PROFILE

We are a leading global developer, manufacturer and marketer of highly engineered specialty chemicals. Our products and services enhance the value of our customers’ end products by improving performance, providing essential product attributes, lowering cost and simplifying processing. We sell a highly diversified mix of products to a wide range of customers, including: manufacturers of consumer electronics, building and construction materials, automotive parts, packaging, pharmachemicals and agrichemicals, and petroleum refiners. Our commercial and geographic diversity, technical expertise, flexible low-cost global manufacturing base and experienced management team enable us to maintain leading market positions in those areas of the specialty chemicals industry in which we operate.

With over 3,500 employees in 43 locations around the world, we serve over 3,400 customers throughout 100 countries. We operate three business segments: Polymer Additives, Catalysts and Fine Chemicals.

FINANCIAL HIGHLIGHTS*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>increase (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$2,368,506</td>
<td>$2,107,499</td>
<td>12%</td>
</tr>
<tr>
<td>Net Income, excluding special items**</td>
<td>$201,370</td>
<td>$114,433</td>
<td>76%</td>
</tr>
<tr>
<td>Net Cash Provided from Operating Activities</td>
<td>$376,294</td>
<td>$168,862</td>
<td>123%</td>
</tr>
<tr>
<td>EBITDA, excluding special items**</td>
<td>$391,250</td>
<td>$299,968</td>
<td>30%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$2,530,368</td>
<td>$2,555,618</td>
<td>(1%)</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$99,847</td>
<td>$70,080</td>
<td>42%</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>$25,970</td>
<td>$7,473</td>
<td></td>
</tr>
<tr>
<td>Total Long-Term Debt</td>
<td>$732,590</td>
<td>$833,453</td>
<td>(12%)</td>
</tr>
<tr>
<td>Total Long-Term Debt as a % of Total Capitalization</td>
<td>41.6%</td>
<td>47.3%</td>
<td></td>
</tr>
<tr>
<td>Shares Outstanding at End of Year</td>
<td>94,860</td>
<td>93,499</td>
<td></td>
</tr>
<tr>
<td>Return on Average Shareholders’ Equity</td>
<td>14.6%</td>
<td>14.0%</td>
<td></td>
</tr>
</tbody>
</table>

Per Common Share

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>increase (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted Earnings Per Share, excluding special items**</td>
<td>$2.07</td>
<td>$1.20</td>
<td>73%</td>
</tr>
<tr>
<td>Cash Dividends Declared Per Share</td>
<td>$0.345</td>
<td>$0.31</td>
<td>11%</td>
</tr>
<tr>
<td>Shareholders’ Equity Per Share</td>
<td>$10.84</td>
<td>$9.95</td>
<td>9%</td>
</tr>
<tr>
<td>Year-End Closing Price</td>
<td>$35.90</td>
<td>$19.18</td>
<td>87%</td>
</tr>
</tbody>
</table>

* See Item 8 to Form 10-K, Financial Statements and Supplementary Data, beginning on page 42.
** See Reconciliation of Non-GAAP Financial Measures on page A-1.
At Albemarle, we produce specialty chemicals that go into products you use every day. We are dedicated to providing **superior products and services** and to working with our global customers to develop **innovative solutions**. That dedication, combined with a commitment to **product and environmental stewardship**, enables us to generate strong results and create sustainable value for our customers and our shareholders. We call it our value equation.
Dear Shareholders and Colleagues:

Our 2006 successes reflect the tremendous efforts of our employees around the world who worked tirelessly to develop new technologies, operate our facilities in a safe and environmentally sound manner, and deliver best-in-class services and technical solutions to our customers.

Driven by sound strategy and execution, we capitalized on opportunities in each of our businesses, increasing our net income, excluding special items, by 76 percent. We also had great success driving cash flow, which in turn allowed us to reduce net debt by $186 million, repurchase over 1.1 million shares and increase dividends for our 12th consecutive year.

