8,325 and $8,049 in 1998, 1997 and 1996, respectively.
(c) No foreign country exceeds 10% of total Company net sales.

NOTE 17 Acquisitions

As of the close of business on October 30, 1998, the Company, through Albemarle UK Limited, a newly created subsidiary, acquired the Teesport, United Kingdom, operations of Hodgson Specialty Chemicals division of BTP plc for approximately $15.2 million. The purchase price for this acquisition was allocated primarily to property, plant and equipment, goodwill and inventory. No pro forma financial information is provided for this acquisition for the period presented since its impact was immaterial to the Company's consolidated results of operations and financial position.

NOTE 18 Supplemental Pro Forma Condensed Consolidated Financial Information (Unaudited):

As a result of the sale of the Olefins Business, the Company believes that the following unaudited pro forma condensed consolidated statement of income is important to enable the reader to obtain a meaningful understanding of the Company's results of operations after the transaction.

The pro forma condensed consolidated statement of income for the year ended December 31, 1996 presents the results of operations of the Company assuming that the disposition of the Olefins Business had occurred as of January 1, 1996. Additionally, the accompanying pro forma information, consistent with the data presented in the Company's Form 8-K filed on March 15, 1996, does not reflect the impact of the purchase of 9,484,465 shares of common stock acquired in the Company's tender offer concluded on April 1, 1996, as if it had occurred on January 1, 1996.

The unaudited pro forma condensed consolidated statement of income is presented for informational purposes only and does not purport to be indicative of the Company's future consolidated results of operations or what the consolidated results of operations would have been had the Company operated without the Olefins Business for all of 1996.

Pro Forma Condensed Consolidated Statement of Income (Unaudited)
(In Thousands Except Per-Share Amounts)

Year Ended December 31	1996		
	Historical	Adjustments Increase (Decrease)	Pro Forma

Net sales	$ 854,481	$ (80,118)(1)	
		799 (2)	$ 775,162
Cost of goods sold	611,353	(71,623)(1)	
		420 (2)	540,150
Gross profit	243,128	(8,116)	235,012
Selling, R&D and general expenses	149,702	(5,486)(1)	144,216
Operating profit	93,426	(2,630)	90,796
Interest and financing expenses	2,529	(1,563)(3)	966
Gain on sale of business	(158,157)	158,157 (4)	--
Other (income) expenses, net	(4,025)	14 (1)	
		(60)(5)	(4,071)
Income before income taxes	253,079	(159,178)	93,901
Income taxes	97,020	(63,780)(4)	
		(393)(6)	32,847
Net income	$ 156,059	$ (95,005)	$ 61,054
Basic earnings per share	$ 2.67		$ 1.05
Shares used to compute basic earnings per share	58,353		58,353(7)
Diluted earnings per share	$ 2.65		$ 1.04
Shares used to compute diluted earnings per share	58,842		58,842(7)

See footnotes on page 42

The description of adjustments to the pro forma condensed consolidated statement of income follows:

(1) To eliminate the results of operations of the Olefins Business for the period presented as though the sale to Amoco occurred on January 1, 1996, and to reflect reductions in administrative and other costs which occurred because of personnel, employee benefits (including compensation) and other cost reductions assumed implemented following the sale of the Olefins Business to Amoco.
(2) To record service fee income and incremental sales revenue generated from providing various services and products under contracts to Amoco and to record costs and expenses for services and products provided by Amoco. The service and supply arrangements were entered into in connection with the sale of the Olefins Business to Amoco.
(3) To reflect the pro forma interest cost savings resulting from the repayment of certain domestic and Belgian debt, using the proceeds received from the sale of the Olefins Business.
(4) To eliminate the gain and the related income taxes on the March 1, 1996, sale of the Olefins Business.
(5) To record the related amortization of certain advance rents received from Amoco upon closing of the sale of the Olefins Business associated with an arrangement in the nature of an operating lease in Belgium.
(6) To record the income tax effects of adjustments set forth in adjustments (1) through (3) and (5) above, calculated at an assumed combined domestic state and federal income tax rate of

37.92%. The Company's income tax provision on the results of operations of the remaining businesses was adjusted for utilization of a portion of the Belgian net operating loss carryforwards for which a valuation allowance had previously been provided on the related deferred tax assets and for the estimated additional income taxes which would have resulted if undistributed foreign earnings had been remitted to the Company.

(7) The average number of shares used to compute basic and diluted earnings per share does not include the effects of the Company's tender offer concluded on April 1, 1996, as if it had occurred on January 1, 1996. The average number of shares used to compute basic earnings per share and diluted earnings per share for 1996 would have been 55,982,000 and 56,471,000, respectively, had the offer been assumed to have been completed on January 1, 1996.

NOTE 19 Subsequent Event (Unaudited):

In March 1999 in connection with the Company's tender for the shares of a United Kingdom chemicals company, the Company entered into commitments to acquire approximately 58,394,000 shares of the target company for an aggregate purchase consideration of approximately $123,840,000. Funding for this purchase will be provided from additional advances under the Company's existing revolving credit agreement.

Management's Report on the Consolidated Financial Statements

Albemarle Corporation's management has prepared the consolidated financial statements and related notes appearing on pages 24 through 42 in conformity with generally accepted accounting principles. In so doing, management makes informed judgments and estimates of the expected effects of events and transactions. Actual results may differ from management's judgments and estimates. Financial data appearing elsewhere in this annual report are consistent with these consolidated financial statements.

Albemarle maintains a system of internal controls to provide reasonable, but not absolute, assurance of the reliability of the financial records and the protection of assets. The internal control system is supported by written policies and procedures, careful selection and training of qualified personnel and an extensive internal audit program.

These consolidated financial statements have been audited by PricewaterhouseCoopers LLP, independent certified public accountants. Their audit was made in accordance with generally accepted auditing standards and included an evaluation of Albemarle's internal accounting controls to the extent considered necessary to determine audit procedures.

The audit committee of the Board of Directors, composed only of outside directors, meets with management, internal auditors and the independent accountants to review accounting, auditing and financial reporting matters. The independent accountants are appointed by the board on recommendation of the audit committee, subject to shareholder approval.

