UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For Quarterly Period Ended September 30, 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-12658

ALBEMARLE CORPORATION

(Exact name of registrant as specified in its charter)

VIRGINIA	**54-1692118**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
451 FLORIDA STREET	
BATON ROUGE, LOUISIANA	**70801**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code - (225) 388-8011

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Number of shares of common stock, $.01 par value, outstanding as of October 10, 2012: 89,259,875

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ALBEMARLE CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

ALBEMARLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net sales	$ 661,226	$ 722,977	$ 2,057,824	$ 2,161,615
Cost of goods sold	446,469	464,965	1,352,495	1,418,638
Gross profit	214,757	258,012	705,329	742,977
Selling, general and administrative expenses (Note 13)	59,982	77,169	215,298	233,115
Research and development expenses	19,831	20,534	59,791	58,096
Restructuring and other charges (Note 13)	6,508		101,211	
Operating profit	128,436	160,309	329,029	451,766
Interest and financing expenses	(7,914)	(9,710)	(25,134)	(28,576)
Other income, net	2,370	956	1,564	534
Income before income taxes and equity in net income of unconsolidated investments	122,892	151,555	305,459	423,724
Income tax expense	26,591	38,097	76,804	100,423
Income before equity in net income of unconsolidated investments	96,301	113,458	228,655	323,301
Equity in net income of unconsolidated investments (net of tax)	7,935	9,500	29,233	37,118
Net income	104,236	122,958	257,888	360,419
Net income attributable to noncontrolling interests	(4,975)	(6,860)	(12,852)	(23,582)
Net income attributable to Albemarle Corporation	$ 99,261	$ 116,098	$ 245,036	$ 336,837
Basic earnings per share	$ 1.11	$ 1.29	$ 2.75	$ 3.70
Diluted earnings per share	$ 1.10	$ 1.28	$ 2.72	$ 3.66
Weighted-average common shares outstanding basic	89,327	89,935	89,246	91,094
Weighted-average common shares outstanding diluted	89,879	90,958	89,959	92,090
Cash dividends declared per share of common stock	$ 0.20	$ 0.165	$ 0.60	$ 0.495

See accompanying Notes to the Condensed Consolidated Financial Statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Net income	$ 104,236	$ 122,958	$ 257,888	$ 360,419
Other comprehensive income (loss), net of tax:				
Foreign currency translation	29,165	(72,356)	2,295	24,180
Pension and postretirement benefits	10,030	4,282	28,272	8,905
Other	29	35	95	127
Total other comprehensive income (loss), net of tax	39,224	(68,039)	30,662	33,212
Comprehensive income	143,460	54,919	288,550	393,631
Comprehensive income attributable to non-controlling interests	(4,975)	(6,961)	(13,007)	(23,380)
Comprehensive income attributable to Albemarle Corporation	$ 138,485	$ 47,958	$ 275,543	$ 370,251

See accompanying Notes to the Condensed Consolidated Financial Statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

(Unaudited)

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 402,642	$ 469,416
Trade accounts receivable, less allowance for doubtful accounts (2012 $1,576 2011 $2,709)	378,938	355,372
Other accounts receivable	39,914	36,199
Inventories	491,930	431,495
Other current assets	73,428	63,138
Total current assets	1,386,852	1,355,620
Property, plant and equipment, at cost	2,830,268	2,619,428
Less accumulated depreciation and amortization	1,577,129	1,489,948
Net property, plant and equipment	1,253,139	1,129,480
Investments	199,864	198,427
Other assets	155,734	116,871
Goodwill	271,566	273,145
Other intangibles, net of amortization	95,500	130,281
Total assets	$ 3,362,655	$ 3,203,824
Liabilities And Equity		
Current liabilities:		
Accounts payable	$ 166,564	$ 184,472
Accrued expenses	181,213	175,257
Current portion of long-term debt	12,572	14,416
Dividends payable	17,517	15,237
Income taxes payable	4,646	11,796
Total current liabilities	382,512	401,178
Long-term debt	701,162	749,257
Postretirement benefits	53,232	57,588
Pension benefits	117,045	127,964
Other noncurrent liabilities	108,153	111,107
Deferred income taxes	99,268	77,903
Commitments and contingencies (Note 8)		
Equity:		
Albemarle Corporation shareholders equity:		
Common stock, $.01 par value, issued and outstanding 89,260 in 2012 and 88,841 in 2011	893	888
Additional paid-in capital	10,290	15,194
Accumulated other comprehensive loss	(192,415)	(222,922)
Retained earnings	1,989,586	1,798,117

Total Albemarle Corporation shareholders equity	1,808,354	1,591,277
Noncontrolling interests	92,929	87,550
Total equity	1,901,283	1,678,827
Total liabilities and equity	$ 3,362,655	$ 3,203,824

See accompanying Notes to the Condensed Consolidated Financial Statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

