Rhodia

Condensed consolidated financial statements

For the half-year ended June 30, 2010

Chemistry is our world, Responsibility is our way

CONTENTS

A. Consolidated statement of income

(in millions of euros)	Note	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
		2010*	2009*	2010	2009	2009
Net sales	5	**1,330**	**987**	**2,506**	**1,907**	**4,031**
Other revenue	5	72	88	203	234	446
Cost of sales		(1,084)	(884)	(2,091)	(1,875)	(3,684)
Administrative and selling expenses		(139)	(134)	(266)	(256)	(504)
Research and development expenditure		(22)	(15)	(40)	(33)	(73)
Restructuring costs	6	(2)	(9)	(10)	(29)	(33)
Other operating income	7	10	17	15	20	39
Other operating expenses	7	(19)	(12)	(31)	(21)	(62)
Operating profit/(loss)	**5**	**146**	**38**	**286**	**(53)**	**160**
Finance income	8	26	21	50	41	87
Finance costs	8	(94)	(75)	(160)	(145)	(287)
Foreign exchange gains/(losses)	8	5	-	5	5	10
Share of profit/(loss) of associates		-	(1)	-	(1)	-
Profit/(loss) before income tax		**83**	**(17)**	**181**	**(153)**	**(30)**
Income tax expense	9	(37)	(19)	(65)	(11)	(71)
Profit/(loss) from continuing operations		46	(36)	116	(164)	(101)
Profit/(loss) from discontinued operations		(2)	(4)	(3)	(11)	(31)
Net profit/(loss) for the period	5	**44**	**(40)**	**113**	**(175)**	**(132)**
Attributable to:						
Equity holders of Rhodia S.A.		43	(40)	112	(174)	(132)
Minority interests		1	-	1	(1)	-
Earnings per share (in euros)						
Continuing and discontinued operations						
- Basic		0.43	(0.39)	1.12	(1.75)	(1.32)
- Diluted		0.43	(0.39)	1.11	(1.74)	(1.32)
Continuing operations						
- Basic		0.45	(0.36)	1.15	(1.64)	(1.01)
- Diluted		0.45	(0.36)	1.14	(1.63)	(1.01)
Weighted average number of shares before dilution		*100,739,546*	*100,458,127*	*100,217,739*	*99,876,529*	*99,888,021*
Weighted average number of shares after dilution		*101,590,437*	*100,771,868*	*101,061,319*	*100,060,156*	*100,673,945*

* These figures were not subject to a limited review by the Company's statutory auditors

B. Consolidated statement of comprehensive income

		Half-year ended June 30,	
(in millions of euros)	**Note**	**2010**	**2009**
Net profit/(loss) for the period	5	**113**	**(175)**
Currency translation differences and other movements		134	9
Gains/(losses) on cash flow hedges on commodities		(18)	23
Gains/(losses) on cash flow hedges on foreign currency portfolio		(42)	56
Gains/(losses) on cash flow hedges on interest rates		6	(10)
Deferred tax on cash flow hedge recognized in equity		7	(12)
Actuarial gains/(losses) on retirement benefits	14	(67)	(140)
Deferred tax on actuarial gains/(losses)		11	(7)
Net income/(expense) directly recognized in equity		**31**	**(81)**
Total recognized income / (expense) for the period		**144**	**(256)**
Attributable to:			
Equity holders of Rhodia S.A.		140	(254)
Minority interests		4	(2)

C. Consolidated balance sheet

Assets

(in millions of euros)	Note	At June 30, 2010	At December 31, 2009
Property, plant and equipment		1,534	1,458
Goodwill		242	215
Other intangible assets		209	193
Investments in associates		12	12
Other non-current financial assets		131	118
Deferred tax assets		196	170
Non-current assets		**2,324**	**2,166**
Inventories		558	475
Income tax receivable		12	26
Trade and other receivables		854	692
Derivative financial instruments		63	113
Other current financial assets		75	100
Cash and cash equivalents	10	928	691
Assets classified as held for sale		37	3
Current assets		**2,527**	**2,100**
TOTAL ASSETS		**4,851**	**4,266**