Report of Independent Accountants

To the Board of Directors and Shareholders of Albemarle Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Albemarle Corporation and its Subsidiaries (the "Company") at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/PricewaterhouseCoopers LLP

February 5, 1999
Richmond, Virginia

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained in the Proxy Statement to be filed under the caption "Election of Directors" concerning directors and persons nominated to become directors of the Company is incorporated herein by reference. The names and ages of all officers of the Company as of March 1, 1999 are set forth below:

Name	Age	Office
Floyd D. Gottwald, Jr.*	76	Chairman of the Board and of the Executive Committee, Chief Executive Officer and Director
Charles B. Walker*	60	Vice Chairman of the Board, Chief Financial Officer and Director
Dirk Betlem*	60	President, Chief Operating Officer and Director
E. Whitehead Elmore	60	Senior Vice President, General Counsel and Corporate Secretary
John G. Dabkowski	50	Vice President - Polymer Chemicals
Dixie E. Goins	48	Vice President - Research and Development
William M. Gottwald, M.D.	51	Vice President - Corporate Strategy and Secretary to the Executive Committee
Jack P. Harsh	46	Vice President - Human Resources
Robert G. Kirchhoefer	58	Treasurer and Chief Accounting Officer
Victor L. McDearman, Jr.	54	Vice President - Fine Chemicals
Charles E. Moore	58	Vice President - Engineering
George A. Newbill	55	Vice President - Manufacturing and Supply Chain
Gary L. Ter Haar	62	Vice President - Health and Environment
Michael D. Whitlow	47	Vice President - External Affairs and Investor Relations
Edward G. Woods	57	Vice President - Business Development

* Member of the Executive Committee

ADDITIONAL INFORMATION - OFFICERS OF THE COMPANY

The term of office of each such officer is until the meeting of the Board of Directors following the next annual shareholders' meeting (April 21, 1999). All such officers have been employed by the Company or its predecessor for at least the last five years, with the exception of William M. Gottwald, M.D. and Jack P. Harsh. William M. Gottwald joined Albemarle after being associated with the Company's predecessor since 1981, most recently as senior vice president responsible for finance, planning and information resources. Jack P. Harsh joined Albemarle effective November 16, 1998, from Union Carbide Corporation in Danbury, Conn., where he directed human resources for the solvents, intermediates and monomers business and supply-chain planning organization. He was elected vice president - human resources, effective December 1, 1998.

Item 11. EXECUTIVE COMPENSATION

The information contained in the Proxy Statement to be filed under the caption "Compensation of Executive Officers and Directors" concerning executive compensation is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the Proxy Statement to be filed under the caption "Stock Ownership" is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in the Proxy Statement to be filed under the captions "Certain Relationships and Related Transactions" and "Stock Ownership" is incorporated herein by reference.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) The following consolidated financial and informational statements of the registrant are included in Part II Item 8 on pages 24 to 43:

Consolidated Balance Sheets as of December 31, 1998 and 1997

Consolidated Statements of Income, Changes in Shareholders' Equity and Cash Flows for the years ended December 31, 1998, 1997, and 1996

Notes to the Consolidated Financial Statements

Management's Report on the Consolidated Financial Statements

Report of Independent Accountants

(a) (2) No Financial Statement Schedules are provided in accordance with Item 14 (a) (2) as the information is either not applicable, not required or has been furnished in the Consolidated Financial Statements or Notes thereto.

(a) (3) Exhibits

The following documents are filed as exhibits to this Form 10-K pursuant to Item 601 of Regulation S-K:

3.1 Amendment to Restated Articles of Incorporation of the registrant [filed as exhibit 3.1 to the Company's Form 10-K for 1994 (No. 1-12658), and incorporated herein by reference].

3.2 Amended By-laws of the registrant [filed as exhibit 28.1 to the Company's Third Quarter 1997 Form 10-Q (No. 1-12658), and incorporated herein by reference].

10.1 Credit Agreement, dated as of September 24, 1996, between the Company, NationsBank, N.A., as administrative agent and Bank of America National Trust and Savings Association (formerly Bank of America Illinois), The Bank of New York and the Chase Manhattan Bank, as co-agents and certain commercial banks [filed as Exhibit 10.1 to the Company's Third Quarter 1996 Form 10-Q (No. 1-12658) and incorporated herein by reference].

10.2 The Company's 1994 Omnibus Stock Incentive Plan, adopted on February 8, 1994 [filed as Exhibit 10.1 to the Company's Form S-1 (No. 33-77452), and incorporated herein by reference].

10.3 The Company's Bonus Plan, adopted on February 8, 1994 [filed as Exhibit 10.8 to the Company's Form 10 (No. 1-12658), and incorporated herein by reference].

10.4 Savings Plan for the Employees of the Company, adopted on February 8, 1994 [filed as Exhibit 10.9 to the Company's Form 10 (No. 1-12658), and incorporated herein by reference].

10.5 The Company's Excess Benefit Plan [filed as Exhibit 10.10 to the Company's Form 10 (No. 1-12658), and incorporated herein by reference].

10.6   The Company's Supplemental Retirement Plan [filed as Exhibit 10.11 to the Company's Form 10 (No. 1-12658), and incorporated herein by reference].

10.7   The Company's Agreement between Certain Executives [filed as Exhibit 10.12 to the Company's Form 10 (No. 1-12658), and incorporated herein by reference].

10.8   The Company's 1998 Incentive Plan, adopted April 22, 1998.

11   Statements re: Computation of Pro Forma Earnings Per Share - for year ended December 31, 1996.

11.1 Statements re: Computation of Pro Forma Earnings Per Share - for years ended December 31, 1998 and 1997.

21. Subsidiaries of the Company.

99. Five-Year Summary (see page 47).

(b) No report on Form 8-K was filed in the last quarter of the period covered by this report.

(c) Exhibits - The response to this portion of Item 14 is submitted as a separate section of this report.

Note: Part IV Item 14(1) 4 documents 10.8, 11, 11.1, 21 and Item 14(c) are not included herein. They will be filed in the Securities and Exchange Commission EDGAR filing of the Form 10-K document only.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)
By: /s/ Floyd D. Gottwald, Jr.

Floyd D. Gottwald, Jr., Chairman of the Board

Dated: March 1, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of March 1, 1999.