(In Thousands, Except Share Data)	Common Stock Shares	Common Stock Amounts	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Albemarle Shareholders Equity	Non-controlling Interests	Total Equity
Balance at January 1, 2012	**88,841,240**	**$ 888**	**$ 15,194**	**$ (222,922)**	**$ 1,798,117**	**$ 1,591,277**	**$ 87,550**	**$ 1,678,827**
Net income					245,036	245,036	12,852	257,888
Other comprehensive income				30,507		30,507	155	30,662
Cash dividends declared					(53,567)	(53,567)	(7,628)	(61,195)
Stock-based compensation and other			10,294			10,294		10,294
Exercise of stock options	897,069	9	19,968			19,977		19,977
Shares repurchased	(680,000)	(7)	(40,463)			(40,470)		(40,470)
Tax benefit related to stock plans			14,424			14,424		14,424
Issuance of common stock, net	341,620	4	(4)					
Shares withheld for withholding taxes associated with common stock issuances	(140,054)	(1)	(9,123)			(9,124)		(9,124)
Balance at September 30, 2012	**89,259,875**	**$ 893**	**$ 10,290**	**$ (192,415)**	**$ 1,989,586**	**$ 1,808,354**	**$ 92,929**	**$ 1,901,283**
Balance at January 1, 2011	**91,593,984**	**$ 916**	**$ 18,835**	**$ (164,196)**	**$ 1,560,519**	**$ 1,416,074**	**$ 59,672**	**$ 1,475,746**
Net income					336,837	336,837	23,582	360,419
Other comprehensive income (loss)				33,414		33,414	(202)	33,212
Cash dividends declared					(44,904)	(44,904)		(44,904)
Stock-based compensation and other			19,581			19,581		19,581
Exercise of stock options	87,350	1	1,102			1,103		1,103
Shares repurchased	(3,000,000)	(30)	(39,870)		(138,232)	(178,132)		(178,132)
Tax benefit related to stock plans			5,923			5,923		5,923
Issuance of common stock, net	113,713	1	(1)					
Shares withheld for withholding taxes associated with common stock issuances	(38,676)		(2,325)			(2,325)		(2,325)
Balance at September 30, 2011	**88,756,371**	**$ 888**	**$ 3,245**	**$ (130,782)**	**$ 1,714,220**	**$ 1,587,571**	**$ 83,052**	**$ 1,670,623**

See accompanying Notes to the Condensed Consolidated Financial Statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Unaudited)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Cash and cash equivalents at beginning of year	$ 469,416	$ 529,650
Cash flows from operating activities:		
Net income	257,888	360,419
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	74,428	71,926
Restructuring and other charges	101,211	
Stock-based compensation	10,808	19,365
Excess tax benefits realized from stock-based compensation arrangements	(14,424)	(5,923)
Equity in net income of unconsolidated investments (net of tax)	(29,233)	(37,118)
Dividends received from unconsolidated investments and nonmarketable securities	23,244	18,722
Pension and postretirement expense	28,727	20,551
Pension and postretirement contributions	(19,705)	(57,555)
Unrealized gain on investments in marketable securities	(1,412)	(636)
Deferred income taxes	(2,136)	14,653
Working capital changes	(125,419)	(110,408)
Other, net	2,505	(8,529)
Net cash provided by operating activities	306,482	285,467
Cash flows from investing activities:		
Capital expenditures	(218,708)	(127,111)
Cash payments related to acquisitions and other	(2,488)	(11,045)
(Investments in) sales of marketable securities, net	(1,137)	1,629
Long-term advances to joint venture	(22,500)	
Investments in equity and other corporate investments		(10,868)
Net cash used in investing activities	(244,833)	(147,395)
Cash flows from financing activities:		
Repayments of long-term debt	(49,243)	(105,076)
Proceeds from borrowings		132,859
Dividends paid to shareholders	(51,287)	(43,098)
Dividends paid to noncontrolling interests	(7,628)	
Repurchases of common stock	(40,470)	(178,132)
Proceeds from exercise of stock options	19,977	1,103
Excess tax benefits realized from stock-based compensation arrangements	14,424	5,923
Withholding taxes paid on stock-based compensation award distributions	(9,124)	(2,325)
Debt financing costs		(2,727)
Net cash used in financing activities	(123,351)	(191,473)
Net effect of foreign exchange on cash and cash equivalents	(5,072)	5,009

Decrease in cash and cash equivalents	(66,774)	(48,392)
Cash and cash equivalents at end of period	$ 402,642	$ 481,258

See accompanying Notes to the Condensed Consolidated Financial Statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

NOTE 1 Basis of Presentation:

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Albemarle Corporation and our wholly-owned, majority-owned and controlled subsidiaries (collectively, Albemarle, we, us, our or the Company) contain all adjustments necessary for a fair statement, in all material respects, of our condensed consolidated balance sheets as of September 30, 2012 and December 31, 2011, our consolidated statements of income and consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2012 and 2011 and our condensed consolidated statements of cash flows and consolidated statements of changes in equity for the nine-month periods ended September 30, 2012 and 2011. All adjustments are of a normal and recurring nature. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011, which was filed with the Securities and Exchange Commission, or the SEC, on February 22, 2012. The December 31, 2011 consolidated balance sheet data herein was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles (GAAP) in the United States (U.S.). The results of operations for the three-month and nine-month periods ended September 30, 2012 are not necessarily indicative of the results to be expected for the full year. Certain reclassifications have been made to the accompanying consolidated financial statements and the notes thereto to conform to the current presentation.

NOTE 2 Foreign Exchange:

Our consolidated statements of income include foreign exchange transaction gains (losses) of $0.9 million and $(2.5) million for the three-month and nine-month periods ended September 30, 2012, respectively, and $0.3 million and $(1.8) million for the three-month and nine-month periods ended September 30, 2011, respectively.

NOTE 3 Income Taxes:

The effective income tax rate for the three-month and nine-month periods ended September 30, 2012 was 21.6% and 25.1%, respectively, compared to 25.1% and 23.7% for the three-month and nine-month periods ended September 30, 2011, respectively. The Company s effective income tax rate fluctuates based on, among other factors, our level and location of income. The difference between the U.S. federal statutory income tax rate and our effective income tax rate for the 2012 and 2011 periods is mainly due to the impact of earnings from outside the U.S. Our effective income tax rate for the 2012 periods was impacted by $4.5 million of net tax benefits related principally to the release of various tax reserves for uncertain domestic tax positions due to the expiration of the statute of limitations related to the 2008 tax year. Our effective income tax rate for the nine-month period ended September 30, 2012 was also impacted by $94.7 million in pre-tax charges ($73.6 million after income taxes) associated with our exit of the phosphorous flame retardants business (see Note 13).

