Paris - May 6, 2009

# Q1 ’09 Results

## Investors & Analysts Meeting

# Forward looking statements

This presentation contains elements that are not historical facts, including, without limitation, certain statements on future expectations and other forward-looking statements.

Such statements are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those anticipated. Rhodia does not undertake to provide updates of these statements.

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The presentation today may include the display of some company data that do not directly conform to generally acceptable accounting principles, or GAAP.

Management believes that the presentation of some non-GAAP data provides investors with additional insight into the ongoing operations of the business.

These measures should not be viewed as an alternative to GAAP measures of performance.

Furthermore, these measures may not be consistent with similar measures provided by other companies.



Rhodia

# Key Highlights

**Jean-Pierre Clamadieu – Chairman and CEO**

# Q1 ’09 key highlights

- Weak underlying end-market demand and customers’ de-stocking persisted across geographies ➔ **(27)% volume contraction** YoY
- **Polyamide** EBITDA severely impacted by
  - **Depressed volumes**
  - **€(70)m adverse impact** from absorption of costly raw material inventories
- Apart from Polyamide, **pricing power sustained** by our Enterprises : 7%* increase YoY, more than offset raw material & energy cost increases
- Effective **reduction of fixed costs**, €23m below Q1 ’08, resulting from implemented short-term actions and structural competitive measures underway
- **Stringent** financial discipline and tight operating **cash management** resulted in **€73m FCF** in the quarter
- **Stable Net Debt** at €(1.3)bn

(*) Excluding Polyamide

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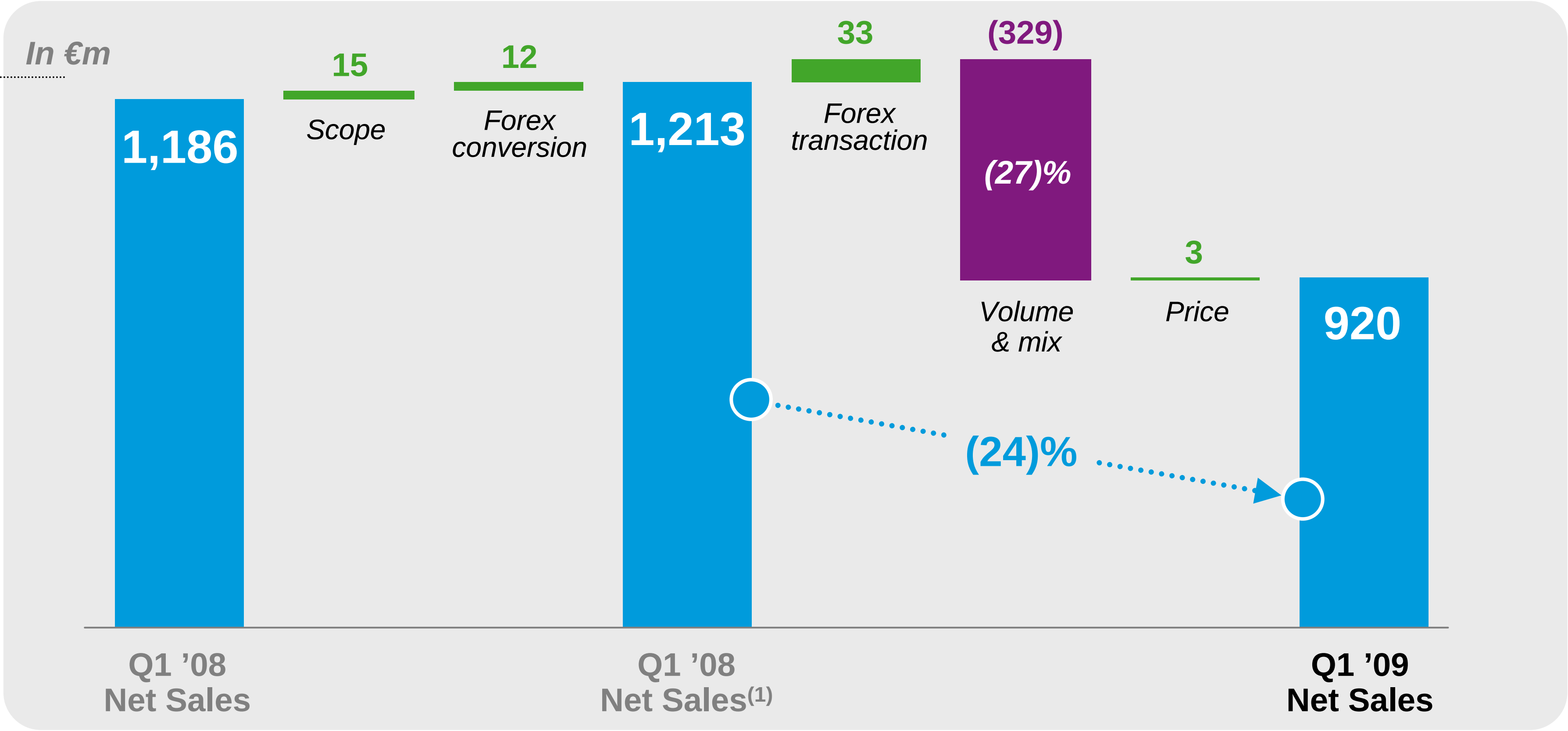
# Q1 '09 Results