Signature	Title
/s/ Floyd D. Gottwald, Jr. (Floyd D. Gottwald, Jr.)	Chairman of the Board, Chairman of the Executive Committee, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Charles B. Walker (Charles B. Walker)	Vice Chairman of the Board, Chief Financial Officer and Director (Principal Financial Officer)
/s/ Robert G. Kirchhoefer (Robert G. Kirchhoefer)	Treasurer and Chief Accounting Officer (Principal Accounting Officer)
/s/ Craig R. Andersson (Craig R. Andersson)	Director
/s/ Dirk Betlem (Dirk Betlem)	President, Chief Operating Officer and Director
/s/ John D. Gottwald (John D. Gottwald)	Director
/s/ Andre' B. Lacy (Andre' B. Lacy)	Director
/s/ Seymour S. Preston III (Seymour S. Preston, III)	Director
/s/ Emmett J. Rice (Emmett J. Rice)	Director
/s/ Charles E. Stewart (Charles E. Stewart)	Director
/s/ Anne M. Whittemore (Anne M. Whittemore)	Director

EXHIBIT INDEX

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3.2	By-laws	Incorporated by reference see page 35
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10.2	Omnibus Stock Incentive Plan	Incorporated by reference see page 35
10.3	Bonus Plan	Incorporated by reference see page 35

10.4	Savings Plan	Incorporated by reference see page 35
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Exhibit 10.8

ALBEMARLE CORPORATION
1998 INCENTIVE PLAN

ALBEMARLE CORPORATION
1998 INCENTIVE PLAN

ARTICLE I

DEFINITIONS

1.01. Administrator means the Committee and any delegate of the Committee that is appointed in accordance with Article III.

1.02. Affiliate means any "subsidiary" or "parent" corporation (within the meaning of Code section 424) of the Company.

1.03. Agreement means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of an award of Restricted Stock, Performance Share award, or an Option or SAR, an Incentive Award or a combination thereof, granted to such Participant.

1.04. Board means the Board of Directors of the Company.

1.05. Change in Control has the same meaning as is given that defined term in the Albemarle Corporation Supplemental Benefits Trust.

1.06. Code means the Internal Revenue Code of 1986, and any amendments thereto.

1.07. Committee means the Executive Compensation Committee of the Board.

1.08. Common Stock means the Common Stock of the Company.

1.09. Company means Albemarle Corporation.

1.10. Control Change Date has the same meaning as is given that defined term in the Albemarle Corporation Supplemental Benefits Trust.

1.11. Corresponding SAR means an SAR that is granted in relation to a particular Option and that can be exercised only upon the surrender to the Company, unexercised, of that portion of the Option to which the SAR relates.

1.12. 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 date, or if the Common Stock was not traded on the New York Stock Exchange on such day, then on the next preceding day that the Common Stock was traded on such exchange, all as reported by such source as the Administrator may select.

1.13. Incentive Award means an award which, subject to such terms and conditions as may be prescribed by the Administrator, entitles the Participant to receive a payment in cash or Common Stock in an amount determined by the Administrator.

1.14. Initial Value means, with respect to a Corresponding SAR, the option price per share of the related Option, and with respect to an SAR granted independently of an Option, the Fair Market Value of one share of Common Stock on the date of grant.

1.15. Option means a stock option that entitles the holder to purchase from the Company a stated number of shares of Common Stock at the price set forth in an Agreement.

1.16. Participant means an employee of the Company or an Affiliate, including an employee who is a member of the Board, or an individual who provides services to the Company or an Affiliate who satisfies the requirements of Article IV and is

selected by the Administrator to receive a Restricted Stock award, Performance Share award, an Option, an SAR, an Incentive Award or a combination thereof.

1.17. Performance Shares means an award which, in accordance with and subject to an Agreement, will entitle the Participant, or his estate or beneficiary in the event of the Participant's death, to receive cash or an award of Restricted Stock or a combination thereof.

1.18. Plan means the Albemarle Corporation 1998 Incentive Plan.

1.19. Restricted Stock means Common Stock awarded to a Participant under Article IX. Shares of Common Stock shall cease to be Restricted Stock when, in accordance with the terms of the applicable Agreement, they become transferable and free of substantial risks of forfeiture.

1.20. SAR means a stock appreciation right that entitles the holder to receive, with respect to each share of Common Stock encompassed by the exercise of such SAR, the amount determined by the Administrator and specified in an Agreement. In the absence of such a determination, the holder shall be entitled to receive, with respect to each share of Common Stock encompassed by the exercise of such SAR, the excess of the Fair Market Value on the date of exercise over the Initial Value. References to "SARs" include both Corresponding SARs and SARs granted independently of Options, unless the context requires otherwise.

1.21. Ten Percent Shareholder means any individual owning more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of an Affiliate. An individual shall be considered to own any voting stock owned

(directly or indirectly) by or for his brothers, sisters, spouse, ancestors or lineal descendants and shall be considered to own proportionately any voting stock owned (directly or indirectly) by or for a corporation, partnership, estate or trust of which such individual is a shareholder, partner or beneficiary.

ARTICLE II

PURPOSES

The Plan is intended to assist the Company in recruiting and retaining individuals with ability and initiative who provide services to the Company or an Affiliate by enabling such persons to participate in its future success and to associate their interests with those of the Company and its shareholders. The Plan is intended to permit the award of Performance Shares and shares of Restricted Stock, the grant of SARs, the grant of both Options qualifying under Code section 422 ("incentive stock options") and Options not so qualifying, and the grant of Incentive Awards. No Option that is intended to be an incentive stock option shall be invalid for failure to qualify as an incentive stock option. The proceeds received by the Company from the sale of Common Stock pursuant to the Plan shall be used for general corporate purposes.

ARTICLE III

ADMINISTRATION

The Plan shall be administered by the Administrator. The Administrator shall have authority to award Performance Shares and Restricted Stock and to grant Options, SARs and Incentive Awards upon such terms (not inconsistent with the provisions of the Plan) as the Administrator may consider appropriate. Such terms may include conditions (in addition to those contained in the Plan) on the exercisability of all or any part of an Option or SAR or on the transferability or forfeitability of Restricted Stock, Performance Shares, or an Incentive Award, including by way of example and not limitation, requirements that the Participant complete a specified period of employment with the Company or an Affiliate or that the Company achieve a specified level of financial performance or financial return. Notwithstanding any such conditions, the Administrator may, in its discretion, accelerate the time at which any Option or SAR may be exercised, the time at which Restricted Stock may become transferable or nonforfeitable, or the time at which Performance Shares or Incentive Awards are earned. In addition, the Administrator shall have complete authority to interpret all provisions of the Plan; to prescribe the form of Agreements; to adopt, amend, and rescind rules and regulations pertaining to the administration of the Plan; and to make all other determinations necessary or advisable for the administration of the Plan. The express grant in the Plan of any specific power to the Administrator shall not be construed as limiting any power or authority of the Administrator. Any

decision made, or action taken, by the Administrator in connection with the administration of the Plan shall be final and conclusive. Neither the Administrator nor any member of the Committee shall be liable for any act done in good faith with respect to the Plan or any Agreement, Option, SAR, Incentive Award, award of Performance Shares, or Restricted Stock award. All expenses of administering the Plan shall be borne by the Company.

