Consolidated financial statements as of December 2008 *

* Extract from Rhodia's 2008 Reference Document Chapter 20

20.1 Historical financial information

In accordance with Article 28 of the European Council regulation 809/2004, the following information is included by reference in this reference document:

- the consolidated financial statements for the year ended December 31, 2006 prepared in accordance with the IFRS (International Financial Reporting Standards) as adopted by the European Union and the report of the Statutory Auditors related to the financial statements for the year ended December 31, 2006 that are found in the Company's reference document filed with the Autorité des marchés financiers on March 30, 2007 under the number D.07-0257, starting on page 128;
- the consolidated financial statements for the year ended December 31, 2007 prepared in accordance with the IFRS (International Financial Reporting Standards) as adopted by the European Union and the report of the Statutory Auditors related to the financial statements for the year ended December 31, 2007 that are found in the Company's reference document filed with the Autorité des marchés financiers on March 31, 2008 under the number D.08-0812, starting on page 123;
- the financial statements for the year ended December 31, 2006 and the report of the Statutory Auditors related to the financial statements for the year ended December 31, 2006 that are found in the Company's reference document filed with the Autorité des marchés financiers on March 30, 2007 under the number D.07-0257, starting on page 208;
- the financial statements for the year ended December 31, 2007 and the report of the Statutory Auditors related to the financial statements for the year ended December 31, 2007 that are found in the Company's reference document filed with the Autorité des marchés financiers on March 31, 2008 under the number D.08-0812, starting on page 196.

The two reference documents cited above are available on the Company's Internet site (www.rhodia.com) and the site of the Autorité des marchés financiers (www.amf-france.org).

20.2 Pro forma financial information

Not applicable

20.3 Financial positions

20.3.1 CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2008

20.3.1.1 STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

To the Shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2008, on:

- the audit of the accompanying consolidated financial statements of Rhodia SA;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2008, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II - Justification of our assessments

The accounting estimates used to prepare the consolidated financial statements at December 31, 2008 were made against a backdrop of highly volatile financial markets and significant difficulty in assessing the economic outlook. In this context, and in accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

At each reporting date, the Group assesses whether there are any indications of impairment of property, plant and equipment, in accordance with the methods described in note 2.9 to the financial statements and performs, where applicable, impairment tests on these assets. We examined the methods used to implement these impairment tests as well as the projected cash flows and the assumptions used, and verified that notes 2.9 and 5.1 to the consolidated financial statements provide appropriate disclosures.

Notes 2.17 and 27 to the consolidated financial statements describe the methods used by the Group to assess and recognize its retirement and other long-term employee benefit obligations. As part of our assessment of the accounting estimates used to prepare the consolidated financial statements, and considering the complexity of the procedure involving specialist techniques, our work consisted in verifying that the main retirement and other long-term employee benefit obligations were assessed by independent actuaries, examining the data used to perform this assessment as well as the underlying assumptions, and verifying that notes to the consolidated financial statements provide appropriate disclosures.

The Group recognizes provisions for environmental risks in accordance with the methods described in the notes to the consolidated financial statements (notes 2.19, 28.1, 28.2, and 28.4). Moreover, note 28.4 to the consolidated financial statements describes contingent liabilities that are not covered by provisions at December 31, 2008. Based on the information available, our work consisted in analyzing the procedures put in place by management to identify, classify and measure environmental risks, examining the information and assumptions underlying the estimates used, and verifying that the notes to the consolidated financial statements provide appropriate disclosures.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

As required by law we also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, March 19, 2009

Statutory Auditors

PricewaterhouseCoopers Audit	KPMG Audit
	Département de KPMG S.A.
Christian Perrier	Denis Marangé

20.3.1.2 CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2008

A. CONSOLIDATED INCOME STATEMENTS

(in millions of euros)	Note	For the year ended December 31 2008	2007
Net sales	3	**4,763**	**4,781**
Other revenue	3	550	463
Cost of sales		(4,382)	(4,168)
Administrative and selling expenses		(482)	(506)
Research and development expenditure		(73)	(93)
Restructuring costs	6	(40)	(55)
Other operating income/(expenses)	7	(27)	-
Operating profit	3	**309**	**422**
Finance income	8	138	129
Finance costs	8	(313)	(420)
Foreign exchange losses	8	(3)	(3)
Share of profit/(loss) of associates	15	(1)	2
Profit before income tax		**130**	**130**
Income tax expense	9	(55)	(83)
Profit/(loss) from continuing operations		75	47
Profit/(loss) from discontinued operations	10	32	84
Net profit for the period		**107**	**131**
Attributable to:			
Equity holders of Rhodia S.A.		105	129
Minority interests		2	2
Earnings per share (in euros)			
Continuing and discontinued operations			
• Basic	11	1.05	1.29
• Diluted	11	1.04	1.27
Continuing operations			
• Basic	11	0.73	0.46
• Diluted	11	0.72	0.45

B. CONSOLIDATED BALANCE SHEETS

ASSETS

(in millions of euros)	Note	At December 31, 2008	At December 31, 2007
Property, plant and equipment	12	1,501	1,686
Goodwill	13	197	207
Other intangible assets	14	181	183
Investments in associates	15	13	13
Other non-current financial assets	17	92	113
Deferred tax assets	18	171	161
Non-current assets		**2,155**	**2,363**
Inventories	19	666	583
Income tax receivable		12	12
Trade and other receivables	20	821	965
Derivative financial instruments	26	148	96
Other current financial assets	21	28	19
Cash and cash equivalents	22	492	415
Assets classified as held for sale	10	2	25
Current assets		**2,169**	**2,115**
TOTAL ASSETS		**4,324**	**4,478**

EQUITY/(DEFICIT) AND LIABILITIES

(in millions of euros)	Note	At December, 31, 2008	At December, 31, 2007
Share capital		1,213	1,204
Additional paid-in capital		138	147
Other reserves		86	123
Deficit		(1,812)	(1,863)
Equity deficit attributable to equity holders of Rhodia S.A.		**(375)**	**(389)**
Minority interests		19	21
Total equity deficit	23	**(356)**	**(368)**
Borrowings	24	1,612	1,675
Retirement benefits and similar obligations	27	1,155	1,154
Provisions	28	279	318
Deferred tax liabilities	18	38	43
Other non-current liabilities		33	29
Non-current liabilities		**3,117**	**3,219**
Borrowings	24	219	243
Derivative financial instruments	26	123	68
Retirement benefits and similar obligations	27	93	92
Provisions	28	137	138
Income tax payable		19	8
Trade and other payables	29	972	1,071
Liabilities associated with assets classified as held for sale	10	-	7
Current liabilities		**1,563**	**1,627**
TOTAL EQUITY DEFICIT AND LIABILITIES		**4,324**	**4,478**

C. CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE

		For the year ended December 31,	
(in millions of euros)	**Note**	**2008**	**2007**
Currency translation differences and other movements	23	26	7
Gains/(losses) on cash flow hedges	23	(51)	-
Actuarial gains/(losses) on retirement benefits	27	(65)	(4)
Tax impact of items taken to equity		25	(7)
Net loss directly recognized in equity	23	(65)	(4)
Net profit for the period		107	131
Total recognized income and expense		42	127
Attributable to:			
Equity holders of Rhodia S.A.		39	126
Minority interests		3	1

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of euros)	For the year ended December 31, 2008	2007
Net profit for the period attributable to equity holders of Rhodia S.A.	105	129
Adjustments for:		
Minority interests	2	2
Depreciation and impairment of non-current assets	299	295
Net increase/(decrease) in provisions and employee benefits	(29)	(17)
Impairment of non-current financial assets	1	(1)
Share of profit/(loss) of associates	1	(2)
Other income and expense	28	54
Gain/(loss) on disposal of non-current assets	(65)	(101)
Deferred tax expense	4	25
Foreign exchange losses	29	29
Net cash flow from operating activities before changes in working capital	**375**	**413**
Changes in working capital		
• (Increase)/decrease in inventories	(149)	16
• (Increase)/decrease in trade and other receivables	134	33
• Increase/(decrease) in trade and other payables	(7)	(19)
• Increase/(decrease) in other current assets and liabilities	(34)	(33)
Net cash from operating activities before margin calls	**319**	**410**
Margin calls (1)	-	3
Net cash from operating activities	**319**	**413**
Purchases of property, plant and equipment	(241)	(258)
Purchases of other non-current assets	(41)	(66)
Proceeds on disposal of non-current assets	209	273
Purchases of entities, net of cash acquired	-	(17)
(Purchases of)/repayments of loans and financial investments	(9)	16
Net cash from/(used by) investing activities	**(82)**	**(52)**
Proceeds from issue of shares, net of costs	-	(2)
Treasury share purchase costs	(14)	-
Dividends paid to minority interests	(27)	(3)
New non-current borrowings, net of costs	23	635
Repayments of non-current borrowings, net of costs	(53)	(925)
Net increase/(decrease) in current borrowings	(58)	(117)
Net cash from/(used by) financing activities	**(129)**	**(412)**
Effect of foreign exchange rate changes	**(31)**	**(1)**
Net increase/(decrease) in cash and cash equivalents	**77**	**(52)**
Cash and cash equivalents at the beginning of the year	415	467
Cash and cash equivalents at the end of the year	492	415

(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.

Interest and income tax paid are presented in note 22.2.

20.3.1.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 The Group and its business

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, particularly 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 the Euronext Paris.

These consolidated financial statements were approved on February 24, 2009 by the Board of Directors.

NOTE 2 Principal accounting methods

2.1 *Accounting standards*

The Group's consolidated financial statements for the year ended December 31, 2008 are prepared in accordance with IFRS (International Financial Reporting Standards), as adopted by the European Union and applicable as from December 31, 2008.

The IFRS adopted by the European Union can be found on the website of the European Commission at the following address:

htpp://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission

These consolidated financial statements are also consistent with the IFRS issued by the IASB (International Accounting Standards Board) and applicable as from December 31, 2008.

2.2 *Basis of preparation for the consolidated financial statements*

The consolidated financial statements are presented in millions of euros, unless otherwise indicated, which is the functional and presentation currency of the parent company. Amounts are rounded up to the nearest million.

The Group's consolidated financial statements were prepared on a historical cost basis, with the exception of derivatives and financial assets held for trading or classified as available for sale, which are measured at fair value.

Non-current assets and groups of assets held for sale are measured at the lower of their net carrying amount and fair value, less costs to sell.

The preparation of the financial statements requires the use of estimates and the formulation of judgement and assumptions that have an impact on the application of accounting methods and the amounts shown in the financial statements. The areas for which the estimates and assumptions are material with regard to the consolidated financial statements are presented in the following notes:

- Note 5: Depreciation and impairment;
- Note 13: Goodwill;
- Note 14: Other intangible assets;
- Note 18: Deferred tax assets and liabilities;
- Note 24: Borrowings;
- Note 26: Risk management and derivatives;
- Note 27: Retirement benefits and similar obligations;
- Note 28: Provisions;
- Note 32: Litigation;
- Note 34: Share-based payment.

The accounting methods outlined below have been consistently applied to all the periods presented in the consolidated financial statements. Pursuant to Article 28.1 of EC regulation no. 809/2004 of April 29, 2004, the consolidated financial statements for the year ended December 31, 2006 will be incorporated by reference into the 2008 reference document filed by Rhodia with the AMF. Hence, the financial statements for the year ended December 31, 2008 do not present any comparative data for fiscal year 2006.

Standards, interpretations and amendments applicable as from 2008

Interpretation IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* was adopted as of January 1, 2008. This interpretation covers the measurement of the economic benefits relating to a defined benefit asset and the minimum funding requirements. This interpretation did not have any impact on the recognition or presentation of plan surpluses. Furthermore, Rhodia did not identify any additional liability to be recognized for its obligations to pay contributions to cover an existing shortfall on the minimum funding basis in respect of services already received.

No other standards, interpretations and amendments to standards adopted by the European Union and applicable as from 2008 had an impact on the consolidated financial statements.

Standards, interpretations and amendments to standards already published, but not yet applicable in 2008

IFRS 8 *Operating segments* is applicable as from the fiscal year beginning on January 1, 2009 and will replace IAS 14 *Segment reporting*.

IFRS 8 requires segment information to be reported based on the internal management data used by management in order to measure segment performance and allocate resources, regardless of whether such data is IFRS compliant. Insofar as current segment information reflects the Group's internal reporting, the adoption of this new standard will not have a significant impact on the consolidated financial statements.

The purpose of the amendment to IAS 1 *Presentation of the financial statements*, applicable as of January 1, 2009, is to facilitate the analysis and comparison by users of the information provided in the financial statements. Insofar as Rhodia has adopted the amendment to IAS 19 *Employee benefits* since 2005 and produces a statement of recognized income and expense, the adoption of this amendment will not have a significant impact on the consolidated financial statements.

According to the Group, the other standards, interpretations and amendments already adopted by the European Union but not yet applicable to the year ended December 31, 2008 have no impact on the consolidated financial statements.

2.3 *Consolidation principles*

Subsidiaries

Subsidiaries are those companies over which Rhodia exercises control directly or indirectly, i.e. it has the power to govern the financial and operating policies so as to obtain benefits from their activities. Rhodia is presumed to exercise control when it acquires, directly or indirectly, more than 50% of voting rights. To assess this control, potential voting rights that are immediately exercisable or convertible held by Rhodia and its subsidiaries are taken into consideration.

Special purpose entities that are, in substance, controlled by Rhodia and in which the Group does not have an equity investment are considered as subsidiaries. Rhodia may, under trade receivable securitization programs, use special purpose entities.