Equity and liabilities

(in millions of euros)	Note	At June 30, 2010	At December 31, 2009
Share capital	11	101	1,213
Additional paid-in capital	11	1,256	138
Other reserves	11	292	213
Accumulated deficit	11	(2,261)	(2,299)
Equity deficit attributable to equity holders of Rhodia S.A.		**(612)**	**(735)**
Minority interests	11	19	16
Total equity deficit		**(593)**	**(719)**
Borrowings	12	1,678	1,655
Retirement benefits and similar obligations	14	1,564	1,459
Provisions		410	370
Deferred tax liabilities		32	28
Other non-current liabilities		48	36
Non-current liabilities		**3,732**	**3,548**
Borrowings	12	208	165
Derivative financial instruments		138	115
Retirement benefits and similar obligations	14	93	94
Provisions		171	160
Income tax payable		26	16
Trade and other payables		1,069	887
Liabilities classified as held for sale		7	-
Current liabilities		**1,712**	**1,437**
TOTAL EQUITY / (DEFICIT) AND LIABILITIES		**4,851**	**4,266**

D. Consolidated statement of cash flows

(in millions of euros)	For the half-year ended June 30,		For the year ended December 31,
	2010	2009	2009
Net profit/(loss) for the period attributable to equity holders of Rhodia S.A.	**112**	**(174)**	**(132)**
Adjustments for :			
Minority interests	1	(1)	-
Depreciation and impairment of non-current assets	139	146	284
Net increase/(decrease) in provisions	-	(1)	41
Impairment of non-current financial assets	1	-	(3)
Share of profit/(loss) of associates	-	1	-
Other income and expense	28	19	36
(Gain)/loss on disposal of non-current assets	(6)	(8)	(12)
Deferred tax expense/(gain)	16	(16)	(5)
Foreign exchange losses/(gains)	13	29	29
Net cash flow from/(used by) operating activities before changes in working capital	**304**	**(5)**	**238**
Changes in working capital			
• (Increase)/decrease in inventories	(56)	279	231
• (Increase)/decrease in trade and other receivables	(105)	94	89
• Increase/(decrease) in trade and other payables	107	(196)	(134)
• Increase/(decrease) in other current assets and liabilities	37	114	122
Net cash from operating activities before margin calls	**287**	**286**	**546**
Margin calls (1)	7	2	(9)
Net cash from operating activities	**294**	**288**	**537**
Purchases of property, plant and equipment	(83)	(85)	(167)
Purchases of other non-current assets	(17)	(11)	(24)
Proceeds on disposals of entities, net of cash transferred, and non-current assets	6	7	11
Purchases of entities, net of cash acquired	(1)	(81)	(76)
(Purchases)/repayments of loans and financial investments	13	(49)	(66)
Net cash from/(used by) investing activities	**(82)**	**(219)**	**(322)**
Treasury share purchase costs	-	(2)	(2)
Dividends paid	(20)	(1)	(4)
New non-current borrowings, net of costs	501	45	55
Repayments of non-current borrowings, net of costs	(513)	(39)	(80)
Net increase/(decrease) in current borrowings	22	16	(24)
Net cash from/(used by) financing activities	**(10)**	**19**	**(55)**
Effect of foreign exchange rate changes	**35**	**21**	**39**
Net increase/(decrease) in cash and cash equivalents	**237**	**109**	**199**
Cash and cash equivalents at the beginning of the year	691	492	492
Cash and cash equivalents at the end of the year	928	601	691

(1) The margin call agreements are standardized credit risk reduction contracts, which are concluded with the clearing house of an organized market or bilaterally by private contract with a counterparty.

Interests and income tax paid are presented in Note 10.

E. Statement of changes in equity

(in millions of euros)	Share capital	Additional paid-in capital	Other reserves: Hedge reserve	Other reserves: Translation reserve	Other reserves: Legal reserve	Other reserves: Treasury shares	Accumulated deficit	Total	Minority interests	Total
At January 1, 2010	**1,213**	**138**	**7**	**156**	**58**	**(8)**	**(2,299)**	**(735)**	**16**	**(719)**
Dividends	-	6	-	-	-	-	(25)	**(19)**	(1)	**(20)**
Changes in capital	(1,112)	1 112	-	-	-	-	-	**-**	-	**-**
Income and expense directly recognized in equity	-	-	(54)	131	-	-	63	**140**	4	**144**
Other movements (1)	-	-	-	-	-	2	-	**2**	-	**2**
At June 30, 2010	**101**	**1,256**	**(47)**	**287**	**58**	**(6)**	**(2,261)**	**(612)**	**19**	**(593)**

