

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 June 30, 2001

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 No
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Number of shares of common stock, \$.01 par value, outstanding as of July 31, 2001: 45,875,567

ALBEMARLE CORPORATION

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

ALBEMARLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars In Thousands)

June 30, 2001	December 31, 2000
-----	-----
(Unaudited)	

ASSETS

Current assets:

Cash and cash equivalents	\$	7,887	\$	19,300
Accounts receivable, less allowance for doubtful accounts (2001 - \$3,001; 2000 - \$2,119)		149,353		174,297
Inventories:				
Finished goods		90,789		79,143
Raw materials		11,303		10,804
Stores, supplies and other		18,234		17,471
		120,326		107,418
Deferred income taxes and prepaid expenses		13,348		14,139
Total current assets		290,914		315,154
Property, plant and equipment, at cost		1,337,340		1,326,534
Less accumulated depreciation and amortization		862,768		836,460
Net property, plant and equipment		474,572		490,074
Prepaid pension assets		120,397		111,537
Other assets and deferred charges		93,005		42,583
Goodwill and other intangibles, net of amortization		20,234		22,455
Total assets	\$	999,122	\$	981,803

See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars In Thousands)

	June 30, 2001	December 31, 2000
	(Unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 61,793	\$ 72,296
Long-term debt, current portion	281	299
Accrued expenses	47,520	56,932
Dividends payable	5,641	5,956
Income taxes payable	18,416	6,633
Total current liabilities	133,651	142,116
Long-term debt	109,440	97,681
Other noncurrent liabilities	86,443	83,496
Deferred income taxes	91,298	99,603
Shareholders' equity:		
Common stock, \$.01 par value, issued and outstanding- 45,873,464 in 2001 and 45,823,743 in 2000	459	458
Additional paid-in capital	57,922	57,223
Accumulated other comprehensive (loss)	(21,428)	(14,688)
Retained earnings	541,337	515,914
Total shareholders' equity	578,290	558,907
Total liabilities and shareholders' equity	\$ 999,122	\$ 981,803

See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In Thousands Except Per-Share Amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net sales	\$ 211,286	\$ 226,206	\$ 435,696	\$ 461,686
Cost of goods sold	162,550	160,200	327,505	321,078
Gross profit	48,736	66,006	108,191	140,608
Selling, general and administrative expenses	22,186	25,822	44,890	52,008
Research and development expenses	5,433	6,219	11,210	12,467
Special item	-	(15,900)	-	(15,900)
Operating profit	21,117	49,865	52,091	92,033
Interest and financing expenses	(1,086)	(1,224)	(2,155)	(2,991)
Other income, net	1,236	363	2,818	1,336
Income before income taxes	21,267	49,004	52,754	90,378
Income taxes	6,462	15,191	15,404	28,017
Net income	\$ 14,805	\$ 33,813	\$ 37,350	\$ 62,361
Basic earnings per share	\$ 0.32	\$ 0.74	\$ 0.81	\$ 1.36
Diluted earnings per share	\$ 0.32	\$ 0.73	\$ 0.80	\$ 1.34
Cash dividends declared per share of common stock	\$ -	\$ 0.11	\$ 0.26	\$ 0.22

See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars In Thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net income	\$ 14,805	\$ 33,813	\$ 37,350	\$ 62,361
Other comprehensive (loss) income, net of tax:				
Unrealized gain on securities available for sale	32	354	(239)	332
Foreign currency translation adjustments	(2,700)	(15)	(6,501)	(4,257)
Other comprehensive (loss) income	(2,668)	339	(6,740)	(3,925)
Comprehensive income	\$ 12,137	\$ 34,152	\$ 30,610	\$ 58,436

See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars In Thousands)
(Unaudited)