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

(Unaudited)

NOTE 4 Earnings Per Share:

Basic and diluted earnings per share for the three-month and nine-month periods ended September 30, 2012 and 2011 are calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per share amounts)			
Basic earnings per share				
Numerator:				
Net income attributable to Albemarle Corporation	$ 99,261	$ 116,098	$ 245,036	$ 336,837
Denominator:				
Weighted-average common shares for basic earnings per share	89,327	89,935	89,246	91,094
Basic earnings per share	$ 1.11	$ 1.29	$ 2.75	$ 3.70
Diluted earnings per share				
Numerator:				
Net income attributable to Albemarle Corporation	$ 99,261	$ 116,098	$ 245,036	$ 336,837
Denominator:				
Weighted-average common shares for basic earnings per share	89,327	89,935	89,246	91,094
Incremental shares under stock compensation plans	552	1,023	713	996
Total shares	89,879	90,958	89,959	92,090
Diluted earnings per share	$ 1.10	$ 1.28	$ 2.72	$ 3.66

On February 15, 2012, the Company increased the regular quarterly dividend by 14% to $0.20 per share. On July 12, 2012, the Company declared a cash dividend of $0.20 per share, which was paid on October 1, 2012 to shareholders of record at the close of business as of September 14, 2012. On October 9, 2012, the Company declared a cash dividend of $0.20 per share, which is payable on January 1, 2013 to shareholders of record at the close of business as of December 14, 2012.

During the three-month period ended September 30, 2012, we repurchased 465,000 shares of our common stock for $26.8 million, and during the nine-month period ended September 30, 2012, we repurchased 680,000 shares of our common stock for $40.5 million, pursuant to the terms of our share repurchase program. As of September 30, 2012, there were 4,320,000 shares available for repurchase under our authorized share repurchase plan.

NOTE 5 Inventories:

The following table provides a breakdown of inventories at September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011
	(In thousands)	
Finished goods	$ 373,095	$ 311,869
Raw materials	70,025	74,809
Stores, supplies and other	48,810	44,817
Total inventories	$ 491,930	$ 431,495

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

(Unaudited)

NOTE 6 Investments:

During the nine months ended September 30, 2012, we and our joint venture partner each advanced $22.5 million to our 50%-owned joint venture, Saudi Organometallic Chemicals Company (SOCC), pursuant to a long-term loan arrangement whereby the joint venture partners are equally committed to provide partial funding for the construction of SOCC s aluminum alkyls manufacturing facility. Our loan bears quarterly interest at the London Inter-Bank Offered Rate (LIBOR) plus 1.275% per annum (1.63% as of September 30, 2012), with interest receivable on a semi-annual basis on January 1 and July 1. Principal repayments on amounts outstanding under this arrangement are required as mutually agreed upon by the joint venture partners, but with any outstanding balances receivable in full no later than December 31, 2021. This loan receivable outstanding at September 30, 2012 has been recorded in Other assets in our condensed consolidated balance sheet. The recorded value of this receivable approximates fair value as it bears interest based on prevailing variable market rates.

Additionally, during the nine months ended September 30, 2011, we made approximately $10.9 million in capital contributions to SOCC. We have made no additional capital contributions to SOCC during the year 2012.

The carrying value of our unconsolidated investment in Stannica LLC, a variable interest entity for which we are not the primary beneficiary, was $5.6 million and $7.3 million at September 30, 2012 and December 31, 2011, respectively. Our maximum exposure to loss in connection with our continuing involvement with Stannica LLC is limited to our investment carrying value.

NOTE 7 Long-Term Debt:

Long-term debt at September 30, 2012 and December 31, 2011 consisted of the following:

	September 30, 2012	December 31, 2011
	(In thousands)	
Variable-rate domestic bank loans	$	$
5.10% Senior notes, net of unamortized discount of $78 at September 30, 2012 and $103 at December 31, 2011	324,922	324,897
4.50% Senior notes, net of unamortized discount of $2,578 at September 30, 2012 and $2,814 at December 31, 2011	347,422	347,186
Fixed rate foreign borrowings	22,180	24,778
Capital lease obligation		2,006
Variable-rate foreign bank loans	18,816	64,326
Miscellaneous	394	480
Total long-term debt	713,734	763,673
Less amounts due within one year	12,572	14,416
Long-term debt, less current portion	$ 701,162	$ 749,257

NOTE 8 Commitments and Contingencies:

We had the following activity in our recorded environmental liabilities for the nine months ended September 30, 2012, as follows (in thousands):

Beginning balance at December 31, 2011	$ 12,359
Expenditures	(962)
Changes in estimates recorded to earnings and other	177
Exit of phosphorous flame retardants business	8,700
Foreign currency translation	207
Ending balance at September 30, 2012	20,481
Less amounts reported in Accrued expenses	3,080
Amounts reported in Other noncurrent liabilities	$ 17,401

The amounts recorded represent our future remediation and other anticipated environmental liabilities. Approximately $8.0 million of our recorded liability is related to the closure and post-closure activities at a former landfill associated with our Bergheim, Germany site, which was recorded at the time of our acquisition of this site in 2001. This closure project has

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

(Unaudited)

been approved under the authority of the governmental permit for this site and is scheduled for completion in 2017, with post-closure monitoring to occur for 30 years thereafter. The remainder of our recorded liability is associated with sites that are being evaluated under governmental authority but for which final remediation plans have not yet been approved. These liabilities typically arise during the normal course of our operational and environmental management activities or at the time of acquisition of the site, and are based on internal analysis as well as input from outside consultants. As evaluations proceed at each relevant site, changes in risk assessment practices, remediation techniques and regulatory requirements can occur, therefore such liability estimates may be adjusted accordingly. The timing and duration of remediation activities at these sites will be determined when evaluations are completed. Although it is difficult to quantify the potential financial impact of these remediation liabilities, management estimates (based on the latest available information) that there is a reasonable possibility that future environmental remediation costs associated with our past operations, in excess of amounts already recorded, could be up to approximately $16 million before income taxes.

