Rhodia

Condensed consolidated financial statements

for the nine months ended September 30, 2010

CONTENTS

A. Consolidated statement of income

(in millions of euros)	Note	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
		2010	**2009**	**2010**	**2009**	**2009**
Net sales	**5**	**1,360**	**1,041**	**3,866**	**2,948**	**4,031**
Other revenue	5	92	96	295	330	446
Cost of sales		(1,121)	(885)	(3,212)	(2,760)	(3,684)
Administrative and selling expenses		(146)	(125)	(412)	(381)	(504)
Research and development expenditure		(18)	(18)	(58)	(51)	(73)
Restructuring costs	6	1	(2)	(9)	(31)	(33)
Other operating income	7	-	3	15	22	39
Other operating expenses	7	(17)	(6)	(48)	(26)	(62)
Operating profit	**5**	**151**	**104**	**437**	**51**	**160**
Finance income	8	27	24	77	65	87
Finance costs	8	(84)	(72)	(244)	(217)	(287)
Foreign exchange gains/(losses)	8	-	4	5	9	10
Share of profit/(loss) of associates		(1)	-	(1)	(1)	-
Profit before income tax		**93**	**60**	**274**	**(93)**	**(30)**
Income tax expense	9	(34)	(25)	(99)	(36)	(71)
Profit from continuing operations		59	35	175	(129)	(101)
Profit from discontinued operations	10	(2)	(20)	(5)	(31)	(31)
Net profit/(loss) for the period		**57**	**15**	**170**	**(160)**	**(132)**
Attributable to:						
Equity holders of Rhodia S.A.		56	14	168	(160)	(132)
Minority interests		1	1	2	-	-
Earnings per share (in euros)						
Continuing and discontinued operations						
- Basic		0.55	0.14	1.67	(1.60)	**(1.32)**
- Diluted		0.54	0.14	1.65	(1.59)	**(1.32)**
Continuing operations						
- Basic		0.57	0.35	1.72	(1.28)	**(1.01)**
- Diluted		0.56	0.35	1.70	(1.28)	**(1.01)**
Weighted average number of shares before dilution		*100,852,415*	*99,931,362*	*100,878,579*	*99,894,807*	***99,888,021***
Weighted average number of shares after dilution		*101,699,000*	*100,672,266*	*101,965,143*	*100,604,773*	***100,673,945***

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

B. Consolidated statement of recognized income and expense

		Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
(in millions of euros)	Note	2010	2009	2010	2009	2009
Net profit/(loss) for the period	**5**	**57**	**15**	**170**	**(160)**	**(132)**
Currency translation differences and other movements		(58)	18	76	27	47
Gains/(losses) on cash flow hedges on commodities		(9)	2	(27)	25	24
Gains/(losses) on cash flow hedges on foreign currency portfolio		57	(1)	15	55	43
Gains/(losses) on cash flow hedges on interest rates		(20)	(3)	(14)	(13)	(11)
Deferred tax on cash flow hedge recognized in equity		(3)	1	4	(11)	(9)
Actuarial gains/(losses) on retirement benefits	15	(63)	(46)	(130)	(186)	(328)
Deferred tax on actuarial gains/(losses)		2	4	13	(3)	1
Net income/(expense) directly recognized in equity		**(94)**	**(25)**	**(63)**	**(106)**	**(233)**
Total recognized income/(expense) for the period	**E**	**(37)**	**(10)**	**107**	**(266)**	**(365)**
Attributable to:						
Equity holders of Rhodia S.A.		(37)	(12)	103	(266)	(365)
Minority interests		-	2	4	-	-