	Six Months Ended June 30,	
	2001	2000
Cash and cash equivalents at beginning of year	\$ 19,300	\$ 48,621
Cash flows from operating activities:		
Net income	37,350	62,361
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	37,014	36,189
Special item	-	(15,900)
Working capital decrease (increase) excluding cash and cash equivalents	743	(10,989)
Other, net	(6,696)	4,266
Net cash provided from operating activities	68,411	75,927
Cash flows from investing activities:		
Acquisition of businesses	(45,375)	(33,000)
Capital expenditures	(28,558)	(27,781)
Investments in joint ventures and nonmarketable securities	(6,193)	(7,381)
Other, net	676	2,799
Net cash used in investing activities	(79,450)	(65,363)
Cash flows from financing activities:		
Proceeds from borrowings	44,000	19,786
Repayments of long-term debt	(31,014)	(44,700)
Dividends paid	(12,239)	(9,671)
Purchases of common stock	-	(8,853)
Proceeds from exercise of stock options	598	809
Net cash provided from (used in) financing activities	1,345	(42,629)
Net effect of foreign exchange on cash and cash equivalents	(1,719)	1,229
(Decrease) in cash and cash equivalents	(11,413)	(30,836)
Cash and cash equivalents at end of period	\$ 7,887	\$ 17,785

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 Share and Per-Share Amounts)
(Unaudited)

- In the opinion of management, the accompanying consolidated financial statements of Albemarle Corporation and Subsidiaries ("Albemarle" or "the Company") contain all adjustments necessary to present fairly, in all material respects, the Company's consolidated financial position as of June 30, 2001, and December 31, 2000, the consolidated results of operations and comprehensive income for the three- and six-month periods ended June 30, 2001, and 2000, and condensed consolidated cash flows for the six-month periods ended June 30, 2001, and 2000. All adjustments are of a normal and recurring nature. These consolidated financial statements

should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2000 Annual Report & Form 10-K filed on February 28, 2001. The December 31, 2000, 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- and six-month periods ended June 30, 2001, are not necessarily indicative of the results to be expected for the full year.

2. Long-term debt consists of the following:

	June 30, 2001	December 31, 2000
	-----	-----
Variable-rate bank loans	\$ 83,200	\$ 70,000
Foreign borrowings	14,488	15,916
Industrial revenue bonds	11,000	11,000
Miscellaneous	1,033	1,064
	-----	-----
Total	109,721	97,980
Less amounts due within one year	281	299
	-----	-----
Long-term debt	\$ 109,440	\$ 97,681
	=====	=====

3. Cost of goods sold includes foreign exchange transaction (losses) gains of (\$85) and \$879, and (\$587) and \$1,298 for the three- and six-months periods ended June 30, 2001, and 2000, respectively.

4. 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 special accounting settlement gain of \$15,900 (\$10,128 after income taxes), or 22 cents per share on a fully diluted basis, in accordance with SFAS No. 88 "Employer's Accounting for Settlements and Curtailments of Defined Pension Plans and Termination Benefits". The special item gain did not affect any retiree benefits or benefit programs of the Company.

5. Cash dividends declared for the six-month period ended June 30, 2001 totaled \$0.26 per share which included a dividend of \$0.13 per share declared on February 28, 2001, payable April 1, 2001, as well as a dividend of \$0.13 per share declared on March 28, 2001, payable July 1, 2001.

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ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

6. Basic and diluted earnings per share for the three- and six-month periods ended June 30, 2001, and 2000, are calculated as follows:

Three Months Ended June 30,		Six Months Ended June 30,	
2001	2000	2001	2000
-----	-----	-----	-----

Basic earnings per share

Numerator:								
Income available to stockholders, as reported	\$	14,805	\$	33,813	\$	37,350	\$	62,361
Denominator:								
Average number of shares of common stock outstanding		45,873		45,795		45,855		45,939
Basic earnings per share	\$	0.32	\$	0.74	\$	0.81	\$	1.36
Diluted earnings per share								
Numerator:								
Income available to stockholders, as reported	\$	14,805	\$	33,813	\$	37,350	\$	62,361
Denominator:								
Average number of shares of common stock outstanding		45,873		45,795		45,855		45,939
Shares issuable upon exercise of stock options		794		813		821		634
Total shares		46,667		46,608		46,676		46,573
Diluted earnings per share	\$	0.32	\$	0.73	\$	0.80	\$	1.34

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ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

7. The significant differences between the U.S. Federal statutory income tax rate on pretax income and the effective income tax rate for the three- and six-month periods ended June 30, 2001 and 2000, respectively are as follows:

	% of Income Before Income Taxes			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Foreign sales corporation benefit	(2.5)	(1.4)	(2.5)	(1.5)
State taxes, net of federal tax benefit	1.0	0.8	1.0	0.7
Depletion	(2.2)	(0.8)	(1.7)	(0.8)
Reversal of valuation allowance	-	-	(2.0)	-
Other	(0.9)	(2.6)	(0.6)	(2.4)
Effective income tax rate	30.4%	31.0%	29.2%	31.0%

During the first quarter of 2001, the Company released a valuation allowance 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.