In connection with the remediation activities at our Bergheim, Germany site as required by the German environmental authorities, we have pledged certain of our land and housing facilities at this site which has an estimated fair value of $5.7 million.

During the second quarter of 2012, the Company recorded $8.7 million in estimated site remediation liabilities at our Avonmouth, United Kingdom site as part of the charges associated with our exit of the phosphorus flame retardant business. Included in these estimated charges are anticipated costs of site investigation, remediation and cleanup activities. We are in the process of reviewing our investigation and remediation plans with local government authorities. Based on current information about site conditions, we anticipate this investigation and remediation program to be substantially complete by the end of 2013.

We believe that any sum we may be required to pay in connection with environmental remediation matters in excess of the amounts recorded should occur over a period of time and should not have a material adverse effect upon our results of operations, financial condition or cash flows on a consolidated annual basis, although any such sum could have a material adverse impact on our results of operations, financial condition or cash flows in a particular quarterly reporting period.

On July 3, 2006, we received a Notice of Violation (the 2006 NOV) from the U.S. Environmental Protection Agency Region 4, or EPA, regarding the implementation of the Pharmaceutical Maximum Achievable Control Technology standards at our plant in Orangeburg, South Carolina. The alleged violations involve (i) the applicability of the specific regulations to certain intermediates manufactured at the plant, (ii) failure to comply with certain reporting requirements, (iii) improper evaluation and testing to properly implement the regulations and (iv) the sufficiency of the leak detection and repair program at the plant. In the second quarter of 2011, the Company was served with a complaint by the EPA in the United States District Court for the District of South Carolina, based on the alleged violations set out in the 2006 NOV seeking civil penalties and injunctive relief. The complaint was subsequently amended to add the State of South Carolina as a plaintiff. We intend to vigorously defend this action. Any settlement or finding adverse to us could result in the payment by us of fines, penalties, capital expenditures, or some combination thereof. At this time, it is not possible to predict with any certainty the outcome of this litigation or the financial impact which may result therefrom. However, we do not expect any financial impact to have a material adverse effect on the Company s results of operations, financial condition or cash flows.

In addition, we are involved from time to time in legal proceedings of types regarded as common in our business, including administrative or judicial proceedings seeking remediation under environmental laws, such as the federal Comprehensive Environmental Response, Compensation and Liability Act, commonly known as CERCLA or Superfund, products liability, breach of contract liability and premises liability litigation. Where appropriate, we may establish financial reserves as estimated by our general counsel for such proceedings. We also maintain insurance to mitigate certain of such risks. Costs for legal services are generally expensed as incurred.

We have contracts with certain of our customers, which serve as guarantees on product delivery and performance according to customer specifications that can cover both shipments on an individual basis as well as blanket coverage of multiple shipments under customer supply contracts that are executed through certain financial institutions. The financial coverage provided by these guarantees is typically based on a percentage of net sales value.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

(Unaudited)

NOTE 9 Operating Segments:

Segment income represents operating profit (adjusted for significant non-recurring items) and equity in net income of unconsolidated investments and is reduced by net income attributable to noncontrolling interests. Segment data includes intersegment transfers of raw materials at cost and allocations for certain corporate costs.

Summarized financial information concerning our reportable segments is shown in the following table. Corporate & other includes corporate-related items not allocated to the reportable segments.

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	(In thousands)			
Net sales:				
Polymer Solutions	$ 216,992	$ 243,931	$ 692,139	$ 792,604
Catalysts	251,201	299,531	773,867	827,339
Fine Chemistry	193,033	179,515	591,818	541,672
Total net sales	$ 661,226	$ 722,977	$ 2,057,824	$ 2,161,615
Segment operating profit:				
Polymer Solutions	$ 42,964	$ 55,219	$ 157,487	$ 203,900
Catalysts	53,937	93,682	185,656	209,251
Fine Chemistry	46,036	34,793	135,543	111,387
Total segment operating profit	142,937	183,694	478,686	524,538
Equity in net income of unconsolidated investments:				
Polymer Solutions	1,199	1,357	4,957	6,496
Catalysts	6,736	8,170	24,276	30,796
Fine Chemistry				
Corporate & other		(27)		(174)
Total equity in net income of unconsolidated investments	7,935	9,500	29,233	37,118
Net (income) loss attributable to noncontrolling interests:				
Polymer Solutions	(602)	(2,021)	(1,255)	(9,200)
Catalysts				
Fine Chemistry	(4,373)	(4,789)	(11,577)	(14,439)
Corporate & other		(50)	(20)	57
Total net income attributable to noncontrolling interests	(4,975)	(6,860)	(12,852)	(23,582)

Segment income:				
Polymer Solutions	43,561	54,555	161,189	201,196
Catalysts	60,673	101,852	209,932	240,047
Fine Chemistry	41,663	30,004	123,966	96,948
Total segment income	145,897	186,411	495,087	538,191
Corporate & other[(a)]	(7,993)	(23,462)	(48,466)	(72,889)
Restructuring and other charges[(b)]	(6,508)		(101,211)	
Interest and financing expenses	(7,914)	(9,710)	(25,134)	(28,576)
Other income, net	2,370	956	1,564	534
Income tax expense[(c)]	(26,591)	(38,097)	(76,804)	(100,423)
Net income attributable to Albemarle Corporation	$ 99,261	$ 116,098	$ 245,036	$ 336,837

(a) Corporate and other charges for the three-month and nine-month periods ended September 30, 2012 include reductions in performance-based incentive compensation accruals comprised of approximately $5.4 million in adjustments based on current estimates of related performance achievement measures and approximately $2.2 million in adjustments associated with forfeitures from employee departures. These items are reflected primarily in Selling, general and administrative expenses in our consolidated statements of income.

