Rhodia

Condensed consolidated financial statements

for the half-year ended June 30, 2011

Rhodia

Chemistry is our world, Responsibility is our way

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A. Consolidated statement of income

(in millions of euros)	Note	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
		2011*	2010*	2011	2010	2010
Net sales	5	**1,617**	**1,330**	**3,120**	**2,506**	**5,226**
Other revenue	5	77	72	187	203	383
Cost of sales		(1,283)	(1,084)	(2,508)	(2,091)	(4,335)
Administrative and selling expenses		(162)	(139)	(314)	(266)	(561)
Research and development expenditure		(21)	(22)	(43)	(40)	(82)
Restructuring costs		2	(2)	2	(10)	(5)
Other operating income	6	6	10	42	15	41
Other operating expenses	6	(18)	(19)	(25)	(31)	(65)
Operating profit	**5**	**218**	**146**	**461**	**286**	**602**
Finance income	7	29	26	57	50	103
Finance costs	7	(74)	(94)	(147)	(160)	(318)
Foreign exchange gains	7	5	5	6	5	8
Profit before income tax		**178**	**83**	**377**	**181**	**395**
Income tax expense	8	(62)	(37)	(107)	(65)	(128)
Profit from continuing operations	5	116	46	270	116	267
Profit/(loss) from discontinued operations		(1)	(2)	(2)	(3)	(5)
Net profit for the period		**115**	**44**	**268**	**113**	**262**
Attributable to:						
Equity holders of Rhodia S.A.		113	43	264	112	259
Non-controlling interests		2	1	4	1	3
Earnings per share (in euros)						
Continuing and discontinued operations						
- Basic		1.09	0.43	2.54	1.12	2.55
- Diluted		1.03	0.43	2.38	1.11	2.52
Continuing operations						
- Basic		1.09	0.45	2,55	1.15	2.60
- Diluted		1.03	0.45	2.39	1.14	2.57
Weighted average number of shares before dilution		*104,127,794*	*100,739,546*	*103,987,595*	*100,217,739*	*101,557,153*
Weighted average number of shares after dilution		*118,699,428*	*101,590,437*	*118,381,922*	*101,061,319*	*102,760,912*

* Unaudited

B. Consolidated statement of comprehensive income

		Quarter ended June 30,		Half-year ended June 30,		For the year ended December 31,
(in millions of euros)	Note	2011*	2010*	2011	2010	2010
Net profit for the period		**115**	**44**	**268**	**113**	**262**
Currency translation differences and other movements	12	10	69	(45)	134	103
Gains/(losses) arising from cash flow hedges of commodities		19	(12)	(3)	(18)	(12)
Gains/(losses) arising from cash flow hedges of interest rates		(2)	13	1	6	17
Gains/(losses) arising from cash flow hedges of foreign currency portfolios		(2)	(25)	9	(42)	(17)
Deferred tax on cash flow hedges		1	5	1	7	2
Actuarial gains/(losses) from retirement benefits and similar obligations	15	(31)	(26)	15	(67)	39
Deferred tax on actuarial gains/(losses)		1	11	-	11	3
Other comprehensive income		**(4)**	**35**	**(22)**	**31**	**135**
Total comprehensive income for the period		**111**	**79**	**246**	**144**	**397**
Attributable to:						
Equity holders of Rhodia S.A.		109	77	242	140	391
Non-controlling interests		2	2	4	4	6

* Unaudited

C. Consolidated balance sheet

Assets

(in millions of euros)	Note	At June 30, 2011	At December 31, 2010
Property, plant and equipment		1,548	1,560
Goodwill	10	394	420
Other intangible assets		321	328
Investments in associates		12	12
Other non-current financial assets		182	135
Deferred tax assets		150	168
Non-current assets		**2,607**	**2,623**
Inventories		801	627
Income tax receivable		13	29
Trade and other receivables		954	910
Derivative financial instruments		98	90
Other current financial assets		18	34
Cash and cash equivalents	11	953	782
Assets classified as held for sale	9	36	36
Current assets		**2,873**	**2,508**
TOTAL ASSETS		**5,480**	**5,131**

