

FORM 10-K

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

FORM 10-K

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, 2001
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
(State or other jurisdiction of
incorporation or organization)

54-1692118
(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 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.

Number of shares of Common Stock outstanding as of December 31, 2001:
45,498,201.

Aggregate market value of voting stock held by non-affiliates of the registrant as of December 31, 2001: \$678,935,184*

* In determining this figure, an aggregate of 17,209,235 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 on the New York Stock Exchange Composite Transactions on December 31, 2001, as reported by The Wall Street Journal.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Albemarle Corporation's definitive Proxy Statement for its 2002 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") is a major producer of polymer and fine chemicals most of which are additives to or intermediates for plastics, polymers and elastomers, cleaning products, agricultural compounds, pharmaceuticals, photographic chemicals, drilling compounds, ceramics, refractories, paper processing, paints and coatings, 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 also performs custom research and development manufacturing campaigns for third parties at its cGMP pilot plant in Dayton, Ohio. Albemarle employs approximately 3,000 people.

The following discussion of the Company's businesses as of December 31, 2001, 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 8.

The Company's worldwide chemicals operations are reported as two separate and distinct operating segments, Polymer Chemicals and Fine Chemicals.

The Company produces the majority of its products in the United States, but also has production facilities in France, Germany and the United Kingdom and has aluminum alkyls produced for it by BP Amoco Chemical Company [formerly Amoco Chemical Company ("BP")] 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 Company also has an interest in certain joint venture production facilities in Japan, Peoples Republic of China and Austria.

The Polymer Chemicals' operating segment consists of a broad range of chemicals including flame retardants, catalysts and polymer additives.

Albemarle's brominated, mineral-based, phosphorus and zinc borate flame retardants are manufactured to help polymers and other materials meet fire-safety requirements in finished products which serve a variety of end use markets including electronic enclosures, wire and cable, printed circuit boards, electrical connectors and construction.

The Company's catalyst business is the world's largest supplier of aluminum alkyls which 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 production units at Pasadena, Texas, Orangeburg, South Carolina, Baton Rouge, Louisiana, Feluy, Belgium, which is leased, and a 50%-owned joint venture in Japan. 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 metallocene/single-site catalysts.

The Company also produces polymer additives, such as curatives, which are 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.

The Fine Chemicals' operating segment includes pharmaceuticals, agricultural intermediates and ultraviolet ("UV") light-curing and performance chemicals. Included in performance chemicals are elemental bromine, alkyl bromides, inorganic bromides, and a number of bromine fine chemicals. 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 performance 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; and aluminum oxides used in a wide variety of refractory, ceramic and polishing applications. These products have many varied customers. They are sold to suppliers for use in household, institutional and industrial cleaners, personal care products, automotive insulators, foundry bricks and other industrial products.

The Company's pharmaceuticals' 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 and naproxen are formulated by pharmaceutical companies who sell to customers in both the prescription and over-the-counter markets. Ibuprofen products accounted for approximately 30% and naproxen products accounted for 6% of the U.S. over-the-counter analgesic market in 2001 on a volume basis. They compete against other painkillers including aspirin and acetaminophen. The Company is one of the world's largest producers of ibuprofen. The Company produces

pharmaceutical intermediates at several plant sites. The Company's production facility in Thann, France produces more than thirty different intermediates used in the production of pharmaceutical actives and intermediates. The intermediates produced at this facility are primarily, but not exclusively, brominated products. The Company's cGMP pilot plant in Dayton, Ohio produces pharmaceutical intermediates for a wide array of potential drugs under chemical trial. This facility and the Tyrone, Pennsylvania, pilot plant, along with the Process Development Center in Baton Rouge, supply the Company's contract research and development business. This business provides research and scale-up services to innovative life science companies. These products are targeted for commercial manufacturing in one of the Company's commercial sites.

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Agrichemical 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. In 2000, the EPA initiated a program that will phase down the home use end market products over a five-year period that use Albemarle's organophosphorus agrichemical intermediates. In 2001, the Company absorbed the impact of some of these products that were voluntarily withdrawn.

The Company continues to expand its bromine production capabilities with the anticipated completion in late 2002 of a bromine unit and facilities for production of calcium bromide, sodium bromide and hydrogen bromide in Safi, Jordan with Albemarle's joint-venture partner, The Arab Potash Company Limited. The Company continued its expansion of brine field and bromine capacities at the Company's Magnolia, Arkansas, facility that it started in 1995. The result of the current phase of the program will be an approximate 36% bromine production capacity increase over 1995 year end.

UV curing business, acquired by acquisition in 2001, includes a complete line of additives (initiators, synergists, and inhibitors) supporting primarily the printing and laminates markets. This industry is rapidly growing (8%-10%) as UV cured coatings provide a more environmentally friendly coating solution than solvent based coatings.

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 additional manufacturing capabilities in Europe.

In Polymer Chemicals' product lines, most of the Company's plants operated at considerably lower capacity utilization in 2001 than during 2000; however, the aluminum alkyls plants operated at rates similar to 2000. In the Fine Chemicals' product lines, most plants operated at somewhat lower rates in 2001 than during 2000, with the exception of the ibuprofen and inorganic bromides plants, which operated near capacity.

The Company operates on a worldwide basis with (i) manufacturing plants located in France, Germany and the United Kingdom, in addition to facilities in the United States, and has interest in certain joint venture production facilities in Japan, Peoples Republic of China and Austria, (ii) offices and distribution terminals in Belgium, France, Japan and Singapore, as well as the United States and (iii) offices in Shanghai and Beijing, 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 17, "Operating Segments and Geographic Area Information" of notes to the consolidated financial statements in Item 8 on page 34.

COMPETITION

The Company operates in a highly competitive marketplace, competing against a number of other companies in most of its product lines. Some markets involve a significant number of competitors, while others involve only a few. The competitors of the Company are varied in terms of size, resources and market share. Competition generally is based on product performance and availability, 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 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 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, dimethylamine, phthalic anhydride, polystyrene, 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 supported 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 the Thann and Port-de-Bouc, France, facilities and provide additional bromine if requested for the Company's other bromine needs. In addition, the Company's affiliate, Martinswerk GmbH ("Martinswerk"), has certain contracts which require Martinswerk to purchase certain minimum annual quantities of aluminum trihydrate

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from its suppliers. This is expected to continue as the Company or its affiliates expect to continue or expand purchases of aluminum trihydrate.

MAJOR CUSTOMERS

Due to the diversity of product lines in which the Company competes, no major portion of the Company's overall sales or earnings was generated by one customer nor is the Company overly reliant on contracts with any one public, private or governmental entity, although loss of one or more major customers could have a substantial financial impact.

A number of the Company's customers manufacture products for cyclical industries such as the agricultural, pharmaceutical, 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. Due to the diversity and size of the Company's operations, there is little seasonal variation in revenues or earnings, except for certain agricultural and pharmaceutical products and certain electronics-related flame retardants.

In addition, the profitability of sales of certain of the Company's products depends on the level of industry growth and our plant capacity utilization. In zeolites, our volumes and margins were lower in 2001 versus 2000 due to a new competitor entering the U.S. market. We addressed some of the impact through cost reductions while seeking opportunities to expand into other applications utilizing these assets.

OTHER MATTERS

On May 31, 2001, the Company, through its wholly owned subsidiary Albemarle Deutschland GmbH, acquired Martinswerk GmbH, including its manufacturing facilities and headquarters in Bergheim, Germany, and Martinswerk's 50-percent stake in Magnifin Magnesiaprodukte GmbH, which has manufacturing facilities at St. Jakobs/Breitenau, Austria, for approximately \$34 million in cash plus expenses and the assumption of approximately \$55 million in current and long-term liabilities. The assets acquired and liabilities assumed have been based upon information currently available and on current assumptions as to future operations. The Company is completing the review and determination of the fair values of the other assets acquired and liabilities assumed. The purchase price allocation is expected to be finalized in the second quarter of 2002.

On July 1, 2001, the Company acquired the custom and fine chemicals businesses of ChemFirst Inc. for approximately \$79 million in cash, plus the assumption of certain current liabilities and expenses associated with the acquisition. The Asset Purchase Agreement provided for additional contingent consideration payments to ChemFirst not expected to exceed \$10 million. The assets acquired included working capital, property, plant and equipment and certain intangibles, including goodwill and technical know-how. The purchase

price allocation is expected to be finalized in the second quarter of 2002.

During the fourth quarter of 2001, the Company continued its efforts to reduce operating costs through an involuntary separation program that resulted in a special charge of \$2.1 million (\$1.3 million after income taxes or 3 cents per share on a diluted basis). The program impacted a total of 26 salaried employees throughout the Company. The Company expects to recover the costs of the reductions in force in approximately one year.

In November, 2001, the Company signed a contract with Cendian Corporation to outsource the Company's global transportation and logistics requirements.

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 and blends. Flame retardant research is targeted to satisfy increasing market needs for performance and quality in products manufactured from polystyrene, acrylonitrilebutadiene-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 and elastomers. 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 2002 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 and actives for the pharmaceutical and agricultural industries. 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 2002 and beyond. In addition to the U.S. research facilities in Baton Rouge, Louisiana, Dayton, Ohio, and Tyrone, Pennsylvania, the Company's European businesses are supported by the research and development facilities in Louvain-la-Neuve, Belgium and Bergheim, Germany.

The Company spent approximately \$21.9 million, \$26.2 million and \$34.3 million in 2001, 2000 and 1999, respectively, on research and development, which amounts qualified under the technical accounting definition of research and development. Total R&D department spending for 2001 was about \$27.2 million, including \$5.3 million related to technical services support to customers and the Company's plants, testing of existing products, quality improvement and environmental studies.

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The Company considers patents, licenses and trademarks to be of significance to its businesses. As of December 31, 2001, the Company owned 1,279 active United States and foreign patents, including 61 U.S. patents and 152 foreign patents issued in 2001. The above figures include 7 U.S. patents and 8 foreign patents that were acquired from Martinswerk and 15 U.S. patents and 2 foreign patents that were acquired from ChemFirst Inc. Some of the Company's 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 13.

FINANCIAL INFORMATION AS TO INDUSTRY SEGMENTS AND GEOGRAPHIC AREAS

The Company's operations are substantially all in the chemicals industry. Industry segments and geographic area information for the Company's operations for the three years ended December 31, 2001, is presented in Note 17, "Operating Segments and Geographical Area Information" of the notes to the consolidated financial statements in Item 8 on page 34.

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, 2001, is set forth in Note 17, "Operating Segments and Geographical Area Information" of the notes to the consolidated financial statements in Item 8 on page 34. Domestic export sales to non-affiliates may be made worldwide but are made primarily in the Asia Pacific region and Europe. Foreign unaffiliated net sales are primarily in Europe, the Middle East, Japan and the Asia Pacific region.

ITEM 2.PROPERTIES

The Company's principal executive offices are located at 330 South Fourth Street, Richmond, Virginia, 23219, and its principal operations offices are located at 451 Florida Street, Baton Rouge, Louisiana, 70801. The Company leases its executive offices and operations offices in Richmond, Virginia and Baton Rouge, Louisiana, respectively; and its regional offices in Singapore; Tokyo, Japan; and Shanghai 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, Louisiana (2 facilities, one on leased land)	Research and product development activities, and production of flame retardants, catalysts and additives
Bergheim, Germany	Production of flame retardants and specialty products based on aluminum hydroxide and aluminum oxide, and research and product development
Dayton, Ohio (Leased land)	Research, product development and small scale production of fine chemicals
Feluy, Belgium (Leased by BP in 1996 under a 99-year lease but operated for the Company)	Production of aluminum alkyls
Louvain-la-Neuve, Belgium	Regional offices and research and customer technical service activities
Magnolia, Arkansas (South Plant)	Production of flame retardants, bromine, inorganic bromides, agrichemical intermediates and tertiary amines
Magnolia, Arkansas (West Plant)	Production of flame retardants and bromine
Magnolia, Arkansas (East Plant)	Production of bromine
Ninghai County, Zhejiang Province, China (25% joint venture with Ninghai County Jinhai Chemical and Industry Company Limited)	Production of antioxidants and polymer intermediates

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LOCATION	PRINCIPAL OPERATIONS
Orangeburg, South Carolina	Production of flame retardants, aluminum alkyls and fine chemicals, including pharmaceutical intermediates, fuel additives, orthoalkylated phenols and polymer modifiers
Pasadena, Texas	Production of aluminum alkyls, alkenyl succinic anhydride, orthoalkylated anilines, zeolite A and other specialty chemicals
Port-de-Bouc, France	Production of flame retardants
Safi, Jordan (50% joint venture with Arab Potash Company)	Production of bromine and derivatives (scheduled to start up in late 2002)
St. Jakobs/Breitenau, Austria (50% joint venture with TILOS Vermögensverwaltung GmbH, Cologne, Germany and Veitsch-Radex GmbH, Vienna, Austria)	Production of specialty magnesium hydroxide products
Takaishi City, Osaka, Japan (50% joint venture with Mitsui Chemicals, Inc.)	Production of aluminum alkyls
Teesport, United Kingdom	Production of fine chemicals, including emulsifiers, corrosion inhibitors, scale inhibitors and esters
Thann, France	Production of organic and inorganic brominated pharmaceutical intermediates, photographic and agrichemical intermediates, high-purity caustic potash, potassium carbonate and chlorine
Tyrone, Pennsylvania	Production of custom fine chemicals, agricultural intermediates, performance polymer products and research and development

The Company believes that its plants, including planned expansions, will be adequate at projected sales levels for 2002. 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 CORPORATION ("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 or portions thereof were transferred to BP as part of the Olefins Business sale. In addition, Albemarle and Ethyl entered into agreements (Ethyl has extended the agreements through February 28, 2014) dated as of February 28, 1994 providing for the blending by Albemarle for Ethyl of certain products and the production of others at the Company's Orangeburg, South Carolina, plant. Also since February 28, 1994, Albemarle has leased certain property from Ethyl in Baton Rouge, Louisiana, which is used by Albemarle as its Process Development Center. Albemarle has extended this lease through February 28, 2014.

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.

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CERTAIN AGREEMENTS BETWEEN ALBEMARLE AND BP

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

PASADENA, TEXAS AGREEMENTS

After the Company's sale of the Olefins Business to BP Amoco Chemical Company ("BP") on March 1, 1996, BP owns and operates the linear alpha olefins and synthetic alcohols facilities ("BP Pasadena plant"). Albemarle owns and operates all remaining Albemarle plants ("Albemarle Pasadena plant"). As a result of the sale, Albemarle supplies to the BP Pasadena plant certain utilities and the BP Pasadena plant supplies certain utilities to the Albemarle Pasadena plant. Virtually all of the utilities, services and products supplied by the Albemarle Pasadena plant to the BP Pasadena plant and by the BP Pasadena plant to the Albemarle Pasadena plant, are supplied at the provider's cost plus a percentage fee. Most of the utilities, services and products supplied by Albemarle and BP 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 BP, and conversely BP to Albemarle, each may terminate the supply of such product to the other on 180 days notice. BP has given Albemarle notice that BP will cease operations of its synthetic alcohols facility in September 2002.

FELUY, BELGIUM AGREEMENTS

After the sale, BP's Belgian affiliate ("BP Belgium") possesses (under a 99-year lease, with certain purchase options) and operates the linear alpha olefins and poly alpha olefin facilities. In addition, BP Belgium 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 BP Belgium for use in the linear alpha olefins facility (term: 10 years--BP Belgium has the right to extend for one additional 10-year term). The services and products supplied by Albemarle to BP Belgium and by BP Belgium 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.

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

NONE.

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PART II

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

The Company's common stock is traded 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 2001 and 2000 are listed below:

Quarter	2001		2000	
	High	Low	High	Low
First	25.6875	21.2000	21.1250	14.5625
Second	23.9000	21.2000	23.6875	18.7500
Third	23.3500	16.5000	26.1250	18.5000
Fourth	24.7300	17.3600	25.6875	18.6250

There were 45,498,201 shares of common stock held by 5,775 shareholders of record as of December 31, 2001.

During 2001, the quarterly dividend rate was \$.13 per share or \$.52 per share on an annual basis.

On February 23, 2000, the Company's Board of Directors increased the quarterly dividend rate by 10%, from \$.10 per share to \$.11 per share, payable April 1, 2000. On October 25, 2000, the Board of Directors increased the quarterly dividend rate an additional 18%, from \$.11 per share to \$.13 per share, payable January 1, 2001.

Shareholders' equity per share at December 31, 2001, was \$13.04, up 7% from \$12.20 at December 31, 2000, which was up 15% from \$10.62 at December 31, 1999.

ITEM 6. SELECTED FINANCIAL DATA

The information for the five years ended December 31, 2001, is contained in the

"Five-Year Summary" included in Part IV, Item 14, Exhibit 99 on page 41.

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

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, 2001, 2000 and 1999. 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 12.

Some of the information presented in the following discussion may constitute 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 of its business and operations, there can be no assurance that actual results will not differ materially from its expectations. Factors that could cause actual results to differ from expectations include, without limitation, the timing of orders received from customers, the gain or loss of significant customers, competition from other manufacturers, changes in the demand for 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 introductions resulting in increases in capital project requests and approvals leading to additional capital spending.

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RESULTS OF OPERATIONS

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

(In Thousands)

Net Sales	2001	2000	1999
Polymer Chemicals	\$461,930	\$500,899	\$449,156
Fine Chemicals	454,969	416,650	396,769
Segment totals	\$916,899	\$917,549	\$845,925

NET SALES

Net sales for 2001 amounted to \$916.9 million, down \$0.6 million (0.1%), from \$917.5 million in 2000. Polymer Chemicals' net sales were down \$39.0 million (7.8%), primarily due to lower shipments (\$47.0 million) and pricing (\$4.2 million), which includes the unfavorable net effects of foreign exchange in flame retardants and lower shipments in catalysts and additives (\$25.3 million) offset, in part, by higher net sales of \$39.5 million, resulting from the May 31, 2001, acquisition of Martinswerk GmbH. Fine Chemicals' net sales were up \$38.3 million (9.2%), due to the Company's May 31, 2001 and July 1, 2001, acquisitions of Martinswerk GmbH and the ChemFirst custom and fine chemicals businesses (\$59.4 million) offset, in part, by lower shipments and unfavorable pricing in surface actives (zeolites) and the unfavorable net effects of foreign exchange.

Net sales for 2000 amounted to \$917.5 million, up \$71.6 million (8.5%), from \$845.9 million in 1999. Polymer Chemicals' net sales were up \$51.7 million (11.5%), primarily due to higher shipments (\$68.1 million) partially offset by lower pricing (\$15.8 million) in flame retardants. Fine Chemicals' net sales were up \$19.9 million (5.0%), primarily due to higher shipments (\$33.5 million) partially offset by lower pricing (\$13.1 million) in performance chemicals and pharmaceuticals.

OPERATING COSTS AND EXPENSES

Cost of goods sold in 2001 increased \$49.5 million (7.7%), from 2000, primarily

due to higher costs related to lower utilization of existing plant facilities and the higher costs associated with the Company's acquisitions of Martinswerk GmbH and the ChemFirst custom and fine chemicals businesses, offset, in part, by lower employee-related costs in 2001 resulting from workforce reductions which occurred during 2000 and the favorable effects of foreign exchange transaction gains of approximately \$0.5 million in 2001 versus foreign exchange transaction losses of approximately \$0.8 million in 2000, with the result that the gross profit margin decreased to 24.1% in 2001 from 29.6% in 2000. Overall, Albemarle's average 2001 raw material costs were comparable to 2000. Energy costs in 2001 were slightly higher than 2000.

Cost of goods sold in 2000 increased \$57.1 million (9.7%), from 1999, primarily due to operating costs associated with increased shipments over 1999, higher raw material and energy costs and the unfavorable effects of foreign exchange transaction losses of approximately \$0.8 million in 2000 versus foreign exchange transaction gains of approximately \$6.0 million in 1999, offset, in part, by improved plant utilization in some flame retardant businesses, and lower employee-related costs in 2000 resulting from workforce reductions which occurred during 1999, with the result that the gross profit margin decreased to 29.6% in 2000 from 30.4% in 1999. Overall, Albemarle's average 2000 raw material costs were significantly higher than 1999. Energy costs in 2000 were significantly higher than 1999 due primarily to higher natural gas pricing.

Selling, general and administrative expenses, combined with research and development expenses ("SG&A") in 2001 decreased \$8.6 million (6.6%) from 2000 primarily due to lower employee incentive award costs and the realignment of corporate research and development efforts as well as the benefits of cost reduction efforts, offset, in part, by a \$7.9 million increase in recurring selling, general and administrative expenses and research and development expenses associated with acquisitions during 2001. The 2001 decrease in SG&A compares to a decrease of \$2.7 million (2.0%) in 2000 from 1999, due primarily to lower employee-related costs in 2000 resulting from workforce reductions which occurred during 1999 and lower outside research and development contracted services in 2000, offset, in part, by higher incentive award costs accrued in 2000 attributable to the Company's improved performance in 2000 versus 1999 and by higher consulting costs. As a percentage of net sales, SG&A were 13.2% in 2001 versus 14.1% in 2000 and 15.6% in 1999.

