

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, 2002

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   
--- ---

Number of shares of common stock, \$.01 par value, outstanding as of July 31,  
2002: 41,676,088

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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, 2002	December 31, 2001
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 33,404	\$ 30,585
Accounts receivable, less allowance for doubtful accounts (2002 - \$2,778; 2001 - \$4,193)	189,609	175,160

Inventories:		
Finished goods	117,923	114,337
Raw materials	20,317	19,551
Stores, supplies and other	24,858	25,773
	-----	-----
	163,098	159,661
Deferred income taxes and prepaid expenses	16,664	18,255
	-----	-----
Total current assets	402,775	383,661
	-----	-----
Property, plant and equipment, at cost	1,471,541	1,425,203
Less accumulated depreciation and amortization	940,185	895,531
	-----	-----
Net property, plant and equipment	531,356	529,672
Prepaid pension assets	134,526	128,195
Other assets and deferred charges	58,094	56,199
Goodwill	29,232	26,704
Other intangibles, net of amortization	5,983	5,044
	-----	-----
Total assets	\$1,161,966	\$1,129,475
	=====	=====

See accompanying notes to the consolidated financial statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Dollars In Thousands)

	June 30, 2002	December 31, 2001
	-----	-----
	(Unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 70,545	\$ 63,559
Long-term debt, current portion	198,838	157,862
Accrued expenses	62,326	59,978
Dividends payable	5,418	5,915
Income taxes payable	24,458	16,523
	-----	-----
Total current liabilities	361,585	303,837
	-----	-----
Long-term debt	12,072	12,353
Other noncurrent liabilities	131,825	120,269
Deferred income taxes	115,097	99,714
Shareholders' equity:		
Common stock, \$.01 par value, issued and outstanding- 41,675,338 in 2002 and 45,498,201 in 2001	417	455
Additional paid-in capital	2,119	51,025
Accumulated other comprehensive loss	(7,120)	(18,453)
Retained earnings	545,971	560,275
	-----	-----
Total shareholders' equity	541,387	593,302
	-----	-----
Total liabilities and shareholders' equity	\$1,161,966	\$1,129,475
	=====	=====

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      Six Months Ended

	June 30,		June 30,	
	2002	2001	2002	2001
Net sales	\$245,051	\$211,286	\$469,679	\$435,696
Cost of goods sold	186,896	162,550	355,764	327,505
Gross profit	58,155	48,736	113,915	108,191
Selling, general and administrative expenses	28,916	22,186	54,620	44,890
Research and development expenses	4,020	5,433	8,796	11,210
Special item	--	--	850	--
Operating profit	25,219	21,117	49,649	52,091
Interest and financing expenses	(1,235)	(1,086)	(2,460)	(2,155)
Other income, net	2,276	1,236	3,068	2,818
Income before income taxes	26,260	21,267	50,257	52,754
Income taxes	5,566	6,462	12,765	15,404
Net income	\$ 20,694	\$ 14,805	\$ 37,492	\$ 37,350
Basic earnings per share	\$ 0.50	\$ 0.32	\$ 0.88	\$ 0.81
Diluted earnings per share	\$ 0.48	\$ 0.32	\$ 0.86	\$ 0.80
Cash dividends declared per share of common stock	\$ 0.13	\$ --	\$ 0.26	\$ 0.26

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,	
	2002	2001	2002	2001
Net income	\$20,694	\$14,805	\$37,492	\$37,350
Other comprehensive income (loss), net of tax:				
Unrealized (loss) gain on securities available for sale	(123)	32	(96)	(239)
Foreign currency translation adjustments	12,380	(2,700)	11,429	(6,501)
Other comprehensive income (loss)	12,257	(2,668)	11,333	(6,740)
Comprehensive income	\$32,951	\$12,137	\$48,825	\$30,610

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,	
	2002	2001
Cash and cash equivalents at beginning of year	\$ 30,585	\$ 19,300
Cash flows from operating activities:		
Net income	37,492	37,350
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	40,475	37,014
Working capital decrease excluding cash and cash equivalents	7,959	743
Other, net	(7,610)	(6,696)
Net cash provided from operating activities	78,316	68,411
Cash flows from investing activities:		
Capital expenditures	(19,267)	(28,558)
Investments in joint ventures and nonmarketable securities	(3,164)	(6,193)
Acquisition of business	--	(45,375)
Restricted cash from industrial revenue bond proceeds	1,741	--
Other, net	2,412	676
Net cash used in investing activities	(18,278)	(79,450)
Cash flows from financing activities:		
Proceeds from borrowings	103,995	44,000
Purchases of common stock	(92,943)	--
Repayments of long-term debt	(64,969)	(31,014)
Dividends paid	(11,316)	(12,239)
Proceeds from exercise of stock options	2,156	598
Net cash (used in) provided from financing activities	(63,077)	1,345
Net effect of foreign exchange on cash and cash equivalents	5,858	(1,719)
Net increase (decrease) in cash and cash equivalents	2,819	(11,413)
Cash and cash equivalents at end of period	\$ 33,404	\$ 7,887

See accompanying notes to the consolidated financial statements

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 for a fair presentation, in all material respects, of the Company's consolidated financial position as of June 30, 2002, and December 31, 2001, the consolidated results of operations and comprehensive income for the three- and six-month periods ended June 30, 2002, and 2001, and condensed consolidated cash flows for the six month periods ended June 30, 2002, and 2001. 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 2001 Annual Report & Form 10-K/A as amended on May 31, 2002. The December 31, 2001 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, 2002, are not necessarily indicative of the results to be expected for the full year. Certain revisions have been made to three- and six-months pro forma amounts ended June 30, 2001 to reflect final purchase price allocations of the Martinswerk GmbH and the custom and fine chemicals

business of ChemFirst Inc. acquisitions.

