



Can a company be defined by what it cares about?

In sophisticated labs and modern plants across the globe, Albemarle creates essential ingredients for brands millions of people trust every day — products that make life healthier, safer, cleaner and more enjoyable. Yet in the long run, our reputation and value as a company can only be as strong as our commitment to:

A diverse, innovative workforce and safe, efficient workplaces;

An environment uncompromised by our products or processes; and

Strong, healthy communities where families grow and thrive.

We realize the power we have to be a positive force. To treat our corporate responsibilities as humanistic opportunities. To meet societal and environmental needs with a successful, self-sustaining business model.

Only actions, we believe, can truly define a company. We're doing everything in our power to ensure our actions support the things that matter most.



Dear Stakeholder,

Sustainability. It's a big word that you hear a lot these days.

Pick up any newspaper or magazine, turn on your television or scan the Internet — the current buzz is certainly sustainability. But just what, exactly, does it mean?

In 2007, we worked hard to more formally define sustainability for Albemarle. Through a series of one-on-one discussions, group meetings and genuinely spirited discourse, we discovered that, in our company culture, sustainability is comprised of several principles. These principles guide our efforts to improve the quality of human life through our innovative products and drive our

commitment to do the right thing in our communities and all of our business practices. We also found that while sustainability may be the current trend around the globe, in many respects we've been living and working these principles all along by concentrating on **what matters most.**

So, what is sustainability?

At Albemarle, we believe it's a combination of pursuits that must be considered in order to develop harmonious economic, social and environmental solutions. We believe this "world balance" is critical to securing a high-quality, equitable way of life for current and future generations. We believe our talents and resources give us the opportunity and the inherent responsibility to meet these challenges. And we believe our innovative capabilities can make a profound difference on society and the environment, while creating a successful business model that delivers dependable, consistent value to our stakeholders.

These core beliefs serve as the foundation for *Albemarle's Principles of Sustainability* — six guiding tenets we hold as cornerstones for creating a responsible and meaningful legacy:

- ¥ Governance and Integrity
- ¥ Corporate Citizenship and Community Involvement
- ¥ Social and Environmental Responsibility
- ¥Green Innovation and Design
- ¥ Financial Performance
- ¥Employee Safety and Development

This report was created to provide additional insight about these principles, our efforts to live them in our offices and locations across the globe, and our vision for creating a lasting and responsible organization for the future. While we are proud of the accomplishments we've made to date, we recognize there is much work to be done and we are energized by the opportunities ahead.

As we move forward, we will be bold in creating innovative and sustainable products that meet societal and environmental needs, and in seeking new technologies and capabilities that broaden our ability to make a positive impact. We will work to accelerate our product discovery process and delivery to market. We will expand our presence in emerging economies and nurture the communities in which we work, live and play. And we will meet these objectives with integrity and purpose by focusing on the issues that are truly important.

We hope you enjoy our report and look forward to updating you on our progress again next year.

Sincerely,

Mark C. Rohr
Chairman, President and CEO

SUSTAINABILTY PRINCIPLE 1

Governance + Integrity

Our success must be guided by a global company culture of ethics, integrity and accountability. We demand rigorous compliance with our code of conduct, appropriate laws, and the highest business and financial standards. We train to these high standards. And we expect all employees to do what's right — the first time and every time.

Sustainability is a daily responsibility that falls to every employee in every location. At the broadest level, we are guided by *The Albemarle Principles*:

OUR MISSION is to be the best-performing specialty chemical company by all metrics and standards through our principles of:

Integrity – Unwavering commitment to truth, candor and objectivity; It is imperative that we operate our business in a simple, clear, transparent and honest manner

Stewardship – Uncompromising with regard to quality and safety; We will operate our plants and run our business in a way that respects the environment and protects the health and safety of our stakeholders.

Planning – Designing a sustainable future by taking initiative with our thoughts, words and capital to validate our future condition and vision.

Discipline – Targeting the achievement of perfection based on solid execution, built on learning, training and restraint.

Innovation – Challenging the status quo, we will think differently and drive creativity to solve the problems that drive value. Past successes do not necessarily lead us to future success. Our stakeholders are counting on us.

