

Press release

Paris, February 25, 2009

FOURTH QUARTER AND FULL YEAR 2008 RESULTS

Rhodia shows resistance in 2008 Focus on cash generation to weather the storm

Forenote: All period variances referred to in this document are to be deemed on a year on year like-for-like⁽¹⁾ basis, unless otherwise stated

Key highlights

- ✓ **Contraction in volumes of (17)% in Q4** primarily reported by Polyamide and Silcea
- ✓ **Good performance** by Novecare, Energy Services, Acetow and Eco Services in Q4 and throughout 2008
- ✓ **Sustained pricing power** with prices up by 11% in Q4 and 9.5% for the full year
- ✓ **Recurring EBITDA⁽²⁾ at €141 million in Q4 and €664 million for the full year**
- ✓ **Strong Q4 Free Cash Flow of €168 million**, resulting in **positive** Free Cash Flow for the full year
- ✓ **Net Debt** down by 12% to €1,311 million by year-end

Key measures to weather the storm

- ✓ Strong focus on **Free Cash Flow generation**: ongoing action plan with immediate effect
- ✓ Reinforcement of the Group's competitiveness plans: structural **savings of €150 million** expected by 2011

Rhodia Chairman and CEO Jean-Pierre Clamadieu noted that *“2008 was a year of contrasts. After earlier spikes in raw material and energy prices, commodity prices dropped sharply in the last part of the year. At the same time, a sudden drop in demand over the last quarter prevented us from benefiting from the positive trends in raw materials and energy”*.

“Against this backdrop, we took swift and efficient actions to preserve cash and reduce costs. With the ongoing uncertainty in the business outlook and persistent depressed volumes, we are exercising financial discipline and focusing on cash generation. We are also implementing new structural cost-cutting measures to save €150 million by 2011, thus improving our competitive position,” Jean-Pierre Clamadieu explained.

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

(2) Before restructuring and other operating income and expenses

Summary income statement Q4

<i>In € million</i>	Q4 2007	Q4 2007 <i>like for like</i> ⁽¹⁾	Q4 2008	Variation <i>like for like</i> ⁽¹⁾
Net Sales	1,186	1,167	1,126	(3.5)%
Recurring EBITDA ⁽²⁾	187	188	141	(25)%
Operating Profit	77	81	14	(83)%
Profit from continuing operations	23		(21)	
Profit/(loss) from discontinued operations	-		(6)	
Net Profit/ Group Share	22		(28)	
Earnings per Share (in €), basic	0.23		(0.27)	
Free Cash Flow ⁽³⁾	120		168	

Summary income statement Full Year

<i>In € million</i>	FY 2007	FY 2007 <i>like for like</i> ⁽¹⁾	FY 2008	Variation <i>like for like</i> ⁽¹⁾
Net Sales	4,781	4 631	4,763	2.9%
Recurring EBITDA ⁽²⁾	758	736	664	(9.8)%
Operating Profit	422	383	309	(19)%
Profit from continuing operations	47		75	
Profit/(loss) from discontinued operations	84		32	
Net Profit/ Group Share	129		105	
Earnings per Share (in €), basic	1.29		1.05	
Free Cash Flow ⁽³⁾	161		37	

1. Unprecedented drop in demand impacts profitability in Q4

In the fourth quarter, **Net Sales** of €1,126 million were down (3.5)% as a result of a (17)% fall in volumes, namely reported by Polyamide, Silcea and to a lesser extent Novocare. The remaining Enterprises demonstrated resilience to the economic downturn. Rhodia continued to exhibit a good pricing power in Q4 posting overall an 11% price increase of €132 million.

For the full year, **Net Sales** rose by 2.9% to €4,763 million. Throughout 2008, selling prices increased by 9.5% amounting to €440 million more than offsetting massive raw material and energy cost increases. Volume decline however accounted for a (4.8)% reduction in net sales and the adverse evolution of foreign currencies - particularly the US\$ - caused a transactional negative Forex impact of (1.8)%.

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

(2) Before restructuring and other operating income and expenses

(3) Defined as "net cash provided by operating activities" before margin call plus "non recurring refinancing cash costs" minus Capital Expenditure

Recurring EBITDA stood at €141 million in Q4, against €187 million in the same period last year. The decline in end-market demand, inventory de-stocking practices and customers' deferred purchasing prevented the company from taking advantage of the easing in raw material and energy costs at the end of the year. Although most commodity prices decreased considerably, the still costly raw materials in our inventories posted a negative €(143) million impact that was mostly offset by €132 million from selling price increases over the period. Low rates of capacity led to a deterioration in operational yield which also impacted the quarter's profitability.