(1) Including bonus shares for €3.9 million

(in millions of euros)	Share capital	Additional paid-in capital	Other reserves: Hedge reserve	Other reserves: Translation reserve	Other reserves: Legal reserve	Other reserves: Treasury shares	Accumulated deficit	Total	Minority interests	Total
At January 1, 2009	**1,213**	**138**	**(49)**	**109**	**40**	**(14)**	**(1,812)**	**(375)**	**19**	**(356)**
Appropriation of earnings	-	-	-	-	18	-	(18)	**-**	-	**-**
Income and expense directly recognized in equity	-	-	69	12	-	-	(335)	**(254)**	(2)	**(256)**
Other movements (2)	-	-	-	(4)	-	2	4	**2**	(2)	**-**
At June 30, 2009	**1,213**	**138**	**20**	**117**	**58**	**(12)**	**(2,161)**	**(627)**	**15**	**(612)**

(2) Including bonus shares for €3.5 million

F. Notes to the condensed consolidated financial statements

1. General information

Rhodia S.A. and its subsidiaries ("Rhodia" or the "Group") produce, market and develop chemicals. Rhodia is the partner of major players in the automotive, tire, electronics, perfume, health & beauty and home care markets.

Rhodia has offices worldwide and specifically in Europe, the United States, Brazil and Asia.

Rhodia S.A. is a public limited company registered and domiciled in France. Its registered office is located at Paris–La Défense.

The company is listed on Euronext Paris.

These condensed consolidated financial statements were reviewed on July 28, 2010 by the Board of Directors.

2. Principal accounting methods

2.1. Accounting standards

Rhodia prepares its condensed consolidated financial statements on a quarterly basis, in accordance with IAS 34, *Interim financial reporting*. They do not include all the information required for the preparation of the annual financial statements and should be read in accordance with the consolidated financial statements for the year ended December 31, 2009, as included in the reference document filed by Rhodia with the AMF (French securities regulator) on March 22, 2010.

2.2. Basis of preparation for the consolidated financial statements

The condensed consolidated financial statements for the half-year ended June 30, 2010 were prepared using the same accounting methods as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2009.
The standards, interpretations and amendments adopted by the European Union at June 30, 2010 and their mandatory adoption in 2010 have no significant impact on the condensed consolidated financial statements for the half-year ended June 30, 2010.
In addition, according to the Group, the standards, interpretations and amendments already adopted by the European Union but not yet applicable will have no impact on the financial statements.

The condensed consolidated financial statements are presented in euros and rounded up to the nearest million unless otherwise indicated.

2.3. Estimates

The preparation of financial statements requires the use of estimates and the formulation of judgments and assumptions that have an impact on the application of accounting methods and the amounts shown in the financial statements.

For the preparation of the condensed consolidated financial statements, management made estimates and formulated judgments and assumptions for the same items as those used for the preparation of the consolidated financial statements for the year ended December 31, 2009, except with respect to the following:

- Income tax expense

For interim period-ends, the income tax expense is calculated, for each Group tax entity, by applying the estimated average effective tax rate for the current year to the pre-tax profit or loss for the interim period. This tax rate is calculated by taking into account previously unrecognized deferred tax assets, whose recovery is deemed probable. This probability is estimated according to the same criteria as those applied to annual period-ends.

- Retirement benefits and similar obligations

For interim period-ends, retirement benefits and similar obligations are recorded prorata to the projected annual charges provided in the actuarial assessments performed at the previous period-end. These assessments are modified in the event of any significant change in market conditions compared to the previous year or curtailments, settlements or any other material one-off events.

Notes to the consolidated income statement

3. Major events

The condensed consolidated financial statements for the half-year ended June 30, 2010 have been impacted by the partial redemption of the outstanding 2013 Floating Rate Notes, which generated an exceptional finance cost of €24 million (see note 8).
On June 17, 2010, Rhodia announced the acquisition of Feixiang Chemicals, China's leading producer of amines and surfactants. The acquisition price is based on an enterprise value of US$489 million. The completion of the transaction is subject to various customary closing conditions, including approval of the Chinese authorities. It is expected to be finalized in the second half 2010.

4. Seasonality effects

The Group's activity and operating results for the first six months of 2010 were not of a seasonal or cyclical nature compared to the activity and operating results for the entire year.

5. Segment information

The following information concerns continuing operations by business segment.

Rhodia Group is organized into the following 6 enterprises, whose structure is unchanged during the first half of 2010.