Joint ventures

The companies over which Rhodia exercises a joint control in accordance with contractual arrangements are proportionately consolidated. The consolidated financial statements include the Group's share in the assets, liabilities, income and expenses of these companies.

Associates

Associates are those companies over which Rhodia exercises significant influence, but not control, with generally an investment representing between 20% and 50% of voting rights. They are initially recognized at cost and are then accounted for using the equity method.

The Group's share in the profit or loss of the associate is reflected in the income statement. When a change is recognized directly in the equity of the associate, the Group recognizes its share directly in its equity.

Subsidiaries, joint ventures and associates are included in the financial statements as from the date of obtaining control or significant influence. They are excluded from the financial statements as from the date of losing control or significant influence. Any investments in a joint venture or associate meeting the criteria as "held for sale" in accordance with IFRS *5 Non-current assets held for sale and discontinued operations* are classified as non- current assets held for sale (see note 2.26).

In the event of impairment, the Group determines the recoverable amount of its net investment in the associate and recognizes an impairment loss should its equity carrying value exceed such amount.

Transactions eliminated in the consolidated financial statements

Transactions between subsidiaries are fully eliminated. Transactions with joint ventures are eliminated to the extent of the investment reflected in the consolidated financial statements.

Unrealized gains arising from intra-Group transactions are eliminated in the same way as unrealized losses unless they represent an impairment loss. Unrealized gains and losses arising from transactions between the Group and its joint ventures or associates are eliminated in proportion to the Group's investment in these entities.

2.4 *Translation of the transactions and financial statements of foreign companies*

Translation of foreign currency transactions

The functional currency of the Group's entities is generally the local currency. Foreign currency transactions are translated in their functional currency using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency are translated at the closing rate. The corresponding exchange differences are recognized in finance income or costs.

The exchange differences relating to loans and borrowings with a foreign subsidiary, which, in substance, form part of the net investment in the subsidiary, are recognized directly in equity, until the disposal of the net investment when they are recognized in profit or loss.

Translation of the financial statements of foreign entities

The financial statements of the Group's foreign entities (that do not conduct their business in a hyperinflationist economy), whose functional currency is not the euro, are translated as follows:

- assets and liabilities (including goodwill and fair value adjustments on the date of acquisition) are translated at the official closing rates;
- income and expenses are translated at the average rate for the period, excluding major exchange rate fluctuations, which is considered as similar to the exchange rates at the date of the transactions;
- all resulting exchange differences are recognized directly in equity.

2.5 *Greenhouse gas emission allowances and Certified Emission Reductions.*

With respect to the mechanism set up by the European Union to encourage manufacturers to reduce their greenhouse gas emissions, Rhodia was granted carbon dioxide (CO_2) emission allowances for some of its installations. Rhodia is also involved in Clean Development Mechanism (CDM) and Joint Implementation (JI) projects placed under the authority of the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat. Under these projects, Rhodia has deployed facilities in order to reduce greenhouse gas emissions at the relevant sites in return for Certified Emission Reductions (CER) or Emission Reduction Units (ERU).

Treatment of European Union allowances (EUA)

These allowances are granted each year under the national allocation plan with an initial trading period of three years beginning January 1, 2005, and the second trading period of 5 years beginning January 1, 2008. During the second period, the allowances are delivered free of charge and are valid over the entire trading period if not used. Allowances may be freely traded upon allocation and may be purchased or sold, especially if too many or too few allowances are allocated with respect to actual emissions.

In the absence of specific IFRS guidance, Rhodia recognizes emission allowances using the following method:

- initial recognition: The allocated emission allowances, measured at market value at the date of allocation, are recognized as other intangible assets in consideration of a government grant recognized in liabilities;
- Subsequent recognition: The grant is recognized in the income statement on a straight-line basis over the trading period (in the absence of seasonal discharges). In addition, a liability corresponding to the allowances to be delivered is recognized for the actual gas emissions, with the related expense being recognized in the income statement. This liability is measured at the initial value of allowances allocated or purchased and, where necessary, at market value up to the number of allowances held at closing over the number of allowances to be delivered. Excess allowances maintained in assets are tested for impairment annually and more frequently should there be indications of impairment;
- allowances delivered for the emissions for the period: At the effective date of delivery, the intangible asset and the corresponding liability are derecognized;
- sales of allowances: The gains or losses arising on the sale of allowances are recognized in the income statement under cost of sales.

Treatment of Certified Emission Reductions (CER)

Under the CDM projects, Rhodia has deployed facilities in order to reduce the greenhouse gas emissions at its Onsan (Korea) and Paulinia (Brazil) sites. Upon verification by independent experts, should these emissions fall below the benchmark levels set by the UNFCCC, Rhodia receives Certified Emission Reductions (CER) which are freely transferable. As part of the development of Rhodia Energy Services and to organize the sale of the CERs arising from the two projects, Rhodia has entered into a partnership with Société Générale Energie, a Société Générale subsidiary, comprising a joint venture, **orbeo**.

Allocated CERs are recognized in inventories at the lower of cost and net realizable value. The cost of allocated CERs mainly corresponds to the amortization of gas emission reduction units.

The CER sales realized between participants in CDM projects and in organized markets are recognized in net sales upon delivery of the CERs, i.e. when they are recorded in the account of the transferee in the UNFCCC register.

In order to manage exposure to future CER price fluctuations, Rhodia has set up forward CER sales contracts, with or without guarantee of delivery. Based on their characteristics, when these contracts represent derivatives within the meaning of IAS 39 *Financial Instruments: Recognition and measurement*, they are recognized and measured according to the rules described in note 2.16. Otherwise, they represent off-balance sheet commitments.

Treatment of orbeo's activities

In addition to selling CERs on behalf of the two shareholders, the **orbeo** joint venture is involved in developing CO_2 instrument trading, arbitrage and hedging activities. The net income or expense from these activities is recorded, for Rhodia's share (50%), after elimination of intra-Group transactions:

- in net sales or cost of sales for the "industrial" component, where **orbeo** sells the CERs generated by Rhodia;
- in "other operating income and expenses" for the *trading* component, where **orbeo** purchases/sells CERs and EUAs.

The margin calls relating to the derivative instruments contracted by **orbeo** are recognized in Other current financial assets in respect of guarantee deposits paid, and in Borrowings in respect of guarantee deposits received.

Cash flow movements arising from these margin calls have been separated in the Statements of Cash Flows under Net cash flow from operating activities.

2.6 *Property, plant and equipment*

Initial recognition

The property, plant and equipment owned by Rhodia are recognized as assets at acquisition cost when the following criteria are satisfied:

- it is probable that the future economic benefits associated with the asset will flow to Rhodia;
- the cost of the asset can be reliably measured.

Items of property, plant and equipment are carried on the balance sheet at cost less accumulated depreciation and impairment. The cost of an item of property, plant and equipment comprises its purchase or production price and any costs directly attributable to the location and condition necessary for its operation, including, where necessary, the interim interest accrued during the construction period.

The components of an item of property, plant and equipment with different useful lives are recognized separately.

Items of property, plant and equipment are derecognized from the balance sheet on disposal or discontinuation. The gain or loss arising from the derecognition of an item of property, plant and equipment is recognized in profit or loss for the period of derecognition.

Subsequent expenditure

Subsequent expenditure incurred for the replacement of a component of an item of property, plant and equipment is only recognized as an asset when it satisfies the general criteria mentioned above.

The carrying amount of replaced items is derecognized.

Repair and maintenance costs are recognized in the income statement as incurred.

On account of its industrial activity, Rhodia incurs expenditure for major repairs over several years for most of its sites. The purpose of this expenditure is to maintain the proper working order of certain installations without altering their useful life. This expenditure is considered as a specific component of the item of property, plant and equipment and is amortized over the period during which the economic benefits flow, i.e. the period between the major repairs.

Depreciation

Land is not depreciated. Other items of property, plant and equipment are depreciated using the straight-line method over the estimated useful life. The estimated useful lives are as follows:

Buildings	10 – 40 years
Plant and equipment:	
Machinery and equipment	5 – 15 years
Other equipment	3 – 15 years
Vehicles	4 – 20 years
Furniture	10 – 15 years

The residual values and useful lives are reviewed and, where necessary, adjusted annually or when there are permanent changes in operating conditions.

Dismantling costs

Dismantling and restoration costs are included in the initial cost of an item of property, plant and equipment if the Group has a legal or constructive obligation to dismantle or restore.

Generally, Rhodia does not have any current, legal or constructive obligation to dismantle and/or restore its operating sites in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*, as such obligation is only likely to arise upon the discontinuation of a site's activities. To date, Rhodia has not therefore set aside any provisions for dismantling costs or recognized the components relating to the dismantling of its operating installations.

However, the costs of dismantling discontinued sites or installations are provided when there is a legal obligation (due to a request or injunction from the relevant authorities), or there is no technical alternative to dismantling to ensure the safety compliance of the discontinued sites or installations.

Property, plant and equipment acquired under finance leases

Leases, including those falling within the scope of IFRIC 4 *Determining whether an arrangement contains a lease* are considered as finance leases if they transfer substantially to Rhodia all the risks and rewards inherent to the ownership of the leased assets with the characteristics of an acquisition. An asset acquired by Group under a finance lease is recognized at fair value at the lease inception date, or if lower, the present value of the minimum lease payments. The corresponding debt is recognized in borrowings. The recognized asset is depreciated using the method described above.

Government grants

Government grants which cover totally or partially the cost of an item of property, plant and equipment are deducted from the acquisition cost and transferred on a systematic basis to the income statement over the useful life of the assets.

2.7 Goodwill and business combinations

The purchase method is used to recognize the acquisition of subsidiaries, joint ventures and investments in associates. Goodwill is the excess of the cost of an acquisition over the Group's share of the fair values of the entity's net identifiable assets at the acquisition date. The acquisition cost corresponds to the fair values of the assets given, liabilities incurred or assumed and equity instruments issued on the date of exchange, plus any costs directly attributable to the acquisition. The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the date of acquisition, irrespective of the extent of any minority interest. If the fair value of the Group's interest in the net assets of the acquired subsidiary exceeds the cost of the acquisition, the difference is recognized directly in profit or loss. The identification and measurement of acquired assets and liabilities are finalized within a period of one year as from the acquisition date.

Goodwill arising from the acquisition of an investment in an associate is included in the carrying amount of the investment.

Goodwill is not amortized. Goodwill is tested for impairment annually or more frequently when events or changes in circumstances indicate a possible impairment (see note 2.9).

2.8 Other intangible assets

Research and development

Research expenditure is expensed as incurred.

Development expenditure arising from the application of research findings to a plan or design for the production of new or substantially improved products and processes is recognized as an intangible asset when the Group can demonstrate:

- its intention and financial and technical ability to complete the development of the asset;
- how the intangible asset will generate probable future economic benefits for the Group; and
- that the cost of the asset can be reliably measured.

Capitalized expenditure comprises employee expenses, the cost of materials and services directly attributed to the projects, and an appropriate share of overheads including, and where necessary, the interim interest accrued. It is amortized once the relevant products are sold or the relevant industrial processes are used over the estimated term of the economic benefits expected to flow from the project. The expenditure is tested for impairment if there is indication of a loss in value and annually for projects in the course of development (see note 2.9).

Development expenditure which does not satisfy the above conditions is expensed as incurred.

Other intangible assets

Other intangible assets are carried at cost in the balance sheet including, where necessary, the interim interest accrued during the development period, less accumulated depreciation and impairment losses. They mainly concern patents, trademarks and software.

The expenditure incurred by the Group for the development of software intended for its own use is capitalized when the economic benefits expected to flow from the use of the software over one year exceeds its cost.

Subsequent expenditure on intangible assets is capitalized only if it increases the future economic benefits associated with the specific asset. Other expenditure is expensed as incurred.

Intangible assets with finite useful lives are amortized using the straight-line method over their expected period of use. Amortization methods and useful lives are reviewed periodically. The estimated useful lives are as follows:

- patents and trademarks: 25 years on average;
- software: 3 to 5 years;
- development expenditure: 5 to 15 years.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if there is an indication of a loss in value (see note 2.9).

2.9 Impairment of property, plant and equipment, goodwill and other intangible assets

Impairment is tested annually and more frequently if there are indications of a loss in value for goodwill, intangible assets in the course of development and other intangible assets with indefinite useful lives, and only if there is an indication of a loss in value for items of property, plant and equipment and intangible assets with finite useful lives.

To test impairment, assets are grouped in cash-generating units (CGUs), in accordance with IAS 36 *Impairment of assets*. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. Goodwill is tested for groups of CGUs that benefit from the synergies resulting from the business combinations that gave rise to the goodwill.

These tests consist in comparing the carrying amount of the assets with their recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from a CGU or group of CGUs. The discount rate used reflects the current market assessments of the time value of money and the risks specific to the asset, CGUs or groups of CGUs tested. In absence of a rate specific to the asset tested, the rate used is calculated using the average cost of capital.

The discount rates are post-tax rates applied to post-tax cash flows. Their use results in the calculation of recoverable amounts identical to those obtained by applying pre-tax rates to pre-tax cash flows, as required by IAS 36.

An impairment loss is recognized in the income statement where the carrying amount of a CGU or group of CGUs exceeds its recoverable amount. The impairment loss is first recognized for the goodwill allocated to the CGU or groups of CGUs tested and then to the other assets of the CGU or group of CGUs on a pro rata basis to their carrying amount.

