

Press release

Paris, July 29, 2009

SECOND QUARTER 2009 RESULTS

Profitability improvement and strong cash generation: Rhodia successfully repositioned in a very challenging environment

Forenote: All year-on-year period variances referred to in this document are to be deemed at constant scope and currency conversion, unless otherwise stated.

Key highlights

- ✓ Lower year-on-year volume decline: (20)% in Q2 versus (27)% in Q1
- ✓ Improvement driven by emerging markets
- ✓ Pricing power sustained in all Enterprises, except Polyamide. Overall, selling prices and raw material & energy costs balanced out
- ✓ Fixed costs savings of €31 million year-on-year
- ✓ Sequential recovery of recurring EBITDA at €111 million
- ✓ Strong Free Cash Flow generation of €117 million
- ✓ Net debt reduced by €126 million to €1,198 million

"The swift and efficient adjustment of our business management processes and the powerful alignment of all our teams allowed us to generate strong Free Cash Flow during the first half of 2009 despite the very challenging environment", commented Rhodia Chairman & CEO Jean-Pierre Clamadieu. He continued: "In Q3, we should benefit from increased demand in emerging markets which is now back to 2008 levels and modest improvement in Europe and North America. This should lead to a slight sequential increase in our recurring EBITDA".

Summary income statement Q2 2009

In € million	Q2 2008	Q2 2008 <i>like for like⁽¹⁾</i>	Q2 2009	Variation <i>like for like⁽¹⁾</i>
Net Sales	1,227	1,287	987	(23)%
Recurring EBITDA ⁽²⁾	187	194	111	(43)%
Operating Profit	115	120	38	(68)%
Profit from continuing operations	34		(36)	
Profit/(Loss) from discontinued operations	2		(4)	
Net Profit / (Loss) Group Share	35		(40)	
Earnings per Share (in €), basic	0.35		(0.39)	
Free Cash Flow ⁽³⁾	(18)		117	

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

(2) Before restructuring and other operating income and expenses

(3) Defined as "net cash provided by operating activities" before margin call plus "non recurring refinancing cash costs" minus Capital Expenditure

1. Demand improving but volumes remain significantly lower compared to 2008

In the second quarter, **Net Sales** were down (23)% at €987 million compared to €1,287 million in Q2 2008. Sales continued to suffer from lower volumes due to the global recession, but volume decline eased progressively. Volumes were down (20)% on a year-on-year basis, compared to a fall of (27)% in Q1. Net Sales were also impacted by reduced selling prices that followed the downward trend of raw material and energy costs.

Recurring EBITDA amounted to €111 million in Q2, compared to €194 million in Q2 2008. The decline in recurring EBITDA principally reflects the contraction in volumes but it significantly recovered from the €2 million low in Q1 2009. Pricing power was confirmed in all the Enterprises, except Polyamide. The overall decline in selling prices was balanced out by the decreases in raw material and energy costs.

Operating Profit was €38 million in Q2 versus €120 million a year earlier, essentially reflecting the fall in recurring EBITDA.

The **Net Profit/(Loss) Group Share** was negative at €(40) million compared to €35 million in the same period last year.

Earnings per Share were €(0.39) versus €0.35 in Q2 2008.

2. Effective operating cash management

Thanks to the improvement in its supply chain management, the Group substantially reduced its **Operating Working Capital**, posting a record rate of 9.6% of Total Sales compared to 12.4% in Q2 2008 and 11.6% in Q1 2009.

Capital Expenditure decreased in Q2 by (32)% to €44 million from €65 million a year earlier. Amounting to €96 million year-to-date, capital expenditure is well on track toward the full-year target of €180 to 200 million.

Rhodia generated significant positive **Free Cash Flow** of €117 million in Q2, largely driven by the reduction of its Operating Working Capital.

During the second quarter, **Consolidated Net Debt** was reduced by €126 million, to €1,198 million as of June 30, 2009, compared to €1,324 million on March 31, 2009.