8. At the close of business on May 31, 2001, the Company through its wholly-owned subsidiary Albemarle Deutschland GmbH, acquired Martinswerk GmbH ("Martinswerk"), including manufacturing facilities and headquarters in Bergheim, Germany and Martinswerk's 50 percent stake in Magnifin Magnesiaprodukte GmbH, which has manufacturing facilities at St. Jakobs Breitenau, Austria. The acquisition has been 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. The preliminary purchase price plus accrued costs, which is subject to certain adjustments, amounted to \$45,375 plus the assumption of certain liabilities and is reflected in the June 30, 2001, balance sheet under the caption "other assets and deferred charges"

while the allocation of purchase price is being completed. 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.

Net sales pro forma information is presented as follows for the six-month-periods ended June 30, 2001 and 2000, respectively, prior to the finalization of the purchase price allocation ("PPA"), as if Martinswerk GmbH and Martinswerk's 50% stake in Magnifin Magnesiaprodukte GmbH, which was acquired on May 31, 2001, had been acquired on January 1, 2001 and 2000, respectively. Net income and earnings per share data will be included when the PPA is completed.

	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
	-----	-----
Net Sales	\$485,682	\$520,144
	=====	=====

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ALBEMARLE CORPORATION AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Three Months Ended June 30,			
	2001		2000	
	Revenues	Income	Revenues	Income
	-----	-----	-----	-----
Summary of segment results				
Polymer Chemicals	\$ 108,916	\$ 15,288	\$ 125,629	\$ 32,461
Fine Chemicals	102,370	9,198	100,577	19,803
Segment totals	\$ 211,286	24,486	\$ 226,206	52,264
	=====		=====	
Corporate and other expenses		(3,369)		(2,399)
		-----		-----
Operating profit		21,117		49,865
Interest and financing expenses		(1,086)		(1,224)
Other income, net		1,236		363
		-----		-----
Income before income taxes		\$ 21,267		\$ 49,004
		=====		=====

	Six Months Ended June 30,			
	2001		2000	
	Revenues	Income	Revenues	Income
Summary of segment results				
Polymer Chemicals	\$ 229,872	\$ 36,146	\$ 253,842	\$ 59,389
Fine Chemicals	205,824	24,090	207,844	41,709
Segment totals	\$ 435,696	60,236	\$ 461,686	101,098
Corporate and other expenses		(8,145)		(9,065)
Operating profit		52,091		92,033
Interest and financing expenses		(2,155)		(2,991)
Other income, net		2,818		1,336
Income before income taxes		\$ 52,754		\$ 90,378

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ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

10. On January 1, 2001, the Company adopted Financial Accounting Standards ("FAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Company's transition adjustment did not have a material effect on the financial position or results of operations in 2001. In connection with the adoption of FAS No. 133, the Company elected not to utilize hedge accounting. Consequently, changes in the fair value of derivatives are recognized in the Company's statement of operations.

In July 2001, the Financial Accounting Standards Board ("FASB") issued FAS No. 141, Business Combinations. FAS 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, and it requires unallocated negative goodwill to be written off immediately as an extraordinary gain. This Statement is not expected to have a material impact on the Company's financial statements.

In addition, the FASB issued FAS No. 142, Goodwill and Other Intangible Assets. FAS No. 142 eliminates the amortization of goodwill and instead requires a periodic review of any goodwill balance for possible impairment. FAS No. 142 also requires that goodwill be allocated at the reporting unit level and is effective for years beginning after December 15, 2001. The Company will discontinue amortization of goodwill as of January 1, 2002 for book purposes, and will comply with periodic impairment test procedures. This Statement is not expected to have a material impact on the Company's financial statements.

ALBEMARLE CORPORATION AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

ITEM 2. Management's Discussion and Analysis of Results of Operations

 and Financial Condition, Additional Information and Recent

 Developments

The following is management's discussion and analysis of certain significant factors affecting the results of operations of Albemarle Corporation ("Albemarle" or "the Company") during the periods included in the accompanying consolidated statements of income and changes in the Company's financial condition since December 31, 2000.

