ALBEMARLE CORP
Form 424B4
January 14, 2005
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PROSPECTUS SUPPLEMENT Filed Pursuant to Rule 424(b)(4)

(to Prospectus dated January 12, 2005) Registration No. 333-119723

$325,000,000

5.10% Senior Notes due 2015

Albemarle Corporation is offering $325.0 million aggregate principal amount of 5.10% Senior Notes due 2015. Interest on the notes will be paid semi-annually on February 1 and August 1 of each year, beginning on August 1, 2005. The notes will mature on February 1, 2015.

We can redeem the notes at any time, in whole or in part, at the redemption price set forth in this prospectus supplement in the section entitled Description of the Notes Optional Redemption. The notes are not subject to any mandatory sinking fund.

The notes will be our senior unsecured obligations and will rank equally with all of our existing and future senior unsecured indebtedness.

See Risk Factors beginning on page S-14 of this prospectus supplement to read about the risks you should consider before buying any notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public Offering Price (1)	99.897%	$ 324,665,250
Underwriting Discount	0.650%	$ 2,112,500
Proceeds, before Expenses, to Albemarle	99.247%	$ 322,552,750

(1) Plus accrued interest if any, from January 20, 2005, if settlement occurs after that date.

Delivery of the notes will be made on or about January 20, 2005 in book-entry form only through the facilities of The Depository Trust Company.

Banc of America Securities LLC **UBS Investment Bank**

Bear, Stearns & Co. Inc.

Fortis Securities LLC BNY Capital Markets, Inc. SunTrust Robinson Humphrey

ABN AMRO Incorporated Daiwa Securities SMBC Europe JPMorgan Lazard Wachovia Securities

The date of this prospectus supplement is January 13, 2005.

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GLOBAL LOCATIONS

AMERICAS

Executive Offices

330 South Fourth Street*

Richmond, Virginia 23219

804-788-6000

Operations Offices

451 Florida Street*

Baton Rouge, Louisiana 70801

225-388-8011

Sales and General Offices

Baton Rouge, Louisiana*

225-388-7402

Houston, Texas*

281-480-4747

Research and

Development Facilities

Baton Rouge, Louisiana

Dayton, Ohio*

Pasadena, Texas

Santa Cruz, Brazil**

Tyrone, Pennsylvania

Plants

Baton Rouge, Louisiana

Dayton, Ohio*

Magnolia, Arkansas (3 locations)

Orangeburg, South Carolina

Pasadena, Texas (2 locations)

Pasadena, Texas**

Santa Cruz, Brazil**

Tyrone, Pennsylvania

EUROPE/MIDDLE

EAST/AFRICA

Sales and General Offices

Amersfoort, Netherlands*

31 33 467 6310

Bergheim, Germany

49 2271 902 0

Louvain-La-Neuve, Belgium

32 10 48 1711

Research and

Development Facilities

Amsterdam, the Netherlands

Bergheim, Germany

Louvain-La-Neuve, Belgium

Thann, France

Plants

Amsterdam, the Netherlands

Avonmouth, United Kingdom

Bergheim, Germany

Feluy, Belgium*

Gela, Italy**

Jubail, Saudi Arabia**

La Voulte, France**

Port-de-Bouc, France

Safi, Jordan**

St. Jakob/Breitenau, Austria**

Teesport, United Kingdom

Thann, France

ASIA-PACIFIC

Sales and General Offices

Beijing, China

106 505 4153

Seoul, South Korea*

82 2 555 3005

Shanghai, China*

86 21 5306 1360

Singapore*

65 6732 6286

Tokyo, Japan*

81 3 5251 0791

Research and

Development Facilities

Niihama, Japan**

Plants

Jin Shan District, Shanghai,

China**

Ninghai County, Zhejiang

Province, China**

Niihama, Japan**

Takaishi City, Osaka, Japan **

** Leased Location*

***Joint Venture*

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and certain other matters relating to Albemarle Corporation. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. If the description in the prospectus supplement differs from the description in the accompanying prospectus, the description in the prospectus supplement supersedes the description in the accompanying prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized anyone to provide you with information other than that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. The information in this prospectus supplement and the accompanying prospectus may be accurate only as of their respective dates.

We and the underwriters are not making an offer to sell the notes in jurisdictions where the offer or sale is not permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the notes in certain jurisdictions may be restricted by law. Persons who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about and observe any restrictions relating to the offering of the notes and the distribution of this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement and the accompanying prospectus by any person in any jurisdiction in which it is unlawful for a person to make an offer or solicitation.

Unless the context otherwise indicates, the terms Albemarle, we, us, our or the company mean Albemarle Corporation and its consolidated subsidiaries.

MARKET AND INDUSTRY DATA

This prospectus supplement and the accompanying prospectus include market share and industry data and forecasts that we obtained from internal company surveys, market research, publicly available information and industry publications and surveys. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal company surveys, forecasts and market research, which we believe to be reliable based upon management s knowledge of the industry, have not been verified by any independent sources. Except where otherwise noted, statements as to our position relative to our competitors or as to market position or share refer to the most recently available data.

NON-GAAP FINANCIAL MEASURE

In this prospectus supplement, we present EBITDA, which is a supplemental financial measure that is not required by, or presented in accordance with, accounting principles generally accepted in the United States, or U.S. GAAP. Our management believes EBITDA is more reflective of our operations as it provides transparency to investors and enhances period-to-period comparability of operations and financial performance. See footnote 6 in the section of this prospectus supplement titled Prospectus Supplement Summary Summary Historical and Pro

Forma Consolidated Financial Information of Albemarle   for the definition of EBITDA and related disclosure.

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EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our financial results prepared in accordance with U.S. GAAP. Some of these limitations are:

- EBITDA does not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA does not reflect the significant interest expense, or the cash requirements necessary to make interest or principal payments, on our debts;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business.

PRO FORMA FINANCIAL INFORMATION

This prospectus supplement contains various references to pro forma financial information. This pro forma financial information is included in, or is derived from, the Unaudited Pro Forma Combined Financial Information that has been prepared in conformity with Regulation S-X. This unaudited pro forma financial information, included in this prospectus supplement, gives effect to (1) the acquisition of the refinery catalysts business of Akzo Nobel N.V., (2) the financing of the purchase price through borrowings under our new senior credit agreement and 364-day loan agreement, including amounts borrowed to refinance our then-existing credit agreement and to pay related fees and expenses, and (3) to the extent appropriate, the completion of this offering and our concurrent offering of shares of our common stock and the application of the net proceeds as described under Use of Proceeds, as if such transactions had occurred on January 1, 2003. Unless indicated otherwise, the information contained in this prospectus supplement and the accompanying prospectus assumes that the over-allotment option granted to the underwriters in the common stock offering is not exercised. Our Current Report on Form 8-K/A that we filed with the Securities and Exchange Commission, or the SEC, on October 13, 2004, which is incorporated by reference in this prospectus supplement, includes pro forma financial information as of June 30, 2004 and for the year ended December 31, 2003 and the six months ended June 30, 2004 and 2003. The pro forma financial information set forth in the Current Report on Form 8-K/A reflects the acquisition and related financings as if they had occurred on January 1, 2003, in the case of income data, or on June 30, 2004, in the case of balance sheet data, which differs in presentation from what is included in this prospectus supplement because (1) it does not give effect to the completion of this offering and the common stock offering and the application of the net proceeds as described under Use of Proceeds and (2) it provides information as of June 30, 2004 and the six months ended June 30, 2004 and 2003. The term pro forma also reflects, to the extent appropriate, the realignment of our polyolefin catalysts business from our Polymer Chemicals segment, which we renamed Polymer Additives, to our new Catalysts segment.

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EXCHANGE RATES

The combined financial statements of Akzo Nobel s refinery catalysts business contained in this prospectus supplement are denominated in European Union euros. The following chart shows for certain periods from January 1, 2001 through January 13, 2005, the average, high and low noon buying rates in The City of New York for cable transfers of euros as certified for customs purposes by the Federal Reserve Bank of New York expressed as U.S. dollars per euro, or the noon buying rate. The noon buying rate on January 13, 2005, was $1.3207 per 1.00. We make no representation that the euro or U.S. dollar amounts referred to in this prospectus supplement have been, could have been or could, in the future, be converted into U.S. dollars or euros, as the case may be, at any particular rate, if at all.

(dollars per euro)

Year	Low	High	Average(1)	Period End
2001	0.8370	0.9535	0.8952	0.8901
2002	0.8594	1.0485	0.9454	1.0485
2003	1.0361	1.2597	1.1315	1.2597
2004	1.1801	1.3625	1.2478	1.3538

Month	Low	High	Average(2)	Period End
March 2004	1.2088	1.2431	1.2261	1.2292
April 2004	1.1802	1.2358	1.1989	1.1975
May 2004	1.1801	1.2274	1.2000	1.2217
June 2004	1.2006	1.2320	1.2146	1.2179
July 2004	1.2032	1.2437	1.2266	1.2032
August 2004	1.2025	1.2368	1.2191	1.2183
September 2004	1.2052	1.2417	1.2224	1.2417
October 2004	1.2271	1.2783	1.2507	1.2746
November 2004	1.2703	1.3288	1.2997	1.3259
December 2004	1.3224	1.3625	1.3406	1.3538
January 2005 (through January 13, 2005)	1.3062	1.3476	1.3230	1.3207

(1) The average of the noon buying rates in The City of New York on the last day of each month of the year presented for cable transfers of euros as certified for customs purposes by the Federal Reserve Bank of New York, which are published on the website maintained by the Federal Reserve Bank of New York.
(2) The average of the noon buying rates in The City of New York on each day of the month presented for cable transfers of euros as certified for customs purposes by the Federal Reserve Bank of New York, which are published on the website maintained by the Federal Reserve Bank of New York.

FORWARD-LOOKING STATEMENTS

Some of the information presented in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on our current expectations, which are in turn based on assumptions that we believe are reasonable based on our current knowledge of our business and operations. We have used words such as anticipate, believe, could, estimate, expect, intend, should, will and variations of such words and similar expressions to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control. There can be no assurance, therefore, that our actual results will not differ materially from the results and expectations expressed or implied in the forward-looking statements. Factors that could cause actual results to differ materially include, without limitation:

the timing of orders received from customers;

the gain or loss of significant customers;

competition from other manufacturers;

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- changes in the demand for our products;
- changes in our margins;
- increases in the cost of raw materials and energy, and our inability to pass through such increases;
- changes in our manufacturing processes;
- changes in our markets in general;
- fluctuations in foreign currencies;
- changes in new product introductions resulting in increases in capital project requests and approvals leading to additional capital spending;
- changes in laws and regulations;
- the occurrence of claims or litigation;
- the inability to maintain current levels of product or premises liability insurance or the denial of such coverage;
- political unrest affecting the global economy, including adverse effects from terrorism or hostilities;
- changes in accounting standards;
- the integration of the Akzo Nobel refinery catalysts business into our operations;
- the inability to achieve results from our global manufacturing cost reduction initiatives as well as our ongoing continuous improvement and rationalization programs;
- changes in interest rates, to the extent they (1) affect our ability to raise capital or increase our cost of funds, (2) have an impact on the overall performance of our pension fund investments and (3) increase our pension expense and funding obligations; and
- the other factors detailed from time to time in the reports we file with the SEC.

We assume no obligation to provide revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

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PROSPECTUS SUPPLEMENT SUMMARY

The following section summarizes more detailed information presented later in this prospectus supplement and the accompanying prospectus. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the section entitled Risk Factors, before making an investment decision.

Albemarle Corporation

We are a leading global developer, manufacturer and marketer of highly-engineered specialty chemicals. Our products 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 electronics, building and construction materials, automotive parts, packaging, pharmachemicals and agrichemicals and to petroleum refiners. We believe that our commercial and geographic diversity, technical expertise, flexible, low-cost global manufacturing base, strong cash flows and experienced management team enable us to maintain leading market positions in those areas of the specialty chemicals industry in which we operate.

We and our joint ventures currently operate 38 production facilities, research and development facilities, and administrative and sales offices in North and South America, Europe and Asia and serve more than 3,400 customers in approximately 100 countries. In 2003, we generated net sales of $1,515.2 million, operating profit of $139.9 million, net income (before cumulative effect of a change in accounting principle) of $96.4 million and earnings before interest, taxes, depreciation and amortization, or EBITDA, of $266.2 million, in each case on a pro forma basis. The following chart presents the geographic balance of our 2003 pro forma net sales.

In recent years, we have expanded through acquisitions and joint ventures as well as organic growth. Management estimates that sales from businesses, including the refinery catalysts business of Akzo Nobel, acquired and joint ventures completed over the past five years comprised approximately $707 million, or 47%, of our total 2003 pro forma net sales.

Refinery Catalysts Acquisition. On July 31, 2004, we acquired the refinery catalysts business of Akzo Nobel N.V. for 615.7 million (approximately $763 million at applicable exchange rates) in cash. We financed the acquisition with borrowings under our new senior credit agreement and 364-day loan agreement. We believe that this acquisition significantly enhances our business by giving us a strong new operating segment. Key attributes of the acquired refinery catalysts business are:

- leading global market positions;
- strong industry fundamentals;
- proprietary technology and service-driven business model; and

attractive margins and cash flows.