3. Rhodia well-equipped to address very challenging market conditions

Cost reduction programs paying off

From the end of 2008, the Group implemented numerous short term measures as well as structural cost competitiveness programs. The prompt implementation of these actions allowed the Group to achieve fixed costs savings of €67 million since the beginning of the year, of which €31 million in Q2. For the full year, the Group expects to achieve savings of €120 million.

Favorable geographic presence

Up by three percentage points year-on-year, Net Sales in emerging markets (Latin America and Asia-Pacific) represented 47% of total Net Sales in the second quarter. This significant exposure to emerging markets is a core strength for the Group given that demand improvement is currently driven by these regions.

Innovation focus on sustainable development, a key differentiation factor

Rhodia is developing an ambitious portfolio of breakthrough projects that respond to environmental challenges, such as energy efficiency, the preservation of natural resources and the fight against climate change. These projects represent an important growth potential in coming years. The Group will, for example, launch new polyamide recycling processes in 2009, extending the life cycle of its engineering plastics and enabling them to be re-used in new applications.

The excellence of Rhodia's Research & Development teams was recently awarded the Pierre Potier Prize in France for "innovation in chemistry supporting sustainable development" in recognition of its Rhodiasolv® IRIS range of new-generation solvents, which is biodegradable, non-toxic, non-flammable and low volatile.

4. Overview by Enterprise

Polyamide

Rhodia Polyamide serves the automotive, electricals, electronic components, sportswear and leisure markets. Its expertise in the polyamide chain has allowed it to develop activities upstream in intermediates and polymers and downstream in engineering plastics.

<i>In € million</i>	Q2 2008	Q2 2008 Like for Like ⁽¹⁾	Q2 2009	Variation Like for Like ⁽¹⁾
Net Sales	495	487	347	(29)%
Recurring EBITDA ⁽²⁾	60	58	6	(90)%

Polyamide benefited across all its segments from a significant sequential recovery as year-on-year volume decrease slowed down to (19)% in Q2 2009 compared to (32)% in Q1 2009. This improvement is primarily attributable to the recovered market dynamics in emerging countries. However, continued customer de-stocking practices in Europe and North America affected demand levels throughout Q2. Following the absorption of costly inventories that had significantly eroded its Q1 2009 profitability, EBITDA started to recover. In Q3, Polyamide should see the first impact of capacity rationalization within the industry. Moreover, gradual improvement in margins is expected.

Novecare

Rhodia Novecare provides high-performance products and solutions to a wide range of industries including cosmetics, detergents, agrochemicals and oil, as well as industrial applications.

<i>In € million</i>	Q2 2008	Q2 2008 Like for Like ⁽¹⁾	Q2 2009	Variation Like for Like ⁽¹⁾
Net Sales	240	280	208	(26)%
Recurring EBITDA ⁽²⁾	30	37	22	(40)%

Novecare experienced a (28)% volume contraction compared to the prior year. Home & Personal Care and Agro continued to demonstrate resilience whereas Oilfield chemicals and Industrial applications suffered a substantial slowdown.

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

⁽²⁾ Before restructuring and other operating income and expenses

However, the Enterprise succeeded in sustaining good pricing power. In Q3, Home & Personal Care should remain resilient, Industrial applications and Oilfield chemicals should see some slight improvement, but the Agro segment will experience a seasonal slowdown.

Silcea

Rhodia Silcea produces high performance silicas, rare earth-based materials and diphenols to serve the automotive emissions reduction, tire, lighting, electronics, flavours, fragrances and various other industrial markets.

<i>In € million</i>	Q2 2008	Q2 2008 Like for Like ⁽¹⁾	Q2 2009	Variation Like for Like ⁽¹⁾
Net Sales	195	210	149	(29)%
Recurring EBITDA ⁽²⁾	35	38	17	(55)%

Silcea's volumes were down (30)% compared to Q2 2008 due to low activity in its three segments, although the Enterprise saw slight improvement sequentially from (34)% in Q1. Pricing power was satisfactorily maintained. In Q3, demand levels should gradually improve for Silica and Diphenol but Rare Earths should continue to suffer from the low level of demand in the electronics market.