The Committee, in its discretion, may delegate to one or more officers of the Company or the Executive Committee of the Board, all or part of the Committee's authority and duties with respect to grants and awards to individuals who are not subject to the reporting and other provisions of Section 16 of the Securities Exchange Act of 1934, as in effect from time to time. The Committee may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Committee's delegate or delegates that were consistent with the terms of the Plan.

ARTICLE IV

ELIGIBILITY

4.01. General. Any employee of the Company or an Affiliate (including a corporation that becomes an Affiliate after the adoption of the Plan) or a person who provides services to the Company or an Affiliate (including a corporation that becomes an Affiliate after the adoption of the Plan) is eligible to participate in the Plan if the

Administrator, in its sole discretion, determines that such person has contributed significantly or can be expected to contribute significantly to the profits or growth of the Company or an Affiliate. Directors of the Company who are employees of the Company or an Affiliate may be selected to participate in the Plan. A person who is a member of the Committee may not be granted

Options or SARs, or awarded Restricted Stock, Performance Shares, or Incentive Awards under the Plan.

4.02. Grants. The Administrator will designate individuals to whom shares of Restricted Stock or Performance Shares are to be awarded and to whom Incentive Awards, Options and SARs are to be granted and will specify the number of shares of Common Stock subject to each award or grant. An Option may be granted with or without a related SAR. An SAR may be granted with or without a related Option. Each award of Performance Shares, each Incentive Award, each Restricted Stock award, and all grants of Options and SARs under the Plan shall be evidenced by Agreements which shall be subject to the applicable provisions of the Plan and to such other provisions as the Administrator may adopt. No Participant may be granted incentive stock options or related SARs (under all incentive stock option plans of the Company and its Affiliates) that are first exercisable in any calendar year for stock having an aggregate Fair Market Value (determined as of the date an Option is granted) that exceeds the limitation prescribed by Code section 422(d). The preceding annual limitation shall not apply with respect to Options that are not incentive stock options.

4.03. Limitation. No Participant may be granted Options and SARs that are not related to Options in any calendar year for more than 200,000 shares of Common Stock. For purposes of the preceding sentence, an Option and Corresponding SAR are treated as a single award. In addition, no Participant may, in any calendar year, be awarded, in the aggregate, Restricted Stock, Performance Shares, and/or Incentive Awards covering more than 100,000 shares of Common Stock.

ARTICLE V

STOCK SUBJECT TO PLAN

Upon the award of shares of Restricted Stock the Company may issue shares of Common Stock from its authorized but unissued Common Stock. Upon the exercise of any Option or SAR, the Company may deliver to the Participant (or the Participant's broker if the Participant so directs), shares of Common Stock from its authorized but unissued Common Stock. The maximum aggregate number of shares of Common Stock that may be issued pursuant to the exercise of Options and SARs, the award of Restricted Stock, or in settlement of Incentive Awards under the Plan is 3,000,000 shares. Subject to the limitations set forth in the preceding sentence, the maximum aggregate number of shares that may be issued pursuant to the exercise of Options is 2,000,000. The maximum aggregate number of shares of Common Stock that may be issued under the Plan shall be subject to adjustment as provided in Article XII. If an Option is terminated, in whole or in part, for any reason other than its exercise or the exercise of a Corresponding SAR, the number of shares of Common

Stock allocated to the Option or portion thereof may be reallocated to other Options, SARs, Restricted Stock awards, Incentive Awards, and awards of Performance Shares to be granted under the Plan. If an SAR is terminated, in whole or in part, for any reason other than its exercise or the exercise of a related Option, the number of shares of Common Stock allocated to the SAR or portion thereof may be reallocated to other Options, SARs, Restricted Stock awards, Incentive Awards, and awards of Performance Shares to be granted under the Plan. If an award of Restricted Stock is forfeited, in whole or in part, the number of shares of Common Stock allocated to the award of Restricted Stock or portion thereof may be reallocated to other Options, SARs, Restricted Stock awards, Incentive Awards, and awards of Performance Shares to be granted under the Plan. If an award of Performance Shares is forfeited, in whole or in part, without the issuance of an award of Restricted Stock, the number of shares of Common Stock allocated to the award of Performance Shares or portion thereof may be reallocated to other Options, SARs, Restricted Stock awards, Incentive Awards, and awards of Performance Shares to be granted under the Plan.

ARTICLE VI

OPTION PRICE

The price per share for Common Stock to be purchased on the exercise of an Option shall be determined by the Administrator on the date of grant; provided, however, that the price per share for Common Stock to be purchased on the exercise of any Option that is an incentive stock option shall not be less than the Fair Market

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Value on the date the Option is granted and provided further that the price per share shall not be less than 110% of such Fair Market Value in the case of an incentive stock option granted to a Participant who is a Ten Percent Shareholder on the date such incentive stock option is granted.

ARTICLE VII

EXERCISE OF OPTIONS AND SARS

7.01. Maximum Option or SAR Period. The maximum period in which an Option or SAR may be exercised shall be determined by the Administrator on the date of grant, except that no Option that is an incentive stock option or its Corresponding SAR shall be exercisable after the expiration of ten years from the date such Option or Corresponding SAR was granted. In the case of an incentive stock option or its Corresponding SAR that is granted to a participant who is a Ten Percent Shareholder, such Option and Corresponding SAR shall not be exercisable after the expiration of five years from the date of grant. The terms of any Option that is an incentive stock option or Corresponding SAR may provide that it is exercisable for a period less than such maximum period.

7.02. Nontransferability. Any Option or SAR granted under the Plan shall be nontransferable except by will or by the laws of descent and distribution. In the event of any such transfer, the Option and any Corresponding SAR that relates to such Option must be transferred to the same person or persons. During the lifetime of the

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Participant to whom the Option or SAR is granted, the Option or SAR may be exercised only by the Participant. No right or interest of a Participant in any Option or SAR shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

7.03. Transferable Options and SARs. Section 7.02 to the contrary notwithstanding, if the Agreement provides, an Option that is not an incentive stock option or an SAR, other than a Corresponding SAR that is related to an incentive stock option, may be transferred by a Participant to the Participant's children, grandchildren, spouse, one or more trusts for the benefit of such family members or a partnership in which such family members are the only partners, on such terms and conditions as may be permitted under Securities Exchange Commission Rule 16b-3 as in effect from time to time. The holder of an Option or SAR transferred pursuant to this section shall be bound by the same terms and conditions that governed the Option or SAR during the period that it was held by the Participant; provided, however, that such transferee may not transfer the Option or SAR except by will or the laws of descent and distribution. An Option or its Corresponding SAR may only be transferred if the awards are transferred to the same person or persons or entity or entities.