Equity / (deficit) and liabilities

(in millions of euros)	Note	At June 31, 2011	At December 31, 2010
Share capital	12	106	105
Additional paid-in capital	12	1,332	1,290
Other reserves	12	263	303
Accumulated deficit	12	(1,774)	(2,006)
Equity/(deficit) attributable to equity holders of Rhodia S.A.		**(73)**	**(308)**
Non-controlling interests		23	20
Total equity / (deficit)		**(50)**	**(288)**
Borrowings	13	1,670	1,672
Retirement benefits and similar obligations	15	1,371	1,419
Provisions		310	425
Deferred tax liabilities		69	62
Other non-current liabilities		88	27
Non-current liabilities		**3,508**	**3,605**
Borrowings	13	386	338
Derivative financial instruments		75	94
Retirement benefits and similar obligations	15	89	91
Provisions		176	132
Income tax payable		35	40
Trade and other payables		1,255	1,113
Liabilities associated with assets classified as held for sale	9	6	6
Current liabilities		**2,022**	**1,814**
TOTAL EQUITY / (DEFICIT) AND LIABILITIES		**5,480**	**5,131**

D. Consolidated statement of cash flows

(in millions of euros)	For the half-year ended June 30,		For the year ended December 31,
	2011	**2010**	**2010**
Net profit for the period attributable to equity holders of Rhodia S.A.	**264**	**112**	**259**
Adjustments for:			
Non-controlling interests	4	1	3
Depreciation and impairment of non-current assets	138	139	277
Net increase/(decrease) in provisions	(72)	-	(24)
Impairment of non-current financial assets	(1)	1	3
Other income and expenses	24	28	63
(Gain)/loss on disposal of non-current assets	(28)	(6)	(9)
Deferred tax expense/(income)	23	16	26
Foreign exchange losses/(gains)	(7)	13	4
Net cash flow from operating activities before changes in working capital	**345**	**304**	**602**
Changes in working capital			
- (Increase)/decrease in inventories	(194)	(56)	(111)
- (Increase)/decrease in trade receivables	(74)	(105)	(83)
- Increase/(decrease) in trade payables	154	107	65
- Increase/(decrease) in other current assets and liabilities	21	37	21
Net cash flow from operating activities before margin calls	**252**	**287**	**494**
Margin calls (1)	1	7	9
Net cash flow from operating activities	**253**	**294**	**503**
Purchases of property, plant and equipment	(135)	(83)	(234)
Purchases of other non-current assets	(17)	(17)	(36)
Proceeds on disposals of entities, net of cash transferred, and non-current assets	25	6	8
Purchases of entities, net of cash acquired	(11)	(1)	(276)
(Purchases)/repayments of loans and financial investments	13	13	56
Net cash flow used by investing activities	**(125)**	**(82)**	**(482)**
Proceeds from issued shares, net of costs	3	-	38
Treasury share purchase costs	(6)	-	-
Dividends paid	(12)	(20)	(19)
New non-current borrowings, net of costs	12	501	811
Repayments of non-current borrowings, net of costs	(70)	(513)	(822)
Net increase/(decrease) in current borrowings	127	22	36
Net cash flow from (used by) financing activities	**54**	**(10)**	**44**
Effect of foreign exchange rate changes	**(11)**	**35**	**26**
Net increase/(decrease) in cash and cash equivalents	**171**	**237**	**91**
Cash and cash equivalents at the beginning of the period	782	691	691
Cash and cash equivalents at the end of the period	953	928	782

(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 counterpart.

E. Consolidated statement of changes in equity

			Other reserves							
(in millions of euros)	**Share capital**	**Additional paid-in capital**	**Hedge reserve**	**Translation reserve**	**Legal reserve**	**Treasury shares**	**Accumulated deficit**	**Total**	**Non-controlling interests**	**Total**
At January 1, 2011	**105**	**1,290**	**(5)**	**256**	**58**	**(6)**	**(2,006)**	**(308)**	**20**	**(288)**
Dividends	1	40	-	-	-	-	(52)	**(11)**	(1)	**(12)**
Share capital increase	-	2	-	-	-	-	-	**2**	-	**2**
Total comprehensive income	-	-	7	(45)	-	-	280	**242**	4	**246**
Other changes (1)	-	-	-	-	-	(2)	4	**2**	-	**2**
At June 30, 2011	**106**	**1,332**	**2**	**211**	**58**	**(8)**	**(1,774)**	**(73)**	**23**	**(50)**

(1) Including free shares and stock options for €6.8 million.

