Condensed consolidated financial statements

for the nine months ended September 30, 2007

CONTENTS

A. Consolidated statement of income

(in millions of euros)	Note	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
		2007	**2006**	**2007**	**2006**	**2006**
Net sales	5	**1,261**	**1,179**	**3,814**	**3,593**	**4,810**
Other revenue	**5**	**86**	**75**	**326**	**322**	**451**
Cost of sales		(1,080)	(1,023)	(3,298)	(3,197)	(4,261)
Administrative and selling expenses		(127)	(120)	(392)	(379)	(518)
Research and development expenses		(22)	(24)	(68)	(77)	(103)
Restructuring costs	6	(6)	(2)	(28)	(14)	(21)
Other operating income and expenses	7	3	27	10	23	1
Operating profit/(loss)	**5**	**115**	**112**	**364**	**271**	**359**
Finance income	8	37	29	103	97	133
Finance costs	8	(78)	(93)	(348)	(273)	(448)
Foreign exchange gains/(losses)	8	(2)	2	(1)	5	10
Share of profit/(loss) of associates						
Profit/(loss) before income tax		**72**	**50**	**118**	**100**	**54**
Income tax (expense) gain	9	(25)	23	(75)	57	57
Profit/(loss) from continuing operations		47	73	43	157	111
Profit/(loss) from discontinued operations	10	(3)	(2)	65	(43)	(45)
Net profit/(loss) for the period	4	**44**	**71**	**108**	**114**	**66**
Attributable to:						
Equity holders of Rhodia SA		45	70	107	111	62
Minority interests		(1)	1	1	3	4
Profit/(loss) per share from continuing operations (in euro) - basic and diluted		**0.47**	**0.72**	**0.41**	**1.56**	**1.08**
Profit/(loss) per share (in euro) - basic and diluted		**0.44**	**0.70**	**1.06**	**1.20**	**0.62**
Weighted average number of shares before dilution		*100,361,373*	*100,348,847*	*100,353,883*	*98,839,527*	*99,219,959*
Weighted average number of shares after dilution		*101,474,774*	*100,623,444*	*101,525,667*	*99,146,380*	*99,680,856*

(*) Not audited

B. Consolidated balance sheet

Assets

(in millions of euros)	Note	At September 30, 2007 (*)	At December 31, 2006
Property, plant and equipment		1,704	1,760
Goodwill		214	225
Other intangible assets		175	178
Investments in associates		13	4
Non-current financial assets		118	121
Deferred tax assets		158	183
Non-current assets		**2,382**	**2,471**
Inventories		596	620
Income tax receivable		9	23
Trade and other receivables		1,031	1,082
Derivative financial statements		73	34
Other current financial assets		21	19
Cash and cash equivalents	12	361	467
Assets classified as held for sale		12	437
Current assets		**2,103**	**2,682**
TOTAL ASSETS		**4,485**	**5,153**

(*) Not audited

Equity and liabilities

(in millions of euros)	Note	At September 30, 2007 (*)	At December 31, 2006
Share capital	11	1,204	1,204
Additional paid-in capital	11	147	23
Other reserves	11	114	109
Deficit	11	(1,710)	(1,989)
Equity attributable to equity holders of Rhodia SA		(245)	(653)
Minority interests	11	19	25
Equity		**(226)**	**(628)**
Borrowings	13	1,671	2,022
Retirement obligations and similar benefits	14	1,029	1,227
Provisions	15	319	306
Deferred tax liabilities		39	32
Other non-current liabilities		38	43
Non-current liabilities		**3,096**	**3,630**
Borrowings	13	334	413
Derivative financial instruments		53	34
Retirement obligations and similar benefits	14	63	98
Provisions	15	113	147
Income tax payable		28	41
Trade and other payables		1,017	1,178
Liabilities classified as held for sale		7	240
Current liabilities		**1,615**	**2,151**
TOTAL EQUITY AND LIABILITIES		**4,485**	**5,153**

(*) Not audited

C. Consolidated statement of recognized income and expense

		Nine months ended September 30, (*)	
(in millions of euros)	**Note**	**2007**	**2006**
Translation differences	11	2	(9)
Gains/(losses) on cash flow hedges	11	3	3
Actuarial gains/(losses) on retirement benefits	14	175	94
Tax impact of items taken to equity		(13)	5
Net income directly recognized in equity	**11**	**167**	**93**
Profit/(loss) for the period		108	114
Total recognized income and expense		**275**	**207**
Attributable to:			
Equity holders of Rhodia SA		274	205
Minority interests		1	2