**Pascal Bouchiat - CFO**

# Q1 ’09 sales continued to suffer from very weak activity levels

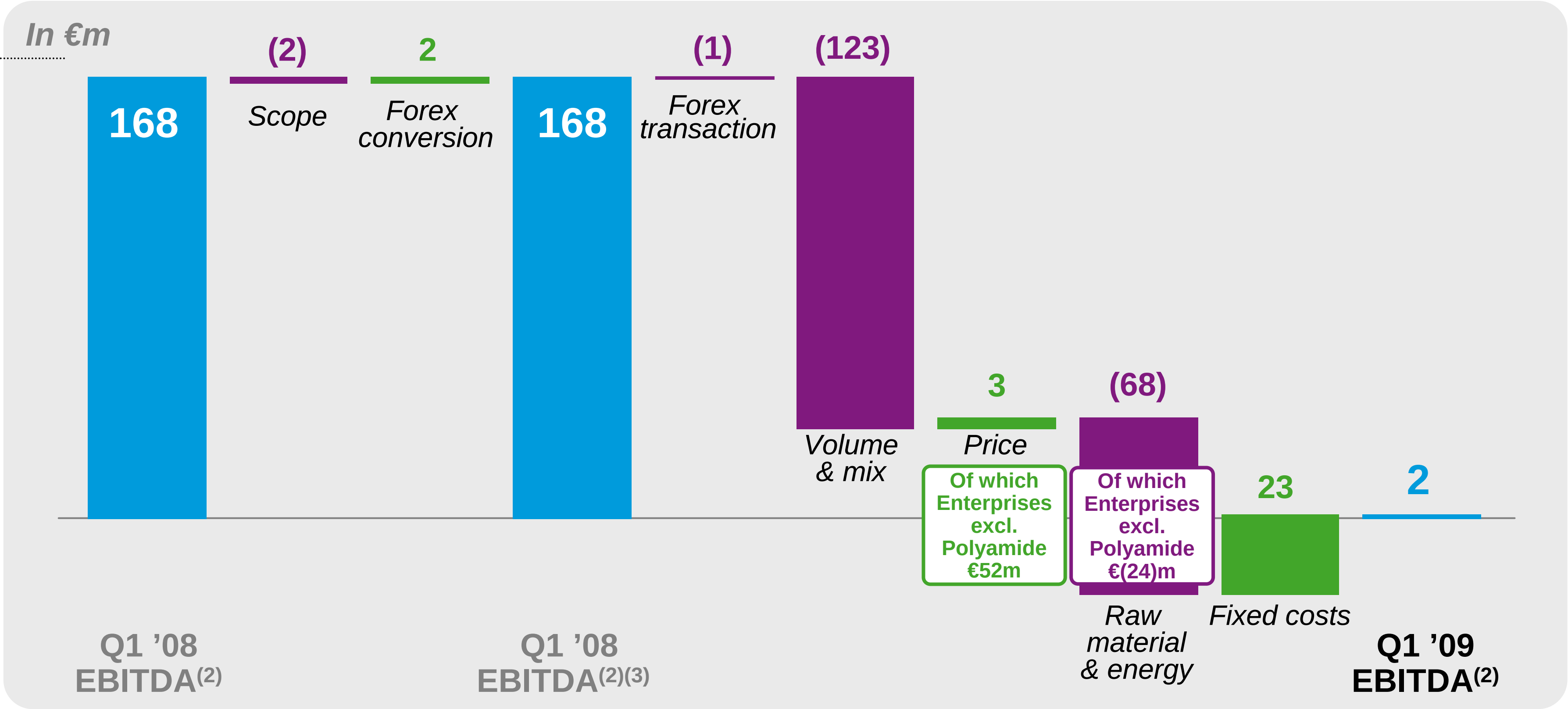
- Persisting **poor underlying demand and customers’ aggressive de-stocking** led to (27)% volume contraction, primarily in the Automotive, Construction and other Industrial end-markets, across all geographies
- **Polyamide, Silcea and Novecare** are the **most affected** business segments