			Other reserves							
(in millions of euros)	**Share capital**	**Additional paid-in capital**	**Hedge reserve**	**Translation reserve**	**Legal reserve**	**Treasury shares**	**Accumulated deficit**	**Total**	**Non-controlling interests**	**Total**
At January 1, 2010	**1,213**	**138**	**7**	**156**	**58**	**(8)**	**(2,299)**	**(735)**	**16**	**(719)**
Dividends	-	6	-	-	-	-	(25)	**(19)**	(1)	**(20)**
Share capital increase / (decrease)	(1,112)	1,112	-	-	-	-	-	**-**	-	**-**
Total comprehensive income	-	-	(54)	131	-	-	63	**140**	4	**144**
Other changes (2)	-	-	-	-	-	2	-	**2**	-	**2**
At June 30, 2010	**101**	**1,256**	**(47)**	**287**	**58**	**(6)**	**(2,261)**	**(612)**	**19**	**(593)**

(2) Including free shares and stock options for €3.9 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 27, 2011 by the Board of Directors.

2. Significant events

On April 6, 2011, Solvay filed a tender offer with the AMF covering:

- All Rhodia shares issued or likely to be issued, at a unit price of €31.60 (2010 ex dividend), and
- All bonds convertible into and/or exchangeable for new or existing shares (OCEANEs) issued by Rhodia, at a unit price of €52.30.

Solvay's planned tender offer was deemed compliant with article 231-23 of the French Financial Markets Authority's general regulations. Pursuant to this decision, the draft prospectus of the originator was formally approved, under authorization no.11-148 on May 10, 2011. The AMF also approved Rhodia's draft response memorandum to the prospectus under authorization no.11-149 dated May 10, 2011.

The tender was opened on June 15, 2011. The AMF will publish the tender closing dates following the authorization of the European competition authorities. The European Commission was notified on June 30, 2011.

Solvay will not pursue the tender if the number of shares transferred does not provide at least 50% of Rhodia's share capital and voting rights, plus one share, on a fully diluted basis at the tender's closing. Under this scenario, the tender would not be reopened, pursuant to article 232-4 of the AMF general regulations.

Assuming that the minority shareholders of Rhodia do not represent, following this tender offer, more than 5% of the outstanding capital or voting rights of Rhodia, Solvay may request the AMF, within three months of the end of the tender offer period, that a squeeze-out be implemented to cause the transfer to Solvay of the Rhodia shares which have not been tendered into the tender offer.

For a detailed description of the tender and its terms and conditions, please refer to the prospectus of Solvay and the response memorandum of Rhodia, available at the AMF website (www.amf-france.org).

The hypothetical acquisition of Rhodia by Solvay had no impact on the condensed consolidated financial statements for the period ended June 30, 2011 and specifically on the accounting treatment of the indebtedness.

3. Principal accounting methods

3.1. Accounting standards

Rhodia prepared 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 conjunction with the consolidated financial statements for the year ended December 31, 2010, as included in the Registration Document filed by Rhodia with the AMF on March 23, 2011.

3.2. Basis of preparation for the condensed consolidated financial statements

The condensed consolidated financial statements for the half-year ended June 30, 2011 were prepared using the same accounting methods as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2010.
The standards, interpretations and amendments adopted by the European Union at June 30, 2011 and their mandatory adoption in 2011 had no impact on the condensed consolidated financial statements for the half-year ended June 30, 2011.
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 to the nearest million unless otherwise indicated.

3.3. 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, 2010, 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 calculated pro rata 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

4. Seasonality effects

The Group's activity and operating results for the half-year ended June 30, 2011 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.

On October 4, 2010, Rhodia announced its reorganization into 11 new operating segments, grouped within 5 clusters, in order to support the Group's growth. This new organization was reflected in internal reporting as from January 1, 2011.

Rhodia's five clusters are as follows:

Consumer Chemicals primarily serves the consumer products markets. Its strategy is based on the development of an offering suited to the major trends of these markets, particularly demographic growth, the appearance of new modes of consumption depending on the regions and, in general, the demand for products offering better protection of human health and the environment and the development of products from renewable resources.

Advanced Materials are intended for high-performance industries such as energy-efficient tires, automotive catalysts or energy-efficient lighting. The growth of this Business Cluster, greater than the organic growth of the markets served, is driven by the stakes tied to sustainable development.