OPERATING PROFIT

Operating profit by operating segments for the three years ended December 31, are as follows:

(In Thousands)

Operating Profit	2001	2000	1999
Polymer Chemicals	\$59,691	\$103,817	\$73,083
Fine Chemicals	61,466	70,736	60,187
Corporate and other expenses	(22,707)	(24,391)	(19,144)
Totals	\$98,450	\$150,162	\$114,126

The Company's operating profit in 2001, including a 2001 workforce reduction charge of \$2.1 million, decreased \$51.7 (34.4%) from 2000 primarily due to lower shipments, the effects of lower utilization of existing plant facilities and the negative net effects of foreign exchange in the Company's European and Asia Pacific regions versus 2000, offset, in part, by an increase in operating profit associated with the Company's acquisitions of Martinswerk GmbH and the ChemFirst custom and fine chemicals businesses. The operating profit decrease in 2001 versus 2000 was also impacted by the net effect of 2000 special items consisting of a one-time \$15.0 million noncash pension settlement gain ("pension settlement gain") and a workforce reduction charge of \$6.9 million. Excluding special items in the 2001 and 2000 periods, 2001 operating profit decreased \$41.5 million from 2000. Albemarle's average 2001 raw material costs were comparable to the 2000 period while energy costs were slightly higher than the 2000 period. SG&A decreased \$8.6 million (6.6%) from 2000 primarily due to lower employee incentive award costs and the realignment of corporate

research and development efforts as well as the benefits of cost reduction efforts, offset, in part, by a \$7.9 million increase in recurring selling, general and administrative expenses and research and development expenses associated with the acquisitions during 2001.

ALBEMARLE CORPORATION AND SUBSIDIARIES

Polymer Chemicals' operating results decreased \$44.1 million (42.5%) primarily due to lower shipments in flame retardants (\$18.7 million) and catalyst and additives (\$12.2 million), the effects of lower utilization of existing plant facilities, net of lower spending (\$10.1 million) and the unfavorable results of foreign exchange (\$7.0 million) offset, in part, by the impact of the acquisition of Martinswerk GmbH (\$4.7 million) in 2001 versus 2000. Polymer Chemicals' operating results for 2000 included allocations for a pension settlement gain of \$5.5 million and a workforce reduction charge of \$3.1 million. Excluding the special items in 2001 and 2000, Polymer Chemicals' operating results for 2001 decreased \$41.4 million (40.8%) from the corresponding period in 2000.

Fine Chemicals' operating results decreased \$9.3 million (13.1%) primarily due to lower shipments and lower pricing in surface actives (zeolites) and the unfavorable results of foreign exchange (\$1.6 million) offset, in part, by improved performance in agrichemicals and pharmaceuticals (\$11.9 million) as well as the impact of the acquisitions of Martinswerk GmbH and the ChemFirst custom and fine chemicals businesses. Fine Chemicals' operating results for 2000 included allocations of a pension settlement gain of \$5.7 million and a workforce reduction charge of \$3.1 million. Excluding the special items in 2001 and 2000, Fine Chemicals' operating results for 2001 decreased \$6.6 million (9.7%) from the corresponding period in 2000.

Corporate and other expenses in 2001, which included a charge of \$1.5 million related to the fourth quarter workforce reduction, decreased \$1.7 million (6.9%) versus 2000, primarily due to lower employee incentive award costs and the benefit of cost reduction efforts in 2001. Corporate and other expenses for 2000 included higher incentive award costs, higher consulting costs, and a \$.7 million workforce-reduction charge in 2000, offset, in part, by the allocation of \$3.8 million related to the pension settlement gain. Excluding the workforce reduction charges in both periods and the pension settlement gain in 2000, corporate and other expenses decreased \$6.5 million (23.6%) in 2001.

The Company's operating profit in 2000, including special items consisting of a one-time \$15.0 million noncash pension settlement gain and a 2000 workforce reduction charge of \$6.9 million, increased \$36.0 million (31.6%) from 1999 primarily due to higher net sales. The operating profit increase in 2000 versus 1999 was also impacted by the write off of certain excess flame retardant plant assets (\$7.7 million) in the 1999 period as well as the unfavorable effects of foreign exchange of \$6.8 million in 2000 versus 1999. Albemarle's average 2000 raw material costs were significantly higher than 1999. 2000 energy costs were also significantly higher than 1999 due primarily to higher natural gas pricing. SG&A decreased \$2.7 million (2.0%) in 2000 versus the 1999 period due primarily to lower employee related costs resulting from workforce reductions during 1999 and lower research and development core technology charges in 2000, offset, in part, by higher incentive award costs accrued in 2000 attributable to the Company's improved performance in 2000 versus 1999 and by higher consulting costs.

Polymer Chemicals' operating results, including allocations of \$5.5 million relating to the pension settlement gain and a \$3.1 million 2000 workforce-reduction charge, increased \$30.7 million (42.1%) primarily due to higher shipments and improved plant utilization in flame retardants and lower research and development core technology charges, offset, in part, by higher raw material and energy costs, lower sales prices (\$16.8 million) and the unfavorable effects of foreign exchange (\$4.5 million) in 2000 versus 1999. The improvement in Polymer Chemicals' operating profit in 2000 versus 1999 was also impacted by the write off of certain excess flame retardant plant assets (\$7.7 million) in the 1999 period.

Fine Chemicals' operating results, including allocations of \$5.7 million relating to the pension settlement gain and a \$3.1 million 2000 workforce-reduction charge, increased \$10.5 million (17.5%) primarily due to higher shipments in performance chemicals and pharmaceuticals and lower research and development core technology charges, offset, in part, by higher raw material and energy costs, lower sales prices (\$8.4 million) and the unfavorable effects of foreign exchange (\$4.2 million) in 2000 versus 1999.

Corporate and other expenses increased \$5.2 million in 2000 versus 1999, primarily due to higher incentive award costs accrued in 2000 attributable to the Company's improved performance in 2000 versus 1999, higher consulting costs, and a \$.7 million workforce-reduction charge in 2000, offset, in part, by the

allocation of \$3.8 million related to the pension settlement gain. (See Note 17, "Operating Segments and Geographic Area Information" of the notes to the consolidated financial statements in Item 8 on page 34.)

INTEREST AND FINANCING EXPENSES AND OTHER INCOME

Interest and financing expenses in 2001 decreased \$0.5 million from 2000 and decreased \$2.4 million in 2000 from 1999. 2001 interest and financing expenses were significantly impacted by an overall lower average interest rate for the year versus 2000 despite higher average debt outstanding during 2001. The higher debt in 2001 was associated with the two acquisitions during the year; whereas there was lower average debt outstanding partially offset by a higher interest rate in 2000 compared to 1999. Other income, net increased to \$4.3 million in 2001 from \$3.3 million in 2000. Other income, net, increased to \$3.3 million in 2000 from \$0.9 million in 1999 primarily due to earnings from investments (See Note 1, "Summary of Significant Accounting Policies--Investments" of the notes to the consolidated financial statements in Item 8 on page 20).

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GAIN ON SALE OF INVESTMENT

In May 1999, the Company sold all of its 58,394,049 common shares of Albright & Wilson plc ("Albright & Wilson"), a United Kingdom chemicals company, that were acquired in March 1999, as part of its friendly tender offer for Albright & Wilson, for an aggregate consideration of \$157.6 million, resulting in a gain of \$22.1 million (\$14.4 million after income taxes or 30 cents per share on a diluted basis), net of transaction expenses. The net proceeds from the sale of the common shares were primarily used to pay down debt under the Company's existing Credit Agreement.

INCOME TAXES

Income taxes in 2001 decreased \$16.7 million (36.5%) compared to 2000 due primarily to lower pre-tax income. 2000 income taxes increased \$5.8 million (14.6%) compared to 1999 due primarily to higher pre-tax income in 2000. The effective tax rate for 2001 was 29.9%, which was down from 31% in 2000 and 1999.

See Note 12, "Income Taxes" of the notes to the consolidated financial statements in Item 8 on pages 30 and 31 for details of changes in effective income tax rates.

2002 OUTLOOK

We believe that 2002 will be another challenging year for us with business starting rather slowly as world events stabilize and the global economy continues to recover from the malaise that has carried over from 2001. Many of our customers' end uses, most notably in the electronics and the polymers markets, have suffered from a slowdown in consumer demand throughout 2001 and into 2002. We expect to see market conditions remaining very difficult in the first half of this year and we hope for a pick-up in demand in the latter half of 2002. Energy and raw material costs in 2001 declined throughout the year and appear, at this time [early 2002] to have reached a bottom which could allow us favorable cost opportunities in most of our businesses this year. We have a concern that the strong dollar, especially against the weaker Japanese yen, could have a significant negative impact, especially in our flame retardants business where the Japanese market is an important one. We expect that benefits from our Martinswerk and ChemFirst custom and fine chemicals businesses acquisitions will continue as we build on the successful integration of both operations into our ongoing businesses. In addition, we expect that an agreement with Atofina Chemicals, Inc. ("Atofina") in forming an organotin intermediates joint venture, should be completed by the second quarter of 2002. Our acquisitions and joint ventures provide business diversification and leverage in our current business and technology. We remain hopeful that we will be successful with additional acquisitions or joint ventures this year.

In Polymer Chemicals, pricing in flame retardants continues to be a concern as long as we have soft demand and excess supply in the marketplace. Consequently, we expect downward price pressure to continue. In tetrabrom, one of our large volume flame retardant products, we estimate the industry is

currently operating at about 70% of existing capacity, accordingly, we have elected to delay the start up of our tetrabrom joint venture plant in Jordan that was initially planned in fourth-quarter 2002. We believe this is the prudent thing to do given the weakness in demand, however, we have all the equipment for this plant either in Jordan or on order, so we have the ability to bring this plant on line in six to nine months if market conditions dictate it's needed. We are enjoying the diversification benefits from the halogen-free flame retardant products added through our Martinswerk acquisition and our joint ventures, e.g., PolymerAdditives.com. The markets for these mineral flame retardants products are not as closely tied to electronics as is our brominated line.

In our organometallics area, specifically in new catalysts, we are optimistic that we will see growth as the polyolefin producers commercialize new generation products which will utilize our strong technical and manufacturing position in single site activators. In our base business, we are assessing the impact of a customer's decision to discontinue certain of its products that utilize aluminum alkyls.

Overall for Polymer Chemicals, we believe we have done a good job of coping with the various challenges in 2001 using effective business and cost management and in 2002, we will continue our tight control, stay focused on our strategies and keep our customers satisfied.

In Fine Chemicals, 2001 was a very good year, exceeding expectations in many areas. A portfolio approach to our fine chemicals business helped offset generally negative economic trends. Strategic implementation of our Fine Chemistry Services business (formed from the ChemFirst custom and fine chemicals businesses acquisition) began yielding results in building our new products pipeline; the number of opportunities that customers in the life sciences arena are bringing to us for evaluation and development encourages us, however, we recognize this will be a long-term process.

A number of important initiatives will continue to improve our Fine Chemicals profitability in 2002. First, we will continue to globalize our ibuprofen business and benefit from investments in quality improvement, cost reduction and plant expansion projects. Second, we are beginning the implementation of a five-fold program that we anticipate will improve the return on our naproxen business. Third, we are working to gain real market synergy in the agrichemicals market. Fourth, we are continuing to expand our bromine-based

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water treatment business into both the recreational and industrial markets (a small business today, growing at double-digit rates). The start-up of our Jordan joint venture bromine and derivatives plant at the end of this year will facilitate entry into new global bromine fine chemical markets. Preservation of low-cost bromine supply is strategically very important to our future.

We were pleased with the performance of our Fine Chemicals' business in 2001. We plan to continue in 2002 to expand our pharmaceutical and agrichemicals businesses on a global basis and are working to populate our pipeline of new products primarily from the life sciences sector. We are also continuing to work on a variety of cost reduction and profit improvement initiatives and will continue to navigate through a large array of acquisition opportunities for those deals that make sense for us financially as well as strategically.

FINANCIAL CONDITION AND LIQUIDITY

Cash and cash equivalents at December 31, 2001 were \$30.6 million, which represents an increase of \$11.3 million from \$19.3 million at year-end 2000.

Cash provided from operating activities was \$144.0 million which together with \$128.2 million of proceeds from borrowings were used to cover operating activities in 2001, including an increase in working capital of \$4.5 million (excluding foreign currency translation), and acquire Martinswerk and the custom and fine chemicals businesses of ChemFirst Inc., fund capital expenditures, repay \$54.1 million of long-term debt, pay quarterly dividends to common shareholders, fund the Company's additional investment in joint ventures, purchase 417,505 shares of the Company's common stock for \$7.6 million and increase year-end cash and cash equivalents by \$11.3 million.

Cash and cash equivalents at December 31, 2000 were \$19.3 million, which represented a decrease of \$29.3 million from \$48.6 million at year-end 1999.

Cash provided from operating activities was \$155.1 million which together with \$29.3 million of existing cash and cash equivalents and \$19.8 million of proceeds from borrowings were used to cover operating activities in 2000, including an increase in working capital of \$7.7 million (excluding foreign currency translation), repay \$79.5 million of long-term debt, fund capital expenditures, acquire the Ferro Corporation's PYRO-CHEK(R) Flame Retardant

business, pay quarterly dividends to common shareholders and purchase 574,091 shares of the Company's common stock for \$9.8 million.

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 most, if not all, of its capital expenditures.

The noncurrent portion of the Company's long-term debt amounted to \$12.4 million at December 31, 2001, compared to \$97.7 million at the end of 2000. At December 31, 2000, the Company had the ability to refinance its borrowings under uncommitted credit lines with domestic financial institutions and foreign banks with borrowings under its Competitive Advance and Revolving Credit Facility Agreement ("Credit Agreement") which matures on September 29, 2002, therefore, these amounts were classified as long-term debt. At December 31, 2001, these amounts are reflected in the accompanying financial statements on page 15 as current debt. All uncommitted credit lines will resume being reflected as long-term debt as soon as the new credit agreement is in place.

The Company's total long-term debt, including the current portion, as a percentage of total capitalization at December 31, 2001, was approximately 22.3%. In addition, the Company has commitments, in the form of guarantees, for 50% of the loan amounts outstanding (which at December 31, 2001, amounted to \$7.4 million) from time to time of its 50%-owned joint venture company, Jordan Bromine Company Limited ("JBC"). JBC entered into the loan agreements in 2000 to finance construction of certain bromine and derivatives manufacturing facilities on the Dead Sea. The Company's total loan guarantee commitment for JBC is 50% of the total loan agreements, which could amount to \$73 million if JBC makes all of its allowable draws.

The Company, at December 31, 2001, had the flexibility to borrow up to a total of \$500 million (\$125 million outstanding at December 31, 2001) under its 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 is currently meeting with financial institutions and is confident that it will enter into another long-term credit agreement before September 29, 2002, with terms comparable to its existing Credit Agreement.

The Company's foreign currency translation adjustments, net of related deferred taxes, included in accumulated other comprehensive (loss) income in the consolidated statement of changes in shareholders' equity on page 17 at December 31, 2001, increased from December 31, 2000, primarily due to the weakening of foreign currencies against the U.S. dollar.

Capital expenditures in 2001 of \$49.9 million were lower than the 2000 level of \$52.2 million. The Company's capital spending program is expected to be in the \$45-\$55 million range over the next few years, with expenditures 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 more than the current year. Future capital spending is expected to be financed primarily with cash provided from operating activities, with the balance, if necessary, provided by additional debt. The Company continues to evaluate potential acquisitions of facilities and/or businesses, particularly in areas where our know-how adds value.

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Contractual obligations for plant construction, purchases of equipment, unused lines of credit and various take or pay and throughput agreements amounted to approximately \$85,323 and \$65,592 at December 31, 2001 and 2000, respectively.

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 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. 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 were approximately \$14.4 million in 2001 versus approximately \$12.2 million in 2000 and \$13.6 million in 1999, 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, 2001, totaled approximately \$30.2 million, up \$18.7 million, from December 31, 2000, primarily due to the May 31, 2001, acquisition of Martinswerk GmbH, Bergheim, Germany, in which the Company assumed approximately \$16.7 million of additional government regulated environmental liabilities as a part of the purchase price.

There is a reasonable possibility that future remediation costs in excess of amounts already recorded could be up to \$9.7 million before income taxes. However, the Company believes that most of the amount 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 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 \$2.6 million, \$4.2 million and \$4.0 million in 2001, 2000 and 1999, respectively. For each of the next few years, capital expenditures for these types of projects are likely to be more than current year expenditures. 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.

NEW ACCOUNTING PRONOUNCEMENTS

On January 1, 2001, the Company adopted Financial Accounting Standards Board's Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Company's transition adjustment and related cumulative effect of a change in accounting principle relating to the adoption of SFAS No. 133 did not have a material effect on the financial position or results of operations in 2001. In connection with the adoption of SFAS No. 133, the Company elected not to utilize hedge accounting for then existing derivatives. Consequently, changes in the fair value of derivatives will be recognized in the Company's statement of operations.

In July 2001, the Company adopted SFAS No. 141, "Business Combinations." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and establishes specific criteria for the recognition of intangible assets separately from goodwill. The adoption of SFAS No. 141 did not have a material impact on the Company's financial statements.

Also during July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 eliminates the amortization of goodwill and instead requires a periodic review of any goodwill balance for possible impairment. SFAS No. 142 also requires that goodwill be allocated at the reporting unit level. The statement is effective for years beginning after

impairment test procedures. Assuming the statement had been implemented by the Company on January 1, 1999, net income and diluted earnings per share would have been \$69.3 million, \$102.7 million and \$89.7 million and \$1.49, \$2.20 and \$1.89, respectively for the years ended December 31, 2001, 2000 and 1999, respectively.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and related asset retirement costs. SFAS No. 143 is effective for financial statements with fiscal years beginning after June 15, 2002. This Statement is not expected to have a material impact on the Company's financial statements.

During October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 is effective for financial statements with fiscal years beginning after December 15, 2001. This Statement is not expected to have a material impact on the Company's financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 represented a net asset position of \$0.1 million at December 31, 2001. 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, 2001, with all other variables held constant. A 10% appreciation of the U.S. dollar against foreign currencies would result in an increase of \$0.1 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 \$0.2 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, 2001, 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.