7.04. Employee Status. For purposes of determining the applicability of Code section 422 (relating to incentive stock options), or in the event that the terms of any Option or SAR provide that it may be exercised only during employment or continued service or within a specified period of time after termination of employment or

service, the Administrator may decide to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous employment or service.

7.05. Change in Control. Section 7.01 to the contrary notwithstanding, upon a Control Change Date each Option or SAR then outstanding shall be fully exercisable thereafter in accordance with the terms of the applicable Agreement.

7.06. Performance Objectives. The Committee may prescribe that an Option or SAR is exercisable only to the extent that certain performance objectives are attained. Such performance objectives may be based on one or more of the Company's, an Affiliate's or a business unit's (i) gross, operating or net earnings before or after taxes, (ii) return on equity, (iii) return on capital, (iv) return on sales, (v) return on assets or net assets, (vi) earnings per share, (vii) cash flow per share, (viii) book value per share, (ix) earnings growth, (x) sales growth, (xi) volume growth, (xii) cash flow (as defined by the Committee), (xiii) Fair Market Value, (xiv) share price or total shareholder return, (xv) market share, (xvi) economic value added, (xvii) market value added, (xviii) productivity, (xix) level of expenses, (xx) quality, (xxi) safety, (xxii) customer satisfaction, (xxiii) product development or improvement, (xxiv) peer group comparisons of any of the aforementioned objectives or (xxv) such other performance objectives, if any, as may be determined by the Committee. If the Committee, on the date of the award, prescribes that an Option or SAR shall become exercisable only upon the attainment of performance objectives stated with respect to

one or more of the foregoing criteria, the Option or SAR shall become exercisable only to the extent the Committee certifies that such objectives have been achieved.

ARTICLE VIII

METHOD OF EXERCISE

8.01. Exercise. Subject to the provisions of Articles VII and XIII, an Option or SAR may be exercised in whole at any time or in part from time to time at such times and in compliance with such requirements as the Administrator shall determine; provided, however, that a Corresponding SAR that is related to an incentive stock option may be exercised only to the extent that the related Option is exercisable and when the Fair Market Value exceeds the option price of the related Option. An Option or SAR granted under the Plan may be exercised with respect to any number of whole shares less than the full number for which the Option or SAR could be exercised. A partial exercise of an Option or SAR shall not affect the right to exercise the Option or SAR from time to time in accordance with the Plan and the applicable Agreement with respect to the remaining shares subject to the Option or related to the SAR. The exercise of either an Option or a Corresponding SAR shall result in the termination of the other to the extent of the number of shares with respect to which the Option or Corresponding SAR is exercised.

8.02. Payment. Unless otherwise provided by the Agreement, payment of the Option price shall be made in cash or a cash equivalent acceptable to the Administrator.

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Subject to rules established by the Committee, payment of all or part of the Option price may be made with shares of Common Stock of the Company. If Common Stock is used to pay all or part of the Option price, the sum of the cash and cash equivalent and the Fair Market Value of the shares (determined as of the day preceding the date of exercise) must not be less than the Option Price of shares for which the Option is being exercised.

8.03. Determination of Payment of Cash and/or Common Stock Upon Exercise of SAR. At the Administrator's discretion, the amount payable as a result of the exercise of an SAR may be settled in cash, Common Stock, or a combination of cash and Common Stock. No fractional share shall be deliverable upon the exercise of an SAR but a cash payment will be made in lieu thereof.

8.04. Shareholder Rights. No Participant shall have any rights as a stockholder with respect to shares subject to his Option or SAR until the date of exercise of such Option or SAR.

ARTICLE IX

RESTRICTED STOCK

9.01. Award. In accordance with the provisions of Article IV and subject to the limitations set forth in Article V, the Administrator will designate each individual to whom an award of Restricted Stock is to be made and will specify the number of shares of Common Stock covered by the award.

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9.02. Vesting. The Administrator, on the date of the award, must prescribe that a Participant's rights in the Restricted Stock shall be forfeitable or otherwise restricted for a period of time or until satisfaction of such conditions as are set forth in the Agreement. By way of example and not of limitation, the restrictions may postpone transferability of the shares or may provide that the shares will be forfeited if the Participant separates from the service of the Company and its Affiliates before the expiration of a stated term or if the Company, the Company and its Affiliates or the Participant fails to achieve stated objectives.

9.03. Performance Objectives. In accordance with Section 9.02, the Committee may prescribe that awards of Restricted Stock will become vested or transferable or both based on objectives stated with respect to one or more of the Company's, an Affiliate's or a business unit's (i) gross, operating or net earnings before or after taxes, (ii) return on equity, (iii) return on capital, (iv) return on sales, (v) return on assets or net assets, (vi) earnings per share, (vii) cash flow per share, (viii) book value per share, (ix) earnings growth, (x) sales growth, (xi) volume growth, (xii) cash flow (as defined by the Committee), (xiii) Fair Market Value, (xiv) share price or total shareholder return, (xv) market share, (xvi) economic value added, (xvii) market value added, (xviii) productivity, (xix) level of expenses, (xx) quality, (xxi) safety, (xxii) customer satisfaction, (xxiii) product development or improvement, (xxiv) peer group comparisons of any of the aforementioned objectives or (xxv) such other performance objectives, if any, as may be determined by the Committee. If the Committee, on the date of the award, prescribes that a Restricted Stock award shall

become nonforfeitable and transferrable only upon the attainment of performance objectives stated with respect to one or more of the foregoing criteria, the shares subject to such Restricted Stock award shall become nonforfeitable and transferrable only to the extent the Committee certifies that such objectives have been achieved.

9.04. Change in Control. Sections 9.02 and 9.03 to the contrary notwithstanding, upon a Control Change Date each Restricted Stock award then outstanding will become transferable and nonforfeitable in accordance with the terms of the applicable

Agreement.

9.05. Shareholder Rights. If, and as provided in the Agreement, prior to their forfeiture, a Participant will have all rights of a shareholder with respect to Restricted Stock, including the right to receive dividends and vote the shares; provided, however, that (i) a Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of Restricted Stock, (ii) the Company shall retain custody of the certificates evidencing shares of Restricted Stock, and (iii) the Participant will deliver to the Company a stock power or powers, endorsed in blank, with respect to each award of Restricted Stock. The limitations set forth in the preceding sentence shall not apply after the shares cease to be Restricted Stock.