Energy Services

Rhodia Energy Services is responsible for the Group's energy supply and the management of Rhodia's projects related to the reduction of greenhouse gas emissions.

<i>In € million</i>	Q2 2008	Q2 2008 Like for Like ⁽¹⁾	Q2 2009	Variation Like for Like ⁽¹⁾
Net Sales	52	56	51	(9)%
Recurring EBITDA ⁽²⁾	38	37	37	-

Energy Services confirms the forecast of 13 million tons of CERs for the full year, with the usual strong Q4 seasonality; 80% of those 13 million tons are already hedged at an average price of €14.6 per ton. The Enterprise received its first carbon credits, known as Emission Reduction Units (ERU), generated in France. Resulting from greenhouse gas emission reductions equivalent to 200,000 tons of CO₂ per year, this project should generate revenues from the next quarter onwards. Moreover, Energy Services announced the acquisition project of OneCarbon, bringing an additional CER portfolio through its Orbeo joint-venture as well as six biogas projects located in China and Vietnam.

Acetow

Rhodia Acetow is a global producer of filter tow, mainly used for making cigarette filters.

<i>In € million</i>	Q2 2008	Q2 2008 Like for Like ⁽¹⁾	Q2 2009	Variation Like for Like ⁽¹⁾
Net Sales	113	122	140	15%
Recurring EBITDA ⁽²⁾	17	18	33	83%

Acetow benefited from sustained demand and good pricing levels supported by its product and service quality. In Q3, Acetow should continue to register a strong business performance.

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

⁽²⁾ Before restructuring and other operating income and expenses

Eco Services

Rhodia Eco Services offers sulfuric acid regeneration services to chemical manufacturers and oil refiners in North America.

<i>In € million</i>	Q2 2008	Q2 2008 Like for Like ⁽¹⁾	Q2 2009	Variation Like for Like ⁽¹⁾
Net Sales	70	81	55	(32)%
Recurring EBITDA ⁽²⁾	20	23	20	(13)%

Eco Services experienced a limited year-on-year volume shortfall. The Enterprise benefited from good pricing thanks to selling price indexation mechanisms. In Q3, Eco Services should continue to enjoy good margins, but slightly lower than in Q2.

5. Outlook

By the end of the first half of the year, demand in emerging countries returned to 2008 levels and customer de-stocking in Europe and North America was essentially completed. In Q3, despite the unfavorable effects of seasonal shut-downs in Europe, we expect a slight sequential improvement in demand as well as in our recurring EBITDA. However, demand levels for Q4 remain uncertain.

Well-positioned to face the significant business challenges, we remain focused on Free Cash Flow generation for the full year. Overall, we are committed to emerge stronger from the crisis.

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

⁽²⁾ Before restructuring and other operating income and expenses

Safe Harbor for forward looking statements

This press release 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 is an international chemical company resolutely committed to sustainable development. As a leader in its businesses, the Group aims to improve its customers' performance through the pursuit of operational excellence and its ability to innovate. Structured around six Enterprises, Rhodia is the partner of major players in the automotive, electronics, flavors and fragrances, health, personal and home care markets, consumer goods and industrial markets. The Group employs around 14,500 people worldwide and generated sales of €4.8 billion in 2008. Rhodia is listed on NYSE Euronext.

For further details, please visit our institutional website at www.rhodia.com

Upcoming events

- **Journalists conference call on July 29, 2009** (in French language) **at 9:00 CET**
Host: Jean-Pierre CLAMADIEU, Chairman and Chief Executive Officer

- **Investors & Analysts conference call on July 29, 2009 at 11:00 CET**
Hosts: Jean-Pierre CLAMADIEU, Chairman and Chief Executive Officer
Pascal BOUCHIAT, Chief Financial Officer

Live webcast: Rhodia website www.rhodia.com

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- **Rhodia's third quarter 2009 results will be published on November 4, 2009**
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