Polyamide Materials brings together the polyamide chain activities. Their advantages stem from the integrated polyamide 6.6 production line, their leading position in the most profitable sectors and excellent competitiveness. The automobile industry is one of their major markets with solutions responding to the stakes of sustainable mobility.

Acetow & Eco Services operate in very specific, mature and stable markets, where partnerships with customers are built on reliability, quality of service and dependable supply.

Energy Services relies on its expertise in energy optimization and the reduction of CO_2 emissions to develop "Climate Care" solutions that also help respond to the challenges of sustainable development through the generation of renewable energies.

(in millions of euros)	Consumer Chemicals	Advanced Materials	Polyamide Materials	Acetow & Eco Services	Energy Services	Corporate & Other (2)	Group
For the quarter ended June 30, 2011*							
Net sales	625	217	475	214	58	35	**1,624**
Other revenue	5	2	17	3	76	10	**113**
Inter-company sales – Net sales	(1)	(2)	(3)	-	-	(1)	**(7)**
Inter-company sales – Other revenue	-	-	(3)	(1)	(31)	(1)	**(36)**
External net sales	**624**	**215**	**472**	**214**	**58**	**34**	**1,617**
External other revenue	5	2	14	2	45	9	**77**
Operating profit/(loss)	**82**	**62**	**41**	**41**	**42**	**(50)**	**218**
Profit/(loss) from financial items							**(40)**
Income tax expense							**(62)**
Profit from continuing operations							**116**
Recurring EBITDA (1)	**100**	**71**	**62**	**53**	**47**	**(36)**	**297**

* Unaudited

(in millions of euros)	Consumer Chemicals	Advanced Materials	Polyamide Materials	Acetow & Eco Services	Energy Services	Corporate & Other (2)	Group
For the quarter ended June 30, 2010*							
Net sales	497	132	430	201	38	37	**1,335**
Other revenue	6	1	22	3	68	9	**109**
Inter-company sales – Net sales	(1)	(1)	(1)	-	-	(2)	**(5)**
Inter-company sales – Other revenue	(1)	-	(2)	(1)	(30)	(3)	**(37)**
External net sales	**496**	**131**	**429**	**201**	**38**	**35**	**1,330**
External other revenue	5	1	20	2	38	6	**72**
Operating profit/(loss)	**66**	**19**	**44**	**31**	**30**	**(44)**	**146**
Profit/(loss) from financial items							**(63)**
Income tax expense							**(37)**
Profit from continuing operations							**46**
Recurring EBITDA (1)	**82**	**28**	**62**	**48**	**29**	**(23)**	**226**

* Unaudited

(1) Recurring EBITDA: Operating profit or loss before net depreciation and impairment, restructuring costs and other operating income and expenses.
(2) "Corporate & Other" mainly corresponds to the Salicylic 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 clusters 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 mainly relating to the environment and disposal gains and losses (see Note 6).

(in millions of euros)	Consumer Chemicals	Advanced Materials	Polyamide Materials	Acetow & Eco Services	Energy Services	Corporate & Other (2)	Group
For the half-year ended June 30, 2011							
Net sales	1,210	401	917	421	114	75	**3,138**
Other revenue	11	3	40	7	190	17	**268**
Inter-company sales – Net sales	(2)	(4)	(5)	-	-	(7)	**(18)**
Inter-company sales – Other revenue	-	-	(4)	(2)	(72)	(3)	**(81)**
External net sales	**1,208**	**397**	**912**	**421**	**114**	**68**	**3,120**
External other revenue	11	3	36	5	118	14	**187**
Operating profit/(loss)	**160**	**108**	**89**	**76**	**86**	**(58)**	**461**
Profit/(loss) from financial items							**(84)**
Income tax expense							**(107)**
Profit from continuing operations							**270**
Recurring EBITDA (1)	**192**	**124**	**130**	**99**	**94**	**(59)**	**580**