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other (2)	Group
Quarter ended June 30, 2010*								
Net sales	548	287	218	38	136	65	43	**1,335**
Other revenue	24	3	2	68	2	1	9	**109**
Inter-company sales - Net sales	(3)	(1)	-	-	-	-	(1)	**(5)**
Inter-company sales – Other revenue	(3)	(2)	-	(30)	(1)	-	(1)	**(37)**
External net sales	**545**	**286**	**218**	**38**	**136**	**65**	**42**	**1,330**
Other external income	21	1	2	38	1	1	8	**72**
Operating profit/(loss)	**59**	**42**	**39**	**27**	**19**	**13**	**(53)**	**146**
Profit/(loss) from financial items	-	-	-	-	-	-	-	**(63)**
Income tax expense	-	-	-	-	-	-	-	**(37)**
Profit/(loss) from continuing operations	-	-	-	-	-	-	-	**46**
Recurring EBITDA (1)	**80**	**51**	**52**	**27**	**32**	**18**	**(34)**	**226**

* These figures were not subject to a limited review by the Company's statutory auditors

(1) Recurring EBITDA: Operating profit or loss before net depreciation, amortization and impairment, restructuring costs and other operating income and expenses.

(2) "Corporate and Other" mainly corresponds to the Salicylics businesses and the Trading activity, involving the purchase and resale by the Group's international sales network of products from the Group's other segments or third-party partners in the chemicals industry. "Other revenue" is generated from incidental businesses not directly related to the other companies and mainly comprises internal and third-party industrial service sales. In addition to the net profit from these activities, operating profit comprises the expenses of the Group's Corporate functions and departments, other operating income and expenses relating to the environment and disposal gains and losses (see Note 7).

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other (2)	Group
Quarter ended June 30, 2009*								
Net sales	347	208	149	51	140	55	42	**992**
Other revenue	20	4	1	85	3	1	11	**125**
Inter-company sales - Net sales	(3)	-	(1)	-	-	-	(1)	**(5)**
Inter-company sales – Other revenue	(3)	(1)	-	(30)	(1)	-	(2)	**(37)**
External net sales	**344**	**208**	**148**	**51**	**140**	**55**	**41**	**987**
Other external income	17	3	1	55	2	1	9	**88**
Operating profit/(loss)	**(21)**	**11**	**6**	**30**	**26**	**15**	**(29)**	**38**
Share of profit/(loss) of associates	-	-	-	-	-	-	-	**(1)**
Profit/(loss) from financial items	-	-	-	--	-	-	-	**(54)**
Income tax expense	-	-	-	--	-	-	-	**(19)**
Profit/(loss) from continuing operations	**-**	**-**	**-**	**--**	**-**	**-**	**-**	**(36)**
Recurring EBITDA (1)	**6**	**22**	**17**	**37**	**33**	**20**	**(24)**	**111**

* These figures were not subject to a limited review by the Company's statutory auditors

(1) Recurring EBITDA: Operating profit or loss before net depreciation, amortization and impairment, restructuring costs and other operating income and expenses.
(2) "Corporate and Other" mainly corresponds to the Salicylics businesses and the Trading activity, involving the purchase and resale by the Group's international sales network of products from the Group's other segments or third-party partners in the chemicals industry. "Other revenue" is generated from incidental businesses not directly related to the other companies and mainly comprises internal and third-party industrial service sales. In addition to the net profit from these activities, operating profit comprises the expenses of the Group's Corporate functions and departments, other operating income and expenses relating to the environment and disposal gains and losses (see Note 7).

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other (2)	Group
Half year ended June 30, 2010								
Net sales	1,034	532	405	83	265	114	81	**2,514**
Other revenue	54	6	3	201	5	2	17	**288**
Inter-company sales - Net sales	(4)	(1)	(1)	-	-	-	(2)	**(8)**
Inter-company sales – Other revenue	(6)	(3)	-	(72)	(2)	-	(2)	**(85)**
External net sales	**1,030**	**531**	**404**	**83**	**265**	**114**	**79**	**2,506**
Other external income	48	3	3	129	3	2	15	**203**
Operating profit/(loss)	**107**	**72**	**72**	**73**	**37**	**23**	**(98)**	**286**
Profit/(loss) from financial items	-	-	-	-	-	-	-	**(105)**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(65)**
Profit/(loss) from continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**116**
Recurring EBITDA (1)	**151**	**89**	**95**	**75**	**63**	**32**	**(58)**	**447**

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other (2)	Group
Half year ended June 30, 2009								
Net sales	633	417	291	92	275	121	87	**1,916**
Other revenue	53	7	2	234	5	2	24	**327**
Inter-company sales - Net sales	(5)	(1)	(1)	-	-	-	(2)	**(9)**
Inter-company sales – Other revenue	(8)	(2)	-	(77)	(1)	-	(5)	**(93)**
External net sales	**628**	**416**	**290**	**92**	**275**	**121**	**85**	**1,907**
Other external income	45	5	2	157	4	2	19	**234**
Operating profit/(loss)	**(153)**	**10**	**(5)**	**74**	**52**	**35**	**(66)**	**(53)**
Share of profit/(loss) of associates	-	-	-	-	-	-	-	**(1)**
Profit/(loss) from financial items	-	-	-	-	-	-	-	**(99)**
Income tax expense	-	-	-	-	-	-	-	**(11)**
Profit/(loss) from continuing operations	-	-	-	-	-	-	-	**(164)**
Recurring EBITDA (1)	**(90)**	**36**	**20**	**85**	**67**	**44**	**(49)**	**113**

