

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

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

For Quarterly Period Ended March 31, 1996

OR

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

For Transition Period from _____ to _____

Commission File Number 1-12658

ALBEMARLE CORPORATION

(Exact name of registrant as specified in its charter)

VIRGINIA

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X

No

Number of shares of common stock, \$.01 par value, outstanding as of April 30, 1996: 56,634,714

ALBEMARLE CORPORATION

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ITEM 1. Financial Statements

ALBEMARLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars In Thousands)

	March 31, 1996	December 31, 1995
	----- (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 329,693	\$ 33,130
Accounts receivable, less allowance for doubtful accounts (1996- \$1,769; 1995 - \$1,615)	157,147	198,125
Inventories:		
Finished goods	56,232	132,334
Work-in-process	3,980	5,767
Raw materials	9,660	15,125
Stores, supplies and other	16,183	24,371
	----- 86,055	----- 177,597
Deferred income taxes and prepaid expenses	22,134	19,935
Total current assets	----- 595,029	----- 428,787
Property, plant and equipment, at cost	1,095,340	1,493,846
Less accumulated depreciation and amortization	(614,569)	(807,951)
Net property, plant and equipment	----- 480,771	----- 685,895
Other assets and deferred charges	62,767	60,814
Goodwill and other intangibles - net of amortization	26,918	28,995
Total assets	----- \$1,165,485	----- \$1,204,491
	-----	-----

See accompanying notes to the consolidated financial statements.

ALBEMARLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars In Thousands)

	March 31, 1996	December 31, 1995
----- (Unaudited)		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 78,882	\$ 102,788
Long-term debt, current portion	461	17,020
Accrued expenses	75,073	65,017
Dividends payable	3,635	3,634
Income taxes payable	94,722	5,760
	-----	-----
Total current liabilities	252,773	194,219
	-----	-----
Long-term debt	9,249	200,092
Other noncurrent liabilities	57,812	54,512
Deferred income taxes	114,603	133,102
Shareholders' equity:		
Common stock, \$.01 par value, Issued - 66,108,586 in 1996 and 66,076,853 in 1995, respectively	661	661
Additional paid-in capital	499,402	498,827
Foreign currency translation adjustments	23,522	27,604
Retained earnings	207,463	95,474
	-----	-----
Total shareholders' equity	731,048	622,566
	-----	-----
Total liabilities and shareholders' equity	\$1,165,485	\$1,204,491
	-----	-----

See accompanying notes to the consolidated financial statements.

ALBEMARLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In Thousands Except Per-Share Amounts)

(Unaudited)

	Three Months Ended March 31,	
	1996	1995
Net sales	\$ 270,171	\$ 313,257
Cost of goods sold	196,060	246,326
Gross profit	74,111	66,931
Selling, general and administrative expenses	33,545	31,167
Research and development expenses	7,126	6,777
Operating profit	33,440	28,987
Interest and financing expenses	1,841	3,604
Gain on sale of business	(158,157)	-
Other income, net	(1,767)	(404)
Income before income taxes	191,523	25,787
Income taxes	75,899	11,179
NET INCOME	\$ 115,624	\$ 14,608
EARNINGS PER SHARE	\$ 1.73	\$ 0.22
Shares used to compute earnings per share	66,663	66,121
Cash dividends declared per share of common stock	\$.055	\$.05

See accompanying notes to the consolidated financial statements.

ALBEMARLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars In Thousands)

(Unaudited)

	Three Months Ended March 31,	
	1996	1995
	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	\$ 33,130	\$ 32,114
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CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	115,624	14,608
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	20,630	23,158
Gain on sale of business, net of income taxes of \$63,780	(94,377)	-
Working capital increase excluding cash and cash equivalents, net of the effects of the sale of business	(22,972)	(2,695)
Other, net	(1,800)	(1,991)
	17,105	33,080
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CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(22,652)	(22,156)
Proceeds from sale of business, net of \$26,731 of trade accounts payable retained by the Company	509,771	-
Other, net	1,308	337
	488,427	(21,819)
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CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	-	2,022
Repayments of long-term debt	(205,518)	(10,599)
Dividends paid	(3,634)	(3,303)
Other, net	183	-
	(208,969)	(11,880)
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Increase (decrease) in cash and cash equivalents	296,563	(619)
<hr style="border-top: 1px dashed black;"/>		
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 329,693	\$ 31,495
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See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per-Share Amounts)
(Unaudited)