For the full year, **recurring EBITDA** amounted to €664 million, down by (9.8)%. Although increased prices more than offset the massive raw material and energy inflation impact of €(417) million, they were not sufficient to offset the impact of an unfavorable transactional Forex evolution and volume contraction of €(66) million and €(52) million respectively.

Rhodia delivered €15 million in **fixed costs** reduction in Q4, with a total of €23 million for the full year.

Operating Profit in Q4 was €14 million versus €81 million a year earlier. For the full year, it stood at €309 million against €383 million in 2007, essentially reflecting the change in recurring EBITDA.

The **Financial Result** improved by 39% to €(178) million in 2008 from €(294) million in 2007. This improvement primarily stemmed from the lower level of debt and the absence of the exceptional financial charges of €(96) million incurred last year.

The **Net Profit/(Loss) Group Share** was a negative €(28) million in Q4 and a positive €105 million in 2008 compared with €129 million in 2007.

Earnings per Share were €1.05 versus €1.29 in 2007.

2. Positive Free Cash Flow generation and decrease in Net Debt

The Group successfully managed to reduce its **Working Capital** in Q4 by €(188) million. It represented 10.8% of total sales at the end of the year versus 14.6% at the end of September 2008. The reduced requirements reflected the success of our tight cash measures and rigorous operational management deployed across the Group. It also benefited from the resolution of the temporary issues encountered earlier in the year by our North American unit after the introduction of a new IT system.

Rhodia generated a positive **Free Cash Flow** of €168 million in the fourth quarter and a positive Free Cash Flow of €37 million for the full year.

Due to the continued selective investment policy, **Capital Expenditure** decreased to €73 million in Q4 from €83 million a year earlier. It amounted to €282 million for the full year, down by 13% from the €324 million invested in 2007.

The company reported a **Consolidated Net Debt** of €1,311 million, a decrease of 12% from a year earlier.

As of December 31st 2008, Rhodia presented €520 million of cash, cash equivalents and other current financial assets which, combined with a committed €600 million credit line, mostly un-drawn, provide the Group with ample liquidity.

3. Cash generation and competitiveness enhancement measures to emerge stronger out of the crisis

Adjusting to the challenging economic environment, the Group has established aggressive action plans to generate cash and enhance cost competitiveness in order to emerge stronger out of the crisis.

In the short term, proven effective measures for cash preservation:

Due to ongoing depressed volumes, the Group will continue to focus sharply on reducing spending and on adapting its cost structure to production levels. The key measures which have been, and will continue to be, implemented include flexible working arrangements and scheduling, an end to contracts for temporary workers (already reduced by 500 since October 2008), temporary in-sourcing of subcontracted work, hiring and salary freezes.

The Group will also concentrate on the optimization of its manufacturing levels with a day-to-day adjustment of sourcing to effective production as well as the tightest management of inventories.

Going forward, the Capital Expenditure policy will be even more selective until the first signs of economic recovery emerge, with a target level between €180 and €200 million in 2009.

Reinforcement of the Group's cost competitiveness:

Beyond the above immediate cost reduction measures, the Group will continue to carry out structural productivity enhancement plans across its Enterprises and support Functions, including a reinforcement of the Polyamide plan already under execution. By 2011, these actions should allow structural savings of €150 million compared to 2008.

4. A targeted opportunity in a resilient segment

The Group recently announced the acquisition of the US-based McIntyre Group Ltd., a global manufacturer of specialty surfactants. This bolt-on acquisition will help Novacare reinforce the reach of its Home and Personal Care business. Synergies generated from this operation are expected to double the EBITDA of the acquired business by 2011. The acquisition will be completed shortly.

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

(2) Financial leverage: Net Debt / recurring EBITDA

5. Overview by Enterprise

Polyamide

Rhodia Polyamide serves the automotive, electricals, electronic components, sportswear and leisure markets. Its expertise in the polyamide chain has allowed it to develop activities upstream in intermediates and polymers and downstream in engineering plastics.

<i>In € million</i>	Q4 2007	Q4 2007	Q4 2008	FY 2007	FY 2007	FY 2008
	Like for Like ⁽¹⁾			Like for Like ⁽¹⁾		
Net Sales	491	452	353	1,975	1,908	1,789
Recurring EBITDA ⁽²⁾	70	65	(8)	280	273	142

During the fourth quarter, Polyamide suffered from a sharp volume decrease of (31)%, resulting from the crisis in the automotive market and, to a lesser extent, from the continuous erosion of the housing and textile markets. The abrupt decline in demand and correspondingly the reduced operational yield from low rates of capacity utilization, combined with still costly raw materials in inventories and an adverse Forex impact, have led to a recurring EBITDA of €(8) million.