(b) The three-month and nine-month periods ended September 30, 2012 include a settlement charge of $6.5 million ($4.1 million after income taxes) associated with our SERP in connection with the retirement of our former CEO and executive chairman. The nine-month period ended September 30, 2012 also includes charges amounting to $94.7 million ($73.6 million after income taxes) in connection with our exit of the phosphorous flame retardants business.

(c) The three-month and nine-month periods ended September 30, 2012 includes $4.5 million of net tax benefits related principally to the release of various tax reserves for uncertain domestic tax positions due to the expiration of the statute of limitations related to the 2008 tax year.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

(Unaudited)

NOTE 10 Pension Plans and Other Postretirement Benefits:

The following information is provided for domestic and foreign pension and postretirement defined benefit plans:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Net Periodic Pension Benefit Cost (Credit):				
Service cost	$ 3,174	$ 3,242	$ 9,391	$ 9,677
Interest cost	8,076	8,252	24,271	24,713
Expected return on assets	(11,634)	(12,152)	(34,913)	(36,438)
Amortization of prior service benefit	(245)	(238)	(731)	(714)
Amortization of net loss	9,124	6,562	27,224	19,669
Total net periodic pension benefit cost	$ 8,495	$ 5,666	$ 25,242	$ 16,907
Net Periodic Postretirement Benefit Cost (Credit):				
Service cost	$ 69	$ 65	$ 206	$ 197
Interest cost	793	848	2,379	2,545
Expected return on assets	(122)	(127)	(366)	(382)
Amortization of prior service benefit	(24)	(174)	(72)	(523)
Amortization of net loss	446	602	1,338	1,807
Total net periodic postretirement benefit cost	$ 1,162	$ 1,214	$ 3,485	$ 3,644
Total net periodic pension and postretirement benefit cost	$ 9,657	$ 6,880	$ 28,727	$ 20,551

During the three-month and nine-month periods ended September 30, 2012, we made a contribution of $14.1 million to our SERP in connection with the retirement of our former CEO and executive chairman, triggering a pension settlement charge of approximately $6.5 million which was reported in Restructuring and other charges on our consolidated statements of income for the three-month and nine-month periods ended September 30, 2012.

During the three-month and nine-month periods ended September 30, 2012, we made contributions of $0.3 million and $3.0 million, respectively, to our qualified and nonqualified pension plans. During the three-month and nine-month periods ended September 30, 2011, we made contributions of $1.1 million and $54.7 million, respectively, to our qualified and nonqualified pension plans.

We paid $0.7 million and $2.6 million in premiums to the U.S. postretirement benefit plan during the three-month and nine-month periods ended September 30, 2012, respectively. Also, we paid $0.7 million and $2.8 million in premiums to the U.S. postretirement benefit plan during the three-month and nine-month periods ended September 30, 2011, respectively.

On October 1, 2012, various amendments to certain of our U.S. pension and defined contribution plans were approved by our Board of Directors. These amendments provide for formula changes to the related defined contribution plans as well as special benefits for certain defined benefit plan participants which culminate in a freeze of pension benefits under the related qualified and nonqualified defined benefit plan after a two year transition period. Using latest available actuarial assumptions, these changes are expected to result in the recognition of a defined benefit pension plan curtailment gain in the fourth quarter of 2012 expected to range between $4 million and $6 million, as well as a one-time employer contribution to the Company s defined contribution plan in the fourth quarter of 2012 (estimated to range between $10 million and $11 million).

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

(Unaudited)

NOTE 11 Fair Value of Financial Instruments:

In assessing the fair value of financial instruments, we use methods and assumptions that are based on market conditions and other risk factors existing at the time of assessment. Fair value information for our financial instruments is as follows:

Long-Term Debt The carrying value of long-term debt reported in the accompanying condensed consolidated balance sheets, with the exception of the 4.50% and 5.10% senior notes and the foreign currency denominated debt at Jordan Bromine Company Limited, approximates fair value as substantially all of the long-term debt bears interest based on prevailing variable market rates currently available in the countries in which we have borrowings. The fair values of the 4.50% and 5.10% senior notes are estimated using Level 1 inputs and account for the majority of the difference between the recorded amount and fair value of our long-term debt.

	September 30, 2012		December 31, 2011	
	Recorded Amount	Fair Value	Recorded Amount	Fair Value
	(In thousands)			
Long-term debt	$ 713,734	$ 781,207	$ 763,673	$ 819,854

Foreign Currency Forward Contracts we enter into foreign currency forward contracts in connection with our risk management strategies in an attempt to minimize the financial impact of changes in foreign currency exchange rates. These derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes. The fair values of our foreign currency forward contracts are estimated based on current settlement values. At September 30, 2012 and December 31, 2011, we had outstanding foreign currency forward contracts with notional values totaling $192.8 million and $148.7 million, respectively. At September 30, 2012 and December 31, 2011, $0.4 million and $0.9 million, respectively, was included in Accrued expenses associated with the fair value of our foreign currency forward contracts.

Gains and losses on foreign currency forward contracts are recognized currently in Other income, net; further, fluctuations in the value of these contracts are generally offset by the changes in the value of the underlying exposures being hedged. For the three-month and nine-month periods ended September 30, 2012, we recognized a gain of $3.0 million and a loss of $1.1 million, respectively, in Other income, net in our consolidated statements of income related to the change in the fair value of our foreign currency forward contracts. For the three-month and nine-month periods ended September 30, 2011, we recognized a loss of $1.6 million and a gain of $4.1 million, respectively, in Other income, net in our consolidated statements of income related to the change in the fair value of our foreign currency forward contracts. These amounts are substantially offset by changes in the value of the underlying exposures being hedged which are also reported in Other income, net. Also, for the nine-month periods ended September 30, 2012 and 2011, we recorded $1.1 million and $(4.1) million, respectively, related to the change in the fair value of our foreign currency forward contracts, and cash settlements of $(1.6) million and $0.1 million, respectively, in Other, net in our condensed consolidated statements of cash flows.