Customer Fulfillment – Meeting and exceeding our customers' expectations to solve problems and provide a seamless supply of our products and services. The key to leadership in our strategic markets is customer service. Our front line people put a face on our business and have tremendous influence. If they are tenacious, aggressive and proactive, our leadership will continue. Leadership is earned and not tenured and must never be taken for granted.

Communication – Communicating openly, honestly, and frequently, in an active, two-way process, is essential to our success. Our leadership team will listen to our stakeholders in an environment where all of our stakeholders feel they will be heard without repercussion. Good communication identifies our immediate needs, as well as our long-term strategies. In this manner, we can align our team to achieve our objectives.

Teamwork – Manifesting great teamwork through hard work, high energy, enthusiasm and innovation. Positive mental attitude and trust make teamwork sustainable. Our business will thrive led by people who truly enjoy what they do, who are excited by the challenges and energized by the possibilities.

In meeting specific sustainability goals, the Albemarle *Health, Safety and Environmental Policy* drives our actions:

Governance and Safety Stewardship – We promote a strong safety culture and heightened sense of awareness for upholding health, safety and environmental standards, both on and off the job. We take personal responsibility for our own safety and the safety of those around us, and we are committed to protecting the environment at our facilities, in our communities, and throughout the supply chain.

Moving forward, Albemarles strategic focus is to be the number one green solutions provider to our chosen markets. Vision 2010 is a company-wide roadmap for exceeding past performance and shareholder expectations by developing innovative ways to solve environmental, health and quality-of-life problems around the world. The cornerstones of our success are:



Solutions: Using our one-of-a-kind team to create solutions that other companies cannot

Sustainability: Doing the right thing with regard to our employees, the environment and society

Chemistry: Pushing innovation in the lab in order to tackle the world's toughest problems

People: Embracing diversity of people and thought; being accountable and taking responsibility

Corporate Citizenship – As responsible corporate citizens, we advocate our environmental, health and safety philosophy in our neighborhoods, at work, in transit and at home. We are committed to making a positive impact in our communities and will continue to support the cornerstones of sustainability, particularly education, health and social services, cultural initiatives and volunteerism.

Green Chemistry Principles and Environmental Responsibility – We strive for continuous improvement in health, safety and environmental performance to support a sustainable business model and ensure our ability to provide innovative solutions that meet societal needs. We will eliminate emission sources and optimize raw material, energy and water usage in our processes. We will be responsive to the concerns of our stakeholders and seek their active participation in these programs.

People and Development – We invest time, energy and money to ensure that our employees — our greatest asset — have the necessary knowledge and expertise to conduct their work in a safe and environmentally responsible manner. We reinforce our initial training with continuing education throughout the employee's career, and we promote cross-communication between our facilities, experience-sharing and establishing best practices.

Financial Performance – Doing the right thing benefits not only our employees, partners and communities, but also our wider stakeholder base. Incremental savings are never justified where there is potential risk to people, property and product, so we will continue to seek wise investments that promote improved processes while ensuring positive health, safety and environmental impact for our constituents.

SUSTAINABILTY PRINCIPLE 2

Corporate Citizenship + Community Involvement

Our facilities, employees and their families are integral members of local communities around the globe. Together, we work to improve the current and future welfare of these communities by sharing our capabilities, knowledge and resources relating to environmental protection, science education, safety and health.



THE POWER OF A MOTIVATED GLOBAL WORKFORCE.

Albemarle employs more than 4,100 women and men in 46 locations across North and South America, Europe and Asia. Working together at the local level, our employees are able to make a positive impact across a wide range of community issues and interests. Each year, we lend valuable resources and support to dozens of projects and causes. Here's a small cross-section of last year's corporate citizenship and community involvement pursuits:

Building a new Foundation for our efforts. In 2007, we created the **Albemarle Foundation** to focus company and

employee efforts on programs that support the cornerstones of sustainability within the communities where we live and work – particularly in the areas of education, health and social services, cultural initiatives and community involvement. The Foundation was introduced successfully in

ΛΙ R F M A R I

Baton Rouge in 2007 and will be rolled out to all U.S. locations. This 501(c)(3) organization is expected to provide more than \$1.4 million to worthy organizations in the Baton Rouge area in 2008 alone.

