

2008

... Third Quarter Results



November 6, 2008

# Speakers

**Jean-Pierre Clamadieu, *Chairman and Chief Executive Officer***

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**Maria Alcon, *Vice President Investor Relations***

# Forward looking statements

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

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

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

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

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

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## Q3 '08 key highlights

JP Clamadieu – Chairman and CEO



## Q3 '08 key highlights

- Another quarter of **strong pricing power: 14%<sup>(1)</sup>** price increase fully offsetting record raw material and energy inflation as well as negative forex impacts
- **Good level of demand** across businesses, compensating for first signs of slowdown in Polyamide
- **Recurring EBITDA<sup>(2)</sup> at €168m**, driven by strong performance in Novacare, Silcea, Eco Services and Acetow
- **Net profit** group share **up 24%** to €56m
- **Net Debt reduction** reflecting completion of Isocyanates divestment
- **Long-dated maturity** financial resources
- **Confirmation** of **2008 guidance**

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

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



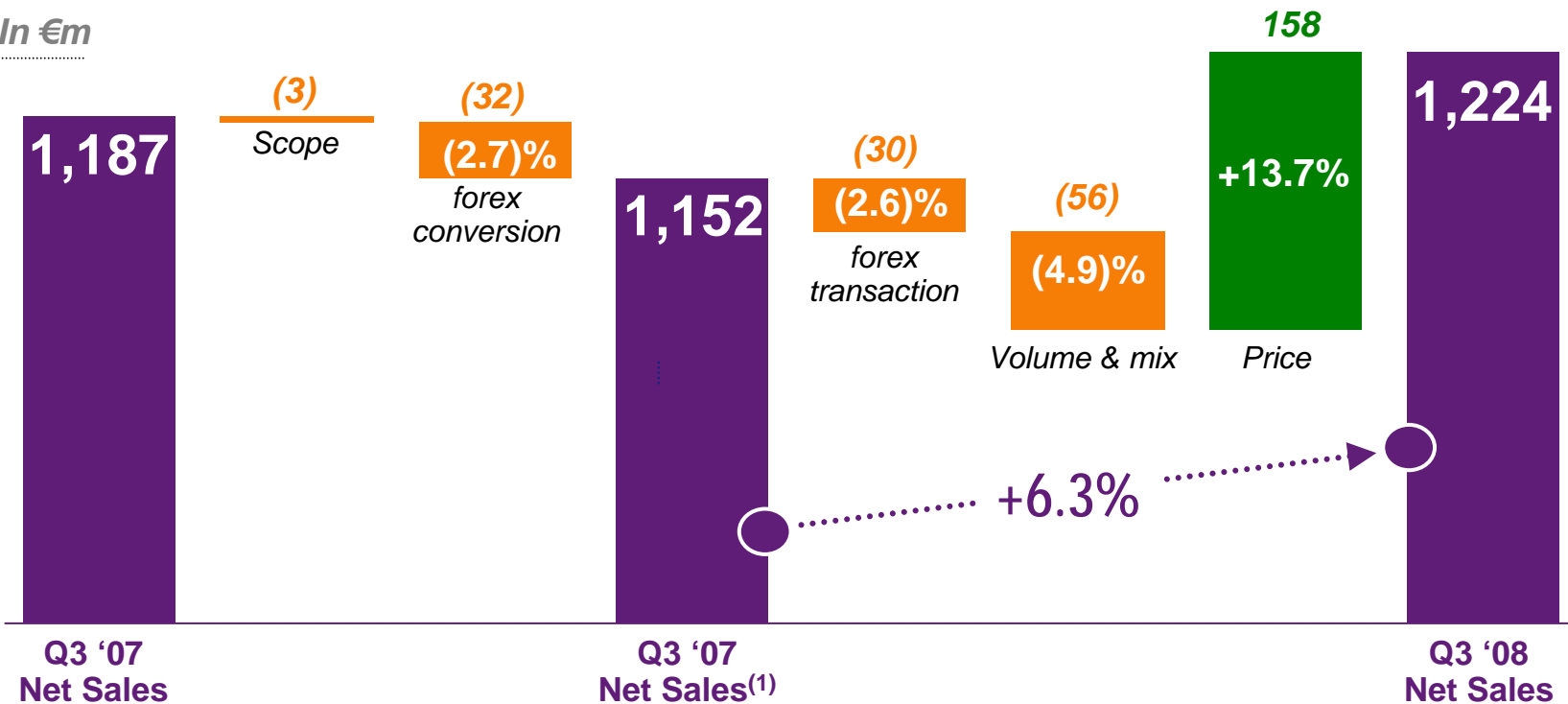
## Q3 '08 results

Pascal Bouchiat - CFO



# Q3 '08 Net Sales<sup>(1)</sup> growth driven by strong pricing power: + 14%

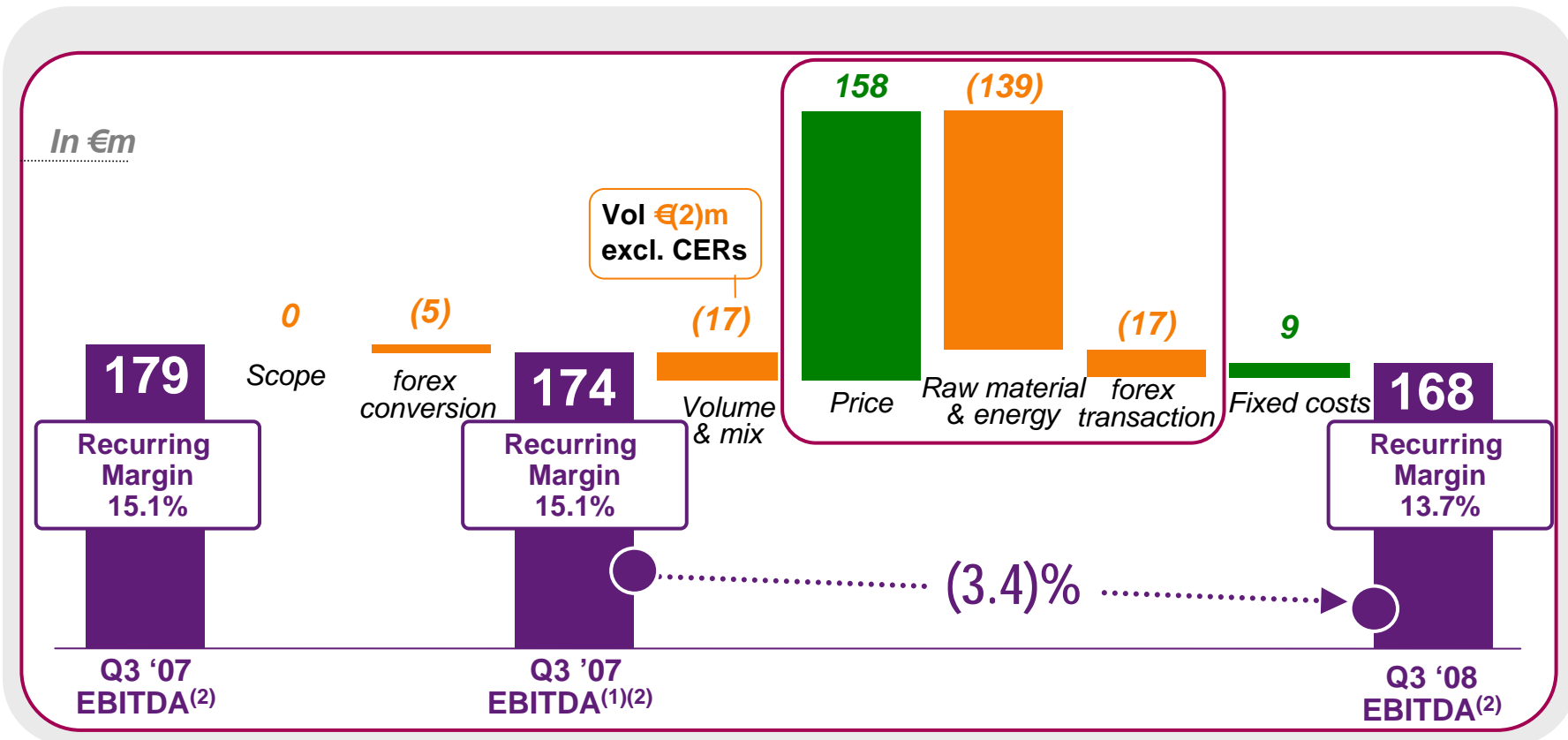
In €m



- **Net Sales** of €1,224m, **up 6.3%** YoY like for like
- Volume & mix affected by Polyamide and anticipated Q3-Q4 CERs phasing

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