(1) Like-for-like : at constant scope and currency conversion

# Q1 ’09 Recurring EBITDA

- Severe erosion caused by a **(27)% volume contraction** YoY
- **Polyamide recorded a €(70)m adverse impact** from absorption of remaining costly raw material inventories
- **Pricing power preserved** throughout the Enterprises except for Polyamide : 7%(1) price increase more than offset raw material & energy cost increases
- Significant **fixed cost reduction of €23m** attained through implemented cost control measures and progress on structural competitiveness plans



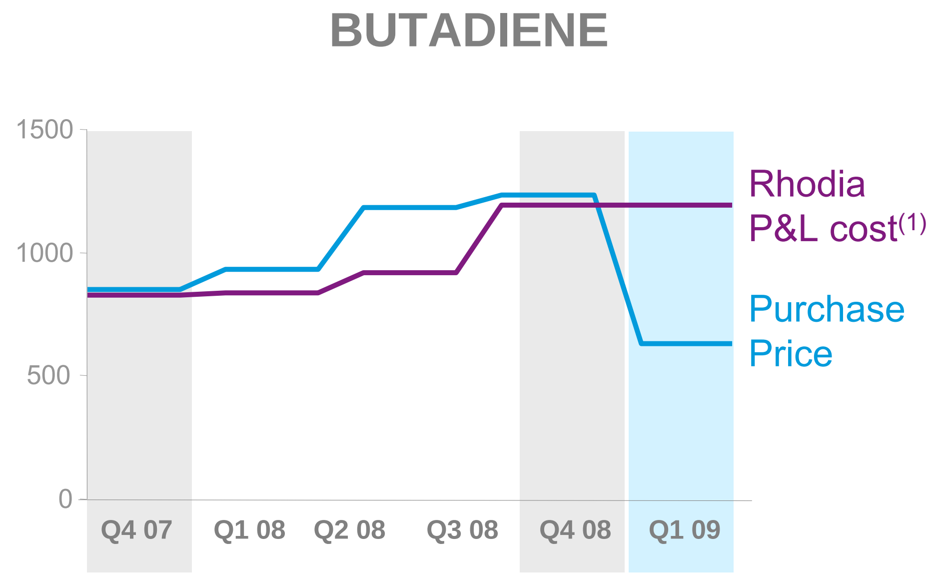

(1) Excluding Polyamide
(2) Recurring : before restructuring and other operating income and expenses
(3) Like-for-like : at constant scope and currency conversion

# Significant impact from costly raw material inventories

- Overall, current raw material & energy purchase prices even lower than Q1 ’08 levels, but time-lag between purchase prices and P&L costs’(1) evolution
- Dramatic contraction of demand increased that time-lag and prevented the Group from taking advantage of decreasing raw material & energy costs in Q4 ’08 and Q1 ’09
- Selling prices adjusted in the meantime to much lower raw material & energy market prices

**Illustration**

*In €/T*



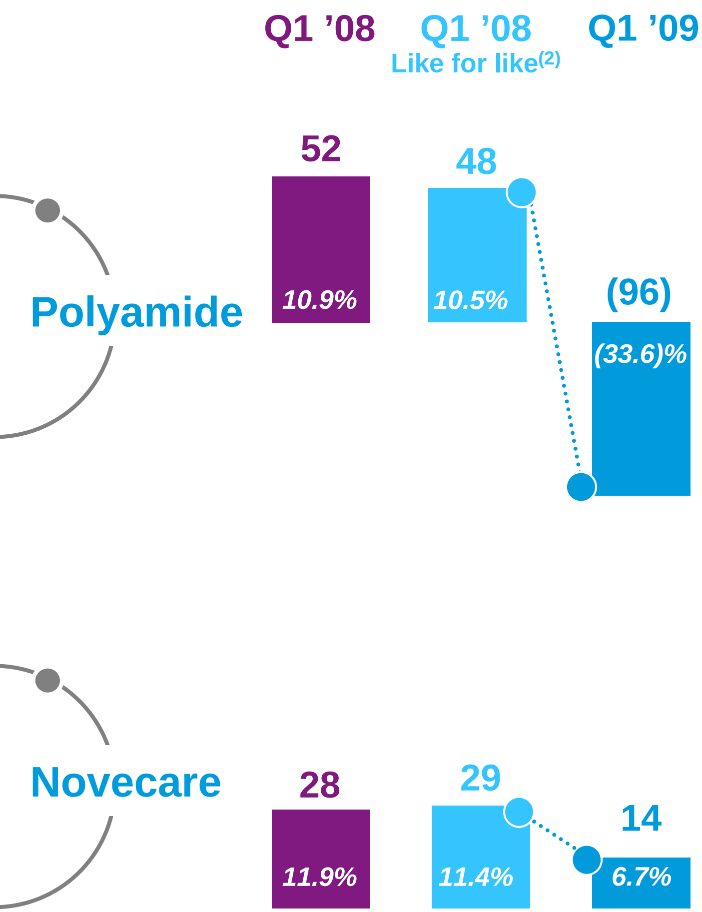

**Time-lag between market raw material & energy costs, P&L costs(1) and selling price alignment**

**➔ €(70)m adverse impact on Polyamide Q1 EBITDA**

(1) Rhodia P&L cost : cost of goods sold valued as per First-In-First-Out methodology