(*) Not audited

D. Consolidated statement of cash flows

	Nine months ended September 30, (*)	
(in millions of euros)	**2007**	**2006**
Net profit/(loss) for the period attributable to equity holders of Rhodia	**107**	**111**
Adjustments for:		
Minority interests	1	3
Depreciation, amortization and impairment of non-current assets	220	258
Net increase/(decrease) in provisions and employee benefits	(47)	(77)
Net increase/(decrease) in financial provisions	(1)	1
Other income and expense	52	4
Gain/(loss) on disposal of non-current assets	(104)	(2)
Income tax expense/(income)	18	(86)
Foreign exchange losses/(gains)	7	5
Net cash flow from operating activities before changes in working capital	**253**	**217**
Changes in working capital		
- (Increase)/decrease in inventories and work-in-progress	16	(89)
- (Increase)/decrease in trade and other receivables	10	43
- Increase/(decrease) in trade and other payables	(83)	(97)
- Increase/(decrease) in other current assets and current liabilities	14	2
Net cash from operating activities	**210**	**76**
Purchases of property, plant and equipment	(199)	(174)
Purchases of other non-current assets	(42)	(26)
Disposal of entities, net of cash disbursed, and disposal of non-current assets	265	62
Purchases of entities, net of cash acquired	(17)	1
(Purchases)/repayments of loans and financial investments	(1)	11
Net cash from/(used by) investing activities	**6**	**(126)**
Proceeds from issue of shares, net of costs	(1)	36
Dividends paid to minority interests	(3)	(2)
New non-current borrowings, net of costs (including the equity component of the €124 million OCEANE bonds)	632	9
Repayments of non-current borrowings, net of costs	(911)	(508)
Net increase/(decrease) in current borrowings	(40)	(5)
Net cash used by from financing activities	**(323)**	**(470)**
Effect of foreign exchange rate changes	**1**	**(6)**
Net decrease in cash and cash equivalents	**(106)**	**(526)**
Cash and cash equivalents at the beginning of the year	467	920
Cash and cash equivalents at the end of the year	361	394

(*) Not audited

E. Notes to the condensed consolidated financial statements

1. General information

Rhodia SA and its subsidiaries ("Rhodia" or the "Group" or the "Company") produce, market and develop specialty chemicals in three business areas: Performance Materials, Applications Chemistry and Organics & Services.
Rhodia has offices worldwide and specifically in Europe, the United States, Brazil and China.
Rhodia SA 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 November 5, 2007 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, 2006, as included in the reference document filed by Rhodia with the AMF on March 30, 2007.

2.2. Basic principles used for preparation of the financial statements

The condensed consolidated financial statements for the nine months ended September 30, 2007 were prepared using the same accounting methods as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2006.
The standards, interpretations and amendments adopted by the European Union at September 30, 2007 and their mandatory adoption in 2007 had no impact on the condensed consolidated financial statements for the nine months ended September 30, 2007. Rhodia will adopt IFRS 7 *Financial Instruments: Disclosures* for the first time for the preparation of its 2007 annual financial statements.
According to the Group, the other 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, 2006, 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 obligations and other long-term employee benefits

For interim period-ends, retirement obligations and other long-term employee benefits are calculated using an extrapolation from 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.

As long-term interest rates did not fluctuate considerably during the third quarter of 2007, Rhodia did not re-estimate retirement obligations and other long-term employee benefits.

- Environmental provisions

At September 30, 2007, the rates used to discount environmental provisions were not modified compared to June 30, 2007, since there was little change in long-term interest rates during the third quarter of 2007 and the impact on the amount of the provisions would have been immaterial.

Notes to the consolidated income statement

3. Unusual items with an impact on the condensed consolidated financial statements

The following material unusual items had an impact on the condensed consolidated financial statements for the nine months ended September 30, 2007:
- early purchases and redemptions of High Yield Notes, which generated an exceptional finance cost of €93 million in profit or loss from financial items (see Note 8)
- issue of OCEANE bonds (bonds that can be converted or exchanged for new or existing shares) for €595 million recognized in borrowings and equity
- capital gains on the disposal of the Sulfur and Silicone activities recorded respectively in other operating income and expenses (see Note 7) and profit or loss from discontinued operations (see Note 10)
- impairment losses recognized in the second quarter on receivables held by Rhodia with the Nylstar Group (see Note 7)
- acquisition on August 1, 2007 of the Washcoat alumina business (active substances for automobile catalytic converters) from the US group W.R. Grace for €18 million. The transaction took place in the form of asset contributions and was recognized using the purchase method. The impact of this acquisition on the Group's financial statements is immaterial.

4. Seasonality effects

The Group's activity and operating results in the nine months ended September 30, 2007 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. Information on discontinued operations is presented in Note 10.

Rhodia is organized into 7 companies corresponding to its business segments. There were no changes in the organization during the nine months ended September 30, 2007.