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

C. Consolidated balance sheet

Assets

(in millions of euros)	Note	At September 30, 2010 (*)	At December 31, 2009
Property, plant and equipment		1,467	1,458
Goodwill		224	215
Other intangible assets		204	193
Investments in associates		11	12
Non-current financial assets		131	118
Deferred tax assets		183	170
Non-current assets		**2,220**	**2,166**
Inventories		556	475
Income tax receivable		12	26
Trade and other receivables		826	692
Derivative financial instruments		87	113
Other current financial assets		25	100
Cash and cash equivalents	11	1,351	691
Assets classified as held for sale		34	3
Current assets		**2,891**	**2,100**
TOTAL ASSETS		**5,111**	**4,266**

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

Equity and liabilities

(in millions of euros)	Note	At September 30, 2010 (*)	At December 31, 2009
Share capital	12	104	1,213
Additional paid-in capital	12	1,290	138
Other reserves	12	263	213
Deficit	12	(2,258)	(2,299)
Equity attributable to equity holders of Rhodia S.A.		**(601)**	**(735)**
Minority interests	12	19	16
Total equity		**(582)**	**(719)**
Borrowings	13	1,674	1,655
Retirement benefits and similar obligations	15	1,591	1,459
Provisions	16	402	370
Deferred tax liabilities		27	28
Other non-current liabilities		39	36
Non-current liabilities		**3,733**	**3,548**
Borrowings	13	496	165
Derivative financial instruments		115	115
Retirement benefits and similar obligations	15	92	94
Provisions	16	163	160
Income tax payable		35	16
Trade and other payables		1,054	887
Liabilities classified as held for sale		5	-
Current liabilities		**1,960**	**1,437**
TOTAL EQUITY AND LIABILITIES		**5,111**	**4,266**

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

D. Consolidated statement of cash flows

	Nine months ended September 30, (*)		For the year ended December 31,
(in millions of euros)	**2010**	**2009**	**2009**
Net profit/(loss) for the period attributable to equity holders of Rhodia S.A.	**168**	**(160)**	**(132)**
Adjustments for:			
Minority interests	2	-	-
Depreciation and impairment of non-current assets	207	212	284
Net increase/(decrease) in provisions	(2)	4	41
Impairment of non-current financial assets	2	-	(3)
Share of profit/(loss) of associates	1	1	-
Other income and expense	49	27	36
Gain/(loss) on disposal of non-current assets	(6)	(10)	(12)
Deferred tax expense/(income)	12	(3)	(5)
Foreign exchange losses/(gains)	(1)	19	29
Net cash flow from operating activities before changes in working capital	**432**	**90**	**238**
Changes in working capital			
- (Increase)/decrease in inventories	(78)	271	231
- (Increase)/decrease in trade receivables	(88)	88	89
- Increase/(decrease) in trade payables	90	(171)	(134)
- Increase/(decrease) in other current assets/liabilities	52	154	122
Net cash from operating activities before margin calls	**408**	**432**	**546**
- Margin calls (1)	5	4	(9)
Net cash from operating activities	**413**	**436**	**537**
Purchases of property, plant and equipment	(143)	(113)	(167)
Purchases of other non-current assets	(26)	(17)	(24)
Proceeds on disposals of entities, net of cash transferred, and non-current assets	8	9	11
Purchase of entities, net of cash acquired	(1)	(74)	(76)
(Purchases)/repayments of loans and financial investments	56	(53)	(66)
Net cash used by investing activities	**(106)**	**(248)**	**(322)**
Proceeds from issue of shares, net of costs	38	-	-
Treasury share purchase costs	-	(2)	(2)
Dividends paid	(20)	(4)	(4)
New non-current borrowings, net of costs	810	46	55
Repayments of non-current borrowings, net of costs	(514)	(58)	(80)
Net increase/(decrease) in current borrowings	22	9	(24)
Net cash from/(used by) financing activities	**336**	**(9)**	**(55)**
Effect of foreign exchange rate changes	**17**	**34**	**39**
Net increase in cash and cash equivalents	**660**	**213**	**199**
Cash and cash equivalents at the beginning of the period	691	492	492
Cash and cash equivalents at the end of the period	1,351	705	691