(in millions of euros)	Consumer Chemicals	Advanced Materials	Polyamide Materials	Acetow & Eco Services	Energy Services	Corporate & Other (2)	Group
For the half-year ended June 30, 2010							
Net sales	918	250	816	379	83	68	**2,514**
Other revenue	12	2	51	7	201	15	**288**
Inter-company sales – Net sales	(2)	(1)	(3)	-	-	(2)	**(8)**
Inter-company sales – Other revenue	(3)		(6)	(2)	(72)	(2)	**(85)**
External net sales	**916**	**249**	**813**	**379**	**83**	**66**	**2,506**
External other revenue	9	2	45	5	129	13	**203**
Operating profit/(loss)	**115**	**36**	**79**	**57**	**78**	**(79)**	**286**
Profit/(loss) from financial items							**(105)**
Income tax expense							**(65)**
Profit from continuing operations							**116**
Recurring EBITDA (1)	**145**	**52**	**118**	**92**	**80**	**(40)**	**447**

(1) Recurring EBITDA: Operating profit or loss before net depreciation and impairment, restructuring costs and other operating income and expenses.
(2) "Corporate & Other" mainly corresponds to the Salicylic 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 clusters 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 mainly relating to the environment and disposal gains and losses (see Note 6).

(in millions of euros)	Consumer Chemicals	Advanced Materials	Polyamide Materials	Acetow & Eco Services	Energy Services	Corporate & Other (2)	Group
For the year ended December 31, 2010							
Net sales	1,883	539	1,701	790	203	128	**5,244**
Other revenue	25	4	102	15	389	28	**563**
Inter-company sales – Net sales	(4)	(4)	(9)	-	-	(1)	**(18)**
Inter-company sales – Other revenue	(6)	-	(12)	(3)	(157)	(2)	**(180)**
External net sales	**1,879**	**535**	**1,692**	**790**	**203**	**127**	**5,226**
External other revenue	19	4	90	12	232	26	**383**
Operating profit/(loss)	**222**	**82**	**174**	**129**	**171**	**(176)**	**602**
Profit/(loss) from financial items							**(207)**
Income tax expense							**(128)**
Profit from continuing operations							**267**
Recurring EBITDA (1)	**276**	**114**	**253**	**188**	**179**	**(105)**	**905**

(1) Recurring EBITDA: Operating profit or loss before net depreciation and impairment, restructuring costs and other operating income and expenses.
(2) "Corporate & Other" mainly corresponds to the Salicylic 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 clusters 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 mainly relating to the environment and disposal gains and losses (see Note 6).

6. Other operating income and expenses

(in millions of euros)	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
	2011*	**2010***	**2011**	**2010**	**2010**
Gains on disposals of non-current assets	1	3	30	5	11
Other operating income	5	7	12	10	30
Other operating income	**6**	**10**	**42**	**15**	**41**
Losses on disposals of non-current assets	-	-	-	-	(1)
Environmental expenses	(8)	(11)	(13)	(16)	(35)
Other operating expenses	(10)	(8)	(12)	(15)	(29)
Other operating expenses	**(18)**	**(19)**	**(25)**	**(31)**	**(65)**

* Unaudited

In the first half of 2011, the disposal gains mainly comprised the proceed on disposal of Rhodia's minority interest in Novacap. The first half of 2010 was mainly impacted by the sale of the Mississauga site (Canada).

In the first half of 2011, other operating income mainly related to the final payment linked to the compensation received following Rhodia's eviction from the Wuxi site. This compensation was granted by the Wuxi municipality in 2008 and paid to Rhodia according to a pre-defined timetable until the eviction date. It was recorded in profit or loss as and when the payments were received. Other operating income also comprised the changes in fair value of derivatives not qualified as hedges for operating items, as was the case in the first half of 2010.

In the first half of 2011, other operating expenses mainly comprised the expenses related to Solvay's tender offer. They also comprise the expenses related to the Orbeo activities, these same items were noted in first half of 2010.

Environmental expenses are analyzed in Note 16.

7. Profit/(loss) from financial items

(in millions of euros)	Quarter ended June 30, 2011 *	Quarter ended June 30, 2010 *	Half-year ended June 30, 2011	Half-year ended June 30, 2010	Year ended December 31, 2010
Gross interest expense on borrowings	(31)	(27)	(62)	(54)	(114)
Income from cash equivalents	5	5	11	8	19
Expenses on financial transactions	(2)	(28)	(6)	(31)	(49)
Discounting effects	(40)	(38)	(77)	(74)	(152)
Expected return on pension plan assets	21	20	41	39	79
Foreign exchange gains	5	5	6	5	8
Proceeds from disposal of available-for-sale financial assets	1	-	1	1	2
Other	1	-	2	1	-
Profit/(loss) from financial items	**(40)**	**(63)**	**(84)**	**(105)**	**(207)**
Of which:					
Finance costs	*(74)*	*(94)*	*(147)*	*(160)*	*(318)*
Finance income	*29*	*26*	*57*	*50*	*103*
Foreign exchange gains	*5*	*5*	*6*	*5*	*8*

* Unaudited

Income and expenses on financial transactions as of June 30, 2010 included €(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.