ARTICLE X

INCENTIVE AWARDS

10.01. Awards. The Administrator shall designate Participants to whom Incentive Awards are made for annual incentive payments. All Incentive Awards shall be finally determined exclusively by the Administrator under the procedures established by the Administrator; provided, however, that in any calendar year no Participant may receive an Incentive Award for an amount in excess of $1.0 million.

10.02. Terms and Conditions. The Administrator, at the time an Incentive Award is made, shall specify the terms and conditions which govern the award. Such terms and conditions may include, by way of example and not of limitation, requirements that the Participant complete a specified period of employment with the Company or an Affiliate or that the Company, Affiliate, or the Participant attain stated objectives or goals as a prerequisite to payment under an Incentive Award. Such performance objectives or goals may be based on one or more of the Company's, an Affiliate's or a business unit's (i) gross, operating or net earnings before or after taxes, (ii) return on equity, (iii) return on capital, (iv) return on sales, (v) return on assets or net assets, (vi) earnings per share, (vii) cash flow per share, (viii) book value per share, (ix) earnings growth, (x) sales growth,

(xi) volume growth, (xii) cash flow (as defined by the Committee), (xiii) Fair Market Value, (xiv) share price or total shareholder return, (xv) market share, (xvi) economic value added, (xvii) market value added,

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(xviii) productivity, (xix) level of expenses, (xx) quality, (xxi) safety, (xxii) customer satisfaction, (xxiii) product development or improvement, (xxiv) peer group comparisons of any of the aforementioned objectives or (xxv) such other performance objectives, if any, as may be determined by the Committee. If the Committee, on the date of the award, prescribes that the Incentive Award shall be earned only upon the attainment of performance objectives stated with respect to one or more of the foregoing criteria, such Incentive Award shall be earned only to the extent that the Committee certifies that such objectives have been achieved. The Administrator, at the time an Incentive Award is made, shall also specify when amounts shall be payable under the Incentive Award and whether amounts shall be payable in the event of the Participant's death, disability, or retirement.

Except with respect to those Participants who are covered employees (as determined under Code section 162(m)(3)) and notwithstanding any other provision of the Plan, the Administrator, in its discretion may adjust the terms, conditions or other requirements applicable to Incentive Awards and may increase or decrease the amounts otherwise payable under an Incentive Award, to reflect unusual or extraordinary transactions or events. The Administrator may make such adjustments with respect to one or more Participants, with respect to all Participants as to Incentive Awards made during a particular year, or with respect to all outstanding Incentive Awards.

10.03. Determination of Payment of Cash and/or Common Stock In Settlement of An Incentive Award. At the Administrator's discretion, an Incentive Award may be

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settled in cash, Common Stock, or a combination of cash and Common Stock. No fractional share shall be deliverable in settlement of an Incentive Award but a cash payment will be made in lieu thereof.

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ARTICLE XI

PERFORMANCE SHARE AWARDS

11.01. Award. In accordance with the provisions of Article IV and subject to the limitations set forth in section 4.03, the Administrator will designate individuals to whom an award of Performance Shares is granted and will specify the number of shares of Common Stock covered by the award.

11.02. Earning the Award. The Administrator, on the date of the grant of an award, may prescribe that the Performance Shares, or portion thereof, will be earned, and the Participant will be entitled to receive Common Stock pursuant to a Stock Award only upon the satisfaction of certain requirements or the attainment of certain objectives. By way of example and not of limitation, the restrictions may provide that Performance Shares shall be earned only upon the Participant's completion of a specified period of employment with the Company or an Affiliate or upon the attainment of stated performance objectives or goals. Such performance objectives or goals may be based on one or more of the Company's, an Affiliate's or a business unit's (i) gross, operating or net earnings before or after taxes, (ii) return on equity, (iii) return on capital, (iv) return on sales, (v) return on assets or net assets, (vi) earnings per share, (vii) cash flow per share, (viii) book value per share, (ix) earnings growth, (x) sales growth, (xi) volume growth, (xii) cash flow (as defined by the Committee), (xiii) Fair Market Value, (xiv) share price or total shareholder return, (xv) market share, (xvi) economic value added, (xvii) market value added,

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(xviii) productivity, (xix) level of expenses, (xx) quality, (xxi) safety, (xxii) customer satisfaction, (xxiii) product development or improvement, (xxiv) peer group comparisons of any of the aforementioned objectives or (xxv) such other performance objectives, if any, as may be determined by the Committee. If the Committee, on the date of the award, prescribes that Performance Shares shall be earned only upon the attainment of performance objectives stated with respect to one or more of the foregoing criteria, such Performance Shares shall be earned only to the extent the Committee certifies that such objectives have been achieved.

11.03. Change in Control. Section 11.02 to the contrary notwithstanding, in accordance with the terms of the applicable Agreement, each Performance Share shall be earned and converted into an award of Restricted Stock as of a Control Change Date and such awards of Restricted Stock will become transferable and nonforfeitable thereafter in accordance with the terms of the applicable Agreement.

11.04. Shareholder Rights. No Participant shall, as a result of receiving an award of Performance Shares, have any rights as a shareholder until and to the extent that the award of Performance Shares is earned and an award of Restricted Stock is made. If the Agreement so provides, a Participant may receive a cash payment equal to the dividends that are payable with respect to the number of shares of Common Stock covered by the award between the date the Performance Shares are awarded and the date an award of Restricted Stock is made. A Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of a Performance Share award or the right to receive Common Stock thereunder other than by will or the laws of

descent and distribution. After an award of Performance Shares is earned and an award of Restricted Stock is made, a Participant will have all the rights of a shareholder as described in Plan section 9.05.

ARTICLE XII

ADJUSTMENT UPON CHANGE IN COMMON STOCK

The maximum number of shares as to which Restricted Stock may be awarded, as to which Options and SARs may be granted, and which may be issued in settlement of Incentive Awards or Performance Shares under the Plan shall be proportionately adjusted, and the terms of outstanding Restricted Stock awards, Performance Share awards, Incentive Awards, Options, and SARs shall be adjusted, as the Committee 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 Code section 424 applies or (b) there occurs any other event that, in the judgment of the Committee, necessitates such action. Any determination made under this Article XII by the Committee 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, outstanding awards of Restricted Stock, Performance Shares, Incentive Awards, Options or SARs.