(1) Recurring EBITDA: Operating profit or loss before net depreciation, amortization and impairment, restructuring costs and other operating income and expenses.
(2) "Corporate and Other" mainly corresponds to the Salicylics businesses and the Trading activity, involving the purchase and resale by the Group's international sales network of products from the Group's other segments or third-party partners in the chemicals industry. "Other revenue" is generated from incidental businesses not directly related to the other companies and mainly comprises internal and third-party industrial service sales. In addition to the net profit from these activities, operating profit comprises the expenses of the Group's Corporate functions and departments, other operating income and expenses relating to the environment and disposal gains and losses (see Note 7).

6. Restructuring costs

(in millions of euros)	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
	2010*	**2009***	**2010**	**2009**	**2009**
New plans	(5)	(7)	(7)	(22)	(24)
Re-estimated costs of previous plans	3	-	3	2	2
Impairment of non-current assets	-	(2)	(3)	(9)	(11)
Impairment of current assets	-	-	(3)	-	-
Total	**(2)**	**(9)**	**(10)**	**(29)**	**(33)**

* These figures were not subject to a limited review by the Company's statutory auditors

The new measures represent a total estimated cost of €7 million and mainly correspond to the closure of the Valencia site of Acetow in Venezuela. The impairment of current and non-current assets related to this closure amounts to €5 million.

The new measures for the first half of 2009 represented a total estimated cost of €22 million and correspond to the competitiveness enhancement plans initiated for Polyamide, Silcea and Novecare and the support functions. In France, plans mainly concern the industrial sites of Belle-Etoile, Valence, Melle, Chalampe and Saint Fons Chimie, as well as support functions for a total of €13 million. In other countries, the new measures relate to two planned site closures in Asia (Ruohai and Ambarnath) and various measures implemented to improve productivity in both the industrial sites and commercial and administrative functions for €9 million. Out of this total, €4 million concerned measures launched in the United States.

7. Other operating income and expenses

(in millions of euros)	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
	2010*	**2009***	**2010**	**2009**	**2009**
Net gains on disposals of non-current assets	3	7	5	8	13
Other operating income	7	10	10	12	26
Other operating income	**10**	**17**	**15**	**20**	**39**
Environmental expenses	(11)	(5)	(16)	(5)	(26)
Other operating expenses	(8)	(7)	(15)	(16)	(36)
Other operating expenses	**(19)**	**(12)**	**(31)**	**(21)**	**(62)**

* These figures were not subject to a limited review by the Company's statutory auditors

In 2010, disposal gains mainly involve the sale of the Mississauga site (Canada).
In the first half of 2009, the disposal gains mainly concerned sales of real-estate assets.

In 2010, other operating income includes the changes in fair value of derivatives not qualified as hedges for operating items.

In 2010, other operating expenses comprise individually immaterial items.
In the first half of 2009, other operating expenses essentially concerned the derecognition of a portion of the hedges for foreign exchange derivatives on net sales.

Environmental expenses are analyzed in Note 15.

8. Profit/(loss) from financial items

	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
(in millions of euros)	**2010 ***	**2009 ***	**2010**	**2009**	**2009**
Gross interest expense on borrowings	(27)	(30)	(54)	(62)	(117)
Income from cash equivalents	5	3	8	5	12
Gains/(losses) from interest rate derivatives	-	-	-	-	(1)
Income / (expenses) on financial transactions	(28)	(8)	(31)	(10)	(18)
Discounting effects	(38)	(36)	(74)	(71)	(143)
Expected return on pension plan assets	20	17	39	33	67
Foreign exchange gains/(losses)	5	-	5	5	10
Proceeds from sale of available-for-sale financial assets	-	-	1	-	-
Other	-	-	1	1	-
Profit/(loss) from financial items	**(63)**	**(54)**	**(105)**	**(99)**	(190)
Of which:					
Finance costs	(94)	(75)	(160)	(145)	(287)
Finance income	26	21	50	41	87
Foreign exchange gains/(losses)	5	-	5	5	10

* These figures were not subject to a limited review by the Company's statutory auditors

Rhodia partially refinanced its outstanding 2013 Floating Rate Notes, in the principal amount of €500 million, through the issuance of new Senior notes for the same amount, maturing in 2018 and bearing interest at 7%. Income and expenses on financial transactions as of June 30, 2010 include €(24) million relating to the partial redemption of the 2013 Floating Rate Notes, including €(17) million related to the derecognition of a portion of the interest rate hedge swaps.