CONSOLIDATED BALANCE SHEETS

(In Thousands of Dollars Except Share Data)

December 31	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,585	\$ 19,300
Accounts receivable, less allowance for doubtful accounts (2001--\$4,193; 2000--\$2,119)	175,160	174,297
Inventories:		
Finished goods	114,337	79,143
Raw materials	19,551	10,804
Stores, supplies and other	25,773	17,471
	159,661	107,418
Deferred income taxes and prepaid expenses	18,255	14,139
Total current assets	383,661	315,154
Property, plant and equipment, at cost	1,425,203	1,326,534
Less accumulated depreciation and amortization	895,531	836,460
Net property, plant and equipment	529,672	490,074
Prepaid pension assets	128,195	111,537
Other assets and deferred charges	56,199	42,583
Goodwill and other intangibles net of amortization	31,748	22,455
Total assets	\$1,129,475	\$ 981,803
Liabilities And Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 63,559	\$ 72,296
Long-term debt, current portion	157,862	299
Accrued expenses	59,978	56,932
Dividends payable	5,915	5,956
Income taxes payable	16,523	6,633
Total current liabilities	303,837	142,116
Long-term debt	12,353	97,681
Other noncurrent liabilities	120,269	83,496
Deferred income taxes	99,714	99,603
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Common stock, \$.01 par value (authorized 150,000,000 shares) issued and outstanding--45,498,201 in 2001 and 45,823,743 in 2000)	455	458
Additional paid-in capital	51,025	57,223
Accumulated other comprehensive loss	(18,453)	(14,688)
Retained earnings	560,275	515,914
Total shareholders' equity	593,302	558,907
Total liabilities and shareholders' equity	\$1,129,475	\$ 981,803

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See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousands Except Per-Share Amounts)

Years Ended December 31	2001	2000	1999
Net sales	\$916,899	\$917,549	\$845,925
Cost of goods sold	695,564	646,086	588,983
Gross profit	221,335	271,463	256,942
Special items	2,051	(8,134)	10,692
Selling, general and administrative expenses	98,915	103,234	97,836
Research and development expenses	21,919	26,201	34,288
Operating profit	98,450	150,162	114,126
Interest and financing expenses	(5,536)	(5,998)	(8,379)
Gain on sale of investment in Albright & Wilson stock, net	--	--	22,054
Other income, net	4,282	3,337	937
Income before income taxes	97,196	147,501	128,738
Income taxes	29,029	45,725	39,909
Net income	\$ 68,167	\$101,776	\$ 88,829
Basic earnings per share	\$ 1.49	\$ 2.22	\$ 1.89
Shares used to compute basic earnings per share	45,766	45,882	46,889

Diluted earnings per share	\$ 1.47	\$ 2.18	\$ 1.87
Shares used to compute diluted earnings per share	46,524	46,606	47,513
=====			
Cash dividends declared per share of common stock	\$.52	\$.46	\$.40
=====			

<FN>

See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In Thousands of Dollars Except Share Data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Share- holders' Equity
	Shares	Amounts				
Balance at January 1, 1999	47,008,283	\$ 470	\$ 78,724	\$ 7,360	\$ 365,113	\$ 451,667

Comprehensive Income:						
Net income for 1999					88,829	88,829
Foreign currency translation						
(net of deferred tax benefit of \$9,735)				(16,555)		(16,555)
Other (net of deferred taxes of \$104)				182		182
Total comprehensive income						72,456
Cash dividends declared for 1999					(18,731)	(18,731)
Exercise of stock options and SARs	48,756		646			646
Shares purchased and retired	(857,400)	(8)	(15,466)			(15,474)
Balance at December 31, 1999	46,199,639	462	63,904	(9,013)	435,211	490,564

Comprehensive income:						
Net income for 2000					101,776	101,776
Foreign currency translation						
(net of deferred tax benefit of \$3,803)				(6,680)		(6,680)
Other (net of deferred taxes of \$573)				1,005		1,005
Total comprehensive income						96,101
Cash dividends declared for 2000					(21,073)	(21,073)
Exercise of stock options and SARs	132,045	1	2,060			2,061
Shares purchased and retired	(574,091)	(5)	(9,793)			(9,798)
Issuance of restricted stock	66,150		1,052			1,052
Balance at December 31, 2000	45,823,743	458	57,223	(14,688)	515,914	558,907

Comprehensive income:						
Net income for 2001					68,167	68,167
Foreign currency translation						
(net of deferred tax benefit of \$2,019)				(3,538)		(3,538)
Other (net of deferred tax benefit of \$129)				(227)		(227)
Total comprehensive income						64,402
Cash dividends declared for 2001					(23,806)	(23,806)
Exercise of stock options and SARs	68,809	1	935			936
Shares purchased and retired	(417,505)	(4)	(7,581)			(7,585)
Issuance of restricted stock	23,154		448			448
Balance at December 31, 2001	45,498,201	\$455	\$ 51,025	\$ (18,453)	\$ 560,275	\$ 593,302

<FN>

See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of Dollars)

Years Ended December 31	2001	2000	1999
Cash and cash equivalents at beginning of year	\$ 19,300	\$ 48,621	\$ 21,180

Cash flows from operating activities:			
Net income	68,167	101,776	88,829
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	77,610	73,750	75,750
Increase in prepaid pension assets	(16,658)	(13,436)	(9,714)

Deferred income taxes	3,517	13,405	(2,887)
Noncash pension settlement gain	--	(14,990)	--
Gain on sale of investment in Albright & Wilson stock, net	--	--	(22,054)
Write off of plant facilities	--	--	7,706
Change in assets and liabilities, net of effects of the purchase of businesses:			
Decrease (increase) in accounts receivable	22,098	(22,759)	(10,775)
Decrease in inventories	2,094	3,423	12,548
(Decrease) increase in accounts payable	(20,884)	11,215	18,503
Increase in accrued expenses and income taxes	1,225	445	4,963
Other, net	6,796	2,238	1,428
-----	-----	-----	-----
Net cash provided from operating activities	143,965	155,067	164,297
-----	-----	-----	-----
Cash flows from investing activities:			
Capital expenditures	(49,903)	(52,248)	(77,569)
Acquisition of businesses, net of cash acquired	(113,245)	(35,006)	--
Investments in joint ventures and nonmarketable securities	(12,370)	(10,733)	(7,791)
Cost of securities available for sale	--	--	(135,462)
Proceeds from sale of securities available for sale	--	--	157,516
Other, net	(217)	800	(2,562)
-----	-----	-----	-----
Net cash used in investing activities	(175,735)	(97,187)	(65,868)
-----	-----	-----	-----
Cash flows from financing activities:			
Proceeds from borrowings	128,230	19,786	135,060
Repayments of long-term debt	(54,091)	(79,492)	(169,758)
Dividends paid	(23,844)	(19,752)	(18,797)
Purchases of common stock	(7,585)	(9,798)	(15,474)
Other, net	862	1,313	646
-----	-----	-----	-----
Net cash provided from (used in) financing activities	43,572	(87,943)	(68,323)
-----	-----	-----	-----
Net effect of foreign exchange on cash and cash equivalents	(517)	742	(2,665)
-----	-----	-----	-----
Increase (decrease) in cash and cash equivalents	11,285	(29,321)	27,441
-----	-----	-----	-----
Cash and cash equivalents at end of year	\$ 30,585	\$ 19,300	\$ 48,621
=====	=====	=====	=====

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

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

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The consolidated financial statements include the accounts and operations of Albemarle Corporation and all of its wholly-owned subsidiaries ("the Company" or "Albemarle"). The Company consolidates all majority-owned and controlled subsidiaries and applies the equity method of accounting for investments between 20% and 50% owned. All significant intercompany accounts and transactions are eliminated in consolidation.

ESTIMATES AND RECLASSIFICATIONS

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.

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

REVENUE RECOGNITION

Sales revenue is recognized when (1) ownership and all rewards and risks of loss have been transferred to the buyer, (2) the price is fixed and determinable and (3) collectibility is reasonably assured. Revenue from services is recognized when costs of providing services are incurred.

CASH AND CASH EQUIVALENTS

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

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.

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.

During 1999, the Company recorded asset write-downs of approximately \$7,706 in connection with its ongoing review of its Polymer Chemicals operating segment. These charges were recorded as a component of cost of goods sold in the Company's statement of operations and are described in detail as follows. During the fourth quarter of 1999, \$2,925 of deferred engineering costs, incurred in connection with the planned construction of a flame-retardant plant, were written off since it was decided not to proceed with the proposed plant. The assets were written-off as the fair value of the assets were deemed to be zero. During the third quarter of 1999, the remaining net book value of certain flame retardant production assets, totaling \$2,381, were taken out of service and written off due to the earlier than anticipated start-up of new replacement production assets. During the second quarter of 1999, the remaining net book value of certain flame retardant production assets, totaling \$2,400, were idled and written off due to changes in customer demand for the flame-retardant product and a determination that the assets had a fair value of zero.

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.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands of Dollars Except for Share Data and Per-Share Amounts)

INVESTMENTS

The Company's investments in joint ventures and nonmarketable securities amounted to \$39,944 and \$26,416 at December 31, 2001 and 2000, respectively. At December 31, 2001, the Company's equity interest in 8 joint ventures and 5 nonmarketable securities amounted to \$31,941 and \$8,003, respectively. The Company's investment in any single investee is less than \$15,000 and is accounted for under the equity method. The Company's share of the investee's (losses) earnings included in the consolidated statement of operations as a component of other income, net totaled (\$645), \$1,339 and (\$1,017) for the years ended December 31, 2001, 2000 and 1999, respectively.

Investments in marketable equity securities at December 31, 2001 and 2000, are accounted for as available-for-sale securities, with changes in fair value included in "accumulated other comprehensive (loss) income" in the shareholders' equity section of the consolidated balance sheets. The aggregate fair value of these investments totaled \$3,743 and \$4,200 at December 31, 2001 and 2000, respectively. Net unrealized (losses) gains totaled (\$227) and \$1,005 at December 31, 2001 and 2000, respectively.

These investments are included in the balance sheets under the caption "Other assets and deferred charges".

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.

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.

GOODWILL AND OTHER INTANGIBLES

Goodwill and other intangibles consist principally of goodwill, product licenses and patents. Goodwill amounted to \$26,704 and \$21,485 at December 31, 2001 and 2000, respectively, net of accumulated amortization and effects of foreign currency translation adjustments. Goodwill acquired prior to July 1, 2001 is being amortized on a straight-line basis over periods of 16 to 20 years.

Intangible assets (\$5,044 and \$970 at December 31, 2001 and 2000, 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 \$2,400, \$2,694 and \$2,091 for 2001, 2000 and 1999, respectively. As of January 1, 2002, the Company will discontinue amortizing goodwill as required by SFAS No. 142, "Goodwill and Other Intangible Assets." Assuming the statement had been implemented by the Company on January 1, 1999, net income and diluted earnings per share would have been \$69,300, \$102,700, \$89,700 and \$1.49, \$2.20 and \$1.89, respectively for the years ended December 31, 2001, 2000 and 1999, respectively.

Accumulated amortization of goodwill and other intangibles was \$21,980 and \$19,580 at the end of 2001 and 2000, 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.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands of Dollars Except for Share Data and Per-Share Amounts)

PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Annual costs of pension plans are determined actuarially based on Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("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 post-retirement health benefits for retirees on a pay-as-you-go basis.

EMPLOYEE SAVINGS PLAN

Certain Company employees participate in the Albemarle-defined contribution 401(k) employee savings plan which is generally available to all U.S. 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. The Company's contributions to the 401(k) approximated \$5,205, \$4,860 and \$5,090 in 2001, 2000 and 1999, 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 basis 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 of Ethyl Corporation's ("Ethyl") olefins and derivatives, bromine chemicals, and specialty chemicals businesses ("the predecessor businesses") into Albemarle Corporation in 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.

ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

SFAS No. 130 "Reporting Comprehensive Income," established rules for the reporting of comprehensive income. Comprehensive income is defined as net income and other comprehensive income and is displayed in the shareholders' equity section of the consolidated balance sheets.

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 gains (losses) of \$492, (\$798) and \$6,034 in 2001, 2000 and 1999, respectively. Foreign currency transaction gains and losses herein are net of the foreign exchange gains and losses from financial instruments activity below.

FINANCIAL INSTRUMENTS

The Company manages its foreign currency exposures by maintaining certain assets and liabilities in approximate balance and through the use from time to time 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, 2001, hedging US dollar payables in its Japanese subsidiary, with a notional value totaling \$1,553.

(In Thousands of Dollars Except for Share Data and Per-Share Amounts)

The Company had outstanding forward exchange contracts at December 31, 2000, hedging Belgian francs receivables with a notional value totaling \$2,691. For the years ended December 31, 2001, 2000 and 1999, the Company recognized (losses) gains of (\$43), \$447 and (\$1,001), respectively, in income before income taxes on its 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.

NEW ACCOUNTING PRONOUNCEMENTS

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Company's transition adjustment and related cumulative effect of a change in accounting principle relating to the adoption of SFAS No. 133 did not have a material effect on the financial position or results of operations in 2001. In connection with the adoption of SFAS No. 133, the Company elected not to utilize hedge accounting for then existing derivatives. Consequently, changes in the fair value of derivatives will be recognized in the Company's statement of operations.

In July 2001, the Company adopted SFAS No. 141, "Business Combinations." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and establishes specific criteria for the recognition of intangible assets separately from goodwill. The adoption of SFAS No. 141 did not have a material impact on the Company's financial statements.

Also during July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 eliminates the amortization of goodwill and instead requires a periodic review of any goodwill balance for possible impairment. SFAS No. 142 also requires that goodwill be allocated at the reporting unit level. The statement is effective for years beginning after December 15, 2001. The Company will discontinue amortization of goodwill as of January 1, 2002 for financial reporting purposes, and will comply with periodic impairment test procedures.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and related asset retirement costs. SFAS No. 143 is effective for financial statements with fiscal years beginning after June 15, 2002. This Statement is not expected to have a material impact on the Company's financial statements.

During October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 is effective for financial statements with fiscal years beginning after December 15, 2001. This Statement is not expected to have a material impact on the Company's financial statements.

NOTE 2--SUPPLEMENTAL CASH FLOW INFORMATION:

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

	2001	2000	1999
Cash paid during the year for:			
Income taxes	\$17,684	\$35,670	\$31,285
Interest and financing expenses (net of capitalization)	5,383	5,944	8,236

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

NOTE 3--Earnings Per Share:

Basic and diluted earnings per share are calculated as follows:

	2001	2000	1999

Basic earnings per share			
Numerator:			
Income available to stockholders, as reported	\$68,167	\$101,776	\$88,829

Denominator:			
Average number of shares of common stock outstanding	45,766	45,882	46,889

Basic earnings per share	\$ 1.49	\$ 2.22	\$ 1.89
=====			

Diluted earnings per share

Numerator:

Income available to stockholders, as reported	\$68,167	\$101,776	\$88,829

Denominator:

Average number of shares of common stock outstanding	45,766	45,882	46,889
Shares issuable upon exercise of stock options and other common stock equivalents	758	724	624

Total shares	46,524	46,606	47,513

Diluted earnings per share	\$ 1.47	\$ 2.18	\$ 1.87
=====			

NOTE 4--INVENTORIES:

Domestic inventories stated on the LIFO basis amounted to \$90,282 and \$64,068 at December 31, 2001 and 2000, respectively, which are below replacement cost by approximately \$24,655 and \$26,395, respectively.

NOTE 5--DEFERRED INCOME TAXES AND PREPAID EXPENSES:

Deferred income taxes and prepaid expenses consist of the following:

	2001	2000

Deferred income taxes--current	\$13,878	\$10,410
Prepaid expenses	4,377	3,729

Total	\$18,255	\$14,139
=====		

NOTE 6--PROPERTY, PLANT AND EQUIPMENT:

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

	2001	2000
Land	\$21,156	\$ 19,063
Land improvements	29,868	30,376
Buildings	90,003	87,133
Machinery and equipment	1,259,318	1,168,599
Construction in progress	24,858	21,363
Total	\$1,425,203	\$1,326,534

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 40 years.

Interest capitalized on significant capital projects in 2001, 2000 and 1999 was \$773, \$1,192 and \$1,978, respectively, while amortization of capitalized interest (which is included in depreciation expense) in 2001, 2000 and 1999 was \$1,484, \$1,495 and \$1,440, respectively.

NOTE 7--ACCRUED EXPENSES:

Accrued expenses consist of the following:

	2001	2000
Employee benefits, payroll and related taxes	\$30,454	\$31,010
Taxes other than income and payroll	7,211	7,426
Other	22,313	18,496
Total	\$59,978	\$56,932

NOTE 8--LONG-TERM DEBT:

Long-term debt consists of the following:

	2001	2000
Variable-rate bank loans	\$144,600	\$70,000
Foreign borrowings	13,584	15,916
Industrial revenue bonds	11,000	11,000
Miscellaneous	1,031	1,064
Total	170,215	97,980
Less amounts due within one year	57,862	299
Long-term debt	\$ 12,353	\$97,681

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

Maturities of long-term debt are as follows: 2002--\$157,862; 2003--\$295; 2004--\$146; 2005--\$47; 2006--\$51 and 2007 through 2021--\$11,814.

The Company has a five-year, \$500,000 unsecured Competitive Advance and Revolving Credit Facility Agreement (the "Credit Agreement") that was entered into on September 24, 1996. The maturity date of the Credit Agreement has been extended to September 29, 2002. At December 31, 2001 and 2000, \$125,000 and \$55,000 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 2001 and 2000 borrowings under the Credit Agreement was 3.82% and 6.58%, respectively, with a year-end interest rate of 2.23% and 6.86% on the balance outstanding at December 31, 2001 and 2000, respectively.

The Company has three additional agreements with domestic financial institutions which provide immediate, uncommitted credit lines, on a short-term basis, up to a maximum of \$120,000 at the individual financial institution's money market rate. At December 31, 2001 and 2000, \$19,600 and \$15,000 in borrowings under these agreements were outstanding, respectively. The average interest rate on borrowings under these agreements was 4.48% and 6.68% in 2001 and 2000, respectively, with a year-end interest rate of 2.00% and 6.88% on balances outstanding at December 31, 2001 and 2000, respectively.

One of the Company's foreign subsidiaries has an existing agreement with a foreign bank which provides immediate uncommitted credit lines, on a short-term basis, up to a maximum of approximately 2.5 billion Japanese yen (\$19,075) at the individual bank's money market rate. At December 31, 2001 and 2000, borrowings under this agreement consisted of 1.7 billion Japanese yen (\$12,971) and 1.7 billion Japanese yen (\$14,824), respectively. The average interest rate on borrowings under this agreement was 1.43% and 1.42% in 2001 and 2000, respectively with a year-end interest rate of 1.38% and 1.50% at December 31, 2001 and 2000, respectively. Certain of the Company's remaining foreign subsidiaries have three additional agreements with foreign institutions which provide immediate uncommitted credit lines, on a short term basis, up to a maximum of approximately \$20,646 at the individual institution's money market rate. These agreements have been guaranteed by the Company. At December 31, 2001 and 2000, borrowings under these agreements were \$0 and \$183, respectively. The average interest rate on borrowings under these agreements was 4.40% and 6.40% in 2001 and 2000, respectively. The year-end interest rate was 4.59% and 6.37% at December 31, 2001 and 2000, respectively. Additional foreign borrowings at December 31, 2001 and 2000, consisted of 4.6 million French francs (\$613) and 6.4 million French francs (\$909), respectively. The average interest rate on these borrowings was 0.50% at December 31, 2001 and 2000. The year-end interest rate was 0.50% at December 31, 2001 and 2000.

At December 31, 2000, the Company had the ability to refinance its borrowings under uncommitted credit lines with domestic financial institutions and foreign banks with borrowings under the Credit Agreement, therefore, these amounts were classified as long-term debt. At December 31, 2001, these amounts are reflected in the accompanying financial statements as current debt.

The Company has a Loan Agreement with Columbia County, Arkansas ("the County"), which issued \$11,000 in Tax-Exempt Solid Waste Disposal Revenue Bonds ("Tax-Exempt Bonds") for the purpose of financing various solid waste disposal facilities at the Company's Magnolia, Arkansas South Plant. At December 31, 2001 and 2000, \$11,000 in borrowings from this agreement was outstanding. The Tax-Exempt Bonds bear interest at a variable rate which approximates 65% of the federal funds rate. The average interest rate was 2.84% and 4.34% in 2001 and 2000, respectively, with a year-end interest rate of 1.75% and 5.20%. The Tax-Exempt Bonds will mature on March 1, 2021 and are collateralized by a transferable irrevocable direct-pay letter of credit. Concurrently, the Company and the County entered into a series of agreements. Pursuant to these agreements, the Company will benefit from a ten-year property tax abatement on all new capital plant expansions, modifications and/or improvements (except for the restrictions on the \$11,000 Tax-Exempt Bonds) constructed at the Company's Magnolia, Arkansas South Plant over the next two years, up to a total of \$81,000, including the solid waste disposal facilities mentioned above.

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.

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

STOCK PURCHASES

During 2001, the Company purchased, in market transactions, 417,505 common shares for \$7,585, at an average price of \$18.17 per share. The Company purchased 574,091 common shares, in market transactions, for \$9,798, at an average price of \$17.07 per share during 2000. During 1999, the Company purchased, in market transactions, 857,400 shares for \$15,474, at an average price of \$18.05 per share. The Company had authorization to purchase at December 31, 2001 an additional 4,588,200 shares of its common stock.

INCENTIVE 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 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. At December 31, 2001, 466,985 shares are available under the 1994 plan. However, it is not anticipated that any additional grants or awards will be made under the 1994 plan. Under the 1998 plan, 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. At December 31, 2001, 1,456,650 shares are available under the 1998 plan. Total compensation expense associated with the Company's incentive plans in 2001, 2000 and 1999 amounted to \$3,299, \$9,595 and \$2,970, respectively.

Stock options outstanding under the two plans have been granted at prices which are equal to the market value of the stock on the date of grant and expire 5 to 10 years after issuance. The stock options become exercisable based upon either (a) growth in operating earnings as defined from the base-year earnings, (b) 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, or (c) at the end of a fixed period as defined in the agreements.

Presented below is a summary of the activity in the 1994 and 1998 plans:

	Shares Available for Grant	Options Activity	Options Price	Weighted- Average Exercise Price
January 1, 1999	3,262,939	1,834,287	\$ 10.36--\$25.75	\$17.84
Non-qualifying stock options granted	(388,500)	388,500*	\$ 20.00--\$25.75	\$21.48
Exercised		(53,448)	\$ 12.29--\$13.13	\$12.89
Restricted stock awards	(15,500)			
December 31, 1999	2,858,939	2,169,339	\$ 10.36--\$25.75	\$18.62
Non-qualifying stock options granted	(445,500)	445,500*	\$ 15.94--\$22.31	\$17.12
Exercised		(237,368)	\$ 10.36--\$13.47	\$13.06
Non-qualifying stock options canceled and lapsed	97,000	(97,000)	\$ 13.13--\$25.75	\$23.14
Restricted stock awards	(206,000)			
Restricted stock awards canceled	69,350			
December 31, 2000	2,373,789	2,280,471	\$ 12.12--\$25.75	\$18.70
Non-qualifying stock options granted	(472,500)	472,500*	\$ 21.32--\$24.38	\$24.31
Exercised		(80,139)	\$ 12.12--\$15.94	\$13.12
Non-qualifying stock options canceled and lapsed	28,000	(28,000)	\$ 15.94--\$25.75	\$22.23
Restricted stock awards	(10,000)			
Restricted stock awards canceled	4,346			
December 31, 2001	1,923,635	2,644,832	\$ 13.13--\$25.75	\$19.84

<FN>

*The weighted average fair values of options granted during 2001, 2000 and 1999 were \$8.07, \$10.99 and \$6.01, respectively.