2. Long-term debt consists of the following:

	June 30, 2002	December 31, 2001
	-----	-----
Variable-rate bank loans	\$193,510	\$144,600
Foreign borrowings	5,403	13,584
Industrial revenue bonds	11,000	11,000
Miscellaneous	997	1,031
	-----	-----
Total	210,910	170,215
Less amounts due within one year	198,838	157,862
	-----	-----
Long-term debt	\$ 12,072	\$ 12,353
	=====	=====

The Company's Competitive Advance and Revolving Facility Agreement ("Revolving Credit Agreement") will mature on September 29, 2002. Accordingly, the balance outstanding thereunder is included in current liabilities. The Company anticipates entering into a new three-year long-term credit agreement by September 1, 2002.

3. Cost of goods sold includes foreign exchange transaction gains (losses) of \$283 and (\$85) and \$1,074 and (\$587) for the three- and six-months ended June 30, 2002 and 2001, respectively.

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

4. Basic and diluted earnings per share for the three- and six-month periods ended June 30, 2002 and 2001, are calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	-----	-----	-----	-----
	2002	2001	2002	2001
	-----	-----	-----	-----
Basic earnings per share				
Numerator:				
Income available to shareholders, as reported	\$20,694	\$14,805	\$37,492	\$37,350
	-----	-----	-----	-----
Denominator:				
Average number of shares of common stock outstanding	41,618	45,873	42,528	45,855
	-----	-----	-----	-----
Basic earnings per share	\$ 0.50	\$ 0.32	\$ 0.88	\$ 0.81
	=====	=====	=====	=====
Diluted earnings per share				
Numerator:				
Income available to shareholders, as reported	\$20,694	\$14,805	\$37,492	\$37,350
	-----	-----	-----	-----
Denominator:				
Average number of shares of common stock outstanding	41,618	45,873	42,528	45,855
Shares issuable upon exercise of stock options	1,204	794	978	821
	-----	-----	-----	-----
Total shares	42,822	46,667	43,506	46,676

Diluted earnings per share	----- \$ 0.48 =====	----- \$ 0.32 =====	----- \$ 0.86 =====	----- \$ 0.80 =====
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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 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. 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, 2002 and 2001, respectively, are as follows:

	% of Income Before Income Taxes			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2002 ----	2001 ----	2002 ----	2001 ----
Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Foreign sales corporation benefit	(2.4)	(2.5)	(2.4)	(2.5)
State taxes, net of federal tax benefit	1.0	1.0	1.0	1.0
Depletion	(1.7)	(2.2)	(1.8)	(1.7)
Reversal of valuation allowance	--	--	--	(2.0)
Other, net	(1.2)	(0.9)	(1.4)	(0.6)
	----	----	----	----
Effective income tax rate on operations	30.7	30.4	30.4	29.2
Federal income tax settlement	(9.5)	--	(5.0)	--
	----	----	----	----
Effective income tax rate	21.2%	30.4%	25.4%	29.2%
	=====	=====	=====	=====

On April 25, 2002, following approval by the congressional Joint Committee on Taxation, the Company received a settlement of \$3,777, including interest of \$1,285 after income taxes, from the Internal Revenue Service on its claims for adjustment of export benefits for the years 1994 and 1995. Consequently, the effective tax rate for the second quarter and first six months of 2002 was 21.2% and 25.4%, respectively. The Company expects to maintain its targeted income tax rate of 30% for the last half of 2002 and a blended rate for the year of approximately 28%.

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

7. On May 31, 2001, the Company acquired Martinswerk GmbH and certain U.S. working capital for approximately \$34,000 in cash plus expenses and the assumption of approximately \$63,000 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 Revolving Credit Agreement. The acquisition was 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.

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

See pro forma financial information presented below. The purchase price allocation was finalized during the quarter ended June 30, 2002.

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.

On July 1, 2001, the Company acquired the custom and fine chemicals businesses of ChemFirst Inc. for approximately \$79,000 in cash, plus the assumption of certain current liabilities and expenses associated with the acquisition. The acquisition was financed through the Company's existing Revolving Credit Agreement. The Asset Purchase Agreement provided for additional contingent payments to ChemFirst Inc. which are dependant upon the contribution margin of certain products and are not expected to exceed \$10,000. Additional payments, if any, will be recorded as goodwill. The acquisition was 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 pro forma financial information presented below. The assets acquired included working capital, property, plant and equipment and certain intangibles, including goodwill and technical know how. The purchase price allocation was finalized during the quarter ended June 30, 2002. The new businesses acquired focus on the manufacture of custom and proprietary fine chemicals and chemical services for the pharmaceutical and life sciences industries. They also included 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.

Pro forma information is presented as follows for the three- and six-month periods ended June 30, 2001, as if Martinswerk GmbH and Martinswerk's 50-percent stake in Magnifin Magnesiaprodukte GmbH, and the custom and fine chemicals businesses of ChemFirst Inc. had been acquired on January 1, 2001.

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
	-----	-----
Net sales	\$240,604	\$506,195
Net income	\$ 14,782	\$ 39,353
Basic earnings per share	\$ 0.32	\$ 0.86
Diluted earnings per share	\$ 0.32	\$ 0.84

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

The pro forma information presented above primarily includes adjustments for interest expense, depreciation expense and amortization of intangibles.



8. 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 business days' period beginning with the third business day following the announcement of Albemarle's 2001 year-end earnings.
9. During the first quarter of 2002, the Company continued its efforts to reduce operating costs through an involuntary separation program that resulted in a special charge of \$850 (\$541 after income taxes or 1 cent per share on a diluted basis). The program impacted a total of 12 salaried employees throughout the Company. The following table summarizes the total special charges assumed related to the involuntary separation program:

	Six-Months Ended June 30, 2002
Total 2002 workforce reduction charge	\$1,114
Less: over accrual from prior year accruals	264
	-----
Net workforce reductions charged for 2002	\$ 850
	=====

Approximately \$900 of the total 2002 workforce accrual charge was paid during the period ended June 30, 2002. In addition, essentially all of the fourth quarter 2001 work force accrual was paid during the first quarter of 2002.