Some of the information presented in the following discussion may constitute forward-looking comments within the meaning of the Private Securities Litigation Reform Act of 1995. Although the Company believes its expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that actual results will not differ materially from its expectations. Factors that could cause actual results to differ from expectations include, without limitation, the timing of orders received from customers, the gain or loss of significant customers, competition from other manufacturers, changes in the demand for the Company's products, increases in the cost of the products, changes in the market in general, fluctuations in foreign currencies and significant changes in new product introduction resulting in an increase in capital project requests and approvals leading to additional capital spending.

Results of Operations

Second Quarter 2001 Compared with Second Quarter 2000

Net sales for second quarter 2001 amounted to \$211.3 million, down 6.6% or \$14.9 million from second quarter 2000 net sales of \$226.2 million primarily due to lower shipments of flame retardants and catalysts and additives, lower shipments and prices in the Company's zeolites business, and the net effects of foreign exchange in the European and Asia Pacific regions, partially offset by the increase of \$9.5 million in net sales resulting from the May 31, 2001, acquisition of Martinswerk GmbH and higher shipments in oilfield chemicals.

The gross profit margin decreased to 23.1% in 2001 from 29.2% for the corresponding period in 2000. Second-quarter 2001 operating profit was down 57.7% or \$28.7 million from second-quarter 2000 operating profit, which included a one-time special SFAS No. 88 noncash accounting settlement gain of \$15.9 million, resulting from an election made to close certain pension contracts in the Company's pension plans. Excluding the one-time special noncash accounting settlement gain in 2000, second-quarter 2001 operating profit was down 37.8% or \$12.8 million primarily due to lower shipments of flame retardants and catalysts and additives, lower shipments and lower selling prices in surface actives (zeolites) and the unfavorable net effects of foreign exchange. The preceding unfavorable results for the second quarter of 2001 versus the corresponding second quarter in 2000 were offset, in part, by improved demand in the Company's pharmaceuticals and agrichemicals business, lower employee related costs and the benefit of aggressive cost reduction efforts.

Selling, general and administrative expenses and research and development expenses, decreased 13.8% or \$4.4 million in the second quarter of 2001 versus second quarter 2000 primarily due to lower employee related costs and aggressive cost reduction efforts. As a percentage of net sales, selling, general and administrative expenses, including research and development expenses, were 13.1% in 2001 versus 14.2% in the 2000 quarter.

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ALBEMARLE CORPORATION AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Operating Segments

Net sales by reportable business operating segment for the second quarter periods ended June 30, 2001 and 2000 are as follows:

	Net Sales	
	2001	2000
Polymer Chemicals	\$108,916	\$125,629
Fine Chemicals	102,370	100,577
Segment totals	\$211,286	\$226,206

Polymer Chemicals' net sales for second quarter 2001 decreased 13.3%, or \$16.7 million, from second quarter 2000 net sales, primarily due to lower shipments of flame retardants (\$12.3 million) offset, in part, by the increase in net sales of \$5.7 million, resulting from the May 31, 2001, acquisition of Martinswerk GmbH, lower shipments of catalysts and additives (\$7.2 million) and the unfavorable net effects of foreign exchange.

Fine Chemicals' net sales for second quarter 2001 increased 1.8% or \$1.8 million from second quarter 2000 primarily due to higher shipments in oilfield chemicals of \$2.3 million, potassium and chlorine chemicals of \$1.8 million and agrichemicals of \$1.8 million as well as the increase in net sales of \$3.8 million resulting from the May 31, 2001, acquisition of Martinswerk GmbH primarily offset by lower shipments and unfavorable pricing in surface actives (zeolites).

Operating profit by reportable business operating segment for the second quarter periods ended June 30, 2001, and 2000 are as follows:

	Operating Profit	
	2001	2000
Polymer Chemicals	\$15,288	\$32,461
Fine Chemicals	9,198	19,803
Segment totals	24,486	52,264
Corporate and other expenses	(3,369)	(2,399)
Operating profit	\$21,117	\$49,865

Polymer Chemicals' second quarter 2001 segment operating profit was down

52.9% or \$17.2 million from second quarter 2000 primarily due to decreased shipments in flame retardants and catalysts and additives and the unfavorable net effects of foreign exchange in second quarter 2001 versus second quarter 2000. Polymer Chemicals' second quarter 2000 segment operating profit included an allocation of \$6.0 million related to the one-time special SFAS No. 88 settlement gain. Excluding the one-time gain in 2000, Polymer Chemicals' segment operating profit was down 42.2% or \$11.2 million from second quarter 2000.