# Q3 '08 EBITDA<sup>(1)(2)</sup>: Price increases fully offsetting raw material & energy cost rises and forex effects



- €158m price increases fully offset both record raw material and energy costs inflation €(139)m and adverse forex transaction €(17)m
- Volume decline mainly due to anticipated Q3-Q4 CERs phasing
- Fixed costs under control

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

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



# Q3 '08 Income Statement: 25% EPS increase

In €m

	Q3 '07	Q3 '07 Like for like <sup>(1)</sup>	Q3 '08
<b>Net Sales</b>	1,187	1,152	1,224
Other Revenue	83		122
<b>Recurring EBITDA<sup>(2)</sup></b>	179	174	168
Recurring EBITDA Margin on Net Sales	15.1%	15.1%	13.7%
Depreciation & amortization (excl. Restr. D&A)	(71)		(79)
Other gains and losses	3		(2)
Restructuring costs	(6)		-
<b>Operating Profit</b>	105	104	87
Net financial charges	(44)		(44)
Income tax	(25)		(21)
<b>Profit from continuing operations</b>	36		22
Profit/(loss) from discontinued operations	8		34
<b>Net Profit Group Share</b>	45		56
<b>Earnings per share (€)</b>	0.44		0.55

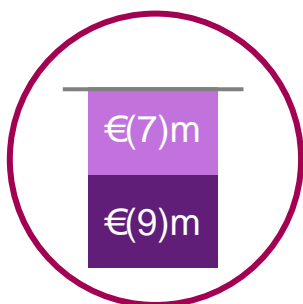
(1) Like for like: at constant scope and currency conversion

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

# Q3 '08 forex impact of €(22)m on Recurring EBITDA

## US Dollar<sup>(1)</sup> impact

€(16)m



Conversion

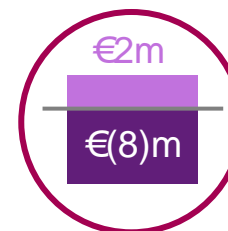
Transaction

	€ / USD	Q3 07*	Q3 08*
Conversion	Before hedging	1.37	1.50
Transaction	After hedging	1.36	1.57



## Brazilian Real impact

€(6)m



Conversion

Transaction

		Q3 07*	Q3 08*
Conversion	€ / BRL	2.63	2.50
Transaction	USD / BRL	1.91	1.66



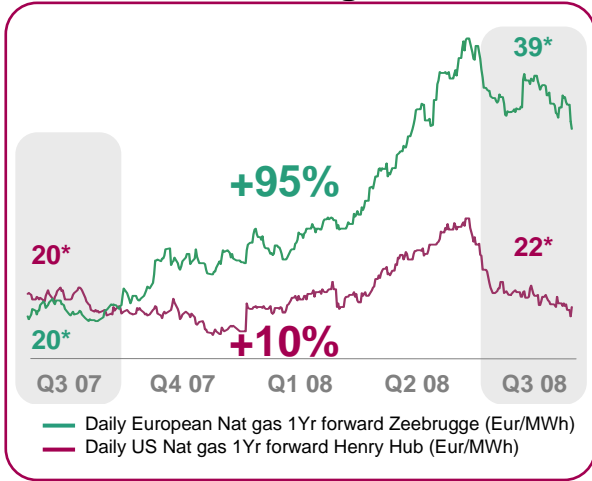
(1) And other USD related currencies

(\*) Exchange rate average over the reference period

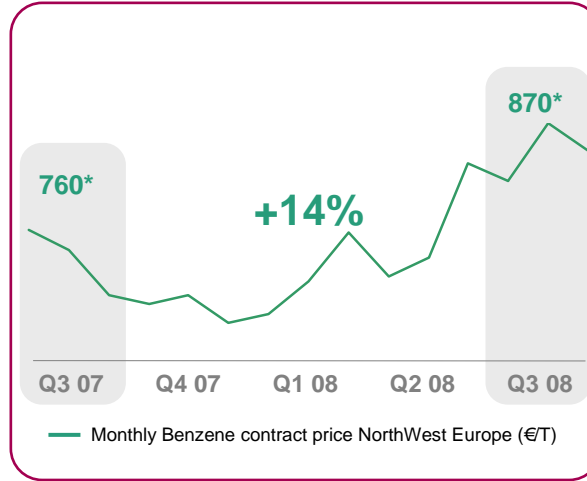
(\*\*) Exchange rate at the end of the period