5.1. Information by business segment

(in millions of euros)	Polyamide	Acetow	Novecare	Silcea	Eco Services	Organics	Energy Services	Corporate and Other	Group
Quarter ended September 30, 2007 (*)									
Net sales	494	112	227	112	57	198	60	16	1,276
Other revenue	14	1	1	2	2	19	87	20	146
Inter-company sales - Net sales	(10)		(2)	(1)		(2)			(15)
Inter-company sales – Other revenue	(3)					(2)	(49)	(6)	(60)
External net sales	484	112	225	111	57	196	60	16	1,261
Other external income	11	1	1	2	2	17	38	14	86
Operating profit/(loss)	**43**	**13**	**14**	**11**	**18**	**5**	**40**	**(29)**	**115**
Profit/(loss) from financial items									(43)
Income tax expense									(25)
Profit/(loss) from continuing operations									**47**
Recurring EBITDA (1)	**68**	**20**	**25**	**20**	**22**	**18**	**41**	**(22)**	**192**

(in millions of euros)	Polyamide	Acetow	Novecare	Silcea	Eco Services	Organics	Energy Services	Corporate and Other	Group
Quarter ended September 30, 2006 (*)									
Net sales	**479**	108	229	98	59	213	1	19	1,206
Other revenue	26	1	1	1	2	23	81	35	170
Inter-company sales - Net sales	(19)		(2)	(1)		(3)		(2)	(27)
Inter-company sales – Other revenue	(4)	(1)				(13)	(60)	(17)	(95)
External net sales	460	108	227	97	59	210	1	17	1,179
Other external income	22		1	1	2	10	21	18	75
Operating profit/(loss)	**46**	**20**	**20**	**6**	**18**	**6**	**29**	**(33)**	**112**
Profit/(loss) from financial items									(62)
Income tax gain									23
Profit/(loss) from continuing operations									**73**
Recurring EBITDA (1)	**69**	**28**	**28**	**13**	**23**	**14**	**2**	**(17)**	**160**

(1) Recurring EBITDA: Operating profit or loss before net depreciation, amortization and impairment, restructuring costs and other operating income and expenses.
(*) Not audited

The 2007 net sales of Energy Services primarily stem from the sale of Certified Emission Reductions (CER).

(in millions of euros)	Polyamide	Acetow	Novecare	Silcea	Eco Services	Organics	Energy Services	Corporate and Other	Group
Nine months ended September 30, 2007 (*)									
Net sales	1,484	327	717	342	165	627	144	54	3,860
Other revenue	58	4	5	6	6	63	321	54	517
Inter-company sales - Net sales	(31)		(4)	(2)		(6)	(1)	(2)	(46)
Inter-company sales – Other revenue	(13)	(2)	(1)	(1)		(9)	(142)	(23)	(191)
External net sales	1,453	327	713	340	165	621	143	52	3,814
Other external income	45	2	4	5	6	54	179	31	326
Operating profit/(loss)	**111**	**40**	**60**	**44**	**46**	**38**	**117**	**(92)**	**364**
Profit/(loss) from financial items									(246)
Income tax expense									(75)
Profit/(loss) from continuing operations									**43**
Recurring EBITDA (1)	**210**	**62**	**88**	**67**	**58**	**62**	**124**	**(71)**	**600**

(in millions of euros)	Polyamide	Acetow	Novecare	Silcea	Eco Services	Organics	Energy Services	Corporate and Other	Group
Nine months ended September 30, 2006 (*)									
Net sales	1,421	330	714	304	175	674	1	53	3,672
Other revenue	90	4	6	3	5	83	327	114	632
Inter-company sales - Net sales	(62)		(6)	(2)		(8)		(1)	(79)
Inter-company sales – Other revenue	(14)	(2)	(1)			(53)	(188)	(52)	(310)
External net sales	1,359	330	708	302	175	666	1	52	3,593
Other external income	76	2	5	3	5	30	139	62	322
Operating profit/(loss)	**129**	**62**	**58**	**24**	**44**	**18**	**49**	**(113)**	**271**
Profit/(loss) from financial items									(171)
Income tax gain									**57**
Profit/(loss) from continuing operations									**157**
Recurring EBITDA (1)	**203**	**84**	**83**	**45**	**60**	**52**	**27**	**(66)**	**488**

(*) Not audited

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

(in millions of euros)	Polyamide	Acetow	Novecare	Silcea	Eco Services	Organics	Energy Services	Corporate and Other	Group
Year ended December 31, 2006 (*)									
Net sales	1,922	447	936	412	230	875	25	67	4,914
Other revenue	125	5	10	5	6	110	450	163	874
Inter-company sales - Net sales	(84)		(6)	(2)		(10)		(2)	(104)
Inter-company sales – Other revenue	(21)	(2)	(2)	(1)		(69)	(253)	(75)	(423)
External net sales	1,838	447	930	410	230	865	25	65	4,810
Other external income	104	3	8	4	6	41	197	88	451
Operating profit/(loss)	**172**	**78**	**76**	**33**	**58**	**31**	**76**	**(165)**	**359**
Profit/(loss) from financial items									(305)
Income tax gain									**57**
Profit/(loss) from continuing operations									**111**
Recurring EBITDA (1)	**284**	**108**	**110**	**61**	**79**	**74**	**60**	**(93)**	**683**