NOTE 12 Fair Value Measurement:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The inputs used to measure fair value are classified into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability

Level 3 Unobservable inputs for the asset or liability

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

(Unaudited)

We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables set forth our financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	Quoted Prices in Active Markets for Identical Items (Level 1)	Quoted Prices in Active Markets for Similar Items (Level 2)
Assets:			
Investments under executive deferred compensation plan [a]	$ 19,329	$ 19,329	$
Equity securities [b]	$ 23	$ 23	$
Liabilities:			
Obligations under executive deferred compensation plan [a]	$ 19,329	$ 19,329	$
Foreign currency forward contracts [c]	$ 393	$	$ 393

	December 31, 2011	Quoted Prices in Active Markets for Identical Items (Level 1)	Quoted Prices in Active Markets for Similar Items (Level 2)
Assets:			
Investments under executive deferred compensation plan [a]	$ 16,786	$ 16,786	$
Equity securities [b]	$ 17	$ 17	$
Liabilities:			
Obligations under executive deferred compensation plan [a]	$ 16,786	$ 16,786	$
Foreign currency forward contracts [c]	$ 869	$	$ 869

(a) We maintain an Executive Deferred Compensation Plan (EDCP) that was adopted in 2001 and subsequently amended. The purpose of the EDCP is to provide current tax planning opportunities as well as supplemental funds upon the retirement or death of certain of our employees. The EDCP is intended to aid in attracting and retaining employees of exceptional ability by providing them with these benefits. We also maintain a Benefit Protection Trust, or the Trust, that was created to provide a source of funds to assist in meeting the obligations of the EDCP, subject to the claims of our creditors in the event of our insolvency. Assets of the Trust are consolidated in accordance with authoritative guidance. The assets of the Trust consist primarily of mutual fund investments (which are accounted for as trading securities and are marked-to-market on a monthly basis through the consolidated statements of income) and cash and cash equivalents. As such, these assets and obligations are classified within Level 1.

(b) Our investments in equity securities are classified as available-for-sale and are reported in Investments in the condensed consolidated balance sheets. The changes in fair value are reported in Other in our consolidated statements of comprehensive income. These securities are classified within Level 1.

(c) As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates, which may adversely affect our operating results and financial position. When deemed appropriate, we minimize our risks from interest and foreign currency exchange rate fluctuations through the use of derivative financial instruments. The foreign currency forward contracts are valued using broker quotations or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are classified within Level 2.

ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

(Unaudited)

NOTE 13 Restructuring and Other

The three-month and nine-month periods ended September 30, 2012 include a settlement charge of $6.5 million associated with our SERP in connection with the retirement of our former CEO and executive chairman.

The nine-month period ended September 30, 2012 includes charges amounting to $94.7 million ($73.6 million after income taxes) in connection with our exit of the phosphorous flame retardants business, whose products were sourced mainly at our Avonmouth, United Kingdom and Nanjing, China manufacturing sites. The charges are comprised mainly of non-cash items consisting of net asset write-offs of approximately $57 million and write-offs of foreign currency translation adjustments of approximately $12 million, as well as accruals for future cash costs associated with related severance programs of approximately $13 million, estimated site remediation costs of approximately $9 million and other estimated exit costs of approximately $4 million. Cash payments in connection with this business exit are anticipated to be made through the expected restructuring plan completion date during the year 2014.

We had the following activity in our recorded workforce reduction liabilities for the nine months ended September 30, 2012 (in thousands):

Beginning balance at December 31, 2011	$ 4,780
Workforce reduction charges[a]	13,141
Payments	(7,393)
Amount reversed to income	(19)
Foreign currency translation	138
Ending balance at September 30, 2012	10,647
Less amounts reported in Accrued expenses	8,721
Amounts reported in Other noncurrent liabilities	$ 1,926

(a) The nine months ended September 30, 2012 includes a charge of $13.1 million relating to reduction in force liabilities associated with our exit of the phosphorous flame retardants business noted above. The majority of the payments for this liability are expected to occur in 2012.

Also, the nine months ended September 30, 2012 includes a gain of $8.1 million ($5.1 million after income taxes) resulting from proceeds received in connection with the settlement of certain commercial litigation (net of estimated reimbursement of related legal fees of approximately $0.9 million). The litigation involved claims and cross-claims relating to alleged breaches of a purchase and sale agreement. The settlement resolves all outstanding issues and claims between the parties and they agreed to dismiss all outstanding litigation and release all existing and potential claims against each other that were or could have been asserted in the litigation. The nine months ended September 30, 2012 also includes an $8 million ($5.1 million after income taxes) charitable contribution to the Albemarle Foundation, a non-profit organization that sponsors grants, health and social projects, educational initiatives, disaster relief, matching gift programs, scholarships and other charitable initiatives in locations where our employees live and operate. These items are included in our consolidated Selling, general and administrative expenses for the nine months ended September 30, 2012.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

(Unaudited)

NOTE 14 Other Comprehensive Income (Loss):

The amount of income tax (expense) benefit allocated to each component of Other comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2012 and 2011 is provided in the following:

	Three Months Ended September 30, 2012 (In thousands)			2011		
	Foreign Currency Translation	Pension and Post-retirement Benefits[b]	Other	Foreign Currency Translation	Pension and Post-retirement Benefits	Other
Other comprehensive income (loss), before tax	$ 29,445	15,811	$ 49	$ (74,516)	$ 6,753	$ 56
Income tax (expense) benefit	(280)	(5,781)	(20)	2,160	(2,471)	(21)
Other comprehensive income (loss), net of tax	$ 29,165	10,030	$ 29	$ (72,356)	$ 4,282	$ 35

