



2005 Annual Report and Form 10-K

2006 Notice of Annual Meeting of Shareholders and Proxy Statement

Creating chemistry for life



Albemarle employs 3,700 people and produces specialty chemicals at 43 locations around the world. Serving more than 3,400 customers throughout 100 countries, we have a true global reach across our three main areas of business. Our Polymer Additives segment includes our leading flame retardants, as well as our stabilizers and curatives. Our Catalysts segment is made up of refinery and polyolefin catalysts. Our Fine Chemicals segment is composed of pharmaceutical and fine chemistry services, as well as our bromine and industrial chemicals.

With sales over \$2.1 billion in 2005, we serve a variety of end markets, including consumer electronics, refining, pharmaceuticals, agriculture, petrochemicals, construction, automotive and packaging. Our sales have more than doubled over the last four years. Chemistry is the cornerstone of our business. Our main strengths lie in bromine, phosphorus, aluminas, zeolites, metal oxides and organometallics. We are a leader in the safe handling and processing of highly reactive chemicals.

We are an international producer of specialty chemicals with leading market positions in many of our business lines. Our products and services are used by customers to increase the value they bring to the market and, ultimately, to improve people's lives – *chemistry for life.*



Financial highlights

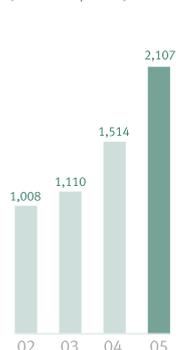
Corporate summary ^(a)

(In thousands, except per-share amounts)	2005	2004	% Increase /decrease
Net Sales	\$2,107,499	\$1,513,737	39
Net Income	\$114,867	\$54,839	109
Net Cash Provided from Operating Activities	\$168,862	\$191,555	(12)
EBITDA (See Reconciliation of Non-GAAP Financial Measures)	\$301,866	\$186,462	62
Total Assets	\$2,547,243	\$2,442,745	4
Capital Expenditures Including Investments in Joint Ventures	\$72,580	\$67,565	7
Acquisitions, Net of Cash Acquired	\$7,473	\$785,247	(99)
Total Long-Term Debt	\$833,453	\$944,631	(12)
Total Long-Term Debt as a % of Total Capitalization	47.3%	57.0%	(17)
Shares Outstanding at End of Year	46,750	41,898	12
Return on Average Shareholders' Equity	14.0%	8.1%	73
Per Common Share			
Diluted Earnings Per Share	\$2.41	\$1.29	87
Cash Dividends Declared Per Share	\$0.62	\$0.585	6
Shareholders' Equity Per Share	\$19.90	\$16.98	17
Year-End Closing Price	\$38.35	\$38.71	(1)

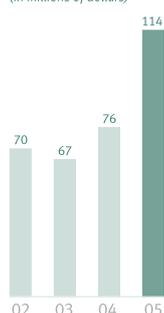
Summary of segment results ^{(a) (b)}

	2005		2004	
Operating segments	Revenues	Income	Revenues	Income
Polymer Additives	\$797,815	\$99,539	\$726,275	\$87,398
Catalysts	737,610	95,937	283,394	18,295
Fine Chemicals	572,074	46,053	504,068	36,964
Segment Totals	\$2,107,499	\$241,529	\$1,513,737	\$142,657
Corporate and Other Expenses		(51,142)		(36,169)
Segment Income		190,387		106,488
Interest and Financing Expenses		(41,971)		(17,350)
Other Income (Expenses), Net		1,513		(12,193)
Income Taxes		(27,593)		(17,005)
Minority Interests in Income of Consolidated Subsidiaries		(7,469)		(5,101)
Net Income		\$114,867		\$54,839

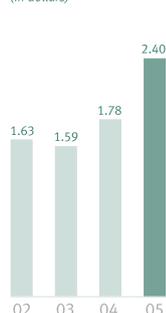
Net sales
(in millions of dollars)



Net income, excluding special items
(in millions of dollars)



Diluted earnings per share, excluding special items
(in dollars)



(a) See Item 8 to Form 10-K, Financial Statements and Supplementary Data, beginning on page 37.

