



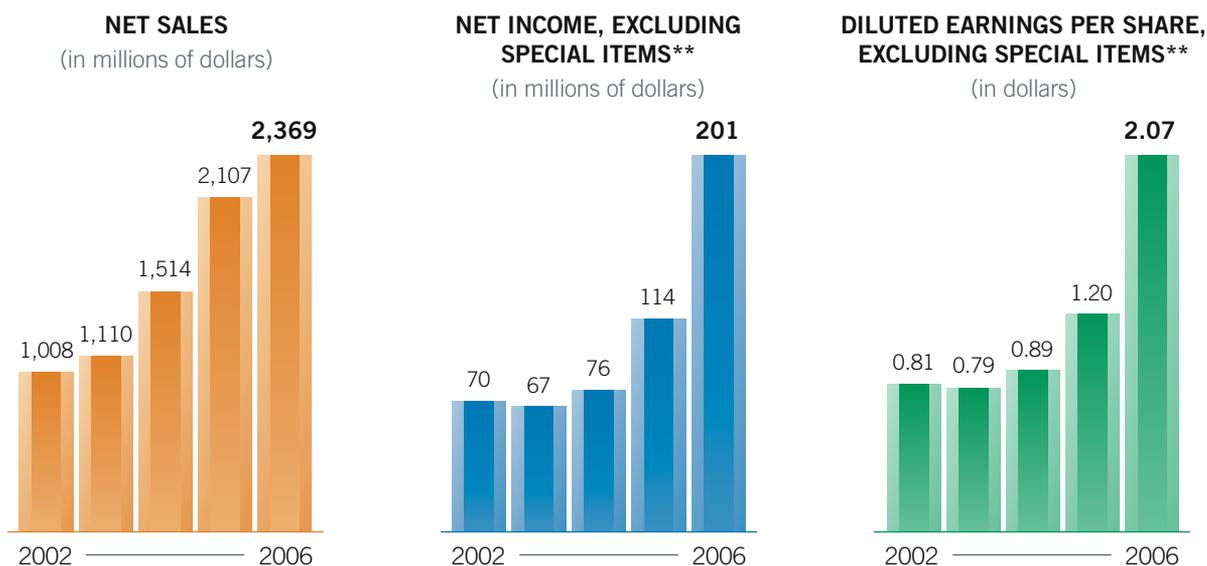
 ALBEMARLE®

creating chemistry for life

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, pharmaceuticals 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.

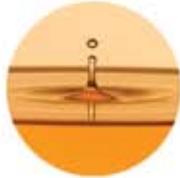


FINANCIAL HIGHLIGHTS*

(in thousands, except per-share amounts)	2006	2005	increase (decrease)
Net Sales	\$2,368,506	\$2,107,499	12%
Net Income, excluding special items**	\$ 201,370	\$ 114,433	76%
Net Cash Provided from Operating Activities	\$ 376,294	\$ 168,862	123%
EBITDA, excluding special items**	\$ 391,250	\$ 299,968	30%
Total Assets	\$2,530,368	\$2,555,618	(1%)
Capital Expenditures	\$ 99,847	\$ 70,080	42%
Acquisitions	\$ 25,970	\$ 7,473	
Total Long-Term Debt	\$ 732,590	\$ 833,453	(12%)
Total Long-Term Debt as a % of Total Capitalization	41.6%	47.3%	
Shares Outstanding at End of Year	94,860	93,499	
Return on Average Shareholders' Equity	14.6%	14.0%	
Per Common Share			
Diluted Earnings Per Share, excluding special items**	\$ 2.07	\$ 1.20	73%
Cash Dividends Declared Per Share	\$ 0.345	\$ 0.31	11%
Shareholders' Equity Per Share	\$ 10.84	\$ 9.95	9%
Year-End Closing Price	\$ 35.90	\$ 19.18	87%

* 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.

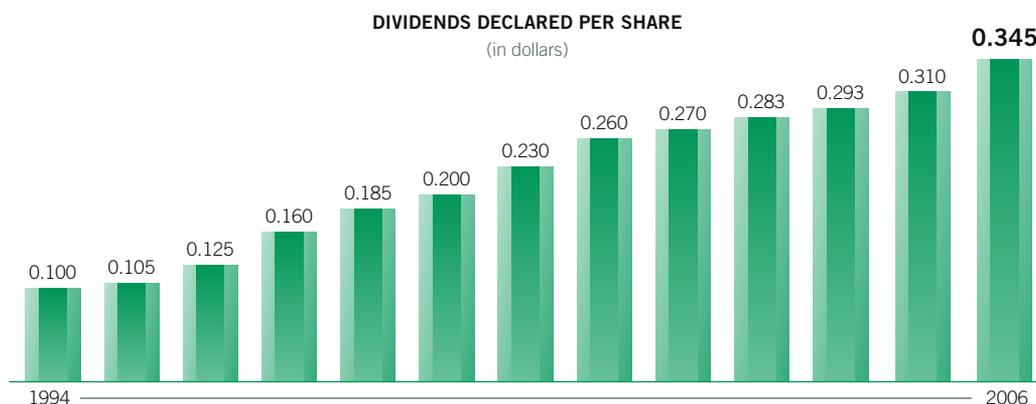
Driven by sound strategy and execution, we capitalized on opportunities in each of our businesses, increasing our net income, excluding special items, by 76 percent. We also had great success driving cash flow, which in turn allowed us to reduce net debt by \$186 million, repurchase over 1.1 million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