10. During the six months ended June 30, 2002, the Company recorded a net charge of \$2,300 (\$1,465 after income taxes or 3 cents per share on a diluted basis) to cost of sales that related to the discontinuance of product support for and the withdrawal from a water treatment venture. The Company's balance sheet at June 30, 2002, included entries reflecting the accrual of a probable insurance recovery of \$4,000 in other assets and accruals totaling \$2,900 in current and noncurrent liabilities, net of payments made to date.

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

11. The Company has recorded environmental liabilities of \$32,735 and \$30,245 at June 30, 2002 and December 31, 2001, respectively, which represents management's best estimate of the Company's future remediation and other anticipated environmental costs relating to past operations. The Company believes that such estimate is reasonable based on available information and that the liabilities and related loss contingencies and the expected outcome of uncertainties have been adequately described in the Company's consolidated financial statements at December 31, 2001. 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 associated with the Company's past operations, in excess of amounts already recorded, could be up to approximately \$10,000 before income taxes, to be incurred over a period of time. However, the Company believes that any sum it may be required to pay in connection with environmental remediation matters in excess of the amounts recorded should occur over a period of time and should not have a material adverse impact on its financial condition or results of operations, but could have a material adverse impact in a particular quarterly reporting period.
12. 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, performance chemicals and fine chemistry services. 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 certain corporate-related items not allocated to the reportable segments.

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

	Three Months Ended June 30,			
	2002		2001	
Summary of segment results	Revenues	Income	Revenues	Income
Polymer Chemicals	\$136,104	\$19,028	\$108,916	\$15,288
Fine Chemicals	108,947	12,189	102,370	9,198
Segment totals	\$245,051	31,217	\$211,286	24,486
Corporate and other expenses		(5,998)		(3,369)
Operating profit		25,219		21,117
Interest and financing expenses		(1,235)		(1,086)
Other income, net		2,276		1,236
Income before income taxes		\$26,260		\$21,267

	Six Months Ended June 30,			
	2002		2001	
Summary of segment results	Revenues	Income	Revenues	Income
Polymer Chemicals	\$252,567	\$30,757	\$229,872	\$36,146
Fine Chemicals	217,112	28,692	205,824	24,090
Segment totals	\$469,679	59,449	\$435,696	60,236
Corporate and other expenses		(9,800)		(8,145)
Operating profit		49,649		52,091
Interest and financing expenses		(2,460)		(2,155)
Other income, net		3,068		2,818
Income before income taxes		\$50,257		\$52,754

13. During July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("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. This statement was effective for years beginning after December 15, 2001, with the exception of goodwill and intangible assets acquired after June 30, 2001, which were subject immediately to the nonamortization and amortization provisions of the statement. For financial reporting purposes, the Company discontinued amortization of goodwill as of January 1, 2002, with the exception of goodwill associated with the July 2001 acquisition of the custom and fine chemicals businesses of ChemFirst Inc., for which amortization, in accordance with SFAS No. 142, never began, and is in compliance with periodic impairment test procedures. The Company has completed its

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

transitional goodwill impairment testing and has determined that goodwill is not impaired at January 1, 2002. The following schedule presents net income, basic earnings per share and diluted earnings per share, exclusive of goodwill amortization expense, including any related tax effects, for all periods presented in which the standard had not been adopted.

	Three Months Ended June 30, 2001 -----	Six Months Ended June 30, 2001 -----
Reported net income	\$14,805	\$37,350
Add back: goodwill amortization, net of tax	257	539
	-----	-----
Adjusted net income	\$15,062	\$37,889
	=====	=====
Basic earnings per share:		
Reported net income	\$ 0.32	\$ 0.81
Goodwill amortization, net of tax	0.01	0.01
	-----	-----
Adjusted net income	\$ 0.33	\$ 0.82
	=====	=====
Diluted earnings per share:		
Reported net income	\$ 0.32	\$ 0.80
Goodwill amortization, net of tax	0.01	0.01
	-----	-----
Adjusted net income	\$ 0.33	\$ 0.81
	=====	=====

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. The Company adopted SFAS No. 144 on January 1, 2002. This Statement has not had an impact on the Company's financial statements as of June 30, 2002.

During April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements Number 4, 44, and 64, Amendment of FASB Statement Number 13, and Technical Corrections." The provisions of this statement are generally effective for fiscal years beginning after May 15, 2002 and are not expected to have a material impact on the Company's future financial statements.

On July 30, 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." This Statement is effective for exit or disposal activities initiated after December 31, 2002 and is not expected to have a material impact on the Company's future financial statements.

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ITEM 2. Management's Discussion and Analysis of Results of Operations and Financial Condition and Additional Information

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, 2001.

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 2002 Compared with Second Quarter 2001

Net sales for second quarter 2002 of \$245.1 million were up \$33.8 million, or 16.0% from second quarter 2001 net sales of \$211.3 million, primarily due to \$25.7 million in second quarter 2002 net sales from the acquisitions of Martinswerk GmbH and the custom and fine chemicals businesses of ChemFirst Inc., which were completed on May 31, 2001 and July 1, 2001, respectively. The increase in net sales also reflected higher shipments offset by lower pricing in flame retardants (\$14.8 million) partially offset by lower shipments and selling prices in performance chemicals (\$6.2 million).

The gross profit margin increased to 23.7% in second quarter 2002 from 23.1% for the corresponding period in 2001. Second quarter 2002 operating profit was up 19.4% or \$4.1 million from second quarter 2001 operating profit primarily due to higher shipments, offset, in part, by lower selling prices in flame retardants, favorable raw material and manufacturing fixed costs and the favorable net effects of the mid-year 2001 acquisitions.

Selling, general and administrative expenses ("SG&A") and research and development expenses ("R&D"), increased 19.3% or \$5.3 million in the second quarter of 2002 versus second quarter 2001 primarily due to costs related to the businesses acquired in 2001 (\$3.2 million) as well as higher employee incentive costs in the current period versus the corresponding 2001 period. As a percentage of net sales, selling, general and administrative expenses, and research and development expenses, were 13.4% in 2002 versus 13.1% in the 2001 quarter.