Playing it safe for children. Magnolia, Arkansas employees identified a need to educate school children about dangerous places to play, such as abandoned houses, old appliances, construction areas, ditches and tanks. In 2007, Magnolia's Play-it-Safe program was presented to 1,500 students in Columbia County and surrounding areas, teaching them why to avoid these unsafe areas and what to do in case of an incident. Magnolia employees were recognized for their efforts with Albemarle's Sustainability Award for Community Initiatives.





Creating a more pleasant walk near work. A pass through the Vliegenbos wood, adjacent to Albemarle's Amsterdam operation, is part of many staffers' morning commute, while still others wander its trails during lunch breaks. The nearly 100-year-old planted forest, home to dense elm and ash stands, as well as many types of animals and bird species, had become littered and in need of trail maintenance. In 2007, Albemarle staff joined Vliegenbos Foundation members and others to clean up

this valuable urban green space.



Exercising our community service spirit. In 2007, employees at Albemarle's Louvain-la-Neuve, Belgium location began a unique fundraising event to benefit the United Fund for Belgium (UFB), which enhances the quality of life of disabled and disadvantaged adults and children across the country. The Swim & Run for UFB gave employees the opportunity to swim and run their way to nearly \$3,000, complementing an in-house campaign that raised even more through employee pledges and corporate contributions.



Making natural tie-ins to our business expertise.

Some community support pursuits are tailor-made for Albemarle. Case in point: Our extensive experience with flame retardants creates a natural opportunity with firefighting, and in 2007, we provided such support in multiple locations. Our Orangeburg site allowed new Orangeburg County Department of Public Services recruits to undergo Firefighting Basics on our training grounds. In Amsterdam, community firefighters and police officials were trained for plant and community service. Our employee-staffed Volunteer Emergency Response Team in Pasadena, Texas, provides fire and emergency services to not only the chemical complex, but also the community at large.

Building strong company and community

relationships. In the Chinese work tradition, the concepts of team building and corporate community relations are seldom practiced. Albemarle's China facilities have

broken from this custom by fostering a number of internal and external activities, including mountain climbing, rope-pulling contests, barbecues, soccer leagues and more. These important efforts demonstrate corporate citizenship, build employee morale and loyalty, and increase visibility for the kind of positive, inclusive culture we're building.



SUSTAINABILTY PRINCIPLE 3

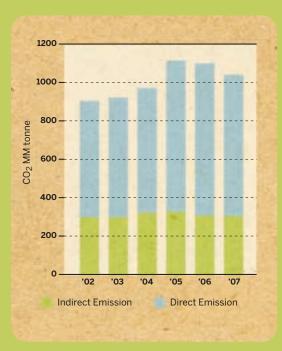
Social + Environmental Responsibility

The production and use of our products should not create an environmental legacy. We will move toward zero-emission facilities; develop new products with low risk profiles; reduce CO₂ emissions at all sites; and work to create and use alternative energy sources.

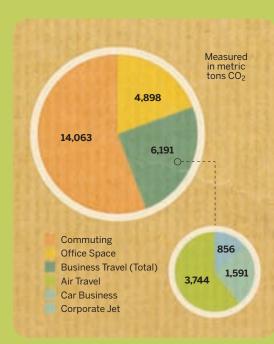
THE PROOF IS IN THE PERFORMANCE.

Albemarle's concern and care for the environment is critical to our sustainable business model — but the real measure of any company's social and environmental commitment is its performance. In 2007, we made significant improvements in several important areas; in some, we fell short of our own ambitious goals. Going forward, we will continue to seek innovative ways to grow our positive social and environmental influence.

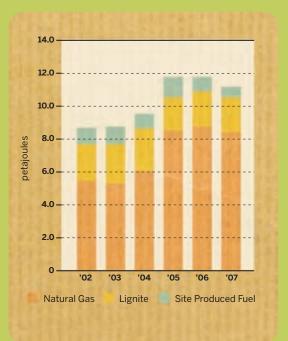
Key Environmental Performance Indicators



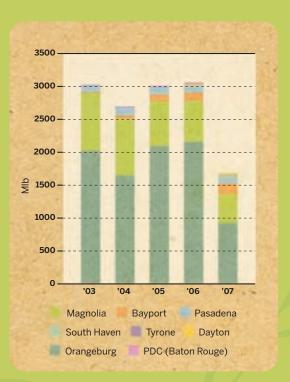
Direct and Indirect CO₂ Emissions: Continuing the reductions experienced in 2006 after company expansion in 2003-2005



CO₂ **emissions from non-manufacturing operations:** Understanding our impact from day-to-day business.