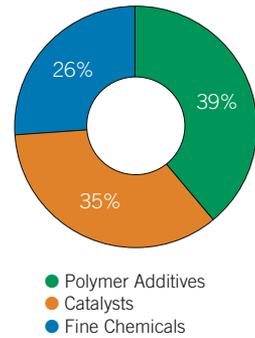
Mark C. Rohr
President and CEO



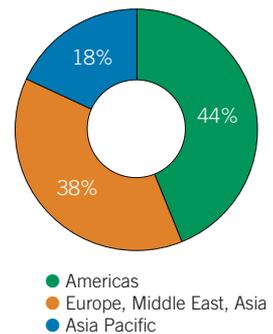
William M. Gottwald
Chairman of the Board

March 5, 2007

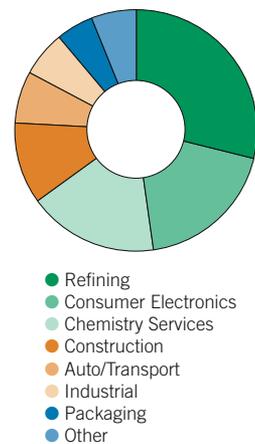
SEGMENTS
(\$2,369 million net sales)



GLOBALIZATION
(\$2,369 million net sales)



END MARKETS
(Approximate net sales distribution)



our value equation



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.





Developed jointly with ExxonMobil, NEBULA™ 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.

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.



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.

= value

ensuring our future



focusing on safety

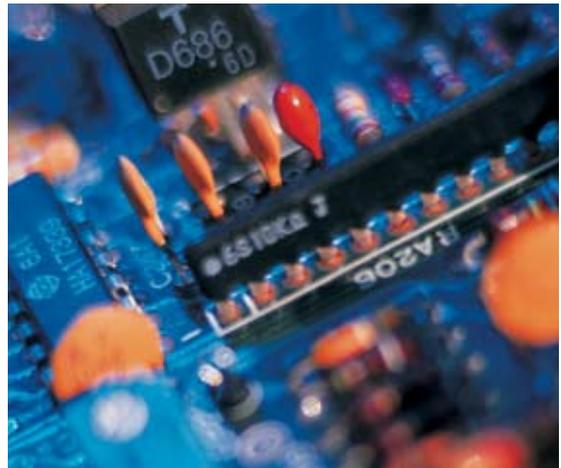


At Albemarle, safety comes first. Our current injury and illness rate is one of the lowest of chemical producers. Our emphasis on process safety and a belief that all injuries are preventable have made us a leader in our industry. Employee involvement and an active awareness program are key elements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



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.



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.



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 Broadus, 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

Huib Cuijpers

Regional Managing Director
Europe, Middle East and Africa

Donald R. Mahoney

Regional Managing Director
Asia Pacific

C. Kevin Wilson

Corporate Treasurer

SHAREHOLDER INFORMATION

Stock transfer agent and registrar

National City Bank
Corporate Trust Operations
PO Box 92301
Cleveland, Ohio 44193-0900
Tel: 800-622-6757

Email: shareholder.inquiries@nationalcity.com

For shareholders of record with questions on their accounts, write or call the transfer agent.

A dividend-reinvestment plan is available to shareholders. For information, write or call:

National City Bank
Corporate Trust Operations
PO Box 94946
Cleveland, Ohio 44101-4946
Tel: 800-622-6757

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

www.albemarle.com

Americas

Albemarle Corporation
451 Florida Street
Baton Rouge, LA 70801, USA
Tel: +1 225 388 7402
Fax: +1 225 388 7848

Albemarle Corporation
330 South Fourth Street
Richmond, VA 23219, USA
Tel: +1 804 788 6000
Fax: +1 804 788 5688

Albemarle Catalysts Company LP
2625 Bay Area Blvd
Suite 250
Houston, TX 77058, USA
Tel: +1 281 480 4747
Fax: +1 281 283 1519

Asia Pacific

Albemarle Asia Pacific Company
480 Lorong 6
Toa Payoh #16-01
HDB Hub, East Wing
Singapore 310480
Tel: +65 6424 8400
Fax: +65 6424 8401

Albemarle Chemicals Shanghai
Shui On Plaza, Room 2208
No. 333 Huai Hai Zhong Road
Shanghai, 200021, China
Tel: +86 21 5306 1360
Fax: +86 21 5306 2420

Albemarle Japan Corporation
16th Floor, Fukoku Seimei Building
Uchisaiwai-cho, 2-2-2
Chiyoda-ku, Tokyo 100-0011, Japan
Tel: +81 3 5251 0791
Fax: +81 3 3500 5623

Albemarle Korea Corporation
No. 602 Trade Tower,
World Trade Center
159-1 Samsung-dong Kangnam-gu
Seoul, Korea 135-729
Tel: +82 2 555 3005
Fax: +82 2 555 3002

Europe, Middle East, Africa

Albemarle Europe Sprl
Parc Scientifique de LLN
Rue du Bosquet 9
B-1348 Louvain-la-Neuve Sud
Belgium
Tel: +32 10 48 1711
Fax: +32 10 48 1717

Albemarle Catalysts Company B.V.
Barchman Wuytierslaan 10
3800 AE Amersfoort
The Netherlands
Tel: +31 33 467 6310
Fax: +31 33 467 6104

Contact information for additional Albemarle offices can be found on our website at www.albemarle.com



The Albemarle signet is a registered trademark of Albemarle Corporation.