Operating Segments

Net sales by reportable business operating segment for the second quarter periods ended June 30, 2002 and 2001 are as follows:

	Net Sales (In Thousands)	
	2002	2001
Polymer Chemicals	\$136,104	\$108,916
Fine Chemicals	108,947	102,370
Segment totals	\$245,051	\$211,286

Polymer Chemicals' net sales for second quarter 2002 increased 25.0%, or \$27.2 million, from second quarter 2001 net sales, primarily due to \$11.1 million in net sales from the May 31, 2001 acquisition of Martinswerk GmbH, higher shipments partly offset by lower prices in flame retardants (\$14.8 million) and favorable pricing in catalysts and additives (\$1.3 million).

Fine Chemicals' net sales for second quarter 2002 increased 6.4% or \$6.6 million from second quarter 2001 primarily due to net sales of \$14.6 million from the mid-year 2001 acquisitions of Martinswerk GmbH and the custom and fine chemicals businesses of ChemFirst Inc., offset, in part, by lower shipments and selling prices in performance chemicals (\$6.2 million) and lower shipments in pharmaceuticals and agrichemicals (\$1.9 million).

Operating profit by reportable business operating segment for the second

quarter periods ended June 30, 2002, and 2001 are as follows:

	Operating Profit (In Thousands)	
	2002	2001
Polymer Chemicals	\$19,028	\$15,288
Fine Chemicals	12,189	9,198
Segment totals	31,217	24,486
Corporate and other expenses	(5,998)	(3,369)
Operating profit	\$25,219	\$21,117

Polymer Chemicals' second quarter 2002 segment operating profit was up 24.5% or \$3.7 million from second quarter 2001 primarily due to higher sales volumes (\$8.9 million), favorable raw material costs (\$3.6 million), offset, in part, by lower selling prices (\$4.0 million) and higher manufacturing costs (\$3.7 million) and higher SG&A and R&D on new acquisitions (\$1.1 million).

Fine Chemicals' second quarter 2002 segment operating profit increased 32.5% or \$3.0 million from second quarter 2001 primarily due to favorable plant utilization and production costs (\$7.3 million) and favorable raw material costs (\$5.8 million) offset, in part, by lower volumes (\$5.8 million) and sales prices (\$3.0 million) and higher SG&A and R&D on new acquisitions (\$1.0 million).

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Corporate and other expenses for the second quarter of 2002 were up 78.0%, or \$2.6 million from second quarter 2001, primarily due to higher employee incentive award costs in the 2002 period.

#### Interest and Financing Expenses

Interest and financing expenses for second quarter 2002 increased \$0.1 million from \$1.1 million in second quarter 2001.

#### Other Income, Net

Other income, net for the second quarter 2002 amounted to \$2.3 million, up \$1.1 million from the corresponding period in 2001. Second quarter 2002 includes interest income of \$2.0 million from the Federal Internal Revenue Service ("IRS") income tax settlement received in April 2002, mentioned below.

#### Income Taxes

Income taxes for second quarter 2002 were lower compared to the same period in 2001 primarily due to an IRS income tax settlement, received in April 2002, in the amount of \$2.5 million which related to an adjustment of export benefits for the years 1994 and 1995. Consequently, the second quarter 2002 effective income tax rate was 21.2%, down from 30.4% in second quarter 2001. Excluding the income tax settlement, the second quarter 2002 effective income tax rate was 30.7%. The Company expects to maintain its targeted income tax rate of 30% for the last half of 2002 and a blended rate for the year of approximately 28%.

#### Results of Operations

##### Six Months 2002 Compared with Six Months 2001

Net sales for the first six months of 2002 amounted to \$469.7 million, up 7.8% or \$34.0 million from net sales of \$435.7 million for the corresponding period of 2001 primarily due to \$61.3 million in net sales in the 2002 period from the mid-year 2001 acquisitions of Martinswerk GmbH and the custom and fine chemicals businesses of ChemFirst Inc. The increase in net sales was partially offset by product mix in performance chemicals (\$12.9 million), lower shipments of agrichemicals and pharmaceuticals (\$8.6 million) and catalysts and additives (\$6.6 million).

The gross profit margin was 24.3% in the first six months of 2002 which was relatively constant with the 24.8% margin for the corresponding period in 2001. The first six months of 2002 operating profit was down 4.7% or \$2.4

million from the 2001 period. The first six months of 2002 includes a charge of \$2.3 million (\$6.3 million, net of a probable insurance recovery of \$4.0 million) to cost of sales related to the discontinuance of product support for and the withdrawal from a water treatment venture as well as a \$0.9 million charge for workforce reductions as the Company continues to aggressively pursue its cost reduction efforts. Favorable plant utilization and production costs in performance chemicals, agrichemicals and pharmaceuticals and favorable raw material costs offset lower selling prices in flame retardants and lower shipments in catalysts and additives for the six months of 2002 versus the corresponding 2001 period.

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Selling, general and administrative expenses and research and development expenses increased 13.0% or \$7.3 million in the first six months of 2002 versus the 2001 period primarily due to costs related to the businesses acquired in 2001 of \$5.3 million as well as higher employee incentive costs in the current period. As a percentage of net sales, selling, general and administrative expenses, including research and development expenses, were 13.5% in the first six months 2002 versus 12.9% in the corresponding period of 2001.

#### Operating Segments

Net sales by reportable business operating segment for the six-months periods ended June 30, 2002 and 2001 are as follows:

	Net Sales	
	2002	2001
Polymer Chemicals	\$252,567	\$229,872
Fine Chemicals	217,112	205,824
Segment totals	\$469,679	\$435,696

Polymer Chemicals' net sales for the first six months of 2002 increased 9.9% or \$22.7 million from the corresponding period in 2001 primarily due to the increase in net sales of \$28.3 million, resulting from the May 31, 2001, acquisition of Martinswerk GmbH offset, in part, by lower shipments in catalysts and additives of \$6.6 million.