At June 30, 2009, the income and (expenses) on financial transactions include a €(4) million accelerated depreciation of the remaining fees, which were capitalized at the implementation of the syndicated credit line in 2007.

9. Income taxes

For the period ended June 30, 2010, the tax expense amounted to €(65) million, compared to €(11) million for the period ended June 30, 2009, for an income from continuing operations before tax of €181 million (income of €(153) million for the period ended June 30, 2009).

The item breaks down as follows:

(in millions of euros)	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
	2010 *	**2009 ***	**2010**	**2009**	**2009**
Current income tax expense	(26)	(17)	(58)	(27)	(76)
Deferred tax income/(expense)	(11)	(2)	(7)	16	5
Tax expense	**(37)**	**(19)**	**(65)**	**(11)**	**(71)**

* These figures were not subject to a limited review by the Company's statutory auditors

The current income tax expense mainly corresponds to the income tax reported by the American, Asian and German entities.

At June 30, 2009, the deferred tax income is mainly attributable to the capitalization of tax losses in Brazil in the first half of 2009 that management expects to recover within a reasonable timeframe.

Management has not modified its estimate of the probability of recovering the deferred tax assets relating to the French and British tax groups. Thus, no new deferred tax asset was recorded for the half-year ended June 30, 2010.

Notes to the consolidated balance sheet

10. Cash and cash equivalents

10.1 Analysis by type

(in millions of euros)	At June 30, 2010	At December 31, 2009
Cash in banks	119	122
Cash equivalents	809	569
Total	**928**	**691**

10.2 Consolidated statement of cash flows

In the first half of 2010, discontinued operations contributed to net cash flows from operating activities in the amount of €(1) million and to €1 million to net cash flows used by investing activities. They do not contribute to net cash flows from financing activities.

Paid interest costs on borrowings, net of interest received on cash and cash equivalents (including the impact of the interest rate hedge), totaled €25 million.

Income taxes paid in the first half of 2010 totaled around €22 million.

11. Equity

11.1 Share capital and additional paid-in capital

On May 29, 2010, the Board of Directors decided to decrease share capital by reducing the nominal value of each share from €12 to €1, for a total amount of €1,112 million.
In the first half of 2010, the exercise of share subscription options resulted in the issue of 547 shares, and the option for the payment of dividends through shares to 408,382 new shares.
At June 30, 2010, Rhodia's share capital totaled €101,495,997, comprising 101,495,997 shares with a par value of €1 each.

11.2 Dividends

As decided by shareholders at the general meeting on April 28, 2010, Rhodia S.A. paid out dividends totaling €25 million (€0.25 per share), with respect to the 2009 financial year.

11.3 Translation reserve

The change in the translation reserve attributable to equity holders of Rhodia S.A. amounted to €131 million for the half-year ended June 30, 2010, primarily due to the appreciation of the US dollar and the Brazilian real against the euro.

11.4 Treasury Shares

Following the attribution of bonus shares to the beneficiaries of the 2008 B plans, the number of treasury shares was reduced to 802,814 on June 30, 2010.

12. Borrowings

Breakdown of borrowings by type

At June 30, 2010					
(in millions of euros)	Amount at amortized cost (1)	Redemption value (2)	Amount at fair value (3)	Maturity	Effective rates before hedging (4) - (5)
Bilateral credit facilities	101	101	101	2010-06/2011	4% - 11%
Securitization of receivables	76	76	76	2010	3.38%
Other debts	12	12	12	2010-2011	< 5%
Accrued interest payable	19	19	19	-	-
Sub-total short term	**208**	**208**	**208**		
2006 EUR senior notes	528	535	503	10/15/2013	Euribor 3M + 2,75%
2010 EUR senior notes	491	500	485	05/15/2018	7%
OCEANE bonds	554	595	552	01/01/2014	6.29%
Other EUR notes	15	15	15	12/31/2011	Euribor 6M + 1,60%
Bilateral credit facilities	78	78	78	2011-2014	4% à 11%
Finance lease debts	6	6	6	2012-2019	3.56% à 11.25%
Other debts	6	6	6	2011-2018	< 5%
Sub-total long term	**1,678**	**1,735**	**1,645**		
TOTAL	**1,886**	**1,943**	**1,853**		

(1) The amortized cost of the OCEANE is determined after separate recognition in equity of the share conversion option for €124 million.
(2) The amount shown for the OCEANE corresponds to the principal excluding the 13.22% redemption premium.
(3) Senior notes and OCEANE are measured on the last day of the period. The redemption price was adopted for other borrowings.
(4) Effective interest rate before impact of hedges.
(5) Libor/Euribor are mainly 1, 3 or 6 months.