# Q1 ’09 performance by Enterprise

## Recurring EBITDA[1] and margins




- Volume down by (32)% mainly from Automotive and, to a lesser extent, from Construction & Textile markets worldwide
- Low volumes triggering plants inefficiencies (low operating yields)
- Massive impact in Q1 ’09 from absorption of costly raw material inventories, fundamentally overcome by end of the quarter

- Market slowdown impacted volumes in Oil Field and Industrial applications whilst HPC and Agro continued to demonstrate resilience
- 8% price increase demonstrated good pricing power retention, allowing to offset raw material increases
- Fixed costs under control
- McIntyre acquisition completed and integration started well. Confidence in attaining integration synergies as expected

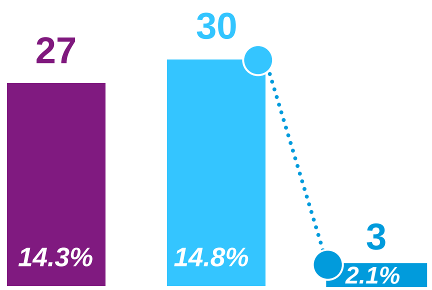
(1) Recurring : before restructuring and other operating income and expenses
(2) Like-for-like : at constant scope and currency conversion

# Q1 ’09 performance by Enterprise

## Recurring EBITDA(1) and margins

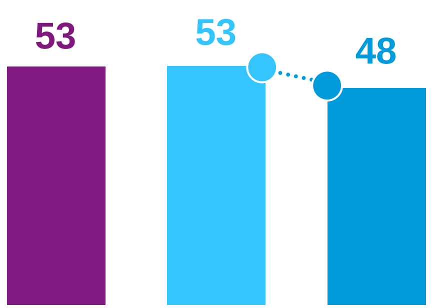
Q1 ’08 | Q1 ’08 Like for like(2) | Q1 ’09

### Silcea




- Overall (34)% volume decline YoY in the 3 segments, affected by persisting de-stocking in Automotive, Electronics and other industrial markets over Q1 ’09
- Sustained pricing power in Silica and Rare Earths
- Strong reduction of fixed costs
- Restructuring measures launched swiftly

### Energy Services




- Good co-generation activity, which benefited from cold winter
- CERs activity in line with outlook of 13mT FY ‘09

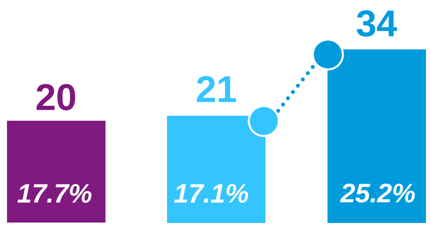
(1) Recurring : before restructuring and other operating income and expenses
(2) Like-for-like : at constant scope and currency conversion

# Q1 ’09 performance by Enterprise

### Recurring EBITDA(1) and margins

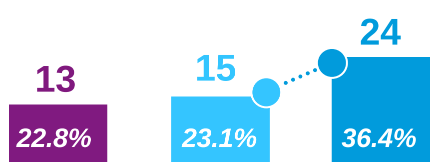
Q1 ’08 | Q1 ’08 Like for like(2) | Q1 ’09

## Acetow




- Good level of demand
- Good pricing power based on excellent positioning through product and service quality
- Successful continued deployment of cost competitive plans

## Eco Services




- Favorable pricing contract and rapidly dropping raw material & energy costs
- Volumes slowing down in Q1
- Good fixed cost management

(1) Recurring : before restructuring and other operating income and expenses
(2) Like-for-like : at constant scope and currency conversion