# Raw material increases Q3 '08 vs Q3 '07 (market prices)

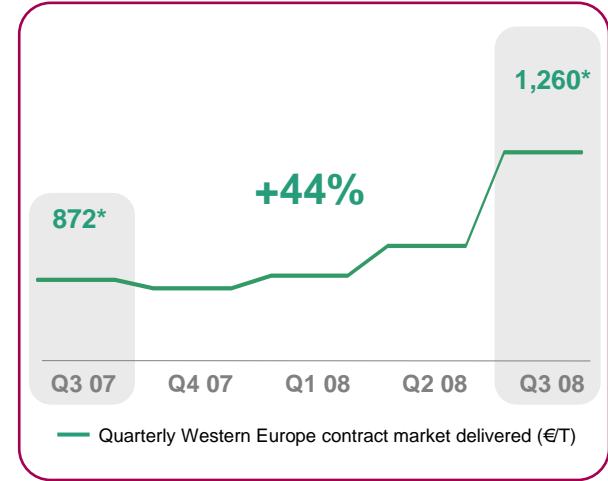
## Natural gas



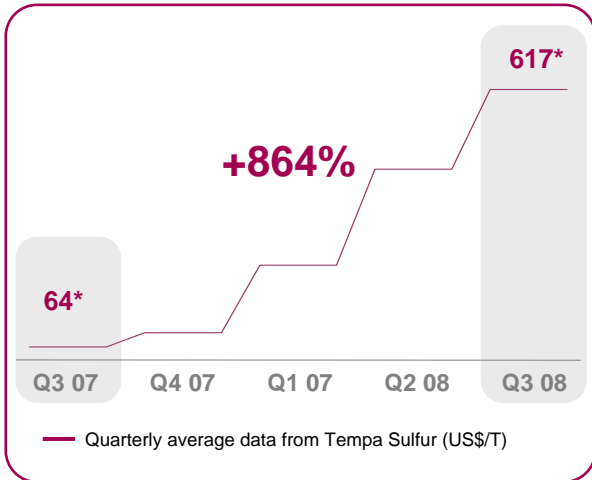
## Benzene



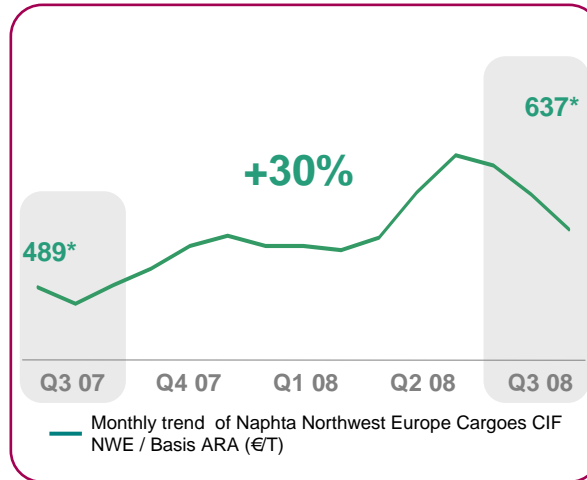
## Butadiene



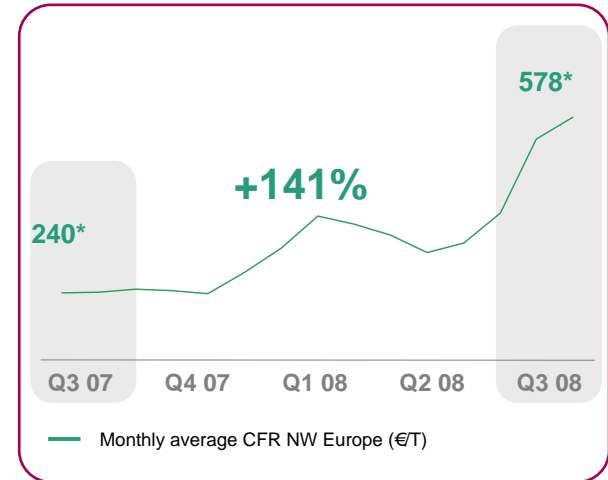
## Sulphur



## Naphta



## Ammonia



(\* Average market prices over the reference period)

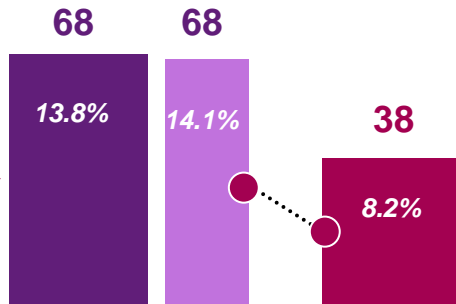
# Business performance

In €m

Q3 '07 Q3 '07 Q3 '08  
Like for like<sup>(1)</sup>

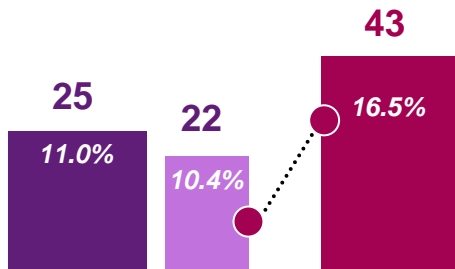
Recurring EBITDA and margins

Polyamide



- "Price over Volume" strategy maintained
  - Further price increases effectively compensating for continued raw material cost increases
  - Volumes impacted by slowdown in auto and textile / fibers markets, particularly in Europe
- Significant €(11)m net transaction forex impact
- Competitiveness enhancement plans launched

Novecare



- Record quarter with EBITDA almost doubled like for like:
  - Reinforced pricing power
  - Strong growth momentum in oilfield and agro markets

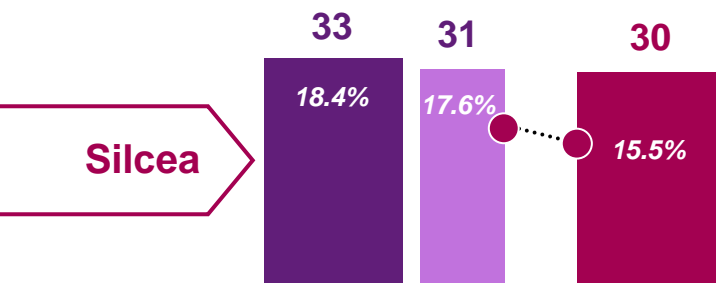
(1) Like for like: at constant scope and currency conversion