At December 31, 2009					
(in millions of euros)	Amount at amortized cost (1)	Redemption value (2)	Amount at fair value (3)	Maturity	Effective rates before hedging (4) - (5)
2004 USD senior notes	4	4	4	06/01/2010	10.25%
2004 EUR senior notes	1	1	1	06/01/2010	10.50%
Bilateral credit facilities	91	91	91	2010	4% - 9%
Securitization of receivables	41	41	41	2010	3.62%
Other debts	12	12	12	2010	< 7%
Accrued interest payable	16	16	16	-	-
Sub-total short term	**165**	**165**	**165**		
2006 EUR senior notes	1,021	1,035	966	10/15/2013	Euribor 3M + 2.75%
OCEANE bonds	538	595	528	01/01/2014	6.29%
Other EUR notes	15	15	15	12/31/2011	Euribor 6M + 1.60%
Bilateral credit facilities	69	69	69	2011-2014	4% - 9%
Finance lease debts	5	5	5	2012-2019	3.56% à 11.25%
Other debts	7	7	7	2011-2018	< 7%
Sub-total long term	**1,655**	**1,726**	**1,590**		
TOTAL	**1,820**	**1,891**	**1,755**		

(1) The amortized cost of the OCEANE is determined after separate recognition in equity of the share conversion option for €124 million.
(2) The amount shown for the OCEANE corresponds to the principal excluding the 13.22% redemption premium.
(3) Senior notes and OCEANE are measured on the last day of the period. The redemption price was adopted for other borrowings.
(4) Effective interest rate before impact of hedges.
(5) Libor/Euribor are mainly 1, 3 or 6 months.

13. Financial risk management

13.1 Liquidity risk management

At June 30, 2010, Rhodia's liquidity position amounted to €1,527 million, compared to €1,318 million at December 31, 2009. This liquidity position includes an undrawn credit line of €540 million in connection with Rhodia's syndicated credit facility ("RCF").

The continuation of the RCF syndicated credit facility is subject to the compliance with certain financial ratios ("covenants") that are tested on a half-yearly basis.

In addition to the transactions performed in 2006 and 2007, involving the exercise of Floating Rate Notes in the amount of €1,100 million maturing in 2013 and OCEANE bonds in the amount of €595 million maturing in 2014, the extension of the Group's debt maturity in May 2010 for a nominal amount of €500 million maturing in 2018 (early redemption of Floating Rate Notes maturing in 2013 through the issue of new High Yield notes maturing in 2018 and bearing interest at 7%) has reinforced Rhodia's control over its medium-term liquidity.

13.2 Management of short-term investment and financial instrument risk

Rhodia mainly invests its short-term investments with banks or financial institutions with S&P and Moody's ratings which are equal to or greater than -BBB and Baa2, respectively (June 30, 2010 ratings).

Interest rate and foreign currency contracts are entered into with banks or financial institutions with S&P and Moody's ratings that belong to the Investment Grade category. In addition, most of these transactions as well as those with a maturity of more than one year are entered into with counterparties which have ratings from these agencies that are equal to or greater than A- and A1 respectively (June 30, 2010 ratings).

14. Retirement benefits and similar obligations

Compared to December 31, 2009, long-term interest rates fluctuated significantly in the United Kingdom and in the United States, leading to a revaluation of the retirement obligations and similar benefits. The discount rates used are:

- in the UK, 5.30% at June 30, 2010 against 5.70% at December 31, 2009 and ,
- in the US, 5.00% at June 30, 2010 against 5.50% at December 31, 2009.

At the same time, in the United Kingdom, the long-term inflation rate decreased from 3.50% at December 31, 2009 to 3.10% at June 30, 2010.

The fair value of the main plan assets in the United Kingdom, the United States and Brazil was also revalued.

At June 30, 2010, the actuarial gains and losses recognized in equity amount to €(67) million, and mainly correspond to a €(31) million negative impact from changes in assumptions (discount and inflation rate) and a €(36) million negative impact attributable to the revaluation of plan assets.

These items mainly explain the increase in retirement benefits and similar obligations to €1,657 million at June 30, 2010, compared to €1,553 million at December 31, 2009. The conversion impact linked to the depreciation of the euro against other main currencies amounts to €47 million.