</FN>

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The following table summarizes information about fixed-price stock options at December 31, 2001:

Month/Year of Grants	Exercise Prices	Options Outstanding			Options Exercisable	
		Number Outstanding at 12/31/01	Weighted-Average Remaining Contractual Life	Weighted-Exercise Price	Average Number Exercisable at 12/31/01	Weighted Average Exercise Price
12 / 1992	\$13.47	16,407	1.0 years	\$13.47	16,407	\$13.47
3 / 1994	13.13	554,425	2.2 years	13.13	554,425	13.13
8 / 1996	17.38	293,000	4.7 years	17.38	234,400	17.38
3 / 1998	25.25	50,000	6.3 years	25.25	10,000	25.25
4 / 1998	25.75	419,000 (a)	6.3 years	25.75	--	25.75
11 / 1998	25.75	40,000 (a)	6.8 years	25.75	--	25.75
3 / 1999	25.75	100,000 (a)	7.2 years	25.75	--	25.75
6 / 1999	20.00	267,000 (a)	7.5 years	20.00	133,500	20.00
1 / 2000	19.19	50,000 (a)	8.0 years	19.19	25,000	19.19
2 / 2000	15.94	327,500	5.2 years	15.94	163,750	15.94
4 / 2000	20.31	5,000	3.3 years	20.31	5,000	20.31
7 / 2000	22.31	50,000 (a)	8.5 years	22.31	--	22.31
1 / 2001	24.38	392,500	9.1 years	24.38	--	24.38
5 / 2001	24.38	50,000	9.3 years	24.38	--	24.38
7 / 2001	24.38	15,000	9.5 years	24.38	--	24.38
8 / 2001	21.32	10,000	9.7 years	21.32	--	21.32
12 / 2001	24.00	5,000	10.0 years	24.00	--	24.00
		2,644,832			1,142,482	

(a) During 2001, the lives of these options were extended from seven years to ten years.

Contingent restricted stock awards were granted to certain employees of the Company in 2001, 2000 and 1999. Issuance of restricted stock is determined based on certain performance criteria over periods which could result in as many as twice the number of shares being issued as restricted stock, or none could be issued if the performance criteria are not met. Upon issuance, the restricted stock vests over a period of three years.

The following table summarizes the contingent restricted stock awards outstanding in 1999, 2000 and 2001:

	Contingent Restricted Shares
Awards outstanding--January 1, 1999	250,000
Awards granted	13,500
Awards outstanding--December 31, 1999	263,500
Restricted stock issued to retirees	(4,860)
Restricted stock issued to employees	(61,290)
Awards canceled	(69,350)
Awards granted	146,000
Awards outstanding--December 31, 2000	274,000
Restricted stock issued to retirees	(3,154)
Awards canceled	(4,346)
Awards granted	10,000
Awards outstanding--December 31, 2001	276,500

In addition, restricted stock for 62,000 shares were granted in 2000 and 1999 which vest over a fixed period as defined in the agreements. During 2001, 20,000 shares were vested and issued.

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In January 2002, the Company's Executive Compensation Committee approved the conversion of certain performance based restricted stock awards to performance unit awards, reducing the potential number of shares to be issued upon meeting the original performance criteria. If the original performance criteria is met, 50 percent of the value of the incentive award is payable in restricted cash and 50 percent of the value of the incentive award is payable in shares of Albemarle common stock, based on the closing market price of Albemarle common stock on the date of vesting. Both the restricted cash award and the restricted stock vest over a three year period.

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 2001, 2000 and 1999 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:

		2001	2000
Net income	as reported	\$ 68,167	\$ 101,776
	pro forma	\$ 66,524	\$ 100,437
Basic earnings per share	as reported	\$ 1.49	\$ 2.22
	pro forma	\$ 1.45	\$ 2.19
Diluted earnings per share	as reported	\$ 1.47	\$ 2.18
	pro forma	\$ 1.43	\$ 2.16

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 2001, 2000 and 1999, respectively: dividend yield 3.02%, 2.43% and 2.68%; expected volatility of 31.71%, 32.90% and 31.44%; risk-free interest rate of 5.51%, 5.14% and 6.56%; and expected lives of seven years.

NOTE 10--COMMITMENTS AND CONTINGENCIES:

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Contractual obligations for plant construction, purchases of equipment, unused lines of credit and various take or pay and throughput agreements amounted to approximately \$85,323 and \$65,592 at December 31, 2001 and 2000, respectively.

In addition, the Company has commitments, in the form of guarantees, for 50% of the loan amounts outstanding (which at December 31, 2001, amounted to \$7,400) from time to time of its 50%-owned joint venture company, Jordan Bromine Company Limited ("JBC"). JBC entered into the loan agreements in 2000 to finance construction of certain bromine and derivatives manufacturing facilities on the Dead Sea. The Company's total loan guarantee commitment for JBC is 50% of the total loan agreements, which could amount to \$73,000 if JBC makes all of its allowable draws.

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, Baton Rouge, Louisiana 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, South Carolina plant. The Company's billings to Ethyl in 2001, 2000 and 1999 in connection with these agreements amounted to \$23,776, \$28,409 and \$29,556, 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 \$7,882 in 2001, \$6,824 in 2000 and \$6,339 in 1999.

The Company and BP Amoco Chemical Company [formerly Amoco Chemical Company ("BP")] 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 BP, and BP provides operating and support services, certain utilities and products to Albemarle, at their respective facilities in Pasadena, Texas and Feluy, Belgium. The Company's billings to BP in 2001, 2000 and 1999, in connection with these agreements, amounted to \$53,488, \$47,343 and \$39,270, respectively. BP's billings to the Company in 2001, 2000 and 1999, in connection with these agreements, amounted to \$16,330, \$15,382 and \$14,735, respectively.

ENVIRONMENTAL

The Company has recorded liabilities of \$30,245, at December 31, 2001, up

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\$18,713, from \$11,532 at December 31, 2000, primarily due to the Company's May 31, 2001, acquisition of Martinswerk GmbH, Bergheim, Germany in which the Company assumed approximately \$16,650 of additional government regulated environmental liabilities, which will be paid out over the next 13 years, as a part of the purchase price. The amounts recorded represent management's best estimate of the Company's undiscounted 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 \$9,700 before income taxes. However, the Company believes that the amount 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 results of operations, but could have a material adverse impact in a particular quarterly reporting period.

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, 2001 are \$6,303 for 2002, \$4,198 for 2003, \$1,163 for 2004, \$384 for 2005, \$242 for 2006 and amounts payable after 2006 are \$330. Rental expense was approximately \$13,540 for 2001, \$13,280 for 2000, and \$13,840 for 1999.

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.

NOTE 11--PENSION PLANS AND OTHER POSTRETIREMENT

BENEFITS:

The Company has 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 net prepaid (accrued) benefit cost related to pensions is included in "Prepaid pension assets" and "Other noncurrent liabilities" in the consolidated balance sheets.

The Company provides postretirement medical benefits and life insurance for certain groups of U.S. 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.

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

	Pension Benefits		Other Postretirement Benefits	
	2001	2000	2001	2000

Change in benefit obligations				

Benefit obligation at January 1	\$304,864	\$338,114	\$59,766	\$55,909
Service cost	8,579	8,737	2,067	1,887
Interest cost	22,792	21,064	4,514	4,142
Plan amendments	307	877	--	--
Assumption changes	10,121	(9,891)	9,661	(2,335)
Actuarial loss	2,328	1,767	2,398	2,803
Benefits paid	(15,332)	(13,464)	(3,344)	(2,640)
Acquisition of Martinswerk GmbH	14,412	--	--	--
Plan curtailments, termination benefits and termination of insurer contracts	--	(41,784)	--	--
Foreign exchange loss (gain)	187	(556)	--	--

Benefit obligation at December 31	\$348,258	\$304,864	\$75,062	\$59,766
=====				
Change in plan assets				

Fair value of plan assets at January 1	\$467,945	\$540,450	\$ 6,363	\$ 7,197
Actual return on plan assets	(61,116)	(9,773)	1,892	(834)
Employer contributions	1,495	1,290	2,364	2,640
Benefits paid	(15,332)	(13,464)	(3,344)	(2,640)
Transfer to insurer due to termination of contracts	--	(50,399)	--	--
Transfer to 401(h) account	(970)	--	--	--
Foreign exchange loss	(69)	(159)	--	--
Employee contributions	66	--	--	--

Fair value of plan assets at December 31	\$392,019	\$467,945	\$ 7,275	\$ 6,363
=====				
Funded status of plans				

Over (under) funded status	\$43,760	\$163,080	\$(67,787)	\$(53,403)
Unrecognized net loss (gain)	58,262	(62,306)	1,553	(9,331)
Unrecognized prior service cost	6,198	7,696	597	696
Unrecognized net transition asset	(615)	(2,684)	--	--

Net prepaid (accrued) benefit cost at December 31	\$107,605	\$105,786	\$(65,637)	\$(62,038)
=====				
Assumption percentages as of December 31				

Discount rate	7.25%	7.50%	7.25%	7.50%
Expected return on plan assets	9.50%	9.50%	7.00%	7.00%
Rate of compensation increase	4.50%	4.50%	4.50%	4.50%
=====				

The components of pension and postretirement benefits (income) expense are as follows:

	Pension Benefits			Other Postretirement Benefit		
	2001	2000	1999	2001	2000	1999
Service cost	\$ 8,579	\$ 8,737	\$ 9,676	\$2,067	\$1,887	\$2,152
Interest cost	22,792	21,064	22,425	4,514	4,142	3,738
Expected return on assets	(44,708)	(40,998)	(40,100)	(414)	(476)	(439)
Plan curtailments, termination benefits and termination of insurer contracts	--	(14,836)	713	--	--	--
Amortization of prior service cost	1,780	1,759	1,553	99	99	99
Amortization of (gain) loss	(2,322)	(1,188)	102	(303)	(415)	(271)
Amortization of transition asset	(2,070)	(2,070)	(2,351)	--	--	--
Employee contributions	(77)	--	--	--	--	--
Benefits (income) expense	\$ (16,026)	\$ (27,532)	\$ (7,982)	\$5,963	\$5,237	\$5,279

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The Company has a Supplemental Retirement Plan ("SERP"), which provides unfunded supplemental retirement benefits to certain management or highly compensated employees of the Company. The SERP provides for incremental pension payments partially to offset the reduction in amounts that would have been payable from the Company's principal pension plan if it were not for limitations imposed by federal income tax regulations. Expense relating to the SERP of \$1,528, \$1,618 and \$934 was recorded for the years ended December 31, 2001, 2000 and 1999, respectively. The accumulated benefit obligation recognized in the Company's consolidated balance sheet at December 31, 2001 and 2000 was \$5,736 and \$5,773, respectively. The benefit expenses and obligations of this SERP are included in the tables on the preceding page.

In 2000, the Company recognized a one-time noncash pension settlement gain related to a change in election in certain pension annuity contracts of \$14,990. In 2000 and 1999, the Company recognized curtailment losses and special termination benefits charges related to pension plans of \$154 and \$713, respectively. The 2000 and 1999 curtailment losses and special termination benefits charges are both included in special charges (See Note 13, "Special Items") reflecting the voluntary separation offers accepted by 76 and 122 employees throughout the Company in 2000 and 1999, respectively.

The assumed health care cost trend rate for the indemnity plans was 7% per year in 2001 and 2000 for both pre 65 and post 65 coverage. The trend rate for the managed care plans for pre 65 coverage was 6% per year in 2001 and 2000. For 2002, the trend rate for pre 65 coverage is 11% per year, dropping by 1% per year to an ultimate rate of 6%; the trend rate for post 65 coverage is 13% per year, dropping by 1% per year to an ultimate rate of 6%.

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, 2001 would have the following effects:

	One-Percentage- Point Increase	One-Percentage- Point Decrease
Effect on total of service and interest cost components	\$ 1,200	\$ (900)
Effect on postretirement benefit obligation	\$11,000	\$ (9,200)

OTHER POST EMPLOYMENT BENEFITS

The Company also provides certain post employment benefits to former or inactive employees who are not retirees. The Company funds post employment 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 Post employment Benefits." The accrued post employment benefit liability was \$1,216 and \$1,403 at December 31, 2001 and

2000, respectively.

NOTE 12--INCOME TAXES:

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

	Years Ended December 31		
	2001	2000	1999
Income before Income taxes:			
Domestic	\$90,528	\$137,616	\$ 98,395
Foreign	6,668	9,885	30,343 (a)
Total	\$97,196	\$147,501	\$128,738
Current income taxes:			
Federal	\$19,481	\$ 25,908	\$ 27,336
State	1,039	1,454	1,351
Foreign	4,992	4,958	14,109
Total	\$25,512	\$ 32,320	\$ 42,796
Deferred income taxes (benefits):			
Federal	\$ 5,965	\$ 14,798	\$ 2,542
State	597	1,048	(4,406)
Foreign	(3,045) (b)	(2,441)	(1,023)
Total	\$ 3,517	\$ 13,405	\$ (2,887)
Total income taxes	\$29,029	\$ 45,725	\$ 39,909

<FN>

- (a) Includes the gain on sale of investment in Albright & Wilson stock, net totaling \$22,054 (\$14,381 net of income tax).
- (b) In 2001, the Company released a valuation allowance amounting to \$2,551 that was required on a deferred tax asset related to the Company's facilities in Louvain-la-Neuve, Belgium, which was established in 1996 when the Company's Olefins Business was sold.

</FN>

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

	% of Income Before Income Taxes		
	2001	2000	1999
Federal statutory rate	35.0%	35.0%	35.0%
Foreign sales corporation benefit	(1.9)	(2.2)	(2.4)
State taxes, net of federal tax benefit	1.1	1.1	0.9
Depletion	(1.8)	(1.0)	(1.0)
Valuation allowance	(2.6)	--	--
Other items, net	0.1	(1.9)	(1.5)
Effective income tax rate	29.9%	31.0%	31.0%

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The deferred income tax assets and deferred income tax liabilities recorded on the consolidated balance sheets as of December 31, 2001 and 2000, consist of the following:

	2001	2000

Deferred tax assets:		
Postretirement benefits other than pensions	\$ 23,884	\$ 22,612
Foreign currency translation adjustments	11,105	9,086
Accrued employee benefits	6,553	6,464
Inventories	9,073	6,742
Environmental accruals	4,309	3,642
Accrued liabilities	1,732	1,479
Subsidiaries' net operating loss carryforwards	904	956
Other	3,543	2,333

Deferred tax assets	61,103	53,314

Deferred tax liabilities:		
Depreciation	93,806	93,653
Pensions	44,012	38,383
Gain on Belgian intercompany loan	6,321	7,321
Capitalization of interest	2,403	2,350
Other	397	800

Deferred tax liabilities	146,939	142,507

Net deferred tax liabilities	\$ 85,836	\$ 89,193
=====		
Reconciliation to consolidated balance sheets:		
Current deferred tax assets	\$ 13,878	\$ 10,410
Deferred tax liabilities	99,714	99,603

Net deferred tax liabilities	\$ 85,836	\$ 89,193
=====		

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NOTE 13--SPECIAL ITEMS:

During the fourth quarter of 2001, the Company continued its efforts to reduce operating costs through an involuntary separation program that resulted in a special charge of \$2,051 (\$1,306 after income taxes or 3 cents per share on a diluted basis). The program impacted a total of 26 salaried employees throughout the Company. No amounts were paid during 2001.

In April 2000, the Company made a change in election in certain of its pension annuity contracts. This election resulted in the recognition of a one-time noncash pension settlement gain of \$14,990 (\$9,549 after income taxes or 20 cents per share on a diluted basis). The pension settlement gain did not affect any retiree benefits or benefit programs of the Company.

In December 2000, the Company incurred a special charge of \$6,856 (\$4,367 after income taxes or 9 cents per share on a diluted basis) that resulted from workforce reduction programs at certain of the Company's facilities. The program impacted a total of 76 salaried and wage roll employees. Essentially all of the workforce accrual established in the fourth quarter of 2000 was paid out in 2001.

In May 1999, the Company sold all of its 58,394,049 common shares of Albright & Wilson plc ("Albright & Wilson"), a United Kingdom chemicals company, that were acquired in March 1999, as part of its friendly tender offer for Albright & Wilson, for an aggregate consideration of \$157,516, resulting in a gain of \$22,054 (\$14,381 after income taxes or 30 cents per share on a diluted basis), net of transaction expenses. The net proceeds from the sale of the common shares were primarily used to pay down debt under the Company's existing Credit Agreement.

During 1999, the Company incurred special charges of \$10,692 (\$6,717 after income taxes or 14 cents per share on a diluted basis) that resulted primarily from voluntary separation offers made to various employees throughout the Company. The program impacted a total of 122 salaried and wage roll employees. The workforce accruals were primarily paid out in 1999.

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, 2001 and 2000, 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 asset position of \$99 at December 31, 2001. At December 31, 2000, the fair value of the forward contracts represented a net liability position of \$62.

NOTE 15--ACQUISITIONS:

On May 31, 2001, the Company, through its wholly-owned subsidiary Albemarle Deutschland GmbH, acquired Martinswerk GmbH for approximately \$34,000 in cash plus expenses and the assumption of approximately \$55,000 in current and long-term liabilities. The assets acquired included Martinswerk's manufacturing facilities and headquarters in Bergheim, Germany and its 50-percent stake in Magnifin Magnesiaprodukte GmbH, which has manufacturing facilities at St. Jakobs/Breitenau, Austria. The acquisition was financed through the Company's existing Credit Agreement. The acquisition is being accounted for by the purchase method of accounting, and accordingly, the operating results have been included in the Company's consolidated results of operations from the date of acquisition. See Footnote 16, "Pro Forma Financial Information--Unaudited." The purchase price allocation valuation has been included in the December 31, 2001, financial statements based upon the use of certain estimates. The Company has made a decision to reduce staffing levels but is still evaluating the business operations and personnel requirements; therefore, the purchase price allocation remains open until further information related to this decision is obtained. Martinswerk produces mineral-based flame retardants for the plastics and rubber markets, brightening pigments for high-quality paper applications and specialty aluminum oxides for polishing, catalyst and niche ceramic applications. Magnifin produces high-purity magnesium hydroxide flame retardant products used in applications requiring higher processing temperatures.

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On July 1, 2001, the Company acquired the custom and fine chemicals businesses of ChemFirst Inc. for approximately \$79,000 in cash plus expenses and the assumption of certain current liabilities. The acquisition was financed through the Company's existing Credit Agreement. The Asset Purchase Agreement provides for additional contingent payments to ChemFirst Inc. which are dependant upon the contribution margin of certain products and are not expected to exceed \$10,000. Additional payments, if any, will be recorded as goodwill. The acquisition is being accounted for by the purchase method of accounting, and accordingly, the operating results have been included in the Company's consolidated results of operations from the date of acquisition. See Footnote 16, "Pro Forma Financial Information--Unaudited." The purchase price allocation valuation, excluding the effects of additional contingent consideration, has been included in the December 31, 2001, financial statements based upon the use of certain estimates. The assets acquired included working capital, property, plant and equipment and certain intangibles, including goodwill and technical know how. The purchase price allocation valuation is still open at December 31, 2001, pending the Company's finalization of certain inventory related matters. Albemarle's new businesses focus on the manufacture of custom and proprietary fine chemicals and chemical services for the pharmaceutical and life sciences industries. They also include additives for ultraviolet light-cured polymer coatings, which should broaden the portfolio of Albemarle's polymer chemicals business. Included is a multi-functional manufacturing plant in Tyrone, Pennsylvania, and a cGMP (current Good Manufacturing Practices) pilot plant in

Dayton, Ohio.

A summary of the assets acquired and liabilities assumed is presented as follows, prior to the finalization of the purchase price allocations, for Martinswerk GmbH and Martinswerk's 50-percent stake in Magnifin Magnesiaprodukte GmbH, and the custom and fine chemicals businesses of ChemFirst Inc., which were acquired on May 31, 2001, and July 1, 2001, respectively.

Current assets	\$	82,623
Property, plant & equipment		67,269
Goodwill and intangibles		9,691
Other assets		9,560
Current liabilities		24,971
Noncurrent environmental accruals		16,224
Other noncurrent liabilities		14,703
Net cash paid	\$	113,245

On June 29, 2000, the Company acquired from Ferro Corporation the PYRO-CHEK(R) Flame Retardant business ("Ferro"), along with a plant at Port-de-Bouc, France, for a purchase price of approximately \$35,000. The purchase price was allocated between property, plant, and equipment, inventory, identifiable intangibles with the remaining balance to goodwill.