This allocation should not reduce the carrying amount of an individual asset below the higher of its fair value, value in use or zero.

Impairment losses recognized for goodwill cannot be reversed, contrary to the impairment of property, plant and equipment and other intangible assets. For the reversal of an impairment loss, the carrying amount of the asset should not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. After recognition of an impairment loss or a reversal of an impairment loss, the subsequent depreciation (amortization) charge is calculated to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

2.10 Non-derivative financial assets

Initial recognition

Purchases and sales of financial assets are recognized at the date of transaction on which Rhodia is committed to the purchase or sale of the assets.

A financial asset is derecognized once the Group's contractual rights to receive the future cash flows from the asset have expired or the Group has transferred the financial asset to a third party without retaining control or substantially all the risks and rewards.

At initial recognition, the financial assets are carried in the balance sheet at fair value plus the transaction costs directly attributable to the acquisition or issue of the asset (except for the class of financial assets measured at fair value through profit or loss for which such transaction costs are recognized in profit or loss).

A financial asset is classified as current when the cash flows expected to flow from the instrument mature within one year.

Subsequent recognition

At initial recognition, Rhodia classifies financial assets into one of the four categories provided in IAS 39 *Financial Instruments: recognition and measurement* according to the purpose of the acquisition. This classification determines the method for measuring financial assets at subsequent balance sheet dates: amortized cost or fair value.

Amortized cost is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

For instruments quoted in an active market, the fair value corresponds to a market price. For instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving instruments which are substantially the same, or discounted cash flow analysis including, to a maximum extent, assumptions consistent with observable market data. However, if the fair value of an equity instrument cannot be reasonably estimated, it is measured at cost.

Financial assets at fair value through profit or loss

These are financial assets classified as held for trading that the Group has acquired principally for the purpose of selling in the near term. They are measured at fair value and subsequent changes in fair value are recognized in profit or loss.

Financial assets at fair value through profit or loss include cash and cash equivalents.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in a regulated market. They are measured at amortized cost.

This category includes operating receivables, deposits and guarantees and loans. These assets are classified in the balance sheet as non-current financial assets or other current financial assets if the repayment schedule is less than one year (at origination) and the asset does not meet the definition of a cash equivalent. Operating receivables are classified in the balance sheet as trade and other receivables.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that Rhodia has the positive intention and ability to hold to maturity. They are measured at amortized cost.

Available-for-sale financial assets

These are non-derivative financial assets that are designated as available for sale or not classified under another category. They are measured at fair value, with subsequent changes in fair value recognized directly in equity.

This category includes among others, non-consolidated investments.

Impairment of financial assets (excluding financial assets at fair value through profit or loss)

A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and such events have a negative impact on the estimated future cash flows of the financial asset or group of financial assets.

The impairment loss of a financial asset measured at amortized cost is equal to the difference between the carrying amount and the estimated future cash flows, discounted at the initial effective interest rate. The impairment of an available-for-sale financial asset is calculated with reference to its current fair value.

An impairment test is performed, on an individual basis, for each material financial asset. Other assets are tested as groups of financial assets with similar credit risk characteristics.

Impairment losses are recognized in profit or loss. With respect to available-for-sale assets, in the event of an impairment loss, the cumulative negative changes in fair value previously recognized in equity are transferred to profit or loss.

The impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment was recognized. For financial assets measured at amortized cost and available-for-sale financial assets which represent debt instruments, the reversal is recognized in profit or loss. For available-for-sale financial assets which represent equity instruments, the reversal is recognized directly in equity. Impairment losses relating to assets recognized at cost cannot be reversed.

2.11 *Inventories*

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined by using the weighted average cost or first-in, first-out (FIFO) method. Inventories having a similar nature are measured using the same cost formula.

Finished goods and work-in-progress are measured at the cost of production which takes into account, in addition to the cost of raw materials and supplies, the costs incurred in bringing the inventories to their present location and condition and an allocation of overheads excluding administrative overheads. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 *Non-current assets and liabilities held for sale*

Non-current assets (or groups of assets and liabilities) held for sale are classified separately in the balance sheet under Assets held for sale and Liabilities associated with assets for sale and are measured at the lower of net carrying amount and fair value less costs to sell.

They are no longer depreciated (amortized) when classified in this category.

2.13 *Current and deferred tax*

Current tax is the amount of income taxes payable in respect of the taxable profit for a period. It also includes the adjustments in current tax for previous periods.

Deferred taxes are calculated by tax entity using the balance sheet liability method on the temporary differences between the carrying amount of assets and liabilities and their tax base. The following items do not give rise to the recognition of deferred tax: (i) the initial recognition of goodwill, (ii) the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit and, (iii) temporary differences associated with investments in subsidiaries and interest in joint ventures insofar as they will not reverse in the foreseeable future.

The measurement of deferred tax assets and liabilities is based on how the Group expects to recover or settle the carrying amount of the assets and liabilities, by using, under the liability method, tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized or maintained in assets only where it is probable that the tax entity will have future taxable income to which the asset can be allocated.

Deferred tax assets and liabilities are offset for each tax entity when permitted by law.

2.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash funds, demand deposits, and short-tem, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2.15 *Non-derivative financial liabilities*

Non-derivative financial liabilities are initially recognized at the fair value of the amount required to settle the associated obligation, net of related costs. Subsequently (insofar as they are not designated as liabilities at fair value through profit or loss), these financial liabilities are recognized at amortized cost using the effective interest rate method (as defined in note 2.10).

This heading also includes the "debt" component of compound financial instruments. The compound financial instruments issued by the Group comprise bonds convertible or exchangeable for new or existing shares (OCEANE). An OCEANE is a compound financial instrument which grants the bondholder the option to convert and/or exchange a bond for a fixed number of Rhodia shares. On initial recognition, the total fair value of the compound instrument is allocated between its "debt" and "equity" components. The fair value of the "debt" component is calculated by discounting future

flows at the interest rate obtained by Rhodia for a similar bond with no conversion or exchange option. The "equity" component corresponds to the difference between the total fair value of the compound instrument and the fair value of the "debt" component. The value allocated to the conversion option remains the same over the term of the bond. The "debt" component is subsequently measured at amortized cost using the effective interest rate method. Issue costs are allocated proportionately to the "debt" and "equity" components.

In the balance sheet, non-derivative financial liabilities are classified under "Borrowings" and "Trade and other payables" (with the distinction made between the current and non-current portions).

2.16 *Risk management and derivatives*

The Group uses derivatives (interest rate swaps and options, currency futures, commodity options and swaps and energy purchase and sale contracts) to hedge its exposure to foreign exchange, interest rate and commodity risk arising from its operating, financing and investing activities. Derivatives are initially recognized at fair value and subsequently remeasured at fair value on each balance sheet date. Changes in fair value are recognized in the income statement under financial income or expenses for derivative financial instruments hedging financial items, and under operating income and expenses for instruments hedging operating items, except in certain cases when hedge accounting is applicable:

- cash flow hedge: The change in the value of the effective portion of the derivative is recognized directly in equity. It is reclassified to profit or loss under a heading corresponding to the hedged item when the item is recognized in profit or loss or the Group no longer expects the hedged transaction to be realized. The change in the value of the ineffective portion of the derivative is recognized directly in financial income or expenses for hedges of financial items, and in operating income and expenses for hedges of operating items. When the expected transaction gives rise to the recognition of a non-financial asset or liability, the cumulative changes in the fair value of the hedging instrument previously recognized in equity are included in the initial measurement of the asset or liability;
- fair value hedge: the change in the fair value of the derivative is recognized in profit or loss under the same heading as the change in fair value of the hedged item for the portion attributable to the hedged risk;
- hedge for a net investment in a foreign entity: the changes in the fair value of the hedging instrument are recognized in equity for the effective portion of the hedging relationship, while the changes in fair value relating to the ineffective portion of the hedge are recognized in profit or loss from financial items. Upon disposal of the net investment in the foreign entity, all changes in fair value of the hedging instrument previously recognized in equity are transferred to the income statement under the same heading as the disposal gains or losses.

2.17 *Provisions for retirement obligations and other long-term employee benefits*

The Group's employees are offered various post-employment and other long-term employee benefits as a result of legislation applicable in certain countries and the contractual agreements entered into by the Group with its employees. These benefits are classified under defined benefit or defined contribution plans.

Defined contribution plans

Defined contribution plans involve the payment of contributions to a separate entity, thus releasing the employer from any subsequent obligation, as the entity is responsible for paying the amounts due to the employee. Once the contributions have been paid, no liability is shown in the Rhodia financial statements.

Defined benefit plans

Defined benefit plans concern all plans other than defined contribution plans. Rhodia is required to provide for the benefits to be paid to active employees and pay those for former employees. Actuarial and/or investment risks fall, in substance, upon the Group.

These plans mainly concern:

- retirement benefits: pension plans, termination benefits, other retirement obligations and supplemental benefits;
- other long-term employee benefits: long-service benefits granted to employees according to their seniority in the Group;
- other employee benefits: post-employment medical care, included in "Other related benefits" in the balance sheet.

Taking into account projected final salaries (projected credit unit method) on an individual basis, post-employment benefits are measured by applying a method using assumptions involving the discount rate, expected long-term return on plan assets specific to each country, life expectancy, turnover, wages, annuity revaluation, medical cost inflation and discounting of sums payable. The assumptions specific to each plan take into account the local economic and demographic contexts.

The amount recorded under retirement obligations and other long-term employee benefits corresponds to the difference between the present value of future obligations and the fair value of the plan assets intended to hedge them, less, where necessary, any unamortized past service cost (except regarding other long-term employee benefits for which the past service cost is immediately recognized in profit or loss). If this calculation gives rise to a net commitment, an obligation is recorded in liabilities. If the measurement of the net obligation gives rise to surplus for the Group, the asset recognized for this surplus is limited to the net total of any unrecognized past service cost and the present value of any future plan refunds or any reduction in future contributions to the plan.

Rhodia has adopted the option offered by the amendment to IAS 19. Hence the actuarial gains and losses on obligations or assets relating to post-employment benefits arising from experience adjustments and/or changes in actuarial assumptions are recognized directly in equity for the period in which they occur in consideration of the increase or decrease in the obligation. They are disclosed in the consolidated statement of income and expenses for the period.

The actuarial gains and losses relating to other long-term benefits such as long service awards are fully recognized in profit or loss for the period in which they occur.

The interest expenses arising from the reverse discounting of retirement benefits and similar obligations and the financial income from the expected return on plan assets are recognized in profit or loss from financial items.

The amendment or introduction of a new post-employment or other long-term benefit plan may increase the present value of the defined benefit obligation for services rendered in previous periods, otherwise known as past service cost. This past service cost is recognized in profit or loss on a straight-line basis over the average period until the corresponding benefits are vested by employees. The benefits vested upon adoption or amendment of the plan are immediately recognized in profit or loss.

The actuarial calculations of retirement obligations and other long-term benefits are performed by independent actuaries.

2.18 Share-based payment

Rhodia has set up various compensation plans for employees offering free shares, preferential stock subscription and stock purchase and subscription options.

The fair value of services rendered by employees in consideration for the granting of shares or options represents an expense. This expense is recognized on a straight-line basis in the income statement over the vesting periods relating to these shares or options with the recognition of a corresponding adjustment in equity.

The fair value of services rendered is measured in reference to the fair value of the shares or options on the grant date. Where appropriate, the cost of the non-transferability of shares by the holder, determined using observable market data on the grant date and the specific market characteristics of the Rhodia share, is taken into account.

At each balance sheet date, the Group re-estimates the number of shares or options likely to be vested. The impact of the revised estimates is recognized in profit or loss against a corresponding adjustment in equity.

2.19 Provisions

A provision is recognized when Rhodia has a legal or constructive obligation as a result of a past event, which can be reliably measured, and whose settlement is expected to result in an outflow of economic resources for Rhodia.

Provisions are discounted in order to take into account market assessments of the time value of money using risk free rates net of inflation and specific to the relevant geographical areas. The impact of interest rate fluctuations and changes to estimated future cash flows is recognized in other operating expenses in the income statement. The interest expense (reverse discounting) is recognized in finance costs in the income statement.

Environmental liabilities

Rhodia periodically analyzes all its environmental risks and the corresponding provisions. Rhodia measures these provisions to the best of its knowledge of applicable regulations, the nature and extent of the pollution, clean-up techniques and other available information.

Restructuring

Restructuring comprises all measures designed to permanently adapt structures, production and employees to economic changes. A provision for restructuring is recognized when the Group has approved a detailed formal plan and has either started to implement the plan, or announced its main features to the public.

2.20 Net sales and Other revenue

Net sales and other revenue are measured at the fair value of the consideration received or receivable, net of returns, rebates and trade benefits granted and sales tax.

Net sales comprise the sales of goods (goods and goods for resale) and value-added services corresponding to Rhodia's know-how.

Other revenue includes the provision of services primarily corresponding to the rebilling of costs incurred on behalf of third parties and commodity and utility trading transactions, or other revenue deemed as incidental by the Group (e.g. temporary contracts following the sale of businesses).

Net sales and other revenue are recognized when all the following conditions have been satisfied:

(i) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods or, with respect to the rendering of services, the stage of completion can be measured reliably;

(ii) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(iii) the amount of revenue can be measured reliably;

(iv) it is probable that the future economic benefits associated with the transaction will flow to the entity; and

(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.21 Restructuring costs

Restructuring costs include severance pay, compensation for the early termination of operating leases and all exit costs arising from restructurings, including impairment losses recognized on discontinued assets due to the closure of a site or operation. They are recognized net of reductions in employee benefits already accrued, in case of loss of these benefits by employees.