	Nine Months Ended September 30, 2012 (In thousands)			2011		
	Foreign Currency Translation[a]	Pension and Post-retirement Benefits[b]	Other	Foreign Currency Translation	Pension and Post-retirement Benefits	Other
Other comprehensive income, before tax	$ 743	$ 44,554	$ 155	$ 20,392	$ 13,995	$ 204
Income tax (expense) benefit	1,552	(16,282)	(60)	3,788	(5,090)	(77)
Other comprehensive income, net of tax	$ 2,295	$ 28,272	$ 95	$ 24,180	$ 8,905	$ 127

(a) The nine-month period ended September 30, 2012 includes a non-cash write-off of foreign currency translation adjustments of $12.3 million from Accumulated other comprehensive loss in connection with our exit of the phosphorous flame retardants business (see Note 13) in accordance with current accounting guidance.

(b) The three-month and nine-month periods ended September 30, 2012 include a reclassification of $6.5 million from Accumulated other comprehensive loss associated with our SERP in connection with the retirement of our former CEO and executive chairman (see Note 13).

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

(Unaudited)

NOTE 15 Recently Issued Accounting Pronouncements:

In December 2011, the FASB issued new accounting guidance that will require entities to disclose information about financial instruments (including derivatives) and transactions eligible for offset in the statement of financial position or subject to an agreement similar to a master netting arrangement. These new provisions are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods, and should be applied retrospectively for all comparative periods presented. We are assessing the impact of these new requirements on our financial statements.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.
The following is a discussion and analysis of our financial condition and results of operations since December 31, 2011. A discussion of consolidated financial condition and sources of additional capital is included under a separate heading Financial Condition and Liquidity on page 33.

Forward-looking Statements

Some of the information presented in this Quarterly Report on Form 10-Q, 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, may, should, will and v 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. Therefore, there can be no assurance 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:

changes in economic and business conditions;

changes in financial and operating performance of our major customers, industries and markets served by us;

the timing of orders received from customers;

the gain or loss of significant customers;

competition from other manufacturers;

changes in the demand for our products;

limitations or prohibitions on the manufacture and sale of our products;

availability of raw materials;

changes in the cost of raw materials and energy, and our ability to pass through such increases;

acquisitions and divestitures, and changes in performance of acquired companies;

changes in our markets in general;

fluctuations in foreign currencies;

changes in laws and government regulation of our operations or our products;

the occurrence of claims or litigation;

the occurrence of natural disasters;

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;

political instability affecting our manufacturing operations or joint ventures;

changes in accounting standards;

the inability to achieve results from our global manufacturing cost reduction initiatives as well as our ongoing continuous improvement and rationalization programs;

changes in jurisdictional mix of our earnings and changes in tax laws and rates;

- changes in monetary policies, inflation or interest rates that may impact our ability to raise capital or increase our cost of funds, impact the performance of our pension fund investments and increase our pension expense and funding obligations;

- volatility and substantial uncertainties in the debt and equity markets;

- technology or intellectual property infringement; 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. The following discussion should be read together with our consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q.

Overview

We are a leading global developer, manufacturer and marketer of highly-engineered specialty chemicals that meet customer needs across an exceptionally diverse range of end markets including the petroleum refining, consumer electronics, plastics/packaging, construction, automotive, lubricants, pharmaceuticals, crop protection, food-safety and custom chemistry services markets. We are committed to global sustainability and are advancing responsible eco-practices and solutions in our three business segments. We believe that our commercial and geographic diversity, technical expertise, innovative capability, flexible, low-cost global manufacturing base, experienced management team and strategic focus on our core base technologies will enable us to maintain leading market positions in those areas of the specialty chemicals industry in which we operate.

Secular trends favorably impacting demand within the end markets that we serve combined with our diverse product portfolio, broad geographic presence and customer-focused solutions will continue to be key drivers to our future earnings growth. We continue to build upon our existing green solutions portfolio and our ongoing mission to provide innovative, yet commercially viable, clean energy products and services to the marketplace. We believe our disciplined cost reduction efforts, ongoing productivity improvements and strong balance sheet will position us well to take advantage of strengthening economic conditions as they occur while softening the negative impact of the current challenging economic environment.

Third Quarter 2012

During the third quarter of 2012:

- We achieved quarterly earnings of $1.10 per share (on a diluted basis), down 14% from third quarter 2011 results.

- Our net sales for the quarter were $661.2 million, down 9% from net sales of $723.0 million in the third quarter of 2011.

- We announced the expansion of our finished catalysts and components facility in Yeosu, Korea. This expansion will be dedicated to producing Albemarle s PureGrowth products, including high purity trimethyl gallium (TMG), triethyl gallium (TEG) and trimethyl aluminum (TMA). Additionally, we announced the grand opening of our new research and operations center at our Yeosu facility during the quarter.

- Our Board of Directors declared a quarterly dividend of $0.20 per share on July 12, 2012, which was paid on October 1, 2012 to shareholders of record at the close of business as of September 14, 2012.

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Outlook

Uncertainty persists regarding the condition of the global economy and we expect these uncertainties to continue through the remainder of 2012. We continue to monitor the economic indicators that generally forecast demand in the end markets that we serve. Some of these key indicators deteriorated in the third quarter, particularly in the electronics and European construction sectors, and signaled a continued slowing over the second half of 2012 which has adversely impacted our top line performance as well as our profitability as we run our production assets at rates lower than recent levels. Despite these current trends, our business fundamentals are sound and strategically well-positioned as we remain focused on managing costs, increasing sales volumes and delivering value to our customers. We believe that when the end markets we serve begin to stabilize and resume growth, our businesses will be ready to respond quickly to the improved market conditions and new business opportunities.