On a full year basis, Polyamide posted a volume decline of (8.1)% to €1,789 million and a recurring EBITDA of €142 million, (48)% below the prior year's level. This was due to a combination of lower volumes €(46) million, increased raw materials of €(134) million which were not sufficiently offset by selling price increases of €87 million and an unfavorable Forex impact of €(39) million. In the current deteriorated macroeconomic and business context, the industry is experiencing a supply-and-demand imbalance requiring adjustments in manufacturing capacity. The implementation of the competitiveness plan launched by Rhodia in October 2008 is being accelerated and its scope is being reinforced to attain structural savings of €60 million per year by 2011 versus an initial €40 million targeted.

As demand remains depressed, Polyamide anticipates a low level of volumes in Q1 2009. Moreover, the de-stocking of still costly raw materials will inevitably affect the Enterprise's bottom line at the end of the quarter.

Novecare

Rhodia Novecare provides high-performance products and solutions to a wide range of industries including cosmetics, detergents, agrochemicals and oil, as well as industrial applications.

<i>In € million</i>	Q4 2007	Q4 2007	Q4 2008	FY 2007	FY 2007	FY 2008
	Like for Like ⁽¹⁾			Like for Like ⁽¹⁾		
Net Sales	214	218	236	931	876	971
Recurring EBITDA ⁽²⁾	21	22	26	109	99	127

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

⁽²⁾ Before restructuring and other operating income and expenses

In the fourth quarter, Novecare's Home & Personal Care segment remained resilient and the Agro and Oil Field businesses saw continued growth. Its industrial segment, however, suffered a significant slowdown, resulting in an overall (9.2)% volume reduction for the Enterprise. The Enterprise benefited from sustained pricing power that more than offset high raw material and energy cost increases. The improvement in recurring EBITDA by 18% to €26 million is primarily the result of strong pricing and, to a lesser extent, cost control.

On a full year basis, Novecare performed a successful "price over volume strategy". Overall, the Enterprise has seen growth in Asia and Latin America offsetting a slowdown in the US market. Recurring EBITDA improved by 28% to €127 million.

Looking ahead to Q1 2009, Novecare remains confident in the resilience of both Home & Personal Care and Agrochemical businesses. However, as the oil price stands at very low levels and rigs are consequently under-utilized, Novecare expects a decline in sales in its Oilfield Chemical segment.

Silcea

Rhodia Silcea produces high performance silicas, rare earth-based materials and diphenols to serve the automotive emissions reduction, tire, lighting, electronics, flavours and fragrances markets.

<i>In € million</i>	Q4 2007	Q4 2007	Q4 2008	FY 2007	FY 2007	FY 2008
	Like for Like ⁽¹⁾			Like for Like ⁽¹⁾		
Net Sales	189	196	169	736	731	746
Recurring EBITDA ⁽²⁾	29	29	14	138	134	106

During the fourth quarter, Silcea experienced a slowdown across its three segments with overall volumes down by (23)% linked to the global crisis in the automotive and electronics markets, and to a lesser extent, to the downturn in other industrial end-markets. Sustained pricing power offset rises in raw material and energy costs.

On a full year basis, Silcea net sales increased to €746 million with higher selling prices accounting for €54 million. Its pricing power partly offset the impact of raw material and energy inflation of €(61) million although the negative impact of Forex caused recurring EBITDA to decrease to €106 million. Upcoming breakthrough innovations include the development of new silica based products dedicated to the tire industry in partnership with Dow Corning. Both companies see opportunities to enable further performance improvements in the field of sustainable mobility, such as fuel savings and reductions in CO2 emissions.

In Q1 2009, Silcea should continue to suffer from the global crisis in the automotive and electronic markets and from the generalized low level of industrial activities, which have not so far shown any signs of recovery.

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

⁽²⁾ Before restructuring and other operating income and expenses

Energy Services

Rhodia Energy Services is responsible for the Group's energy supply and the management of Rhodia's projects related to the reduction of greenhouse gas emissions.

	Q4 2007	Q4 2007	Q4 2008	FY 2007	FY 2007	FY 2008
<i>In € million</i>	Like for Like ⁽¹⁾			Like for Like ⁽¹⁾		
Net Sales	58	59	86	202	203	233
Recurring EBITDA ⁽²⁾	57	55	87	181	181	213

As anticipated, Energy Services benefited in the fourth quarter from higher volumes of Carbon Emission Reduction credits (CER) from Q3-Q4 phasing. CER sales contributed €59 million to the Enterprise's recurring EBITDA in the quarter versus €32 million a year earlier.

On a full year basis, CERs contributed €158 million to the Enterprise's EBITDA, versus €135 in 2007.

