ALBEMARLE CORP
Form 10-Q
October 29, 2010
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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, 2010

OR

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

For 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 incorporation or organization)	**(I.R.S. Employer 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	¨ (Do not check if a smaller reporting company)	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 25, 2010: 91,570,922

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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,	
	2010	2009	2010	2009
Net sales	$ 585,036	$ 515,276	$ 1,757,789	$ 1,447,166
Cost of goods sold	388,213	381,197	1,208,328	1,112,763
Gross profit	196,823	134,079	549,461	334,403
Selling, general and administrative expenses	61,924	56,171	195,319	153,086
Research and development expenses	14,336	14,983	43,722	46,081
Restructuring and other charges			6,958	
Port de Bouc charges				12,393
Operating profit	120,563	62,925	303,462	122,843
Interest and financing expenses	(6,139)	(6,199)	(18,059)	(18,561)
Other income, net	1,303	343	1,584	488
Income before income taxes and equity in net income of unconsolidated investments	115,727	57,069	286,987	104,770
Income tax expense (benefit)	27,886	5,549	68,917	(1,675)
Income before equity in net income of unconsolidated investments	87,841	51,520	218,070	106,445
Equity in net income of unconsolidated investments (net of tax)	9,179	5,809	29,950	17,962
Net income	97,020	57,329	248,020	124,407
Net income attributable to noncontrolling interests	(3,331)	(5,198)	(9,272)	(8,384)
Net income attributable to Albemarle Corporation	$ 93,689	$ 52,131	$ 238,748	$ 116,023
Basic earnings per share	$ 1.03	$ 0.57	$ 2.61	$ 1.27
Diluted earnings per share	$ 1.02	$ 0.57	$ 2.59	$ 1.26
Cash dividends declared per share of common stock	$ 0.14	$ 0.125	$ 0.42	$ 0.375
Weighted-average common shares outstanding basic	91,312	91,588	91,335	91,481

Weighted-average common shares outstanding diluted	92,082	92,174	92,129	91,955

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, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 424,673	$ 308,791
Trade accounts receivable, less allowance for doubtful accounts (2010 - $2,040; 2009 - $2,254)	339,185	294,192
Other accounts receivable	31,544	35,023
Inventories	373,406	347,506
Other current assets	43,254	46,575
Total current assets	1,212,062	1,032,087
Property, plant and equipment, at cost	2,429,616	2,406,129
Less accumulated depreciation and amortization	1,419,752	1,379,246
Net property, plant and equipment	1,009,864	1,026,883
Investments	174,528	146,084
Other assets	122,853	123,259
Goodwill	278,390	292,721
Other intangibles, net of amortization	138,963	150,523
Total assets	$ 2,936,660	$ 2,771,557
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 169,647	$ 170,287
Accrued expenses	133,311	133,268
Current portion of long-term debt	10,182	36,310
Dividends payable	12,485	11,006
Income taxes payable	22,119	2,393
Total current liabilities	347,744	353,264
Long-term debt	755,552	776,403
Postretirement benefits	53,288	53,851
Pension benefits	121,531	148,498
Other noncurrent liabilities	111,053	104,782
Deferred income taxes	109,451	81,441
Commitments and contingencies (Note 13)		
Equity:		
Albemarle Corporation shareholders equity:		
Common stock, $.01 par value, issued and outstanding 91,449 in 2010 and 91,509 in 2009	914	915
Additional paid-in capital	11,218	8,658

Accumulated other comprehensive loss	(117,766)	(91,860)
Retained earnings	1,488,369	1,287,983
Total Albemarle Corporation shareholders equity	1,382,735	1,205,696
Noncontrolling interests	55,306	47,622
Total equity	1,438,041	1,253,318
Total liabilities and equity	$ 2,936,660	$ 2,771,557