The net impact of these efforts was value creation—value for our customers and value for our shareholders. As we end the year, we feel very good about our businesses. We have technological advantages in the markets we serve, we understand the needs of our customers and we have an organization well suited to deliver innovative solutions to the marketplace. This balance of technological innovation and service will allow us to capitalize on the opportunities before us and continue to deliver for our shareholders.

In 2007, we will work hard to build on our past accomplishments by focusing in the following areas:

- **Segment Income Margins at 15% or Greater.** Our goal is for each of our segments to deliver 15% or greater segment income margins. Our Polymer Additives and Catalysts segments reached this goal in 2006, and we will work hard to ensure that all three of our segments achieve this goal in 2007.

- **Polymer Additives to $1 Billion Revenue.** We expect Polymer Additives to become our first billion dollar segment. Expanding our base in China and accelerating our research and development efforts to create superior products will help us reach this goal.

- **Increase Research and Development Spending 35% to Promote Organic Growth.** We plan to increase our R&D efforts in 2007 with additional spending in each of our segments. We are committed to differentiating ourselves from our competitors by providing innovative products and processes. We are proud of our successes in 2006, as we delivered over 25% of our revenue from new products that were not part of our portfolio five years ago, and we expect to continue this portfolio renewal in the future.

- **Focus on Accretive Acquisitions.** We are continuously reviewing acquisition candidates that fit two main criteria: First, any acquisition should be accretive within a reasonable period of time. Second, we will not add a business just to grow—we look for acquisitions that provide us with improved technologies and better access to markets that support our business objectives.

- **Push our Catalyst Technology into New Markets.** Our new Bayport, Texas HPC plant will be operational in 2007. This additional capacity allows us the flexibility to promote our products for...
use in portions of the refining process where we typically have not participated. This should help offset the natural “lumpiness” associated with our catalysts designed for conventional sulfur removal.

- **Focus on Growing Economies.** There is no questioning the strength of growing economies such as the Middle East, Brazil, Russia, India and China. We will focus our energies on securing our foothold in these regions to position us well in order to capitalize on these new market opportunities.

- **Secure our Fine Chemicals Turnaround.** We worked hard in 2006 to dispose of assets that were not performing in this segment and to acquire assets that were better strategic fits. While we made good progress last year, there is still work to be done.

- **Safety and Environmental Stewardship.** Albemarle has a history of best-in-class safety performance, continuous reductions in environmental emissions and collaboration with federal and state agencies to advance safety and ecological stewardship. Our Magnolia site, for example, has been recognized by OSHA as a STAR site and has also recently earned an international habitat conservation award for its commitment to biodiversity. While proud of our achievements, we will not relax our focus in 2007 on safe operations, emission reductions and global product stewardship.

- **Sustainability.** We are committed to making our business sustainable into the future. We believe that it is critical to our future to operate in a manner that keeps our employees safe, reduces our impact on the environment, returns value to our communities and shareholders, and secures our products and services for the future.

Achieving each of these goals is vital to our continued success in 2007 and beyond.

In closing, we would like to express the sincere appreciation of the entire Albemarle family to Floyd D. Gottwald, Jr., who, after many years of service to Albemarle, has decided not to stand for re-election to our Board of Directors. We wish to recognize his leadership and thank him for his wise counsel, constant encouragement and dedication to this company. Thank you also to our customers, suppliers, employees and shareholders. We look forward to delivering another year of strong results in 2007.