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Following the refinery catalysts acquisition, we transferred our existing polyolefin catalysts business from our Polymer Chemicals segment, which we renamed Polymer Additives, to a newly created Catalysts segment, which includes the assets we acquired from Akzo Nobel. Our operations are now managed and reported as three operating segments: Polymer Additives; Catalysts; and Fine Chemicals. The following chart presents the contributions of our three segments based on our 2003 pro forma net sales.

Polymer Additives

Our Polymer Additives business consists of the following two product categories:

Flame Retardants. We are a leading global producer of brominated, mineral-based and phosphorous flame retardants. These flame retardants comprise the bulk of the global flame retardant market, which is estimated at more than $2.0 billion. Our flame retardants help materials in a wide variety of finished products meet fire-safety requirements. Some of the products that benefit from our flame retardants include plastic enclosures for consumer electronic products, printed circuit boards, wire and cable, electrical connectors, foam seating in furniture and automobiles, and textiles. We believe that the key drivers for growth of demand for our flame retardants are the increasing demand for electrical and electronic equipment, new construction and increasingly stringent fire-safety regulations in many countries around the world.

Other Additives. We produce plastic and other additives, such as curatives, antioxidants and stabilizers, which are often specially developed and formulated for a customer s specific manufacturing requirements. Our additives improve the performance characteristics of inks and coatings, adhesives, bullet-proof glass and numerous plastic products by enhancing strength, durability, color stability and other performance qualities. We also produce antioxidants used in fuels and lubricants, which are sold to lubricant manufacturers and refiners, some of which are also customers of our Catalysts segment.

Catalysts

Our Catalysts business consists of the following two product categories:

Refinery Catalysts. We and our joint ventures, collectively, are one of the leading global producers of hydroprocessing, or HPC, catalysts and fluidized catalytic cracking, or FCC, catalysts. HPC catalysts are primarily used to reduce the quantity of sulfur and other impurities in petroleum products. FCC catalysts assist in the cracking of petroleum streams into derivative, higher-value products such as gasoline, diesel and raw material components. In 2002, worldwide sales of HPC and FCC catalysts accounted for approximately 80% of the estimated $2.0 billion refinery catalysts market. We believe the key drivers for the growth of demand for refinery catalysts are the increasing global demand for petroleum products, the generally deteriorating quality of crude oil feedstocks and the implementation of more stringent fuel quality requirements in many countries around the world as part of anti-pollution initiatives.

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Polyolefin Catalysts. We are a leading global manufacturer of aluminum- and magnesium-alkyls. These alkyls are used in the production of plastic products such as food wrap, stretch films, trash bags and a variety of plastic films. We are also a leader in the production of metallocene/single-site catalysts, which aid in the development and production of new polymers that increase impact strength, clarity and melt characteristics of plastic films. We expect that our extensive experience in polyolefin catalysts will present synergistic opportunities with our refinery catalysts business, particularly with respect to increasing our business with petroleum and petrochemical processing customers.

Fine Chemicals

Our Fine Chemicals business consists of the following four product categories:

Performance Chemicals. We are a leading global producer of bromine with geographically diverse production resources. In 2003, approximately 87% of the bromine that we produced was used internally in our Polymer Additives and Fine Chemicals segments and the remainder was sold into the merchant market. We also produce a number of bromides and bromine-based performance chemicals, which are used in a broad range of applications, including chemical synthesis, oil and gas well drilling and completion fluids, paper manufacturing, water purification, glass manufacturing and photography.

Pharmachemicals. Our bulk actives, ibuprofen and naproxen, are widely used to provide temporary pain relief and fever reduction. Bulk ibuprofen and naproxen are formulated by pharmaceutical companies for sale in both the prescription and over-the-counter markets. These products compete against other painkillers, including aspirin and acetaminophen. We are one of the largest global producers of ibuprofen. We also produce other intermediates used in the manufacture of a variety of over-the-counter and prescription drugs.

Agrichemicals. We sell a diverse portfolio of chemical intermediates and active ingredients used in the manufacture of crop protection products, such as herbicides, insecticides, fungicides and soil fumigants. Our agrichemicals customers include major global agrichemical manufacturers and distributors.

Fine Chemistry Services and Intermediates. Our fine chemistry services and intermediates business offers custom manufacturing, research and scale-up services for downstream chemical and pharmaceutical companies. We support our customers product development efforts by offering discovery-through-commercialization services, including cGMP manufacturing capabilities.

Competitive Strengths

We believe we benefit from the following competitive strengths:

Leading Market Positions in Major Product Categories. We believe that we have leading global market positions in our major product categories, including bromine and bromine-based products, flame retardants and refinery catalysts. We have achieved these positions as a result of the performance characteristics of our products, long-standing customer relationships and our ability to develop and effectively market new generations of value-added products.

Commercial and Geographic Diversity. We, along with our joint ventures, sell our products to over 3,400 customers across a diverse range of end-use markets in approximately 100 countries worldwide. Our broad product range allows us to serve customers in a wide variety of industries, including petroleum refining, consumer electronics, building and construction materials, automotive parts, pharmachemicals and agrichemicals. We believe that the diversity of our operations fosters stability in our operating performance through reduced reliance on any one customer, industry, product or geographic area.

Technological Expertise. We are a technological innovator within the markets we serve and are committed to maintaining a leadership position with respect to technological innovation, expertise and service.

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At September 30, 2004, we had over 1,400 patents as well as over 850 pending patent applications. At September 30, 2004, our research and development effort was supported by approximately 350 employees, of whom approximately one-third had PhDs. Examples of our innovative products and services include:

- reactive brominated flame retardants that, when incorporated into commonly used resin systems, help electronic devices meet fire-safety requirements;
- advanced mineral-based flame retardants for extreme temperature applications, such as automotive electrical connectors;
- highly active HPC catalysts that help petroleum refiners meet more stringent fuel quality requirements without significant capital expenditures or reductions in refining capacity; and
- in conjunction with a pharmaceutical company, a novel polymeric drug release coating for use in a recently approved medical device.

Strong Underlying Industry Fundamentals. We believe we are well positioned to capitalize on favorable trends within the areas of the specialty chemicals industry in which we operate. We expect our Polymer Additives segment to benefit from the increasing demand for electrical and electronic equipment, new construction and increasingly more stringent fire-safety regulations. We expect demand for our refinery catalysts to grow as a result of the increasing global demand for petroleum products, the generally deteriorating quality of crude oil feedstocks and the implementation of more stringent fuel quality requirements in many countries around the world as a part of anti-pollution initiatives. We expect our Fine Chemicals segment to continue to benefit from the rapid pace of innovation and the introduction of new products coupled with a movement by pharmaceutical companies to outsource certain research, product development and manufacturing functions.

Flexible, Low-Cost Global Manufacturing Base. We believe our manufacturing base affords us a competitive advantage by virtue of its breadth, cost position and flexibility. We and our joint ventures operate 27 manufacturing plants, with major facilities in North and South America, Europe and Asia. This global footprint allows us to provide timely service to our customers and supply our products to rapidly growing regions such as Asia. We are also vertically integrated in bromine. We believe that we are one of the lowest-cost producers of the bromine used in our brominated flame retardants and bromine derivative products. In addition, our pilot facilities provide us with the flexibility to commercialize newly developed products rapidly and cost efficiently. The ability to move quickly from product innovation to large-scale, commercial production contributes to our ability to capitalize on our product development efforts. For example, our Orangeburg, South Carolina facility currently is scaling up to produce commercial quantities of a new antioxidant for fuels after initial market-trial quantities were successfully produced at our Tyrone, Pennsylvania facility.

Strong Cash Flows. We have generated strong cash flows from operations even through adverse business cycles and periods of challenging chemical sector fundamentals. We generated average net cash provided from operations of approximately $150 million per year between 1999 and 2003. In 2003, Akzo Nobel s refinery catalysts business had net cash provided from operations of approximately 41.1 million (approximately $51 million based on an exchange rate of 1.00=$1.2417, the noon buying rate for euros on September 30, 2004). Our ability to generate strong cash flows is principally attributable to the diversity of our product lines, our strong margins and the effective management of working capital. We believe that our strong cash flow will help us to reduce our indebtedness and implement our growth strategies discussed below.

Experienced Management Team. We have a highly experienced management team throughout our organization, including our Catalysts segment, which includes all of the incumbent managers of Akzo Nobel s refinery catalysts business. Our senior management team has an average of 29 years of experience in the chemicals business and a proven track record of developing and marketing new chemical products. Members of this team also have significant experience in executing and integrating acquisitions, including the acquisitions of eight businesses or product lines during the last five years.

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Growth Strategy

Our key objectives are to increase our revenues and our profitability and to broaden our product offerings. Our strategies to achieve these objectives include:

Develop New Value-Added Products and New Applications for Existing Products. We believe that significant opportunities exist for us to generate additional high margin business through the introduction of new value-added products and processes. We estimate that approximately 14% of our 2003 net sales were from products newly introduced or re-engineered during the preceding five years.

Expand Our Global Reach. We intend to grow domestically and internationally by expanding our product sales to new and existing multinational customers, particularly as they target high-growth regions and markets. We believe that our relationships with large multinational customers will provide access to new geographic and end-use product markets. We intend to add personnel focused on sales, marketing and research and development in selected regions and to expand our infrastructure to respond to the needs of our customers. We also plan on making selective acquisitions and participating in joint ventures consistent with this strategy. For example, we recently acquired a significant distributor in Korea, giving us direct access to a growing market for many of our Polymer Additives products.

Focus on Operational Improvement. In 2002, we launched a three-year $50 million manufacturing cost reduction program to reduce our fixed cost base. As of September 30, 2004, we believe that this program has yielded estimated savings of approximately $27 million. We expect to implement additional cost-saving initiatives focused on achieving operational efficiencies by continuing to invest in flexible manufacturing equipment and processes, to optimize process control technologies and to reduce fixed costs through the rationalization of manufacturing capacity and the efficient management of capital spending.

Cultivate Strategic Collaborations and Alliances. We believe that strategic collaborations and alliances, including joint ventures, afford us the opportunity to develop and expand our business with less capital investment and lower risk. We currently have joint ventures in Austria, Brazil, France, Japan, Jordan, the People s Republic of China and the United States. By entering into collaborations and alliances, we can leverage the technology and research and development skills of our partners, extend our business reach, gain greater access to important raw materials and benefit from our partners knowledge of the local business environment.

Pursue Disciplined Acquisition Strategy. We intend to continue to explore possible acquisitions in areas that allow us to build upon our product and technology portfolio, expand our customer base, and leverage our sales and distribution infrastructure and existing customer relationships. We intend to target acquisitions that are expected to contribute to sustainable cash flow and that are consistent with maintaining our investment grade credit rating.

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Recent Developments

We expect to report net income for the fourth quarter of 2004 of approximately $16 million to $19 million, or 38 cents to 45 cents per diluted share (excluding shares to be issued in the common stock offering). Expected net income includes a non-cash charge associated with a write-down of deferred tax assets during the fourth quarter of 2004, which is expected to reduce our net income for the fourth quarter of 2004 by approximately $1.0 million. We also expect to report net sales for the fourth quarter of 2004 of approximately $435 million to $455 million. In addition, there was solid cash generation and continued debt reduction in the fourth quarter.

Strong sales volumes and increased selling prices during the fourth quarter failed to offset fully higher raw materials and energy costs. During 2004, we estimate that raw materials and energy costs, excluding metals, increased over $30 million, half of which occurred in the fourth quarter. In addition, in our Catalysts business, molybdenum prices increased from approximately $20 per pound at the beginning of the fourth quarter to approximately $33 per pound at year end.

The foregoing preliminary results are subject to the completion of our customary quarterly financial closing and review procedures. We caution that our final reported results could vary significantly from these preliminary results.

In 2005, we currently expect to see margin improvement relative to margins in the fourth quarter, as well as continued growth in the business, solid cash flow and strong earnings, particularly in light of our success in increasing prices for products during the course of the fourth quarter. We caution, however, that the foregoing outlook for 2005, like any outlook regarding future financial performance, is inherently subject to uncertainties, which are difficult to predict and many of which are beyond our control. For a discussion of certain of the factors that may impact our future performance, please see the filings we make with the SEC, including those discussed under Risk Factors beginning on page S-14 of this prospectus supplement.

Common Stock Offering

On January 13, 2005, we priced an offering of 4,000,000 shares (4,673,000 shares if the underwriters in the common stock offering exercise their over-allotment option in full) of our common stock at a public offering price of $34.00 per share as part of a public offering conducted concurrently with this offering. Certain of our shareholders are also offering 488,420 shares of their common stock in the offering. We will receive no proceeds from the sale of shares of our common stock by the selling shareholders. We will use the net proceeds that we receive from the common stock offering, together with the proceeds from this offering, to retire all of the indebtedness that we incurred under our 364-day loan agreement to finance our acquisition of Akzo Nobel s refinery catalysts business. The common stock offering is being conducted as a separate public offering by means of a separate prospectus supplement. We expect to complete both offerings on January 20, 2005. In this prospectus supplement, we refer to our offering of the common stock described above as the common stock offering.