No pro forma financial information was provided for the Ferro acquisition for the periods presented since their impact was immaterial to the Company's consolidated results of operations and financial position.

NOTE 16--PRO FORMA FINANCIAL INFORMATION--UNAUDITED

The pro forma information presented below for Martinswerk GmbH and Martinswerk's 50-percent stake in Magnifin Magnesiaprodukte GmbH, and the custom and fine chemicals businesses of ChemFirst Inc., which were acquired on May 31, 2001, and July 1, 2001, respectively, includes adjustments for interest expense, depreciation, amortization of intangibles as well as various other income statement accounts in order to properly present results of operations for the Company as if the acquisitions were made on January 1, 2000.

For the Years Ended
December 31

	2001	2000
Net sales	\$ 987,398	\$ 1,093,567
Net income	70,527	107,789
Diluted earnings per share	1.52	2.31

ALBEMARLE CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands of Dollars Except for Share Data and Per-Share Amounts)

NOTE 17--OPERATING SEGMENTS AND GEOGRAPHIC AREA INFORMATION:

The Company is a global manufacturer of specialty polymer and fine chemicals, grouped into two operating segments: Polymer Chemicals and Fine Chemicals. The operating segments were determined based on management responsibility. The Polymer Chemicals' operating segment is comprised of flame retardants, catalysts, and polymer additives and intermediates. The Fine Chemicals' operating segment is comprised of agrichemicals, pharmaceuticals and performance

chemicals.

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 investment in Albright & Wilson stock 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	Polymer Chemicals	Fine Chemicals	Corporate & Other	Total
2001				
Net Sales	\$ 461,930	\$ 454,969	--	\$ 916,899
Operating profit(a)	59,691	61,466	\$ (22,707)	98,450
Identifiable assets	353,855	532,921	242,699	1,129,475
Depreciation and amortization	28,246	48,542	822	77,610
Capital expenditures	14,537	35,134	232	49,903
2000				
Net sales	\$ 500,899	\$ 416,650	--	\$ 917,549
Operating profit(a)	103,817	70,736	\$ (24,391)	150,162
Identifiable assets	350,811	433,380	197,612	981,803
Depreciation and amortization	28,804	43,819	1,127	73,750
Capital expenditures	11,216	40,614	418	52,248
1999				
Net sales	\$ 449,156	\$ 396,769	--	\$ 845,925
Operating profit(a)	73,083	60,187	\$ (19,144)	114,126
Identifiable assets	331,505	436,669	185,920	954,094
Depreciation and amortization	29,027	45,452	1,271	75,750
Capital expenditures	43,289	31,119	3,161	77,569

Net Sales(b)	2001	2000	1999
United States	\$ 498,141	\$ 504,373	\$ 480,070
Foreign	418,758	413,176	365,855
Total	\$ 916,899	\$ 917,549	\$ 845,925

Long-Lived Assets as of December 31	2001	2000	1999
United States	\$ 428,808	\$ 406,169	\$ 410,626
France	82,539	93,508	85,696
Other foreign countries	50,073	12,852	16,960
Total	\$ 561,420	\$ 512,529	\$ 513,282

<FN>

Notes:

(a) Includes the effects of foreign exchange transaction gains(losses) of \$492, (\$798) and \$6,034 in 2001, 2000 and 1999, respectively.

(b) No sales in a foreign country exceed 10% of the Company's total net sales.

</FN>

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

NOTE 18--QUARTERLY FINANCIAL SUMMARY (UNAUDITED):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2001				

Net sales	\$ 224,410	\$ 211,286	\$ 242,017	\$ 239,186
Gross profit	\$ 59,455	\$ 48,736	\$ 56,681	\$ 56,463
Special items (a)	\$ --	\$ --	\$ --	\$ (2,051)
Net income	\$ 22,545	\$ 14,805	\$ 16,761	\$ 14,056
Basic earnings per share	\$.49	\$.32	\$.37	\$.31
Shares used to compute basic earnings per share	45,838	45,873	45,870	45,485
Diluted earnings per share	\$.48	\$.32	\$.36	\$.30
Shares used to compute diluted earnings per share	46,686	46,667	46,539	46,204

2000				
Net sales	\$ 235,480	\$ 226,206	\$ 237,053	\$ 218,810
Gross profit	\$ 74,602	\$ 66,006	\$ 68,839	\$ 62,016
Special items (b,c)	\$ --	\$ 15,900	\$ --	\$ (7,766)
Net income	\$ 28,548	\$ 33,813	\$ 23,706	\$ 15,709
Basic earnings per share	\$.62	\$.74	\$.52	\$.34
Shares used to compute basic earnings per share	46,084	45,795	45,816	45,834
Diluted earnings per share	\$.61	\$.73	\$.51	\$.34
Shares used to compute diluted earnings per share	46,538	46,608	46,684	46,595

<FN>

Notes:

- (a) A special charge in 2001 totaled \$2,051 (\$1,306 after income taxes) for the fourth quarter. This charge resulted from workforce reduction programs which impacted a total of 26 salaried employees throughout the Company.
- (b) In April 2000, a change in election was made in certain pension annuity contracts which resulted in the recognition of a one-time noncash pension settlement gain of \$15,900 (\$10,128 after income taxes). A fourth quarter actuarial adjustment amounting to \$910 (\$579 after income taxes) reduced the net effect on 2000 to \$14,990 (\$9,549 after income taxes).
- (c) A special charge in 2000 totaled \$6,856 (\$4,367 after income taxes) for the fourth quarter. This charge resulted from workforce reduction programs which impacted a total of 76 salaried and waggeroll employees at certain of the Companies' facilities.

</FN>

NOTE 19--SUBSEQUENT EVENT:

On February 13, 2002, the Company completed the purchase of 4,000,000 shares of its common stock from Bruce C. Gottwald and his related immediate family interests for an aggregate price of \$92,680. The Company's purchase price was 25 cents per share less than the weighted average trading price from New York Stock Exchange transactions in Albemarle common stock during the 10-day period beginning with the third business day following the January 23, 2002, announcement of Albemarle's 2001 earnings.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

MANAGEMENT'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Albemarle Corporation's management has prepared the consolidated financial statements and related notes appearing on pages 15 through 35 in conformity with accounting principles generally accepted in the United States. 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 auditing standards generally accepted in the United States 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 non-employee directors, meets with management, the outsourced independent 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, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of

Albemarle Corporation and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. 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 auditing standards generally accepted in the United States of America, 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 our opinion.

PricewaterhouseCoopers LLP

January 23, 2002, except Footnote 19
for which the date is February 13, 2002
Richmond, Virginia

ALBEMARLE CORPORATION AND SUBSIDIARIES

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

NONE.

PART III

ITEM 10. DIRECTORS AND OFFICERS OF THE REGISTRANT

The information contained in the Proxy Statement 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 February 27, 2002 are set forth below:

Name	Age	Officers
Floyd D. Gottwald, Jr.*	79	Chairman of the Executive Committee and Chief Executive Officer
William M. Gottwald*	54	Chairman of the Board and Secretary to the Executive Committee as Management Committee
Charles B. Walker*	63	Vice Chairman of the Board and Chief Financial Officer
Mark C. Rohr	50	President and Chief Operating Officer
E. Whitehead Elmore	63	Executive Vice President
John G. Dabkowski	53	Vice President--Polymer Chemicals
Thomas F. Dominick	54	Vice President, Regional Managing Director, Europe, Middle East and Africa
Jack P. Harsh	49	Vice President--Human Resources
Robert G. Kirchoefer	61	Treasurer and Chief Accounting Officer
George P. Manson, Jr.	48	Vice President, General Counsel and Secretary
George A. Newbill	58	Vice President--Sourcing Organization
John M. Steitz	43	Vice President--Fine Chemicals
Gary L. Ter Haar	65	Vice President--Health and Environment
Michael D. Whitlow	50	Vice President--Americas Sales and Global Accounts
Edward G. Woods	60	Vice President--Corporate Development
Michael J. Zobrist	59	Vice President--Investor Relations/External Affairs
Richard A. Sabalot	46	Assistant Secretary

<FN>
* Member of the Executive Committee
</FN>

ALBEMARLE CORPORATION AND SUBSIDIARIES

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 (March 27, 2002). All such officers have been employed by the Company or its predecessor for at least the last five years, with the exception of Jack P. Harsh, George P. Manson, Jr., Mark C. Rohr, Richard A. Sabalot and John M. Steitz.

Thomas F. Dominick joined Albemarle in 1994 after being associated with the Company's predecessor since 1974, most recently was elected vice president, regional managing director, Europe, Middle East and Africa, effective November 26, 2001, after serving as vice president--development resources for Albemarle from December 2000 and vice president--new business development on a global basis effective August 1, 2000 responsible for global new business development, marketing research and technology resources. Jack P. Harsh joined Albemarle effective November 16, 1998, from Union Carbide Corporation in Danbury, Connecticut, 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. George P. Manson, Jr. joined Albemarle effective May 1, 2001. Prior to that, he was vice president, general counsel and secretary of Hamilton Beach/Proctor-Silex, Inc. in Richmond, Virginia. Mark C. Rohr was elected executive vice president--operations on March 22, 1999 and assumed the position of president and chief operating officer on January 1, 2000. Prior to joining Albemarle, Mr. Rohr was senior vice president for the Specialty Chemicals group of Occidental Chemical Corporation in Dallas, Texas. Richard A. Sabalot has been associated with Albemarle since 1987 when he joined the company as assistant counsel. He was appointed associate counsel- general law in 1994.

John M. Steitz joined Albemarle after being associated with Mallinckrodt, Incorporated, in St. Louis, Missouri for twenty years where he was vice president and general manager--pharmaceutical chemicals. Mr. Steitz was elected vice president--fine chemicals on a global basis effective August 1, 2000. Michael J. Zobrist joined Albemarle in 1994 after being associated with the Company's predecessor since 1975, and was elected vice president--investor relations/external affairs effective August 1, 2000. Mr. Zobrist served as general manager--external affairs and investor relations from May 1999 to July 31, 2000 and as general manager--Americas sales and global accounts from 1997 to 1999.

ITEM 11. EXECUTIVE COMPENSATION

This information is contained in the Proxy Statement under the caption "Compensation of Executive Officers" and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This information is contained in the Proxy Statement under the caption "Stock Ownership" and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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ALBEMARLE CORPORATION AND SUBSIDIARIES

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 15 to 35:

Consolidated Balance Sheets as of December 31, 2001 and 2000

Consolidated Statements of Income, Changes in Shareholders' Equity and Cash Flows for the years ended December 31, 2001, 2000, and 1999

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 By-laws of the registrant amended in February 2002 are filed herewith.
- 10.1 Credit Agreement, dated as of September 24, 1996, between the Company, Bank of America, N.A., as administrative agent and 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, amended January 1, 2001 [filed as Exhibit 10.4 to the Company's Form 10-K for 2000 (No. 1-12658), and incorporated herein by reference].
- 10.5 The Company's Supplemental Executive Retirement Plan dated April 26, 2000 [filed as Exhibit 10.5 to the Company's Form 10-K for 2000 (No. 1-12658), and incorporated herein by reference].
- 10.6 The Company's Non-Employee Outside Directors' Stock Compensation Plan dated November 1, 1999 [filed as Exhibit 10.6 to the Company's Form 10-K for 2000 (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 [filed as Exhibit 10.8 to the Company's Form 10-K for 1998 (No. 1-12658), and incorporated herein by reference].
- 10.9 The Company's compensation arrangement with Mark C. Rohr dated February 26, 1999 [filed as Exhibit 10.9 to the Company's Form 10-K for 1999 (No. 1-12658), and incorporated herein by reference].
- 10.10 The Company's Executive Deferred Compensation Plan, adopted December 18, 2001, is filed herewith.
- 10.11 The Company's ESOP Amendment to the Savings Plan, adopted December 14, 2001, is filed herewith.
- 11. Statements re: Computation of Pro Forma Earnings Per Share for years ended December 31, 2001 and 2000.
- 21. Subsidiaries of the Company.
- 23.1 Consent of PricewaterhouseCoopers LLP.
- 99. Five-Year Summary (see page 41).

(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) 6 documents 10.10, 10.11, 11, 21, 23.1 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.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

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/ WILLIAM M. GOTTWALD

(William M. Gottwald)
Chairman of the Board

Dated: February 27, 2002

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 February 27, 2002.

Signature	Title
/s/ WILLIAM M. GOTTWALD ----- (William M. Gottwald)	Chairman of the Board and Director
/s/ FLOYD D. GOTTWALD, JR. ----- (Floyd D. Gottwald, Jr.)	Chief Executive Officer, Chairman of the Executive Committee 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/ MARK C. ROHR ----- (Mark C. Rohr)	President, Chief Operating Officer and Director
/s/ ROBERT G. KIRCHHOEFER ----- (Robert G. Kirchhoefer)	Treasurer and Chief Accounting Officer (Principal Accounting Officer)
/s/ CRAIG R. ANDERSSON ----- (Craig R. Andersson)	Director
/s/ JOHN D. GOTTWALD ----- (John D. Gottwald)	Director
/s/ RICHARD L. MORRILL ----- (Richard L. Morrill)	Director
/s/ SEYMOUR S. PRESTON III ----- (Seymour S. Preston III)	Director
/s/ PAUL F. ROCHELEAU ----- (Paul F. Rocheleau)	Director
/s/ CHARLES E. STEWART ----- (Charles E. Stewart)	Director

(Anne M. Whittemore)

ALBEMARLE CORPORATION AND SUBSIDIARIES

FIVE-YEAR SUMMARY

(In Thousands Except Per-Share Amounts)

Years Ended December 31	2001	2000	1999	1998	1997
Results of Operations					
Net sales	\$ 916,899	\$ 917,549	\$ 845,925	\$ 820,862	\$ 829,850
Costs and expenses (a)	818,449	767,387	731,799	695,147	709,143
Operating profit	98,450	150,162	114,126	125,715	120,707
Interest and financing expenses	5,536	5,998	8,379	4,487	719
Gain on sale of investment (b)	--	--	(22,054)	--	--
Other income, net	(4,282)	(3,337)	(937)	(1,570)	(917)
Income before income taxes	97,196	147,501	128,738	122,798	120,905
Income taxes	29,029	45,725	39,909	38,066	40,923
Net income	\$ 68,167	\$ 101,776	\$ 88,829	\$ 84,732	\$ 79,982
Financial Position and Other Data					
Total assets	\$ 1,129,475	\$ 981,803	\$ 954,094	\$ 937,797	\$ 888,181
Operations:					
Working capital (c)	\$ 79,824	\$ 173,038	\$ 201,246	\$ 203,594	\$ 184,176
Current ratio (c)	1.26 to 1	2.22 to 1	2.53 to 1	2.89 to 1	2.64 to 1
Depreciation and amortization	\$ 77,610	\$ 73,750	\$ 75,750	\$ 75,012	\$ 69,044
Capital expenditures	\$ 49,903	\$ 52,248	\$ 77,569	\$ 76,747	\$ 85,284
Acquisitions of businesses	\$ 113,245	\$ 35,006	--	\$ 15,229	--
Research and development expenses	\$ 21,919	\$ 26,201	\$ 34,288	\$ 29,655	\$ 31,446
Gross margin as a % of net sales	24.1	29.6	30.4	30.9	31.5
Total long-term debt	\$ 170,215	\$ 97,980	\$ 159,760	\$ 192,938	\$ 91,793
Equity (d)	\$ 593,302	\$ 558,907	\$ 490,564	\$ 451,667	\$ 517,336
Total long-term debt as a % of total capitalization	22.3	14.9	24.6	29.9	15.1
Common Stock					
Basic earnings per share	\$ 1.49	\$ 2.22	\$ 1.89	\$ 1.64	\$ 1.45
Shares used to compute basic earnings per share (d)	45,766	45,882	46,889	51,558	55,164
Diluted earnings per share	\$ 1.47	\$ 2.18	\$ 1.87	\$ 1.63	\$ 1.44
Shares used to compute diluted earnings per share (d)	46,524	46,606	47,513	52,136	55,668
Cash dividends declared per share	\$.52	\$.46	\$.40	\$.37	\$.32
Shareholders' equity per share (d)	\$ 13.04	\$ 12.20	\$ 10.62	\$ 9.61	\$ 9.60
Return on average shareholders' equity	11.8%	19.4%	18.9%	17.5%	15.6%

<FN>

(a) 2001 includes a special charge of \$2,051 (\$1,306 after income taxes) for workforce reductions; 2000 includes a special charge of \$6,856 (\$4,367 after income taxes) for workforce reductions and a one-time noncash pension settlement gain of \$14,990 (\$9,549 after income taxes) resulting from a change in election made in certain pension annuity contracts; 1999 includes a special charge of \$10,692 (\$6,717 after income taxes) for workforce reductions at certain of the Company's facilities.

(b) 1999 gain on the sale of investment in Albright & Wilson stock (\$14,381 after income taxes).

(c) The Company's working capital at December 31, 2001, includes \$157,571 of debt related to the Company's Revolving Credit (c) Agreement which matures September 29, 2002. The Company is currently renegotiating a new debt agreement.

(d) Shareholders' equity includes the purchase of common shares amounting to: 2001--417,505; 2000--574,091; 1999--857,400; 1998--6,912,741; 1997--1,560,300.

</FN>

ALBEMARLE CORPORATION

BY-LAWS

ARTICLE I

Meeting of Shareholders

- Section 1. Places of Meetings. All meetings of the shareholders shall be held at such place, either within or without the Commonwealth of Virginia, as may, from time to time, be fixed by the Board of Directors.
- Section 2. Annual Meetings. The annual meeting of the shareholders, for the election of directors and transaction of such other business as may come before the meeting, shall be held each year at 11:00 a.m. EST on the fourth Wednesday in March or at such other date and time as the Board of Directors of the Corporation may designate from time to time.
- Section 3. Special Meetings. Special meetings of shareholders for any purpose or purposes may be called at any time by the Chief Executive Officer, the Chairman of the Board or by a majority of the Board of Directors. At a special meeting, no business shall be transacted and no corporate action shall be taken other than that stated in the notice of the meeting.
- Section 4. Notice of Meetings. Except as otherwise required by law or these By-laws, written or printed notice stating the place, day and hour of every meeting of the shareholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be mailed not less than ten (10) nor more than sixty (60) days before the date of the meeting to each shareholder of record entitled to vote at such meeting, at his or her address which appears in the share transfer books of the Corporation. Meetings may be held without notice if all the shareholders entitled to vote at the meeting are present in person or by proxy or if notice is waived in writing by those not present, either before or after the meeting.
- Section 5. Quorum. Except as otherwise required by the Articles of Incorporation, any number of shareholders together holding at least a majority of the outstanding shares of capital stock entitled to vote with respect to the business to be transacted, who shall be present in person or represented by proxy at any meeting duly called, shall constitute a quorum for the transaction of business. If less than a quorum shall be in attendance at the time for which a meeting shall have been called, the meeting may be adjourned from time to time by a majority of the shareholders present or represented by proxy without notice other than by announcement at the meeting.
- Section 6. Voting. At any meeting of the shareholders each shareholder of a class entitled to vote on the matters coming before the meeting shall have one vote, in person or by proxy, for each share of capital stock standing in his or her name on the books of the Corporation at the time of such meeting or on any date fixed by the Board of Directors not more than seventy (70) days prior to the meeting.
- Section 7. Voting List. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten (10) days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, with the address of and the number of shares held by each. Such list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation or at its principal place of business or at the office of its transfer agent or registrar and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original stock transfer books shall be prima facie evidence as to who are the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders. If the requirements of this section have not been substantially complied with, the meeting shall, on the demand of any

shareholder in person or by proxy, be adjourned until the requirements are complied with.

Section 8. Shareholder Proposals.

- (a) Annual Meetings of Shareholders.
- (i) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders only (A) pursuant to the Corporation's notice of meeting (or any supplement thereto), (B) by or at the direction of the Board of Directors or (C) by any shareholder of the Corporation who was a shareholder of record of the Corporation who is entitled to vote at the meeting at the time the notice provided for in this section is delivered to the Secretary of the Corporation and who complies with the notice procedures set forth in this section.
- (ii) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (C) of paragraph (a)(i) of this section, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such proposed business other than the nominations of persons for election to the Board of Directors must constitute a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth day nor earlier than the close of business on the one hundred twentieth day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty days before or more than seventy days after such anniversary date, notice by the shareholder must be so delivered not earlier than the close of business on the one hundred twentieth day prior to such annual meeting and not later than the close of business on the later of the ninetieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above. Such shareholder's notice shall set forth: (A) as to each person whom the shareholder proposes to nominate for election as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (and such person's written consent to being named in the proxy statement as a nominee and to serving as such a director if elected); (B) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the By-laws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and for the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (1) the name and address of such shareholder, as they appear on the Corporation's books, and of such beneficial owner, (2) the class and number of shares of capital stock of the Corporation that are owned beneficially and of record by such shareholder and such beneficial owner, (3) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (4) a representation whether the shareholder or the beneficial owner, if any, intends or is part of a group that intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies from shareholders in support of such proposal or nomination. The foregoing notice requirements shall be

deemed satisfied by a shareholder if the shareholder has notified the Corporation of his intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such shareholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(iii) Notwithstanding anything in the second sentence of paragraph (a)(ii) of this section to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation at an annual meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this section shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any shareholder of the Corporation who is a shareholder of record at the time the notice provided for in this section is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and upon such election and who complies with the notice procedures set forth in this section. In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any such shareholder entitled to vote in such election of directors may nominate a person or persons, as the case may be, for election to such position(s) as specified in the Corporation's notice of meeting, if the shareholder's notice required by paragraph (a)(ii) of this section is delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth day prior to such special meeting, and not later than the close of business on the later of the ninetieth day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for giving of a shareholder's notice as described above.