# Business performance

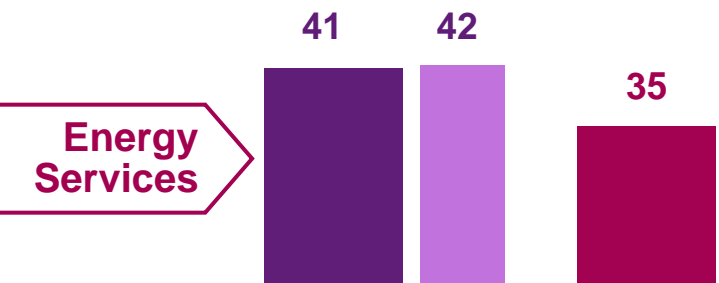
In €m

Q3 '07 Q3 '07 Q3 '08  
Like for like<sup>(1)</sup>

Recurring EBITDA and margins



- Confirmation of good volume overall, including automotive tire market driven by ongoing substitution
- Proven pricing power offsetting most raw material and energy cost increases
- €(2)m negative net transaction forex impact



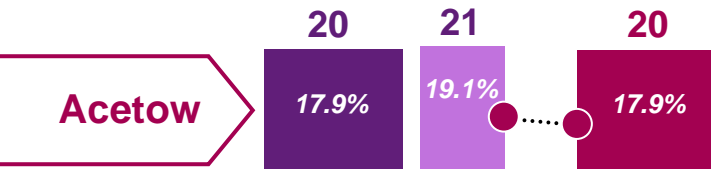
- Volumes reflecting Q3-Q4 CERs sales phasing as anticipated
- €28m rec. EBITDA generated from CERs vs €39m in Q3 '07
- International Transaction Log (ITL) successfully implemented in October
- Full year volume expectations slightly over 13mT

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

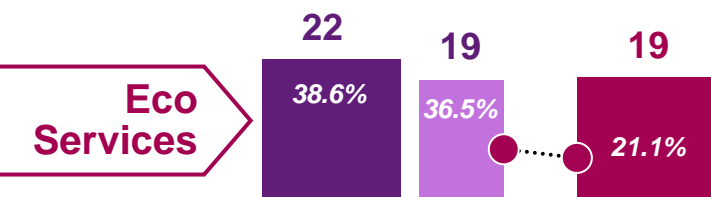
# Business performance

In €m

Q3 '07    Q3 '07    Q3 '08  
Like for like<sup>(1)</sup>  
Recurring EBITDA and margins



- Raw material cost inflation successfully compensated for by selling price increases
- On track with plan to decrease by 50% forex (transaction) exposure by the end of the year
- Initial progress in cost competitiveness program



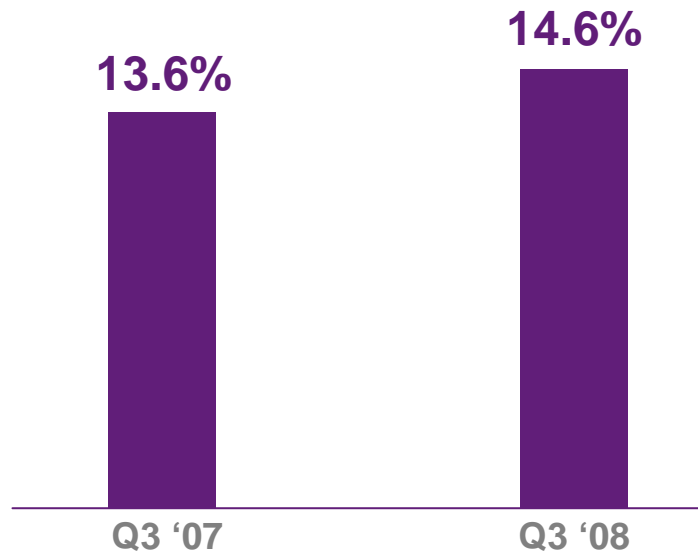
- Good pricing power allowing to offset raw material rises as well as the €(5)m EBITDA impact from US hurricanes
- €(3)m negative non-cash forex conversion

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

# Temporary Working Capital increase, Capex well controlled

## Working Capital

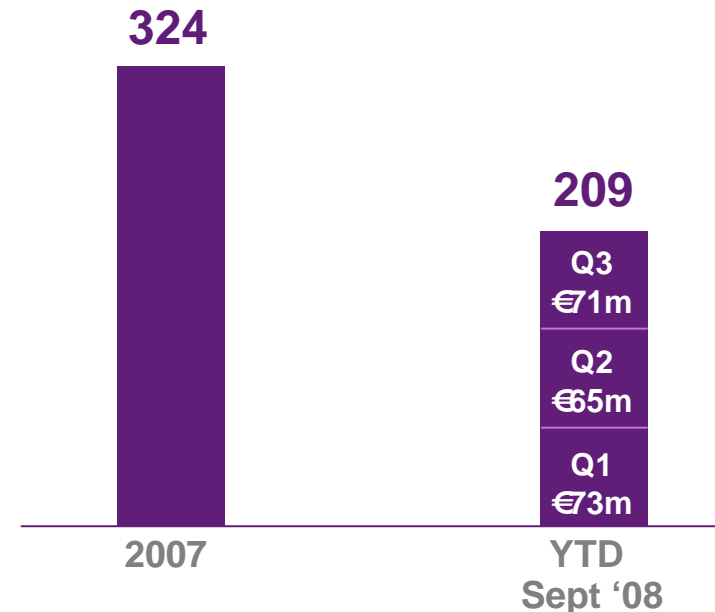
% of Total Sales



- **Temporary increase attributable to:**
  - Strong price rises affecting receivables & inventories
  - Disruptions created by SAP deployment in the US, to be normalized by year end
- **Significant improvement expected in Q4**