Direct Energy Use: On a downward trend following Albemarle's growth and purchase of additional facilities from 2003-2005



Toxics Release Inventory (U.S. EPA): Significant reductions, with goal of greater than an additional 50% reduction in current levels by 2010



Making a positive impact on biodiverse lands and habitats.

Albemarle gained international notoriety with groundbreaking initiatives at two United States locations:

In Orangeburg, South Carolina, our employee- and contract worker-based Wildlife Habitat team transformed 135 acres of hardwood and evergreen forest along the Edisto River into a natural habitat designed to attract and foster growth of additional wildlife; provide an "outdoor classroom" for community groups and schoolchildren; simplify the facility's land management practices; and assist local and state agencies with the study and analysis of natural

resources. The habitat, nicknamed "The Hundred-Acre Woods" by the Wildlife Habitat team, was certified by the Wildlife Habitat Council's (WHC) Corporate Certification/International Accreditation Program as a commendable wildlife habitat management and environmental education program.

Albemarle's **Magnolia**, **Arkansas** plants were recognized at the WHC Symposium for creating a habitat program that works with regulatory agencies and community members to benefit the local environment and provides valuable services to the manufacturing facilities. The plants, located on 2,300 acres in southwest Arkansas, have dedicated approximately 200 acres to wildlife habitat programs in the form of artificial marshes and wetlands. The marshes provide food, shelter and water to a variety of wildlife species — as well as outstanding educational opportunities for local students and citizens — while providing a low-cost, environmentally friendly alternative to mechanical water treatment facilities. The total project also includes a 100-acre tract that has been reforested, and 1,500 acres of land managed for timber.



Helping reduce flame retardant industry emissions. Albemarle has been a driver in

developing and implementing the global *Voluntary Emissions Control Action Program*, or *VECAP*. As part of this program, we have set aggressive goals to reduce brominated flame retardant (BFR) emissions from our own plants by 50% by the end of 2008, and 100% by 2010. We are also taking a very proactive role in helping our partners and clients to set and achieve high standards for reducing BFR emissions in their own operations. Of special significance: Companies using VECAP have found that its techniques and principles can be applied effectively to a far broader range of chemicals than just BFRs. Learn more about VECAP under Product Stewardship at www.bsef.com.



Albemarle is committed to the principles of Responsible Care, the U.S. chemical industry's award-winning performance initiative that has resulted in 70% emission reductions

and an employee safety record four times better than the

U.S. manufacturing sector average. Responsible Care helps America's leading companies go above and beyond government requirements and openly communicate their results to the public.

Responsible Care®

For questions or comments about our Responsible Care Program, e-mail: HSE@albemarle.com

Working Together for Progress

Albemarle is an active member of many national and international industry associations and advocacy organizations that share our values and sustainability focused business orientation. Among them:





SUSTAINABILTY PRINCIPLE 4

Green Innovation + Design

We are in the business of improving lives through innovation. Our research will embrace the principles of Green Chemistry and look to rapidly develop technologies and products that address society's most pressing needs in our markets. Our focus will be on developing non-toxic products that do not bioaccumulate and require less raw materials and energy than current technologies.

INNOVATION HAS ALWAYS BEEN AN

than ever to channel our human and technological drive for advancement toward more sustainable solutions that benefit our employees, customers, consumers, communities and the environment. We view green innovation and design as integral to the everyday employee experience. And as this report was going to press, each of our three primary business segments (Catalysts, Polymer Additives, Fine Chemicals) reported exciting product- and process-related developments — many of them patentable — that will become public in 2008.