Sincerely,

Mark C. Rohr  William M. Gottwald
President and CEO  Chairman of the Board

March 5, 2007
building global relationships

We have more than 3,400 customers in 100 countries—and a global team working to keep us close to those customers. That means helping them develop innovative solutions; training them on how to handle our products and use them efficiently; and responding to each customer’s unique needs in the markets they serve and in the regions they operate. It’s an attitude expressed in a straightforward slogan: We can do that.

developing innovative solutions to meet our customers’ needs

We’re always innovating. In 2006, we filed over 100 patents, ending the year with approximately 28% of our sales from products that were not in our portfolio five years ago. In 2006, we developed a new product in three months so our European customers could exceed new, more restrictive environmental standards set by the European Union. In 2007, we are opening a new technology center for polymer additives in Nanjing, China that will place us closer to our customers to build on our strong relationships. We are focused on creating solutions in our alternative fuel technologies division of our catalysts segment. That’s how we work.
producing **superior products** that enhance people’s lives

You don’t see the Albemarle brand name on products you use every day. But every day, consumers benefit from our products. They’re used to make fire-safe consumer electronics and home insulation, and to produce cleaner auto fuels and environmentally friendly lube additives. Our products are also used in the non-PVC wiring and cable in your home and office, in bullet-proof glass and in over-the-counter pain relievers on your drug store shelves.

Developed jointly with ExxonMobil, NESULA™ is the highest activity hydrotreating catalyst ever created. Used for a variety of hydroprocessing applications, it is a superior and cost effective drop-in solution for refining units with serious constraints.

repositioning our **portfolio**

The year 2006 marked the successful transformation of our Fine Chemicals division through a process we began in 2003. Anchored by the leadership of our bromine portfolio, Fine Chemicals has added new products and services capabilities. In September 2006, we acquired the South Haven, Michigan facility from DSM Pharmaceutical Products and we sold our facility in Thann, France. These changes help reposition Fine Chemicals, to the benefit of customers and shareholders alike.
ensuring our future

focusing on safety

At Albemarle, safety comes first. Our current injury and illness rate is one of the lowest of chemical producers. Our emphasis on process safety and a belief that all injuries are preventable have made us a leader in our industry. Employee involvement and an active awareness program are key elements of our safety culture.

promoting product stewardship

We recognize that the sustainability of our business depends on how well we manage the impact of our operations. That translates into an intense focus on safety and environmental performance, as well as an active product stewardship program involving our customers. Our technical services specialists educate customers on how to use our products in a safe manner. In 2005, working with other producers, we launched the Voluntary Emissions Controls Program (VECAP™), focused on measuring and eliminating emissions during the use of our brominated flame retardants. We developed a recycling system for those who work with and use ABZOL®, a metal parts cleaning solvent that replaces ozone depleting and hazardous chlorinated solvents. We help our customers meet and exceed environmental and safety standards.
contributing to energy solutions

We are expanding our catalyst business into alternative fuel technologies, such as oil sands, coal-to-liquids, gas-to-liquids and biomass-to-liquids (BTL). We’re supplying the catalysts for the first full-scale BTL unit in the world, now being built in Finland by Neste Oil to produce high-quality synthetic biodiesel fuel. Our innovative high throughput experimentation technology helps accelerate catalyst development, improving product quality and speeding innovation.

protecting the environment

Albemarle has implemented a goal to reduce 2003 levels of U.S. Toxic Release Inventory (TRI) emissions by 50% by the end of 2008. This goal represents a reduction of 1.5 million pounds of emissions to the environment annually and is not mandated by any governmental agency. A longer term goal has been set to reduce 2003 levels of TRI emissions by 2.7 million pounds in 2010. The Magnolia, Arkansas facilities have led the efforts for these goals to date. The Magnolia sites have reduced TRI emissions from 2005 to 2006 by 100,000 pounds or 14% of their emissions, and from 2003 baseline by 300,000 pounds or 34% of their emissions. We have also worked to reduce energy consumption and carbon dioxide emissions. We received an international wildlife habitat award for our environmental stewardship efforts.

pursuing global growth opportunities

The future of our business depends on our ability to identify and pursue growth opportunities. Today, emerging economies represent such an opportunity. In 2006, we announced plans to build a new phosphorus-based flame retardant plant in Nanjing, China—one of the world’s most populated and fastest growing economies. With a new sales office in Russia and a joint venture in Brazil, we’re focusing on the Middle East and the BRIC countries—Brazil, Russia, India and China—to capitalize on the many business opportunities these areas present.