## Capital Expenditures

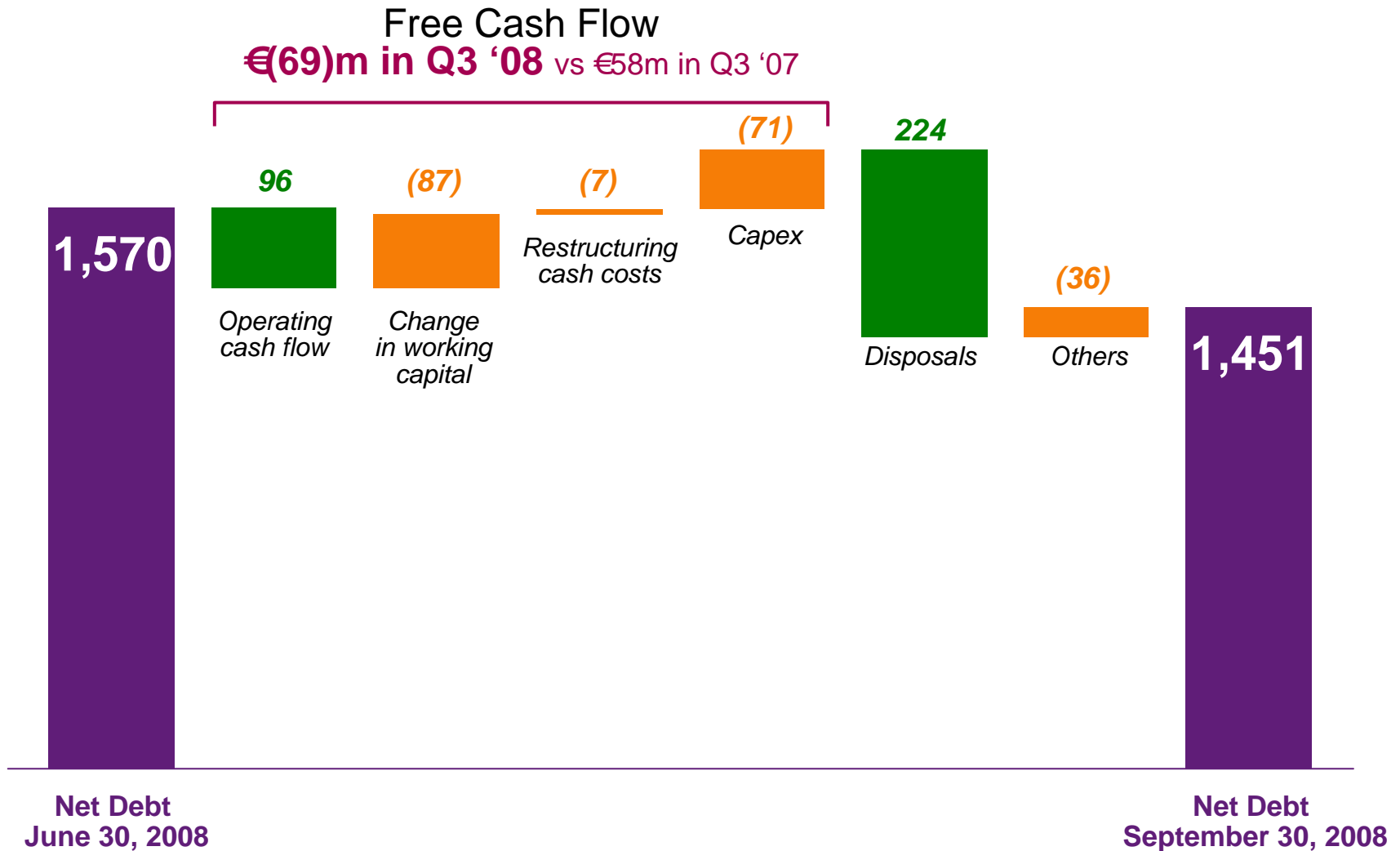
In €m



- **Selective Capital Expenditure management**
- **Capex still expected at €280m in 2008**

# Q3 '08 Net Debt

In €m





# Healthy liquidity situation

In €m

As of Sept 30, 2008

**Cash\*** **525**

**Revolving Credit Facility** **600**

- 2012 maturity
- Undrawn except for letters of credit

**Gross Debt** **1,976**

L/T Debt, namely:

- 2013 maturity  
*Floating Rate Notes*
- 2014 maturity  
*Convertible Bonds*

1,643

**Other S/T financial resources** **333**

- **Good level of cash** in our hands
- Revolving credit facility **available**
- **Long-dated** bond maturity

\* Cash, cash equivalents and other current financial assets

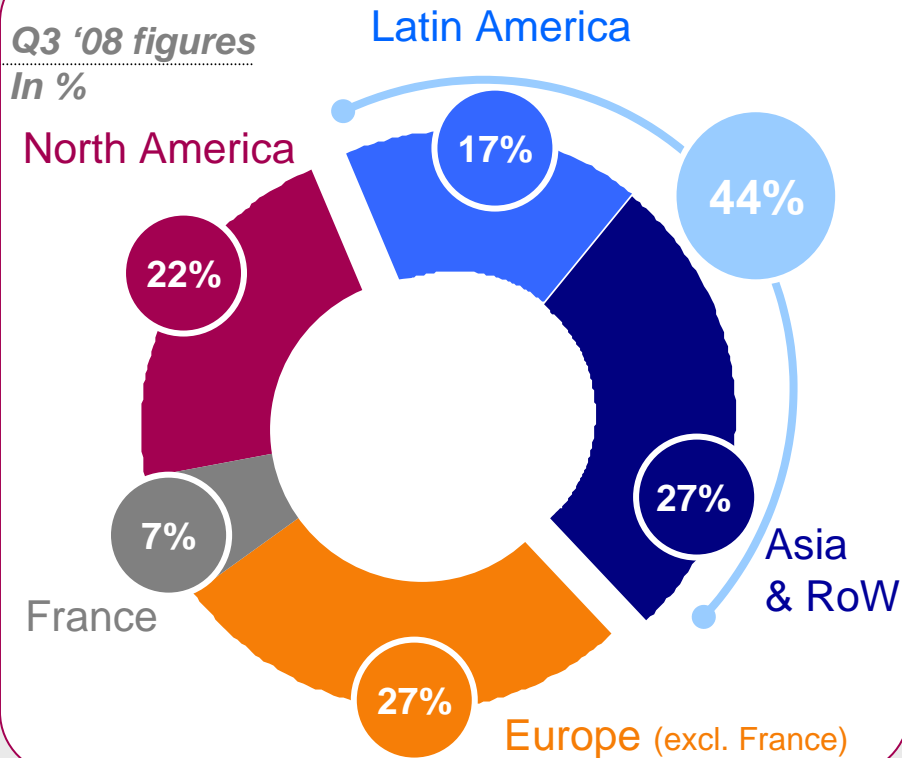
# Business dynamics and outlook

JP Clamadieu – Chairman and CEO



# Balanced geographical exposure

## Net Sales by region



- Balanced geographical presence
- Underlying demand:
  - Robust in emerging markets
  - Satisfactory in developed markets, except for Polyamide