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, 2010	**91,509,099**	**$ 915**	**$ 8,658**	**$ (91,860)**	**$ 1,287,983**	**$ 1,205,696**	**$ 47,622**	**$ 1,253,318**
Comprehensive income (loss):								
Net income					238,748	238,748	9,272	248,020
Foreign currency translation (net of deferred tax of $5,683)				(35,714)		(35,714)		(35,714)
Amortization of realized loss on treasury lock agreements (net of deferred tax of $60)				102		102		102
Change in unrealized gain on marketable equity securities (net of deferred tax of $0)				(1)		(1)		(1)
Amortization of prior service benefit, net transition asset and net loss included in net periodic benefit cost (net of deferred tax of $4,465)				7,827		7,827		7,827
Net benefit plan gain arising during period (net of deferred tax of $1,131)				1,915		1,915		1,915
Other (net of deferred tax of $23)				(35)		(35)		(35)
Total comprehensive income						**212,842**	**9,272**	**222,114**
Deconsolidation of Stannica LLC							(8,121)	(8,121)
Cumulative dividend adjustment on JBC noncontrolling interest							8,017	8,017
Cash dividends declared					(38,362)	(38,362)	(1,484)	(39,846)
Stock-based compensation and other			12,549			12,549		12,549
Exercise of stock options	352,559	4	4,675			4,679		4,679
Shares repurchased and retired	(400,356)	(4)	(14,941)			(14,945)		(14,945)
Tax benefit related to stock plans			4,182			4,182		4,182
Issuance of common stock, net	76,864	1	(1)					
Shares withheld for withholding taxes associated with common stock issuances	(89,619)	(2)	(3,904)			(3,906)		(3,906)
Balance at September 30, 2010	**91,448,547**	**$ 914**	**$ 11,218**	**$ (117,766)**	**$ 1,488,369**	**$ 1,382,735**	**$ 55,306**	**$ 1,438,041**
Balance at January 1, 2009	**90,980,309**	**$ 910**	**$**	**$ (100,642)**	**$ 1,165,503**	**$ 1,065,771**	**$ 50,712**	**$ 1,116,483**
Comprehensive income (loss):								
Net income					116,023	116,023	8,384	124,407
				50,853		50,853		50,853

Foreign currency translation (net of deferred tax of $5,041)								
Amortization of realized loss on treasury lock agreements (net of deferred tax $62)				100		100		100
Change in unrealized loss on marketable equity securities (net of deferred tax of $2)				2		2		2
Amortization of prior service benefit, net transition asset and net loss included in net periodic benefit cost (net of deferred tax of $1,220)				2,430		2,430		2,430
Net benefit plan loss arising during period (net of deferred tax of $4,050)				(7,419)		(7,419)		(7,419)
Other (net of deferred tax of $371)				(549)		(549)		(549)
Total comprehensive income						**161,440**	**8,384**	**169,824**
Cash dividends declared					(34,324)	(34,324)	(11,887)	(46,211)
Stock-based compensation and other			8,474		(5,582)	2,892		2,892
Exercise of stock options	335,666	3	4,080			4,083		4,083
Tax benefit related to stock plans			2,038			2,038		2,038
Issuance of common stock, net	582,015	6	(6)					
Shares withheld for withholding taxes associated with common stock issuances	(215,368)	(2)	(292)		(4,543)	(4,837)		(4,837)
Balance at September 30, 2009	**91,682,622**	**$ 917**	**$ 14,294**	**$ (55,225)**	**$ 1,237,077**	**$ 1,197,063**	**$ 47,209**	**$ 1,244,272**

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, 2010	Nine Months Ended September 30, 2009
Cash and cash equivalents at beginning of year	$ 308,791	$ 253,303
Cash flows from operating activities:		
Net income	248,020	124,407
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	71,486	74,539
Restructuring and other charges	6,958	
Port de Bouc charges		12,393
Stock-based compensation	11,465	(1,878)
Excess tax benefits realized from stock-based compensation arrangements	(4,182)	(2,038)
Equity in net income of unconsolidated investments (net of tax)	(29,950)	(17,962)
Working capital changes	(53,995)	77,279
Dividends received from unconsolidated investments and nonmarketable securities	11,919	13,060
Pension and postretirement expense	15,974	7,229
Pension and postretirement contributions	(27,139)	(10,616)
Unrealized gain on investments in marketable securities	(89)	(2,652)
Net change in noncurrent income tax payables and receivables	2,299	(16,369)
Net change in noncurrent environmental liabilities	(337)	(3,224)
Deferred income taxes	24,391	(10,385)
Other, net	(1,088)	15,625
Net cash provided from operating activities	275,732	259,408
Cash flows from investing activities:		
Capital expenditures	(50,006)	(83,610)
Cash payments related to the Port de Bouc facility divestiture		(16,440)
Cash impact from deconsolidation of Stannica LLC, net	(13,074)	
Cash payments related to asset and business acquisitions	(7,048)	(2,078)
Cash proceeds from divestitures	8,600	
Sales of (investments in) marketable securities, net	938	(228)
Investments in other corporate investments	(5)	(40)
Net cash used in investing activities	(60,595)	(102,396)
Cash flows from financing activities:		
Repayments of long-term debt	(109,346)	(133,332)
Proceeds from borrowings	58,710	20,269
Dividends paid to shareholders	(36,883)	(33,306)
Repurchases of common stock	(14,945)	