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

Depreciation, amortization and impairment of property, plant and equipment and intangible assets for the period by business segment break down as follows:

(in millions of euros) (*)	Polyamide	Acetow	Novecare	Silcea	Eco Services	Organics	Energy Services	Corporate and Other	Group
Quarter ended September 30, 2007 (*) Depreciation, amortization and impairment	(24)	(8)	(11)	(8)	(4)	(13)	(1)	(6)	(75)
Quarter ended September 30, 2006 (*) Depreciation, amortization and impairment	(23)	(8)	(8)	(7)	(6)	(10)	(1)	(10)	(73)
Nine months ended September 30, 2007 Depreciation, amortization and impairment	**(74)**	**(23)**	**(28)**	**(22)**	**(12)**	**(32)**	**(7)**	**(21)**	**(219)**
Nine months ended September 30, 2006 Depreciation, amortization and impairment	**(72)**	**(22)**	**(26)**	**(21)**	**(15)**	**(29)**	**(6)**	**(35)**	**(226)**
Year ended December 31, 2006 Depreciation, amortization and impairment	(92)	(30)	(34)	(28)	(19)	(41)	(11)	(49)	(304)

(*) Not audited

5.2. Information by geographical area

Total net sales and other revenue by geographical area break down as follows:

(in millions of euros)	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
	2007	2006	2007	2006	2006
France	199	166	680	671	915
Rest of Europe	471	374	1,425	1,222	1,762
North America	224	258	691	762	841
South America	207	206	605	581	805
Asia and other countries	246	250	739	679	938
Total	**1,347**	**1,254**	**4,140**	**3,915**	**5,261**

(*) Not audited.

Net sales by geographical area are calculated according to the customer's geographical location.

The costs incurred for the periods ended September 30, 2006 and 2007 with respect to the acquisition of segment assets (property, plant and equipment and intangible assets), based on the assets' geographical location, are as follows:

(in millions of euros)	September 30, 2007 (*)	September 30, 2006 (*)
France	121	90
Rest of Europe	13	28
North America	38	24
South America	22	34
Asia and other countries	47	24
Total	**241**	**200**

(*) Not audited.

6. Restructuring costs

(in millions of euros)	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
	2007	**2006**	**2007**	**2006**	**2006**
New plans	(2)	(6)	(23)	(13)	(19)
Re-estimated costs of previous plans	(3)	4	(3)	(1)	(2)
Impairment of non-current assets	(1)	-	(1)	-	-
Impairment of current assets	-	-	(1)	-	-
Total	**(6)**	**(2)**	**(28)**	**(14)**	**(21)**

(*) Not audited.

During the nine months ended September 30, 2007, three new restructuring plans were announced:

- the planned closure of activity at the Mulhouse Dornach site, announced on March 23, 2007. The closure will take effect as of December 31, 2007.
- the planned closure of the nitrophenol production activity at the Roussillon site, announced on May 4, 2007.
- the planned closure of the coolant and hydrofluoric acid production workshop at the Avonmouth site in the UK, announced on April 23, 2007.

7. Other operating income and expenses

(in millions of euros)	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
	2007	**2006**	**2007**	**2006**	**2006**
Net gains or losses on disposal of assets	-	27	30	30	33
Income (expenses) related to environmental provisions	-	-	2	(1)	(4)
Other operating income and expenses	3	-	(22)	(6)	(28)
Total	**3**	**27**	**10**	**23**	**1**

(*) Not audited.

For the nine months ended September 30, 2007, the net disposal gains or losses mainly include:

- The gain or loss on the disposal of the Sulfur activity in France to Adisséo, a subsidiary of China National Bluestar Corporation. The sale was carried out in January 2007.
- The gain or loss on the disposal of the Di-Calcium Phosphates business to Innophos. The sale was carried out in September 2007.

For the nine months ended September 30, 2006, the gains or losses recorded mainly represent the sale of 50% of the capital of Orbeo to Société Générale Energie, a wholly-owned subsidiary of Société Générale.

For the nine months ended September 30, 2007, other operating income and expenses mainly comprise the impairment losses recognized on receivables held with the Nylstar Group, whose main subsidiaries filed for bankruptcy in July 2007. Considering the impairment losses recognized in the three quarters then ended and in previous years, the residual carrying amount of Rhodia's receivables with the Nylstar Group was immaterial at September 30, 2007.

8. Profit/(loss) from financial items

(in millions of euros)	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
	2007	**2006**	**2007**	**2006**	**2006**
Gross interest expense on borrowings	(36)	(48)	(120)	(149)	(198)
Other finance costs	(4)	(3)	(111)	(7)	(97)
Discounting expenses	(34)	(33)	(104)	(98)	(131)
Expenses on interest-rate derivatives	(2)	(3)	(9)	(9)	(11)
Other	(2)	(6)	(4)	(10)	(11)
Total expenses	**(78)**	**(93)**	**(348)**	**(273)**	**(448)**
Income from short-term investments	4	4	14	13	18
Expected return on pension plan assets	24	22	71	70	93
Income from interest-rate derivatives	3	3	9	12	14
Other	6	0	9	2	8
Total income	**37**	**29**	**103**	**97**	**133**
Foreign exchange gains/(losses)	**(2)**	**2**	**(1)**	**5**	**10**
Total	**(43)**	**(62)**	**(246)**	**(171)**	**(305)**

(*) Not audited.