The completion of this offering is contingent on the completion of the common stock offering but the completion of the common stock offering is not contingent on the completion of this offering.

We were incorporated in Virginia in 1993. Our principal executive offices are located at 330 South Fourth Street, Richmond, Virginia 23219, and our telephone number is (804) 788-6000.

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The Offering

Issuer	Albemarle Corporation
Securities Offered	$325,000,000 aggregate principal amount of 5.10% Senior Notes due 2015.
Maturity	February 1, 2015.
Interest	The notes will bear interest at a rate of 5.10% per year from January 20, 2005, payable semi-annually in arrears on February 1 and August 1 each year, commencing on August 1, 2005.
Ranking	The notes will be our senior unsecured obligations and will rank equally with all of our other senior unsecured indebtedness from time to time outstanding. The notes will be effectively subordinated to any of our future secured indebtedness and to existing and future indebtedness of our subsidiaries.
	As of September 30, 2004, after giving pro forma effect to the completion of this offering and the common stock offering and the application of the net proceeds therefrom as described in Use of Proceeds, we would have had approximately $827 million of indebtedness outstanding, including guarantees of approximately $465 million of indebtedness incurred by our subsidiaries, but excluding guarantees of $37.1 million of indebtedness incurred by certain of our joint ventures, all of which would rank equally with the notes. As of September 30, 2004, we did not have any secured indebtedness. As of September 30, 2004, our subsidiaries had approximately $935.8 million of liabilities (excluding intercompany liabilities).
Optional Redemption	The notes will be redeemable prior to maturity, in whole at any time or in part from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points, plus, in each case, accrued interest thereon to the date of redemption. See Description of the Notes Optional Redemption.
Sinking Fund	None.
Use of Proceeds	We expect to use the net proceeds from this offering, together with the net proceeds from the common stock offering, to retire all or substantially all of the outstanding short-term debt that we incurred to finance our acquisition of Akzo Nobel s refinery catalysts business.

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	The completion of this offering is contingent on the completion of the common stock offering but the completion of the common stock offering is not contingent upon the completion of this offering.
Form	The notes will be issued in book-entry form and will be represented by one or more global securities that will be deposited with and registered in the name of The Depository Trust Company, New York, New York, or its nominee. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by The Depository Trust Company or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.
Absence of a Public Market for the Notes	The notes are new securities for which there is currently no public market. We cannot assure you that any active or liquid market will develop for the notes. See Underwriting.

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Summary Historical and Pro Forma Consolidated Financial Information of Albemarle

The following table sets forth summary historical consolidated financial information of Albemarle as of and for the years ended December 31, 2003, 2002 and 2001, which have been derived from our audited consolidated financial statements, and as of and for the nine months ended September 30, 2004 and 2003, which have been derived from our unaudited consolidated financial statements. In the opinion of our management, the unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments necessary for a fair presentation of the information set forth therein. Interim results are not necessarily indicative of full year results.

The following table also sets forth summary unaudited pro forma financial information, which gives effect to (1) our acquisition of Akzo Nobel s refinery catalysts business, (2) the financing of the purchase price through borrowings under our new senior credit agreement and 364-day loan agreement, including amounts borrowed to refinance our then-existing credit agreement and to pay related fees and expenses and (3) the completion of this offering and the common stock offering and the application of the net proceeds therefrom as described under Use of Proceeds. The unaudited pro forma financial information is based on our historical consolidated financial statements and the historical combined financial statements of the refinery catalysts business and includes, in the opinion of our management, all adjustments necessary for a fair presentation of the information set forth therein. The pro forma adjustments are based on information and assumptions we believe are reasonable. The unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what our results of operations or financial position would have been had the transactions reflected occurred on the dates indicated or to project our financial position as of any future date or our results of operations for any future period.

You should read the information in this table together with Summary Historical Combined Financial Information of Akzo Nobel s Refinery Catalysts Business, Unaudited Pro Forma Combined Financial Information, Selected Historical Consolidated Financial Information of Albemarle, Management s Discussion and Analysis of Financial Condition and Results of Operations of Albemarle, our historical consolidated financial statements and the related notes and the historical combined financial statements of the refinery catalysts business and related notes contained elsewhere in this prospectus supplement and the other information contained in the documents incorporated by reference in this prospectus supplement. See Where You Can Find More Information and Documents Incorporated by Reference.

	Pro Forma		Historical				
	Nine Months Ended September 30,	Year Ended December 31,	Nine Months Ended September 30,		Year Ended December 31,		
	2004	2003	2004	2003	2003	2002	2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)		(restated)(1)	
	(in thousands, except per share amounts and ratios)						
Statements of Income Data:							
Net sales	$ 1,345,639	$ 1,515,187	$ 1,062,672	$ 815,113	$ 1,110,237	$ 1,007,918	$ 942,752
Cost of goods sold	1,046,187	1,143,408	845,952	640,331	871,727	775,388	721,417
Acquisition-related cost			13,400				
Gross profit	299,452	371,779	203,320	174,782	238,510	232,530	221,335
Selling, general and administrative expenses	147,182	179,037	106,078	85,026	117,226	111,676	98,915
Research and development (R&D) expenses	33,766	39,760	18,768	14,133	18,411	16,485	21,919

Purchased in-process R&D charges		3,000	3,000				
Special items (2)	4,858	10,049	4,858	7,503	10,049	1,550	2,051
Operating profit	113,646	139,933	70,616	68,120	92,824	102,819	98,450
Interest and financing expenses	(23,864)	(32,314)	(9,168)	(4,043)	(5,376)	(5,070)	(5,536)
Other income (expense), net including minority interest	5,992	9,558	(13,532)	594	607	3,358	4,282
Income before income taxes and cumulative effect of a change in accounting principle, net	95,774	117,177	47,916	64,671	88,055	101,107	97,196
Income taxes	26,508	21,856	12,714	7,294	13,890	28,086	29,029
Income before cumulative effect of a change in accounting principle, net	69,266	95,321	35,202	57,377	74,165	73,021	68,167
Cumulative effect of change in accounting principle, net (3)		(2,220)		(2,220)	(2,220)		
Net income (4)	$ 69,266	$ 93,101	$ 35,202	$ 55,157	$ 71,945	$ 73,021	$ 68,167

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	Pro Forma		Historical				
	Nine Months Ended September 30,	Year Ended December 31,	Nine Months Ended September 30,		Year Ended December 31,		
	2004	2003	2004	2003	2003	2002	2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)		(restated)(1)	
			(in thousands, except per share amounts and ratios)				
Basic earnings per share:							
Income before cumulative effect of a change in accounting principle, net	$ 1.52	$ 2.11	$ 0.85	$ 1.39	$ 1.79	$ 1.73	$ 1.49
Cumulative effect of a change in accounting principle, net (3)		(0.05)		(0.05)	(0.05)		
Net income	$ 1.52	$ 2.06	$ 0.85	$ 1.34	$ 1.74	$ 1.73	$ 1.49
Diluted earnings per share:							
Income before cumulative effect of a change in accounting principle, net	$ 1.49	$ 2.07	$ 0.83	$ 1.36	$ 1.76	$ 1.69	$ 1.47
Cumulative effect of a change in accounting principle, net (3)		(0.05)		(0.05)	(0.05)		
Net income (4)	$ 1.49	$ 2.02	$ 0.83	$ 1.31	$ 1.71	$ 1.69	$ 1.47
Other Financial Data:							
Net cash provided from operating activities			$ 131,217	$ 107,787	$ 150,098	$ 144,771	$ 143,864
Depreciation and amortization	$ 88,986	$ 116,727	69,288	61,765	84,014	80,603	77,610
Capital expenditures	49,286	58,928	37,602	30,307	41,058	38,382	49,903
Ratio of earnings to fixed charges (5)	4.0x	3.8x	4.6x	N/A	9.2x	11.1x	10.1x
Balance Sheet Data (as of end of period):							
Cash and cash equivalents			$ 60,817	$ 34,984	$ 35,173	$ 47,784	$ 30,585
Working capital			(77,025)	265,178	271,298	256,481	79,824
Total assets			2,429,140	1,343,153	1,387,291	1,200,398	1,138,272
Total debt			953,266	240,660	228,579	190,628	170,215
Total liabilities			1,765,537	732,120	751,070	626,061	538,649(1)
Shareholders equity			663,603	611,033	636,221	574,337	599,623(1)
Non-GAAP Financial Data:							
EBITDA (6)	$ 208,624	$ 266,218	$ 126,372	$ 130,479	$ 177,445	$ 186,780	$ 180,342

(1) We restated our financial statements for the year ended December 31, 2002 to move the recognition of revenue of a fourth quarter 2002 transaction from December 31, 2002 results to the first quarter and second quarter of 2003. In addition, the December 31, 2002 and prior years consolidated balance sheets and statements of changes in shareholders equity were restated to reflect an increase in additional paid-in capital and a decrease in deferred income tax liability. The results for the year ended December 31, 2002 and prior years included above reflect the restatement. For more information on the restatement, see our consolidated financial statements and related notes included elsewhere in this prospectus supplement and the discussion of the restatement included in our Annual Report on Form 10-K incorporated by reference in this prospectus supplement.

(2) We reported a $4,858 pre-tax charge for the nine months ended September 30, 2004 related to the shutdown of our zeolite plant in Pasadena, Texas. For the year ended December 31, 2003, we incurred a $7,503 pre-tax charge associated with a voluntary severance program. Additionally, for the year ended December 31, 2003, we recorded a one-time charge of $2,546 for real estate held for sale. For the years ended December 31, 2002 and 2001, we recorded $1,550 and $2,051, respectively, in special charges related to work force reduction programs at certain of our facilities.

(3) On January 1, 2003, we implemented SFAS No. 143 Accounting for Asset Retirement Obligations, which addressed financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The cumulative effect of the change in accounting principle resulting from the implementation of this standard was $2,220.

(4) The following significant non-recurring income and expense items have been included in the Albemarle pro forma statements of income presented:

	Year Ended December 31, 2003		Nine Months Ended September 30, 2004	
	Pre-tax	After-tax	Pre-tax	After-tax
			(unaudited)	
	(in thousands)			
Albemarle reported special items impacting operating profit	$ 10,049	$ 6,402	$ 4,858	$ 3,095
Albemarle income tax refunds and related interest	(4,308)	(13,816)		
Refinery catalysts business provisions liability additions/reversals activity, net	(44)	(28)	(444)	(282)
Refinery catalysts business foreign exchange hedging gains and losses	(6,459)	(4,102)	(1,728)	(1,097)
Insurance settlement gain			(6,945)	(4,424)
Valuation reserve on claim receivable			3,396	2,163

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(5) For purposes of computing the ratios of earnings to fixed charges, earnings consist of pre-tax income from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees plus fixed charges and amortization of capitalized interest less interest capitalized and minority interest in pre-tax income of subsidiaries that have not incurred fixed charges. Fixed charges consist of interest expense (before capitalized interest) and a portion of rental expense that we believe to be representative of interest.

(6) EBITDA, which represents earnings before depreciation and amortization, interest and financing expense, income taxes and cumulative effect of a change in accounting principle, net, is a supplemental measure of performance that is not required by, or presented in accordance with, U.S. GAAP. We present EBITDA because we consider it an important supplemental measure of our operations and financial performance. Our management believes EBITDA is more reflective of our operations as it provides transparency to investors and enhances period-to-period comparability of operations and financial performance. EBITDA should not be considered as an alternative to net income determined in accordance with U.S. GAAP. Set forth below is a reconciliation of EBITDA, a non-GAAP financial measure, to net income, the most directly comparable financial measure calculated and reported in accordance with U.S. GAAP. Our calculation of EBITDA may not be comparable to the calculation of similarly titled measures reported by other companies.

	Pro Forma		Historical				
	Nine Months Ended September 30,	Year Ended December 31,	Nine Months Ended September 30,		Year Ended December 31,		
	2004	2003	2004	2003	2003	2002	2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
			(in thousands)				
Net income	$ 69,266	$ 93,101	$ 35,202	$ 55,157	$ 71,945	$ 73,021	$ 68,167
Add:							
Depreciation and amortization	88,986	116,727	69,288	61,765	84,014	80,603	77,610
Interest and financing expense	23,864	32,314	9,168	4,043	5,376	5,070	5,536
Income taxes	26,508	21,856	12,714	7,294	13,890	28,086	29,029
Cumulative effect of a change in accounting principle, net		2,220		2,220	2,220		
EBITDA	$ 208,624	$ 266,218	$ 126,372	$ 130,479	$ 177,445	$ 186,780	$ 180,342

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Summary Historical Combined Financial Information of Akzo Nobel s Refinery Catalysts Business

The following table sets forth summary historical combined financial information of Akzo Nobel s refinery catalysts business, which we acquired on July 31, 2004, as of and for the three years ended December 31, 2003, 2002 and 2001, which have been derived from the audited combined financial statements of the refinery catalysts business, and as of and for the six months ended June 30, 2004 and 2003, which have been derived from the unaudited combined financial statements of the refinery catalysts business. In the opinion of management, the unaudited combined financial statements have been prepared on the same basis as the audited financial statements and include all adjustments necessary for a fair presentation of the information set forth therein. Interim results are not necessarily indicative of full year results.