Proceeds from exercise of stock options	4,679	4,083
Excess tax benefits realized from stock-based compensation arrangements	4,182	2,038
Withholding taxes paid on stock-based compensation award distributions	(3,905)	(4,837)
Dividends paid to noncontrolling interests		(8,911)
Net cash used in financing activities	(97,508)	(153,996)
Net effect of foreign exchange on cash and cash equivalents	(1,747)	4,115
Increase in cash and cash equivalents	115,882	7,131
Cash and cash equivalents at end of period	$ 424,673	$ 260,434

See accompanying Notes to the Condensed Consolidated Financial Statements.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

1. In the opinion of management, the accompanying 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 a fair statement, in all material respects, of our condensed consolidated balance sheets as of September 30, 2010 and December 31, 2009, our consolidated statements of income for the three-month and nine-month periods ended September 30, 2010 and 2009, and our consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2010 and 2009. 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, 2009, which was filed with the Securities and Exchange Commission, or the SEC, on February 26, 2010. The December 31, 2009 consolidated balance sheet data herein was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles, or GAAP, in the United States, or the U.S. The results of operations for the three-month and nine-month periods ended September 30, 2010 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.

2. The nine-month period ended September 30, 2010 included charges amounting to $7.0 million ($4.6 million after income taxes) associated with restructuring costs related principally to planned reductions in force at our Bergheim, Germany site. Payments under this restructuring plan are expected to occur through 2014. The nine-month period ended September 30, 2009 included charges amounting to $12.4 million ($8.2 million after income taxes) that relate to the costs of a final contract settlement arising from our 2008 divestiture of the Port de Bouc, France facility. Cash payments associated with the settlement were substantially completed by the end of 2009.

3. Our consolidated statements of income include foreign exchange transaction gains (losses) for the three- and nine-month periods ended September 30, 2010 in the amount of $0.8 million and $0.7 million, respectively, and $0.1 million and $(2.6) million for the three- and nine-month periods ended September 30, 2009, respectively.

4. Our effective tax rate fluctuates based on, among other factors, our level and location of income. The significant differences between the U.S. federal statutory income tax rate and our effective income tax rate for the three-month and nine-month periods ended September 30, 2010 and 2009, respectively, are as follows:

	% of Income Before Income Taxes			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Federal statutory rate	35.0%	35.0%	35.0%	35.0%
State taxes, net of federal tax benefit	1.4	0.3	1.4	0.3
Impact of foreign operations, net	(8.6)	(24.7)	(9.7)	(24.0)
Changes in valuation allowance	(0.3)	0.5	(0.1)	1.6
Manufacturing tax deduction	(2.0)		(1.6)	
Depletion	(1.0)	(0.9)	(1.0)	(1.3)
Revaluation of unrecognized tax benefits/reserve requirements	0.1	0.4	0.1	(11.5)
Other items, net	(0.5)	(0.9)	(0.1)	(1.7)
Effective income tax rate	24.1%	9.7%	24.0%	(1.6)%

The provision for income taxes for the nine-month period ended September 30, 2010 included a $2.4 million tax benefit related to restructuring and other charges at our Bergheim, Germany site. The nine-month period ended September 30, 2009 included $9.2 million in one-time net benefits due mainly to decreases in unrecognized tax benefit liabilities and deferred tax assets related to an issue settled in the U.S. Internal Revenue Service, or IRS, examination of years 2005 through 2007, a net $4.2 million benefit related to the final charges arising from our divestiture of the Port de Bouc, France facility, and a $3.7 million one-time benefit due mainly from unrecognized tax benefits, partially offset by a $1.2 million increase in a valuation allowance for a net operating loss deferred tax asset at our Brazilian entity. During the quarter ended