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

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

E. Statement of changes in equity

(in millions of euros)	Share capital	Additional paid-in capital	Other reserves: Hedge reserve	Other reserves: Translation reserve	Other reserves: Legal reserve	Other reserves: Treasury shares	Accumulated deficit	Total	Minority interests	Total
At January 1, 2010	**1,213**	**138**	**7**	**156**	**58**	**(8)**	**(2,299)**	**(735)**	**16**	**(719)**
Dividends	-	6	-	-	-	-	(25)	**(19)**	(1)	**(20)**
Share Capital increase	(1,109)	1,146	-	-	-	-	-	**37**	-	**37**
Total recognized income / (expense)	-	-	(26)	74	-	-	55	**103**	4	**107**
Other movements (1)	-	-	-	-	-	2	11	**13**	-	**13**
At September 30, 2010	**104**	**1,290**	**(19)**	**230**	**58**	**(6)**	**(2,258)**	**(601)**	**19**	**(582)**

(1) Including free shares for €6.8 million

(in millions of euros)	Share capital	Additional paid-in capital	Other reserves: Hedge reserve	Other reserves: Translation reserve	Other reserves: Legal reserve	Other reserves: Treasury shares	Accumulated deficit	Total	Minority interests	Total
At January 1, 2009	**1,213**	**138**	**(49)**	**109**	**40**	**(14)**	**(1,812)**	**(375)**	**19**	**(356)**
Appropriation of earnings	-	-	-	-	18	-	(18)	**-**	-	**-**
Dividends	-	-	-	-	-	-	-	**-**	(1)	**(1)**
Total recognized income / (expense)	-	-	67	27	-	-	(360)	**(266)**	-	**(266)**
Other movements (1)	-	-	-	-	-	3	(1)	**2**	(3)	**(1)**
At September 30, 2009	**1,213**	**138**	**18**	**136**	**58**	**(11)**	**(2,191)**	**(639)**	**15**	**(624)**

(1) Including free shares for €5 million

F. Notes to the condensed consolidated financial statements

1. General information

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

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

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

The company is listed on Euronext Paris.

These condensed consolidated financial statements were reviewed on November 3, 2010 by the Board of Directors.

2. Principal accounting methods

2.1. Accounting standards

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

2.2. Basic principles used for preparation of the financial statements

The condensed consolidated financial statements for the nine months ended September 30, 2010 were prepared using the same accounting methods as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2009.
The standards, interpretations and amendments adopted by the European Union at September 30, 2010 and their mandatory adoption in 2010 had no material impact on the condensed consolidated financial statements for the nine months ended September 30, 2010.
In addition, 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.

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

- Income tax expense

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

- Retirement benefits and similar obligations

For interim period-ends, retirement benefits and similar obligations are recorded 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

3. Major events

The third quarter of 2010 was marked by the continuation of refinancing operations (see Note 13). On June 17, 2010, Rhodia announced the acquisition of Feixiang Chemicals, China's leading producer of amines and surfactants. The acquisition price is based on an enterprise value of $489 million. The completion of the transaction is subject to various customary closing conditions, including the approval of the Chinese authorities. The transaction should be finalized by the end of 2010.

4. Seasonality effects

The Group's activity and operating results for the nine months ended September 30, 2010 were not of a seasonal or cyclical nature, compared to the activity and operating results for the entire year.

5. Segment information

The following information concerns continuing operations by business segment. Information on discontinued operations is presented in Note 10.

Rhodia Group is organized into the following 6 Enterprises corresponding to its operating segments. No changes were made to this organization in the first nine months of 2010.

On October 4, 2010, Rhodia announced its reorganization into eleven new Enterprises, to support the group's growth. This new organization will be reflected in the internal reporting from January 1st, 2011.