(c) General. (i) Only such persons who are nominated in accordance with the procedures set forth in this section shall be eligible at an annual or special meeting of shareholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this section. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty (A) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this section (including whether the shareholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such shareholder's nominee or proposal in compliance with such shareholder's representation as required by clause (a)(ii)(C) of this section) and (B) to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this section, if the

shareholder (or a designated representative of the shareholder) does not appear at the annual or special meeting of shareholders of the Corporation to present a nomination or business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

- (ii) For purposes of this section, "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.
- (iii) Notwithstanding the foregoing provisions of this section, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this section. Nothing in this section shall be deemed to affect any rights (A) of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (B) of the holders of any series of preferred stock to elect directors pursuant to any applicable provisions of the articles of incorporation.

Section 9. Inspectors. An appropriate number of inspectors for any meeting of shareholders shall be appointed by the Chairman of such meeting. Inspectors so appointed will open and close the polls, will receive and take charge of proxies and ballots, and will decide all questions as to the qualifications of voters, validity of proxies and ballots, and the number of votes properly cast.

ARTICLE II

----- Directors -----

Section 1. General Powers. The property, affairs and business of the Corporation shall be managed under the direction of the Board of Directors, and except as otherwise expressly provided by law, the Articles of Incorporation or these By-laws, all of the powers of the Corporation shall be vested in such Board.

Section 2. Number of Directors. The Board of Directors shall be eleven (11) in number. By amendment of these Bylaws the Board of Directors or the shareholders may increase or decrease the number of directors; provided, however, that the Board of Directors may not increase or decrease the number of directors by more than thirty percent of the number of directors last elected by the shareholders.

Section 3. Election of Directors.

- (a) Directors shall be elected each year at the annual meeting of shareholders.
- (b) Directors shall hold their offices until the next annual meeting of the shareholders and until their successors are elected. Any director may be removed from office as set forth in the Articles of Incorporation.
- (c) Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of the majority of the remaining directors though less than a quorum of the Board of Directors.
- (d) A majority of the number of directors fixed by these By-laws shall constitute a quorum for the transaction of business. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 4. Meetings of Directors. Meetings of the Board of Directors shall be held at places within or without the Commonwealth of Virginia and at times fixed by resolution of the Board or upon call of the Chief Executive Officer or the Chairman of the Board, and the Secretary or officer performing the Secretary's duties shall give not less than twenty-four (24) hours' notice by letter, telegraph or telephone (or in person) of all meetings of the directors, provided that notice

need not be given of regular meetings held at times and places fixed by resolution of the Board. An annual meeting of the Board of Directors shall be held as soon as practicable after the adjournment of the annual meeting of shareholders. Meetings may be held at any time without notice if all of the Directors are present, or if those not present waive notice in writing either before or after the meeting. Directors may be allowed, by resolution of the Board, a reasonable fee and expenses for attendance at meetings.

ARTICLE III

Committees

Section 1. Executive Committee. The Board of Directors shall, by vote of a majority of the number of Directors fixed by these By-laws, designate an Executive Committee. The members of the Executive Committee shall serve until their successors are designated by the Board of Directors, until removed or until the Executive Committee is dissolved by the Board of Directors. All vacancies which may occur in the Executive Committee shall be filled by the Board of Directors.

When the Board of Directors is not in session, the Executive Committee shall have all power vested in the Board of Directors by law, the Articles of Incorporation or these By-laws, except as otherwise provided in the Virginia Stock Corporation Act. The Executive Committee shall report at the next regular or special meeting of the Board of Directors all action which the Executive Committee may have taken on behalf of the Board since the last regular or special meeting of the Board of Directors. Meetings of the Executive Committee shall be held at such places and at such times fixed by resolution of the Committee, or upon call of the Chief Executive Officer, the Chairman of the Board or the Chairman of the Executive Committee. Not less than twelve (12) hours' notice shall be given by letter, telegraph or telephone (or in person) of all meetings of the Executive Committee, provided that notice need not be given of regular meetings held at times and places fixed by resolution of the Committee and that meetings may be held at any time without notice if all of the members of the Committee are present or if those not present waive notice in writing either before or after the meeting. A majority of the members of the Executive Committee then serving shall constitute a quorum for the transaction of business at any meeting.

Section 2. Executive Compensation Committee. The Board of Directors, at its regular annual meeting, shall designate an Executive Compensation Committee which shall consist of three or more Directors who shall not be eligible for bonus, stock option or stock appreciation rights. In addition, the Board at any time may designate one or more alternate members of such Committee who shall be Directors not eligible for bonus, stock option or stock appreciation rights who may act in place of any absent regular member upon invitation by the Chairman or Secretary of the Committee.

With respect to bonuses, the Executive Compensation Committee shall have and may exercise the powers to determine the amounts annually available for bonuses pursuant to any bonus plan or formula approved by the Board, to determine, after receiving the recommendations of the Chief Executive Officer and other members of management, bonus awards to executive officers and to exercise such further powers with respect to bonuses as may from time to time be conferred by the Board of Directors.

With respect to salaries, the Executive Compensation Committee, after receiving the recommendations of the Chief Executive Officer and other members of management, shall have and may exercise the power to fix and determine from time to time all salaries of the executive officers of the Corporation, and such further powers with respect to salaries as may from time to time be conferred by the Board of Directors.

The Executive Compensation Committee shall administer the Corporation's Incentive Stock Option Plan (the "Plan") and from time

to time may grant, consistent with the Plan, stock options and stock appreciation rights and authorize the granting of restricted stock awards.

Vacancies in the Executive Compensation Committee shall be filled by the Board of Directors, and members shall be subject to removal by the Board at any time.

The Executive Compensation Committee shall fix its own rules of procedure. A majority of the number of regular members then serving shall constitute a quorum; and regular and alternate members present shall be counted to determine whether there is a quorum. The Executive Compensation Committee shall keep minutes of its meetings, and all action taken by it shall be reported to the Board of Directors.

Section 3. Audit Committee. The Board of Directors at its regular annual meeting shall designate an Audit Committee which shall consist of three or more Directors whose membership on the Committee shall meet the requirements set forth in the rules of the New York Stock Exchange, as amended from time to time.

The primary function of the Committee shall be to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing and overseeing (i) the financial reports and other financial information provided by the Corporation to any governmental body or the public, (ii) the Corporation's system of internal controls regarding finance and accounting that the Corporation's management and the Board have established, (iii) the independence of the Corporation's outside auditors and the performance of the Corporation's internal and outside auditors and (iv) the Corporation's auditing, accounting and financial reporting processes generally. The Committee shall review the reports and minutes of any audit committees of the Corporation's subsidiaries. The Committee shall review the Corporation's financial reporting process, including accounting policies and procedures. The Committee shall examine the report of the Corporation's outside auditors, consult with them with respect to their report and the standards and procedures employed by them in their audit, report to the Board the results of its study and recommend the selection of auditors for each fiscal year.

Vacancies in the Committee shall be filled by the Board of Directors with Directors meeting the requirements set forth above, giving consideration to continuity of the Committee, and members shall be subject to removal by the Board at any time.

The Committee shall fix its own rules of procedure and a majority of the members serving shall constitute a quorum. The Committee shall meet at least twice a year with both the Corporation's internal and outside auditors present. The Committee shall keep minutes of all of its meetings and all action taken shall be reported to the Board of Directors.

Section 4. Nominating Committee. The Board of Directors shall designate a Nominating Committee which shall consist of three or more Directors. The Committee shall make recommendations to the Board regarding nominees for election as Directors by the shareholders at each Annual Shareholders' Meeting and make such other recommendations regarding the Board of Directors as the Committee may deem advisable from time to time. The Committee shall fix its own rules of procedure and a majority of the members serving shall constitute a quorum.

Section 5. Other Committees of the Board. The Board of Directors, by resolution duly adopted, may establish such other committees of the Board as it may deem advisable and the members, terms and authority of such committees shall be as set forth in the resolutions establishing the same.

ARTICLE IV

----- Officers -----

Section 1. Election. The officers of the Corporation may consist of a Chief

Executive Officer, a Chairman of the Board, a Vice Chairman of the Board, a President, one or more Vice Presidents (any one or more of whom may be designated as Executive Vice Presidents or Senior Vice Presidents), a Secretary and a Treasurer. In addition, such other officers as are provided in Section 3 of this Article may from time to time be elected by the Board of Directors. All officers shall hold office until the next annual meeting of the Board of Directors or until their successors are elected. The Chairman of the Board and the Vice Chairman of the Board shall be chosen from among the Directors. Any two officers may be combined in the same person as the Board of Directors may determine.

Section 2. Removal of Officers; Vacancies. Any officer of the Corporation may be removed summarily with or without cause, at any time by a resolution passed at any meeting by affirmative vote of a majority of the number of Directors fixed by these By-laws. Vacancies may be filled at any meeting of the Board of Directors.

Section 3. Other Officers. Other officers may from time to time be elected by the Board, including, without limitation, one or more Assistant Secretaries and Assistant Treasurers.

Section 4. Duties. The officers of the Corporation shall have such duties as generally pertain to their offices, respectively, as well as such powers and duties as are hereinafter provided and as from time to time shall be conferred by the Board of Directors. The Board of Directors may require any officer to give such bond for the faithful performance of his duties as the Board may see fit.

Section 5. Duties of the Chief Executive Officer. The Chief Executive Officer shall be responsible for the execution of the policies of the Board of Directors and shall have supervision over the business of the Corporation and its several officers, subject to the authority of the Board of Directors. In the incapacity or absence of the President, the Chief Executive Officer shall perform the duties and have the authority of the President. The Chief Executive Officer may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments, except in cases where the signing and the execution thereof shall be expressly delegated by the Board of Directors or by these By-laws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed. In addition, he shall perform all duties incident to the office of the Chief Executive Officer and such other duties as from time to time may be assigned to him by the Board of Directors.

Section 6. Chairman of the Board. The Chairman of the Board shall preside at all meetings of shareholders, the Board of Directors and, unless there is a Chairman of the Executive Committee, the Executive Committee.

The Chairman of the Board may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments, except in cases where the signing and the execution thereof shall be expressly delegated by the Board of Directors or by these By-laws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed. In addition, he shall perform all duties incident to the office of the Chairman of the Board and such other duties as from time to time may be assigned to him by the Board of Directors.

Section 7. Duties of the Vice Chairman of the Board. The Vice Chairman of the Board shall perform all duties incident to the office of the Vice Chairman of the Board and shall have such other powers and duties as may from time to time be assigned to him by the Board of Directors, the Chief Executive Officer or the Chairman of the Board. The Vice Chairman of the Board may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-laws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed.

Section 8. Duties of the President. The President shall be the Chief Operating Officer of the Corporation and shall have direct supervision over the business of the Corporation subject to the

authority of the Board of Directors, the Chief Executive Officer and the Chairman of the Board. The President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments, except in cases where the signing and the execution thereof shall be expressly delegated by the Board of Directors or by these By-laws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed. In addition, he shall perform all duties incident to the office of the President and such other duties as from time to time may be assigned to him.

Section 9. Duties of the Vice Presidents. Each Vice President of the Corporation (including any Executive Vice President and Senior Vice President) shall have powers and duties that are customary for that office and such other powers and duties as may from time to time be assigned to him. Any Vice President of the Corporation may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-laws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed.

Section 10. Duties of the Treasurer. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation, and shall cause all such funds and securities to be deposited in such banks and depositories as the Board of Directors from time to time may direct. He shall maintain adequate accounts and records of all assets, liabilities and transactions of the Corporation in accordance with generally accepted accounting practices; shall exhibit his accounts and records to any of the Directors of the Corporation at any time upon request at the office of the Corporation; shall render such statements of his accounts and records and such other statements to the Board of Directors and officers as often and in such manner as they shall require; and shall make and file (or supervise the making and filing of) all tax returns required by law. He shall in general perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him.

Section 11. Duties of the Secretary. The Secretary shall act as secretary of all meetings of the Board of Directors and the shareholders of the Corporation, and shall keep the minutes thereof in the proper book or books to be provided for that purpose. He shall see that all notices required to be given by the Corporation are duly given and served; shall have custody of the seal of the Corporation and shall affix the seal or cause it to be affixed to all certificates for stock of the Corporation and to all documents the execution of which on behalf of the Corporation under its corporate seal is duly authorized in accordance with the provisions of these By-laws; shall have custody of all deeds, leases, contracts and other important corporate documents; shall have charge of the books, records and papers of the Corporation relating to its organization and management as a Corporation; shall see that the reports, statements and other documents required by law (except tax returns) are properly filed; and shall, in general, perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him.

Section 12. Other Duties of Officers. Any officer of the Corporation shall have, in addition to the duties prescribed herein or by law, such other duties as from time to time shall be prescribed.

ARTICLE V

Capital Stock

Section 1. Certificates. The shares of capital stock of the Corporation shall be evidenced by certificates in forms prescribed by the Board of Directors and executed by the Chief Executive Officer or the Chairman of the Board and by the Secretary or an Assistant Secretary and stating thereon the information required by law. Transfer agents and/or registrars for one or more classes of the stock of the

Corporation may be appointed by the Board of Directors and may be required to countersign certificates representing stock of such class or classes. In the event that any officer whose signature or facsimile thereof shall have been used on a stock certificate shall for any reason cease to be an officer of the Corporation and such certificate shall not then have been delivered by the Corporation, the Board of Directors may nevertheless adopt such certificate and it may then be issued and delivered as though such person had not ceased to be an officer of the Corporation.

Section 2. Lost, Destroyed and Mutilated Certificates. Holders of the stock of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of the certificate therefor, and the Board of Directors may, in its discretion, cause one or more new certificates for the same number of shares in the aggregate to be issued to such shareholder upon the surrender of the mutilated certificate or upon satisfactory proof of such loss or destruction, and the deposit of a bond in such form and amount and with such surety as the Board of Directors may require.

Section 3. Transfer of Stock. The stock of the Corporation shall be transferable or assignable only on the books of the Corporation by the holders in person or by attorney on surrender of the certificate for such shares duly endorsed and, if sought to be transferred by attorney, accompanied by a written power of attorney to have the same transferred on the books of the Corporation. The Corporation will recognize the exclusive right of the person registered on its books as the owner of shares to receive dividends and to vote as such owner.

Section 4. Fixing Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of the shareholders or any adjournment thereof, or entitled to receive payment for any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than seventy (70) days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. Except as otherwise required by law, when a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section such determination shall apply to any adjournment thereof.

ARTICLE VI

Miscellaneous Provisions

Section 1. Seal. The seal of the Corporation shall consist of a flat-face circular die, of which there may be any number of counterparts, on which there shall be engraved in the center the words "Albemarle Corporation."

Section 2. Fiscal Year. The fiscal year of the Corporation shall end on December 31st of each year.

Section 3. Books and Records. The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholders and Board of Directors; and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar a record of its shareholders, giving the names and addresses of all shareholders, and the number, class and series of the shares being held.

Section 4. Checks, Notes and Drafts. Checks, notes, drafts and other orders for the payment of money shall be signed by such persons as the Board of Directors from time to time may authorize. When the Board of

Directors so authorizes, however, the signature of any such person may be a facsimile.

Section 5. Amendment of By-laws. These By-laws may be amended or altered at any meeting of the Board of Directors. The shareholders entitled to vote in respect of the election of directors, however, shall have the power to rescind, alter, amend or repeal any By-laws and to enact By-laws which, if expressly so provided, may not be amended, altered or repealed by the Board of Directors.

Section 6. Voting of Stock Held. The Chief Executive Officer, the Chairman of the Board or such other officer or officers as may be designated by the Board of Directors or the Executive Committee shall from time to time appoint an attorney or attorneys or agent or agents of this Corporation, in the name and on behalf of this Corporation, to cast the vote which this Corporation may be entitled to cast as a shareholder or otherwise in any other corporation any of whose stock or securities may be held in this Corporation, at meetings of the holders of the stock or other securities of such other corporation, or to consent in writing to any action by any of such other corporation, and shall instruct the person or persons so appointed as to the manner of casting such votes or giving such consent and may execute or cause to be executed on behalf of this Corporation and under its corporate seal or otherwise, such written proxies, consents, waivers or other instruments as may be necessary or proper in the premises; or, in lieu of such appointment, the Chief Executive Officer, the Chairman of the Board or any such designated officer or officers may attend in person any meetings of the holders of stock or other securities of any such other corporation and there vote or exercise any or all power of this Corporation as the holder of such stock or other securities of such other corporation.

Section 7. Control Share Acquisition Statute. Article 14.1 of the Virginia Stock Corporation Act ("Control Share Acquisitions") shall not apply to acquisitions of shares of stock of the Corporation.

ALBEMARLE CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN

Effective January 1, 2002

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ALBEMARLE CORPORATION

EXECUTIVE DEFERRED COMPENSATION PLAN

Article I-- PURPOSE AND EFFECTIVE DATE

The purpose of this Executive Deferred Compensation Plan is to provide current tax planning opportunities as well as supplemental funds upon the retirement or death of certain employees of Employer. It is intended that the Plan will aid in attracting and retaining employees of exceptional ability by providing them with these benefits. The Plan shall be effective as of January 1, 2002.

Article II -- DEFINITIONS

For the purposes of this Plan, the following terms shall have the meanings indicated, unless the content clearly indicates otherwise:

2.1 Account

Account means the interest of a Participant in the Plan as represented by the hypothetical bookkeeping entries kept by the Employer for each Participant. Each Participant's interest may be divided into one or more separate Accounts which reflect, not only contributions into the Plan, but also gains and losses, allocated thereto, as well as any distributions or other withdrawals. The value of these Accounts shall be determined as of the Valuation Date. The existence of an Account or bookkeeping entries for a Participant (or his Beneficiary) does not create, suggest or imply that a Participant, Beneficiary or other person claiming through them under this Plan has a beneficial interest in any asset of the Employer.

2.2 Administrative Committee

"Administrative Committee" means the Employee Relations Committee of the Company.

2.3 Beneficiary

"Beneficiary" means the person, persons or entity (including, without limitation, any trustee) last designated by a Participant to receive

the benefits specified hereunder, in the event of the Participant's death.

2.4 Board

"Board" means the Board of Directors of the Company.

2.5 Company

"Company" means Albemarle Corporation or any successor to the business thereof.

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2.6 Deferral Election

"Deferral Election" means a base salary, bonus and/or other special compensation or award deferral commitment made by a Participant to establish a Retirement/Termination Account and/or a Scheduled Withdrawal Account pursuant to Article III and Sections 4.3 and 4.4 for which a Participation Agreement has been submitted by the Participant to the Administrative Committee.

2.7 Disability

"Disability" shall have the same meaning such term has under the Company's long term disability plan.

2.8 Elected Deferred Compensation

"Elected Deferred Compensation" means the amount of base salary, bonus and/or other special compensation or award that a Participant elects to defer pursuant to a Deferral Election for a Plan Year.

2.9 Employer

"Employer" means the Company and any affiliated or subsidiary corporations designated by the Board.

2.10 Financial Hardship

"Financial Hardship" means an immediate and substantial financial need of the Participant or Beneficiary, determined by the Administrative Committee on the basis of written information supplied by the Participant or Beneficiary in accordance with such standards as are, from time to time, established by the Administrative Committee or applicable law.

2.11 Hardship Distribution

"Hardship Distribution" means a distribution to a Participant or a Beneficiary pursuant to Section 6.7.

2.12 Participant

"Participant" means any individual who is participating in this Plan as provided in Article III or Article XII.

2.13 Participation Agreement

"Participation Agreement" means the written agreement to defer salary, bonus and/or other special compensation or award submitted by a Participant to the Administrative Committee or its delegates.

2.14 Plan

"Plan" means this Albemarle Corporation Executive Deferred Compensation Plan as set forth in this document and as the same may be amended, administered or interpreted from time to time.

2.15 Plan Year

"Plan Year" means each calendar year beginning on January 1 and ending on December 31.

2.16 Retirement

"Retirement" means a Participant's voluntary termination of employment with Employer, other than by reason of death, on or after the Participant's attainment of sixty (60) and ten (10) years of service.

2.17 Retirement/Termination Account

"Retirement/Termination Account" means an Account established pursuant to Section 4.3 to provide for distribution of benefits following Retirement.