1. In the opinion of management, the accompanying consolidated financial statements of Albemarle Corporation ("Albemarle" or "the Company") contain all adjustments necessary to present fairly, in all material respects, the Company's consolidated financial position as of March 31, 1996 and the actual consolidated results of operations and cash flows for the three-month periods ended March 31, 1996 and 1995. All adjustments are of a normal and recurring nature. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 1995 Annual Report which was incorporated by reference in the Company's Form 10-K filed on March 28, 1996. The December 31, 1995 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. The results of operations for the three-month period ended March 31, 1996, are not necessarily indicative of the results to be expected for the full year.

2. On March 1, 1996, the Company sold its alpha olefins, poly alpha olefins, and synthetic alcohol businesses ("Olefins Business") to Amoco Chemical Company ("Amoco") for approximately \$510 million, including plant and equipment (primarily located in Pasadena, Texas, Deer Park, Texas and Feluy, Belgium), other assets, inventory and accounts receivable, net of trade accounts payable retained and paid to date by the Company and certain business-related liabilities transferred at the date of sale. The sale involved the transfer of 552 people who supported these businesses. The gain on the sale was \$158.2 million (\$94.4 million after income taxes or \$1.41 per share), net of \$44.3 million of costs incurred in connection with the sale for early retirements and work-force reductions, abandonment costs of certain facilities and certain other costs related to the sale, including environmental costs related to the businesses sold of \$3.3 million.

The transaction includes numerous operating and service agreements primarily focusing on the sharing of common facilities at the Pasadena plant site of Albemarle and the Feluy plant site that will be operated by Amoco.

ALBEMARLE CORPORATION AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

 (In Thousands Except Per-Share Amounts)
 (Unaudited)

3. Long-term debt consists of the following:

	March 31, 1996	December 31, 1995
	-----	-----
Variable-rate bank loans	\$ -	\$ 130,000
Foreign bank borrowings	8,538	85,919
Miscellaneous	1,172	1,193
	-----	-----
Total	9,710	217,112
Less amounts due within one year	461	17,020
	-----	-----
Long-term debt	\$ 9,249	\$ 200,092
	-----	-----

The reduction in long-term debt reflects repayments resulting from use of the proceeds received from the sale of the Olefins Business.

4. The provision for income taxes on the operating results of the Company in the accompanying consolidated statement of income for the three-month period ended March 31, 1995 is higher than combined federal and state income tax rates primarily due to the absence of tax benefits on net operating losses of the Company's Belgian subsidiary as the Company provided valuation allowances against the deferred tax assets related to these net operating losses due to the uncertainty of the assets' realization.
5. On April 1, 1996, the Company purchased 9,484,465 shares of its common stock, at a price of \$23 per share, through a self tender offer, which began on March 4, 1996 and concluded on April 1, 1996, that had been announced by the Company on March 1, 1996, following the sale of its Olefins Business to Amoco.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

 OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following is management's discussion and analysis of certain significant factors affecting Albemarle Corporation's ("Albemarle" or "the Company") results of operations during the periods included in the accompanying consolidated statements of income and changes in the Company's financial condition since December 31, 1995.

On March 1, 1996, after a strategic review of its alpha olefins, poly alpha olefins and synthetic alcohol businesses ("Olefins Business"), the Company entered into a definitive agreement to sell, and simultaneously closed the sale of its Olefins Business to Amoco Chemical Company ("Amoco"). After the sale, Albemarle is engaged in the bromine chemicals, specialty chemicals and detergents and surfactants businesses.

Results of Operations

First Quarter 1996 Compared with First Quarter 1995

NET SALES

Net sales for the first quarter of 1996 amounted to \$270.2 million, down from \$313.3 million in 1995. Excluding the first quarter 1996 and 1995 net sales of the Olefins Business sold March 1, 1996, and excluding first quarter 1995 net sales of the electronic materials business sold in July 1995, Albemarle's net sales for the first quarter of 1996 would have shown an increase of three percent, or \$6.2 million. This increase in the remaining businesses was primarily due to higher shipments of certain bromine chemical products, partly offset by decreases in shipments of pharmaceutical intermediates.