# Income Statement

*In €m*

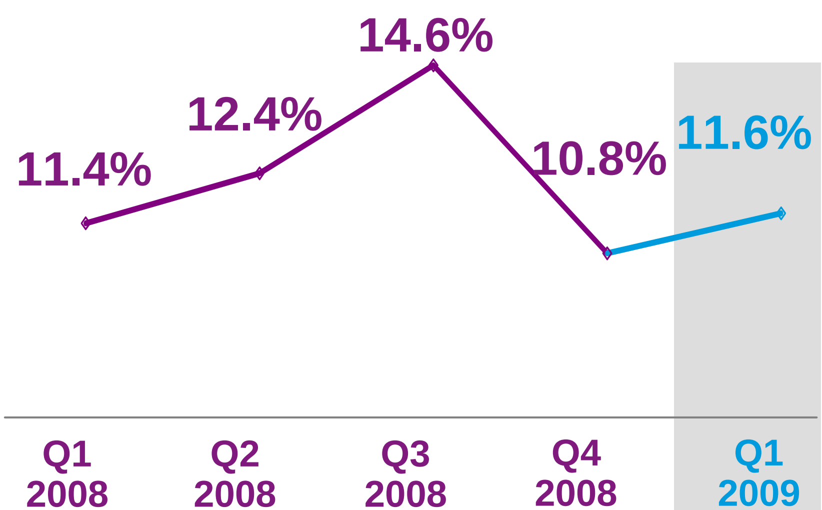
| | Q1 '08 | Q1 '09 |
|---|---|---|
| **Net Sales** | 1,186 | **920** |
| Other Revenue | 151 | 146 |
| **Recurring EBITDA*** | 168 | **2** |
| Recurring EBITDA Margin on Net Sales | 14.2% | **0.2%** |
| Depreciation & amortization | (70) | (67) |
| Other gains and losses | (3) | (6) |
| Restructuring costs | (2) | (20) |
| **Operating Profit** | 93 | **(91)** |
| Net financial charges | (42) | (45) |
| Income tax | (11) | 8 |
| **Profit/(Loss) from continuing operations** | 40 | **(128)** |
| Profit/(Loss) from discontinued operations | 2 | (7) |
| **Net Profit/(Loss) Group Share** | **42** | (134) |
| ***Earnings Per Share, basic (in €)*** | *0.41* | *(1.35)* |

