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

FORM 10-K/A

|X| Annual Report Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934
(No Fee Required)
For the fiscal year ended December 31, 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 | 54-1692118 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

330 South Fourth Street
P. O. Box 1335
Richmond, Virginia 23210
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: 804-788-6000

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

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

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

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

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/A.

ALBEMARLE CORPORATION

PURPOSE OF AMENDMENT:

The purpose of this amendment is to correct a typographical error in Note No.8 beginning on Page 23 of the original filing, Page 11 of this filing.

Also attached is an updated Exhibit 23.1, the consent from our independent auditors, PricewaterhouseCoopers LLP, dated May 31, 2002.



ALBEMARLE CORPORATION AND SUBSIDIARIES

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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 |

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



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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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.

</FN>



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.

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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.

## 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.





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.





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

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

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 |





NOTE 3--EARNIGS 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 | 157,862 | 299 |
| Long-term debt | $ 12,353 | $97,681 |

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.

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

NOTE 9--CAPITAL STOCK:

PREFERRED STOCK

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



STOCK PURCHASES

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>



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

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

| | Options Outstanding | | | | Options Exercisable | |
|---|---|---|---|---|---|---|
| Month/Year of Grants | Exercise Prices | Number Outstanding at 12/31/01 | Weighted-Average Remaining Contractual Life | Weighted-Average Exercise Price | 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 Thousands of Dollars Except for Share Data and Per-Share Amounts)

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.



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





$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.

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

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.





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) |

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

| | | | | |
|---|---|---|---|---|
| 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 |



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 |

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

<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% |



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 |

================================================================================





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 wageroll 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 wageroll 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.

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



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 dependent 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 |

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

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 |





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, pharmachemicals 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.

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

| 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>





## 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 wageroll 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.



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

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/
----------------------------
Robert G. Kirchhoefer

Dated: May 31, 2002

Exhibit 23.1

# CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Files 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/A.

/s/PricewaterhouseCoopers LLP

Richmond, Virginia
May 31, 2002