For the nine months ended September 30, 2007, other financial expenses include:

- €47 million with respect to the premium from the early redemption of High Yield Senior notes bearing interest at 10.25% and maturing in 2010 in the amount of €415 million and €12 million in accelerated amortization of the share of issue costs corresponding to the early redeemed portion,
- €25 million with respect to the premium from the early redemption of High Yield Senior and Subordinated notes maturing in 2010 and 2011 in the principal amounts of $305 million and €332 million and €9 million in accelerated amortization of the corresponding issue costs and hedging swap balancing cash adjustments,
- €3 million in accelerated amortization of the origination fees relating to the March 2006 Revolving Credit Facility, subsequent to its replacement by a new €600 million syndicated credit line in April 2007.

9. Income taxes

The income tax expense breaks down as follows:

(in millions of euros)	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
	2007	**2006**	**2007**	**2006**	**2006**
Current income tax expense	(17)	(11)	(57)	(29)	(40)
Deferred tax income(expense)	(8)	34	(18)	86	97
Total	**(25)**	**23**	**(75)**	**57**	**57**

(*) Not audited.

For the nine months ended September 30, 2007, the current income tax expense mainly corresponds to the income tax reported by the US, Brazilian, Italian and German entities.

In relation to the profit from continuing operations before tax (€118 million for the nine months ended September 30, 2007, compared to €100 million for the nine months ended September 30, 2006), the income tax expense has increased sharply due to the return to a positive tax position in the United States. For the nine months ended September 30, 2006, a net tax gain in the amount of €94 million was recorded in the United States on account of expected future taxable profits.

The Group has not modified its estimate of the probability of recovering the deferred tax assets relating to French and British tax groups. Thus, no new deferred tax assets were recorded for the nine months ended September 30, 2007.

10. Profit/(loss) from discontinued operations

(in millions of euros)	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
	2007	**2006**	**2007**	**2006**	**2006**
Net sales	-	149	54	500	654
Other revenue	-	9	2	30	40
Operating expenses	(3)	(155)	(68)	(538)	(688)
Finance costs	-	(2)	(2)	(9)	(13)
Profit/(loss) from discontinued operations before tax and gains/(losses) on disposals	**(3)**	**1**	**(14)**	**(17)**	**(7)**
Gains and losses on disposals	1	(1)	80	(21)	(30)
Tax effect	(1)	(2)	(1)	(5)	(8)
Profit/(loss) from discontinued operations	**(3)**	**(2)**	**65**	**(43)**	**(45)**

(*) Not audited.

10.1. Disposals for the nine months ended September 30, 2007

Rhodia finalized the following disposals during the nine months ended September 30, 2007:

- at the end of January, the Silicone activity was sold to China National Bluestar Corporation.
- at the end of April, the Spanish phosphates production business of the Corporate and Other segment was sold to Misa Inc.
- on May 14, 2007, Rhodia and SNIA, joint shareholders in Nylstar, finalized the sale of their shares in Nylstar to a third party designated by Nylstar's lending banks. Rhodia owned 50% of Nylstar.

10.2. Disposals in progress at September 30, 2007

At September 30, 2007, there were no disposals in progress that required amounts to be recognized in profit or loss from discontinued operations.

Notes to the consolidated balance sheet

11. Equity

11.1 Statement of changes in equity

			Other reserves						
(in millions of euros)	**Share capital**	**Additional paid-in capital**	**Hedge reserve**	**Translation reserve**	**Legal reserve**	**Deficit**	**Total**	**Minority interests**	**Total**
At January 1, 2007	**1,204**	**23**	**2**	**75**	**32**	**(1,989)**	**(653)**	**25**	**(628)**
Dividends	-	-	-	-	-	-	-	(3)	(3)
Specific equity component of convertible debt	-	124	-	-	-	-	124	-	124
Net profit/(loss) for the period	-	-	-	-	-	107	107	1	108
Income and expense directly recognized in equity	-	-	3	2	-	162	167	-	167
Other movements (1)	-	-	-	-	-	10	10	(4)	6
At September 30, 2007(*)	**1,204**	**147**	**5**	**77**	**32**	**(1,710)**	**(245)**	**19**	**(226)**