In 2006, we began to formally recognize our individual locations' pursuit of green innovation and design. The projects our teams pursue have several motivations. Energy reductions save money; emission reductions help meet company sustainability targets; and community initiatives are critical to our responsibility as good corporate citizens. With this report, we're proud to recognize the 2007 Albemarle Sustainability Award winners:

CATEGORY: Waste Reduction WINNER: Tyrone (Pennsylvania)

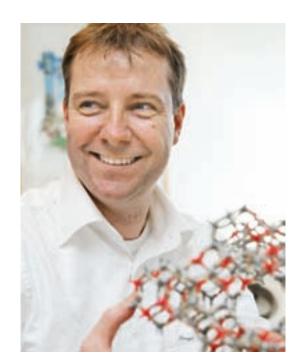
The Tyrone engineering group identified an opportunity to use an alternative media — carbon dioxide, instead of phosphoric acid — to neutralize high pH streams fed into one of its extraction units. Previously, phosphates from the unit would eventually be discharged into the Chesapeake Bay, where they act as a nutrient to algae. With the switch to carbon dioxide made over the final

six months of 2007, the Tyrone site avoided the use of 101,822 pounds of phosphoric acid and resulting discharge of 171,000 pounds of phosphate salts into the regional watershed.

CATEGORY: Toxics Release Inventory/ Hazardous Air Pollutant Reduction WINNERS: Shanghai (China) and Orangeburg (South Carolina)

Albemarle's Shanghai facility is located within a beautiful tourist area near a hot spring resort. As such, the team has worked diligently to preserve air quality by reducing emissions. In 2007, a scrubber attached to coal-fired boilers reduced dust emission by 4.7 kg/hr and SO_2 by 13 kg/hr; an activated carbon absorption bed has significantly reduced xylene emission; and new two-stage methanol absorption columns use purified waste water to absorb methanol from vent pipes — plus, the absorbed methanol will be distilled to obtain concentrated methanol for commercial use.

Our Orangeburg site experienced significant emission reductions in 2007 after improvements to a vent system's operation and reclamation of methylene chloride from a process acid. Compared to 2006 levels, methylene chloride emissions were reduced by 190,000 lbs. and methanol by 364,000 lbs. The acid reclamation eliminated the need to send this material off-site for disposal or deep well injection and, as a result, reduced the toxics release inventory emissions reported for the site.



CATEGORY: Energy and/or Greenhouse Gas Reduction

WINNER: Magnolia (Arkansas)

The South Plant at Magnolia developed a leak reduction program driven by an additional employee hire, whose primary responsibility is to identify and document leaks in the facility's air, nitrogen and steam systems. The new process includes audits of each plant process; estimates of the leak size and pressure of the utility; repairs of the leak; recording of further maintenance action needed; and calculation of the savings/costs of repaired/outstanding leaks. Improvements exceeded expectations and resulted in a 0.7% reduction in facility energy usage — equivalent to a reduction of 1,710 tons of CO₂ emissions (30,000MM Btu/year of energy saved).

HONORABLE MENTION

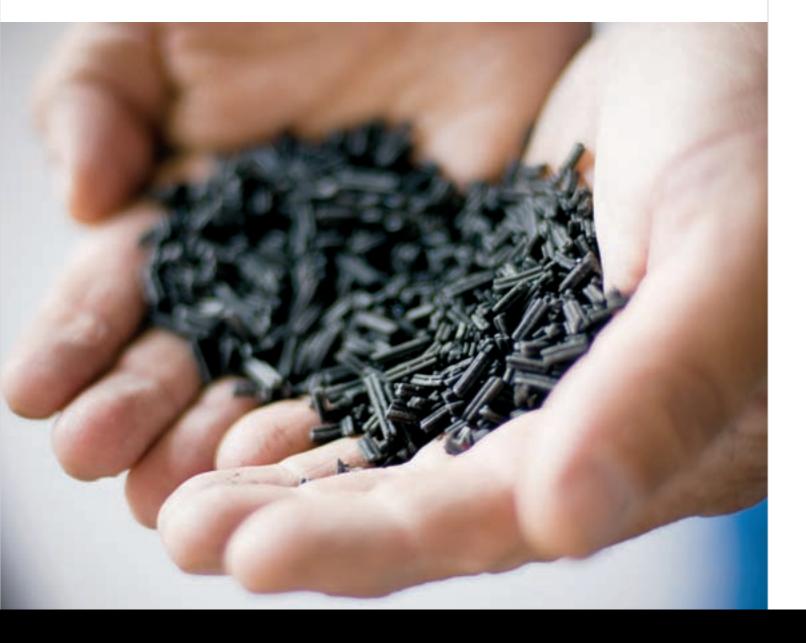
CATEGORY: Waste Reduction WINNER: Jordan Bromine Plant (Safi, Jordan)

The Chlor-Alkali Plant at Jordan Bromine designed and implemented a process for recovering materials from various KCI (potassium chloride) waste streams, which previously necessitated outside liquid waste disposal services. Now, however, the KCI is saved as a solid — reverse osmosis water and de-ionized water are also saved — and returned to the process, resulting in waste reduction of more than 95%, as well as significantly improved safety and housekeeping, and an estimated \$350,000 in combined annual savings.