# Resilient portfolio

	Key end-markets	Resilience factor	Exposure to downturn scenario
<b>Polyamide</b>	<ul style="list-style-type: none"> <li>Automotive</li> <li>Textile</li> <li>Electricals, Sportswear Leisure</li> </ul>	<ul style="list-style-type: none"> <li>Technological leadership</li> <li>Substitution / Sustainable dev</li> <li>Geographical spread</li> </ul>	<b>Medium to Significant</b>
<b>Novecare</b>	<ul style="list-style-type: none"> <li>Home &amp; Personal Care</li> <li>Oilfield, Agro, Water...</li> <li>Coating</li> </ul>	<ul style="list-style-type: none"> <li>Innovation</li> <li>Customer intimacy</li> <li>Sustainable development</li> </ul>	<b>Low to Moderate</b>
<b>Silcea</b>	<ul style="list-style-type: none"> <li>Tires</li> <li>Electronic &amp; Catalysis</li> <li>Perfume</li> </ul>	<ul style="list-style-type: none"> <li>Technological leadership</li> <li>Substitution / Sustainable dev</li> <li>Geographical spread</li> </ul>	<b>Low to Moderate</b>
<b>Energy Services</b>	<ul style="list-style-type: none"> <li>Carbon credits</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable development</li> <li>Compliance</li> </ul>	<b>Low</b>
<b>Acetow</b>	<ul style="list-style-type: none"> <li>Cigarette filters</li> </ul>	<ul style="list-style-type: none"> <li>Geographical spread</li> <li>Cigarette demand steady growth</li> <li>Increasing filter usage</li> </ul>	<b>Very low</b>
<b>Eco Services</b>	<ul style="list-style-type: none"> <li>Refineries</li> </ul>	<ul style="list-style-type: none"> <li>Leadership positions</li> </ul>	<b>Low to Moderate</b>

**2/3<sup>rd</sup> of portfolio shows good resilience**

# Adjusting to challenging environment

## Aggressive cost competitiveness plans underway

### Acetow Q4 '07

- Cost savings through productivity and yield gains in production
- Ongoing successful execution
- On track towards the €30m / year savings target by 2010

### Polyamide Q3 '08

- Industrial footprint optimization (Closure of Ceriano plant)
- Yield improvement
- Other cost reductions
- €40m / year savings target by 2010

### Others Q4 '08 through '09

- Further productivity and efficiency initiatives currently being defined

## Strong focus on cash management

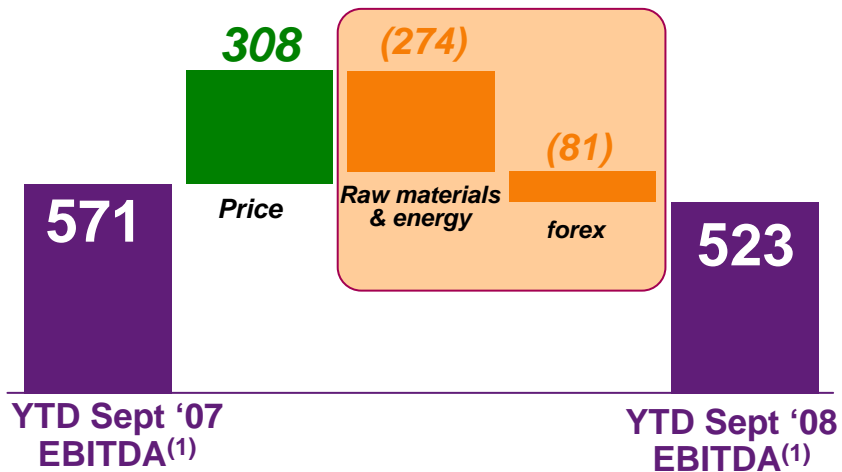
- Production schedules adjusting to market demand
- Substantial working capital reduction actions effective by year end
- Continuous selective investment spending

# Favorable inflexion in forex and raw material and energy cost trends

YTD Sept '08

**Massive impact** of raw material & energy inflation and forex evolution on EBITDA<sup>(1)</sup>

In €m



Today

- **Favorable inflexion point** in raw material & energy cost and forex trends since **end of Q3**
- **Structurally positive effect** to be **gradually recorded** starting materializing early next year

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

## Confirmation of 2008 objectives

- Recurring EBITDA within 5% of 2007 level
- EPS increase YoY
- Further reduction in Net Debt vs year-end '07, supported by solid Free Cash Flow generation in Q4



# Appendix 1

## Q3 '08 Net Finance Costs





# Q3 '08 Net Finance Costs

In €m

	Q3 '07	Q3 '08
Net financial charges & other financial charges	(32)	(31)
Non recurring financial restructuring charges	0	0
Interest cost on environmental & pension liabilities	(11)	(12)
Forex gains & losses	(2)	1
Other miscellaneous	1	(2)
<b>Total financial expenses</b>	<b>(44)</b>	<b>(44)</b>