The Committee may grant Performance Shares, shares of Restricted Stock, Incentive Awards, Options, and SARs in substitution for performance shares, stock awards, stock options, stock appreciation rights, or similar awards held by an individual who is or becomes an employee of the Company or an Affiliate in connection with a transaction described in this Article XII. Notwithstanding any provision of the Plan (other than the limitations of Article V), the terms of such substituted Performance Share awards, Restricted Stock awards, Incentive Awards and Option or SAR grants shall be as the Committee, in its discretion, determines is appropriate.

ARTICLE XIII

COMPLIANCE WITH LAW AND
APPROVAL OF REGULATORY BODIES

No Option or SAR shall be exercisable, no Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered, and no payment shall be made under the Plan except in compliance with all applicable federal and state laws and regulations (including, without limitation, withholding tax requirements), any stock listing agreement to which the Company is a party, and the rules of all domestic stock exchanges on which the Company's shares may be listed. The Company shall have the right to rely on an opinion of its counsel as to such compliance. Any share

certificate issued to evidence Common Stock for which shares of Restricted Stock are awarded or for which an Option or SAR is exercised may bear such legends and statements as the Administrator may deem advisable to assure compliance with federal and state laws and regulations. No Option or SAR shall be exercisable, no Restricted Stock shall be awarded, no Common Stock shall be issued, no certificate for shares shall be delivered, and no payment shall be made under the Plan until the Company has obtained such consent or approval as the Administrator may deem advisable from regulatory bodies having jurisdiction over such matters.

ARTICLE XIV

GENERAL PROVISIONS

14.01. Effect on Employment. Neither the adoption of the Plan, its operation, nor any documents describing or referring to the Plan (or any part thereof) shall confer upon any individual any right to continue in the employ or service of the Company or an Affiliate or in any way affect any right and power of the Company or an Affiliate to terminate the employment or service of any individual at any time with or without assigning a reason therefor.

14.02. Unfunded Plan. The Plan, insofar as it provides for grants, shall be unfunded, and the Company shall not be required to segregate any assets that may at any time be represented by grants under the Plan. Any liability of the Company to any person with respect to any grant under the Plan shall be based solely upon any

contractual obligations that may be created pursuant to the Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

14.03. Disposition of Stock. A Participant shall notify the Administrator of any sale or other disposition of Common Stock acquired pursuant to an Option that was an incentive stock option if such sale or disposition occurs (i) within two years of the grant of an Option or (ii) within one year of the issuance of the Common Stock to the Participant. Such notice shall be in writing and directed to the Secretary of the Company.

14.04. Rules of Construction. Headings are given to the articles and sections of the Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

14.05. Withholding Taxes. Each Participant shall be responsible for satisfying any income and employment tax withholding obligations attributable to participation in the Plan. Unless otherwise provided by the Agreement, any such withholding tax obligations may be satisfied in cash (including from any cash payable in settlement of an SAR, Performance Share award, or Incentive Award) or a cash equivalent acceptable to the Committee. Any withholding tax obligations may also be satisfied by surrendering shares of Common Stock to the Company, by withholding or reducing the number of shares of Common Stock otherwise issuable to the Participant upon the exercise of an Option or SAR, the vesting of an award of Restricted Stock, or by any

other method as may be approved by the Committee. If shares of Common Stock are used to pay all or part of such withholding tax obligation, the Fair Market Value of the shares surrendered, withheld or reduced shall be determined as of the day preceding the date the Option or SAR is exercised, or the Restricted Stock vests, as applicable.

14.06. Certain Reduction of Restrictive Payments. Any benefit, payment, accelerated vesting or other right under the Plan may constitute a "parachute payment" (as defined in Code section 280G(b)(2)(A), but without regard to Code section 280G(b)(2)(A)(ii)), with respect to a Participant and the Participant may incur a liability under Code section 4999. In accordance with the terms of an Agreement, the Company may reduce or adjust any such parachute payments.

ARTICLE XV

AMENDMENT

The Board may amend the Plan from time to time or terminate it; provided, however, that no amendment may become effective until shareholder approval is obtained if (i) the amendment increases the aggregate number of shares of Common Stock that may be issued under the Plan or (ii) the amendment changes the class of individuals eligible to become Participants. No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any outstanding Restricted Stock award, Performance Share award, Incentive Award or under any Option or SAR outstanding at the time such amendment is made.

ARTICLE XVI

DURATION OF PLAN

No Performance Shares or shares of Restricted Stock may be awarded and no Option, SAR, or Incentive Award may be granted or made under the Plan more than ten years after the earlier of the date that the Plan is adopted by the Board or the date that the Plan is approved by shareholders as provided in Article XVII. Awards of Restricted Stock, Performance Shares, Incentive Awards, and Options and SARs granted before that date shall remain valid in accordance with their terms.

ARTICLE XVII

EFFECTIVE DATE OF PLAN

Shares of Restricted Stock and Performance Shares may be awarded and Options, SARs, and Incentive Awards may be granted or made under the Plan upon its adoption by the Board, provided that no Restricted Stock award, Performance Share award, Incentive Award, Option or SAR will be effective unless the Plan is approved by a majority of the votes cast by the Company's shareholders, voting either in person or by proxy, at a duly held shareholders' meeting provided that the total vote cast for or against adoption of the Plan represents over 50% of the outstanding Common Stock.

Exhibit 11

Exhibit 11

ALBEMARLE CORPORATION

COMPUTATION OF PRO FORMA EARNINGS PER SHARE

for the year ended December 31, 1996

(In thousands except per share amounts)

	Pro Forma 1996
BASIC EARNINGS PER SHARE	
Numerator:	
Net income adjusted to reflect operations without the Olefins Business	$61,054
Denominator:	
Average number of shares of common stock outstanding	58,353
Basic earnings per share	$1.05
DILUTED EARNINGS PER SHARE	
Numerator:	
Net income adjusted to reflect operations without the Olefins Business	$61,054
Denominator:	
Average number of shares of common stock outstanding	58,353
Shares issuable upon the assumed exercise of outstanding stock options	489
Shares of common stock and common stock equivalents	58,842
Diluted earnings per share	$1.04

Exhibit 11.1

ALBEMARLE CORPORATION

COMPUTATION OF PRO FORMA EARNINGS PER SHARE

for the years ended December 31, 1998 and 1997

(In thousands except per share amounts)

	Pro Forma 1998	Pro Forma 1997
BASIC EARNINGS PER SHARE		
Numerator:		
Net income after effect of applying SFAS No. 123 "Accounting for Stock Based Compensation"	$83,924	$79,394
Denominator:		
Average number of shares of common stock outstanding	51,558	55,164
Basic earnings per share	$1.63	$1.44
DILUTED EARNINGS PER SHARE		
Numerator:		
Net income after effect of applying SFAS No. 123 "Accounting for Stock-Based Compensation"	$83,924	$79,394
Denominator:		
Average number of shares of common stock outstanding	51,558	55,164
Shares issuable upon the assumed exercise of outstanding stock options	623	504
Total shares	52,181	55,668
Diluted earnings per share	$1.61	$1.43

Exhibit 21

LIST OF ALBEMARLE CORPORATION SUBSIDIARIES

Albemarle Asano Corporation

Albemarle Asia Pacific Company

Albemarle Chimie S.A.