OPERATING COSTS AND EXPENSES

While net sales in 1996 decreased 14%, cost of goods sold decreased 20% in 1996 from 1995 with the result that the gross profit margin increased to 27.4% in the 1996 quarter from 21.4% in the 1995 period. The decrease in cost of goods sold was primarily due to decreases in shipments, mainly due to having only two months of the Olefins Business' shipments in 1996 versus three months in 1995, and lower raw material prices, offset in part by increased plant costs primarily due to weather-related operating problems and lower production volumes in certain products in our bromine plant in Arkansas.

Selling, general and administrative expenses, combined with research and development expenses, increased 7% in 1996 from the 1995 quarter. As a percentage of net sales, selling, general and administrative expenses, including research and development expenses, increased to 15% in 1996 from 12.1% in the 1995 quarter in part due to the decrease in net sales for the 1996 quarter.

OPERATING PROFIT

Operating profit in the first quarter of 1996 increased 15.4% over the corresponding period in 1995. Most of the increase came from poly alpha olefins and linear alpha olefins, offset in part by pharmaceutical intermediates. Linear alpha olefins and poly alpha olefins operations were favorably impacted by lower priced ethylene in the 1996 quarter.

INTEREST AND FINANCING EXPENSES AND OTHER INCOME

Interest and financing expenses in 1996 decreased to \$1.8 million from \$3.6 million in 1995 due to lower average outstanding debt. Other income, which consisted primarily of interest income due to the investment of a portion of the proceeds from the sale of the Olefins Business, increased \$1.4 million.

GAIN ON SALE OF BUSINESS

The Company's 1996 first quarter earnings included a gain resulting from the March 1, 1996 sale of the Olefins Business to Amoco for approximately \$510 million, including plant and equipment (primarily located in Pasadena, Texas, Deer Park, Texas and Feluy, Belgium), other assets, inventory and accounts receivable, net of trade accounts payable retained and paid to date by the Company and certain business-related liabilities transferred at the date of sale. The gain on the sale was \$158.2 million (\$94.4 million after income taxes or \$1.41 per share), net of costs incurred in connection with the sale. (See Note 2 of the Notes to the Consolidated Financial Statements on page 7.)

INCOME TAXES

Income taxes for the first quarter 1996 of \$75.9 million reflects an effective income tax rate of 39.6% compared to 43.4% for the 1995 period. Excluding the effect of the gain on the sale of the Olefins Business, income taxes increased \$0.9 million in the 1996 quarter compared to the 1995 quarter, on a \$7.5 million increase in pretax income from operations. The effective tax rate of 36.3% for the first quarter of 1996, excluding effects of the gain on the sale of the Olefins Business, was down from the 43.4% rate for the first quarter of 1995. The rate in 1996 was favorably impacted by the Company's Belgian subsidiary which had positive operating results for the 1996 quarter, while the rate in 1995 was higher than normal primarily due to the absence of tax benefits on net operating losses of the Belgian subsidiary.

Cash and cash equivalents at March 31, 1996, were \$329.7 million. This represents an increase of \$296.6 million from \$33.1 million at year-end 1995, primarily due to proceeds received from the sale of the Olefins Business.

Cash flows from operating activities together with \$33.1 million of existing cash, were sufficient to cover operating activities, capital expenditures and payment of dividends. In addition, the Company received approximately \$510 million, net of trade payables retained and paid to date by the Company from the sale of the Olefins Business, which was used to repay long-term debt and increase cash and cash equivalents.

The Company anticipates that cash provided from operations in the future will be sufficient to pay its operating expenses, satisfy debt-service obligations and make dividend payments to common shareholders.

The Company's foreign currency translation adjustments, net of related deferred taxes, at March 31, 1996, decreased 15% from December 31, 1995, primarily due to the strengthening of the U.S. dollar.

The non-current portion of the Company's long-term debt amounted to \$9.2 million at March 31, 1996, compared to \$200.1 million at the end of 1995. The reduction in long-term debt reflects repayments resulting from the proceeds received from the sale of the Olefins Business. The Company's long-term debt, including the current portion, as a percentage of total capitalization at March 31, 1996, amounted to 1.3%.

The Company's capital expenditures in the first quarter of 1996 were slightly higher than in the first quarter of 1995. However, for the year capital expenditures should be slightly below the 1995 level due to the sale of the Olefins Business. Capital spending will be financed primarily with cash flow from operations with any additional cash needed to be provided from additional long-term debt. The amount and timing of any additional borrowing will depend on the Company's specific cash requirements.