The historical combined financial statements of Akzo Nobel s refinery catalysts business contained in this prospectus supplement were prepared in accordance with accounting principles generally accepted in the Netherlands, or Dutch GAAP. There are significant differences between Dutch GAAP and U.S. GAAP. See footnote 23 of the historical combined financial statements Akzo Nobel s refinery catalysts business contained elsewhere in this prospectus supplement for additional information regarding the differences between Dutch GAAP and U.S. GAAP as they relate to such financial statements and for a reconciliation of net income and divisional equity from Dutch GAAP to U.S. GAAP.

You should read the information in this table together with Management s Discussion and Analysis of Financial Condition and Results of Operations of Akzo Nobel s Refinery Catalysts Business and the historical combined financial statements of the refinery catalysts business and related notes contained elsewhere in this prospectus supplement.

	Six Months Ended June 30,			Year Ended December 31,			
	2004(1)	2004	2003	2003(1)	2003	2002	2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
			(in thousands)				
Dutch GAAP:							
Statements of Income Data:							
Net sales	$ 234,222	192,316	179,118	$ 423,314	347,577	378,831	365,438
Cost of sales	172,044	141,263	120,780	292,045	239,794	262,281	284,932
Gross profit	62,178	51,053	58,338	131,269	107,783	116,550	80,506
Selling, general and administrative expenses	29,611	24,313	22,954	58,651	48,157	52,653	47,322
Research and development expenses	13,648	11,206	9,797	25,271	20,750	21,218	19,890
Operating income	18,919	15,534	25,587	47,347	38,876	42,679	13,294
Other income (expense), net	4,068	3,340	2,861	8,351	6,857	4,017	2,551
Interest expense, net	(1,127)	(925)	(1,889)	(4,264)	(3,501)	(5,499)	(9,847)
Income before income taxes and equity results from associated companies	21,860	17,949	26,559	51,434	42,232	41,197	5,998
Income taxes	7,674	6,301	9,524	18,522	15,208	15,433	1,663
Equity results from associated companies	6,085	4,996	5,419	10,596	8,700	9,068	9,366
Net income	$ 20,271	16,644	22,454	$ 43,508	35,724	34,832	13,701
Other Financial Data:							

Net cash provided (used) by operations	$ (7,512)	(6,168)	27,159	$ 50,058	41,102	62,320	29,314
Depreciation and amortization	16,621	13,647	14,758	35,907	29,483	32,254	33,419
Capital expenditures	(8,941)	(7,341)	(6,036)	(19,243)	(15,800)	(22,667)	(16,226)
U.S. GAAP:							
Net income	$ 19,667	16,148	21,164	$ 41,348	33,950	37,830	N/A
Divisional equity	285,529	234,444	N/A	247,992	203,623	220,241	N/A
Non-GAAP Financial Data:							
EBITDA (2)	$ 45,693	37,517	48,625	$ 102,201	83,916	88,018	58,630

(1) We converted the amounts in this column from euros into U.S. dollars solely for your convenience at an exchange rate of $1.2179 = 1.00, the noon buying rate for euros on June 30, 2004. Please note that these convenience translations are not Dutch GAAP or U.S. GAAP and, accordingly, these translated U.S. dollar amounts have not been audited. These translations should not be construed as a representation that the euro amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. These convenience translations have been made at a rate different from the rates used in the preparation of the Unaudited Pro Forma Combined Financial Information.

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(2) EBITDA, which represents earnings before depreciation and amortization, interest expense, net and income taxes is a supplemental measure of performance that is not required by, or presented in accordance with, U.S. GAAP or Dutch GAAP. We present EBITDA because we consider it an important supplemental measure of our operations and financial performance. Our management believes EBITDA is more reflective of our operations as it provides transparency to investors and enhances period-to-period comparability of operations and financial performance. EBITDA should not be considered as an alternative to net income determined in accordance with U.S. GAAP or Dutch GAAP. Set forth below is a reconciliation of EBITDA, a non-GAAP financial measure, to net income, the most directly comparable financial measure calculated and reported in accordance with U.S. GAAP or Dutch GAAP. Our calculation of EBITDA may not be comparable to the calculation of similarly titled measures reported by other companies.

	Six Months Ended June 30,			Year Ended December 31,			
	2004(A)	2004	2003	2003(A)	2003	2002	2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
				(in thousands)			
Net income	$ 20,271	16,644	22,454	$ 43,508	35,724	34,832	13,701
Add:							
Depreciation and amortization	16,621	13,647	14,758	35,907	29,483	32,254	33,419
Interest expense, net	1,127	925	1,889	4,264	3,501	5,499	9,847
Income taxes	7,674	6,301	9,524	18,522	15,208	15,433	1,663
EBITDA	$ 45,693	37,517	48,625	$ 102,201	83,916	88,018	58,630

(A) We converted the amounts in this column from euros into U.S. dollars solely for your convenience at an exchange rate of $1.2179 = 1.00, the noon buying rate for euros on June 30, 2004. Please note that these convenience translations are not Dutch GAAP or U.S. GAAP and, accordingly, these translated U.S. dollar amounts have not been audited. These translations should not be construed as a representation that the euro amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. These convenience translations have been made at a rate different from the rates used in the preparation of the Unaudited Pro Forma Combined Financial Information.

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RISK FACTORS

An investment in the notes involves risks. You should consider carefully the following risks in addition to the other information contained in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, before deciding to purchase any of the notes.

Risks Related to Our Business

Our inability to pass through increases in costs and expenses for raw materials and energy, on a timely basis or at all, could have a material adverse effect on the margins of our products.

In 2003, our raw material and energy costs increased approximately 8% and approximately 25%, respectively, compared to 2002. Raw material costs and energy costs have continued to increase significantly in 2004. The increases are primarily driven by significantly tighter market conditions and major increases in pricing of basic building blocks for our products such as crude oil, chlorine and metals, including molybdenum, which is used in the refinery catalysts business. In 2003, management estimates that molybdenum represented approximately 10% of the cost of goods sold in the refinery catalysts business and from January 1, 2004 until December 31, 2004, the price of molybdenum increased from approximately $8 to approximately $33 per pound. We generally attempt to pass changes in the prices of raw materials and energy to our customers, but we may be unable to or be delayed in doing so. Our inability to pass through price increases or any limitation or delay in our passing through price increases could adversely affect our margins.

In addition to raising prices, raw material suppliers may extend lead times or limit supplies. For example, in the aftermath of Hurricane Ivan, certain chlorine producers took actions that limited supplies of chlorine. Constraints on the supply or delivery of critical raw materials could disrupt production and adversely affect the performance of our business.

We face intense competition from other specialty chemical companies, which places downward pressure on the prices and margins of our products.

We operate in a highly competitive marketplace, competing against a number of domestic and foreign specialty chemical producers. Competition is based on several key criteria, including product performance and quality, product price, product availability and security of supply, responsiveness of product development in cooperation with customers and customer service. Some of our competitors are larger than we are and have greater financial resources. These competitors may also be able to maintain significantly greater operating and financial flexibility than we do. As a result, these competitors may be better able to withstand changes in conditions within our industry, changes in the prices of raw materials and energy and in general economic conditions. Additionally, competitors pricing decisions could compel us to decrease our prices, which could affect our margins and profitability adversely. Our ability to maintain or increase our profitability is, and will continue to be, dependent upon our ability to offset decreases in the prices and margins of our products by improving production efficiency and volume, shifting to higher margin chemical products and improving existing products through innovation and research and development. If we are unable to do so or to otherwise maintain our competitive position, we could lose market share to our competitors.

Downturns in our customers cyclical industries could adversely affect our sales and profitability.

Downturns in the businesses that use our specialty chemicals will adversely affect our sales. Many of our customers are in industries, including the electronics, building and construction, and automotive industries, that are cyclical in nature and sensitive to changes in general economic conditions. Historically, downturns in general economic conditions have resulted in diminished product demand, excess manufacturing capacity and lower average selling prices, and we may experience similar problems in the future. A decline in economic conditions in our customers cyclical industries may have a material adverse effect on our sales and profitability.

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Our results are subject to fluctuation because of irregularities in the demand for our HPC catalysts and certain of our agrichemicals.

Our HPC catalysts are used by petroleum refiners in their processing units to reduce the quantity of sulfur and other impurities in petroleum products. The effectiveness of HPC catalysts diminishes with use, requiring the HPC catalysts to be replaced, on average, once every one to three years. The sales of our HPC catalysts, therefore, are largely dependent on the useful life cycle of the HPC catalysts in the processing units. Sales of our agrichemicals are also subject to fluctuation as demand varies depending on environmental conditions, such as droughts, which may prevent farming for extended periods.

Changes in our customers products can reduce the demand for our specialty chemicals.

Our specialty chemicals are used for a broad range of applications by our customers. Changes in our customers products or processes may enable our customers to reduce consumption of the specialty chemicals that we produce or make our specialty chemicals unnecessary. Customers may also find alternative materials or processes that no longer require our products. For example, many of our flame retardants are incorporated into resin systems to enhance the flame retardancy of a particular polymer. Should a customer decide to use a different polymer due to price, performance or other considerations, we may not be able to supply a product that meets the customer s new requirements. Consequently, it is important that we develop or acquire new products to replace the sales of products that mature and decline in use. Our business, results of operations, cash flows and margins could be materially adversely affected if we are unable to manage successfully the maturation of our existing products and the introduction of new products.

Our research and development efforts may not succeed and our competitors may develop more effective or successful products.

The specialty chemicals industry is subject to periodic technological change and ongoing product improvements. In order to maintain our margins and remain competitive, we must successfully develop, manufacture and market new or improved products. As a result, we must commit substantial resources each year to research and development. Ongoing investments in research and development for future products could result in higher costs without a proportional increase in revenues. Additionally, for any new product program, there is a risk of technical or market failure in which case we may not be able to develop the new commercial products needed to maintain our competitive position or we may need to commit additional resources to new product development programs. Moreover, new products may have lower margins than the products they replace.

We also expect competition to increase as our competitors develop and introduce new and enhanced products. For example, the Fine Chemicals segment is experiencing increased competition from large-scale producers of pharmachemicals, particularly from Asian sources. In our Catalysts segment, our petroleum refinery customers are processing crude oil feedstocks of declining quality, while at the same time operating under increasingly stringent regulations requiring the gasoline, diesel and other fuels they produce to contain fewer impurities, including sulfur. As a result, our petroleum refining customers are demanding more effective and efficient catalyst products, and the average life cycle for new catalyst products has declined. As new products enter the market, our products may become obsolete or competitors products may be marketed more effectively than our products. If we fail to develop new products, maintain or improve our margins with our new products or keep pace with technological developments, our business, financial condition, results of operations and cash flows will suffer.

Our inability to protect our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

Protection of our proprietary processes, methods and compounds and other technology is important to our business. We generally rely on patent, trade secret, trademark and copyright laws of the United States and certain other countries in which our products are produced or sold, as well as licenses and nondisclosure and confidentiality agreements, to protect our intellectual property rights. The patent, trade secret, trademark and copyright laws of some countries may not protect our intellectual property rights to the same extent as the laws of the United States. Failure to protect our intellectual property rights may result in the loss of valuable proprietary technologies. Additionally, some of our technologies are not covered by any patent or patent application and, even if a patent application has been filed, it may not result in an issued patent. If patents are issued to us, those patents may not provide meaningful protection against competitors or against competitive technologies. We cannot assure you that our intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable.

We could face patent infringement claims from our competitors or others alleging that our processes or products infringe on their proprietary technologies. If we are found to be infringing on the proprietary technology of others, we may be liable for damages, and we may be required to change our processes, to redesign our products partially or completely, to pay to use the technology of others or to stop using certain technologies or producing the infringing product entirely. Even if we ultimately prevail in an infringement suit, the existence of the suit could prompt customers to switch to products that are not the subject of infringement suits. We may not prevail in any intellectual property litigation and such litigation may result in significant legal costs or otherwise impede our ability to produce and distribute key products.

We also rely upon unpatented proprietary manufacturing expertise, continuing technological innovation and other trade secrets to develop and maintain our competitive position. While we generally enter into confidentiality agreements with our employees and third parties to protect our intellectual property, we cannot assure you that our confidentiality agreements will not be breached, that they will provide meaningful protection for our trade secrets and proprietary manufacturing expertise or that adequate remedies will be available in the event of an unauthorized use or disclosure of our trade secrets or manufacturing expertise.