Fine Chemicals' net sales for the first six months of 2002 increased 5.5% or \$11.3 million from the corresponding period in 2001 primarily due to the increase in net sales of \$33.0 million resulting from the mid-year 2001 acquisitions of Martinswerk GmbH and the custom and fine chemicals businesses of ChemFirst Inc. offset, in part, by product mix in performance chemicals of \$12.9 million and lower shipments in pharmaceuticals and agrichemicals of \$8.6 million.

Operating profit by reportable business operating segment for the six-months periods ended June 30, 2002, and 2001 are as follows:

	Operating Profit	
	2002	2001
Polymer Chemicals	\$30,757	\$36,146
Fine Chemicals	28,692	24,090
Segment totals	59,449	60,236
Corporate and other expenses	(9,800)	(8,145)
Operating profit	\$49,649	\$52,091

Polymer Chemicals' first six months of 2002 segment operating profit was down 14.9% or \$5.4 million from the corresponding period in 2001 primarily due to lower selling prices (\$8.3 million), higher manufacturing costs (\$3.5 million), higher SG&A and R&D on new acquisitions (\$2.8 million), the unfavorable net effects of foreign exchange (\$1.2 million), a first quarter 2002 reclassification of bad debt expense to the Polymer Chemicals' segment from corporate and other expenses (\$2.0 million), offset, in part, by

favorable raw material costs (\$8.2 million) and higher shipments (\$4.2 million).

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Fine Chemicals' first six months of 2002 segment operating profit increased 19.1% or \$4.6 million from the corresponding period in 2001 primarily due to favorable plant utilization and production costs (\$15.7 million) and favorable raw material costs (\$10.7 million), offset, in part, by lower shipments (\$8.7 million) and sales prices (\$7.6 million) and a charge of \$2.0 million (\$6.3 million, net of a probable insurance recovery of \$4.0 million) that related to the discontinuance of product support for and the withdrawal from a water treatment venture, higher SG&A and R&D on new acquisitions (\$2.5 million) and the unfavorable net effects of foreign exchange (\$0.4 million).

Corporate and other expenses for the first six months of 2002 were up 20.3%, or \$1.7 million, from the corresponding period in 2001 primarily due to higher employee incentive award costs and a first quarter 2002 workforce reduction charge of \$0.9 million, offset, in part, by a first quarter 2002 reclassification of bad debt expense to the Polymer Chemicals segment operating profit from corporate and other expenses (\$2.0 million).

#### Interest and Financing Expenses

Interest and financing expenses for the first six months of 2002 increased \$0.3 million from \$2.2 million in the corresponding period of 2001 primarily due to higher average outstanding debt, partially offset by a lower interest rate in the 2002 period.

#### Other Income, Net

Other income, net for the first six months of 2002 amounted to \$3.1 million, up \$0.3 million from the corresponding period in 2001.

#### Income Taxes

Income taxes for the first six months of 2002 were lower compared to the same period in 2001 due to an IRS income tax settlement received in April 2002 which amounted to \$2.5 million that related to an adjustment of export benefits for the years 1994 and 1995 and lower income before taxes in the 2002 period, partially offset by 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 2002 was 25.4%, down from 29.2% in the corresponding period of 2001. Excluding the income tax settlement, the first six months of 2002 effective income tax rate was 30.4%. The Company expects to maintain its targeted income tax rate of 30% for the last half of 2002 and a blended rate for the year of approximately 28%.

#### Financial Condition and Liquidity

Cash and cash equivalents at June 30, 2002, were \$33.4 million, representing an increase of \$2.8 million from \$30.6 million at year-end 2001.

Cash flows provided from operating activities of \$78.3 million, together with \$104.0 million of proceeds from borrowings, primarily from the Company's Competitive Advance and Revolving Facility Agreement ("Revolving Credit Agreement"), were used primarily to purchase 4,000,000 shares of the Company's common stock, to cover repayment of debt, capital expenditures, and payment of dividends. The Company anticipates that cash provided from operations in the future will be sufficient to pay its operating expenses, satisfy debt-service obligations and

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make dividend payments.

The change in the Company's accumulated other comprehensive income from December 31, 2001, was primarily due to net foreign currency adjustments, net of related deferred taxes, primarily related to the strengthening of the Euro and Japanese Yen versus the U.S. Dollar.

The noncurrent portion of the Company's long-term debt amounted to \$12.1 million at June 30, 2002, compared to \$12.4 million at the end of 2001. The Company's long-term debt, including the current portion, as a percentage of total capitalization amounted to 28.0% at June 30, 2002. The Company is guarantor of \$14.5 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 29.4% at June 30, 2002.

The Company's Revolving Credit Agreement will mature on September 29, 2002. Accordingly, the balance outstanding at June 30, 2002, is included in current liabilities. The Company anticipates entering into a new three-year credit agreement by September 1, 2002.

The Company's capital expenditures in the first six months of 2002 were lower than the same period of 2001. For the year capital expenditures are forecasted to be slightly lower than the 2001 level. Capital spending will be financed primarily with cash flow from operations with additional cash needed, if any, to be provided from 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, and expects to continue to comply, in all material respects with existing environmental laws, regulations, statutes and ordinances. Such compliance with federal, state, local and foreign environmental protection laws is not expected to have in the future a material effect on earnings or the competitive position of Albemarle.

Among other environmental requirements, the Company is subject to the federal Superfund law, and similar state laws, under which the Company may be designated as a potentially responsible party and may be liable for a share of the costs associated with cleaning up various hazardous waste sites.

#### Additional Information

##### Summary of Critical Accounting Policies:

##### Consolidation

The consolidated financial statements include the accounts and operations of Albemarle Corporation and all of its majority-owned and controlled subsidiaries. The Company applies the equity method of accounting for investments between 20% and 50% owned over which the

Company has significant influence. 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.