(1) Of which cost of allotment of bonus shares for €12.7 million
(*) Not audited

			Other reserves						
(in millions of euros)	**Share capital**	**Additional paid-in capital**	**Hedge reserve**	**Translation reserve**	**Legal reserve**	**Deficit**	**Total**	**Minority interests**	**Total**
At January 1, 2006	**1,177**	**570**	**(5)**	**114**	**32**	**(2,580)**	**(692)**	**26**	**(666)**
Appropriation of earnings	-	(556)	-	-	-	556	0	-	0
Dividends	-	-	-	-	-	-	0	(2)	(2)
Share capital increase	27	8	-	-	-	-	35	-	35
Net profit/(loss) for the period	-	-	-	-	-	111	111	3	114
Income and expense directly recognized in equity	-	-	3	(8)	-	99	94	(1)	93
Other movements (1)	-	-	-	-	-	19	19	-	19
At September 30, 2006 (*)	**1,204**	**22**	**(2)**	**106**	**32**	**(1,795)**	**(433)**	**26**	**407**

1) assignment of an equalization tax receivable in the amount of €12 million and cost of allotment of bonus shares for €4.2 million and stock options for €0.3 million
(*) Not audited

11.2 Share capital and additional paid-in capital

On June 12, 2007, pursuant to the decision of the Combined Shareholders' Meeting of May 3, 2007, Rhodia's shares were consolidated based on the exchange of 12 former Rhodia shares with a par value of €1 each for one new Rhodia share with a par value of €12. Non-consolidated shares will remain listed on the Euronext Paris market until December 12, 2007. Shareholders have a period of two years to claim the consolidated shares. Upon expiry of this two-year period, i.e. June 12, 2009, any consolidated shares that have not been claimed by the beneficiaries will be sold on the Paris stock market and the net proceeds from the sale will be kept for the beneficiaries in a blocked account at BNPP Securities Services for a period of ten years.

At September 30, 2007, Rhodia's share capital totaled €1,204,387,152, comprising 100,365,596 Rhodia shares with a par value of €12 each. At October 24, 2007, the number of shares that holders did not ask to be issued prior to consolidation was 12,129,888.

11.2 Dividends

No dividends were paid to the shareholders of Rhodia SA during the nine months ended September 30, 2007.

11.3 Translation reserve

The movement in the translation reserve amounted to €2 million for the nine months ended September 30, 2007, primarily due to the appreciation of the Brazilian real that offset the decline in the US dollar.

11.4 Other movements

On January 15, 2007, the Rhodia Board of Directors adopted two new bonus share allotment plans for a total of 8,259,000 shares (prior to consolidation). The features of these plans are described in Note 17, Share-based payment.

On July 30, 2007, the Rhodia Board of Directors adopted two new bonus share allotment plans for a total of 235,170 shares (after consolidation). The features of these plans are described in Note 17, Share-based payment.

12. Cash and cash equivalents

12.1 Breakdown by type

(in millions of euros)	At September 30, 2007 (*)	At December 31, 2006
Cash in bank and short-term investments	118	221
Bank deposits	83	65
Shares in open-ended investment funds	160	181
Total	**361**	**467**

(*) Not audited

12.2 Consolidated statement of cash flows

At September 30, 2007, discontinued operations impacted to net cash from operating activities in the amount of €4 million, net cash used by investing activities in the amount of €7 million and net cash used by financing activities in the amount of €22 million.

Paid finance costs, net of interests received, totaled €175 million at September 30, 2007 and include disbursements for the non-recurring expenses relating to refinancing transactions in the amount of €72 million.

Income taxes paid amounted to approximately €35 million.

Cash received on September 30, 2007 from the disposal of non-current assets stems mainly from:
- the sale of the Silicones activity
- the sale of the Sulfuric acid activity in France

Cash and cash equivalents of sold activities totaled €23 million at September 30, 2007, while cash and cash equivalents of new intergrated entities totaled €1 million.

13. Borrowings

During the nine months ended September 30, 2007, Rhodia continued to restructure its debt by performing the following transactions:

- Early redemption in February of 98.7% of the dollar-denominated High Yield Notes bearing interest at 10.25% and maturing on September 1, 2010. The principal thus redeemed amounted to $415 million.

- Issue on April 27 of OCEANE bonds (bonds that can be converted or exchanged for new or existing shares) for a nominal amount of €595 million, maturing on January 1, 2014 and bearing interest at 0.5%. The OCEANE bonds carry a redemption premium of 13.22% and a buyback option that may be exercised by Rhodia under certain conditions.