sustainability

The future of our business depends on our ability to adapt business and technology to satisfy the needs of our customers.
DIRECTORS

William M. Gottwald  
Chairman of the Board  
Richmond, Virginia

Floyd D. Gottwald, Jr.  
Vice Chairman of the Board  
Richmond, Virginia

Mark C. Rohr  
President and Chief Executive Officer  
Richmond, Virginia

J. Alfred Broaddus, Jr.  
Retired President  
Federal Reserve Bank of Richmond  
Richmond, Virginia

John D. Gottwald  
President and Chief Executive Officer  
Tredegar Corporation  
Richmond, Virginia

R. William Ide, III  
Partner  
McKenna, Long & Aldridge  
Atlanta, Georgia

Richard L. Morrill  
Chancellor  
University of Richmond  
Richmond, Virginia

Seymour S. Preston, III  
President  
The Millrace Group  
Paoli, Pennsylvania

John Sherman, Jr.  
Retired Vice Chairman  
Scott & Stringfellow, Inc.  
Richmond, Virginia

Charles E. Stewart  
Retired Executive Vice President  
Occidental Chemical Corporation  
Greensboro, Georgia

Harriett Tee Taggart  
Retired Senior Vice President  
Wellington Management LLC  
Cambridge, Massachusetts

Anne Marie Whittemore  
Partner  
McGuireWoods LLP  
Richmond, Virginia

OFFICERS AND MANAGEMENT TEAM

William M. Gottwald  
Chairman of the Board

Floyd D. Gottwald, Jr.  
Vice Chairman of the Board

Mark C. Rohr  
President and Chief Executive Officer

Richard J. Diemer, Jr.  
Senior Vice President and  
Chief Financial Officer

Luther C. Kissam, IV  
Senior Vice President,  
Secretary and General Counsel

George A. Newbill  
Senior Vice President  
Manufacturing Operations

John M. Steitz  
Senior Vice President  
Business Operations

John G. Dabkowski  
Vice President  
Polymer Additives

Mary Kay Devillier  
Vice President  
Alliance Services

Ronald R. Gardner  
Vice President  
Fine Chemicals

Jack P. Harsh  
Vice President  
Human Resources

Raymond Hurley  
Vice President  
Alternative Fuels Technology

Anthony J. Ierubino  
Vice President  
Americas Sales

John J. Nicols  
Vice President  
Catalysts

Anthony S. Parnell  
Vice President  
Global Sales, Service and Operations Planning

Ronald C. Zumstein  
Vice President  
Health, Safety and Environment

Huub Cuijpers  
Regional Managing Director  
Europe, Middle East and Africa

Donald R. Mahoney  
Regional Managing Director  
Asia Pacific

C. Kevin Wilson  
Corporate Treasurer

SHAREHOLDER INFORMATION

Investor information  
Investors interested in Albemarle’s financial  
and operating performance may write or call:

Albemarle Corporation  
Nicole C. Daniel  
Corporate Director, Investor Relations  
330 South Fourth Street  
Richmond, Virginia 23219  
Tel: 804-788-6096  
Fax: 804-788-6104  
www.albemarle.com/investor_information

Annual meeting  
The annual meeting of Albemarle Corporation’s  
shareholders will be held at its offices at 330  
South Fourth Street, Richmond, Virginia, on  
Wednesday, April 11, 2007 at 11:00 a.m., Eastern  
Time. Formal notice of the annual meeting and  
the proxy statement are included with this report.

Stock listings  
New York Stock Exchange  
Ticker Symbol: ALB

Number of employees  
Approximately 3,500

Independent registered public  
accounting firm  
PricewaterhouseCoopers LLP  
Richmond, Virginia

Outside counsel  
Troutman Sanders LLP  
Richmond, Virginia

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