(*) Recurring : before restructuring and other operating income and expenses

# Effective operating cash management

## Operating Working Capital

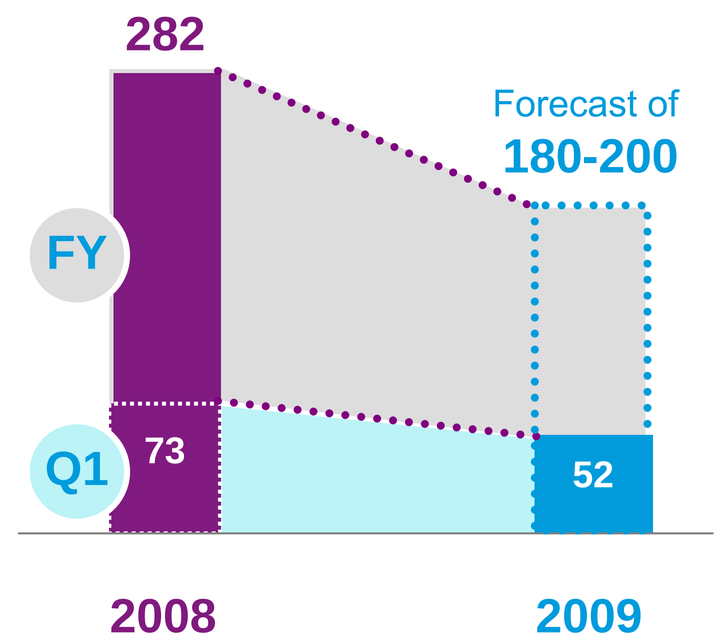
*% of Total Sales*




**Tight management of inventories :**
**Quick alignment to lower activity level**

## Capital Expenditures

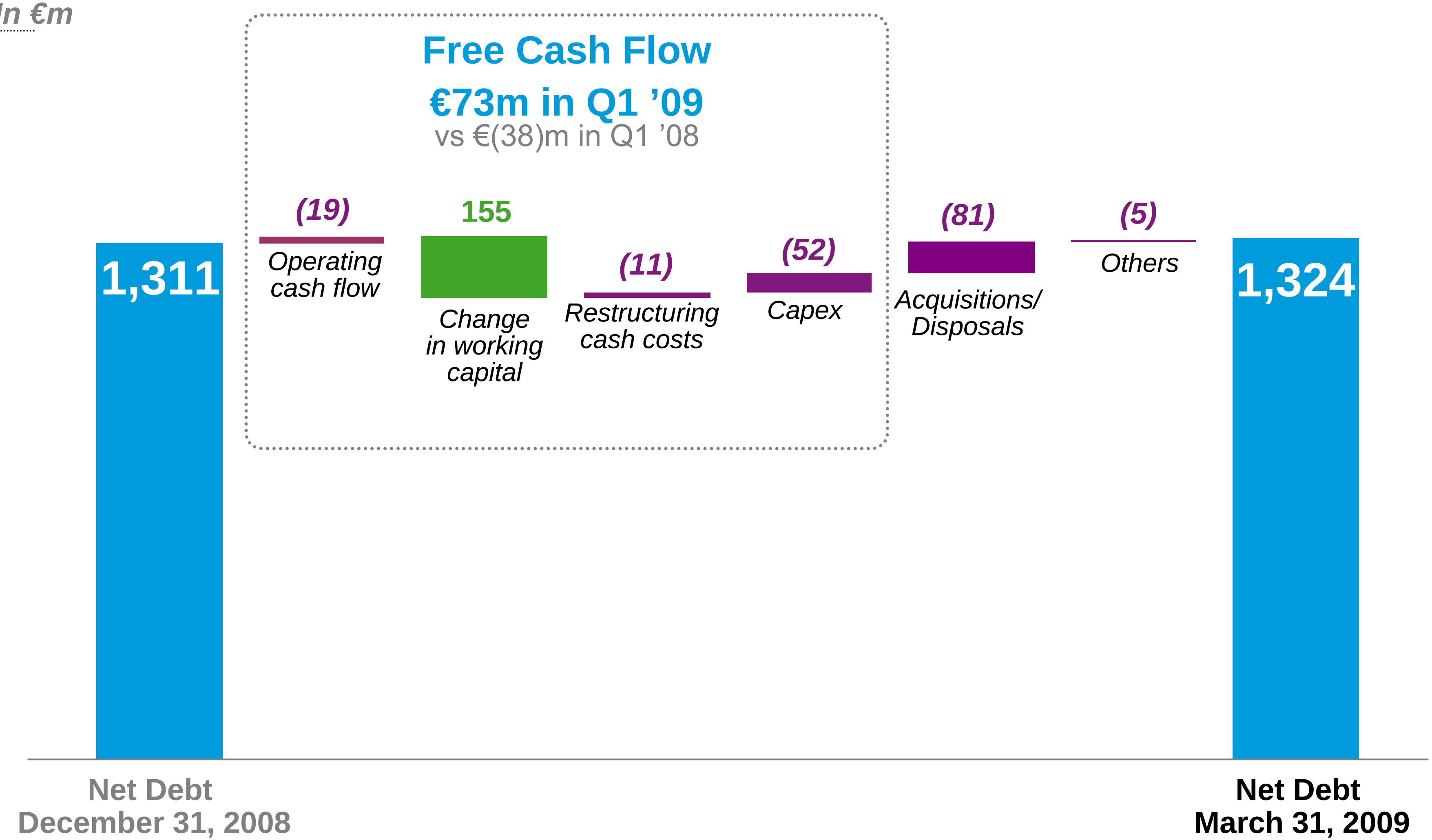
*In €m*



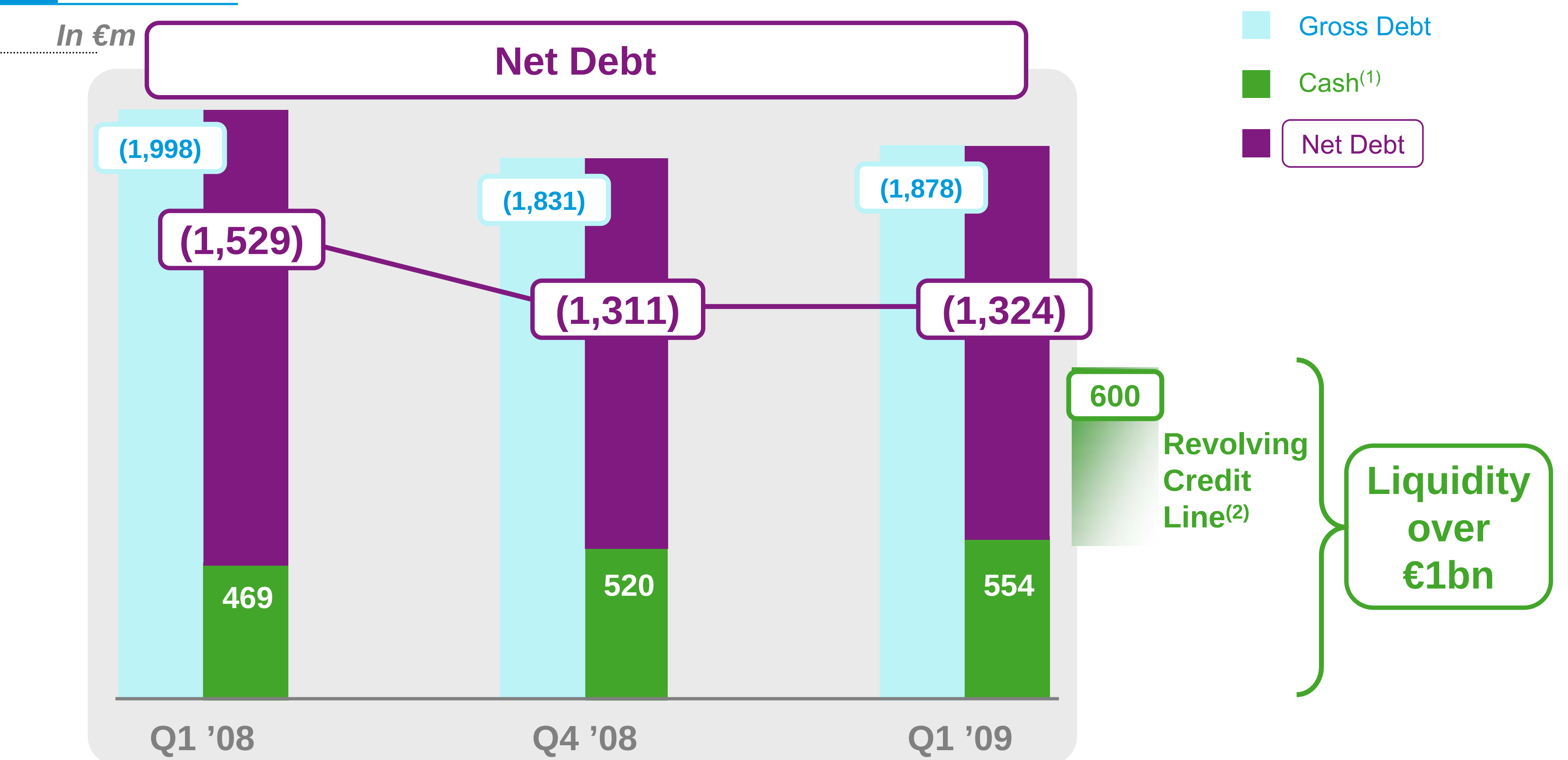

**Strict investment discipline :**
**Capex down by 29% in Q1**

# €73m FCF generated in the quarter

*In €m*



# Evolution of financial resources




- **Stable** Net Debt at €(1.3)bn, even after McIntyre acquisition
- **Long dated-maturity debt**, no refinancing until 2013
- **Enhanced financial flexibility** following successful renegotiation of covenants under revolving credit facility (un-drawn)

(1) Sum of cash, cash equivalents and other current financial assets
(2) Undrawn, except for letters of credit for €59m

# Outlook

Jean-Pierre Clamadieu – Chairman and CEO

# Business dynamics in an uncertain environment

- **First signs of slight demand recovery in Asia & Latin America**
- **No signs of recovery in Europe and North America but customers' de-stocking expected to be completed by end of Q2**

| | |
|---|---|
| **Polyamide** | • Costly raw material inventories absorption finalized in Q1<br>• Slight improvement in volumes compared to first quarter<br>• Cost competitiveness plans under deployment<br>• Industry overcapacity starting to be dealt with |
| **Novecare** | • Good resilience of HPC and Agro<br>• No improvement of Industrial markets, Oil Field deterioration continues |
| **Silcea** | • Activity levels to remain weak but some modest improvement in sight |
| **Energy Services** | • Co-generation activity seasonally low in Q2<br>• Confirmation of 13mT CER outlook for the full year |