8. Income tax

For the half-year ended June 30, 2011, the income tax expense amounted to €(107) million (compared to €(65) million for the half-year ended June 30, 2010), for an income from continuing operations before tax of €377 million (compared to €181 million for the half-year ended June 30, 2010).

(in millions of euros)	Quarter ended June 30, 2011 *	Quarter ended June 30, 2010 *	Half-year ended June 30, 2011	Half-year ended June 30, 2010	Year ended December 31, 2010
Current income tax expense	(38)	(26)	(84)	(58)	(111)
Deferred tax expense	(24)	(11)	(23)	(7)	(17)
Income tax expense for the period	**(62)**	**(37)**	**(107)**	**(65)**	**(128)**

* Unaudited

The income tax expense mainly corresponds to the income tax reported by Asian, US and Brazilian entities.

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, 2011.

9. Assets held for sale and associated liabilities

(in millions of euros)	At June 30, 2011	At December 31, 2010
Property, plant and equipment	16	17
Goodwill	1	1
Intangible assets	2	2
Inventories	15	13
Trade and other receivables	2	3
Assets classified as held for sale	**36**	**36**
Other non-current liabilities	2	2
Trade and other payables	4	4
Liabilities associated with assets classified as held for sale	**6**	**6**

Assets classified as held for sale and the associated liabilities mainly concern the disposal of the Salicylic businesses.
The divestment to Novacap was signed on July, 2011.
Salicylates, which are used as active ingredients in the pharmaceutical industry (aspirin, acetaminophen) or as synthesis intermediates (salicylic acid, methyl salicylate), represent the last pharmaceutical chemistry business remaining within the Group. The Group's salicylic and acetaminophen activities, whose principal production sites are located in France (Saint-Fons, Roussillon), Thailand (Bangpoo), China (Wuxi) and Brazil (Paulinia), employ approximately 390 people.
The transaction should be finalized in the upcoming weeks, once the necessary authorizations required by law have been obtained.

Notes to the consolidated balance sheet

10. Goodwill

10.1. Cluster breakdown

(in millions of euros)	At June 30, 2011	At December 31, 2010
Consumer Chemicals	318	342
Advanced Materials	30	30
Polyamide Materials	10	9
Acetow & Eco Services	36	39
Total	**394**	**420**

The reorganization of Rhodia at January 1, 2011 did not result in any reallocation of goodwill.

10.2. Movements during the period

(in millions of euros)	Gross value	Impairment	Net value
At January 1, 2011	**440**	**(20)**	**420**
Currency translation differences	(26)	-	(26)
At June 30, 2011	**414**	**(20)**	**394**

On April 14, 2011, Rhodia completed the acquisition of the engineering plastics business of Indian company PI Industries Ltd (PIIL), after receiving approval from the country's authorities. Rhodia Polymers & Specialties India Private Ltd is the name of the legal entity created to host Rhodia's newly integrated assets, including one industrial facility based in Panoli (Gujarat state), R&D capabilities, as well as a logistics network in India. The goodwill generated by this acquisition amounted to €1 million.

In the first half of 2011, the goodwill regarding the acquisition of Feixiang Chemicals in November 2010 was adjusted, amounting to €178 million at June 30, 2011, after a conversion effect of the first half of 2011 in the amount of €(15) million.

11. Cash and cash equivalents

11.1. Analysis by type

(in millions of euros)	At June 30, 2011	At December 31, 2010
Cash in banks	191	178
Cash equivalents	762	604
Total	**953**	**782**

11.2. Consolidated statement of cash flows

In the first half of 2011, discontinued operations contributed to net cash flow used by operating activities in the amount of €(3) million. They did not contribute to net cash flow used by investing activities and financing activities.

Paid interest costs, net of interest received (including impact of interest rate hedging), totaled €44 million in the first half of 2011.

Income taxes paid totaled around €70 million in the first half of 2011.