2.18 Scheduled Withdrawal

"Scheduled Withdrawal" means a distribution prior to termination of employment pursuant to Section 6.6.

2.19 Scheduled Withdrawal Account

"Scheduled Withdrawal Account" means an Account which may be established pursuant to Section 4.4 to provide for distribution of benefits on a date selected by the Participant.

2.20 Settlement Date

"Settlement Date" means the date on which a lump-sum payment shall be made or the date on which installment payments shall commence.

2.21 Small Account

"Small Account" means a lump-sum payment pursuant to Section 6.5.

2.22 Valuation Date

"Valuation Date" means the last day of any calendar month, or such other dates as the Administrative Committee may determine, in its sole discretion, which may be either more or less frequent for the valuation of Participants' Accounts.

Article III-- PARTICIPATION AND DEFERRAL ELECTIONS

3.1 Eligibility and Participation

- (a) Eligibility. All executives designated by the Vice Chairman and Chief Financial Officer or such other individual delegated by the Executive

Compensation Committee of the Board shall be entitled to participate in the Plan.

- (b) Participation. An eligible employee may elect to participate in the Plan by submitting a Participation Agreement to the Administrative Committee prior to the date he becomes eligible.

3.2 Basic Forms of Deferral

A Participant may file a Participation Agreement to defer up to fifty percent (50%) of his base salary and/or one hundred percent (100%) of each bonus paid in a Plan Year into the Retirement/Termination Account and/or a Scheduled Withdrawal Account. The amount to be deferred shall be stated as a percentage of base salary and bonus.

3.3 Commencement and Duration of Deferral Election

- (a) Each Deferral Election shall be effective until the Participant changes it by filing a new Participation Agreement with the Administrative Committee. The Participant's current Deferral Election shall continue to apply for succeeding Plan Years, unless changed by the Participant prior to the start of the following Plan Year, in accordance with Section 3.4 below. A Deferral Election shall commence as of the first day of the next Plan Year following the date a Participation Agreement for such Deferral Election is filed with the Administrative Committee. The Participation Agreement shall specify the portion of the Elected Deferred Compensation to be credited to the Retirement/Termination Account and to each Scheduled Withdrawal Account.
- (b) A Deferral Election shall terminate when a Participant terminates employment for any reason or elects a Hardship Withdrawal.
- (c) A Deferral Election for a particular Scheduled Withdrawal Account shall terminate at the end of the Plan Year preceding the Plan Year in which the Participant has elected for distribution of such Account.

3.4 Modification of Deferral Elections

Each Deferral Election shall remain in effect until it is changed by the Participant. A Participant shall not have the right to change, suspend or resume a Deferral Election which is in effect for the current Plan Year. Notwithstanding the foregoing, a Participant may change, suspend or resume his Deferral Election for any succeeding Plan Year in accordance with rules established by the Administrative Committee, provided that the modification applies only to a salary, bonus and/or other special compensation or award payment that is not yet earned.

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Article IV-- COMPENSATION ACCOUNTS

4.1 Accounts

For recordkeeping purposes only, Employer shall maintain up to four (4) separate Accounts for each Participant. The Accounts shall be known as the Retirement/Termination Account and up to three (3) separate Scheduled Withdrawal Accounts.

4.2 Crediting of Deferrals

Beginning January 1 of each Plan Year, a Participant's Elected Deferred Compensation which consists of deferred base salary shall be credited to the Participant's Accounts within three (3) business days after the date on which the corresponding nondeferred portion of the Participant's base salary is paid or would have been paid but for the Deferral Election. Beginning January 1 of each Plan Year, a Participant's Elected Deferred Compensation which consists of deferred bonus and/or any other special compensation or award shall be credited to the Participant's Accounts within three (3) business days after the date on which the bonus and/or such special compensation or award is paid or would have been paid but for the Deferral Election.

4.3 Retirement/Termination Account

A Participant may establish a Retirement/Termination Account by filing a Participation Agreement to defer base salary, bonus and/or any other special compensation or award into the Retirement/Termination Account and to receive retirement benefits from such Account following Retirement.

4.4 Scheduled Withdrawal Account

A Participant may establish up to three (3) Scheduled Withdrawal Accounts by filing a Participation Agreement to defer base salary, bonus and/or any other special compensation or award into the applicable Scheduled Withdrawal Accounts and designating the applicable percentages allocated to each Account. No deferrals may be made into the Participant's Scheduled Withdrawal Accounts during the Plan Year in which the Participant is receiving, or will receive, a Scheduled Withdrawal from any such Account.

4.5 Vesting of Accounts

Each Participant shall be one hundred percent (100%) vested at all times in the amounts credited to such Participant's Retirement/Termination Account and Scheduled Withdrawal Account.

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4.6 Statement of Accounts

From time to time, the Administrative Committee shall give to each Participant a benefit statement setting forth the balance of the Accounts maintained for the Participant.

4.7 Valuation of Accounts

A Participant's Account as of each Valuation Date shall consist of the balance of the Participant's Account as of the immediately preceding Valuation Date, plus the Participant's Elected Deferred Compensation, if any, as such Account may be adjusted for investment gains and losses and minus any distributions made from such Account since the immediately preceding Valuation Date.

Article V-- INVESTMENT AND EARNINGS

5.1 Plan Investments

A Participant shall complete a portfolio allocation form electing from among a series of hypothetical investment options designated by the Administrative Committee into which the Participant's Elected Deferred Compensation shall be credited. The performance of the Participant's Account(s) shall be measured based upon the investment options selected. The Participant's Elected Deferred Compensation shall be credited with such hypothetical crediting rates calculated after the investment managers' expenses have been deducted. Investment options may be changed monthly by executing a form available from the Administrative Committee, which form must be returned as indicated by the Administrative Committee at least five (5) days before the beginning of the month in which it is to be effective. The revised or changed investment allocations are effective the first business day of the following month, after receipt of a timely filed investment change form.

5.2 Crediting Investment Gains and Losses

Participant Accounts shall be credited daily with investment gains and losses as if Accounts were invested in one or more of the Plan's investment options, as selected by the Participant, less administrative charges applied against the particular investment options. Accounts shall be credited with investment gains and losses through the applicable Valuation Date with respect to a particular Settlement Date

(or Dates) in anticipation of, and in connection with, a Plan distribution.

Article VI-- PLAN BENEFITS

6.1 Retirement Benefit

- (a) Amount. If a Participant terminates employment due to Retirement, the Employer shall pay to the Participant a benefit equal to the balance in the Participant's Retirement/Termination Account.

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- (b) Form. The Participant may elect to receive his Retirement/Termination Account in one of the following forms:

(i) Lump Sum. A single lump-sum payment; or

(ii) Installment payments. Installment payments in annual payments for a period of up to fifteen (15) years, as elected by the Participant, commencing on the first day of the Plan Year next following the Participant's Retirement date. The first payment shall equal the Participant's account balance as of the most recent Valuation Date divided by the number of installments elected by the Participant. The amount of each succeeding payment shall be redetermined each Plan Year as of January 1 based on the remaining Account balance as of the most recent Valuation Date divided by the remaining number of installment payments. The Account shall be credited with earnings, gains and losses pursuant to Article V.

A Participant may make an election to change the form in which benefits are to be paid and such election will supercede his most prior election provided the election is made no later than thirty (30) days prior to the last day of the Plan Year immediately prior to the Plan Year in which he commences receipt of his Retirement benefit. An election to change the form of distribution that is filed with the Administrative Committee which is not made at least thirty (30) days prior to the last day of the Plan Year immediately prior to the Plan Year in which the Participant commences receipt of his Retirement benefit shall be null and void and the next preceding timely election filed by the Participant shall be controlling.

If the Participant makes no election, payments from the Retirement/Termination Account shall be made in annual installments over a period of ten (10) years.

6.2 Termination Benefit

- (a) Amount. If a Participant terminates employment for any reason other than Retirement, death or disability, the Employer shall pay to the Participant a benefit equal to the balance in the Participant's Retirement/Termination Account. If a Participant transfers his employment within the Company to a jurisdiction so that the Participant will no longer be subject to Federal income taxation in the United States, the Participant shall be deemed to have terminated employment and the Employer shall pay to the Participant a benefit equal to the balance in the Participant's Retirement/Termination Account.

- (b) Form. The Employer shall pay to the Participant the benefit due under this Section 6.2 in a single lump sum.

6.3 Death Benefit

- (a) Preretirement Death Benefit. If a Participant dies while employed by Employer, the balances in the Retirement/Termination Account and Scheduled Withdrawal Account, if any, shall be paid to the Participant's Beneficiary in the form elected by the Participant with respect to his Retirement/Termination Account.

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The Beneficiary shall be permitted to make investment elections and earnings shall continue to be credited pursuant to Article V after the Participant's death.

- (b) Postretirement Death Benefit. If a Participant dies following the commencement of Retirement payments, the Employer shall pay to the Participant's Beneficiary any remaining installment payments that would have been paid to the Participant had the Participant survived.

6.4 Disability Benefit

- (a) Amount. If a Participant terminates employment due to Disability, the Employer shall pay to the Participant a benefit equal to the balance in the Participant's Retirement/Termination Account.
- (b) Form. A Participant who terminates employment due to Disability shall be permitted to elect the form in which benefits will be paid pursuant to Section 6.1(b) of the Plan.

6.5 Small Account

If, on the date payments are to commence under Sections 6.1, 6.3 or 6.4 of the Plan, the Participant's Account balance is less than fifty thousand dollars (\$50,000), the Administrative Committee may, in its discretion, pay such Account in a single lump-sum payment to the Participant or Beneficiary, as applicable.

6.6 Scheduled Withdrawal

- (a) Form and Commencement. The entire balance of the applicable Scheduled Withdrawal Account shall be paid in either a single lump sum or in installment payments on the date or dates elected by the Participant at the time the applicable Account was established. In no event shall the payment date be prior to the completion of three (3) Plan Years from the date the applicable Account is established. A Deferral Election shall not be made with respect to the applicable Scheduled Withdrawal Account for the Plan Year in which a payment is made from such Account to the Participant. The Participant may elect to receive distributions from a Scheduled Withdrawal Account in the form of a single lump sum or in annual installments over a period not to exceed four (4) years. A distribution in the form of annual installments shall be paid in the method described in Section 6.1(b) (ii).
- (b) Termination of Employment Prior to Scheduled Withdrawal. If a Participant with a balance in a Scheduled Withdrawal Account(s) terminates his employment with Employer due to Retirement or Disability, such Scheduled Withdrawal Account(s) shall be paid to the Participant pursuant to subparagraph (a) above. Notwithstanding the foregoing, in the event the Participant terminates his employment for a reason other than due to Retirement or Disability, the Employer shall pay to the Participant the benefit due under this Section 6.6 in a single lump sum. If a Participant transfers his employment within the Company to a jurisdiction so that the Participant will no longer be subject to Federal income taxation in the United States, the Participant shall be deemed to have terminated employment and the Employer shall pay to the Participant the benefit due under this Section 6.6 in a single lump sum.

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6.7 Hardship Distribution

Upon finding that a Participant or Beneficiary has suffered a Financial Hardship, the Administrative Committee may, in its sole discretion, make distributions from an Account prior to the time specified for payment of benefits under the Plan. The Hardship Distribution shall be made ratably from all Accounts. The amount of such distributions shall be limited to the amount reasonably necessary to meet the Participant's or Beneficiary's requirements during the Financial Hardship. Any amounts paid to a Participant pursuant to this Section 6.7 shall be treated as distributions from the Participant's Accounts.

Following a complete distribution of the entire Account balance, a Participant and his Beneficiary shall be entitled to no further benefits under the Plan with respect to that Account.

Applications for Hardship Distributions and determinations thereon by the Administrative Committee shall be in writing, and a Participant or Beneficiary may be required to furnish written proof of the Financial Hardship.

Upon receiving a Hardship Distribution, a Participant's Deferral Elections shall cease and such Participant shall not participate in the Plan until the next enrollment period following one (1) full year from the date of the Hardship Distribution.

6.8 Valuation and Settlement

With respect to a lump-sum payment, the Settlement Date for an Account shall be no more than thirty (30) days after the Valuation Date following such event for which the Participant or Beneficiary becomes entitled to payments on account of termination of employment. With respect to benefits that will be paid in installments pursuant to Section 6.1(b)(ii), the Settlement Date shall be the January 1 next following the Participant's Retirement date.

The Settlement Date for a Hardship Distribution shall be no more than sixty (60) days after the last day of the month in which the Administrative Committee delivers a finding that the Participant or Beneficiary has suffered a Financial Hardship. The amount of the lump-sum payment for a Hardship Distribution shall be based on the value of the Participant's Account as of the Valuation Date at the end of the month in which the Administrative Committee delivers a finding that the Participant or his Beneficiary has suffered a Financial Hardship.

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6.9 Accelerated Distribution

Notwithstanding any other provision of the Plan and upon written request to the Administrative Committee, a Participant shall be entitled to receive a lump-sum distribution equal to ninety percent (90%) of all Account balances as of the Valuation Date on the last day of the month in which the Administrative Committee receives the written request, provided the Administrative Committee receives such written request at least three (3) business days prior to the last day of such month. If the Administrative Committee receives the written request during the last three (3) business days of the month, the Participant shall be entitled to receive a lump sum distribution equal to ninety percent (90%) of all Account balances as of the Valuation Date on the last day of the next month. The remaining balance shall be forfeited by the Participant. The amount payable under this section shall be paid in a single lump sum within thirty (30) days after the Valuation Date for such distribution, as provided above. Such Participant shall not be eligible to make Deferral Elections until the next enrollment period following twelve (12) months from the date of the distribution.

6.10 Withholding and Payroll Taxes

The Employer shall withhold from Plan payments made hereunder any taxes required to be withheld from such payments under federal, state or local law. Any withholding of taxes or other amounts with respect to contributions through Elected Deferred Compensation or otherwise, that is required by federal, state or local law, including but not limited to FICA taxes (including both OASDI and Medicare taxes), shall be withheld from the Participant's nondeferred base salary, bonus and/or other special compensation or award to the maximum extent possible with any excess being withheld from the Participant's Elected Deferred Compensation. Each Participant shall bear the ultimate responsibility for payment of all taxes owed under this Plan.

6.11 Payment to Guardian

If a benefit is payable to a minor or a person declared incompetent or

to a person incapable of handling the disposition of his property, the Administrative Committee may direct payment of such benefit to the guardian, conservator, legal representative or person having the care and custody of such minor, incompetent or incapacitated person. The Administrative Committee may require proof of minority, incompetency, incapacity, conservatorship or guardianship as it may deem appropriate prior to distribution of the benefit. Such distribution shall completely discharge the Administrative Committee from all liability with respect to such benefit.

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Article VII -- DESIGNATION

7.1 Beneficiary Designation

Each Participant shall have the right, at any time, to designate a Beneficiary (both primary as well as contingent) to whom benefits under this Plan shall be paid if a Participant dies prior to complete distribution to the Participant of the benefits due such Participant under the Plan. Each Beneficiary designation shall be in a written form prescribed by the Administrative Committee, and will be effective only when filed with the Administrative Committee during the Participant's lifetime.

7.2 Changing Beneficiary

Any Beneficiary designation may be changed by a Participant without the consent of the previously named Beneficiary by the filing of a new Beneficiary designation with the Administrative Committee. The filing of a new Beneficiary designation shall cancel all Beneficiary designations previously filed. If a Participant's Compensation is community property, any Beneficiary Designation shall be valid or effective only as permitted under applicable law.

7.3 No Beneficiary Designation

In the absence of an effective Beneficiary designation, or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, the Participant's designated Beneficiary shall be deemed to be the Participant's estate.

7.4 Effect of Payment

Payment to the Beneficiary shall completely discharge Employer's obligations under this Plan.

Article VIII-- FORFEITURES TO COMPANY

8.1 Distribution of Participant's Interest When Company is Unable to Locate Distributees

If the Employer is unable, within three (3) years after a payment is due to a Participant or Beneficiary, to make such payment because it cannot ascertain, after making reasonable efforts, the whereabouts of the Participant or the identity or whereabouts of the Beneficiary, and neither Participant, his Beneficiary, nor his executor or administrator has made written claim therefore before the expiration of the aforesaid time limit, then in such case, the amount due shall be forfeited to the Employer.

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Article IX -- ADMINISTRATION

9.1 Committee; Duties

The Administrative Committee shall have the authority to interpret and enforce all appropriate rules and regulations for the administration of

the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration. A majority vote of the Administrative Committee members in office at the time of the vote shall control any decision. The required majority action may be taken either by a vote at a meeting or without a meeting by a signed memorandum. Meetings may be conducted by telephone conference call. The Administrative Committee may, by majority action, delegate to one or more of its members the authority to execute and deliver in the name of the Administrative Committee all communications and documents which the Administrative Committee is required or authorized to provide under this Plan. Any party shall accept and rely upon any document executed in the name of the Administrative Committee.

9.2 Agents

The Administrative Committee may employ agents and delegate to them such administrative duties as it sees fit, and may consult with counsel who may be counsel to the Company.

9.3 Binding Effect of Decisions

The decision or action of the Administrative Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.

9.4 Indemnity of Committee

The Company shall indemnify and hold harmless the members of the Administrative Committee against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan on account of such person's service on the Administrative Committee, except in the case of gross negligence or willful misconduct.

Article X-- CLAIMS PROCEDURE

10.1 Claim

Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan, shall present the request in writing to the Administrative Committee which shall respond in writing within thirty (30) days.

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10.2 Denial of Claim

If the claim or request is denied, the written notice of denial shall state:

- (a) The reason for denial, with specific reference to the Plan provisions on which the denial is based.
- (b) A description of any additional material or information required and an explanation of why it is necessary.
- (c) An explanation of the Plan's claim review procedure.

10.3 Review of Claim

Any person whose claim or request is denied or who has not received a response within thirty (30) days may request review by notice given in writing to the Administrative Committee. Such notice must be received by the Administrative Committee within sixty (60) days following the end of the thirty (30) day review period. The claim or request shall be reviewed by the Administrative Committee who may, but shall not be required to, grant the claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

10.4 Final Decision

The decision on review shall normally be made within sixty (60) days. If an extension of time is required for a hearing or other special circumstances, the claimant shall be notified and the time limit shall be one hundred twenty (120) days. The decision shall be in writing and shall state the reason and the relevant Plan provisions. All decisions on review shall be final and bind all parties concerned.

Article XI-- AMENDMENT AND TERMINATION OF PLAN

11.1 Amendment

- (a) The Executive Compensation Committee of the Board may at any time amend the Plan, in whole or in part, provided however that no amendment shall be effective to decrease or restrict the amount credited to any Account maintained under the Plan as of the adoption date or effective date of the amendment, whichever is later.
- (b) The Administrative Committee may adopt any technical, clerical, conforming or clarifying amendment or other change, provided:
- (i) The Administrative Committee deems it necessary or advisable to:

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- (A) Correct any defect, supply any omission or reconcile any inconsistency in order to carry out the intent and purposes of the Plan;
 - (B) Maintain the Plan's status as a "top-hat" plan for purposes of ERISA;
- or
- (C) Facilitate the administration of the Plan;
 - (ii) The amendment or change does not, without the consent of the Executive Compensation Committee of the Board, materially increase the cost to the Employer of maintaining the Plan; and
 - (iii) Any formal amendment adopted by the Administrative Committee shall be in writing, signed by a member of the Committee and reported to the Executive Compensation Committee of the Board.
- (c) Changes in Earnings Rate. If the Plan is amended so that a series of investment options is not used to calculate the Participants' investment gains and losses under the Plan, the rate of earnings to be credited to a Participant's Account shall not be less than the monthly equivalent of the average nominal annual yield on three (3) month Treasury bills for the applicable period.

11.2 Company's Right to Terminate

The Executive Compensation Committee of the Board may, at any time, partially or completely terminate the Plan.

- (a) Partial Termination. The Executive Compensation Committee of the Board may partially terminate the Plan by instructing the Administrative Committee not to accept any additional deferrals into the Plan. If such a partial termination occurs, the Plan shall continue to operate and be effective with regard to deferrals made prior to the effective date of such partial termination.
- (b) Complete Termination. The Executive Compensation Committee of the Board may completely terminate the Plan by instructing the Administrative Committee not to accept any additional deferrals, and by terminating all ongoing Deferral Elections. If such a complete termination occurs, the Plan shall cease to operate and Employer shall distribute each Account. Payment shall be made in either the form of a lump sum payment as soon as practicable or such other form of payment as determined by the Executive Compensation Committee of the Board.

Article XII-- SPECIAL COMPENSATION AND AWARDS

12.1 Special Compensation and Awards

Notwithstanding anything in the Plan to the contrary, the deferral of a special compensation award shall be governed by this Article XII. Unless directly addressed herein, the Participant's deferral of a special compensation award shall otherwise be governed by the requirements of the Plan.