##### 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.

##### 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 segments or fair value of property, plant and equipment to determine the future recoverability of any property, plant and equipment recorded. Recorded property, plant and equipment is re-evaluated on the same basis at the end of each accounting period whenever any significant permanent changes in business or circumstances have occurred which might impair recovery.

The costs of brine leases and royalty interests are amortized using a method approximating the units-of-production method.

#### 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.

#### 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. There are significant assumptions used in determining amounts include the discount rate, expected return on plan assets, rate of compensation increase and assumed health care trend rate.

#### 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.

#### Stock Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees" and related interpretations. 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 grant over the amount an employee must pay to acquire the stock.

#### Research and Development Expenses

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

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#### Outlook

##### Fine Chemicals

Overall for our Fine Chemicals business, we anticipate a stronger third quarter than second quarter 2002 and believe 2002 should exceed last year's operating profit. We believe there will be a good pick up in our pharmaceutical business that will yield quarter-to-quarter growth. We believe the higher production costs, which were incurred in a couple of second quarter extended plant turnarounds, are behind us as we enter the second half of the year. In our end markets, there could be significant volatility going forward in our agrichemicals business where weather can be a significant factor for our customers and their growing season. Therefore, we anticipate that our agrichemicals business will be flat to down for the third quarter versus the second quarter and for the year compared to 2001.

##### Polymer Chemicals

In our flame retardants business, even though we saw good volume growth in the second quarter both sequentially and year-over-year, we are somewhat concerned that this may have been caused by an inventory buildup in the overall supply chain and are somewhat cautious about the outlook for the balance of the year. The consumer electronics business sector, our major end market, remains tenuous, especially in the printed wire board and epoxy areas, where our customers are struggling to find signs of consistent growth in consumer spending. The polyolefin end markets, that are the primary drivers for our catalyst and additives business, appear to be strengthening as their end markets and operating rates continue to improve.

In the second quarter, we announced price increases for a number of our flame retardant products. Pricing had fallen to a level where action was needed to improve operating margins to a level sufficient to sustain business long term. We hope to implement the increases as soon as our existing customer contracts allow. However, it will probably be the fourth quarter before these begin to take hold.

While we have benefited in the first half of this year from lower raw material costs versus the same period a year ago, we believe this will begin to fade later this year as many of the price increases announced in the industry by our suppliers are also implemented.

Incorporating the second quarter tax refund we received and based on an expected tax rate in the second half of 2002 of 30%, we are now estimating a 28% tax rate for the year.

We've had a strong start in our third quarter business. Our customers for the most part believe that they are in a period of slow economic growth that will continue through this year. While we are concerned about the slow return of certain flame retardant markets and the current turmoil on Wall Street, we are optimistic about our position and our ability to continue to deliver quarterly earnings for the rest of this year that are an improvement over those of 2001 and in line with the existing consensus estimates for our corporation before any special items.

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

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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, 2001.

Part II - OTHER INFORMATION

ITEM 1. 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 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 5. Other Information

On May 31, 2002, the Company's Board of Directors announced changes in the Company's senior management. Paul F. Rocheleau, was elected senior vice President and Chief Financial Officer, succeeding Charles B. Walker. With this appointment, Mr. Rocheleau resigned from his position on the Board of Directors. Mr. Walker continues as Vice Chairman and now leads corporate merger and acquisition activities.

On July 31, 2002, the Company announced that Mark C. Rohr has been elected President and Chief Executive Officer, effective October 1, 2002. After that date, Floyd D. Gottwald, Jr., will serve as Vice Chairman of the Board and continue as Chairman of the Executive Committee.

At its July 31, 2002 meeting, Albemarle's Board of Directors increased its regular quarterly dividend to 14 cents a share from 13 cents, payable October 1, 2002, to shareholders of record September 13, 2002. The new annualized dividend rate will be 56 cents per share.

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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:

3(ii) By-laws of the registrant amended in June 2002 are filed herewith

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

(b) No reports on Form 8-K have been filed during the quarter for which this report is filed.

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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 14, 2002

By: /s/ ROBERT G. KIRCHHOEFER  
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Robert G. Kirchhoefer  
Treasurer and Chief Accounting Officer  
(Principal Accounting Officer)

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EXHIBIT INDEX

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99. List of Albemarle Corporation Officers (filed herewith).	52

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ALBEMARLE CORPORATION

BY-LAWS

ARTICLE I

Meeting of Shareholders

Section 1. Places of Meetings. All meetings of the shareholders shall be held at such place, either within or without the Commonwealth of Virginia, as may, from time to time, be fixed by the Board of Directors.

Section 2. Annual Meetings. The annual meeting of the shareholders, for the election of directors and transaction of such other business as may come before the meeting, shall be held each year at 11:00 a.m. EST on the fourth Wednesday in March or at such other date and time as the Board of Directors of the Corporation may designate from time to time.

Section 3. Special Meetings. Special meetings of shareholders for any purpose or purposes may be called at any time by the Chief Executive Officer, the Chairman of the Board or by a majority of the Board of Directors. At a special meeting, no business shall be transacted and no corporate action shall be taken other than that stated in the notice of the meeting.

Section 4. Notice of Meetings. Except as otherwise required by law or these By-laws, written or printed notice stating the place, day and hour of every meeting of the shareholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be mailed not less than ten (10) nor more than sixty (60) days before the date of the meeting to each shareholder of record entitled to vote at such meeting, at his or

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her address which appears in the share transfer books of the Corporation. Meetings may be held without notice if all the shareholders entitled to vote at the meeting are present in person or by proxy or if notice is waived in writing by those not present, either before or after the meeting.

Section 5. Quorum. Except as otherwise required by the Articles of Incorporation, any number of shareholders together holding at least a majority of the outstanding shares of capital stock entitled to vote with respect to the business to be transacted, who shall be present in person or represented by proxy at any meeting duly called, shall constitute a quorum for the transaction of business. If less than a quorum shall be in attendance at the time for which a meeting shall have been called, the meeting may be adjourned from time to time by a majority of the shareholders present or represented by proxy without notice other than by announcement at the meeting.