(b) Equity in net income (losses) of unconsolidated investments is included as a component of Segment Income.

To our shareholders

Since its formation in 1994, Albemarle has continually modified its business to ensure sustainability and profitability. The year 2005 was, in many respects, a watershed event in this process. For the year, we had record sales of \$2.1 billion dollars, up 39% over 2004, and net income grew from \$55 million to \$115 million. We achieved these results in the face of substantially higher energy and raw material costs, while also integrating the refinery catalysts acquisition into our business.

In addition, we worked hard to maintain our high standards for health, safety and environmental performance. We achieved an outstanding OSHA safety record that significantly exceeds the industry average and reduced our environmental incidents by 25%. These outstanding results position us well to improve our performance going forward.

We have taken a number of important steps to ensure the future sustainability of our business:

- We established a program to boost energy efficiency and materially reduce carbon dioxide emissions by 2008.
- We worked with others in the industry to establish and implement with our customers a voluntary emission standard for select flame retardant products.
- We promoted a science-based approach in reviewing the risk associated with, and the acceptability of, various products.
- We brought a number of products to the market that promise to address challenges faced in the fuels market. Our hydroprocessing catalysts helped our customers prepare for the new ultra-low-sulfur diesel specifications in the US in 2006.
- We continued to address under-performing assets in our portfolio by shutting down a small seawater bromine plant in Europe.

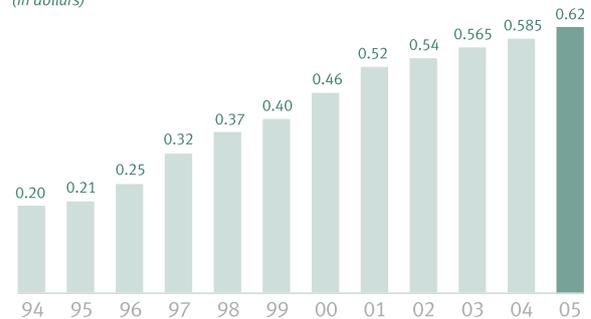
Catalysts

Our Catalysts segment achieved record earnings in 2005 due, in part, to increased demand for clean fuels around the world. We developed and produced technologically advanced catalysts to help our customers achieve lower levels of sulfur and nitrogen emissions. Our catalysts are specifically designed and engineered to help produce clean fuels from an increasingly complex slate of crude oil and other alternative raw materials such as coal, natural gas, oil shale and biomass. Our research and development activities continue to yield impressive results.

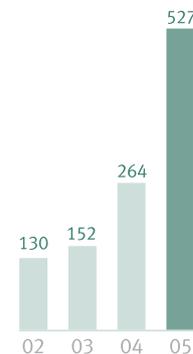
Our Catalysts business continues to make great strides with new products to produce selective polyolefins for the film markets. We are working to build a larger portfolio to capture a greater share of the ever-growing \$14 billion catalyst market. As the demand for innovative and more efficient products grows stronger, the inherent value of our products and technology should increase as well.

Sales of our hydroprocessing catalysts reached record levels this past year. To meet increased demand, we initiated three debottlenecking projects and began construction of a new, world-scale hydroprocessing catalysts plant in Texas that will be operational in 2007. We also recently announced a hydroprocessing alliance with UOP, the leading hydroprocessing technology supplier in the world. This alliance will help the petroleum refining industry meet the growing demand for clean fuels.

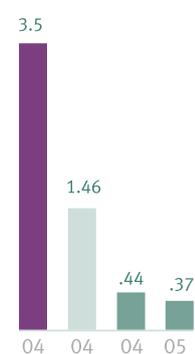
Dividends declared per share
(in dollars)



Net revenue from new products
(in millions of dollars)



Employee safety
(injuries per 200,000 work hours)



■ Chemical industry
■ ACC average
■ Albemarle

We introduced new FCC catalysts and announced a significant price increase for FCC catalysts to improve the performance of this segment. We are optimistic that we will be able to improve the margins in this area in 2006.