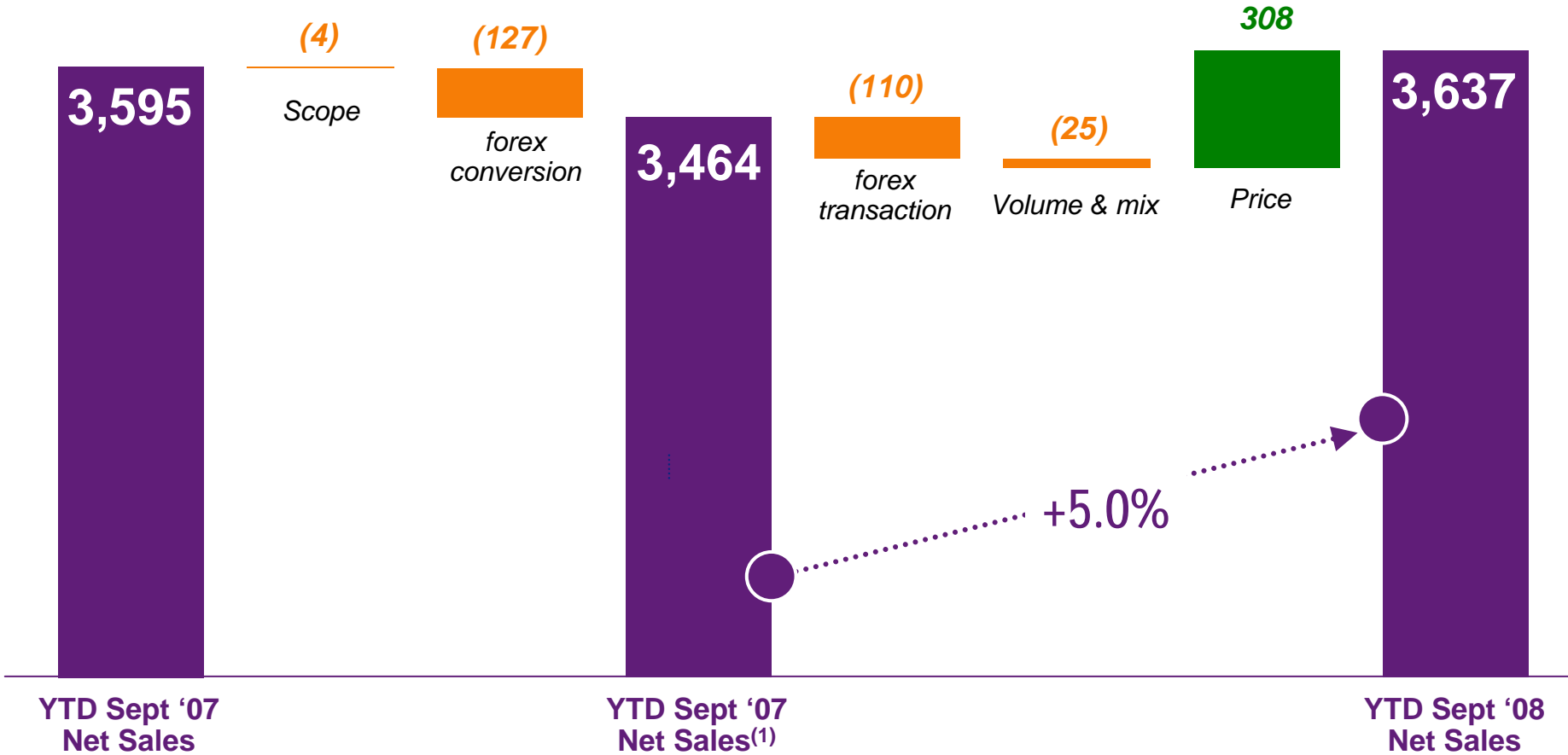
# Appendix 2

## YTD Sept '08 Results



# YTD Sept '08 Net Sales up 5%<sup>(1)</sup>

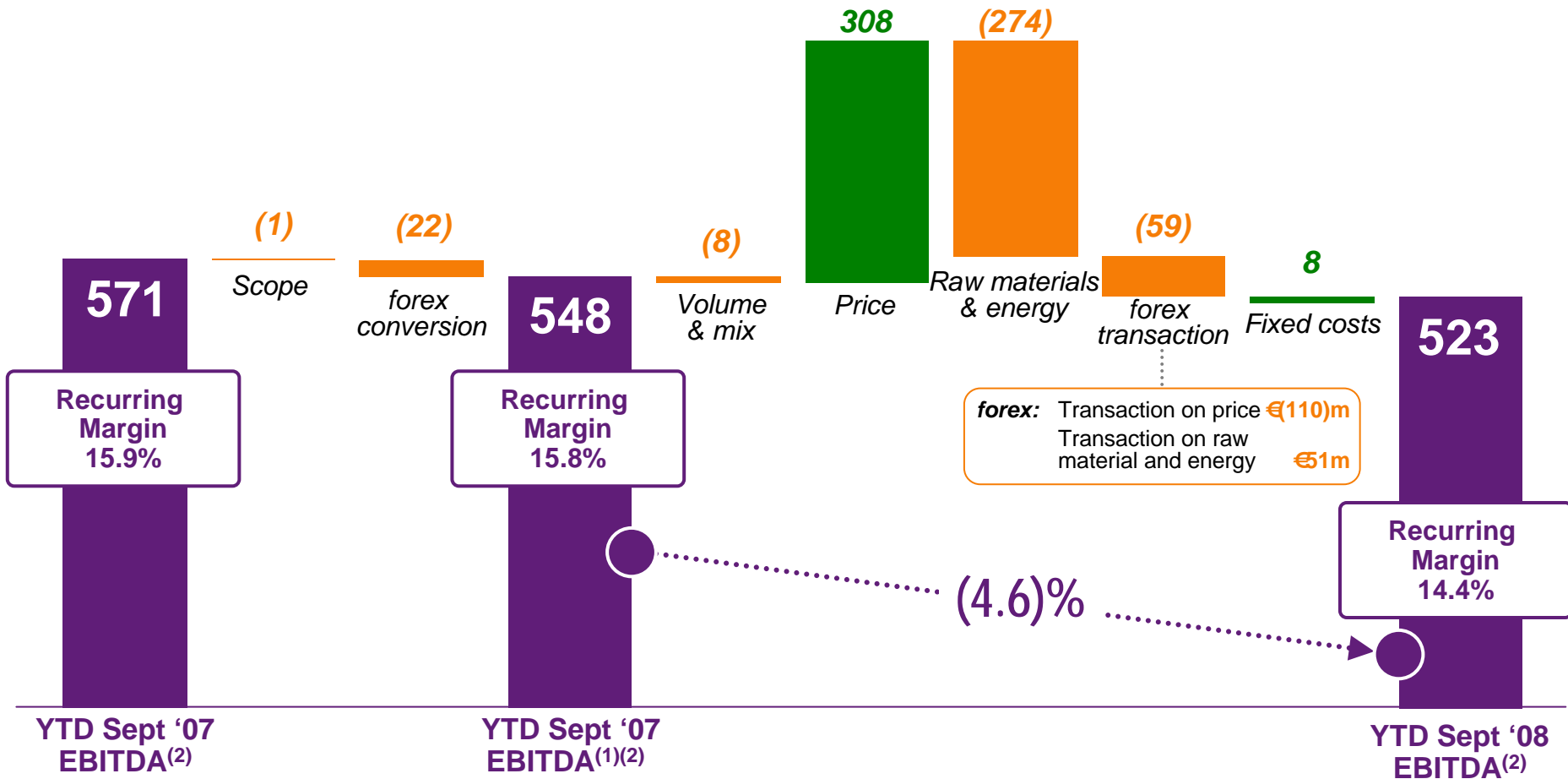
In €m



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

# YTD Sept '08 recurring EBITDA<sup>(1)(2)</sup> down 5%

In €m

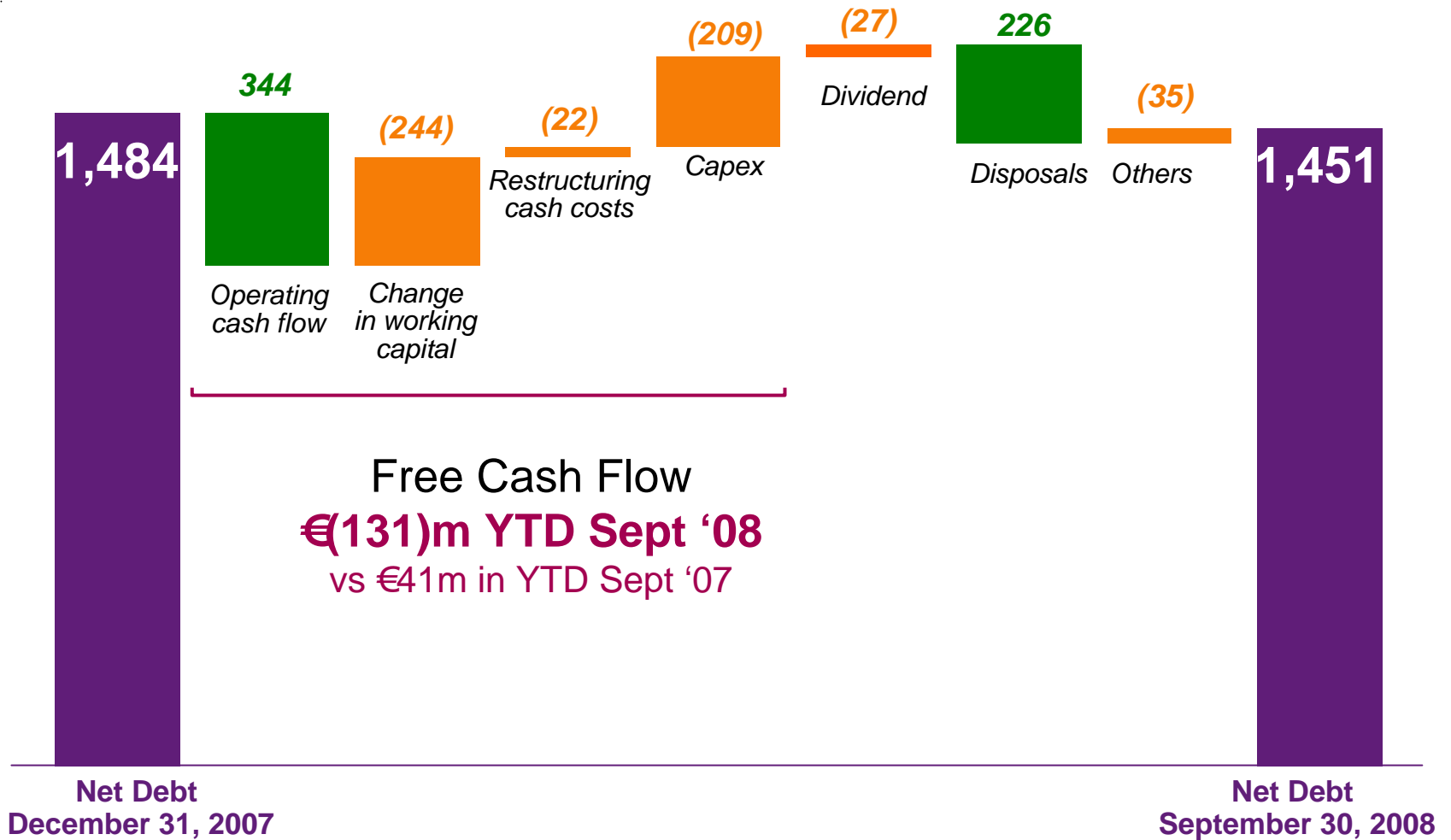


(1) Like for like: at constant scope and currency conversion