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other (2)	Group
Quarter ended September 30, 2010*								
Net sales	569	276	218	54	137	71	40	**1,365**
Other revenue	24	3	2	94	3	1	8	**135**
Inter-company sales - Net sales	(3)	(2)	(1)	-	-	-	1	**(5)**
Inter-company sales – Other revenue	(2)	(1)	(1)	(38)	-	-	(1)	**(43)**
External net sales	**566**	**274**	**217**	**54**	**137**	**71**	**41**	**1,360**
External other revenue	22	2	1	56	3	1	7	**92**
Operating profit/(loss)	**65**	**31**	**36**	**34**	**26**	**18**	**(59)**	**151**
Share of profit of associates							(1)	**(1)**
Profit/(loss) from financial items								**(57)**
Income tax expense								**(34)**
Profit/(loss) from continuing operations								**59**
Recurring EBITDA (1)	**89**	**41**	**49**	**37**	**34**	**23**	**(38)**	**235**

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

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other (2)	Group
Quarter ended September 30, 2009*								
Net sales	397	207	167	46	138	49	44	**1,048**
Other revenue	26	4	2	88	3	1	13	**137**
Inter-company sales - Net sales	(6)	(1)	-	-	-	-	-	**(7)**
Inter-company sales – Other revenue	(5)	(2)	(1)	(31)	(1)	-	(1)	**(41)**
External net sales	**391**	**206**	**167**	**46**	**138**	**49**	**44**	**1,041**
External other revenue	21	2	1	57	2	1	12	**96**
Operating profit/(loss)	**28**	**22**	**19**	**29**	**27**	**12**	**(33)**	**104**
Profit/(loss) from financial items								**(44)**
Income tax expense								**(25)**
Profit/(loss) from continuing operations								**35**
Recurring EBITDA (1)	**52**	**30**	**29**	**34**	**35**	**16**	**(22)**	**174**

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

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

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other (2)	Group
Nine months ended September 30, 2010								
Net sales	1,603	808	623	137	402	185	121	**3,879**
Other revenue	78	9	5	295	8	3	25	**423**
Inter-company sales - Net sales	(7)	(3)	(2)	-	-	-	(1)	**(13)**
Inter-company sales – Other revenue	(8)	(4)	(1)	(110)	(2)	-	(3)	**(128)**
External net sales	**1,596**	**805**	**621**	**137**	**402**	**185**	**120**	**3,866**
External other revenue	70	5	4	185	6	3	22	**295**
Operating profit/(loss)	**172**	**103**	**108**	**107**	**63**	**41**	**(157)**	**437**
Share of profit of associates							**(1)**	**(1)**
Profit/(loss) from financial items								**(162)**
Income tax expense								**(99)**
Profit/(loss) from continuing operations								**175**
Recurring EBITDA (1)	**240**	**130**	**144**	**112**	**97**	**55**	**(96)**	**682**

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other (2)	Group
Nine months ended September 30, 2009								
Net sales	1,030	624	458	138	413	170	131	**2,964**
Other revenue	79	11	4	322	8	3	37	**464**
Inter-company sales - Net sales	(11)	(2)	(1)	-	-	-	(2)	**(16)**
Inter-company sales – Other revenue	(13)	(4)	(1)	(108)	(2)	-	(6)	**(134)**
External net sales	**1,019**	**622**	**457**	**138**	**413**	**170**	**129**	**2,948**
External other revenue	66	7	3	214	6	3	31	**330**
Operating profit/(loss)	**(125)**	**32**	**14**	**103**	**79**	**47**	**(99)**	**51**
Share of profit of associates	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**
Profit/(loss) from financial items					-			**(143)**
Income tax expense								**(36)**
Profit/(loss) from continuing operations								**(129)**
Recurring EBITDA (1)	**(38)**	**66**	**49**	**119**	**102**	**60**	**(71)**	**287**