Section 6. Voting. At any meeting of the shareholders each shareholder of a class entitled to vote on the matters coming before the meeting shall have one vote, in person or by proxy, for each share of capital stock standing in his or her name on the books of the Corporation at the time of such meeting or on any date fixed by the Board of Directors not more than seventy (70) days prior to the meeting.

Section 7. Voting List. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten (10) days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, with the address of and the number of shares held by each. Such list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation or at its principal place of business or at the office of its transfer agent or

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registrar and shall be subject to inspection by any shareholder at any time

during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original stock transfer books shall be prima facie evidence as to who are the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders. If the requirements of this section have not been substantially complied with, the meeting shall, on the demand of any shareholder in person or by proxy, be adjourned until the requirements are complied with.

Section 8. Shareholder Proposals.

(a) Annual Meetings of Shareholders.

(i) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders only (A) pursuant to the Corporation's notice of meeting (or any supplement thereto), (B) by or at the direction of the Board of Directors or (C) by any shareholder of the Corporation who was a shareholder of record of the Corporation who is entitled to vote at the meeting at the time the notice provided for in this section is delivered to the Secretary of the Corporation and who complies with the notice procedures set forth in this section.

(ii) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (C) of paragraph (a)(i) of this section, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such proposed business other than the

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nominations of persons for election to the Board of Directors must constitute a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth day nor earlier than the close of business on the one hundred twentieth day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty days before or more than seventy days after such anniversary date, notice by the shareholder must be so delivered not earlier than the close of business on the one hundred twentieth day prior to such annual meeting and not later than the close of business on the later of the ninetieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above. Such shareholder's notice shall set forth: (A) as to each person whom the shareholder proposes to nominate for election as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (and such person's written consent to being named in the proxy statement as a nominee and to serving as such a director if elected); (B) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration

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and in the event that such business includes a proposal to amend the By-laws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and for the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (1) the name and address of such shareholder, as they appear on the Corporation's books, and of such beneficial owner, (2) the class and number of shares of capital stock of the Corporation that are owned beneficially and of record by such shareholder and such beneficial owner, (3) a representation that

the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (4) a representation whether the shareholder or the beneficial owner, if any, intends or is part of a group that intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies from shareholders in support of such proposal or nomination. The foregoing notice requirements shall be deemed satisfied by a shareholder if the shareholder has notified the Corporation of his intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such shareholder's proposal has been included in a proxy statement that has been prepared by the

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Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

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

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any shareholder of the Corporation who is a shareholder of record at the time the notice provided for in this section is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and upon such election and who complies with the notice procedures set forth in this section. In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board

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of Directors, any such shareholder entitled to vote in such election of directors may nominate a person or persons, as the case may be, for election to such position(s) as specified in the Corporation's notice of meeting, if the shareholder's notice required by paragraph (a)(ii) of this section is delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth day prior to such special meeting, and not later than the close of business on the later of the ninetieth day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for giving of a shareholder's notice as described above.

(c) General.

(i) Only such persons who are nominated in accordance with the procedures set forth in this section shall be eligible at an annual or special meeting of shareholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this

section. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty (A) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this section (including whether the shareholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as

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the case may be, proxies in support of such shareholder's nominee or proposal in compliance with such shareholder's representation as required by clause (a)(ii)(C) of this section) and (B) to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this section, if the shareholder (or a designated representative of the shareholder) does not appear at the annual or special meeting of shareholders of the Corporation to present a nomination or business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(ii) For purposes of this section, "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(iii) Notwithstanding the foregoing provisions of this section, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this section. Nothing in this section shall be deemed to affect any rights (A) of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (B) of the holders of any series of preferred stock to elect directors pursuant to any applicable provisions of the articles of incorporation.

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

## ARTICLE II

### Directors

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

Section 2. Number of Directors. The Board of Directors shall be ten (10) in number. By amendment of these Bylaws the Board of Directors or the shareholders may increase or decrease the number of directors; provided, however, that the Board of Directors may not increase or decrease the number of directors by more than thirty percent of the number of directors last elected by the shareholders.

Section 3. Election of Directors.

(a) Directors shall be elected each year at the annual meeting of shareholders.

(b) Directors shall hold their offices until the next annual meeting of the shareholders and until their successors are elected. Any director may be removed from office as set forth in the Articles of Incorporation.

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(c) Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of the majority of the remaining directors though less than a quorum of the Board of Directors.

(d) A majority of the number of directors fixed by these By-laws shall constitute a quorum for the transaction of business. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 4. Meetings of Directors. Meetings of the Board of Directors shall be held at places within or without the Commonwealth of Virginia and at times fixed by resolution of the Board or upon call of the Chief Executive Officer or the Chairman of the Board, and the Secretary or officer performing the Secretary's duties shall give not less than twenty-four (24) hours' notice by letter, telegraph or telephone (or in person) of all meetings of the directors, provided that notice need not be given of regular meetings held at times and places fixed by resolution of the Board. An annual meeting of the Board of Directors shall be held as soon as practicable after the adjournment of the annual meeting of shareholders. Meetings may be held at any time without notice if all of the Directors are present, or if those not present waive notice in writing either before or after the meeting. Directors may be allowed, by resolution of the Board, a reasonable fee and expenses for attendance at meetings.

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### ARTICLE III

#### Committees

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

When the Board of Directors is not in session, the Executive Committee shall have all power vested in the Board of Directors by law, the Articles of Incorporation or these By-laws, except as otherwise provided in the Virginia Stock Corporation Act. The Executive Committee shall report at the next regular or special meeting of the Board of Directors all action which the Executive Committee may have taken on behalf of the Board since the last regular or special meeting of the Board of Directors.