12. Equity

12.1. Share capital and additional paid-in capital

At June 30, 2011, Rhodia's share capital totaled €106,266,636, comprising 106,266,636 shares, each with a par value of €1.
In the first half of 2011, the exercise of share subscription options resulted in the issue of 209,445 shares, and the option for the payment of dividends in shares led to the issue of 1,486,223 new shares.

12.2. Dividends

As decided by shareholders at the General Meeting on May 18, 2011, Rhodia S.A. paid out dividends totaling €52 million (€0.50 per share), with respect to the 2010 financial year.

12.3. Translation reserve

The €(45) million movement in the translation reserve for the half-year ended June 30, 2011 is primarily attributable to the appreciation of the euro against the US dollar and the Brazilian real.

12.4. Treasury shares

During the first half of 2011, Rhodia exercised treasury share purchase options for 1,010,000 shares.
Following the grant of free shares and stock options to the beneficiaries, the number of treasury shares amounts to 1,137,414 shares at June 30, 2011.

12.5. Other movements

During the first half of 2011, the Rhodia Board of Directors approved new free share allotment plans subject to conditions governing Rhodia's performance and the continued employment of the beneficiaries (see Note 18).
These plans were approved on February 22, 2011 and May 4, 2011, for respectively 224 beneficiaries (2 x 388,650 shares) and 11 beneficiaries (2 x 20,400 shares).

13. Borrowings

Breakdown of borrowings by type:

	At June 30, 2011				
(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	128	128	128	2012	4% - 15%
Securitization of receivables	214	214	214	2011	2.37%
Other debts	14	14	14	2011	0% - 9.5%
Other EUR notes	15	15	15	12/31/2011	Euribor 6M + 1.60%
Accrued interest payable	15	15	15	-	-
Sub-total short term	**386**	**386**	**386**		
2006 EUR senior notes	227	229	229	10/15/2013	Euribor 3M + 2.75%
2010 EUR senior notes	492	500	587	05/15/2018	7%
2010 USD senior notes	272	277	308	09/15/2020	6.875%
OCEANE	585	642	641	01/01/2014	6.29%
Bilateral credit facilities	37	37	37	2012-2014	4% - 11%
Finance lease debts	4	4	4	2012-2019	3.56% - 11.25%
Other debts	53	53	53	2011-2018	<5%
Sub-total long term	**1,670**	**1,742**	**1,859**		
Total	**2,056**	**2,128**	**2,245**		

(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 including the redemption premium calculated as of June 30th with an actuarial rate of return identical to that which would have been obtained in the event of a repayment at maturity (redemption premium at maturity :13.22%)
(3) Senior notes and the OCEANE are measured on the last day of the period. The redemption value was adopted for other borrowings.
(4) Effective interest rate before impact of hedges.
(5) Libor/Euribor are mainly 1, 3 or 6 months.

In connection with the OCEANE bond tender offer filed on April 6, 2011, Solvay undertakes to acquire at a unit price of €52.30 all the 12,372,636 OCEANE bonds issued by Rhodia for a total amount of €647 million (see Note 2).

The OCEANE issue contract contains an early repayment clause at the bearers' initiative in the event of a change of control at a price that guarantees, on the effective date of repayment, an actuarial rate of return identical to that which would have been obtained in the event of a repayment at maturity.

The issue contract for the bonds maturing in October 2013 (Floating Rate Note) contains an early redemption clause at the bearers' initiative at a price equal to 101% of the principal plus accrued interest, in the event of a change of control of the Company. The clause is suspended if the Floating Rate Note is "Investment Grade" rated by the rating agencies S&P and Moody's.

At December 31, 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	227	227	227	2011	4% - 11%
Securitization of receivables	66	66	66	2011	2.96%
Other debts	4	4	4	2011	<5%
Other EUR notes	15	15	15	12/31/2011	Euribor 6M + 1.60%
Accrued interest payable	26	26	26	-	-
Sub-total short term	**338**	**338**	**338**		
2006 EUR senior notes	227	229	229	10/15/2013	Euribor 3M + 2.75%
2010 EUR senior notes	491	500	505	05/15/2018	7%
2010 USD senior notes	294	300	315	09/15/2020	6.875%
OCEANE	569	595	608	01/01/2014	6.29%
Bilateral credit facilities	31	31	31	2012-2014	4% - 11%
Finance lease debts	5	5	5	2012-2019	3.56% - 11.25%
Other debts	55	55	55	2012-2018	< 5%
Sub-total long term	**1,672**	**1,715**	**1,748**		
Total	**2,010**	**2,053**	**2,086**		

(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 the OCEANE are measured on the last day of the year. The redemption value was adopted for other borrowings.
(4) Effective interest rate before impact of hedges.
(5) Libor/Euribor are mainly 1, 3 or 6 months.