Polymer Solutions: We have seen year-over-year volume softness unfavorably impact our net sales and profitability through the first nine months of 2012 versus the corresponding period of 2011, which we believe is attributable to end-market response to continuing global economic challenges. We are closely monitoring customer order patterns and other key indicators in our business during this period, with economic indicators (such as for the electronics and European construction sectors) showing trends that indicate continued slowing for the rest of the year. These trends, should they continue, will likely have adverse impacts on our net sales and profitability for the remainder of 2012 and possibly into 2013, including impacts from running our production assets at rates lower than recent levels.

Despite these current trends and concerns, we believe that the combination of solid business fundamentals with our competitive position, product innovations and effective management of raw material inventory inflation will enable our business to manage through these periods of end-market challenges and to capitalize on opportunities that will come with a sustained economic recovery. Further, we believe our business has been strengthened by our recent exit from the phosphorous flame retardants business and expect this business exit will yield improvements in our future profitability.

On a long-term basis, we continue to believe that improving global standards of living and the potential for increasingly stringent fire safety regulations in developing markets should drive continued demand for fire safety products. Further, we continue to focus on globalization in this segment, with our antioxidants facilities in China positioning us well for growth in the Asia region. Although we have elected to delay the expansion of our flame retardant production capacity at our JBC joint venture in Safi, Jordan based on current bromine balances and end market demand, we remain well-positioned to meet future demand as global economic growth and global bromine supply/demand dynamics warrant the resumption of this expansion.

Catalysts: Lower metals surcharges, mix shifts from HPC to FCC in our Refinery Catalysts division and unfavorable foreign currency effects have resulted in overall lower year-over-year net sales for our Catalysts segment during the first nine months of 2012. The long-running global trends driving fundamental demand for refinery catalysts have remained strong through the end of the third quarter this year. We have seen significant declines in metals surcharges, especially rare earths, relative to levels in the corresponding period of 2011. As a result of these declines, our refinery catalysts business has faced significant headwinds toward achieving net sales performance comparable with 2011, with unfavorable profitability impacts in our FCC refinery catalysts business based on the year-over-year metals surcharges and related cost impacts (mainly rare earths) which we believe will continue through the end of 2012. However, we expect our volumes in refinery catalysts (mainly HPC) and in our Performance Catalysts Solutions division (PCS) to finish strong in the fourth quarter of 2012 and partially offset these headwinds as well as position us for continued growth in 2013.

On a longer term basis, we believe increased global demand for petroleum products, the generally deteriorating quality of crude oil feedstock and implementation of more stringent fuel quality requirements are expected to drive growth in our refinery catalysts business. In addition, we expect growth in our PCS division to come from growing global demand for plastics driven by rising standards of living and infrastructure spending, particularly in Asia and the Middle East, as well as from the LED market, driven by energy efficiency demands.

New market penetrations and introduction of innovative cost-effective products for the refining and polyolefins industries continue to provide benefits. We believe our focus on advanced product development in Catalysts positions us well for commercial success, and we have introduced new value-added refining solutions and technologies that enable refiners to increase yields, a critical advantage for refiners. Our marketing and research groups are tightly aligned, enabling us to continue to bring innovative technologies to the market.

We expect to leverage our existing positions in the Middle East, Asia and Brazil, along with our joint ventures, to capitalize on growth opportunities and further develop our leading position in those emerging markets. Our joint venture in Saudi Arabia with SABIC, expected to be operational in late 2012, positions us to lead in the fast-growing Middle East polyolefins market. Construction at our Yeosu, South Korea site is progressing well, where existing assets have allowed us

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to rapidly develop research and small-scale production facilities, adding immediate value to the metallocene polyolefin markets. Intermediate commercial operations at the site began in 2011, with the commercial facility expected to be operational by the first quarter of 2013 to meet regional growth in metallocene polyolefins markets. Additionally, we are finalizing the design package for a future Brazilian hydroprocessing catalysts investment with Petrobras.

Fine Chemistry: In our Fine Chemistry segment, we have seen positive year-over-year net sales and income growth overall during the first nine months of 2012 as a result of volume growth primarily in custom services and in performance chemicals. This segment continues to benefit from the rapid pace of innovation and the introduction of new products, coupled with the movement by companies to outsource certain research, product development and manufacturing functions. We believe we can sustain healthy margins with continued focus on the two strategic areas in our Fine Chemistry segment   maximizing our bromine franchise value in the performance chemicals sector and continued growth of our fine chemistry services business.

In our performance chemicals sector, our completion fluids business showed signs of modest drilling activity during the first nine months of 2012; although drilling rates appear to have improved to date (especially in the U.S. Gulf of Mexico), we continue to monitor these indicators very closely. Additionally, we remain encouraged by long-term regulatory drivers in the U.S. and China for our mercury control business and we are positioned to provide this market and other high growth bromine and derivatives markets with sensible and sustainable solutions.

On a longer term basis, we are focused on profitably growing our globally competitive bromine and derivatives production network to serve all major bromine consuming products and markets. We believe the global supply/demand gap will continue to tighten as demand for existing and new uses of bromine expand. We have commenced an expansion of our bromine and derivatives production capacity (excluding flame retardants) at our JBC joint venture in Safi, Jordan, with commercial completion and start-up of the first two phases of this expansion expected in the first quarter of 2013.

Our fine chemistry services businesses have delivered strong net sales and profitability for the first nine months of 2012, and opportunities are expanding in the renewables, life sciences and electronic materials markets. Our pharmaceutical and crop protection businesses continue to deliver solid results. We expect product development opportunities to continue, such as partnering with ExxonMobil Corporation to make a specialty lubricant and with pharmaceutical developers like SIGA Technologies in their manufacture of the ST-246 smallpox drug.