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

6. Restructuring costs

(in millions of euros)	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
	2010	2009	2010	2009	2009
New plans	(2)	(2)	(9)	(24)	(24)
Re-estimated costs of previous plans	3	-	6	2	2
Impairment of non-current assets	1	-	(2)	(9)	(11)
Impairment of current assets	(1)	-	(4)	-	-
Total	**1**	**(2)**	**(9)**	**(31)**	**(33)**

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

The new measures in 2010 represent a total estimated cost of €9 million and mainly correspond to the closure of the Valencia site of Acetow in Venezuela as well as the transfer of specialty surfactants activities from Leeds to Halifax (Novecare). The impairment of current and non-current assets related to the Valencia site closure amounts to €5 million.
In addition, changes in estimates of previous plans mainly result from the review of provisions recorded in previous years in France, Italy, the United Kingdom and the United States for the Polyamide, Novecare and Salicylics businesses.

The new measures for the first nine months of 2009 represented a total estimated cost of €24 million and corresponded to the competitiveness enhancement plans initiated for Polyamide, Silcea and Novecare and the support functions. In France, the plans mainly concerned the industrial sites of Belle-Etoile, Valence, Melle, Chalampé and Saint Fons Chimie as well as support functions for a total of €14 million. In other countries, the new measures related to 2 planned site closures in Asia (Ruohai and Ambarnath) and various measures implemented to improve productivity in both the industrial sites and commercial and administrative functions for €10 million. Out of this total, €4 million concerned measures launched in the United States and €2 million concerned Brazil.

7. Other operating income and expenses

(in millions of euros)	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
	2010	2009	2010	2009	2009
Net gains or losses on disposal of non-current assets	-	3	5	11	13
Other operating income	-	-	10	11	26
Total other operating income	**-**	**3**	**15**	**22**	**39**
Environmental expenses	(14)	(1)	(30)	(6)	(26)
Other operating expenses	(3)	(5)	(18)	(20)	(36)
Total other operating expenses	**(17)**	**(6)**	**(48)**	**(26)**	**(62)**

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

Disposal gains in 2010 mainly involve the sale of the Mississauga site (Canada).

The other operating income recognized in 2010 mainly includes the changes in fair value of derivatives that are not eligible as hedges of operating items. Other operating expenses in 2010 are not individually significant.

The other operating income and expenses recognized in 2009 mainly included the disqualification of certain hedges for foreign exchange derivatives on future revenues.

Environmental expenses are analyzed in Note 16.

8. Profit/(loss) from financial items

	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
(in millions of euros)	**2010**	**2009**	**2010**	**2009**	**2009**
Gross interest expense on borrowings	(28)	(28)	(82)	(90)	(117)
Income from cash equivalents	5	3	13	8	12
Gains/(losses) from interest rate derivatives	-	-	-	-	(1)
Income/(expenses) on financial transactions	(16)	(4)	(47)	(14)	(18)
Discounting effects	(39)	(36)	(113)	(107)	(143)
Expected return on pension plan assets	21	18	60	51	67
Foreign exchange gains/(losses)	-	4	5	9	10
Proceeds from disposal of available-for-sale financial assets	1	(1)	2	(1)	-
Other	(1)	-	-	1	-
Profit/(loss) from financial items	**(57)**	**(44)**	**(162)**	**(143)**	**(190)**
Of which:					
Finance costs	(84)	(72)	(244)	(217)	(287)
Finance income	27	24	77	65	87
Foreign exchange gains/(losses)	-	4	5	9	10

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

Income and (expenses) on financial transactions for the nine months ended September 30, 2010 include €(37) million relating to refinancing operations (see Note 13), of which €(26) million related to the derecognition of interest rate hedge swaps.

Following the renegotiation in 2009 of the financial covenants of the syndicated credit facility, income and (expenses) on financial transactions for the period ended September 30, 2009 included a €(4) million accelerated depreciation of remaining fees, which were capitalized at the implementation of the syndicated credit line in 2007.