Our substantial international operations subject us to risks of doing business in foreign countries, which could adversely affect our business, financial condition and results of operations.

We conduct a substantial portion of our business outside of the United States. We and our joint ventures currently have 25 production facilities, research and development facilities, and administrative and sales offices located outside the United States, including facilities and offices located in Austria, Belgium, Brazil, France, Germany, Italy, Japan, Jordan, the Netherlands, the People s Republic of China, Saudi Arabia and the United Kingdom. In 2003, more than half of our pro forma net sales were to markets outside the United States. We expect sales from international markets to continue to represent a significant portion of our net sales and the net sales of our joint ventures. Accordingly, our business is subject to risks related to the differing legal, political, social and regulatory requirements and economic conditions of many jurisdictions. Risks inherent in international operations include the following:

- agreements may be difficult to enforce and receivables difficult to collect;
- foreign customers may have longer payment cycles;
- foreign countries may impose additional withholding taxes or otherwise tax our foreign income, or adopt other restrictions on foreign trade or investment, including currency exchange controls;
- foreign operations may experience staffing difficulties and labor disputes;
- transportation and other shipping costs may increase;

foreign governments may nationalize private enterprises;

unexpected adverse changes in export duties, quotas and tariffs and difficulties in obtaining export licenses;

intellectual property rights may be more difficult to enforce;

fluctuations in exchange rates may affect product demand and may adversely affect the profitability in U.S. dollars of products and services we provide in international markets where payment for our products and services is made in the local currency;

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- general economic conditions in the countries in which we operate could have an adverse effect on our earnings from operations in those countries;
- our business and profitability in a particular country could be affected by political or economic repercussions on a domestic, country specific or global level from terrorist activities and the response to such activities;
- unexpected adverse changes in foreign laws or regulatory requirements may occur; and
- compliance with a variety of foreign laws and regulations may be burdensome.

In addition, certain of our joint ventures operate in high-risk regions of the world such as the Middle East and South America. Unanticipated events, such as geopolitical changes, could result in a write-down of our investment in the effected joint venture. Our success as a global business will depend, in part, upon our ability to succeed in differing legal, regulatory, economic, social and political conditions by developing, implementing and maintaining policies and strategies that are effective in each location where we and our joint ventures do business.

We are exposed to fluctuations in foreign exchange rates, which may adversely affect our operating results and net income.

We conduct our business and incur costs in the local currency of most of the countries in which we operate. The financial condition and results of operations of each foreign operating subsidiary and joint venture are reported in the relevant local currency and then translated to U.S. dollars at the applicable currency exchange rate for inclusion in our consolidated financial statements. Changes in exchange rates between these foreign currencies and the U.S. dollar will affect the recorded levels of our assets and liabilities as foreign assets and liabilities that are translated into U.S. dollars for presentation in our financial statements as well as our net sales, cost of goods sold and operating margins and could result in exchange losses. The main foreign currencies for which we have exchange rate fluctuation exposure are the European Union euro, Japanese yen and British pound sterling. Exchange rates between these currencies and the U.S. dollar in recent years have fluctuated significantly and may do so in the future. Significant changes in these foreign currencies relative to the U.S. dollar could also have an adverse effect on our ability to meet interest and principal payments on any foreign currency-denominated debt outstanding. In addition to currency translation risks, we incur currency transaction risks whenever one of our operating subsidiaries or joint ventures enters into either a purchase or a sales transaction using a different currency from the currency in which it receives revenues. Our operating results and net income may be affected by any volatility in currency exchange rates and our ability to manage effectively our currency transaction and translation risks.

We incur substantial costs in order to comply with extensive environmental, health and safety laws and regulations.

In the jurisdictions in which we operate, we are subject to numerous federal, state and local environmental, health and safety laws and regulations, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated properties. Ongoing compliance with such laws and regulations is an important consideration for us and we incur substantial capital and operating costs in our compliance efforts. Environmental laws have become increasingly strict in recent years. We expect this trend to continue and anticipate that compliance will continue to require increased capital expenditures and operating costs.

Violations of environmental, health and safety laws and regulations may subject us to fines, penalties and other liabilities and may require us to change certain business practices.

If we violate environmental, health and safety laws or regulations, in addition to being required to correct such violations, we can be held liable in administrative, civil or criminal proceedings for substantial fines and other sanctions could be imposed that could disrupt or limit our operations. Liabilities associated with the investigation and cleanup of hazardous substances, as well as personal injury, property damages or natural resource damages arising out of such hazardous substances, may be imposed in many situations without regard to violations of laws or regulations or other fault, and may also be imposed jointly and severally (so that a responsible party may be held liable for more than its share of the losses involved, or even the entire loss). Such liabilities may also be imposed on many different entities with a relationship to the hazardous substances at issue, including, for example, entities that formerly owned or operated the property affected and entities that arranged for the disposal of the hazardous substances at the affected property, as well as entities that currently own or operate such property. Such liabilities can be difficult to identify and the extent of any such liabilities can be difficult to predict. We use, and in the past have used, hazardous substances at many of our facilities, and we have in the past, and may in the future, be subject to claims relating to exposure to hazardous materials and the associated liabilities may be material. We also have generated, and continue to generate, hazardous wastes at a number of our facilities. Some of our facilities also have lengthy histories of manufacturing or other activities that have resulted in site contamination. We have also given contractual indemnities for environmental conditions relating to facilities we no longer own or operate. The nature of our business, including historical operations at our current and former facilities, exposes us to risks of liability under these laws and regulations due to the production, storage, use, transportation and sale of materials that can cause contamination or personal injury if released into the environment. Additional information may arise in the future concerning the nature or extent of our liability with respect to identified sites, and additional sites may be identified for which we are alleged to be liable, that could cause us to materially increase our environmental accrual or the upper range of the costs we believe we could reasonably incur for such matters.

Contractual indemnities may be ineffective in protecting us from environmental liabilities.

At several of our properties where hazardous substances are known to exist (including some sites where hazardous substances are being investigated or remediated), we believe we are entitled to contractual indemnification from one or more former owners or operators; however, in the event we make a claim, the indemnifier may disagree with us. We recently commenced an arbitration proceeding against Aventis S.A. concerning its obligations with respect to contamination at our Thann, France facility after Aventis refused to accept our demands for indemnification under the contract pursuant to which we acquired the facility. If those who currently or in the future disagree with us about the scope of their indemnity obligations prevail in their interpretation, our accrual and/or our costs for the investigation and cleanup of hazardous substances could increase materially.

Concern about the impact of some of our products on human health or the environment may lead to regulation, or reaction in our markets independent of regulation, that could reduce or eliminate markets for such products.

We manufacture a number of products that are or have been the subject of attention by regulatory authorities and environmental interest groups. For example, for many years we have produced methyl bromide, a chemical that is particularly effective as a soil fumigant. In recent years, the market for methyl bromide has changed significantly, driven by the Montreal Protocol of 1991 and related regulation prompted by findings regarding the chemical s potential to deplete the ozone layer. The current regulations contemplate completion of the phase-out of methyl bromide as a fumigant in 2005, although certain aspects of the phase-out have been delayed under implementing regulations that permit the use of methyl bromide on a year-to-year basis until a feasible alternative is available.

In addition, there has been increased scrutiny by regulatory authorities and environmental interest groups of polybrominated diphenylethers, or PBDEs, which are used as flame retardants, in light of concerns about their potential impacts on human health and the environment. We manufacture decabrom-PDE, a type of PBDE compound. In 2003, our net sales of decabrom-PDE were less than 5% of total net sales. Government regulation, if it occurs or studies evaluating the possibility of regulation, even if governmental regulation does not occur, may result in a decline in our net sales of decabrom-PDE.

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We also manufacture naproxen, a bulk active widely used to provide temporary pain relief and fever reduction. Recently, an Alzheimer s disease prevention trial being conducted by an arm of the U.S. National Institutes of Health found that patients taking naproxen had a greater incidence of cardiovascular events, such as heart attack or stroke, than patients taking a placebo. The implications of the continued use of naproxen are unclear at this time and will require further study.

We could be subject to damages based on claims brought against us by our customers or lose customers as a result of the failure of our products to meet certain quality specifications.

Our products provide important performance attributes to our customers products. If a product fails to perform in a manner consistent with quality specifications or has a shorter useful life than guaranteed, a customer could seek replacement of the product or damages for costs incurred as a result of the product failing to perform as guaranteed. These risks apply to our refinery catalysts in particular because, in certain instances, we sell our refinery catalysts under agreements that contain limited performance and life cycle guarantees. A successful claim or series of claims against us could have a material adverse effect on our financial condition and results of operations and could result in a loss of one or more customers.

Our substantial indebtedness could adversely affect our financial health and limit our ability to react to changes in our industry or to implement our strategic initiatives.

In connection with our recent acquisition of Akzo Nobel s refinery catalysts business, we entered into (1) a new senior credit agreement, consisting of a $300 million revolving credit facility and a $450 million five-year term loan facility, and (2) a $450 million 364-day loan agreement. We used the initial borrowings under the senior credit agreement and the 364-day loan agreement to consummate the acquisition, refinance our then-existing credit agreement and pay fees and expenses in connection therewith. As of September 30, 2004, we had total indebtedness of $953.3 million and we had also guaranteed $37.1 million of indebtedness incurred by certain of our joint ventures. As of September 30, 2004, after giving pro forma effect to the completion of this offering and the common stock offering and the application of the net proceeds therefrom as described in Use of Proceeds, we would have had approximately $827 million of indebtedness outstanding, including guarantees of approximately $465 million of indebtedness incurred by our subsidiaries, but excluding guarantees of $37.1 million of indebtedness incurred by certain of our joint ventures, all of which would rank *pari passu* with the notes. As of September 30, 2004, we did not have any secured indebtedness. However, the indenture governing the notes described in this prospectus supplement will, subject to certain limitations, permit us to incur secured indebtedness and the notes will be effectively subordinated to any secured indebtedness that we incur to the extent of the value of the assets securing such indebtedness. The notes also will be effectively subordinated to all indebtedness and other liabilities of our subsidiaries. As of September 30, 2004, our subsidiaries had approximately $935.8 million of liabilities (excluding intercompany liabilities).

Our substantial indebtedness could have important consequences to you. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, research and development efforts and other general corporate purposes;

- limit our ability to secure additional financing to implement our strategic initiatives;

increase the amount of our interest expense because most of our borrowings are at variable rates of interest, which, if interest rates increase or our credit ratings decline, will result in higher interest expense;

increase our vulnerability to general adverse economic and industry conditions;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

place us at a disadvantage compared to our competitors that have proportionately less debt;

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restrict us from making strategic acquisitions, introducing new technologies or otherwise exploiting business opportunities;

make it more difficult for us to satisfy our obligations with respect to our existing indebtedness; and

limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds, dispose of assets or pay cash dividends.

In addition, we may be able to incur substantial additional indebtedness in the future. The terms of the senior credit agreement, 364-day loan agreement and the indentures governing the debt securities described in the accompanying prospectus do not prohibit us from incurring substantial additional indebtedness. If new debt is added to our current debt levels, the related risks that we now face could intensify.

We will need a significant amount of cash to service our indebtedness and our ability to generate cash depends on many factors beyond our control.

Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt depends on a range of economic, competitive and business factors, many of which are outside our control. Based on an average interest rate of 2.82% at September 30, 2004 and outstanding borrowings at that date of $953.3 million, our annual interest expense would be $26.9 million. Giving pro forma effect to the completion of this offering and the common stock offering and the application of the net proceeds therefrom as described in Use of Proceeds and assuming an interest rate of 2.80% for borrowings of $457.6 million under our senior credit agreement (the pro forma amount outstanding at September 30, 2004), our annualized interest expense would be $29.4 million. A change of 0.125% in the interest rate applicable to such borrowings under our senior credit agreement would change our annualized interest expense by $0.6 million. Our business may not generate sufficient cash flow from operations to service our debt obligations, particularly if currently anticipated cost savings and operating improvements are not realized on schedule or at all. If we are unable to service our debt obligations, we may need to refinance all or a portion of our indebtedness on or before maturity, reduce or delay capital expenditures, sell assets or raise additional equity. We may not be able to refinance any of our indebtedness, sell assets or raise additional equity on commercially reasonable terms or at all, which could cause us to default on our obligations and impair our liquidity. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms, could have a material adverse effect on our business and financial condition.

Restrictive covenants in our debt instruments may adversely affect our business.

Our senior credit agreement and 364-day loan agreement contain restrictive covenants. These covenants will constrain our activities and limit our operational and financial flexibility. The failure to comply with the covenants in the senior credit agreement, the 364-day loan agreement and the agreements governing other indebtedness, including indebtedness incurred in the future, could result in an event of default, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations.

A downgrading of the ratings on our debt or an increase in interest rates will cause our debt service obligations to increase.