The Group expects to generate around 13 million tons of CERs in 2009, of which 55% are already hedged at €15.5 per ton. Q1 2009 CER volumes shall be seasonally lower compared to the preceding quarter.

Acetow

Rhodia Acetow is a global producer of filter tow, mainly used for making cigarette filters.

	Q4 2007	Q4 2007	Q4 2008	FY 2007	FY 2007	FY 2008
<i>In € million</i>	Like for Like ⁽¹⁾			Like for Like ⁽¹⁾		
Net Sales	114	114	129	441	434	467
Recurring EBITDA ⁽²⁾	21	21	27	83	84	84

Rhodia Acetow enjoyed remarkable business resilience throughout the year thanks to the market's good balance of supply and demand. Strong pricing power more than offset raw material and energy costs over the fourth quarter, as well as the impact of Forex.

On a full year basis, pricing ability fully offset raw material and energy inflation, though it was not sufficient to compensate for the adverse Forex evolution. By year-end, the Enterprise had basically neutralized its Forex exposure by shifting most of its prior US\$ invoicing into euros and by modifying its procurement sources. The Enterprise outperformed in the execution of its cost competitiveness programs generating €15 million savings in 2008, thus allowing stability in recurring EBITDA at €84 million.

Regarding Q1 2009 trend, Acetow should continue to benefit from steady demand.

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

⁽²⁾ Before restructuring and other operating income and expenses



Eco Services

Rhodia Eco Services offers sulfuric acid regeneration services to chemical manufacturers and oil refiners in North America.

	Q4 2007	Q4 2007	Q4 2008	FY 2007	FY 2007	FY 2008
<i>In € million</i>	Like for Like ⁽¹⁾			Like for Like ⁽¹⁾		
Net Sales	53	57	89	218	203	306
Recurring EBITDA ⁽²⁾	12	15	20	70	64	72

In Q4, Eco Services performed well due to strong pricing. Easing raw material and energy costs contributed to EBITDA expansion. The Enterprise's demand level though was somewhat under pressure given the industrial slowdown in the United States.

On a full year basis, its strong pricing power helped the Enterprise to completely offset record sulfur costs inflation as well as the €(5) million impact on EBITDA of hurricanes in the USA experienced in the third quarter of 2008.

In Q1 2009, Eco Services should continue to show good resilience under still favorable pricing.

6. Outlook

The current severe economic downturn, the generalized business uncertainty and the erosion of demand create a persistent lack of visibility.

Our main end-markets have not shown so far signs of volume recovery from December's low levels. Furthermore, even though raw material and energy costs have eased, Rhodia does not expect any favorable impact in the first quarter of 2009 yet as remaining costly raw materials in stock are being absorbed, with resulting continued pressure on EBITDA.

The Group has moved swiftly to weather the storm, introducing new cost cutting plans and focusing strongly on financial discipline. The company has moreover decided to withhold a dividend payment.

In 2009, the Group's priority will be to generate Free Cash Flow.

Safe Harbor for forward looking statements

This press release contains elements that are not historical facts including, without limitation, certain statements on future expectations and other forward-looking statements. Such statements are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those anticipated.

Rhodia is an international chemical company resolutely committed to sustainable development. As a leader in its businesses, the Group aims to improve its customers' performance through the pursuit of operational excellence and its ability to innovate. Structured around six Enterprises, Rhodia is the partner of major players in the automotive, electronics, flavors and fragrances, health, personal and home care markets, consumer goods and industrial markets. The Group employs around 14,500 people worldwide and generated sales of €4.8 billion in 2008. Rhodia is listed on Euronext Paris.

For more information, please visit our [website www.rhodia.com](http://www.rhodia.com)

Upcoming events

- **Analysts conference on February 25, 2009 at 9:00 CET**

Pavillon Gabriel, 5 avenue Gabriel - 75008 Paris

Hosts: Jean-Pierre CLAMADIEU, Chairman and Chief Executive Officer
Pascal BOUCHIAT, Chief Financial Officer

WEBCAST

Rhodia website www.rhodia.com (Investors section)

- **Journalists conference on February 25, 2009 (in French language) at 11:00 CET**

Pavillon Gabriel, 5 avenue Gabriel - 75008 Paris

Host: Jean-Pierre CLAMADIEU, Chairman and Chief Executive Officer

- **Rhodia's first quarter 2009 results will be published on May 6, 2009**

- **Annual Meeting of Rhodia Shareholders will take place in May 20, 2009**

Contacts Rhodia

Media Relations

Lamia Narcisse

☎ +33 (0)1 53 56 59 62

Investor Relations

Maria Alcon Hidalgo

☎ +33 (0)1 53 56 64 89

Loic Harrari

☎ +33 (0)1 53 56 64 80