| **Acetow** | • Resilient demand<br>• Sustained pricing power based on product and service quality |
| **Eco Services** | • Satisfactory margin expected (though lower than Q1)<br>• Favorable seasonality |

# Fully focused on cash management and cash generation

## Business management processes adapted to FCF priority

## Short term actions implemented and paying off

- Flexible working arrangements and scheduling widely utilized
- Important reduction of temporary workers and in-sourcing of some prior subcontracted work

## Structural cost competitiveness programs launched timely

- Multiple actions deployed and/or announced covering sites rationalization, industrial process optimization, SG&A streamlining, …across Enterprises and support functions
- First savings achieved and well on track towards the €60m & €150m saving objectives by ’09 and ’11, respectively

## Operating working capital aligned to current levels of activity

## Strict capex discipline

- Focused on improving operational performance whilst preserving safety and environmental standards

# Remain focused on cash management

## Q2 ’09 outlook

- Uncertainty prevails

  but

- First signs of slight demand recovery in Asia & Latin America
- Expectation of completion of customer de-stocking by end of Q2
- Costly raw material inventory impact behind us

## 2009 priority

**Strong management focus to generate Free Cash Flow**

**Coming out of the crisis stronger**

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# Appendices

# Q1 ’09 Net Finance Costs

*In €m*

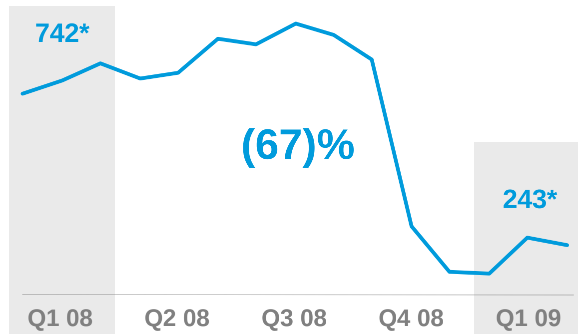
| | Q1 ’08 | Q1 ’09 |
|---|---|---|
| Net financial charges & other financial charges | (28) | (31) |
| Interest cost on environmental & pension liabilities | (14) | (19) |
| Forex gains & losses | 1 | 0 |
| Other | (1) | 5 |
| **Total net financial expenses** | **(42)** | **(45)** |