2.22 Other operating income and expenses

Other operating income and expenses mainly comprise:

- the gains or losses on disposal of non-current assets where they do not relate to operations sold or for sale which are disclosed under Profit or loss from discontinued operations in the income statement;
- in addition to **orbeo**'s *trading* activities (see Note 2.5 "Treatment of **orbeo**'s activities"), changes in fair value of derivative instruments not designated for the hedging of operating items, and changes in fair value corresponding to the ineffective portion of the derivative for hedges of operating items;
- other material operating income and expenses resulting from unusual events and likely to distort the analysis and comparability of the Group's performance.

2.23 Operating profit or loss

Operating profit or loss corresponds to all income and expenses not arising from financing activities, associates, discontinued operations and income tax.

2.24 Finance income and costs

Finance costs comprise the interest on borrowings calculated using the effective interest rate method, the systematic amortization of transaction costs relating to credit lines, borrowing prepayment or credit line cancellation costs and the cost of the reverse discounting of non-current non-financial liabilities.

Finance income comprises the expected return on plan assets, cash income and dividends.

Net foreign exchange gains or losses and the changes in fair value of derivatives are presented respectively in finance income or costs, with the exception of changes in fair value of derivatives which are recognized on the same line item as the hedged transaction.

All interest on borrowings is recognized in finance costs as incurred, with the exception of interest arising from the acquisition, construction and production of an eligible intangible asset or item of property, plant and equipment that is capitalized in the cost of the asset in accordance with the alternative treatment authorized by IAS 23 *Borrowing Costs*.

2.25 Income tax expense

Tax expense or tax income for the period includes current tax and deferred tax. Tax is recognized in profit or loss unless it relates to items that are directly recognized in equity, in which case tax is recognized in equity.

2.26 Discontinued operations

A discontinued operation is a component of Rhodia that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. An operation is classified as discontinued at the time of its sale or beforehand if the operation satisfies the criteria for classification as held for sale.

The net profit or loss from operations sold or for sale and, where necessary, disposal gains or losses and impairment losses subsequent to the measurement of assets at fair value less costs to sell, are disclosed in the income statement under "Profit or loss from discontinued operations".

When a component of the operation is classified in discontinued operations, the comparative income statements are restated as if the component had been classified in discontinued operations at the beginning of each previous comparative period.

2.27 Earnings per share

Basic earnings per share is calculated by dividing net profit or loss attributable to Rhodia shareholders by the weighted average number of ordinary shares outstanding during the period, after deduction of the shares owned by Rhodia.

Diluted earnings per share is calculated by taking into account all existing dilutive instruments and the value of the goods or services receivable for each stock purchase or subscription option.

Rhodia also discloses basic and diluted earnings per share for continued and discontinued operations.

2.28 Segment information

A segment is a distinguishable component of the Group that is either engaged in providing related products or services (business segment) or providing products or services within a particular economic environment (geographical segment) and that is subject to risks and returns that are different from those of components operating in other economic environments. Rhodia's primary segment reporting format is business segments.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

NOTE 3 Segment information

The following information concerns continuing operations, except for the capital expenditure (acquisitions of intangible assets and property, plant and equipment) in line with the cash flow statement. Information on discontinued operations is presented in note 10.

Following the disposal of the Isocyanates business in 2008, the Organics segment was discontinued. Its 3 businesses were reallocated as follows:

- the Diphenols business was transferred to Silcea;
- the Fine Chemicals business was transferred to Corporate and Other.

Rhodia was therefore reorganized into the following six companies:

- **Polyamide** whose structure remains unchanged;
- **Novecare** whose structure remains unchanged;
- **Silcea** which currently includes the Diphenols business of the former Enterprise Organics;
- **Energy Services** whose structure remains unchanged;
- **Acetow** whose structure remains unchanged;
- **Eco Services** whose structure remains unchanged.

The 2007 figures were restated so that they could be compared with those for 2008.

3.1 Information by business segment

Inter-segment transactions are performed at arm's length under normal market conditions.

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other (2)	Group
For the year ended December 31, 2008								
Net sales	1,789	971	746	233	467	306	303	**4,815**
Other revenue	138	17	7	662	6	7	63	**900**
Inter-company sales - Net sales	(39)	(4)	(2)	-	-	-	(7)	**(52)**
Inter-company sales - Other revenue	(18)	(7)	(2)	(304)	(3)	(1)	(15)	**(350)**
External net sales	1,750	967	744	233	467	306	296	**4,763**
External other revenue	120	10	5	358	3	6	48	**550**
Operating profit/(loss)	10	91	41	195	54	58	(140)	**309**
Share of profit/(loss) of associates	(1)							**(1)**
Profit/(loss) from financial items								**(178)**
Income tax benefit/(expense)								**(55)**
Profit/(loss) from continuing operations								**75**
Recurring EBITDA (1)	142	127	106	213	84	72	(80)	**664**

(1) Recurring EBITDA comprises Operating profit or loss prior to depreciation 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 chemical 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
For the year ended December 31, 2007								
Net sales	1,975	931	736	202	441	218	335	**4,838**
Other revenue	117	8	22	482	6	9	118	**762**
Inter-company sales - Net sales	(40)	(5)	(4)	-	-	-	(8)	**(57)**
Inter-company sales - Other revenue	(18)	(1)	(6)	(207)	(3)	-	(64)	**(299)**
External net sales	**1,935**	**926**	**732**	**202**	**441**	**218**	**327**	**4,781**
External other revenue	99	7	16	275	3	9	54	**463**
Operating profit/(loss)	**156**	**71**	**93**	**165**	**42**	**54**	**(159)**	**422**
Share of profit/(loss) of associates							2	**2**
Profit/(loss) from financial items								**(294)**
Income tax benefit/(expense)								**(83)**
Profit/(loss) from continuing operations								**47**
Recurring EBITDA [1]	**280**	**109**	**138**	**181**	**83**	**70**	**(103)**	**758**

(1) Recurring EBITDA comprises Operating profit or loss prior to depreciation 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 chemical 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*).*

The analysis by business segment of income and expenses with no impact on cash flow is as follows:

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other	Group
For the year ended December 31, 2008								
Depreciation and impairment	(103)	(37)	(44)	(11)	(29)	(14)	(54)	**(292)**
(Allowance)/ Reversal of current and non-current provisions	(11)	5	(16)	-	12	-	91	**81**
Gain/(loss) on disposal of non-current assets	-	-	-	-	-	-	26	**26**
For the year ended December 31, 2007								
Depreciation and impairment	(100)	(36)	(40)	(12)	(32)	(16)	(45)	**(281)**
(Allowance)/ Reversal of current and non-current provisions	(5)	7	7	-	3	-	74	**86**
Gain/(loss) on disposal of non-current assets	-	1	-	(4)	-	-	30	**27**

Assets, liabilities and capital expenditure (acquisitions of intangible assets and property, plant and equipment) by business segment break down as follows:

(in millions of euros)	**Polyamide**	**Novecare**	**Silcea**	**Energy Services**	**Acetow**	**Eco Services**	**Corporate and Other**	**Group**
Year ended December 31, 2008								
Assets by business segment	1,201	532	534	191	285	210	440	**3,393**
Unallocated assets [(1)]							931	**931**
Total assets								**4,324**
Liabilities by business segment	504	169	168	168	205	42	1,463	**2,719**
Unallocated liabilities [(2)]							1,961	**1,961**
Total liabilities								**4,680**
Capital expenditure	**104**	**32**	**43**	**10**	**20**	**21**	**52**	**282**

(in millions of euros)	**Polyamide**	**Novecare**	**Silcea**	**Energy Services**	**Acetow**	**Eco Services**	**Corporate and Other**	**Group**
Year ended December 31, 2007								
Assets by business segment	1,284	512	548	129	281	182	612	**3,548**
Unallocated assets [(1)]							930	**930**
Total assets								**4,478**
Liabilities by business segment	509	232	207	140	205	27	1,481	**2,801**
Unallocated liabilities [(2)]							2,045	**2,045**
Total liabilities								**4,846**
Capital expenditure	**101**	**32**	**59**	**6**	**17**	**21**	**88**	**324**

(1) Unallocated assets include non derivative financial assets (with the exception of trade receivables and available-for-sale financial assets), current tax receivables and deferred tax assets in addition to assets held for sale.

(2) Unallocated liabilities include non derivative financial liabilities (with the exception of trade payables), current tax payables and deferred tax liabilities in addition to liabilities held for sale.

3.2 *Information by geographical area*

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

(in millions of euros)	**2008**	**2007**
France	882	807
Rest of Europe	1,410	1,489
North America	982	832
Latin America	741	803
Asia and other countries	1,298	1,313
TOTAL	**5,313**	**5,244**

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

Segment assets based on their geographical location break down as follows:

(in millions of euros)	2008	2007
France	1,354	1,469
Rest of Europe	425	478
North America	610	570
Latin America	478	490
Asia and other countries	526	541
TOTAL	**3,393**	**3,548**

The amount of acquisition of assets (property, plant and equipment and intangible assets), based on the assets' geographical location, are as follows:

(in millions of euros)	2008	2007
France	120	153
Rest of Europe	25	18
North America	39	52
Latin America	59	36
Asia and other countries	39	65
TOTAL	**282**	**324**

NOTE 4 Employee expenses

(in millions of euros)	2008	2007
Wages	(567)	(591)
Social security contributions (including expenses for defined contribution plans)	(201)	(205)
Other employee expenses	(25)	(36)
Retirement benefits and similar obligations	(75)	(64)
Share-based payments	(15)	(18)
TOTAL	**(883)**	**(914)**

Other employee expenses mainly include training costs and lay-off compensation.

The heading "Share-based payments" includes the expenses relating to the free shares and share option plans (see note 34).

NOTE 5 Depreciation, amortization and impairment of property, plant & equipment and intangible assets

The depreciation, amortization and impairment included in operating expenses concern the following assets:

(in millions of euros)	**2008**	**2007**
Property, plant and equipment - depreciation	(242)	(255)
Development expenditure - depreciation	(6)	(4)
Other intangible assets - depreciation	(28)	(25)
Property, plant and equipment – impairment	(10)	(9)
Other intangible assets – impairment	(4)	-
Development expenditure – impairment	(5)	(1)
Total excluding items recognized in profit or loss from discontinued operations	(295)	(294)
Depreciation & amortization of items recognized in profit or loss from discontinued operations	(4)	(1)
Total depreciation, amortization and impairment	**(299)**	**(295)**

The depreciation, amortization and impairment included in operating expenses and presented by function in the income statement break down as follows:

(in millions of euros)	**2008**	**2007**
Cost of sales	(237)	(251)
Administrative and selling expenses	(40)	(31)
Research and development expenditure	(12)	(11)
Restructuring costs	(4)	(1)
Other operating income and expense	(2)	-
Total continuing operations	(295)	(294)
Discontinued operations	(4)	(1)
Total depreciation, amortization and impairment	**(299)**	**(295)**

5.1 *Impairment tests*

In accordance with the methodology adopted by the Group for the implementation of impairment tests (see Note 2.9) and in the absence of fair value observable in an organized market, the recoverable amount of cash generating units (CGUs) or groups of CGUs corresponds to their value in use, which is defined as equal to the sum of net cash flows from the latest forecasts for each CGU or group of CGUs and determined using the following methods:

- 5-year business plan prepared by management based on growth and profitability assumptions, taking into account past performances, forecast changes in the economic environment and expected market development;
- consideration of a terminal value determined by capitalizing a standard cash flow obtained by extrapolating the most recent cash flow of the explicit business plan period, affected by a long-term growth rate deemed appropriate for the activity and the location of the assets;
- discounting of expected cash flows at a rate determined using the weighted average capital cost formula.

The main assumptions used in 2008 for annual impairment tests on goodwill and tests on other intangible assets and property, plant and equipment on account of indications of impairment are as follows:

Discount rate

For the weighted average cost of capital, the market parameters were determined using a sample of 9 companies from the chemicals industry.

Considering these parameters and a market risk premium of 4.79% (versus 4.9% in 2007), the weighted average cost of capital used to discount future cash flows was set at 8% (8.5% in 2007).

Long-term growth rate

The long-term growth rates used for the main CGUs or group of CGUs were as follows:

	2008
Polyamide	2.0%
Novecare	1.7%
Silica (Silcea)	3.0%
Diphenols (Silcea)	2.0%
Electronics & Catalysis (Silcea)	2.0%
Eco services	2.0%
Acetow	2.0%
Salicylics (Corporate & Other)	1.5%

5.2 *Impairment by business segment*

(in millions of euros)	2008	2007
Polyamide	-	(1)
Novecare	(5)	(3)
Silcea	(2)	(1)
Acetow	-	(1)
Corporate & Other	(12)	(4)
TOTAL	**(19)**	**(10)**

The impairment losses recognized in profit or loss from discontinued operations are analyzed in note *10.1.*

The impairment tests conducted in 2008 led to the recognition of an impairment in the amount of €(19) million (€(10) million in 2007) for assets, including €(10) million for property, plant and equipment (compared to (9) million in 2007) mainly relating to definitive production stoppages and €(9) million for intangible assets (compared to (1) million in 2007) relating to research and development expenditure incurred on projects which were abandoned and following the outcome of the impairment tests conducted on cash generating units (CGUs).