- Signing of a new syndicated credit facility with a limited number of lending banks in the amount of €600 million, maturing on June 30, 2012, in replacement of the €300 million Revolving Credit Facility (RCF) maturing on June 30, 2008;

- Completion on June 1 of the redemption of the following High Yield notes:
  - dollar-denominated Senior 7.625% High Yield Notes and euro-denominated Senior 8% High Yield Notes, both maturing in 2010, for respective amounts of $3 million and €97 million;
  - dollar-denominated Senior Subordinated 8.875% High Yield Notes and euro-denominated Senior Subordinated 9.25% High Yield Notes, both maturing in 2011, for respective amounts of $302 million and €235 million

Breakdown of borrowings by type

At September 30, 2007 (*)					
(in millions of euros)	**Amount at amortized cost (1)**	**Redemption value (2)**	**Fair value (3)**	**Maturity**	**Effective rates before hedging (4) - (5)**
Bilateral credit facilities	82	82	82	2008	Euribor + 0,9% / Euribor+ 2.5%/ 6.5%
Assignment of receivables (6)	218	218	218	2008	5.30%
Finance lease debts	6	6	6	2008	3.37% at Euribor + 0.3%
Other debts	5	5	5	2008	0.5%
Accrued interest payable	23	23	23	-	-
Sub-total short-term	**334**	**334**	**334**		
2006 EUR senior notes	1,077	1,100	1,078	10/15/2013	Euribor 3M+2.75%
OCEANE bonds	475	595	566	01/01/2014	6.29%
2004 USD senior notes	4	4	4	06/01/2010	10.3%
2004 EUR senior notes	1	1	1	06/01/2010	10.5%
Other notes	25	25	25	03/10/2009	Euribor 6M + 1.60%
Assignment of receivables (6)	13	13	13	2008-2010	4.2%
Bilateral credit facilities	45	45	45	2008-2012	TR+9.55% / 5.93% to 6.93%
Finance lease debts	12	12	12	2008-2014	3.37% at Euribor + 0.3%
Other debts	19	19	19	2007-2015	0.5% to 6%
Sub-total long-term	**1,671**	**1,814**	**1,763**		
TOTAL	**2,005**	**2,148**	**2,097**		

(*) Not audited

(1) The amortized cost of the OCEANE bonds is shown after the separate recognition in equity of the share conversion option in the amount of €124 million.

(2) The amount shown for the OCEANE bonds corresponds to the principal excluding the 13.22% redemption premium.

(2) The Senior notes and the OCEANE bonds are valued on the last day of the period. The redemption value was adopted for the other borrowings.

(4) Effective interest rate before impact of hedges.

(5) Libor / Euribor rates are mainly 1, 3 or 6 months.

(6) The trade receivable securitization agreements have maturities up to 2010 with cash facilities that are renewable annually.

At December 31, 2006					
(in millions of euros)	Amount at amortized cost (1)	Redemption value	Fair value (2)	Maturity	Effective rates before hedging (3) - (4)
Bilateral credit facilities	138	138	138	2007	Euribor + 0.9% Euribor+ 2.5%/6.5%
Commercial paper	1	1	1	1-3 months	Euribor + 0.70%
Assignment of receivables (5)	234	234	234	2007	4.91%
Finance lease debts	13	13	13	2007	3.096% at Euribor + 3.05%
Other debts	2	2	2	2007	<6.5%
Accrued interest payable	25	25	25	-	
Sub-total short-term	**413**	**413**	**413**		
2006 EUR senior notes	1,074	1,100	1,105	10/15/2013	Euribor3M+2.75 %
2003 USD senior notes	2	2	2	06/01/2010	8.2%
2003 EUR senior notes	97	97	99	06/01/2010	8.0%
2003 USD subordinated notes	225	229	242	06/01/2011	9.4%
2003 EUR subordinated notes	234	235	250	06/01/2011	9.8%
2004 USD senior notes	307	320	364	06/01/2010	11.70%
2004 EUR senior notes	1	1	1	06/01/2010	12.00%
Other notes	25	25	25	03/10/2009	Euribor+1.60%
Assignment of receivables (5)	12	12	12	2008-2009	4.21%
Bilateral credit facilities	9	9	9	2008-2011	Euribor + 2.5% / 5.1% to 6%
Finance lease debts	10	10	10	2008-2014	3.096% at Euribor + 3.05%
Other debts	26	26	26	2008-2014	< 6.5%
Sub-total long-term	**2,022**	**2,066**	**2,145**		
TOTAL	**2,435**	**2,479**	**2,558**		

(1) Amortized cost includes the impact of the remeasurement of fair value hedges in the amount of €2.4 million for the 2003 EUR Senior and Subordinated notes.

(2) The fair value of the Senior and Subordinated notes is measured based on the rate for the last day of the period. The redemption value was adopted for the other borrowings.

(3) Effective interest rate before impact of hedges.

(4) Libor / Euribor rates are mainly 1, 3 or 6 months.

(5) The trade receivable securitization agreements have maturities up to 2010 with cash facilities that are renewable annually.

14. Retirement obligations and similar benefits

Rhodia has adopted the option offered by the amendment to IAS 19 *Actuarial gains and losses, group plans and disclosures*, allowing for the recognition of the actuarial gains and losses on post-employment benefits arising from experience adjustments and changes in actuarial assumptions directly in equity for the period in which they occur in consideration of the increase or decrease in the obligation.

Long-term interest rates fluctuated considerably in relation to December 31, 2006, thus resulting in a re-estimate of retirement obligations and other long-term employee benefits for the countries concerned.