Albemarle China Corporation

Albemarle Foreign Sales Corporation

Albemarle France S.A.R.L.

Albemarle Holdings Company Limited

Albemarle International Corporation

Albemarle Marketing Company Limited

Albemarle Overseas Development Company

Albemarle PPC

Albemarle S.A.

Albemarle Services Company Limited

Albemarle TCI Limited

Albemarle U.K. Limited

Albemarle Virginia Corporation

Albemarle Virginia Limited Partnership

ANY, Inc.

Exhibit 23.1

Consent of Independent Accountants

We consent to the incorporation by reference in the registration statement on Form S-1 for Albemarle Corporation (File No. 33-77452) and in the registration statement on Form S-8 for the Savings Plan for Employees of Albemarle Corporation (File No. 33-75622) of our report dated February 5, 1999, on our audits of the consolidated financial statements of Albemarle Corporation and Subsidiaries as of December 31, 1998 and 1997, and for the years ended December 31, 1998, 1997 and 1996, which report is included on page 43 of this Annual Report on Form 10-K.

/s/PricewaterhouseCoopers LLP

Richmond, Virginia
March 9, 1999

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THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED STATEMENT OF INCOME FILED AS PART OF THE ANNUAL REPORT ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY SUCH ANNUAL REPORT ON FORM 10-K.
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Exhibit 99

Five-Year Summary

(In Thousands Except Per-Share Amounts)

Years Ended December 31	1998	1997	1996	1995	1994
Results of Operations (1)					
Net sales	$820,862	$829,850	$854,481	$1,244,222	$1,080,922
Costs and expenses	695,147	709,143	761,055	1,127,259	986,891
Operating profit	125,715	120,707	93,426	116,963	94,031
Interest and financing expenses (2)	4,487	719	2,529	13,265	14,484
Gain on sales of businesses (3)	--	--	(158,157)	(23,427)	(8,400)
Other income, net	(1,570)	(917)	(4,025)	(4,468)	(1,434)
Income before income taxes	122,798	120,905	253,079	131,593	89,381
Income taxes	38,066	40,923	97,020	53,363	38,103
Net income	$ 84,732	$ 79,982	$156,059	$ 78,230	$ 51,278
Financial Position and Other Data (1)					
Total assets	$937,797	$888,181	$846,261	$1,204,491	$1,139,190
Operations:					
Working capital	$203,594	$184,176	$111,193	$ 234,568	$ 213,038
Current ratio	2.89 to 1	2.64 to 1	1.75 to 1	2.21 to 1	2.20 to 1
Depreciation and amortization	$ 75,012	$ 69,044	$ 71,044	$ 94,131	$ 93,276
Capital expenditures	$ 76,747	$ 85,284	$ 90,439	$ 112,412	$ 70,379
Research and development expenses	$ 29,655	$ 31,446	$ 30,442	$ 29,541	$ 28,063
Gross margin as a % of net sales	31.8	31.5	28.5	22.3	22.7
Total long-term debt (2)	$192,938	$ 91,793	$ 31,863	$ 217,112	$ 256,462
Equity (4)	$451,667	$ 517,336	$505,198	$ 622,566	$ 545,009
Total long-term debt as a % of total capitalization	29.9	15.1	5.9	25.9	32.0
Common Stock (5)					
Basic earnings per share	$ 1.64	$ 1.45	$ 2.67	$ 1.18	
Shares used to compute basic earnings per share (4)	51,558	55,164	58,353	66,069	
Diluted earnings per share	$ 1.63	$ 1.44	$ 2.65	$ 1.18	
Shares used to compute diluted earnings per share (4)	52,136	55,668	58,842	66,352	
Cash dividends declared per share	$ .37	$ .32	$ .25	$ .21	$ .20
Shareholders' equity per share (4)	$ 9.61	$ 9.60	$ 9.18	$ 9.42	$ 8.25
Return on average					

shareholders' equity	17.5%	15.6%	27.7%	13.4%	8.2%

(1) Includes the actual consolidated results of operations of the Company for the years ended December 31, 1998, 1997, 1996 and 1995, and for the ten months ended December 31, 1994, as well as the historical combined results of operations and net assets of Ethyl Corporation's former specialty chemical operations, spun off as of the close of business on February 28, 1994, consisting of its olefins and derivatives, bromine chemicals and specialty chemicals (the predecessor businesses) for the two months ended February 28, 1994.
(2) Total long-term debt and interest and financing expenses for 1996 reflect the paydown of debt from the proceeds received from the March 1, 1996, sale of the alpha olefins, poly alpha olefins and synthetic alcohols businesses (Olefins Business). Total long-term debt and interest and financing expenses for 1994 include the impact of $303.4 million of debt assumed in connection with the spin-off of the Company from Ethyl.
(3) 1996 gain on the sale of the Olefins Business ($94,377 after income taxes). 1995 gain on the sale of the electronic materials business ($14,542 after income taxes). 1994 gain on the sale of the Solimide business and other related assets ($6,732 after income taxes).
(4) 1998 equity includes the effect of the purchase of 5,738,241 common shares through a tender offer finalized on September 30, 1998, and additional first, second and third quarter purchases of 772,100, 338,600 and 63,800 common shares, respectively. 1997 equity includes the effect of the fourth quarter purchase of 1,560,300 common shares. 1996 equity includes the effects of the purchase of 9,484,465 common shares through a tender offer concluded on April 1, 1996 and additional second and third quarter purchases of 275,400 and 1,481,100 common shares, respectively. 1994 equity includes a $303.4 million reduction for debt transferred in connection with the spin-off of the Company from Ethyl, as well as the effect of the sale of 6,863,416 new shares of the Company's common stock issued on May 11, 1994, in a private placement for $100 million.
(5). No annual earnings per share information is presented for the historical results of operations of the Company and the predecessor businesses while a part of Ethyl since the Company had no separate capital structure until March 1, 1994.