The impairment tests performed at December 31, 2008 did not lead to any impairment of goodwill, as the recoverable amounts of the groups of CGUs were significantly higher than their carrying amounts. The sensitivity analysis carried out on the main assumptions (discount rate, long term growth rate) did not change the result of the impairment tests.

NOTE 6 Restructuring costs

(in millions of euros)	2008	2007
New plans	(30)	(51)
Re-estimated costs of previous plans	(5)	(2)
Impairment of non-current assets	(4)	-
Impairment of current assets	(1)	(2)
TOTAL	**(40)**	**(55)**

A description of restructuring plans is provided in note 28.3.

Restructuring costs by business segment break down as follows:

(in millions of euros)	2008	2007
Polyamide	(26)	(1)
Novecare	-	(2)
Silcea	(1)	(1)
Acetow	(1)	(8)
Corporate and Other	(12)	(43)
TOTAL	**(40)**	**(55)**

NOTE 7 Other operating income and expenses

(in millions of euros)	2008	2007
Net gains/(losses) on disposals of non-current assets	26	27
Environmental expenses	(34)	(14)
Other operating income and expenses	(19)	(13)
TOTAL	**(27)**	**-**

In 2008, the net disposals gains or losses mainly include the disposal of Rhodia's distribution network, covering South-East Asia, India, Australia and Taiwan, with 180 employees, to Brenntag, a major player in chemical product distribution.

The disposal gains and losses recognized in 2007 mainly include the gain on the sale of the Sulfuric acid business in France to Adisséo, a subsidiary of China National Bluestar Corporation, and the gain on the sale of the Di-Calcium Phosphates business to Innophos.

In 2008, the other operating income and expenses mainly comprise the "trading" component, where **orbeo** carries out CER and EUA purchases/sales, changes in fair value of derivatives that do not qualify as hedges for operating items, and changes in fair value corresponding to the ineffective portion of the derivative for hedges covering operating items.

In 2007, other operating income and expenses mainly comprise the impairment losses recognized on the receivables held with the Nylstar Group, whose main subsidiaries filed for bankruptcy in the second half of 2007.

Environmental expenses are analyzed in note 28.4.

NOTE 8 Profit/(loss) from financial items

(in millions of euros)	**2008**	**2007**
Gross interest expense on borrowings	*(135)*	*(245)*
Income from cash equivalents	*20*	*17*
Gains and losses from interest rate derivatives	*(1)*	*(2)*
Income/(expenses) on financial transactions	*(3)*	*(23)*
Discounting effects	*(149)*	*(139)*
Expected return on pension plan assets	*87*	*94*
Foreign exchange gains and losses	*(3)*	*(3)*
Proceeds from sale of available-for-sale financial assets	*3*	*3*
Other	*3*	*4*
Profit/(loss) from financial items	***(178)***	***(294)***
Of which:		
Finance costs	*(313)*	*(420)*
Finance income	*138*	*129*
Foreign exchange gains and losses	*(3)*	*(3)*

No major refinancing operations took place in 2008.

The total non-recurring expense relating to refinancing transactions was €96 million in 2007 broken down as follows:

- gross interest expense on borrowings for €91 million;
- income/(expenses) on financial transactions for €3 million;
- gains and losses from interest rate derivatives for €2 million.

The discounting effects mainly comprise the finance cost relating to retirement benefit obligations (see note 27.1).

8.1 Gross interest expense on borrowings

This heading corresponds to the gross interest expense on borrowings measured at amortized cost, including the interest on interest rate derivatives eligible for cash flow hedge accounting (see note 26.2).

The interest expense breaks down as follows:

(in millions of euros)	**2008**	**2007**
Recurring interest expense	(135)	(154)
Expenses related to refinancing transactions	-	(91)
Gross interest expense on borrowings	**(135)**	**(245)**

The decrease in recurring interest expense arises from the full-year impact of the various refinancing transactions finalized during the first half of 2007.

In 2008, expenses include a net capital gain of €15 million relating to the partial redemption of Floating Rate Notes in the nominal amount of €33 million.

In 2007, they comprise refinancing expenses of €3 million corresponding to the accelerated depreciation of the origination costs relating to the €300 million syndicated credit line (Revolving Credit Facility of March 2006) subsequent to its replacement by a new €600 million syndicated credit line in April 2007.

8.2 Income/(expenses) on financial transactions

These costs mainly correspond to the financial expenses on current transactions and the borrowing expenses not calculated using the amortized cost method.

NOTE 9 Income tax

Tax income (expense) breaks down as follows:

(in millions of euros)	**2008**	**2007**
Current income tax expense	(49)	(58)
Deferred tax income/(expense)	(6)	(25)
Tax expense for the year	**(55)**	**(83)**

The reconciliation between the theoretical tax expense at the statutory tax rate in France and the actual tax expense after reclassification of discontinued operations is as follows:

(in millions of euros)	**2008**	**2007**
Profit/(loss) before income tax	130	130
Statutory tax rate in France	33.33%	33.33%
Theoretical tax expense at the statutory rate in France	(43)	(43)
Permanent differences	(3)	(9)
Tax rate difference between France and other countries	(1)	(2)
Transactions liable for reduced tax rate	-	2
Changes in deferred tax rates	-	(7)
Withholding tax	(4)	(6)
Other taxes	3	(4)
Unrecognized deferred tax assets	(7)	(14)
Tax expense	(55)	(83)
Effective tax rate	42.3%	63.8%

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

Management has not modified its estimate of the probability of recovering the deferred tax assets relating to the French and British tax groups. Hence, their deferred tax assets were recognized up to the amount of deferred tax liabilities so that the deferred tax position of the French and British tax groups show a nil value.

NOTE 10 Assets held for sale and discontinued operations

10.1 Profit/(loss) from discontinued operations

(in millions of euros)	**2008**	**2007**
Net sales	206	354
Other revenue	7	14
Net operating expenses	(218)	(360)
Net finance costs	(2)	(4)
Profit/(loss) from discontinued operations before tax and gains/(losses) on disposals	(7)	4
Gains/(losses) on disposals	41	80
Tax effect	(2)	-
Profit/(loss) from discontinued operations	32	84

Disposals in 2007 and 2008

On September 1, 2008, Rhodia and Lyondell Chimie TDI SCA finalized the disposal of the Aliphatic Isocyanates business (HDI, IPDI and derivatives). These activities are essentially based in Pont de Claix (France) and Freeport (USA).

The disposal gains and losses recognized in 2008 mainly relate to the sale of this business.

In 2007, Rhodia completed the following disposals:

- at the end of January, the Silicones activity was sold to China National Bluestar Corporation;
- at the end of April, the Phosphates Production business in Spain 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 50% interest in Nylstar to a third party designated by Nylstar's lending banks.

The disposal gains and losses recognized in 2007 mainly relate to the sale of the Silicones business and the sale of the Phosphates Production business in Spain.

Disposals in progress at December 31, 2008

At December 31, 2008, there were no disposals in progress that required classification as discontinued operations.

Profit or loss from discontinued operations by business segment

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other	Group
2008	1	-	-	-	-	-	31	**32**
2007	(9)	-	99	-	-	-	(6)	**84**

In 2007, the gain from discontinued operations of the Silcea segment mainly corresponds to the gain on the sale of the Silicones business at the end of January 2007.

The profit/(loss) from discontinued operations of the Corporate and Other segment mainly includes:

- for 2008, the gain arising from the Aliphatic Isocyanates business (HDI, IPDI and derivatives), intermediaries for industrial paints and coatings, to Perstorp on September 1, 2008;
- for 2007, the loss arising from the sale of the Phosphates Production business in Spain at the end of April 2007.

10.2 Assets held for sale and associated liabilities

(in millions of euros)	2008	2007
Property, plant and equipment	1	2
Other non-current assets	1	4
Inventories	-	8
Trade and other receivables	-	8
Cash and cash equivalents	-	3
Assets classified as held for sale	2	25
Trade and other payables	-	7
Liabilities associated with assets classified as held for sale	-	7

NOTE 11 Earnings per share

The average number of outstanding shares prior to and after dilution is determined as follows:

(in number of shares)	**2008**	**2007**
Number of shares issued at January 1	100,367,831	100,348,847
Shares issued in connection with the exercise of options (see note 34)	1,111	18,984
Shares issued in connection with the January 15, 2008 capital increase	718,126	-
Treasury shares	(1,792,137)	-
Number of shares issued at December 31	99,294,931	100,367,831
Weighted average number of shares outstanding at December 31, before dilution	**100,722,391**	**100,357,347**
Granting of free shares	752,986	1,065,840
Granting of stock subscription options	-	194,938
Issue of stock subscription warrants	17,932	17,932
Weighted average number of shares outstanding at December 31, after dilution	**101,493,309**	**101,636,057**

To calculate the average number of outstanding shares after dilution, the potential shares relating to the convertible bonds issued in April 2007 were not taken into account as they are not dilutive.

Basic and diluted earnings per share are determined as follows:

(in millions of euros)	**2008**	**2007**
Profit/(loss) from continuing operations for the period attributable to equity holders of Rhodia S.A.	73	45
Profit/(loss) from discontinued operations for the period attributable to equity holders of Rhodia S.A.	32	84
Profit/(loss) for the period attributable to equity holders of Rhodia S.A.	105	129
Earnings per share *(in euros)*		
Basic earnings per share of continuing operations	0.73	0.46
Diluted earnings per share of continuing operations	0.72	0.45
Basic earnings per share of discontinued operations	0.32	0.83
Diluted earnings per share of discontinued operations	0.32	0.82
Basic earnings per share	**1.05**	**1.29**
Diluted earnings per share	**1.04**	**1.27**

NOTES TO THE CONSOLIDATED BALANCE SHEET

The movements presented in the notes to the consolidated balance sheet include those which impacted assets and liabilities held for sale until their classification under separate headings in the balance sheet. The net flows subsequent to this classification are presented in "Other movements".

NOTE 12 Property, plant and equipment

(in millions of euros)	Land	Buildings	Machinery and equipment	PPE under construction	Total
Year ended December 31, 2008					
At January 1, 2008	108	255	1,172	151	**1,686**
Additions and assets under construction (1)	1	28	217	(3)	**243**
Disposals and retirements	-	(1)	(2)	-	**(3)**
Depreciation	(1)	(34)	(210)	-	**(245)**
Impairment	-	-	(10)	-	**(10)**
Changes in consolidation scope (2)	-	(14)	(74)	(17)	**(105)**
Currency translation differences and other movements (3)	(6)	(6)	(43)	(10)	**(65)**
At December 31, 2008	102	228	1,050	121	**1,501**
Gross value	133	762	3,949	121	**4,965**
Accumulated depreciation and impairment	(31)	(534)	(2,899)	-	**(3,464)**
Net carrying amount at December 31, 2008	**102**	**228**	**1,050**	**121**	**1,501**

(1) Assets under construction represent €231 million in 2008.
(2) The changes in consolidation scope mainly include the impact arising from the disposal of the Aliphatic Isocyanates business to Perstorp of Pont de Claix (France) in the amount of €(98) million and Freeport (USA) in the amount of €(7) million.
(3) The foreign exchange loss generated in 2008 totaled €(61) million.

(in millions of euros)	Land	Buildings	Machinery and equipment	PPE under construction	Total
Year ended December 31, 2007					
At January 1, 2007	117	279	1,219	145	**1,760**
Additions and assets under construction (1)	1	27	214	13	**255**
Disposals and retirements	(2)	(2)	(9)	-	**(13)**
Depreciation	-	(36)	(220)	-	**(256)**
Impairment	-	(1)	(8)	-	**(9)**
Changes in consolidation scope (2)	(1)	(2)	(4)	(1)	**(8)**
Currency translation differences and other movements (3)	(7)	(10)	(20)	(6)	**(43)**
At December 31, 2007	108	255	1,172	151	**1,686**
Gross value	137	819	4,333	151	**5,440**
Accumulated depreciation and impairment	(29)	(564)	(3,161)	-	**(3,754)**
Net carrying amount at December 31, 2007	**108**	**255**	**1,172**	**151**	**1,686**

(1) Assets under construction represent €227 million in 2007.
(2) The changes in consolidation scope mainly include the impact arising from the change in consolidation method for GIE Osiris (France) into equity method for €(20) million, previously fully consolidated, and the purchase of the Washcoat Alumina business from the US group Grace & Co-Conn for €9 million.
(3) The foreign exchange loss generated in 2007 totaled €(43) million.

The impairment losses recognized in 2007 and 2008 are detailed in note 5 for assets in continuing use and in note 10 for assets classified as held for sale.

Finance-leased assets break down as follows:

(in millions of euros)	**Land and Buildings**	**Machinery and equipment**	**Total**
At December 31, 2008			
Gross value	5	23	**28**
Depreciation	(4)	(14)	**(18)**
Total finance-leased assets	1	9	**10**
At December 31, 2007			
Gross value	4	29	**33**
Depreciation	(4)	(16)	**(20)**
Total finance-leased assets	**-**	**13**	**13**

NOTE 13 Goodwill

13.1 Segment allocation

(in millions of euros)	**2008**	**2007**
Polyamide	8	9
Novecare	113	122
Silcea	37	37
Acetow	3	3
Eco services	35	33
Corporate & Other	1	3
TOTAL	**197**	**207**

The goodwill previously allocated to Organics was reallocated to other companies in 2008 (Silcea and Corporate and Other segments).

13.2 Movements during the year

(in millions of euros)	**Gross**	**Impairment**	**Net**
At January 1, 2007	248	(23)	225
Currency translation differences	(20)	2	(18)
At December 31, 2007	228	(21)	207
Disposals	(2)	-	(2)
Currency translation differences	(9)	1	(8)
At December 31, 2008	217	(20)	197

No impairment was recognized in 2007 and 2008 considering the results of the tests performed using the methodology described in note 5.