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ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Fine Chemicals' second quarter 2001 segment operating profit decreased 53.6% or \$10.6 million from second quarter 2000 primarily due to lower shipments and lower sales pricing in surface actives (zeolites) partially offset by improved demand in agrichemicals and pharmaceuticals. Fine Chemicals' second quarter 2000 segment operating profit included an allocation of \$6.2 million related to the one-time special SFAS No. 88 settlement gain. Excluding the one-time gain in 2000, Fine Chemicals' segment operating profit was down 32.5% or \$4.4 million from second quarter 2000.

Excluding the allocation of \$3.7 million related to the one-time special SFAS No. 88 settlement gain in the second quarter of 2000, corporate and other expenses for the second quarter of 2001 were down 45.1% percent or \$2.8 million from second quarter 2000 primarily due to lower employee related costs and aggressive cost reduction efforts.

Interest and Financing Expenses

Interest and financing expenses for second quarter 2001 decreased \$0.1 million from \$1.2 million in second quarter 2000.

Other Income, Net

Other income, net for the second quarter 2001 amounted to \$1.2 million, up \$0.8 million from the corresponding period in 2000.

Income Taxes

Income taxes for second quarter 2001 were lower compared to the same period in 2000 primarily due to lower income before taxes in 2001. The second quarter 2001 effective income tax rate was 30.4%, down from 31.0% in second quarter 2000.

Results of Operations

Six Months 2001 Compared with Six Months 2000

Net sales for the first six months of 2001 amounted to \$435.7 million, down 5.6% or \$26.0 million from the corresponding period of 2000 net sales of \$461.7 million primarily due to lower shipments of catalysts and additives, lower shipments and unfavorable prices in the Company's zeolites business and lower shipments of flame retardants and the net effects of foreign exchange in the European and Asia Pacific regions, partially offset by the increase in net sales of \$9.5 million resulting from the May 31, 2001, acquisition of Martinswerk GmbH and higher shipments in oilfield chemicals.

The gross profit margin decreased to 24.8% in the first six months of 2001 from 30.5% for the corresponding period in 2000. The first six months of 2001 operating profit was down 43.4% or \$39.9 million from the 2000 period, which included a one-time special SFAS No. 88 noncash accounting settlement gain of \$15.9 million, resulting from an election made to close certain pension contracts in the Company's pension plans. Excluding the one-time special noncash accounting settlement gain in 2000, operating profit for the first six months of 2001 was down 31.6% or \$24.0 million from 2000 primarily due to lower shipments and lower sales pricing in surface actives (zeolites), lower shipments of catalysts and additives and flame retardants, higher overall raw material and energy costs, the impact of business interruptions at our plants and those of certain of our customers, net of accrued insurance recoveries and the unfavorable net effects of foreign exchange. The preceding unfavorable results for the first six months of 2001 versus the corresponding period in 2000 were offset, in part, by lower employee related costs, the benefit of aggressive cost reduction efforts and improved demand in the Company's agrichemicals business.

ALBEMARLE CORPORATION AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Selling, general and administrative expenses and research and development expenses, decreased 13.0% or \$8.4 million in the first six months of 2001 versus the 2000 period primarily due to lower employee related costs and the benefit of aggressive cost reduction efforts. As a percentage of net sales, selling, general and administrative expenses, including research and development expenses, were 12.9% in the first six months 2001 versus 14.0% in the corresponding period of 2000.

Operating Segments

 Net sales by reportable business operating segment for the six-months periods ended June 30, 2001 and 2000 are as follows:

	Net Sales	
	2001	2000
	-----	-----
Polymer Chemicals	\$229,872	\$253,842
Fine Chemicals	205,824	207,844
	-----	-----
Segment totals	\$435,696	\$461,686
	=====	=====

Polymer Chemicals' net sales for the first six months of 2001 decreased 9.4% or \$24.0 million from the corresponding period in 2000 primarily due to lower shipments in catalysts and additives of \$15.3 million and in flame retardants of \$9.4 million offset, in part, by the increase in net sales of \$5.7 million, resulting from the May 31, 2001, acquisition of Martinswerk GmbH and the unfavorable net effects of foreign exchange.