September 30, 2010, the Belgian income tax audit of one of our Belgian companies for the years 2007-2008 commenced. We anticipate completion of this audit in 2011.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

5. Basic and diluted earnings per share for the three-month and nine-month periods ended September 30, 2010 and 2009 are calculated as follows:

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In thousands, except per share amounts)			
Basic earnings per share				
Numerator:				
Net income attributable to Albemarle Corporation	$ 93,689	$ 52,131	$ 238,748	$ 116,023
Denominator:				
Weighted-average common shares for basic earnings per share	91,312	91,588	91,335	91,481
Basic earnings per share	$ 1.03	$ 0.57	$ 2.61	$ 1.27
Diluted earnings per share				
Numerator:				
Net income attributable to Albemarle Corporation	$ 93,689	$ 52,131	$ 238,748	$ 116,023
Denominator:				
Weighted-average common shares for basic earnings per share	91,312	91,588	91,335	91,481
Incremental shares under stock compensation plans	770	586	794	474
Total shares	92,082	92,174	92,129	91,955
Diluted earnings per share	$ 1.02	$ 0.57	$ 2.59	$ 1.26

6. Cash dividends declared for the three-month period ended September 30, 2010 totaled 14.0 cents per share, and included a dividend of 14.0 cents declared on July 28, 2010 and paid on October 1, 2010. Cash dividends declared for the nine-month period ended September 30, 2010 totaled 42.0 cents per share. Cash dividends declared for the three-month period ended September 30, 2009 totaled 12.5 cents per share, which was declared on July 28, 2009 and paid October 1, 2009. Cash dividends declared for the nine-month period ended September 30, 2009 totaled 37.5 cents per share. On October 15, 2010, the Company declared a cash dividend of 14.0 cents per share for the fourth quarter of 2010, which is payable on January 1, 2011.

7. The following table provides a breakdown of inventories at September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2009
	(In thousands)	
Finished goods	$ 261,392	$ 241,127
Raw materials	68,165	62,991
Stores, supplies and other	43,849	43,388
Total inventories	$ 373,406	$ 347,506

8. During the second quarter of 2010, we finalized an agreement with our joint venture partner to adjust the allocation of profits and dividends in connection with our consolidated investment in Jordan Bromine Company Limited, or JBC. As a result of this agreement, we recorded $8.0 million in cumulative dividend adjustments to noncontrolling interests as reported in our nine months ended September 30, 2010 consolidated statement of changes in equity.

Effective January 1, 2010, we entered into a new operating agreement relating to our heretofore consolidated joint venture Stannica LLC and divested ten percent of our interest in the venture to our partner for proceeds of approximately $2.1 million (of which $1.6 million in cash was received in first quarter 2010, with the remainder received in the third quarter of 2010), reducing our ownership to fifty percent. We have determined that the joint venture is a variable interest entity but that we are

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

not the primary beneficiary of the venture arrangement; accordingly, we have deconsolidated our investment in this venture. We recorded a gain of approximately $1.1 million on the transaction (included in consolidated gross profit), an $8.1 million reduction in noncontrolling interests and $20.4 million reduction in other consolidated net assets comprised of $14.7 million in cash plus other net working capital. Our retained equity investment in the joint venture was recorded at its fair value of $11.3 million (giving rise to the gain amount noted above) and is reported in Investments in our condensed consolidated balance sheet. To estimate the fair value of our investment, we used an income approach based on a discounted cash flow model which incorporated estimates and assumptions supported mainly by unobservable inputs, including pricing and volume data, anticipated growth rates, profitability levels, inflation factors, tax and discount rates. Our maximum exposure to loss in connection with our continuing involvement with Stannica LLC is limited to our investment carrying value. Starting in first quarter 2010, the earnings associated with our investment in Stannica LLC are reported in Equity in net income of unconsolidated investments in our consolidated statement of income in our Catalysts segment. Prior to this transaction, Stannica LLC was included in our Polymer Solutions segment.

9. During the third quarter of 2010, we acquired certain property and equipment in Yeosu, South Korea in connection with our plans for building a metallocene polyolefin catalyst and trimethyl gallium (TMG) manufacturing site. The total purchase price of the initial property and equipment acquired is expected to be approximately $10.0 million, of which $6.9 million was paid during the third quarter of 2010, with the remainder expected to be paid by December 31, 2010.