9. Income tax

At September 30, 2010, the current income tax expense amounted to €(99) million (compared to €(36) million at September 30, 2009) for a net profit from continuing operations of €274 million (compared to a loss of €(93) million at September 30, 2009).

(in millions of euros)	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
	2010	**2009**	**2010**	**2009**	**2009**
Current income tax expense	(37)	(12)	(95)	(39)	(76)
Deferred tax income/(expense)	3	(13)	(4)	3	5
Income tax expense for the period	**(34)**	**(25)**	**(99)**	**(36)**	**(71)**

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

For the nine months ended September 30, 2010, the current income tax expense mainly corresponds to the income tax reported by the American, Asian, Brazilian and German 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 nine months ended September 30, 2010.

10. Profit/(loss) from discontinued operations

(in millions of euros)	Quarter ended September 30, (*)		Nine months ended September 30, (*)		Year ended December 31,
	2010	**2009**	**2010**	**2009**	**2009**
Net sales	-	-	-	-	-
Other revenue	-	-	-	1	1
Net operating expenses	(2)	(20)	8	(30)	(29)
Net finance costs	-	-	(4)	(2)	(3)
Profit/(loss) from discontinued operations before tax and gains/(losses) on disposals	**(2)**	**(20)**	**4**	**(31)**	**(31)**
Gains/(losses) on disposals	-	-	-	-	-
Tax effect	-	-	(9)	-	-
Profit/(loss) from discontinued operations	**(2)**	**(20)**	**(5)**	**(31)**	**(31)**

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

The loss from discontinued operations for the nine months ended September 30, 2010 is immaterial.

The loss from discontinued operations for the nine months ended September 30, 2009 is attributable to the disposals made prior to 2009, and the unfavorable development of the Innophos litigation.

Notes to the consolidated balance sheet

11. Cash and cash equivalents

11.1 Analysis by type

(in millions of euros)	At September 30, 2010 (*)	At December 31, 2009
Cash in banks	126	122
Cash equivalents	1,225	569
Total	**1,351**	**691**

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

At September 30, 2010, cash equivalents mainly include mutual funds, monetary notes and certificates of deposit with an initial maturity of less than 3 months.

Rhodia has undertaken to repay a portion of its Floating Rate Notes amounting to €306 million on October 27, 2010.
The acquisition of Feixang will have an impact on liquidity in the fourth quarter of 2010.

11.2 Consolidated statement of cash flows

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

Excluding the costs of financing transactions, paid interest, net of interest received (including the impact of interest rate hedging), totaled €30 million for the nine months ended September 30, 2010.

Income taxes paid in the first nine months ended September 30, 2010 totaled around €47 million.

12. Equity

12.1 Share capital and issue premiums

On May 29, 2010, the Board of Directors decided to decrease share capital by reducing the par value of each share from €12 to €1, for a total amount of €1,112 million.
In the first half of 2010, the exercise of share subscription options resulted in the issue of 547 shares, and the option for the payment of dividends through shares to 408,382 new shares.
On August 17, 2010, following a decision of the Board of Directors on April 28, 2010 to make use of the authorization granted by the Combined General Meeting of Shareholders on the same date, the company carried out a capital increase reserved for employees by creating 3 million new shares, each with a nominal value of €1 thus generating an issue premium of €34 million net of costs.
At September 30, 2010, Rhodia's share capital totaled €104,495,997, comprising 104,495,997 shares each with a par value of €1.

12.2 Dividends

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

12.3 Translation reserve

The change in the translation reserve attributable to equity holders of Rhodia S.A. amounted to €74 million for the nine first months of 2010, mainly due to the appreciation of the US dollar and the Brazilian real against the euro.

12.4 Treasury shares

Following the grant of bonus shares to the beneficiaries of the 2008 B plans, the number of treasury shares was reduced to 802,814 at September 30, 2010.