15. Environmental provisions

As it is the case each quarter, Rhodia's environmental provisions were revised as of June 30, 2010. The significant increase in interest rates during the first half of 2010 in France and the United States was reflected by a €3 million increase in provisions.

The discount rates used at June 30, 2010, determined by geographical area, based on risk-free interest rates (government bonds) and excluding inflation, are as follows:

	5 years	10 years	20 years
France	-	1.10%	-
Europe (excluding France and United Kingdom)	1.90%	-	-
United Kingdom	0.80%	-	2.40%
United States	0.20%	0.50%	-
Brazil	-	6.30%	6.30%

At June 30, 2010, environmental provisions amounted to €269 million, compared to €239 million at December 31, 2009, with the change mainly being attributable to an additional provision of €11 million for the Brazilian sites and a negative conversion impact (€21 million) due to depreciation of the Euro.

At June 30, 2010, there were no significant movements in contingent environmental liabilities, estimated at €181 million at December 31, 2009, with the exception of the negative conversion impact upgrading contingent environmental liabilities to €192 million.

16. Claims and litigation

During the six months period ended September 30, 2009, there were no new legal disputes NOR significant developments in litigation existing at December 31, 2009, except the following:
- In the litigation between Innophos and Mexico's National Water Commission, the court of appeal denied the appeal made by Rhodia on behalf of Innophos in a decision dated May 17th, 2010. Rhodia has appealed this decision with the Supreme Court of Mexico.
- With respect to the Valauret litigation, the Court of Appeal in Versailles has overturned, on May 10, 2010, the decision made by the Commercial Court in Nanterre in December 2008. The Court of appeal ruled that Yves-René Nanot and Jean-Pierre Clamadieu did not commit any fault by paying severance benefits to Mr. Tirouflet as part of his employment contract. In addition, the Court of appeal has ruled that the proceedings had been detrimental to Mr. Nanot and Mr Clamadieu, having called into question their integrity. This justifies the awarding of damages to both of them. Finally, the Court of appeal ruled that Valauret must pay the legal costs incurred by Mr. Nanot and Mr. Clamadieu as well as Rhodia.

17. Share-based payment

17.1 New plans:

On April 27, 2010, pursuant to the Board of Directors' decision of February 2010, two new plans were granted to 252 beneficiaries (2 X 505,435 shares) subject to Group performance criteria and the continued employment of the beneficiaries. The terms and conditions of these plans are as follows:

	A Plans		B Plans	
	"2+2"	"4+0"	"2+2"	"4+0"
Number of shares	359,235	146,200	359,235	146,200
Number of beneficiaries	140	112	140	112
Grant date	April 27, 2010		April 27, 2010	
Vesting date	Minimum April 27, 2012	Minimum April 27, 2014	Minimum April 27, 2012	Minimum April 27, 2014
Holding period	Minimum April 27, 2014	-	Minimum April 27, 2014	-
Performance criteria	For the first half (50%) of shares assigned: Recurring EBITDA / net sales ratio, as presented in the consolidated financial statements of the Company for the year ended December 31, 2010, exceeding by 2 points the average ratio of a panel of competitors For the second half (50%) of shares assigned: Recurring EBITDA / net sales ratio, as presented in the consolidated financial statements of the Company for the year ended December 31, 2011, exceeding by 2 points the average ratio of a panel of competitors		For the first half (50%) of shares assigned: Level of CFROI (Cash Flow Return On Investments), as presented in the consolidated financial statements of the Company for the year ended December 31, 2010 For the second half (50%) of shares assigned: Level of CFROI (Cash Flow Return On Investments), as presented in the consolidated financial statements of the Company for the year ended December 31, 2011	
Validation of vesting conditions	Board of Directors		Board of Directors	

The expense recognized with respect to bonus share plans for the half-year ended June 30, 2010 totaled €3.9 million. It includes €1 million for the cost of the new A and B plans (assumption under which the performance criteria of both plans will be met at December 31, 2010 and 2011, except for the B plan in 2011).

17.2 Share capital increase reserved for employees

Group employees will be able to subscribe to a reserved capital increase during the second half of 2010. The terms and conditions of this plan will be defined by the Rhodia Board of Directors on July 30, 2010.
The grant date of this plan has been set at August 3, 2010, the expiry date of the subscribers' retraction period. The compensation cost relating to this plan will be valued and recorded at that date. The capital increase is planned for August 17, 2010, with the issuance of a maximum of 3 million shares.

18. Post closing events

No post closing event has occurred.