Green Chemistry: What its all about

Reference: Kirk-Othmer Encyclopedia of Chemical Technology, Volume 12, John Wiley & Sons, Inc.

- Designing safer chemicals and products
- Designing less hazardous chemical synthesis
- Using renewable feedstocksUsing catalysts, not stoichiometric reagents
- Avoiding chemical derivatives
- Maximizing atom economy
- Using safer solvents and reaction conditions
- Increasing energy efficiency
- Designing chemicals and products to degrade after use
- Analyzing in real time to prevent pollution
- Minimizing the potential for accidents



SUSTAINABILTY PRINCIPLE 5

Financial Performance

Company growth fuels all of our sustainability pursuits. We will continually improve our financial performance, generating the free cash flow necessary to expand our technology and business while providing attractive returns to shareholders.

ANOTHER STRONG YEAR. In 2007, Albemarle focused our strategic efforts on growth businesses and emerging economies, while taking steps to build a sustainable business model that delivers powerful and responsible solutions for the future. Key financial and operational achievements include:

- Grew net income, excluding specialty items, 16% to \$233 million from \$201 million, yielding earnings per share of \$2.40, a 16% increase over 2006
- Began operation of our new 10,000-metric ton hydroprocessing catalysts expansion at Bayport, Texas to meet growing global demand for cleaner fuels; also announced major expansion of polyolefin catalysts production in Baton Rouge
- Increased R&D spending by 35%, expanding our investments in all segments in order to speed new products to market and satisfy the needs of the fuel industry; introduced a number of innovative high-performance polymer solutions
- Ended 2007 with 1,600 active patents, approximately 1,600 patents pending, and 25% of sales from new products developed within the past five years



 Repurchased over 2.3 million shares of our common stock; between repurchase and dividend declaration, returned over \$140 million to shareholders in 2007, a 20% increase compared to 2006. Subsequent to year-end, repurchased an additional 4.1 million shares and approved a 14% quarterly dividend increase to \$0.12 per share



2007 Key Financial Results

(IN MILLIONS, EXCEPT PER-SHARE AMOUNTS)	2005	2006	2007
Net Sales	\$ 2,107.5	\$ 2,368.5	\$ 2,336.2
Net Income	\$ 114.9	\$ 201.4	\$ 232.9
EBITDA, excluding special items	\$ 300.0	\$ 391.3	\$ 434.9
Total Assets	\$ 2,555.6	\$ 2,530.4	\$ 2,830.5
Capital Expenditures	\$ 70.0	\$ 99.9	\$ 98.7
Total Long-Term Debt	\$ 833.5	\$ 732.6	\$ 723.9
Employee Compensation	\$ 208.1	\$ 306.6	\$ 326.3





SUSTAINABILTY PRINCIPLE 6

Employee Safety + Development

We strive to maintain a safe work environment for our employees and a safe supply chain for our customers.

We provide guidance and support to our customers to continue the safe stewardship of our materials. And we actively promote a culture that encourages employee diversity and development to one's fullest potential.