13. Borrowings

The main operations over the nine first months of 2010 are:

- the partial refinancing of 2013 Floating Rate Notes, in the principal amount of €500 million, through the issuance of new notes for the same amount, maturing on May 15, 2018 and bearing interest at 7%
- the issuance of new Senior notes for $400 million, maturing in September 2020 and bearing interest at 6.875%

Breakdown of borrowings by type

	At September 30, 2010				
(in millions of euros)	Amount at amortized cost (1)	Redemption value (2)	Amount at fair value (3)	Maturity	Effective rates before hedging (4) - (5)
Bilateral credit facilities	84	84	84	2010-09/2011	4% - 11%
2006 EUR senior notes (6)	306	306	306	10/27/2010	Euribor 3M + 2.75%
Securitization of receivables	67	67	67	2010	3.1%
Other debts	10	10	10	2010-2011	< 5%
Accrued interest payable	29	29	29	-	-
Sub-total - short term	**496**	**496**	**496**		
2006 EUR senior notes	227	229	229	10/15/2013	Euribor 3M + 2.75%
2010 EUR senior notes	492	500	508	05/15/2018	7%
2010 USD senior notes	287	293	306	09/15/2020	6.875%
OCEANE bonds	561	595	589	01/01/2014	6.29%
Other EUR notes	15	15	15	12/31/2011	Euribor 6M + 1.60%
Bilateral credit facilities	81	81	81	2011-2014	4% - 11%
Finance lease debts	5	5	5	2012-2019	3.56% - 11.25%
Other debts	6	6	6	2011-2018	< 5%
Sub-total - long term	**1,674**	**1,724**	**1,739**		
TOTAL	**2,170**	**2,220**	**2,235**		

(1) The amortized cost of the OCEANE bonds is determined after separate recognition in equity of the share conversion option for €124 million.
(2) The amount shown for the OCEANE bonds corresponds to the principal excluding the 13.22% redemption premium.
(3) Senior notes and OCEANE bonds are measured on the last day of the period. The redemption price was adopted for other borrowings.
(4) Effective interest rate before impact of hedges.
(5) Libor/Euribor are mainly 1, 3 or 6 months.
(6) On October 27, 2010, Rhodia repaid €306 million of its FRN.

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

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

14. Financial risk management

14.1 Liquidity risk management

At September 30, 2010, Rhodia's liquidity position amounted to €1,897 million, compared to €1,318 million at December 31, 2009. This liquidity position includes an undrawn credit line of €539 million in connection with Rhodia's syndicated credit facility ("RCF"). On October 27, 2010, a total of €306 million was used to refund a portion of the FRN.

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

Rhodia reinforced its medium-term liquidity by extending the Group's debt maturity through the issue of notes in May 2010 for a nominal amount of €500 million, maturing in 2018 (early redemption of Floating Rate Notes maturing in 2013) and in September 2010 for a nominal amount of $400 million, maturing in 2020.

14.2 UCITS and financial instruments risk management

Rhodia mainly invests its short-term investments with banks or financial institutions with S&P and Moody's ratings which are all in the Investment Grade category.

In addition, most of these transactions as well as those with a maturity of more than one year are entered into with counterparties which have ratings from these agencies that are equal to or greater than A- and A1, respectively (September 30, 2010 ratings).

15. Retirement benefits and similar obligations

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

- in France, 4% at September 30, 2010 against 4.5% at December 31, 2009,
- in the UK, 5% at September 30, 2010 against 5.70% at December 31, 2009 and,
- in the US, 4.5% at September 30, 2010 against 5.50% at December 31, 2009.

At the same time, in the United Kingdom, the long-term inflation rate decreased from 3.50% at December 31, 2009 to 3% at September 30, 2010.

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

At September 30, 2010, the actuarial gains and losses recognized in equity amount to €130 million, and mainly correspond to a €142 million negative impact from changes in assumptions (discount and inflation rates) and a €12 million positive impact attributable to the revaluation of plan assets.