The following discount rates were used:

	France and Germany	United States	United Kingdom
At September 30, 2007	**5.25%**	**6.00%**	**5.70%**
At December 31, 2006	**4.50%**	**5.50%**	**5.10%**

At the same time, the fair value of the main plan assets was re-estimated in the United States and the United Kingdom.

The changes in discount rates and the remeasurement of the plan assets had the following impacts at September 30, 2007:

(in millions of euros)	**Change in discount rates**	**Remeasurement of plan assets**	**Other**
Actuarial gains and losses recognized in equity			
Actuarial gains on retirement and other benefits	182	(4)	(3)
Obligations recognized in liabilities			
Retirement obligations	(181)	4	2
Other employee benefits	(4)	0	1
Income recognized in profit or loss			
Other employee benefits	3	0	0

These two items mainly explain the decrease in retirement obligations and similar benefits from €1,325 million at December 31, 2006 to €1,093 million at September 30, 2007.

15. Environmental provisions

Due to significant fluctuations in long-term interest rates during the second quarter of 2007 in the Euro zone, the United Kingdom and the United States, environmental provisions had been re-estimated at June 30, 2007. After review, those discount rates were unchanged for the third quarter of 2007. The increase in the rates used for their financial discounting at September 30, 2007 resulted in a decrease in such provisions by €4 million over the nine-month period.

The discount rates used at September 30, 2007, determined by zone based on a risk-free rate (government bonds) and excluding inflation, are as follows:

	5 years	10 years	20 years
France (Euro zone)		2.50%	
United Kingdom	3.30%		2.70%
United States	2.50%	2.50%	
Brazil			5.50%

At September 30, 2007, environmental provisions totaled €196 million, compared to €207 million at December 31, 2006.

At September 30, 2007, there were no significant movements in contingent environmental liabilities estimated at €146 million at December 31, 2006.

16. Claims and litigation

During the nine months ended September 30, 2007, there were no new legal disputes or significant developments in litigation existing at December 31, 2006, with the exception of the following:

On June 21, 2007, subsequent to administrative proceedings involving Rhodia with respect to events dating back to 2001-2003, the Enforcement Committee of the *Autorité des Marchés Financiers* made its decision public. As a result, the Company was ordered to pay a financial penalty of €750,000. Rhodia appealed the decision on August 20, 2007.

By decision dated September 26, 2007, the U.S. District Court for the Southern District of New York dismissed plaintiffs' claims in connection with an attempted class action suit filed against Rhodia and certain directors and managers, and generally citing violations, between April 26, 2001 and March 23, 2004, of certain provisions of the 1933 and 1934 Securities Exchange Acts. However, the decision can be appealed by the plaintiffs.

17. Share-based payment

On January 15, 2007, in accordance with the resolutions adopted by the Extraordinary General Meeting of June 23, 2005, the Board of Directors approved the terms and conditions governing two new bonus share allotment plans subject to performance and vesting and holding period criteria.

The terms and conditions of these plans are as follows:

	Plan A	Plan B
Number of shares	4,129,500 (prior to consolidation)	4,129,500 (prior to consolidation)
Number of beneficiaries	448	448
Grant date	January 15, 2007	January 15, 2007
Vesting date	January 16, 2009	January 16, 2009
Holding period	Minimum January 18, 2011	Minimum January 18, 2011
Performance criteria	Net debt / recurring EBITDA ratio as presented in the company's financial statements for the period ended December 31, 2007, less than or equal to 2.2.	Recurring EBITDA margin exceeding the average margin of a panel of competitors for the period ended 12/31/2007
Validation of vesting conditions	Board of Directors	Board of Directors

2,020,000 bonus shares (168,334 after consolidation) were allotted to certain Group key managers under these 2 plans.

In accordance with the same resolutions adopted by the Extraordinary General Meeting of June 23, 2005, the Board of Directors approved on July 30, 2007 the terms and conditions governing two other bonus share allotment plans subject to vesting and holding period criteria.
The terms and conditions of these plans are as follows:

	"2 + 2 Plan"	"4 + 0 Plan"
Number of shares	92,355	142,755
Number of beneficiaries	6,157	9,517
Grant date	July 30, 2007	July 30, 2007
Vesting date	July 31, 2009	July 31, 2011
Holding period	Minimum July 31, 2011	-
Validation of vesting conditions	Board of Directors	Board of Directors

The expense recognized with respect to stock subscription plans and bonus shares at September 30, 2007 totaled €14.6 million. It includes €7.8 million for the cost of the new A and B plans calculated on a pro rata basis over the vesting period (assumption under which the performance criteria of both plans will be met at December 31, 2007) and €0.4 million with respect to the "2+2 plan" and the "4+0 plan".

18. Post closing events

On October 17, 2007, Rhodia announced the closure of its Avonmouth site in the UK prior to the end of fiscal year 2008. On October 26, 2007, the Group announced the closure of its paracetamol production workshop in Roussillon, France by the end of 2008.