NOTE 14 Other intangible assets

(in millions of euros)	Trademarks and patents	Software	Development costs	Other [(4)]	Total
Year ended December 31, 2008					
At January 1, 2008	17	46	60	60	**183**
Additions and assets under construction [(1)]	4	31	21	(15)	**41**
Disposals and retirements	-	-	-	-	**-**
Impairment	(4)	-	(5)	-	**(9)**
Depreciation	(3)	(21)	(4)	(5)	**(33)**
Changes in consolidation scope [(2)]	-	-	(7)	-	**(7)**
Currency translation differences and other movements [(3)]	4	(3)	(1)	6	**6**
At December 31, 2008	18	53	64	46	**181**
Gross value	54	232	79	75	**440**
Depreciation and impairment	(36)	(179)	(15)	(29)	**(259)**
Net carrying amount at December 31, 2008	**18**	**53**	**64**	**46**	**181**

(1) Assets under construction (mostly acquired externally) represent €53 million in 2008.
(2) The changes in consolidation scope mainly include the impact arising from the disposal of the Aliphatic Isocyanates business to Perstorp of Pont de Claix (France).
(3) Other movements include greenhouse gas emissions for €7 million.
(4) Including €25 million at the 2008 year-end relating to greenhouse gas emission allowances to be delivered.

(in millions of euros)	Trademarks and patents	Software	Development costs	Other [(4)]	Total
Year ended December 31, 2007					
At January 1, 2007	16	43	33	86	**178**
Additions and assets under construction [(1)]	5	24	27	10	**66**
Disposals and retirements	(1)	-	-	-	**(1)**
Impairment	-	-	(1)	-	**(1)**
Depreciation	(3)	(21)	(4)	(1)	**(29)**
Changes in consolidation scope [(2)]	-	-	-	(7)	**(7)**
Currency translation differences and other movements [(3)]	-	-	5	(28)	**(23)**
At December 31, 2007	17	46	60	60	**183**
Gross value	83	237	69	93	**482**
Depreciation and impairment	(66)	(191)	(9)	(33)	**(299)**
Net carrying amount at December 31, 2007	**17**	**46**	**60**	**60**	**183**

(1) Assets under construction represent €19 million in 2007.
(2) The changes in consolidation scope include the impact arising from the change in consolidation method of GIE Osiris (France) to the equity method, previously fully consolidated for €(8) million.
(3) Other movements include greenhouse gas emissions for €(20) million.
(4) Including €9 million at the 2007 year-end relating to greenhouse gas emission allowances to be delivered.

In 2007 and 2008, the "Other" heading includes the European gas emission allowances allocated to the Group primarily under French, Italian and German national allocation plans.

NOTE 15 Investments in associates

Investments in associates break down as follows:

(in millions of euros)	Investments in associates		Share of profit/(loss) of associates	
	2008	**2007**	**2008**	**2007**
GIE Osiris	9	8	-	2
GIE Chimie Salindres	2	2	-	-
Energostil	1	2	(1)	-
Qingdao Dongyue Rhodia Chemical Co Ltd	1	1	-	-
TOTAL	**13**	**13**	**(1)**	**2**

The aggregate financial data relating to the main associates is shown below:

(in millions of euros)	**2008**	**2007**
Total assets	97	82
Total liabilities	64	49
Net sales	40	34
NET PROFIT	**(3)**	**4**

NOTE 16 Investments in joint ventures

The share of assets, liabilities and profit (or loss) of the main joint ventures are shown below:

(in millions of euros)	**2008**	**2007**
Non-current assets	196	209
Current assets	239	228
Total assets	**435**	**437**
Non-current liabilities	98	111
Current liabilities	238	233
Equity	99	93
Total liabilities & equity	**435**	**437**
Net sales	**527**	**458**
Other revenue	49	39
Operating profit (or loss)	39	45
PROFIT FOR THE PERIOD	**22**	**28**

NOTE 17 Non-current financial assets

(in millions of euros)	2008	2007
Loans and receivables		
Gross value	115	136
Allowance	(33)	(34)
Net value	82	102
Available-for-sale financial assets	9	11
Retirement benefit surplus	1	-
TOTAL	**92**	**113**

Non-current assets classified as loans and receivables break down as follows:

- at December 31, 2008: loans in the amount of €21 million, deposits and guarantees in the amount of €16 million and receivables in the amount of €45 million;
- at December 31, 2007: loans in the amount of €21 million, deposits and guarantees in the amount of €24 million and receivables in the amount of €57 million.

Available-for-sale assets are investments in non-consolidated companies as shown below:

	2008		2007	
(in millions of euros)	% held	Value	% held	Value
Phosphoric Fertilizers Industry (Greece)	2.15	2	2.15	2
Other (less than €2 million)		7	-	9
TOTAL		**9**		**11**

NOTE 18 Deferred tax assets and liabilities

The deferred taxes recognized as non-current assets or liabilities break down as follows:

(in millions of euros)	2008	2007
Deferred tax assets	171	161
Less than one year	17	14
More than one year	154	147
Deferred tax liabilities	(38)	(43)
Less than one year	(12)	(9)
More than one year	(26)	(34)

The deferred taxes shown on the face of the balance sheet arise from:

(in millions of euros)	Assets		Liabilities		Net	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Differences between carrying and tax amounts of:						
• assets	7	7	(68)	(111)	(61)	(104)
• retirement obligations	53	30	-	-	53	30
• provisions	84	79	(6)	(8)	78	71
• derivatives	4	4	(4)	(1)	-	3
• other items	26	60	(35)	(29)	(9)	31
Tax loss carryforwards and tax credits	72	87	-	-	72	87
Deferred taxes	**246**	**267**	**(113)**	**(149)**	**133**	**118**
Netting effect	(75)	(106)	75	106	-	-
Net deferred taxes	**171**	**161**	**(38)**	**(43)**	**133**	**118**

At December 31, 2008, unrecognized deferred tax assets amount to €1,351 million and break down as follows:

- €869 million in tax loss carryforwards (€894 million at December 31, 2007) of which €796 million in losses that may be carried forward indefinitely in respect of French and British tax consolidation groups;
- €76 million in non ordinary tax losses that may only be offset against disposals of assets;
- €406 million generated by the differences in the carrying and tax amounts of the Group's assets and liabilities.

At each period-end, Rhodia determines whether each tax entity is likely to generate taxable profits against which its deferred tax assets may be offset or to benefit from unrecognized available tax credits. To assess this probability, Rhodia considers in particular current and past results of the tax entities as well as projected taxable profits. In the event of recent losses not relating to non-recurring items, Rhodia considers whether the entities are presumed not to have future taxable profits available to reverse such tax assets or credits. This analysis led the Group not to recognize net deferred tax assets for the French and British tax groups.

Movements in net deferred taxes recognized in the balance sheet break down as follows:

(in millions of euros)	Maturity	
	Less than one year	**More than one year**
At January 1, 2007	**7**	**144**
Recognition in equity	2	(9)
Recognition in profit or loss	(6)	(19)
Changes in the scope of consolidation	-	1
Currency translation differences and other movements	2	(4)
At December 31, 2007	**5**	**113**
Recognition in equity	(10)	35
Recognition in profit or loss	15	(19)
Changes in the scope of consolidation	-	-
Currency translation differences and other movements	(5)	(1)
At December 31, 2008	**5**	**128**

The breakdown of deferred taxes recognized in profit or loss is presented in note 9 "Income tax", and note 10.1 "Profit/(loss) from discontinued operations."

The movements in deferred taxes recognized directly in equity concern actuarial gains and losses relating to retirement benefits and on cash flow hedges recognized in equity (Refer to the "Consolidated Statements of recognized Income and Expense").

NOTE 19 Inventories

(in millions of euros)	**2008**	**2007**
Raw materials	280	246
Work in progress	55	39
Finished goods	365	330
Gross carrying amount	700	615
Allowance	(34)	(32)
Net carrying amount	**666**	**583**

NOTE 20 Trade and other receivables

(in millions of euros)	**2008**	**2007**
Trade receivables	502	715
Other trade receivables	138	93
Gross trade receivables	640	808
Allowance	(49)	(73)
Net trade receivables	591	735
Employees and social security	2	2
French State and local authorities	183	157
Other receivables	71	100
Allowance	(26)	(29)
Net other receivables	230	230
Total Trade and other receivables	**821**	**965**

NOTE 21 Other current financial assets

(in millions of euros)	**2008**	**2007**
Financial assets at fair value through profit or loss	18	12
Loans and receivables	4	4
Available-for-sale financial assets	6	3
TOTAL	**28**	**19**

Financial assets at fair value through profit or loss primarily include short-term investments maturing on issuance in over 3 months.

NOTE 22 Cash and cash equivalents

22.1 Analysis by type

(in millions of euros)	**2008**	**2007**
Cash in banks	122	84
Cash equivalents	370	331
TOTAL	**492**	**415**

At December 31, 2008 and 2007, cash equivalents mainly include monetary notes and certificates of deposit maturing on acquisition in less than 3 months.

22.2 Consolidated statements of cash flows

In 2008, discontinued operations contributed to net cash from operating activities in the amount of €(5) million and to net cash used by investing activities in the amount of €(15) million. Discontinued operations do not contribute to net cash used by financing activities.

In 2007, discontinued operations contributed to net cash from operating activities in the amount of €3 million, to net cash used by investing activities in the amount of €(4) million and to net cash used by financing activities in the amount of €22 million.

Cash received from the disposal of non-current assets arises mainly from:

- the disposal of the Isocyanates business and Rhodia's distribution network in South-East Asia, India, Australia and Taiwan in 2008;
- the disposal of the Silicones business and the Sulfuric acid business in France in 2007.

The cash and cash equivalents of sold entities or held for sale totaled €(1) million in 2008 and €26 million for in 2007. Cash and cash equivalents of acquired entities amounted to €1 million in 2007.

Paid interests costs on borrowings, net of interest received on cash and cash equivalents, totaled €82 million in 2008 and €189 million in 2007 (including cash outflows on refinancing operations of €72 million).

Income taxes paid totaled €47 million in 2008 and €49 million in 2007.

NOTE 23 Equity

23.1 Statement of changes in equity

(in millions of euros)	Share capital	Additional paid-in capital	Other reserves: Cash flow hedge reserve	Other reserves: Translation reserve	Other reserves: Legal reserve	Other reserves: Treasury shares	Deficit	Total	Minority interests	Total
At January 1, 2008	1,204	147	2	84	37	-	(1,863)	(389)	21	**(368)**
Appropriation of earnings	-	-	-	-	3	-	(3)	-	-	**-**
Dividends	-	-	-	-	-	-	(25)	(25)	(5)	**(30)**
Share capital increase	9	(9)	-	-	-	-	-	-	-	**-**
Net profit for the period	-	-	-	-	-	-	105	105	2	**107**
Income and expense directly recognized in equity	-	-	(51)	25	-	-	(40)	(66)	1	**(65)**
Other movements [(1)]	-	-	-	-	-	(14)	14	-	-	**-**
At December 31, 2008	1,213	138	(49)	109	40	(14)	(1,812)	(375)	19	**(356)**

(1) Including the free shares plans for €14 million (see note 34).

(in millions of euros)	Share capital	Additional paid-in capital	Other reserves: Cash flow hedge reserve	Other reserves: Translation reserve	Other reserves: Legal reserve	Other reserves: Treasury shares	Deficit	Total	Minority interests	Total
At January 1, 2007	1,204	23	2	75	32	-	(1,989)	(653)	25	**(628)**
Appropriation of earnings	-	-	-	-	5	-	(5)	-	-	**-**
Dividends	-	-	-	-	-	-	-	-	(3)	**(3)**
Equity components of convertible debt	-	124	-	-	-	-	-	124	-	**124**
Net profit for the period	-	-	-	-	-	-	129	129	2	**131**
Income and expense directly recognized in equity	-	-	-	9	-	-	(12)	(3)	(1)	**(4)**
Other movements [(1)]	-	-	-	-	-	-	14	14	(2)	**12**
At December 31, 2007	1,204	147	2	84	37	-	(1,863)	(389)	21	**(368)**

(1) Including the free shares plans for €18 million.

23.2 Share capital and additional paid-in capital

At December 31, 2008, Rhodia's share capital totaled €1,213,044,816, comprising 101,087,068 Rhodia shares with a par value of €12 each.

On January 15, 2008, Rhodia increased its capital by €8,617,512 in accordance with its 2006 free shares plan, i.e. 718,126 shares.

In 2008, the exercise of share subscription options resulted in the issue of 1,111 shares.

23.3 Dividends

As decided by shareholders at the general meeting on May 16, 2008, Rhodia S.A. paid out dividends totaling €25 million (€0.25 per share) for 2007.

23.4 Translation reserve

The movement in the translation reserve for the year ended December 31, 2008 in the amount of €25 million results from the appreciation of the US dollar and the depreciation of the Brazilian real, the Korean won and the British pound.

23.5 Treasury shares

A Rhodia share buyback program was approved at the Combined Shareholders' Meeting held on May 16, 2008 and authorized by the Board of Directors at its July 29, 2008 meeting in order to cover the current free shares plans for the employees and corporate officers of the Company and its subsidiaries. This program was limited to 2% of the share capital. In connection with the share buyback program,

1,792,137 shares were purchased in 2008 at an average price of €7.56.