Polymer Additives

Our Polymer Additives business benefited from a new group of additives designed for the global movement toward miniaturization. Our scientists work closely with our customers to provide the best alternatives for needs in consumer electronics, televisions and a variety of automobile and household furnishings. We are also actively developing new products for polyurethane foam applications to flame retard upholstered furniture.

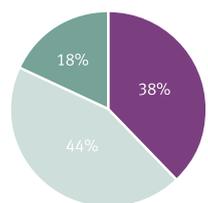
In 2005, we completed the construction of a new additives plant designed to meet the stringent requirements of emerging thermoplastics. Demand for these products was so strong that we are already adding capacity. In addition, to meet the tremendous growth in Asia, we announced the construction of a technology center in Nanjing, China, to serve our additives customers in that region of the world.

Fine Chemicals

Our Fine Chemicals segment helps our customers bring new products to the market as rapidly as possible. Our fine chemistry services group consists of highly successful, entrepreneurial scientists who understand the need for innovation and speed to market. We are producing intermediates that go into hepatitis vaccines, AIDS medications, drug-eluting stents and antiviral medications (including Roche's Tamiflu®).

We are excited to see the positive impact of our research and development efforts on our business and remain encouraged with the technology developments in our pipeline.

Globalization
\$2,107 million net sales



- Europe, Middle East, Africa
- Americas
- Asia Pacific

Segments
\$2,107 million net sales



- Polymer Additives
- Catalysts
- Fine Chemicals

End markets
Approximate net sales distribution



- Consumer electronics
- Refining
- Chemistry services
- Packaging
- Construction
- Auto/Transport
- Industrial
- Other

We increased flexibility at our Orangeburg facility by converting part of our naproxen assets into a multipurpose cGMP facility. That unit is already fully scheduled for 2006 with pharmaceutical-based business. Our fine chemistry services pipeline now has over 140 products, and we are averaging approximately 50 inquiries per month for our services.

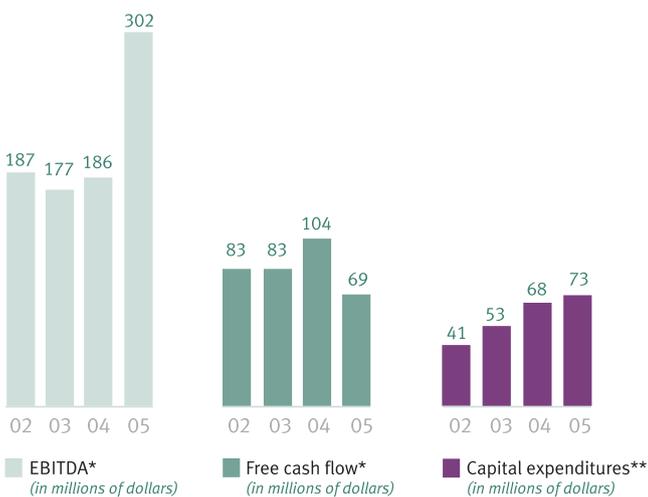
Our world-leading bromine franchise continued to benefit from expanded applications. Bromine is used across the globe for a variety of uses from automobile tire heat stability to water purification. We will continue to seek the best ways to realize value from our bromine assets.

Technological innovation

Technological competence continues to be the hallmark of Albemarle. We are excited to see the positive impact of our research and development efforts on our business and remain encouraged with the technology developments in our pipeline. We have approximately 450 scientists around the world. As a result of their efforts, 24% of our 2005 sales were from products that did not exist in our portfolio five years earlier. We are committed to increasing this percentage in the future. This level of innovation continues to differentiate us from other specialty chemical companies.

Governance

Along with the safety of our employees and compliance with environmental regulations, corporate governance ranks as a critical focus for us. In 2005, we again received Section 404



certification of our internal controls under the Sarbanes-Oxley Act. To ensure that we continue to improve in this area, we reorganized our finance function and deployed finance leaders and functional resources into each business segment to improve our focus and accountability within each segment. While we are very proud of our governance programs, we will continue to look for ways to further strengthen them.