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

# YTD Sept '08 Net Debt

In €m



# Appendix 3

## Pension plans situation



# Pension plans situation

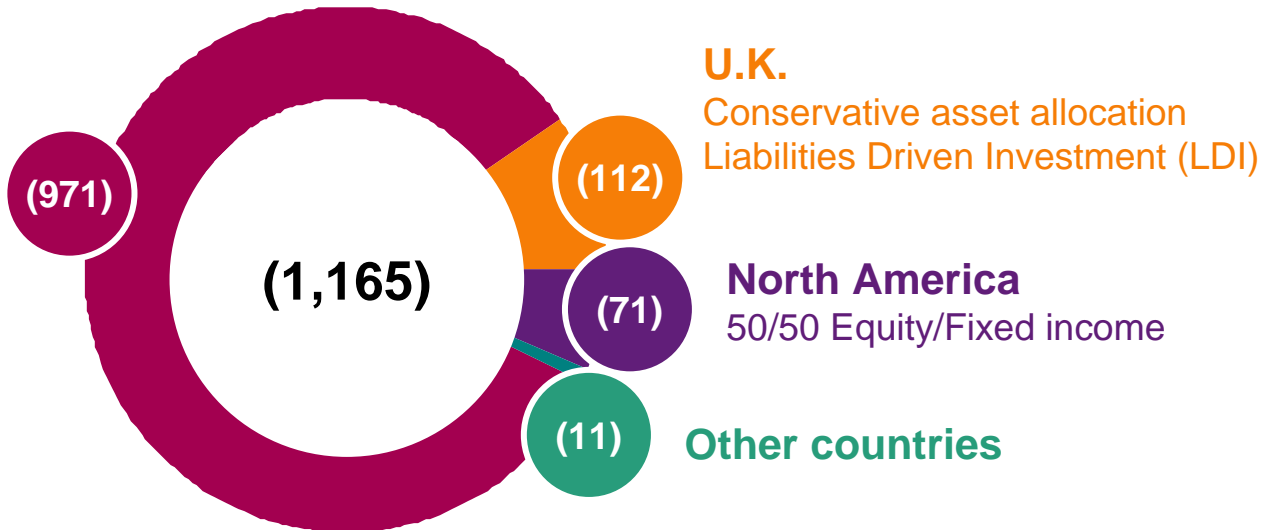
In €m

## Limited exposure to cash-funding requirements

	Dec 31, 2007	Sept 30, 2008
Net deficit	(1,246)	(1,165)

## Funded status

**France & Germany**  
Pension schemes not funded



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