23.6. Other movements

On March 17, 2008, the Rhodia Board of Directors approved a new free shares plan for 342 beneficiaries (2 x 511,980 shares) subject to conditions governing Rhodia's performance and the continued employment of the beneficiaries.

As the performance conditions governing one of the plans were not satisfied, the free shares plan will be limited to a maximum of 511,980 shares (see note 34).

NOTE 24 Borrowings

24.1 Breakdown of borrowings by type

	At December 31, 2008				
(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	141	141	141	2009	Euribor + 0.9% / Euribor + 2.5%/ 7%
Securitization of receivables	37	37	37	2009	4.30% - 4.59%
Finance leases debts	4	4	4	2009	3.10% - 3.96%
Other debts	10	10	10	2009	< 6%
Accrued interest payable	27	27	27	-	-
Sub-total short term	**219**	**219**	**219**		
2006 EUR senior notes	1,048	1,067	536	15/10/2013	Euribor 3M + 2.75%
OCEANE	509	595	304	01/01/2014	6.29%
2004 USD senior notes	4	4	4	01/06/2010	10.25%
2004 EUR senior notes	1	1	1	01/06/2010	10.5%
Other notes	16	16	16	31/12/2011	Euribor 6M + 1.60%
Bilateral credit facilities	21	21	21	2010-2012	5.07% - 6.7%
Finance leases debts	4	4	4	2010-2014	3.10% - 3.96%
Other debts	9	9	9	2010-2015	< 6%
Sub-total long term	**1,612**	**1,717**	**895**		
TOTAL	**1,831**	**1,936**	**1,114**		

(1) The amortized cost of the OCEANE is determined after separate recognition in equity of the share conversion option for €124 million.
(2) The amount shown for the OCEANE corresponds to the principal excluding the 13.22% redemption premium.
(3) Senior notes and OCEANE are measured on the last day of the year. 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.

(in millions of euros)	At December 31, 2007				
	Amount at amortized cost (1)	Redemption value (2)	Amount at fair value (3)	Maturity	Effective rates before hedging (4)-(5)
Bilateral credit facilities	97	97	97	2008	Euribor + 0.9% / Euribor + 2.5%/ 6.5%
Securitization of receivables (6)	114	114	114	2008	6.8%
Finance leases debts	3	3	3	2008	3.37% to Euribor + 0.3%
Other debts	6	6	6	2008	< 6%
Accrued interest payable	23	23	23	-	-
Sub-total short term	**243**	**243**	**243**	**-**	**-**
2006 EUR senior notes	1,077	1,100	1,051	10/15/2013	Euribor 3M + 2.75%
OCEANE	482	595	551	01/01/2014	6.29%
2004 USD senior notes	4	4	4	06/01/2010	10.25%
2004 EUR senior notes	1	1	1	06/01/2010	10.5%
Other notes	24	24	24	03/10/2009	Euribor 6M + 1.60%
Securitization of receivables	13	13	13	2009-2010	5.4%
Bilateral credit facilities	45	45	45	2009-2012	Euribor + 1.5%/ 5.93% to 6.93%
Finance leases debts	10	10	10	2009-2014	3.10% to Euribor + 0.3%
Other debts	19	19	19	2009-2014	< 6%
Sub-total long term	**1,675**	**1,811**	**1,718**	**-**	**-**
TOTAL	**1,918**	**2,054**	**1,961**	**-**	**-**

(1) The amortized cost of the OCEANE is determined after separate recognition in equity of the share conversion option for €124 million.
(2) The amount shown for the OCEANE corresponds to the principal excluding the 13.22% redemption premium.
(3) Senior notes and OCEANE are measured on the last day of the year. 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) The trade receivable securitization agreements will mature in 2010 with cash facilities renewable annually.

24.2 *Analysis of borrowings by maturity*

(in millions of euros)	At December 31, 2008					
	2010	2011	2012	2013	After 2013	Total
2006 EUR senior notes	-	-	-	1,048	-	**1,048**
OCEANE	-	-	-	-	509	**509**
2004 USD senior notes	4	-	-	-	-	**4**
2004 EUR senior notes	1	-	-	-	-	**1**
Other EUR notes	-	16	-	-	-	**16**
Bilateral credit facilities	7	8	6	-	-	**21**
Finance leases debts	1	0	1	1	1	**4**
Other debts	1	1	1	1	5	**9**
Sub-total long term	**14**	**25**	**8**	**1,050**	**515**	**1,612**

(in millions of euros)	At December 31, 2007					
	2009	**2010**	**2011**	**2012**	**After 2012**	**Total**
2006 EUR senior notes	-	-	-	-	1,077	**1,077**
OCEANE	-	-	-	-	482	**482**
2004 USD senior notes	-	4	-	-	-	**4**
2004 EUR senior notes	-	1	-	-	-	**1**
Other EUR notes	24	-	-	-	-	**24**
Securization of receivables	5	8	-	-	-	**13**
Bilateral credit facilities	27	9	8	1	-	**45**
Finance leases debts	5	1	-	1	3	**10**
Other debts	1	-	1	1	16	**19**
Sub-total long term	**62**	**23**	**9**	**3**	**1,578**	**1,675**

24.3 Analysis of borrowings by currency

(in millions of euros)	2008	2007
Euro	1,652	1,745
US Dollar	71	86
Chinese yuan	56	47
Brazilian real	22	25
Korean won	17	1
Other	13	14
Total borrowings	**1,831**	**1,918**

24.4 Comments on the financing arrangements

Floating Rate Notes

Floating Rate notes were issued for a nominal amount of €1,100 million at 3-month Euribor + 2.75%, maturing on October 15, 2013. In December 2008, Rhodia undertook the early redemption of a portion of these bonds for a nominal amount of € 33 million, thus reducing the principal amount of the notes to € 1,067 million. The redemption price was €17 million.

OCEANE

The issue on April 27, 2007 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 issue price amounted to €48.1 per bond. OCEANE bond holders may, at any time, exercise their conversion option on a 1.02 for 1 basis. OCEANE bonds carry a 13.22% redemption premium and a buyback option that may be exercised by Rhodia under certain conditions. The debt and equity components were measured upon issue of the bonds. The debt component was measured at amortized cost using a market interest rate for an equivalent non-convertible bond.

Syndicated credit line

On March 30, 2007, Rhodia entered into a multi-currency syndicated credit facility with a limited number of lending banks for €600 million ("Multicurrency Revolving Credit and Guaranty Facility" or "RCF") maturing on June 30, 2012.

The interest rate applied to the borrowed sums corresponds to the bank discount rate according to the currency of the borrowing plus the applicable margin. The applicable margin can be reduced based on an improvement in the net consolidated indebtedness/adjusted EBITDA ratio ("leverage"). In addition, Rhodia pays a commitment fee corresponding to 40% or 35% of the applicable margin depending on its level. The syndicated credit facility is usable in the form of bank loans and/or guarantees.

Rhodia has given collateral security in connection with the implementation of this syndicated credit line. Such collateral security is made up of a pledge of the securities of one of its subsidiaries and a pledge of a secured loan of another of its subsidiaries.

The RCF includes early repayment clauses, including a change of control of Rhodia or the adoption of a break-up or liquidation plan for the Company.

Moreover, the RCF includes mandatory repayment and partial cancellation clauses, notably in the case of asset disposals beyond certain thresholds provided for in the agreement, and under certain conditions, notably in respect of the application of proceeds from disposals.

The continuation of the RCF syndicated credit facility is subject to the compliance with certain financial ratios ("covenants") by Rhodia which are tested on a half-yearly basis on the following dates:

	Consolidated net debt/Adjusted recurring EBITDA	Recurring EBITDA/Net financial expenses
12/31/2008	3.0:1.0	4.0:1.0
06/30/2009	3.0:1.0	4.0:1.0
12/31/2009	3.0:1.0	4.5:1.0
06/30/2010	3.0:1.0	4.5:1.0
12/31/2010	3.0:1.0	4.5:1.0
06/30/2011	3.0:1.0	4.5:1.0
12/31/2011	3.0:1.0	4.5:1.0

The aggregates used to calculated the ratios as defined in the syndicated credit line are as follows:

- Consolidated Net Indebtedness: aggregate of non-current borrowings, current borrowings and guarantees given with respect to financial indebtedness of third parties or joint-ventures or unconsolidated subsidiaries minus the aggregate of cash and cash equivalents and other current financial assets;
- recurring EBITDA: operating profit/loss plus depreciation, amortisation and impairment plus restructuring costs plus other operating expenses and income;
- adjusted recurring EBITDA: is defined as the Group's recurring EBITDA plus the recurring EBITDA, pro rata to the percentage held by the Group, of non-consolidated entities whose borrowings are secured by the Group;
- Net Financial Expenses: interest on non-current borrowings, current borrowings, after capitalisation of financial expenses related to the financing of certain assets and incorporated in the purchase cost of such assets minus interest income on cash and cash equivalents and other current financial assets;
- adjusted recurring EBITDA is defined as the Group's recurring EBITDA plus the recurring EBITDA, pro rata to the percentage held by the Group, of non-consolidated entities whose borrowings are secured by the Group.

At and prior to December 31, 2008, Rhodia has complied with all applicable financial covenants.

In 2008, the RCF syndicated credit facility was only drawn down for bank guarantees. The amount not drawn down at December 31, 2008 was €534 million.

Asset securitization programs

Rhodia has another financing source by which it sells certain of its uncollected trade receivables on a monthly or quarterly basis, in the frame of two securitization programs respectively in Europe and in the North America.

The available financing under these securitization programs totaled €235 million, plus £15 million for the Pan-European program and $100 million for the North American program.

These two European and North American securitization programs do not carry covenants based on Rhodia's financial performance, which if not met would trigger early repayment. They do, however, contain a cross-accelerated repayment clause in the event of early repayment being demanded under the RCF facility or any other Rhodia S.A. financing arrangement in an amount in excess of €10 million.

The pan-European program also includes a cross-accelerated repayment clause in the event of the settlement of collateral security provided by Rhodia S.A. as guarantees for the RCF or any other financing arrangement in an amount in excess of €10 million.

At December 31, 2008, the financing provided by the securitization programs amounts €37 million.

NOTE 25 Fair value of financial instruments and accounting categories

At December 31, 2008

	Assets/liabilities at fair value through profit or loss							Fair value of which	
(in millions of euros)	**Trading**	**Fair value option**	**Available-for-sale assets**	**Loans and receiva-bles**	**Liabilities at amortized cost**	**Hedging derivatives**	**Total net carrying amount**	**Model**	**Quote**
Financial assets	110	510	15	677	-	38	**1,350**	831	519
Non-current financial assets [(1)]	-	-	9	82	-	-	**91**	91	-
Other current financial assets	-	18	6	4	-	-	**28**	4	24
Trade receivables	-	-	-	591	-	-	**591**	591	-
Derivative financial instruments	110	-	-	-	-	38	**148**	145	3
Cash and cash equivalents	-	492	-	-	-	-	**492**	-	492
Current financial assets	110	510	6	595	0	38	**1,259**	740	519
Financial liabilities	46	-	-	-	2,572	77	**2,695**	1,133	845
Borrowings	-	-	-	-	1,612	-	**1,612**	50	845
Non-current financial liabilities	-	-	-	-	1,612	-	**1,612**	50	845
Borrowings	-	-	-	-	219	-	**219**	219	-
Derivative financial instruments	46	-	-	-	-	77	**123**	123	-
Trade payables	-	-	-	-	741	-	**741**	741	-
Current financial liabilities	46	-	-	-	960	77	**1,083**	1,083	-

(1) Excluding pension surplus in the amount of €1 million.

At December 31, 2007

	Assets/liabilities at fair value through profit or loss							Fair value of which	
(in millions of euros)	**Trading**	**Fair value option**	**Available-for-sale assets**	**Loans and receiva-bles**	**Liabilities at amortized cost**	**Hedging derivatives**	**Total net carrying amount**	**Model**	**Quote**
Financial assets	66	427	14	841	-	30	**1,378**	947	431
Non-current financial assets	-	-	11	102	-	-	**113**	113	-
Other current financial assets	-	12	3	4	-	-	**19**	4	15
Trade receivables	-	-	-	735	-	-	**735**	735	-
Derivative financial instruments	66	-	-	-	-	30	**96**	95	1
Cash and cash equivalents	-	415	-	-	-	-	**415**	-	415
Current financial assets	66	427	3	739	-	30	**1,265**	834	431
Financial liabilities	43	-	-	-	2,698	25	**2,766**	1,202	1,607
Borrowings	-	-	-	-	1,675	-	**1,675**	111	1,607
Non-current financial liabilities	-	-	-	-	1,675	-	**1,675**	111	1,607
Borrowings	-	-	-	-	243	-	**243**	243	-
Derivative financial instruments	43	-	-	-	-	25	**68**	68	
Trade payables	-	-	-	-	780	-	**780**	780	-
Current financial liabilities	43	-	-	-	1,023	25	**1,091**	1,091	-

The best indication of the fair value of a contract is the price which would be agreed to between a willing seller and buyer in an arm's length transaction. At the trade date, it is generally the transaction price. Subsequently, the measurement of the contract should be based on observable market data which provide the most reliable indication of the fair value of a financial instrument.

The fair value of derivatives is determined as follows:

- interest rate swaps are measured by discounting contractual flows;
- options are measured based on valuation models (such as Black & Scholes) using quotes published on active markets and/or by obtaining quotations from third party financial institutions;
- forward exchange contracts are measured by discounting net future cash flows;
- carbon derivatives (CER and EUA) and commodity-based derivatives are measured as follows:
  - products traded on organized markets (futures): use of market quotes,
  - products traded over-the-counter (swaps, forwards): discounting of future flows,
  - optional products: use of mathematical models.