Fine Chemicals' net sales for the first six months of 2001 decreased 1.0% or \$2.0 million from the corresponding period in 2000 primarily due to lower shipments and unfavorable pricing in surface actives (zeolites) primarily offset by higher shipments in oilfield chemicals of \$4.4 million as well as the increase in net sales of \$3.8 million resulting from the May 31, 2001, acquisition of Martinswerk GmbH and higher shipments of potassium and chlorine chemicals of \$1.7 million.

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

Operating profit by reportable business operating segment for the six-months periods ended June 30, 2001, and 2000 are as follows:

	Operating Profit	
	2001	2000
Polymer Chemicals	\$36,146	\$59,389
Fine Chemicals	24,090	41,709
Segment totals	60,236	101,098
Corporate and other expenses	(8,145)	(9,065)
Operating profit	\$52,091	\$92,033

Polymer Chemicals' first six months of 2001 segment operating profit was down 39.1% or \$23.2 million from the corresponding period in 2000 primarily due to decreased shipments in catalysts and additives and flame retardants, higher raw material and energy costs, the impact of business interruptions at our plants and those of certain of our customers, net of accrued insurance recoveries and the unfavorable net effects of foreign exchange in the 2001 period versus the 2000 period. Polymer Chemicals' segment operating profit for the first six months of 2000 included an allocation of \$6.0 million related to the one-time special SFAS No. 88 settlement gain. Excluding the one-time gain in 2000, Polymer Chemicals' segment operating profit for the first six months of 2001 was down 32.3% or \$17.2 million from the corresponding period in 2000.

Fine Chemicals' first six months of 2001 segment operating profit decreased 42.2% or \$17.6 million from the corresponding period in 2000 primarily due to lower shipments and lower sales pricing in surface actives (zeolites), higher raw material and energy costs, the impact of business interruptions at our plants, net of accrued insurance recoveries partially offset by improved demand in agrichemicals. Fine Chemicals' segment operating profit for the first six months of 2000 included an allocation of \$6.2 million related to the one-time special SFAS No. 88 settlement gain. Excluding the one-time gain in 2000, Fine Chemicals' segment operating profit for the first six months of 2001 was down 32.2% or \$11.4 million from the corresponding period in 2000.

Excluding the allocation of \$3.7 million related to the one-time special SFAS No. 88 settlement gain in the first six months of 2000, corporate and other expenses for the first six months of 2001 were down 36.4% percent or \$4.6 million from the corresponding period of 2000 primarily due to lower employee related costs and the benefit of aggressive cost reduction efforts.

Interest and Financing Expenses

Interest and financing expenses for the first six months of 2001 decreased \$0.8 million from \$3.0 million in the corresponding period of 2000 primarily due to lower average outstanding debt.

ALBEMARLE CORPORATION AND SUBSIDIARIES
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Other Income, Net

Other income, net for the first six months of 2001 amounted to \$2.8 million, up \$1.5 million from the corresponding period in 2000.

Income Taxes

Income taxes for the first six months of 2001 were lower compared to the same period in 2000 due to lower income before taxes and the reversal in 2001 of a deferred tax valuation allowance associated with one of the Company's foreign subsidiaries. The effective income tax rate for the first six months of 2001 was 29.2%, down from 31.0% in the corresponding period of 2000.

Financial Condition and Liquidity

Cash and cash equivalents at June 30, 2001, were \$7.9 million, representing a decrease of \$11.4 million from \$19.3 million at year-end 2000.

Cash flows provided from operating activities of \$68.4 million, together with \$44 million of proceeds from borrowings from the Company's Revolving Credit Agreement and \$11.4 million of existing cash and cash equivalents were used to cover acquisition of the Martinswerk business, capital expenditures, payment of dividends, repayment of debt and additional investments in the Company's joint ventures. 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.

The change in the Company's accumulated other comprehensive (loss) income from December 31, 2000, was primarily due to net foreign currency adjustments, net of related deferred taxes, primarily related to the strengthening of the U.S. Dollar versus the Euro and the Japanese yen.

The noncurrent portion of the Company's long-term debt amounted to \$109.4 million at June 30, 2001, compared to \$97.7 million at the end of 2000. The Company's long-term debt, including the current portion, as a percentage of total capitalization amounted to 15.9% at June 30, 2001. The Company is guarantor of \$5.2 million of long-term debt, in the form of commitments, on behalf of its 50-percent owned joint venture company, Jordan Bromine Company Limited. The Company's long-term debt, including the guarantee, as a percent of total capitalization amounted to 16.6% at June 30, 2001.