# Raw material market prices collapsed in Q4 '08

## NATURAL GAS

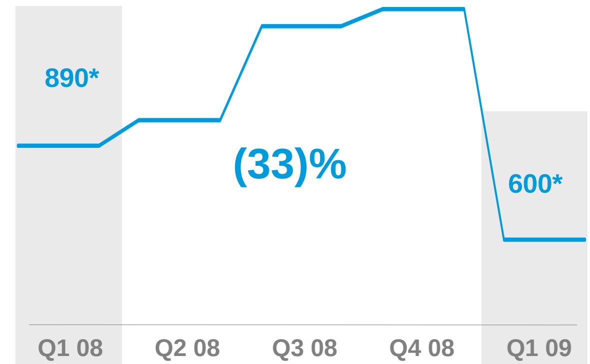

Daily European Nat gas 1Yr forward Zeebrugge (Eur/MWh)
Daily US Nat gas 1Yr forward Henry Hub (Eur/MWh)

## BENZENE



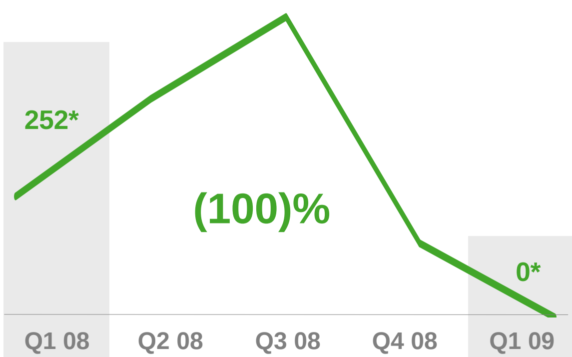

Monthly Benzene contract price NorthWest Europe (€/T)

## BUTADIENE



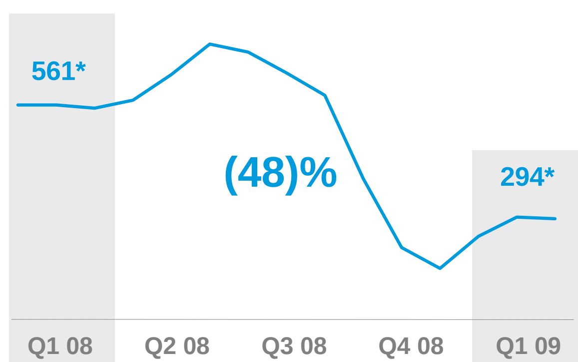

Quarterly Western Europe contract market delivered (€/T)

## SULPHUR



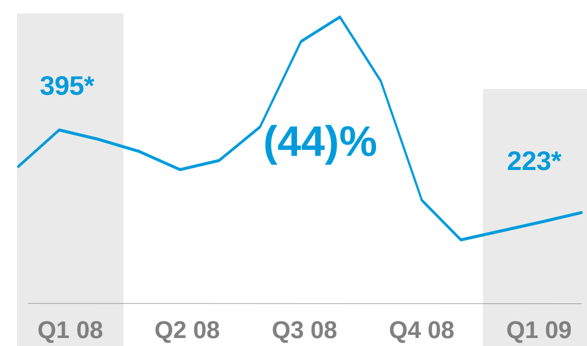

Quarterly average data from Tempa Sulfur (US$/T)

## NAPHTA




Monthly trend of Naphta Northwest Europe Cargoes CIF NWE / Basis ARA (€/T)

## AMMONIA




Monthly average CFR NW Europe (€/T)

(*) Average market prices over the reference period

# Enhanced flexibility of available financial resources

## Debt maturity and Covenants

Q1 ’09

| Revolving Credit Facility | | | Prior | New |
|---|---|---|---|---|
| | Financial Covenants | | Prior | New |
| June 2012 maturity | Leverage | Net Debt / Rec. EBITDA | <3x | <4.75x – 3 |
| Undrawn except for letters of credit | Coverage | Rec. EBITDA / Net Interest expenses | >4x | >2.5 – 4x |

Revolving Credit Facility: €0.6bn

| Long dated maturity Debt | €1.6bn |
|---|---|
| Floating Rate Notes (2013 maturity) | No Financial Covenants |
| Convertible Bonds (2014 maturity) | No Financial Covenants |

- **Sound and flexible financial resources providing stability in current context**
- **Comfortable safety €1bn liquidity net from available cash* and undrawn credit line**

(*) Sum of cash, cash equivalents and other current financial assets

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# Q1 ’09 Results

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