Borrowings under our senior credit agreement and 364-day loan agreement bear interest at floating rates. The rates are subject to adjustment based on the ratings of our senior unsecured long-term debt by Standard & Poor s Ratings Services, or S&P, and Moody s Investors Services, or Moody s. S&P has rated our senior unsecured long-term debt as BBB- and Moody s has rated our senior unsecured long-term debt as Baa3. S&P and/or Moody s may, in the future, downgrade our ratings. The downgrading of our ratings or an increase in benchmark interest rates would result in an increase of our interest expense on borrowings under our senior credit agreement and 364-day loan agreement. In addition, the downgrading of our ratings could adversely affect our future ability to obtain funding or materially increase the cost of any additional funding. Any downgrading of our ratings would also have an adverse effect on the trading prices for the notes.

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Our business is subject to hazards common to chemical businesses, any of which could interrupt our production and adversely affect our results of operations.

Our business is subject to hazards common to chemical manufacturing, storage, handling and transportation, including explosions, fires, inclement weather, natural disasters, mechanical failure, unscheduled downtime, transportation interruptions, remediation, chemical spills, discharges or releases of toxic or hazardous substances or gases and other risks. These hazards can cause personal injury and loss of life, severe damage to, or destruction of, property and equipment and environmental contamination. In addition, the occurrence of material operating problems at our facilities due to any of these hazards may diminish our ability to meet our output goals. Accordingly, these hazards, and their consequences could have a material adverse effect on our operations as a whole, including our results of operations and cash flows, both during and after the period of operational difficulties.

The insurance that we maintain may not fully cover all potential exposures.

We maintain property, business interruption and casualty insurance but such insurance may not cover all risks associated with the hazards of our business and is subject to limitations, including deductibles and maximum liabilities covered. We may incur losses beyond the limits, or outside the coverage, of our insurance policies, including liabilities for environmental remediation. In addition, from time to time, various types of insurance for companies in the specialty chemical industry have not been available on commercially acceptable terms or, in some cases, have not been available at all. In the future, we may not be able to obtain coverage at current levels, and our premiums may increase significantly on coverage that we maintain.

We may not be able to consummate future acquisitions or successfully integrate the refinery catalysts business of Akzo Nobel or future acquisitions into our business, which could result in unanticipated expenses and losses.

As part of our business growth strategy, we have acquired businesses and entered into joint ventures in the past and intend to pursue acquisitions and joint venture opportunities in the future. Our ability to implement this component of our growth strategy will be limited by our ability to identify appropriate acquisition or joint venture candidates and our financial resources, including available cash and borrowing capacity. The expense incurred in consummating acquisitions or entering into joint ventures, the time it takes to integrate an acquisition or our failure to integrate businesses successfully, could result in unanticipated expenses and losses. Furthermore, we may not be able to realize any of the anticipated benefits from acquisitions or joint ventures.

As described under Business Acquisition of the Refinery Catalysts Business, we acquired the refinery catalysts business of Akzo Nobel on July 31, 2004. This acquisition is the largest in our history and successful integration of this business is important to our future.

The process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Some of the risks associated with the integration of acquisitions include:

- potential disruption of our ongoing business and distraction of management;

unforeseen claims and liabilities, including unexpected environmental exposures;

unforeseen adjustments, charges and write-offs;

problems enforcing the indemnification obligations of sellers of businesses or joint venture partners for claims and liabilities;

unexpected losses of customers of, or suppliers to, the acquired business;

difficulty in conforming the acquired business standards, processes, procedures and controls with our operations;

variability in financial information arising from the implementation of purchase price accounting;

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inability to coordinate new product and process development;

loss of senior managers and other critical personnel and problems with new labor unions; and

challenges arising from the increased scope, geographic diversity and complexity of our operations.

The financial statements for the refinery catalysts business are derived from the accounting records of Akzo Nobel and may not be an accurate reflection of the financial condition or performance of the refinery catalysts business as a separate stand-alone company.

The financial information for the refinery catalysts business that we acquired from Akzo Nobel included in this prospectus supplement is derived from Akzo Nobel s accounting records and is presented on a carve-out basis of the historical operations applicable to the refinery catalysts business as operated by Akzo Nobel. This financial information reflects the assets, liabilities, revenues and expenses that were directly related to the refinery catalysts business as it was operated by Akzo Nobel, including certain dormant assets that we did not acquire. Additionally, this financial information includes allocations for various expenses, including corporate administrative and indirect expenses, as well as certain assets and liabilities historically maintained by Akzo Nobel and not recorded in the accounts of the refinery catalysts business. This financial information does not necessarily reflect what the results of operations, financial position and cash flows would have been if the refinery catalysts business had been operated as a separate stand-alone company during the periods presented or what our results of operations, financial position or cash flows would have been had we operated this business during the periods presented or what they will be in the future.

We may be unable to satisfactorily complete the evaluations and obtain the attestations required with respect to our internal controls over financial reporting.

We have invested significant resources to document and analyze our system of internal controls over financial reporting, and we are continuing our evaluation of such internal controls versus the standards adopted by the Public Company Accounting Oversight Board. In the course of our ongoing evaluation, we have identified certain areas of our internal controls requiring improvement, and are in the process of designing enhanced processes and controls to address issues identified through this review. We believe that our efforts will allow management and our independent registered public accounting firm to complete the procedures, certification and attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 in connection with our Annual Report for the fiscal year ended December 31, 2004; however, we cannot guarantee such outcome. In the event that we are unable to complete the evaluation of our internal controls or our independent registered public accounting firm is unable to deliver an attestation, our Annual Report on Form 10-K would be defective and we may be subject to sanctions and may lose the ability to use registration statements on Form S-3.

We are not required to assess the effectiveness of the internal controls over financial reporting of the refinery catalysts business until fiscal 2005.

Section 404 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder require issuer annual reports to contain a report of management s assessment of the effectiveness of internal controls over financial reporting and an attestation of the issuer s independent registered public accounting firm as to that management report. For our company, the first management internal controls report, as well as the first auditor attestation of that report, will be required to be included starting in our Annual Report Form 10-K for the fiscal year ended December 31, 2004. The SEC has clarified that the staff will not object if management s Section 404 report does not cover the internal controls of companies or businesses acquired during the fiscal year of the report where it is not possible for management to conduct a timely assessment following the consummation of the acquisition. Based on the staff s position, we intend to exclude the refinery catalysts business from our Section 404 certification for 2004. Therefore, we will not be required to determine the effectiveness of the internal accounting controls for the refinery catalysts business until we complete our assessment for fiscal 2005.

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We may be unable to achieve, or may be delayed in achieving, our cost-reduction goals.

We have put in place workplace initiatives throughout our businesses in an effort to reduce operating expenses and increase organizational efficiency. To achieve these goals, we have reduced our workforce, and we are attempting to streamline and further automate processing, consolidate manufacturing processes and reduce general and administrative expenses. We expect to continue to implement programs intended to achieve cost savings and improve operational results. If we are unable to achieve, or if we meet any unexpected delays in achieving, these goals, our results of operations and cash flows may be adversely affected. Additionally, even if we achieve our operational goals, we may not receive the expected financial benefits of our initiatives, or the costs of implementing these cost-reduction measures, including any related reduction in workforce charges or write-down of assets, could exceed the benefits of these initiatives.

We may incur significant charges in the event we close all or part of a manufacturing plant or facility.

We periodically assess our manufacturing operations in order to manufacture and distribute our products in the most efficient manner. Based on our assessments, we may make capital improvements to modernize certain units, move manufacturing or distribution capabilities from one plant or facility to another plant or facility, discontinue manufacturing or distributing certain products or close all or part of a manufacturing plant or facility. We also have shared services agreements at several of our plants and if such agreements are terminated or revised, we would assess and potentially adjust our manufacturing operations. The closure of all or part of a manufacturing plant or facility could result in future charges which could be significant.

If we are unable to retain key personnel or attract new skilled personnel, it could have an adverse effect on our business.

The unanticipated departure of any key member of our management team could have an adverse effect on our business. In addition, because of the specialized and technical nature of our business, our future performance is dependent on the continued service of, and on our ability to attract and retain, qualified management, scientific, technical, marketing and support personnel. Competition for such personnel is intense, and we may be unable to continue to attract or retain such personnel.

Some of our employees are unionized, represented by workers councils or are employed subject to local laws that are less favorable to employers than the laws of the United States.

As of September 30, 2004, we had approximately 3,700 employees. Approximately 20% of our 2,100 U.S. employees are unionized. Two of our collective bargaining agreements expire in 2005 and one expires in 2007. In addition, a large number of our employees are employed in countries in which employment laws provide greater bargaining or other rights to employees than the laws of the United States. Such employment rights require us to work collaboratively with the legal representatives of the employees to effect any changes to labor arrangements. For example, most of our employees in Europe are represented by workers councils that must approve any changes in conditions of employment, including salaries and benefits and staff changes, and may impede efforts to restructure our workforce. Although we believe that we have a good working relationship with our employees, a strike, work stoppage or slowdown by our employees or significant dispute with our employees could result in a significant disruption of our operations or higher ongoing labor costs.

Our joint ventures may not operate according to their business plans if our partners fail to fulfill their obligations, which may adversely affect our results of operations and may force us to dedicate additional resources to these joint ventures.

We currently participate in a number of joint ventures and may enter into additional joint ventures in the future. The nature of a joint venture requires us to share control with unaffiliated third parties. If our joint venture partners do not fulfill their obligations, the effected joint venture may not be able to operate according to its business plan. In that case, our results of operations may be adversely affected and we may be required to increase the level of our commitment to the joint venture. Also, differences in views among joint venture participants may result in delayed decisions or failures to agree on major issues. If these differences cause the joint ventures to deviate from their business plans, our results of operations could be adversely affected.

Although our pension plans are currently adequately funded, events could occur that would require us to make significant contributions to the plans and reduce the cash available for our business.

We have several defined benefit pension plans around the world, including in the United States, the Netherlands, Germany, Japan and Belgium, covering most of our employees. The U.S. plans represent approximately 80% of the total liabilities of the plans worldwide. We are required to make cash contributions to our pension plans to the extent necessary to comply with minimum funding requirements imposed by the various countries benefit and tax laws. The amount of any such required contributions will be determined annually based on an actuarial valuation of the plans as performed by the plans actuaries.

During 2003, we contributed $11.3 million in cash to our U.S. defined benefit pension plans, of which $10.0 million was voluntary. With this contribution, our U.S. defined benefit pension plans in aggregate were approximately 128% funded on a U.S. Internal Revenue Service funding basis as of December 31, 2003 and, as a result, there are no minimum required cash contributions to the U.S. pension plans in 2004. However, the actual amount of contributions made subsequent to 2003 will depend upon asset returns, then-current interest rates, and a number of other factors. The amount we may elect or be required to contribute to our pension plans in the future may increase significantly. Specifically, if year-end accumulated obligations exceed assets, we may elect to make a voluntary contribution, over and above the minimum required, in order to avoid additional minimum liability charges to our balance sheet and consequent reductions to shareholders equity. These contributions could be substantial and would reduce the cash available for our business.

The occurrence or threat of extraordinary events, including domestic and international terrorist attacks, may disrupt our operations and decrease demand for our products.

Chemical-related assets may be at greater risk of future terrorist attacks than other possible targets in the United States and throughout the world. Federal legislation is under consideration that could impose significant new site security requirements specifically on chemical manufacturing facilities which may increase our over-head expenses. New federal regulations have already been adopted to increase the security of the transportation of hazardous chemicals in the United States.

The occurrence of extraordinary events, including future terrorist attacks and the outbreak or escalation of hostilities, cannot be predicted, and their occurrence can be expected to continue to affect negatively the economy in general, and specifically the markets for our products. The resulting damage from a direct attack on our assets or assets used by us could include loss of life and property damage. In addition, available insurance coverage may not be sufficient to cover all of the damage incurred or, if available, may be prohibitively expensive.

Risks Related to The Notes

Because a significant portion of our operations is conducted through our subsidiaries and joint ventures, our ability to service our debt is largely dependent on our receipt of distributions or other payments from our subsidiaries and joint ventures.

A significant portion of our operations is conducted through our subsidiaries and joint ventures. As a result, our ability to service our debt is largely dependent on the earnings of our subsidiaries and joint ventures and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from us. Payments to us by our subsidiaries and joint ventures will be contingent upon our subsidiaries or joint ventures earnings and other business considerations and may be subject to statutory or contractual restrictions. In addition, there may be significant tax and other legal restrictions on the ability of non-U.S. subsidiaries or joint ventures to remit money to us.

The claims of creditors of our subsidiaries and joint ventures will be effectively senior to claims of holders of the notes.

Our subsidiaries and joint ventures are separate and distinct legal entities. To the extent that we do not control our joint ventures, we may not be able to cause our joint ventures to provide us with funds to meet our payment obligations on the notes, whether in the form of dividends, distributions or other payments, even if they are contractually obligated to do so. Our right to receive any assets of any of our subsidiaries or joint ventures upon the insolvency, liquidation or reorganization of any of our subsidiaries or joint ventures, and therefore the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary s or joint venture s creditors. In addition, even if we are a creditor of any of our subsidiaries or joint ventures, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and joint ventures and any indebtedness of our subsidiaries or joint ventures senior to that held by us.