The Company is subject to federal, state, local and foreign requirements regulating the handling, manufacture and use of materials (some of which may be classified as hazardous or toxic by one or more regulatory agencies), the discharge of materials into the environment and the protection of the environment. To the best of the Company's knowledge, Albemarle currently is 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 has not in the past had, and 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 and may be liable for a share of the costs associated with cleaning up various hazardous waste sites.

Recent Developments

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On April 1, 1996, the Company purchased 9,484,465 shares of its common stock, at a price of \$23 per share, through a self tender offer, which began on March 4, 1996 and concluded on April 1, 1996, that had been announced by the Company on March 1, 1996, following the sale of its Olefins Business to Amoco. The purchase, which was funded from proceeds received from the sale of the Olefins Business, represents approximately 14.3 % of the 66,083,821 shares of common stock outstanding immediately prior to the commencement of the offer. The results of this repurchase are not reflected herein.

Part II - OTHER INFORMATION

ITEM 1. Legal Proceedings

An administrative proceeding, involving a potential penalty in excess of \$100,000, was first reported in the Company's 1994 reports on Form 10-Q. The U.S. Environmental Protection Agency ("EPA") filed a motion, which was granted in November, 1995 by the administrative law judge, to amend the complaint and increase the proposed penalty by \$412,980 to \$957,225. The hearing on the amended complaint was set for May 21, 1996. Subsequently, the Company received an offer from EPA to settle the amended complaint. The Company is in negotiations with EPA to settle the amended complaint, but cannot project at this time the likelihood that settlement will be reached before the hearing date or, if a settlement is reached, the terms of such a settlement.

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

At the annual meeting of shareholders held on April 24, 1996, the shareholders elected the directors nominated in the Proxy Statement with the following affirmative votes and votes withheld:

Director	Affirmative Votes	Votes Withheld
Craig R. Andersson	58,363,130	218,289
E. Gary Cook	58,365,991	215,427
Floyd D. Gottwald, Jr.	58,356,324	225,094
John D. Gottwald	58,364,693	216,726
Andre' B. Lacy	58,366,253	215,166
Seymour S. Preston, III	58,365,064	216,354
Emmett J. Rice	58,351,806	229,612
Charles B. Walker	58,346,215	235,203
Anne M. Whittemore	58,352,841	228,577

The shareholders also approved the selection of Coopers & Lybrand as the Company's auditors with 58,323,021 affirmative votes, 85,516 against and 172,881 abstentions.

Shareholders also approved the Amended Directors' Deferred Compensation Plan as described in the 1996 Proxy Statement. This amendment received 57,046,525 affirmative votes and 909,213 negative votes, with 625,680 abstentions.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 27. Financial Data Schedule

- (b) The Company filed a Form 8-K, dated March 15, 1996, announcing the sale of the assets of the Company's alpha olefins, poly alpha olefins and synthetic alcohol businesses ("Olefins Business"), to Amoco Chemical Company. The Form 8-K included items 2, 7, 99.1, an unaudited pro forma condensed consolidated balance sheet as of December 31, 1995, assuming the sale of the Olefins Business occurred on that date, and an unaudited pro forma condensed consolidated statement of income for the year ended December 31, 1995, which presented the results of operations assuming that the disposition of the Olefins Business had occurred as of January 1, 1995.

SIGNATURES

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

ALBEMARLE CORPORATION

(Registrant)

Date: May 10, 1996

By: s/ E. Gary Cook

E. Gary Cook
President
Chief Operating Officer

Date: May 10, 1996

By: s/ T. G. Avant

Thomas G. Avant
Senior Vice President
(Principal Accounting Officer)

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

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	3-MOS	
	DEC-31-1996	
	MAR-31-1996	
		\$329,693
		\$0
		\$158,916
		\$1,769
		\$86,055
	\$595,029	
		\$1,095,340
		\$614,569
	\$1,165,485	
	\$252,773	
		\$0
	\$0	
		\$0
		\$661
		\$730,387
\$1,165,485		
		\$270,171
	\$270,171	
		\$196,060
		\$236,731
		\$0
		\$0
	\$1,841	
	\$191,523	
		\$75,899
	\$115,624	
		\$0
		\$0
		\$0
		\$115,624
		\$1.73
		\$1.73