Our future

As we begin 2006, I have never seen as many opportunities for this company as I see today: opportunities to leverage our technology to create new products; to expand our presence in other regions of the world; to provide safe products that address important needs; and to help treat diseases with new pharmaceutical products.

We are experiencing strong growth in emerging economies where our technologies already have a well-established base. Customers recognize our capabilities and increasingly are asking us to provide solutions for their business needs. Obviously, there will be challenges along the way, but I am confident we will overcome these challenges and end up stronger and better prepared for the future. We have a legitimate chance to make a valuable difference in the lives of many as we continue our progress. We will work hard to make this difference, while continuing to deliver strong returns to our investors in 2006 and into the future.

The Albemarle team

This letter would not be complete without recognizing the efforts of the 3,700 Albemarle employees around the globe. I am fortunate to have the opportunity to interact with this dynamic group of individuals on a daily basis. The performance realized by this company is the direct result of their ability to manage day-to-day challenges and take the steps necessary to drive our businesses to positions of global leadership through innovation, reliability and service. I am confident that their commitment will help carry us through another strong year of sustainable growth for Albemarle.

Mark C. Rohr
President and Chief Executive Officer

* See reconciliations ** Includes investments in joint ventures

We have a legitimate chance to make a valuable difference in the lives of many as we continue our progress. We will work hard to make this difference, while continuing to deliver strong returns to our investors in 2006 and into the future.



Our company at a glance

Albemarle's products are used in a variety of applications that are highly important to society today. Moreover, the end markets that we serve are expected to experience strong growth in the future.

Polymer Additives

Albemarle supplies three types of polymer additives: flame retardants, stabilizers and curatives.

Our flame retardants help to save lives and protect property by improving the fire resistance of building materials, vehicle components and everyday items used at home and in the office. The business is driven by increasingly stringent fire regulations and higher furniture flammability standards around the world, as well as by a continual growth in demand, especially in emerging economies such as China and India.

Albemarle's antioxidants enhance the stability and storage life of fuels and lubricants, and improve the performance of car, truck, boat and jet engines. Our polymer antioxidants and customized polymer-additive blends improve the performance, integrity and stability of common plastic resins. The market for fuel- and lubricant-related antioxidants is influenced by the expanding manufacturing industry in developing nations. The general growth in worldwide polymer consumption, particularly for packaging, will increase demand for our polymer antioxidants and blends.

Albemarle's curatives help to harden polyurethane resins for reaction injection-molded auto parts; polyurea and polyurethane spray coatings to protect concrete and steel surfaces; and polyurethane- and epoxy-based resins for various markets, including materials for homeland security. Other additives include photoinitiators to accelerate the setting of UV-curable inks, adhesives, powder coatings and varnishes, and inhibitors to prevent the degradation of industrial resins. The market for performance polymer additives is growing with the increasing demand for stronger, more secure building materials; lighter and more transparent specialty plastics; and UV-based printing and powder-coating manufacturing processes.

Catalysts

Albemarle has long been recognized as a global leader in sophisticated catalysts and plays a major role in helping to meet the growing demand for oil products ranging from clean fuels to plastics and fine chemicals.

Our fluidized catalytic cracking (FCC) catalysts are used to break down the heavy, low-value components of crude oil into lighter, in-demand products such as gasoline and diesel. They play a vital role in enabling refineries to produce the balance of products needed by society today. This business grows as the global market for transportation fuels escalates.

Albemarle's hydroprocessing catalysts are used by refiners to produce clean fuels by removing impurities, particularly sulfur. Today's crude oils contain increasing amounts of contaminants, yet clean fuels regulations continue to be instituted around the world. This leads to a growing demand for these catalysts.