The notes will be effectively subordinated to all of our secured debt.

The notes will not be secured by any of our property or assets. Thus, by owning a debt security, holders of the notes offered by this prospectus supplement will be our unsecured creditors. As of September 30, 2004, we did not have any secured indebtedness. However, the indenture governing the notes described in this prospectus supplement will, subject to some limitations, permit us to incur secured indebtedness and the notes will be effectively subordinated to any secured indebtedness we may incur to the extent of the value of the collateral securing such indebtedness. In addition, the notes will be structurally subordinated to the guarantees of certain of our subsidiaries provided in support of our obligations under our senior credit agreement and 364-day loan agreement. The notes will rank equally with all of our other unsecured and unsubordinated debt.

You cannot be sure that an active trading market will develop for the notes, which could make it more difficult for holders of the notes to sell their notes and/or result in a lower price at which holders would be able to sell their notes.

There is currently no established trading market for the notes, and there can be no assurance as to the liquidity of any markets that may develop for the notes, the ability of the holders of the notes to sell their notes or the price at which such holders would be able to sell their notes. If such a market were to exist, the notes could trade at prices that may be lower than the initial market values of the notes depending on many factors, including prevailing interest rates and our business performance. Certain of the underwriters have advised us that they currently intend to make a market in the notes after the consummation of this offering, as permitted by applicable laws and regulations. However, none of the underwriters are obligated to do so, and any market making with respect to the notes may be discontinued at any time without notice. See Underwriting.

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The interests of our principal shareholders may conflict with your interests, and they could act in a manner detrimental to you.

As of December 31, 2004, Floyd D. Gottwald, Jr., the Vice Chairman of our board of directors and Chairman of the Executive Committee of our board of directors, and his sons, William M. Gottwald, the Chairman of our board of directors, John D. Gottwald, a member of our board of directors, and James T. Gottwald, beneficially owned approximately 9.1 million shares, or 21.8%, of the outstanding shares of our common stock. John D. Gottwald and certain entities controlled by the Gottwalds are selling 488,420 shares of our common stock in the common stock offering and may sell up to an aggregate of 1,111,580 shares of our common stock in one or more additional offerings under applicable prospectus supplements. Assuming completion of the common stock offering and that all of these shares are sold, the Gottwalds will continue to own approximately 7.5 million shares beneficially, or 16.4%, of the outstanding shares of our common stock. By virtue of their stock ownership, the Gottwalds have the power to influence the outcome of matters submitted to shareholders for approval, including the election of directors, the approval of mergers and other business combination transactions and the amendment of our amended and restated articles of incorporation or amended bylaws. The interests of the Gottwalds may not coincide with the interests of our other securityholders, and they could take actions that advance their own interests to the detriment of our other securityholders.

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USE OF PROCEEDS

The net proceeds to Albemarle from the sale of the notes in this offering are estimated to be approximately $321.8 million after deducting the underwriting discount and estimated offering expenses.

We expect to use the net proceeds that we receive from this offering, together with an estimated $129.4 million of net proceeds from the common stock offering at a public offering price of $34.00 per share, to retire all of the indebtedness that we incurred under our 364-day loan agreement to finance our acquisition of Akzo Nobel s refinery catalysts business. Any net proceeds from the offerings remaining after the repayment of our 364-day loan agreement will be used for general corporate purposes, including debt reduction. As of September 30, 2004, we had $450 million of indebtedness outstanding under our 364-day loan agreement. Our borrowings under the 364-day loan agreement bear interest at floating rates based on an average London interbank offered rate, or LIBOR, for deposits in the relevant currency plus 1.0% and mature on July 28, 2005. As of September 30, 2004, borrowings under the 364-day loan agreement were accruing interest at the rate of 2.69% per annum. As of December 31, 2004, these borrowings were accruing interest at the rate of approximately 3.35% per annum. The completion of this offering is contingent on the completion of the common stock offering but the common stock offering is not contingent on the completion of this offering.

Affiliates of Banc of America Securities LLC, UBS Securities LLC, Bear, Stearns & Co. Inc., Fortis Securities LLC, BNY Capital Markets, Inc. and SunTrust Capital Markets, Inc. are lenders under our 364-day loan agreement. It is expected that these affiliates will receive a portion of the proceeds from this offering and the common stock offering used to repay all or substantially all of the borrowings outstanding under our 364-day loan agreement.

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CAPITALIZATION

The table below shows our cash and cash equivalents and capitalization as of September 30, 2004:

on an actual basis;

on a pro forma as adjusted basis to give effect to the sale of the 4,000,000 shares of our common stock in the common stock offering at a public offering price of $34.00 per share, assuming no exercise of the related over-allotment option, and the application of the net proceeds as described in Use of Proceeds; and

on a pro forma as further adjusted basis also to give effect to the sale of $325.0 million aggregate principal amount of notes offered by this prospectus supplement at the public offering price of 99.897% of par and the application of the net proceeds therefrom as described in Use of Proceeds.

You should read the information in this table together with Unaudited Pro Forma Combined Financial Information, Selected Historical Consolidated Financial Information of Albemarle, Management s Discussions and Analysis of Financial Condition and Results of Operations of Albemarle and our historical consolidated financial statements and the related notes included elsewhere in this prospectus supplement.

	As of September 30, 2004		
	Actual	As Adjusted for Common Stock Offering	As Further Adjusted for Notes Offering
		(in thousands)	
Cash and cash equivalents	$ 60,817	$ 60,817	$ 60,817
Short-term debt			
364-day loan	$ 450,000	$ 320,560	$
Current maturities of long-term debt	45,047	45,047	45,047
Total short-term debt	495,047	365,607	45,047
Long-term debt			
Senior credit agreement revolving loan facility	20,000	20,000	18,807
Senior credit agreement term loan	393,750	393,750	393,750
New senior notes			325,000
Variable rate bank loans	28,059	28,059	28,059
Industrial revenue bonds	11,000	11,000	11,000
Foreign borrowings	4,545	4,545	4,545
Other debt	865	865	865
Total long-term debt	458,219	458,219	782,026
Total debt	953,266	823,826	827,073

Shareholders equity			
Common stock, $.01 par value (authorized 150,000,000), 41,657,017, 45,657,017 and 45,657,017 issued and outstanding	417	457	457
Additional paid-in capital	9,432	138,832	138,832
Accumulated other comprehensive income	25,197	25,197	25,197
Retained earnings	628,557	628,159	627,171
Total shareholders equity	663,603	792,645	791,657
Total capitalization	$ 1,616,869	$ 1,616,471	$ 1,618,730

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UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial statements are based on our historical consolidated financial statements as of and for the year ended December 31, 2003 and the nine months ended September 30, 2004, which are included elsewhere in this prospectus supplement, and the historical combined financial statements of Akzo Nobel s refinery catalysts business, which we acquired on July 31, 2004, as of and for the year ended December 31, 2003, which are included elsewhere in this prospectus supplement, and the seven months ended July 31, 2004, which are not included in this prospectus supplement. The unaudited pro forma combined financial statements should be read in conjunction with our audited consolidated financial statements and related notes for the year ended December 31, 2003, our unaudited condensed consolidated financial statements and related notes for the nine months ended September 30, 2004 and the audited combined financial statements and related notes of the refinery catalysts business for the year ended December 31, 2003, each included elsewhere in this prospectus supplement.

The unaudited pro forma combined financial statements give effect to (1) the acquisition of the refinery catalysts business, (2) the financing of the purchase price through borrowings of approximately $510 million under our senior credit agreement and of $450 million under our 364-day loan agreement, including amounts borrowed to refinance approximately $233 million outstanding under our then-existing credit agreement and to pay related fees and expenses and (3) the completion of this offering and the common stock offering and the application of the net proceeds therefrom as described in Use of Proceeds.

The unaudited pro forma combined financial statements give effect to the above transactions as if they had occurred on January 1, 2003. The acquisition of the refinery catalysts business has been accounted for as a purchase in conformity with Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations. The total cost of the acquisition has been allocated to the preliminary estimates of assets acquired and liabilities assumed based on their respective estimated fair values as of July 31, 2004. The excess of the purchase price over the preliminary fair values of the net assets acquired has been allocated to goodwill. The preliminary allocation of the purchase price is subject to adjustment until it is finalized, which is expected to occur no later than the first quarter of 2005. Accordingly, the final purchase price allocation and the resulting effect on income from operations may differ from the pro forma amounts included in this prospectus supplement. The unaudited pro forma combined financial statements do not give effect to any working capital purchase price adjustment provided for in the sale agreement, the amount of which has not yet been finalized. The unaudited pro forma combined financial statements presented below do not reflect any anticipated operating efficiencies or cost savings from the integration of the refinery catalysts business into our business. The unaudited pro forma combined statements of income do not include the cumulative effect of the change in accounting resulting from our adoption of SFAS No. 143, Accounting for Asset Retirement Obligation, in 2003.

In connection with the acquisition, we incurred during the third quarter of 2004 certain one-time after-tax costs and expenses, including foreign exchange hedging losses of $10.0 million on contracts entered into for the purpose of hedging the euro-denominated purchase price for the acquired business, additional cost of sales charges of $8.5 million as a result of inventory write-ups, $3.0 million as a result of purchased in-process research and development write-offs and unamortized financing costs write-offs of $0.4 million. These costs and expenses resulted in an aggregate one-time after-tax charge of $21.9 million, which is included in the unaudited pro forma combined financial statements for the nine months ended September 30, 2004.

The unaudited pro forma combined financial statements reflect pro forma adjustments that are described in the accompanying notes and are based on available information and certain assumptions our management believes are reasonable, but are subject to change. We have made, in the opinion of our management, all adjustments that are necessary to present fairly the unaudited pro forma combined financial information. The unaudited pro forma combined financial statements do not purport to represent what our results of operations or financial position actually would have been had the acquisition and related transactions occurred on the dates indicated or to project our financial position as of any future date or our results of operations for any future period.

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ALBEMARLE CORPORATION

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME

For the Year Ended December 31, 2003

(in thousands, except per share data)

	Albemarle Corporation (1)	Refinery Catalysts U.S. GAAP (2)	Refinery Catalysts Reclassification (3)	Pro Forma Acquisition Adjustments (4)	Albemarle Pro Forma for Acquisition (5)(6)	Pro Forma Common Stock Offering Adjustments (7)	Albemarle Pro Forma for Acquisition and Common Stock Offering	Pro Forma Notes Offering Adjustments (8)	Albemarle Pro Forma for Acquisition, Common Stock Offering and Notes Offering
Net sales	$ 1,110,237	$ 404,950	$	$	$ 1,515,187	$	$ 1,515,187	$	$ 1,515,187
Cost of goods sold	871,727	278,660	(6,459)A	(520)B	1,143,408		1,143,408		1,143,408
Gross profit	238,510	126,290	6,459	520	371,779		371,779		371,779
Selling, general and administrative expenses	117,226	61,827		(16)C	179,037		179,037		179,037
Research and development (R&D) expenses	18,411	21,365		(16)D	39,760		39,760		39,760
Purchased in-process R&D charges				3,000 E	3,000		3,000		3,000
Special items	10,049				10,049		10,049		10,049
Operating profit	92,824	43,098	6,459	(2,448)	139,933		139,933		139,933
Interest and financing expenses	(5,376)	(3,960)		(21,292)F	(30,628)	4,388 I	(26,240)	(6,074)J	(32,314)
Other income (expense), net including minority interest	607	15,410	(6,459)A	G	9,558		9,558		9,558
Income before income taxes and cumulative effect of a change in accounting principle, net	88,055	54,548		(23,740)	118,863	4,388	123,251	(6,074)	117,177
Income taxes	13,890	16,151		(7,570)H	22,471	1,602	24,073	(2,217)	21,856
Income before cumulative effect of a change in accounting principle, net	$ 74,165	$ 38,397	$	$ (16,170)	$ 96,392	$ 2,786	$ 99,178	$ (3,857)	$ 95,321
Basic earnings per share: Income before cumulative effect of a change in accounting principle, net	$ 1.79				$ 2.34		$ 2.19		$ 2.11
Diluted earnings per share: Income before cumulative effect of a change in	$ 1.76				$ 2.29		$ 2.15		$ 2.07

accounting principle, net				
Weighted average shares outstanding basic	41,255	41,255	45,255	45,255
Weighted average shares outstanding diluted	42,146	42,146	46,146	46,146

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ALBEMARLE CORPORATION

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME

For the Nine Months Ended September 30, 2004

(in thousands, except per share data)