On July 30, 2010, we sold our Teesport, UK manufacturing site for net proceeds of approximately $8.6 million. The proceeds of this sale approximated the net book values of the assets sold.

10. Long-term debt at September 30, 2010 and December 31, 2009 consisted of the following:

	September 30, 2010	December 31, 2009
	(In thousands)	
Variable-rate domestic bank loans	$ 308,000	$ 410,000
Senior notes	324,855	324,830
Fixed-rate foreign borrowings	35,616	38,317
Variable-rate foreign bank loans	88,899	29,226
Capital lease obligation	7,805	9,709
Miscellaneous	559	631
Total	765,734	812,713
Less amounts due within one year	10,182	36,310
Total long-term debt	$ 755,552	$ 776,403

Maturities of long-term debt are as follows: 2010 $4.3 million; 2011 $9.0 million; 2012 $7.4 million; 2013 $404.6 million; and 2014 through 2017 $340.4 million.

During the first quarter of 2010, approximately $27.8 million in outstanding debt amounts previously reported in current maturities were reclassified to long-term based on our ability to refinance these amounts with available borrowing capacity under our March 2007 credit agreement.

11. We had the following activity in our recorded environmental liabilities for the nine months ended September 30, 2010, as follows (in thousands):

Beginning balance at December 31, 2009	$ 15,567
Changes in estimates	172
Payments	(877)
Foreign currency translation	(689)
Ending balance at September 30, 2010	14,173
Less amounts reported in Accrued expenses	4,717
Amounts reported in Other noncurrent liabilities	$ 9,456

The amounts recorded represent our future remediation and other anticipated environmental liabilities. Approximately 70 percent of our recorded liability is related to the closure and post-closure activities at a former landfill associated with our Bergheim, Germany plant, which was recorded at the time of our acquisition of this site in 2001. This closure project has been approved under the authority of the governmental permit for this site and is scheduled for completion in 2013, with

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

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 compliance with environmental protection laws, 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 $17 million before income taxes.

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, or 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 include (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. We are currently engaged in discussions with the EPA seeking to resolve these allegations, but no assurances can be given that we will be able to reach a resolution that is acceptable to both parties. 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 our discussions with the EPA or the financial impact which may result therefrom. However, we do not expect any financial impact to have a material adverse effect on our results of operations, financial condition or cash flows.

12. 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.

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ALBEMARLE CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands)			
Net sales:				
Polymer Solutions	$ 231,847	$ 196,716	$ 683,789	$ 492,636
Catalysts	214,785	188,911	658,438	600,101
Fine Chemistry	138,404	129,649	415,562	354,429
Total net sales	$ 585,036	$ 515,276	$ 1,757,789	$ 1,447,166
Segment operating profit:				
Polymer Solutions	$ 58,699	$ 27,243	$ 145,193	$ 31,562
Catalysts	61,721	28,845	167,056	90,314
Fine Chemistry	17,799	16,482	50,251	32,525
Subtotal	$ 138,219	$ 72,570	$ 362,500	$ 154,401
Equity in net income (loss) of unconsolidated investments:				
Polymer Solutions	$ 2,040	$ 1,293	$ 6,859	$ 1,563
Catalysts	7,166	4,543	23,173	16,480
Fine Chemistry				
Corporate & other	(27)	(27)	(82)	(81)
Total equity in net income of unconsolidated investments	$ 9,179	$ 5,809	$ 29,950	$ 17,962
Net (income) loss attributable to noncontrolling interests:				
Polymer Solutions	$ (2,235)	$ (2,490)	$ (4,749)	$ (4,145)
Catalysts				
Fine Chemistry	(1,291)	(2,244)	(4,443)	(4,402)
Corporate & other	195	(464)	(80)	163
Total net income attributable to noncontrolling interests	$ (3,331)	$ (5,198)	$ (9,272)	$ (8,384)
Segment Income:				
Polymer Solutions	$ 58,504	$ 26,046	$ 147,303	$ 28,980
Catalysts	68,887	33,388	190,229	106,794
Fine Chemistry	16,508	14,238	45,808	28,123
Total segment income	143,899	73,672	383,340	163,897
Corporate & other[(1)]	(17,488)	(10,136)	(52,242)	(19,083)
Restructuring and other charges[(2)]			(6,958)	
Port de Bouc charges[(3)]				(12,393)
Interest and financing expenses				