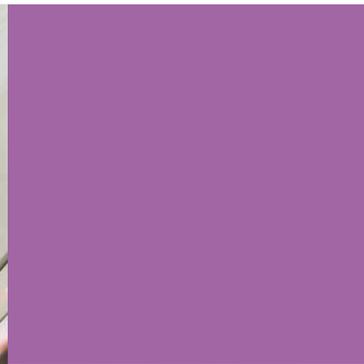
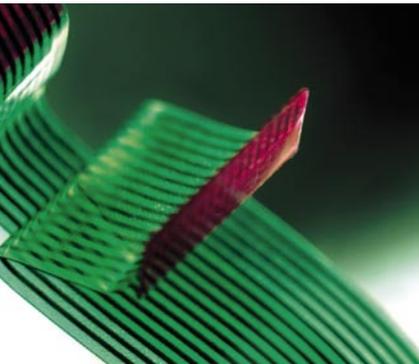
Albemarle's organometallic catalysts are used globally to produce plastics, electronic components and fine chemicals, and we are the principal supplier of metallocenes, single-site catalyst activators and customized catalysts. Business is driven by the increasing demand for plastics, especially by the expansion in the packaging market and the metallocene-based polymer segment and by the development of stronger, tougher and more transparent polymers.

Fine Chemicals

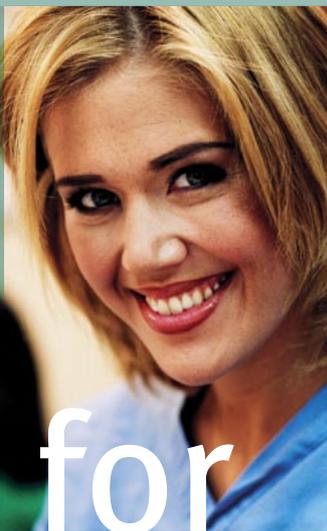
Albemarle supplies fine chemicals to many of the world's leading pharmaceutical, agricultural and other industrial companies. Products range from active pharmaceutical ingredients (API) for pain relief and anesthetics to custom-manufactured actives and intermediates for cutting-edge medicines and delivery devices. Factors driving these businesses are the continued outsourcing of manufacturing operations by large pharmaceutical companies, the growth of drugs combining analgesics with other medications and higher quality standards.

Albemarle has a strong, worldwide reputation for the safe, reliable and cost-effective supply of bromine and its derivatives in markets as diverse as water treatment, agriculture, oilfield services, rubber manufacturing and high-tech parts cleaning. Our business continues to evolve as new uses for these chemicals are discovered and they are shown to have economic, performance and environmental advantages over existing products.

We also supply many specialty products, including potassium and chlorine chemicals for the photographic, cathode ray tube, crystal and optical glass industries; aluminum oxides for polishing applications, brake linings, paints and varnishes; ground pigments, fillers and processing aids for paper manufacturing; and amines for industrial uses. Demand for these chemicals will grow in line with the increasing world economy and consumer demand.



Innovation and the retention of a strong chemistry foundation are vital. They enable us to gain market share, create value for our customers and enhance people's lives.



chemistry for
life



Shareholder information

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

***§ Anne Marie Whittemore**

Partner
McGuireWoods LLP
Richmond, Virginia

† Member of the Audit Committee

† Member of the Executive
Compensation Committee

§ Member of the Corporate Governance
and Social Responsibility Committee

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

Jack P. Harsh

Vice President
Human Resources

Raymond Hurley

Vice President
Catalysts

Matthew K. Juneau

Regional Managing Director
Europe, Middle East and Africa

Justine E. MacDonald

Vice President
Supply Chain Management

John J. Nicols

Vice President
Fine Chemicals

Anthony S. Parnell

Vice President
Americas Sales and Global Accounts

Scott M. Sutton

Regional Managing Director
Asia Pacific

C. Kevin Wilson

Corporate Treasurer

Ronald C. Zumstein

Vice President
Health, Safety and Environment

Shareholder information

Stock transfer agent and registrar

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Tel: 800-622-6757

Email:

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For shareholders of record with questions
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transfer agent.

A dividend-reinvestment plan is available to
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Investor information

Investors interested in Albemarle's financial and operating
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Web: Investor Information on www.albemarle.com

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 19,
2006 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 3,700

Independent registered public accounting firm

PricewaterhouseCoopers LLP
Richmond, Virginia

Outside counsel

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



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