The Company's capital expenditures in the first six months of 2001 were slightly higher than the same period of 2000. For the year capital expenditures are forecasted to be higher than the 2000 level. Capital spending will be financed primarily with cash flow from operations with additional cash, if any, provided from additional debt. The amount and timing of any additional borrowings will depend on the Company's specific cash requirements.

The Company is subject to federal, state, local and foreign requirements regulating the handling, manufacture and use of materials (some of which may be classified as hazardous or toxic by one or more regulatory agencies), the discharge of materials into the environment and the

protection of the environment. To the Company's knowledge, it 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 is not expected to have in the future a material effect on earnings or the competitive position of Albemarle.

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ALBEMARLE CORPORATION AND SUBSIDIARIES
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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.

Additional Information

Outlook

In Fine Chemicals, we believe we'll see improvements in our pharmaceuticals and agricultural business. To realize such improvements it is important that our ibuprofen operation, currently running near capacity, must meet anticipated strong second-half customer demand. We are confident, provided the announced plant expansion plans currently underway are completed as scheduled, we can meet this demand. We continue to position our oilfield chemicals and bromine derivatives for the future with progress on our joint venture bromine project in Jordan. We expect to see 2001 Fine Chemicals' results slightly below or even with 2000 levels.

In Polymer Chemicals, we foresee continued softness in our flame retardants business due to continuing weakness in end-use electronics markets. In addition, with an expected slow recovery in polyolefins impacting our catalyst and additives businesses, it is likely our second-quarter 2001 level of performance in Polymer Chemicals will continue throughout the second half. We will continue to manage our way through this difficult economic situation proactively, positioning ourselves to take full advantage for an ultimate recovery, while staying focused on long-term strategies, which we believe to be sound.

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

Recent Developments

In early July, the Company announced the completion of its acquisition of the custom and fine chemicals businesses of ChemFirst Inc. (NYSE:CEM) for \$79 million in cash, which will be financed through the Company's existing Revolving Credit Agreement. The Asset Purchase Agreement also provides for additional contingent payments to ChemFirst not expected to exceed \$10 million. 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

pilot plant in Dayton, Ohio.

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ALBEMARLE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in our interest rate risk, marketable security price risk or raw material price risk from the information provided in our Form 10-K for the year ended December 31, 2000.

Part II - OTHER INFORMATION

ITEM 3. Legal Proceedings

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

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

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

21. List of the Company's significant subsidiaries as adjusted to reflect the acquisition of Martinswerk GmbH (filed herewith).

99. List of Albemarle Corporation Officers (filed herewith).

(b) The report on Form 8-K filed June 1, 2001, related to the May 31, 2001, completion of the acquisition of Martinswerk GmbH is incorporated herein by reference.

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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: August 13, 2001

By: s/ Robert G. Kirchhoefer

Robert G. Kirchhoefer
Treasurer and
Chief Accounting Officer
(Principal Accounting Officer)

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EXHIBIT

21.	List of Albemarle Corporation Subsidiaries	23
99.	List of Albemarle Corporation Officers	24

LIST OF ALBEMARLE CORPORATION SUBSIDIARIES

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

List of Albemarle Corporation Officers

Name	Officers
Floyd D. Gottwald, Jr.*	Chief Executive Officer and Chairman of the Executive Committee
William M. Gottwald*	Chairman of the Board and Secretary to the Executive Committee
Charles B. Walker*	Vice Chairman of the Board and Chief Financial Officer
Mark C. Rohr	President and Chief Operating Officer
E. Whitehead Elmore	Executive Vice President and Corporate Secretary
John G. Dabkowski	Vice President Polymer Chemicals
Thomas F. Dominick	Vice President Development Resources
Dixie E. Goins	Vice President Science and Technology
Jack P. Harsh	Vice President Human Resources
George P. Manson, Jr.	Vice President and General Counsel
George A. Newbill	Vice President Sourcing Organization
John M. Steitz	Vice President Fine Chemicals
Gary L. Ter Haar	Vice President Health and Environment
Michael D. Whitlow	Vice President Americas Sales and Global Accounts
Edward G. Woods	Vice President Corporate Development
Michael J. Zobrist	Vice President Investor Relations/ External Affairs
Robert G. Kirchhoefer	Treasurer and Chief Accounting Officer

*Member of the Executive Committee