	Albemarle Corporation (1)	Refinery Catalysts U.S. GAAP (2)	Refinery Catalysts Reclassification (3)	Pro Forma Acquisition Adjustments (4)	Albemarle Pro Forma for Acquisition (5)(6)	Pro Forma Common Stock Offering Adjustments (7)	Albemarle Pro Forma for Acquisition and Common Stock Offering	Pro Forma Notes Offering Adjustments (8)	Albemarle Pro Forma for Acquisition, Common Stock Offering and Notes Offering
Net sales	$ 1,062,672	$ 282,967	$	$	$ 1,345,639	$	$ 1,345,639	$	$ 1,345,639
Cost of goods sold	845,952	201,751	(1,728) A	212 B	1,046,187		1,046,187		1,046,187
Acquisition-related cost	13,400			(13,400)					
Gross profit	203,320	81,216	1,728	13,188	299,452		299,452		299,452
Selling, general and administrative expenses	106,078	41,100		4 C	147,182		147,182		147,182
Research and development (R&D) expenses	18,768	14,994		4 D	33,766		33,766		33,766
Purchased in-process R&D charges	3,000			(3,000)E					
Special items	4,858				4,858		4,858		4,858
Operating profit	70,616	25,122	1,728	16,180	113,646		113,646		113,646
Interest and financing expenses	(9,168)	(1,345)		(12,145)F	(22,658)	3,288 I	(19,370)	(4,494)J	(23,864)
Other income (expense), net including minority interest	(13,532)	8,404	(1,728)A	12,848 G	5,992		5,992		5,992
Income before income taxes and cumulative effect of a change in accounting principle, net	47,916	32,181		16,883	96,980	3,288	100,268	(4,494)	95,774
Income taxes	12,714	9,167		5,067 H	26,948	1,200	28,148	(1,640)	26,508
Income before cumulative effect of a change in accounting principle, net	$ 35,202	$ 23,014	$	$ 11,816	$ 70,032	$ 2,088	$ 72,120	$ (2,854)	$ 69,266
Basic earnings per share: Income before cumulative effect of a change in accounting principle, net	$ 0.85				$ 1.69		$ 1.59		$ 1.52
Diluted earnings per share: Income before cumulative effect of a change in accounting principle, net	$ 0.83				$ 1.65		$ 1.56		$ 1.49

Weighted average shares outstanding basic	41,497	41,497	45,497	45,497
Weighted average shares outstanding diluted	42,342	42,342	46,342	46,342

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ALBEMARLE CORPORATION

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENTS OF INCOME

For the Year Ended December 31, 2003 and Nine Months Ended September 30, 2004

(in thousands)

(1) This column represents Albemarle s historical consolidated income statements as reported for the periods presented.

(2) This column represents the historical income statements of the refinery catalysts business under U.S. GAAP stated in euros and translated to U.S. dollars for pro forma purposes using estimated average U.S. dollars to euro exchange rates of $1.131 and $1.228 to 1 for the income statements of the refinery catalysts business for the 12 months ending December 31, 2003 and seven months ending July 31, 2004, respectively, which was the exchange rate used by management of the refinery catalysts business for the purpose of converting U.S. dollar amounts to euros in connection with the preparation of the euro-denominated financial statements of the refinery catalysts business. Such translations should not be construed as a representation that the euro amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate.

(3) The adjustments in this column represent the reclassifications necessary to conform the historical refinery catalysts business amounts to the Albemarle statement of income presentation.

Note	Year Ended December 31, 2003	Nine Months Ended September 30, 2004	
A	$ (6,459)	$ (1,728)	To reclassify foreign exchange gains and losses from other income to cost of goods sold to conform to Albemarle s application of U.S. GAAP reporting for this item

(4) This column represents the adjustments necessary to give pro forma effect to the acquisition of the refinery catalysts business as if the acquisition had taken place on January 1, 2003. The majority of these adjustments relate to a preliminary allocation of the acquisition purchase price, which is expected to be finalized within one year of the acquisition date. See description of these adjustments below:

Note	Year Ended December 31, 2003	Nine Months Ended September 30, 2004	
B	$ (601)	$ 145	Represents adjustments to depreciation and amortization expense included in cost of goods sold for differences between estimated fair values assigned to refinery catalysts business tangible assets (average 15 year depreciation lives) and intangible assets (average 15 year amortization lives) versus historical depreciation and amortization amounts reported

81	67	Represents adjustments to amortization of capitalized interest differences between assumed interest capitalized under pro forma debt interest assumptions described in Note F below versus historical amounts reported
$ (520)	$ 212	

The assumed one-time impact to cost of goods sold of Albemarle s estimated purchase accounting adjustment to step up finished goods and work-in-progress inventories acquired in the refinery catalysts business acquisition of $13,400 has not been included in the unaudited pro forma combined statements of income presented.

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ALBEMARLE CORPORATION

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENTS OF INCOME (Continued)

For the Year Ended December 31, 2003 and Nine Months Ended September 30, 2004

(in thousands)

Total pro forma depreciation and amortization expense totaled $116,727 and $88,986 for the year ended December 31, 2003 and nine months ended September 30, 2004, respectively.

Note	Year Ended December 31, 2003	Nine Months Ended September 30, 2004	
C	$ (16)	$ 4	Represents adjustments to estimated depreciation expense included in selling, general and administrative expense for differences between estimated fair values assigned to refinery catalysts business tangible assets (average 15 year depreciation lives) versus historical depreciation amounts reported
D	$ (16)	$ 4	Represents adjustments to estimated depreciation expense included in research and development expense for differences between estimated fair values assigned to refinery catalysts business tangible assets (average 15 year depreciation lives) versus historical depreciation amounts reported
E	$ 3,000	$ (3,000)	To record (1) estimated purchased in-process research and development assumed to be charged to expense immediately upon the January 1, 2003 pro forma effective acquisition date for the twelve months ended December 31, 2003 and (2) corresponding reversal of historical amounts recorded in the nine-month period ended September 30, 2004

F Pro forma interest expense adjustments are detailed as follows:

Year Ended December 31, 2003	Nine Months Ended September 30, 2004	
$ 3,960	$ 1,345	Reversal of historical net interest and financing expenses of the refinery catalysts business as reported for the periods presented
5,376	9,168	Reversal of Albemarle historical net interest and financing expenses as reported for the periods presented
964	998	Estimated capitalized interest expense associated with the new debt structure
(220)	(165)	Estimated interest expense associated with Albemarle s existing industrial revenue bond and foreign loans
(1,763)	(1,322)	Estimated interest expense associated with the $300 million revolving credit facility bearing interest at 2.55%
(12,600)	(9,450)	

		Estimated interest expense associated with the $450 million 364-day loan agreement at 2.8%, assumed outstanding for entirety of all periods presented
(12,600)	(9,450)	Estimated interest expense associated with the $450 million five-year term loan facility bearing interest at 2.8%
(3,509)	(2,632)	Amortization of estimated debt issuance costs on new financing (amounts exclude write off of $575,000 of estimated deferred loan costs associated with Albemarle s previous credit facilities replaced by the debt facilities described above)
(150)	(75)	Additional commitment fees and other recurring costs associated with new financing structure
(750)	(562)	Reflects commitment fees of 0.25% on the $300 million revolving credit facility
$ (21,292)	$ (12,145)	Total

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ALBEMARLE CORPORATION

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENTS OF INCOME (Continued)

For the Year Ended December 31, 2003 and Nine Months Ended September 30, 2004

(in thousands)

Note a 0.125% increase or decrease in the weighted average interest rate applicable to Albemarle s indebtedness outstanding under its new financing structure would impact the estimated pro forma interest expense for the year ended December 31, 2003 and nine months ended September 30, 2004, by the following amounts:

Year Ended December 31, 2003	Nine Months Ended September 30, 2004
$ 1,211	$ 909

Note	Year Ended December 31, 2003	Nine Months Ended September 30, 2004	
G	$	$ 12,848	Adjustment represents elimination of Albemarle s euro hedging contract net losses recorded related to hedge contracts entered into in connection with the refinery catalysts business acquisition
H	$ (7,570)	$ 5,067	Adjustments represent pro forma income tax impacts of the pro forma adjustments based on the estimated applicable statutory tax rates at 36.5% (excluding purchased in-process research and development charges deemed non-tax deductible)

(5) This column represents the unaudited pro forma combined statements of income of Albemarle giving effect to the July 31, 2004 acquisition of the refinery catalysts business as if the acquisition occurred on January 1, 2003. These amounts are derived by summing the columns captioned Albemarle Corporation, Refinery Catalysts U.S. GAAP, Refinery Catalysts Reclassification and Pro Forma Acquisition Adjustments.

(6) See the table below detailing the following significant non-recurring (income) and expense items which have been included in the Albemarle unaudited pro forma combined statements of income for the periods presented:

Year Ended December 31, 2003	Nine Months Ended September 30, 2004

Pre-tax	After-tax	Pre-tax	After-tax	
$ 10,049	$ 6,402	$ 4,858	$ 3,095	Albemarle s reported special items impacting operating profit
(4,308)	(13,816)			Albemarle income tax refunds and related interest
(44)	(28)	(444)	(282)	Refinery catalysts business provisions liability additions/reversals activity, net
(6,459)	(4,102)	(1,728)	(1,097)	Refinery catalysts business foreign exchange hedging gains and losses
		(6,945)	(4,424)	Insurance settlement gain
		3,396	2,163	Valuation reserve on claim receivable

(7) This column reflects the use of estimated net proceeds of $129.4 million from the sale of 4,000,000 shares of our common stock in the common stock offering at a public offering price of $34.00 per share after deducting the underwriting discount and estimated offering expenses of $0.4 million to retire a corresponding amount of the indebtedness that Albemarle incurred under the 364-day loan agreement. For purposes of this column, it is assumed that the underwriters do not exercise their related over-allotment option.

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ALBEMARLE CORPORATION

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENTS OF INCOME (Continued)

For the Year Ended December 31, 2003 and Nine Months Ended September 30, 2004

(in thousands)

Note	Year Ended December 31, 2003	Nine Months Ended September 30, 2004	
I	$ 3,625	$ 2,718	Represents estimated reduced interest expense associated with reduced borrowings outstanding under the $450 million 364-day loan agreement bearing interest at 2.8%
	772	579	Represents estimated reduced commitment fee and funding fee associated with reduced borrowings under the $450 million 364-day loan agreement
	(9)	(9)	Represents estimated decrease in capitalized interest cost (average interest rate decreased from 3.21% to 3.18%)
	$ 4,388	$ 3,288	

(8) This column reflects the use of estimated net proceeds of $321.8 million from the sale of $325.0 million aggregate principal amount of notes in this offering at 99.247% of par after deducting the underwriting discount and estimated offering expenses of $0.8 million to retire all of the remaining amount of the indebtedness that Albemarle incurred under the 364-day loan agreement and the application of the remaining net proceeds to pay down $1.1 million under the $300 million revolving credit facility.

Note	Year Ended December 31, 2003	Nine Months Ended September 30, 2004	
J	$ 8,976	$ 6,732	Represents estimated reduced interest expense associated retirement of substantially all of the remaining amount outstanding under the $450 million 364-day loan agreement bearing interest at 2.8%
	30	23	Represents estimated decreased interest expense associated with reduced borrowings under the $300 million revolving credit facility bearing interest at 2.55%
	1,603	1,202	Represents estimated reduced commitment fee and funding fee associated with reduced borrowings under the $450 million 364-day loan agreement
	(325)	(244)	

		Represents estimated amortization of underwriting fee payable and original issue discount in this offering
(16,575)	(12,431)	Represents estimated interest expense associated with the notes at 5.10%
217	224	Represents estimated increase in capitalized interest cost (average interest rate increased from 3.18% to 3.90%)
$ (6,074)	$ (4,494)	

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF ALBEMARLE

The following table sets forth selected historical consolidated financial information as of and for the years ended December 31, 2003, 2002, 2001, 2000 and 1999, which have been derived from our audited consolidated financial statements, and as of and for the nine months ended September 30, 2004 and 2003, which have been derived from our unaudited consolidated financial statements. In the opinion of our management, the unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments necessary for a fair presentation of the information set forth therein. Interim results are not necessarily indicative of full year results.

You should read the information in this table together with Management s Discussion and Analysis of Financial Condition and Results of Operations of Albemarle and our historical consolidated financial statements and the related notes contained elsewhere in this prospectus supplement and the other information contained in the documents incorporated by reference in this prospectus supplement. See Where You Can Find More Information and Documents Incorporated by Reference.

	Nine Months Ended September 30,		Year Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
	(unaudited)	(unaudited)		(restated)(1)			
	(in thousands, except per share amounts and ratios)						
Statements of Income Data:							
Net sales	$ 1,062,672	$ 815,113	$ 1,110,237	$ 1,007,918	$ 942,752	$ 941,449	$ 865,937
Cost of goods sold	845,952	640,331	871,727	775,388	721,417	669,986	608,995
Acquisition-related cost	13,400						
Gross profit	203,320	174,782	238,510	232,530	221,335	271,463	256,942
Selling, general and administrative expenses	106,078	85,026	117,226	111,676	98,915	103,234	97,836
Research and development (R&D) expenses	18,768	14,133	18,411	16,485	21,919	26,201	34,288
Purchased in-process R&D charges	3,000						
Special items (2)	4,858	7,503	10,049	1,550	2,051	(8,134)	10,692