12.2 Participation and Deferral Elections

The Executive Compensation Committee of the Board shall designate the Participants eligible to elect a deferral under this Article XII. The Participant must file a Participant Agreement with the Administrative Committee for such deferral. The Participant's Deferral Election under this Article XII shall commence as of the first day of the next Plan Year following the date the Participant's Deferral Election is filed with the Administrative Committee.

12.3 Compensation Accounts

The Participant may establish either a Retirement/Termination Account or a Scheduled Withdrawal Account under this Article XII. Such Account shall be separate and apart from any other Accounts of the Participant. The Participant shall be entitled to have up to two (2) separate Scheduled Withdrawal Accounts under this Article XII.

12.4 Investment and Earnings

The Participant shall not be eligible to direct the investment of his deferral under this Article XII. The Participant's Account shall be credited with earnings based on the increase or decrease in the value of the common stock of the Company from the date of the Participant's deferral. In addition, the Participant's Account shall be credited with the value of any hypothetical dividends paid on the common stock of the Company during the period for which the Participant maintains an Account established under this Article XII. The hypothetical dividends will be reinvested when payable in additional shares of the common stock of the Company. The value of the common stock of the Company for the purposes of this Article XII shall mean the closing price of the stock on the New York Stock Exchange - Composite Transaction on the relevant date of determination.

12.5 Distributions

The Participant shall only be eligible to receive his benefits under this Article XII in the form of Company stock. If designated into a Retirement Account, the Participant shall be eligible to commence receipt of his benefits in such Account in the manner described in Section 6.1. The Retirement Benefit may be paid out in the form of a lump sum or in installment payments. A distribution in the form of annual installments shall be paid in the method described in Section 6.1(b)(ii).

If designated into a Scheduled Withdrawal Account, the Participant shall be eligible to commence receipt of his benefits in such account on the date elected by the Participant at the time the Account was established. In no event shall the payment date be prior to the completion of two (2) Plan Years from the date the applicable Account is established. The Scheduled Withdrawal Account may be paid out in a single lump sum payment or in up to four (4) annual installments. A distribution in the form of annual installments shall be paid in the method described in Section 6.1(b)(ii). Notwithstanding the foregoing, the Participant shall be entitled to make a one-time election to defer commencement of the distributions from his Scheduled Withdrawal Account in the event the Participant notifies the Administrative Committee in writing of such election at least thirty (30) days prior to the close of the Plan Year immediately preceding the Plan Year in which the

Scheduled Withdrawals were to begin. In such written election to defer commencement, the Participant shall inform the Administrative Committee of the new date upon which the Scheduled Withdrawals shall commence.

Article XIII -- MISCELLANEOUS

13.1 Unfunded Plan

This plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA.

13.2 Unsecured General Creditor

Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of Employer or any other party for payment of benefits under this Plan. Any life insurance policies, annuity contracts or other property purchased by Employer in connection with this Plan shall remain its general, unpledged and unrestricted assets. Employer's obligation under the Plan shall be an unfunded and unsecured promise to pay money in the future.

13.3 Trust Fund

At its discretion, the Company may establish one or more trusts, with such trustees as the Company may approve, for the purpose of providing for the payment of benefits owed under the Plan. Although such a trust shall be irrevocable, its assets shall be held for payment to Employer's general creditors in the event of insolvency or bankruptcy. To the extent any benefits provided under the Plan with respect to an Employer's Participants are paid from any such trust, that Employer shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation solely of that Employer.

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13.4 Nonassignability

Except in connection with designating a Beneficiary as provided under Article VII hereof, neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

13.5 Not a Contract of Employment

This Plan shall not constitute a contract of employment between Employer and the Participant. Nothing in this Plan shall give a Participant the right to be retained in the service of Employer or to interfere with the right of Employer to discipline or discharge a Participant at any time.

13.6 Protective Provisions

A Participant shall cooperate with Employer by furnishing any and all information requested by Employer in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as Employer may deem necessary and taking such other action as may be requested by Employer.

13.7 Governing Law

The provisions of this Plan shall be construed and interpreted according to the laws of the Commonwealth of Virginia, except as preempted by federal law.

13.8 Validity

In case any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

13.9 Gender

The masculine gender shall include the feminine and the singular shall include the plural, except where the context expressly dictates otherwise.

13.10 Notice

Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed as given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Administrative Committee shall be directed to the Company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in Employer's records.

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13.11 Successors

The provisions of this Plan shall bind and inure to the benefit of Company and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of Employer, and successors of any such corporation or other business entity.

ALBEMARLE CORPORATION

/s/ C.B. Walker

Vice Chairman of the Board and
Chief Financial Officer

Dated: December 21, 2001

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Appendix A

Change in Control

1. A "Change in Control" shall mean the occurrence of any of the following events:

- (a) any Person, or "group" as defined in section 13(d)(3) of the Securities Exchange Act of 1934 (excluding Floyd D. Gottwald, Bruce C. Gottwald, members of either of their families and any Affiliate), becomes, directly or indirectly, the Beneficial Owner of 20% or more of the combined voting power of the then outstanding Albemarle securities that are entitled to vote generally for the election of Albemarle's directors (the "Voting Securities") (other than as a result of an issuance of securities by Albemarle approved by Continuing Directors, or open market purchases approved by Continuing Directors at the time the purchases are made);

- (b) as the direct or indirect result of, or in connection with, a reorganization, merger, share exchange or consolidation (a "Business Combination"), a contested election of directors, or any combination of these transactions, Continuing Directors cease to constitute a majority of Albemarle's board of directors, or any successor's board of directors, within two years of the last of such transactions;
- (c) the shareholders of Albemarle approve a Business Combination, unless immediately following such Business Combination, (i) all or substantially all of the Persons who were the Beneficial Owners of the Voting Securities outstanding immediately prior to such Business Combination Beneficially Own more than 70% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company resulting from such Business Combination (including, without limitation, a company which as a result of such transaction owns Albemarle through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Voting Securities, (ii) no Person (excluding Floyd D. Gottwald, Bruce C. Gottwald, members of either of their families and any Affiliate and any employee benefit plan or related trust of Albemarle or the Company resulting from such Business Combination) Beneficially Owns 30% or more of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company resulting from such Business Combination and (iii) at least a majority of the members of the board of directors of the Company resulting from such Business Combination are Continuing Directors.

2. Definitions. For purposes of this Appendix A, the following terms shall have the following meanings:

- (a) Affiliate and Associate shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended and as in effect on the date of this Agreement (the "Exchange Act").

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- (b) Albemarle means Albemarle Corporation.
- (c) Beneficial Owner means that a Person shall be deemed the "Beneficial Owner" and shall be deemed to "beneficially own," any securities:
 - (i) that such Person or any of such Person's Affiliates or Associates owns, directly or indirectly;
 - (ii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed to be the "Beneficial Owner" of, or to "beneficially own," securities tendered pursuant to a tender or exchange offer made by such Person or any such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange;
 - (iii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote, including pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," any security under this subsection as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (1) arises solely from a revocable proxy given in response to a public proxy solicitation made pursuant to, and in accordance with the applicable provisions of the General Rules and Regulations under the Exchange Act and (2) is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iv) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associates thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing), for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to subsection (iii) of this definition) or disposing of any voting securities of Albemarle provided, however, that notwithstanding any provision of this definition, any Person engaged in business as an underwriter of securities who acquires any securities of Albemarle through such Person's participation in good faith in a firm commitment underwriting registered under the Securities Act of 1933, shall not be deemed the "Beneficial Owner" of, or to "beneficially own," such securities until the expiration of forty days after the date of acquisition; and provided, further, that in no case shall an officer or director of Albemarle be deemed (1) the beneficial owner of any securities beneficially owned by another officer or director of Albemarle solely by reason of actions undertaken by such persons in their capacity as officers or directors of Albemarle; or (2) the beneficial owner of securities held of record by the trustee of any employee benefit plan of Albemarle or any Subsidiary of Albemarle for the benefit of any employee of Albemarle or any Subsidiary of Albemarle, other than the officer or director, by reason of any influences that such officer or director may have over the voting of the securities held in the trust.

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- (d) Company means Albemarle or any successor thereto.
- (e) Continuing Director means any member of Albemarle's Board, while a member of that Board, and
 - (i) who was a member of Albemarle's Board prior to April 27, 2000, or
 - (ii) whose subsequent nomination for election or election to Albemarle's Board was recommended or approved by a majority of the Continuing Directors.
- (f) Control Change Date means the date on which an event described in paragraph 1 occurs. If a Change in Control occurs on account of a series of transactions, the Control Change Date is the date of the last of such transactions.
- (g) Person means any individual, firm, company, partnership or other entity.
- (h) Subsidiary means, with references to any Person, any company or other entity of which an amount of voting securities sufficient to elect a majority of the directors or Persons having similar authority of such company or other entity is beneficially owned, directly or indirectly, by such Person, or otherwise controlled by such Person.

First Amendment
to the
SAVINGS PLAN FOR THE EMPLOYEES
OF ALBEMARLE CORPORATION

In accordance with Section 10.01 of the Savings Plan for the Employees of Albemarle Corporation (the "Plan"), the Plan is hereby amended as follows:

1. The Plan is amended by adding a new Article VA thereof to read as follows:

ARTICLE VA

Employee Stock Ownership Plan

5A.01. Employee Stock Ownership Plan.

Effective as of December __, 2001, all Company Stock invested in the Albemarle Corporation Common Stock Fund which is allocated to Member's Accounts shall constitute an Employee Stock Ownership Plan.

5A.02. Definitions. For purposes of the Plan, the following terms shall have the following meanings:

(a) "Company Stock" means common stock of Albemarle Corporation, or other stock that constitutes "qualifying employer securities," as defined in Section 4975(e) (8) of the Code.

(b) "Albemarle Corporation Common Stock Fund" or "Albemarle Stock Fund" means the Investment Fund within the Trust Fund which holds Company Stock allocated to a Member's Account. The Albemarle Corporation Common Stock Fund shall be maintained as an Investment Fund at all times during which a portion of the Plan is intended to constitute an ESOP.

(c) "Employee Stock Ownership Plan" or "ESOP" means the portion of the Plan that is intended to be a stock bonus plan as defined in Treasury Regulation Section 1.401-1(b) (1) (iii) and a non-leveraged employee stock ownership plan satisfying the requirements of Sections 401(a), 409, and 4975(e) (7) of the Code. The ESOP shall consist of all amounts held in the Albemarle Corporation Common Stock Fund which is allocated to Member's Accounts. The ESOP is intended to be invested primarily in Company Stock.

5A.03 Discrimination Testing.

The portion of the Plan which constitutes an ESOP, and which is mandatorily disaggregated from the balance of the Plan pursuant to Treasury Regulation Sections 1.401(k)-1(g) (11) and 1.410(b)-7(c) (2), shall be tested separately for the purpose of applying the discrimination tests of Code Sections 401(a) (4), 401(k), 401(m) and 410(b).

5A.04 Diversification Rights.

Notwithstanding Section 5.02(c) of the Plan, if a Member attains age fifty-five (55) and has completed at least ten (10) Years of Service (so that the Member is a "Qualified Participant"), such Qualified Participant shall be permitted to elect to transfer to any Investment Fund or combination of Investment Funds a portion of the balance in the Member's Account invested in the Albemarle Corporation Common Stock Fund (the "Diversification Election") in accordance with the following provisions:

(a) Such Qualified Participant shall be permitted to make the Diversification Election, in such manner as the Administrator may prescribe, during the ninety (90) day period immediately following the close of each Plan Year during the Qualified Election Period (the "Diversification Election Period"). For purposes of this Section 5A.04, the "Qualified Election Period" means the period of six consecutive Plan Years beginning with the Plan Year during which the Member becomes a Qualified Participant.

(b) For each of the first five Plan Years in the Qualified Election Period, such

Qualified Participant shall be permitted to reallocate to other Plan Investment Funds, up to twenty-five (25) percent of the value credited to the Member within the Albemarle Corporation Common Stock Fund (less any amounts that such Qualified Participant reallocated previously under this Section 5A.04). For the sixth Plan Year in the Qualified Election Period, such Qualified Participant shall be permitted to reallocate up to fifty (50) percent of the value credited to the Member within the Albemarle Corporation Common Stock Fund (less any amounts that such Qualified Participant reallocated previously under this Section 5A.04).

(c) The amount that may be reallocated during the Qualified Election Period shall be determined as of the last day of the preceding Plan Year by multiplying the value credited to the Qualified Participant within the Albemarle Corporation Common Stock Fund (including the value of which has been previously reallocated pursuant to this Section 5A.04 determined at the time of such reallocation) by twenty-five (25) percent or, with respect to a Qualified Participant's Diversification Election for the sixth Plan Year in the Qualified Election Period, by fifty (50) percent, reduced by the value that has previously been reallocated by such Qualified Participant pursuant to this Section 5A.04.

(d) A Diversification Election pursuant to this Section 5A.04 shall be effective no later than ninety (90) days after the end of the Diversification Election Period.

5A.05 Dividends on Company Stock.

Effective with respect to cash dividends paid on shares of Company Stock allocated to a Member's Account in calendar year 2002 or later, the Member (or his Beneficiary if applicable) shall have the right to receive payment of such dividends in lieu of reinvestment of the dividends in Company Stock. An election by a Member or Beneficiary to receive payment of dividends under this Section 5A.05 shall be made in the manner designated by the Administrator provided that, (1) any Member or Beneficiary who fails to make an affirmative election to receive payment of dividends within the time prescribed for such election by the Administrator shall be deemed to have elected to retain such dividends in the Plan and (2) any election by a Member or Beneficiary to receive payment of dividends in lieu of reinvestment shall remain in effect until such election is revoked by the Member or Beneficiary. In no event shall dividends be paid to the Member or Beneficiary later than ninety (90) days after the close of the Plan Year in which such dividends were paid to the Plan."

2. Section 7.05 of the Plan is amended by adding the following sentence after the last sentence thereof:

"Notwithstanding the foregoing, a Member may elect to receive his entire Account balance in whole shares of Company Stock by directing a transfer of his Account balance to the Albemarle Stock Fund and receiving a distribution of his entire Account balance in whole shares of Company Stock from the Albemarle Stock Fund."

3. This First Amendment shall be effective as of December 14, 2001.

IN WITNESS WHEREOF, the Corporation by its duly authorized officer and with its seal affixed, has caused these presents to be signed this 14th day of December, 2001.

ALBEMARLE CORPORATION

/s/ C.B. WALKER

Vice Chairman of the Board and
Chief Financial Officer

ALBEMARLE CORPORATION
 COMPUTATION OF PRO FORMA EARNINGS PER SHARE
 for the years ended December 31, 2001 and 2000
 (In thousands except per share amounts)

	Pro Forma 2001	Pro Forma 2000
	-----	-----
BASIC EARNINGS PER SHARE		
Numerator:		
Net income after effect of applying SFAS No. 123 "Accounting for Stock Based Compensation"	\$66,524	\$100,437
	-----	-----
Denominator:		
Average number of shares of common stock outstanding	45,766	45,882
	=====	=====
Basic earnings per share	\$1.45	\$2.19
	=====	=====
DILUTED EARNINGS PER SHARE		
Numerator:		
Net income after effect of applying SFAS No. 123 "Accounting for Stock Based Compensation"	\$66,524	\$100,437
	-----	-----
Denominator:		
Average number of shares of common stock outstanding	45,766	45,882
Shares issuable upon the assumed exercise of outstanding stock options and other common stock equivalents	758	724
	-----	-----
Total pro forma shares	46,524	46,606
	=====	=====
Diluted earnings per share	\$1.43	\$2.16
	=====	=====

ALBEMARLE SUBSIDIARIES

NAME	DOMICILE
Albemarle Asano Corporation	Japan
Albemarle Asia Pacific Company	Virginia
Albemarle Asia Pacific Company LLC	Virginia
Albemarle Chemicals SAS	France
Albemarle Chimie	France
Albemarle China Corporation	Virginia
Albemarle Deutschland GmbH	Germany
Albemarle Europe SPRL	Belgium
Albemarle Foreign Sales Corporation	U. S. Virgin Islands
Albemarle France S.A.R.L.	France
Albemarle Holdings Company Limited	Turks and Caicos Islands
Albemarle International Corporation	Virginia
Albemarle International Company LLC	Virginia
Albemarle Marketing Company Limited	Turks and Caicos Islands
Albemarle Overseas Development Corporation	Virginia
Albemarle Overseas Development Corporation LLC	Virginia
Albemarle PPC	France
Albemarle Services Company Limited	Turks and Caicos Islands
Albemarle TCI Limited	Turks and Caicos Islands
Albemarle U.K. Holdings, Inc.	Virginia
Albemarle UK Limited	England
Albemarle Ventures Company Limited	Turks and Caicos Islands
Albemarle Virginia Corporation	Virginia
Albemarle Virginia, L.P.	Virginia
ANY, Inc.	New York
Breitenau Holding GmbH	Germany
Marble (One) SAS	France
Marble (Two) SAS	France
Martinswerk GmbH	Germany

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 33-75622 and 333-83237) of Albemarle Corporation of our report dated January 23, 2002, except Footnote 19 for which the date is February 13, 2002, relating to the financial statements, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP

Richmond, Virginia
February 27, 2002

Exhibit 99

FIVE-YEAR SUMMARY

(In Thousands Except Per-Share Amounts)

Years Ended December 31	2001	2000	1999	1998	1997
Results of Operations					
Net sales	\$ 916,899	\$ 917,549	\$ 845,925	\$ 820,862	\$ 829,850
Costs and expenses (a)	818,449	767,387	731,799	695,147	709,143
Operating profit	98,450	150,162	114,126	125,715	120,707
Interest and financing expenses	5,536	5,998	8,379	4,487	719
Gain on sale of investment (b)	--	--	(22,054)	--	--
Other income, net	(4,282)	(3,337)	(937)	(1,570)	(917)
Income before income taxes	97,196	147,501	128,738	122,798	120,905
Income taxes	29,029	45,725	39,909	38,066	40,923
Net income	\$ 68,167	\$ 101,776	\$ 88,829	\$ 84,732	\$ 79,982

Financial Position and Other Data

Total assets	\$ 1,129,475	\$ 981,803	\$ 954,094	\$ 937,797	\$ 888,181
Operations:					
Working capital (c)	\$ 79,824	\$ 173,038	\$ 201,246	\$ 203,594	\$ 184,176
Current ratio (c)	1.26 to 1	2.22 to 1	2.53 to 1	2.89 to 1	2.64 to 1
Depreciation and amortization	\$ 77,610	\$ 73,750	\$ 75,750	\$ 75,012	\$ 69,044
Capital expenditures	\$ 49,903	\$ 52,248	\$ 77,569	\$ 76,747	\$ 85,284
Acquisitions of businesses	\$ 113,245	\$ 35,006	--	\$ 15,229	--
Research and development expenses	\$ 21,919	\$ 26,201	\$ 34,288	\$ 29,655	\$ 31,446
Gross margin as a % of net sales	24.1	29.6	30.4	30.9	31.5
Total long-term debt	\$ 170,215	\$ 97,980	\$ 159,760	\$ 192,938	\$ 91,793
Equity (d)	\$ 593,302	\$ 558,907	\$ 490,564	\$ 451,667	\$ 517,336
Total long-term debt as a % of total capitalization	22.3	14.9	24.6	29.9	15.1

Common Stock

Basic earnings per share	\$ 1.49	\$ 2.22	\$ 1.89	\$ 1.64	\$ 1.45
Shares used to compute basic earnings per share (d)	45,766	45,882	46,889	51,558	55,164
Diluted earnings per share	\$ 1.47	\$ 2.18	\$ 1.87	\$ 1.63	\$ 1.44
Shares used to compute diluted earnings per share (d)	46,524	46,606	47,513	52,136	55,668
Cash dividends declared per share	\$.52	\$.46	\$.40	\$.37	\$.32
Shareholders' equity per share (d)	\$ 13.04	\$ 12.20	\$ 10.62	\$ 9.61	\$ 9.60
Return on average shareholders' equity	11.8%	19.4%	18.9%	17.5%	15.6%

<FN>

(a) 2001 includes a special charge of \$2,051 (\$1,306 after income taxes) for workforce reductions; 2000 includes a special charge of \$6,856 (\$4,367 after income taxes) for workforce reductions and a one-time noncash pension settlement gain of \$14,990 (\$9,549 after income taxes) resulting from a change in election made in certain pension annuity contracts; 1999 includes a special charge of \$10,692 (\$6,717 after income taxes) for workforce reductions at certain of the Company's facilities.

(b) 1999 gain on the sale of investment in Albright & Wilson stock (\$14,381 after income taxes).

(c) The Company's working capital at December 31, 2001, includes \$157,571 of debt related to the Company's Revolving Credit (c) Agreement which matures September 29, 2002. The Company is currently renegotiating a new debt agreement.

(d) Shareholders' equity includes the purchase of common shares amounting to: 2001--417,505; 2000--574,091; 1999--857,400; 1998--6,912,741; 1997--1,560,300.

</FN>