These items mainly explain the increase in retirement benefits and similar obligations to €1,683 million at September 30, 2010, compared to €1,553 million at December 31, 2009. The foreign exchange impact relating to the depreciation of the euro against other main currencies amounts to €15 million.

16. Environmental provisions

As is the case each quarter, Rhodia's environmental provisions were revised at September 30, 2010. After an initial reassessment of interest rates during the first half of 2010 in France and the United States, the significant decrease in interest rates during the third quarter led to further reassessment in France and the United Kingdom, resulting in a €10 million increase in provisions for the first nine months of 2010.

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

	5 years	10 years	20 years
France	-	0.60%	-
Europe (excluding France and the United Kingdom)	1.90%	-	-
United Kingdom	0.80%	-	1.70%
United States	0.20%	0.50%	-
Brazil	-	6.30%	6.30%

At September 30, 2010, environmental provisions amounted to €268 million, compared to €239 million at December 31, 2009, mainly attributable to additional provisions for the Brazilian sites and the decline in interest rates for €16 million and €10 million, respectively, environmental expenses of €(16) million and a negative €11 million impact arising from the depreciation of the euro.

At September 30, 2010, there were no significant movements in contingent environmental liabilities, estimated at €181 million at December 31, 2009.

17. Claims and litigation

During the nine months period ended September 30, 2010, there were no new legal disputes nor significant developments in litigation existing at December 31, 2009, except the following:

- With respect to the Valauret litigation, the Court of Appeal in Versailles has overturned, on May 10, 2010, the decision made by the Commercial Court in Nanterre in December 2008. The Court of appeal ruled that Yves-René Nanot and Jean-Pierre Clamadieu did not commit any fault by paying severance benefits to Mr Tirouflet as part of his employment contract. In addition, the Court of appeal has ruled that the proceedings had been detrimental to Mr Nanot and Mr Clamadieu, having called into question their integrity. This justifies the awarding of damages to both of them. Finally, the Court of appeal ruled that Valauret must pay the legal costs incurred by Mr Nanot and Mr Clamadieu as well as Rhodia. Valauret will try to challenge the decision of the Court of Appeal of Versailles before the Cour de cassation.
- In the litigation between Innophos and Mexico's National Water Commission in a ruling on the appeal filed by Rhodia (on behalf of Innophos), the Supreme Court of Mexico affirmed the lower courts' rulings. Innophos, which will be indemnified by Rhodia pursuant to a 2004 divestiture agreement, is therefore liable for the higher rate due for the fresh water used during the period 1999-2002 at the Coatzacoalcos plant. The total amount payable is approximately 20 M€ (which amount includes fines, inflation adjustments and penalties). Rhodia has previously taken a financial reserve for its indemnification exposure.

18. Share-based payment

18.1 New plans

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

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

The expense recognized with respect to bonus share and stock option plans for the first nine months of 2010 totaled €6.8 million. It includes €2.7 million for the cost of the new A and B plans (assumption under which the performance criteria of both plans will be met at December 31, 2010 and 2011, except for the B plan in 2011).

18.2 Reserved share capital increase

During the third quarter of 2010, Group employees were able to subscribe to a reserved share capital increase, by means of two options:

- Standard plan: this option offered the opportunity to invest through an intermediary fund in Rhodia shares at a 15% discount on the average opening market price for Rhodia shares on the Paris stock exchange during the twenty trading days prior to July 30, 2010, i.e. €14.89
- Leveraged plan: this option offered the opportunity to invest in Rhodia shares, based on a tenfold increase in the initial contribution, through a mutual fund or by direct share ownership.

For the two options, the Rhodia shares are locked in for a period of 5 years.

With respect to this plan, a €6.5 million expense was recognized in the third quarter of 2010, and a €3 million share capital increase was carried out on August 17, 2010 (see Note 12.1).

19. Subsequent events

No subsequent events occurred.