SAFETY FROM HARM — AS WELL AS THE FREEDOM TO GROW. That's the dual nature of this sustainability principle, which involves our most important asset: our people. In order to create positive momentum and sustain continuous improvement, we must:

- Make safety synonymous with The Albemarle Experience;
- Attract and retain the best and brightest minds;
- Build a company increasingly distinguished by cultural diversity;
- Provide development opportunities and options throughout one's career;
- Train for and encourage dynamic leadership; and
- Plan for management succession.

improvement process

A solid safety program, documented and understood. At Albemarle, safety is always our first priority, and our formalized Safety Program is clear about our individual duties and expectations:

Our responsibilities include measuring our health,

safety, and environmental performance, and seeking continuous improvement through awareness, pollution prevention, emission reduction, and similar programs. We recognize improvements are essential to our company's success. We will be responsive to the concerns of our stakeholders and shall seek participation by our stakeholders in our safety and environmental

We are committed to understanding the hazards associated with the manufacture, distribution, and

use of our products, and will pursue means to mitigate the risks to our stakeholders. Our commitment includes obtaining and providing accurate information related to the health, safety, and environmental effects of our products so that our employees, distributors, and customers can handle and use these products appropriately and without adverse effects.

To meet our goal of an incident-free, healthy workplace where no adverse environmental impacts occur, no individual should undertake any task unless it can be done in a safe and environmentally responsible manner. Prevention of environmental and safety incidents requires employees and contractors not only to abide by company policies and procedures, but also to work together to eliminate unsafe acts and correct unsafe

A quick, understandable approach. To keep safety top-of-mind in all global locations, Albemarle developed an acronym,

SCAN, which concisely communicates our personal four-step

0.56

0

142

2007 Occupational

Health & Safety Record

Contractor Rate(s) 1.34 (72 lost days)

Injury Rate

Lost Days

Occupational Diseases

Work-related Fatalities



process for avoiding and reacting to incidents. **Survey** reminds us to assess our surroundings and be aware and alert. We should then **Consider** what might happen, thinking always about what

we're doing. Whenever necessary and possible, we should **Act** to prevent incidents, then **Notify** others about what we have done. We've made SCAN visible through signage and other communications vehicles at all locations. In 2008, we will take additional

steps to broaden the program's awareness and impact, not only on Albemarle employees, but also within the communities where we live and work.

All over the world, it's working. Avoiding harm to our workforce is the ultimate measure of a safety program's effect. In 2007, several of our locations celebrated milestone time spans without recordable injuries:

12 YEARS

Baton Rouge Tower

3 YEARS

Teesport, United Kingdom

1YEAF

Process Development Center (Baton Rouge) South Haven, Michigan Nanjing, China Albemarle recognizes that the sustainability of our business depends on how well we manage the impact of our operations. Minimizing our footprint is not just a moral obligation — it's a business imperative. And we are intensely focused on improving our safety and environmental performance, as well as managing our products through an active product stewardship program.

If you have questions about anything you've read in this report, or would like to know more about how we're building a more sustainable future for our people, our communities and the planet we share, please contact:

Niomi Krzystowczyk

Division Vice President Health, Safety and Environment 225-388-7015 sustain ability @albemarle.com

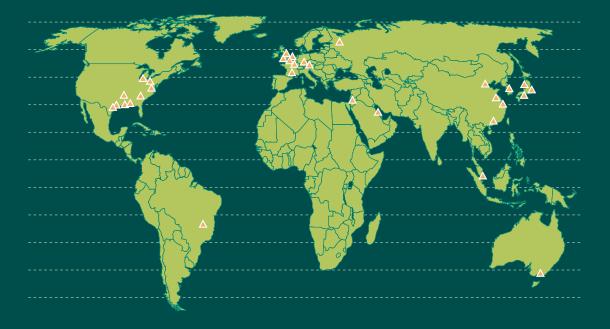












About the Company

Albemarle develops, manufactures and markets specialty chemicals and services that benefit many of the largest and most respected companies in the world. Our products are essential ingredients in brands that millions of people use every day to make their lives healthier, safer, cleaner and more enjoyable.

With corporate roots that date back to 1887, the Albemarle of today is a progressive global operation, driven by a company-wide commitment to three universal themes:

SOLUTIONS: Using our creativity, teamwork, flexibility and enthusiasm to add real business value to our customer relationships

SUSTAINABILITY: Doing the right things — in every community in which we operate — with regard to our employees, the environment and society in general

CHEMISTRY: Continuing to push for innovation in the lab, which is essential for developing leading market positions and creating long-lasting customer value

ALBEMARLE BASICS

Corporate HeadquartersBaton Rouge, Louisiana

Annual Sales

More than \$2.3 billion

Employees

Approximately 4,100

Locations

46 across North and South America, Europe and Asia

Customers

3,400+ in 100 countries