Meetings of the Executive Committee shall be held at such places and at such times fixed by resolution of the Committee, or upon call of the Chief Executive Officer, the Chairman of the Board or the Chairman of the Executive Committee. Not less than twelve (12) hours' notice shall be given by letter, telegraph or telephone (or in person) of all meetings of the Executive Committee, provided that notice need not be given of regular meetings held at times and places fixed by resolution of the Committee and that meetings may be held at any time without notice if all of the members of the Committee are present or if those not present waive notice in writing either before or after the meeting. A majority of the members of the Executive Committee then serving shall constitute a quorum for the transaction of business at any meeting.

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

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

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

The Executive Compensation Committee shall administer the Corporation's Incentive Stock Option Plan (the "Plan") and from time to time may grant, consistent with the Plan, stock options and stock appreciation rights and authorize the granting of restricted stock awards.

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

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

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

The primary function of the Committee shall be to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing and overseeing (i) the financial reports and other financial information provided by the Corporation to any governmental body or the public, (ii) the Corporation's system of internal controls regarding finance and accounting that the Corporation's management and the Board have established, (iii) the independence of the Corporation's outside auditors and the performance of the Corporation's internal and outside auditors and (iv) the Corporation's auditing, accounting and financial reporting processes generally. The Committee shall review the reports and minutes of any audit committees of the Corporation's subsidiaries. The Committee shall review the Corporation's financial reporting process, including accounting policies and

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procedures. The Committee shall examine the report of the Corporation's outside auditors, consult with them with respect to their report and the standards and procedures employed by them in their audit, report to the Board the results of its study and recommend the selection of auditors for each fiscal year.

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

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

Section 4. Nominating Committee. The Board of Directors shall designate a

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

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

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#### ARTICLE IV

##### Officers

Section 1. Election. The officers of the Corporation may consist of a Chief Executive Officer, a Chairman of the Board, a Vice Chairman of the Board, a President, one or more Vice Presidents (any one or more of whom may be designated as Executive Vice Presidents or Senior Vice Presidents), a Secretary and a Treasurer. In addition, such other officers as are provided in Section 3 of this Article may from time to time be elected by the Board of Directors. All officers shall hold office until the next annual meeting of the Board of Directors or until their successors are elected. The Chairman of the Board and the Vice Chairman of the Board shall be chosen from among the Directors. Any two officers may be combined in the same person as the Board of Directors may determine.

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

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

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

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

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

The Chairman of the Board may sign and execute in the name of the

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

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

Section 8. Duties of the President. The President shall be the Chief Operating Officer of the Corporation and shall have direct supervision over the business of the Corporation subject to the authority of the Board of Directors, the Chief Executive Officer and the Chairman of the Board. The President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments, except in cases where the signing and the execution thereof shall be expressly delegated by the Board of Directors or by these By-laws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed. In addition, he shall perform all duties incident to the office of the President and such other duties as from time to time may be assigned to him.

Section 9. Duties of the Vice Presidents. Each Vice President of the Corporation (including any Executive Vice President and Senior Vice President) shall have powers and duties that are customary for that office and

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such other powers and duties as may from time to time be assigned to him. Any Vice President of the Corporation may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-laws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed.

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

Section 11. Duties of the Secretary. The Secretary shall act as secretary of all meetings of the Board of Directors and the shareholders of the Corporation, and shall keep the minutes thereof in the proper book or books to be provided for that purpose. He shall see that all notices required to be given by the Corporation are duly given and served; shall have custody of the seal of the Corporation and shall affix the seal or cause it to be

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affixed to all certificates for stock of the Corporation and to all documents the execution of which on behalf of the Corporation under its corporate seal is duly authorized in accordance with the provisions of these By-laws; shall have custody of all deeds, leases, contracts and other important corporate documents; shall have charge of the books, records and papers of the Corporation relating to its organization and management as a Corporation; shall see that the reports, statements and other documents required by law (except tax returns) are properly filed; and shall, in general, perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him.

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

## ARTICLE V

### Capital Stock

Section 1. Certificates. The shares of capital stock of the Corporation shall be evidenced by certificates in forms prescribed by the Board of Directors and executed by the Chief Executive Officer or the Chairman of the Board and by the Secretary or an Assistant Secretary and stating thereon the information required by law. Transfer agents and/or registrars for one or more classes of the stock of the Corporation may be appointed by the Board of Directors and may be required to countersign certificates representing stock of such class or classes. In the event that any officer whose signature or facsimile thereof shall have been used on a stock certificate shall for

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any reason cease to be an officer of the Corporation and such certificate shall not then have been delivered by the Corporation, the Board of Directors may nevertheless adopt such certificate and it may then be issued and delivered as though such person had not ceased to be an officer of the Corporation.

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

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

Section 4. Fixing Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of the shareholders or any adjournment thereof, or entitled to receive payment for any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may fix

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in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than seventy (70) days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. Except as

otherwise required by law, when a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section such determination shall apply to any adjournment thereof.

## ARTICLE VI

### Miscellaneous Provisions

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

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

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

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

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

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

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premises; or, in lieu of such appointment, the Chief Executive Officer, the Chairman of the Board or any such designated officer or officers may attend in person any meetings of the holders of stock or other securities of any such other corporation and there vote or exercise any or all power of this Corporation as the holder of such stock or other securities of such other corporation.

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

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## 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
Mark C. Rohr*.....	President and Chief Operating Officer
E. Whitehead Elmore....	Executive Vice President
Paul F. Rocheleau.....	Senior Vice President and Chief Financial Officer
John G. Dabkowski.....	Vice President--Polymer Chemicals
Thomas F. Dominick.....	Vice President, Regional Managing Director, Europe, Middle East and Africa
Jack P. Harsh.....	Vice President--Human Resources
George P. Manson, Jr...	Vice President, General Counsel and Secretary
George A. Newbill.....	Vice President--Sourcing Organization
John J. Nicols.....	Vice President--Fine Chemicals
John M. Steitz.....	Vice President--Business Operations
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
Richard A. Sabalot.....	Assistant

Secretary

\* Member of the Executive Committee