14. Financial risk management

14.1. Liquidity risk management

At June, 2011, Rhodia's liquidity position amounted to €1,517 million, compared to €1,324 million at December 31, 2010. This liquidity position included an undrawn credit line of €555 million in connection with Rhodia's syndicated credit facility ("RCF").

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

The syndicated credit line includes an early repayment clause for the amounts loaned at the option of a majority of lenders in the event of a change in control of the Company.

In addition, Rhodia has no significant short-term or non-renewable credit lines.

14.2. UCITS and financial instrument risk management

Rhodia primarily makes its short-term investments and enters into its interest rate and currency swaps 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 carried out with counterparties which have ratings from these agencies that are equal to or greater than A- and A1 respectively (June 30, 2011 ratings).

15. Retirement benefits and similar obligations

The retirement obligations and other long-term employee benefits amount to €1,460 million at June 30, 2011, compared to €1,510 million at December 31, 2010. The decrease is mainly explained by the change in discount rate in France, from 4.50% at December 31, 2010 to 4.75% at June 30, 2011.

In the first half of 2011, the actuarial gains and losses recognized in other comprehensive income amounted to €15 million, and correspond to a €26 million positive impact from changes in assumptions (discount rates) and a € (11) million negative effect resulting from the revaluation of UK plan assets.

16. Environmental provisions

At June 30, 2011, the discount rates used for the calculation of environmental provisions were the same as those used at December 31, 2010, as the change in rates would not have had any material impact.

At June 30, 2011, environmental provisions amounted to €270 million, compared to €271 million at December 31, 2010, mainly due to the discounting effect offset by the appreciation of euro.

At June 30, 2011, there were no significant movements in contingent environmental liabilities, estimated at €197 million at December 31, 2010.

17. Claims and litigation

During the half-year ended June 30, 2011, there were no new major legal disputes or significant developments in litigation existing at December 31, 2010.

18. Share-based payment

In the first half of 2011, the Board of Directors approved new free share allotment plans, subject to Group performance criteria and the continued employment of the beneficiaries. These plans are measured at fair value on the grant date and have the same performance criteria. They have the following characteristics:

		A Plans		B Plans	
		"2+2"	"4+0"	"2+2"	"4+0"
Plans granted February 24, 2011	Number of shares	274,350	114,300	274,350	114,300
	Number of beneficiaries	130	94	130	94
	Grant date	February 24, 2011			
	Vesting date	Minimum March 31, 2013	Minimum March 31, 2015	Minimum March 31, 2013	Minimum March 31, 2015
	Holding period	Minimum March 31, 2015	-	Minimum March 31, 2015	-
Plans granted May 13, 2011	Number of shares	17,100	3,300	17,100	3,300
	Number of beneficiaries	8	3	8	3
	Grant date	May 13, 2011			
	Vesting date	Minimum May 4, 2013	Minimum May 4, 2015	Minimum May 4, 2013	Minimum May 4, 2015
	Holding period	Minimum May 4, 2015	-	Minimum May 4, 2015	-
Validation of vesting conditions		Board of Directors			
Performance criteria		For the first half (50%) of shares assigned: % of shares assigned according to the level of recurring EBITDA as presented in the consolidated financial statements of the Company for the year ended December 31, 2011 For the second half (50%) of shares assigned: % of shares assigned according to the level of recurring EBITDA as presented in the consolidated financial statements of the Company for the year ended December 31, 2012		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, 2011, 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, 2012, exceeding by 2 points the average ratio of a panel of competitors	

The share-based payment expense (IFRS 2) relating to all free share plans and stock options at June 30, 2011 totaled €6.8 million (€3.9 million at June 30, 2010), including €1.9 million for the new plans granted during the period, assuming the performance criteria will be met for all plans.

19. Subsequent events

On July 21, 2011, Rhodia has announced it has executed definitive agreements for the sale to Novacap of its salicylic and acetaminophen activities (see Note 9).