The fair value of the notes corresponds to the most recent market quote. For other borrowings, the redemption price was adopted.

The fair value of trade payables and trade receivables corresponds to their carrying amount. The discounting of cash flows arising from "Trade payables" and "Trade receivables" had an immaterial impact on fair value due to the short settlement periods applied.

NOTE 26 Financial risk management and derivatives

Rhodia is exposed to market risks as a result of its commercial and business transactions. This exposure is mainly related to fluctuations in exchange and interest rates, commodity and carbon instrument prices.

26.1 Derivative financial instruments

At December 31, 2008, Rhodia held derivatives, some of which are designated as cash flow hedges, as well as non-hedging derivatives. Derivatives are recognized in the balance sheet at their fair value in the following amounts:

		At December 31, 2008		At December 31, 2007	
(in millions of euros)	**Notes**	**Current assets**	**Current liabilities**	**Current assets**	**Current liabilities**
Interest rate instruments	26.2	1	11	13	-
Foreign exchange instruments	26.3	89	70	24	4
Oil-based commodities instruments	26.4	6	14	-	9
Carbon instruments	26.5	52	28	59	55
TOTAL		**148**	**123**	**96**	**68**

26.2 Interest rate risk management

Rhodia's exposure to interest rate risk mainly relates to its net indebtedness and to its interest rate derivatives portfolio.

The Group monitors its exposure to interest rate risk on a monthly basis and specifically hedges the main floating-rate borrowings using interest rate swaps or caps.

Management of fixed and floating rates

The breakdown of net debt as defined by the Group between fixed and floating rates, and excluding its derivative portfolio, is as follows:

(in millions of euros)	2008	2007
Floating rate	1,208	1,301
Fixed rate	596	594
Borrowings excluding accrued interest payable	1,804	1,895
Cash and cash equivalents	(492)	(415)
Other current financial assets	(28)	(19)
Accrued interest payable	27	23
Net indebtedness	**1,311**	**1,484**

In 2006, in order to hedge interest rate increases on its floating-rate debt, Rhodia purchased caps and interest rate swaps totaling €1,100 million, for which the residual amount at December 31, 2008 was €1,067 million. These derivatives were recognized under cash flow hedge accounting.

The breakdown of the Group's debt between fixed and floating rates, taking into account its hedging derivatives, is as follows:

(in millions of euros)	2008	2007
Floating rate	160	224
Capped floating rate	350	350
Fixed rate	1,294	1,321
Borrowings excluding accrued interest payable	**1,804**	**1,895**

At December 31, 2008, the average rate of the fixed-rate debt was around 6.5%, compared to 6.6% as of December 31, 2007.

Analysis of interest rate sensitivity

Interest rate sensitivity for floating-rate instruments was analyzed taking into account all the variable cash flows of non-derivative and derivative instruments. The analysis is performed assuming that the amounts of debt and financial instruments shown in the balance sheet as of December 31, 2008 and 2007 remain constant during the year. For the purposes of this analysis, all the other variables, particularly exchange rates, are considered to be constant.

An interest rate fluctuation by 100 basis points at the year-end would result in an increase (decrease) in equity and profit or loss (prior to the tax impact) by the amounts detailed in the table below:

	2008				2007			
	Net profit/(loss)		Hedging reserves *		Net profit/(loss)		Hedging reserves *	
(in millions of euros, excluding taxes)	100bp increase	100bp decrease	100bp increase	100bp decrease	100bp increase	100bp decrease	100bp increase	100bp decrease
Floating-rate debt	(12)	12	-	-	(13)	13	-	-
Derivatives designated as cash flow hedges	7	(7)	14	(13)	11	(10)	20	(14)
Cash equivalents	5	(5)	-	-	4	(4)	-	-
TOTAL	**-**	**-**	**14**	**(13)**	**2**	**(1)**	**20**	**(14)**

* *Corresponds to the change in fair value of derivatives designated as cash flow hedges following a sudden fluctuation in interest rates.*

Analysis of interest rate hedges

Derivatives designated as cash flow hedges

As of December 31, 2008, interest rate swaps and options (caps) hedge the floating-rate bonds issued in October 2006. The notional amounts of these contracts and their fair value are detailed in the table below:

(in millions of euros)		2008					2007	
Currency EUR		**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**	**Fair Value**	**Nominal Value**	**Fair Value**
Interest rate swaps	Lender Floating rate	317	400	-	717	(11)	750	9
Cap	Purchase	350	-	-	350	1	350	3
TOTAL		**667**	**400**	**-**	**1,067**	**(10)**	**1,100**	**12**

The changes in fair value of hedging derivatives considered as effective are recognized in equity under the heading "Cash flow hedge reserve". For interest rate options (caps), only the intrinsic value of the option is considered as an effective hedge. The time value is considered as ineffective on inception of the hedge.

The ineffective portion of cash flow hedges which impacts profit or loss was immaterial in 2008 and 2007.

The contractual flows related to interest rate swaps are paid at the same time as the contractual flows of floating-rate borrowings and the amount deferred in equity is recognized in profit or loss for the period in which the fluctuations in the debt's interest rate impact profit or loss.

Changes in the hedging reserve for interest rate derivatives in fiscal 2007 and 2008 are shown in the following table:

(in millions of euros, excluding taxes)	**2008**	**2007**
Carrying amount as of January 1,	12	1
Amount transferred to profit or loss [(1)]	(11)	3
Amount recorded directly in the hedging reserve	(14)	8
Carrying amount as of December 31,	(13)	12

(1) The profit and loss entry impacts "Gross interest expense on borrowings".

Derivatives not designated as hedges

As of December 31, 2008, Rhodia had entered into the following interest rate swaps not designated for hedging purposes:

(in millions of euros)		2008					2007	
Currency EUR		**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**	**Fair Value**	**Nominal Value**	**Fair Value**
Interest rate swaps	Lender Floating rate	-	10	-	10	-	-	-
Floors	Purchase	-	-	-	-	-	750	1
TOTAL		**-**	**10**	**-**	**10**	**-**	**750**	**1**

These derivatives not designated for hedging generated a financial gain of €2 million in 2008.

Sensitivity analysis of the portfolio of interest rate derivatives not designated as hedges

A sudden 100 basis point fluctuation in interest rates at the year-end would have no material impact in profit or loss by the above amounts. For the purposes of this analysis, all the other variables are considered to be constant.

26.3 Foreign exchange risk management

A significant portion of Rhodia's assets, liabilities, expenses and income is denominated in currencies other than the euro, mainly the US dollar, Brazilian real and, to a lesser extent, the British pound. Changes in these currencies compared with the euro may have a material impact on the financial position and results of Rhodia.

Rhodia's policy consists in limiting its exposure to short-term fluctuations in exchange rates by calculating on a daily basis its

net exposure to foreign currencies in its transactions, including both sales and purchases, and by using derivatives to reduce such exposure. The main derivatives used by Rhodia are forward foreign exchange contracts with terms of less than one year.

The financial instruments held by Rhodia, sensitive to changes in exchange rates, include financial instruments (receivables and payables) denominated in foreign currencies and foreign exchange derivatives not designated for hedging.

Following the redemption of virtually all US dollar borrowings in 2007, Rhodia's foreign exchange risk exposure is immaterial.

As of December 31, 2008, Rhodia's foreign exchange risk (excluding foreign exchange derivatives designated as hedges) by main currency breaks down as follows:

(in millions of euros)	At December 31, 2008				At December 31, 2007			
Currency	**USD**	**GBP**	**EUR***	**JPY**	**USD**	**GBP**	**EUR***	**JPY**
Borrowings	(14)	222	(57)	7	41	255	(53)	4
Trade receivables and payables	150	(10)	(8)	16	151	3	(13)	10
Foreign exchange contracts	(144)	(209)	53	(23)	(203)	(266)	58	(11)
Net exposure	(8)	3	(12)	0	(11)	(8)	(8)	3

* *Foreign exchange exposure in euros of entities whose functional currency is different from the euro.*

Analysis of foreign exchange risk sensitivity

As of December 31, 2008, a sudden 10% fluctuation of the euro against the foreign currencies would have, in proportion of the assets and liabilities recorded in the balance sheet, an immaterial impact on foreign exchange gains or losses. For the purposes of this analysis, all the other variables, particularly interest rates, are considered to be constant.

(in millions of euros)	At December 31, 2008				At December 31, 2007			
Currency	**USD**	**GBP**	**EUR**	**JPY**	**USD**	**GBP**	**EUR**	**JPY**
10% increase in the euro against the foreign currency	1	-	(1)	-	1	1	(1)	-
10% decrease in the euro against the foreign currency	(1)	-	1	-	(1)	(1)	1	-

Portfolio of foreign exchange derivatives not designated as hedges

The nominal amounts as well as the fair values of forward purchase and sale contracts in currencies other than the euro and foreign exchange options are detailed below:

(in millions of euros)		2008		2007	
	Currency	**Nominal**	**Fair Value**	**Nominal**	**Fair Value**
Forward purchases	USD	79	(2)	169	-
	GBP	52	(9)	43	-
	JPY	48	5	12	-
	BRL	10	-	205	-
	Other	110	(1)	10	-
	Total	**299**	**(7)**	**439**	**-**
Forward sales	USD	223	3	372	-
	GBP	261	61	309	7
	JPY	71	(5)	22	-
	BRL	76	-	109	-
	Other	106	11	91	1
	Total	**737**	**70**	**903**	**8**
Call purchases	USD	-	-	31	-
	Other	-	-	-	-
	Total	-	-	**31**	**-**
TOTAL		**1,036**	**63**	**1,373**	**8**

Forward currency purchase and sale contracts are entered into by Rhodia S.A. to hedge its inter-company loans and borrowings and operating cash flows denominated in foreign currencies.

The changes in fair value of foreign exchange instruments not designated as hedges are recorded in foreign exchange gains or losses.

Portfolio of foreign exchange derivatives designated as cash flow hedges

The nominal amounts as well as the fair values of forward currency purchase and sale contracts designated as cash flow hedges are detailed below:

(in million of euros)		2008		2007	
	Currency	**Nominal**	**Fair Value**	**Nominal**	**Fair Value**
Forward Purchase	USD	17	1	13	-
	BRL	113	-	13	-
Forward Sales	USD	263	(22)	161	12
	JPY	165	(23)	-	-
	Total	**558**	**(44)**	**187**	**12**
Call Purchases	USD	-	-	15	-
TOTAL		**558**	**(44)**	**202**	**12**

In connection with the hedging of Rhodia's ordinary business transactions, future transaction exchange hedges are regularly set up. At December 31, 2008, the changes in fair value of these forward exchange contracts considered as effective were recognized in equity under the "Cash flow hedge reserve" heading in an amount of €(44) million.

Changes in the hedging reserve for foreign exchange derivatives in fiscal 2007 and 2008 are shown in the following table:

(in millions of euros, excluding taxes)	2008	2007
Carrying amount as of January 1	13	1
Amount transferred to profit or loss (1)	(1)	(9)
Amount recorded directly in the hedging reserve	(56)	21
Carrying amount as of December 31	(44)	13

(1) Amount recognized in Net sales and other operating income and expenses.

In fiscal year 2008, part of the hedges on future revenues have been discontinued prospectively generating a €(4) million expense.

The ineffective portion of cash flow hedges generated a financial gain of €4 million in 2008. The amount was immaterial in 2007.

The contractual flows related to forward currency sales and the flows arising from the future sales transactions are simultaneous; the hedging amount recorded in equity is transferred to profit or loss on the date the sales transaction is recognized in the income statement.

Sensitivity analysis of foreign exchange derivatives qualified as cash flow hedges

The following table shows the impact (prior to the tax impact) of a sudden 10% increase or decrease in the US dollar against the euro.

	10% decrease in the euro		10% increase in the euro	
(in millions of euros, excluding taxes)	Hedging reserve increase (decrease)	Net Profit/(loss)	Hedging reserve increase (decrease)	Net Profit/(loss)
12/31/2008	(32)	-	26	-
12/31/2007	(11)	-	9	-

The following table shows the impact (prior to the tax impact) of a sudden 10% increase or decrease in the Brazilian real against the US dollar.

	10% decrease in the euro		10% increase in the euro	
(in millions of euros, excluding taxes)	Hedging reserve increase (decrease)	Net Profit/(loss)	Hedging reserve increase (decrease)	Net Profit/(loss)
12/31/2008	(14)	-	11	-
12/31/2007	-	-	-	-

26.4 Management of risk related to fluctuations in the price of oil-based commodities

Rhodia's exposure to the risks related to fluctuations in the price of oil-based commodities relates mainly to its purchases of petrochemicals and natural gas.

Rhodia may hedge these risks by using (firm or indexed) swaps, options or futures and forward contracts depending on its identification of market conditions and the expected trend in its contractual purchase prices.

At December 31, 2008, Rhodia held derivatives designated as cash flow hedges, whose fair value is recognized under assets for €6 million and for €14 million under liabilities in the Rhodia balance sheet (€9 million under liabilities as of December 31, 2007).

Changes in the hedging reserve for oil commodity derivatives in fiscal 2006 and 2007 are shown in the following table:

(in millions of euros, excluding taxes)	**2008**	**2007**
Carrying amount as of January 1	(9)	-
Amount transferred to profit or loss	24	-
Amount recorded directly in the hedging reserve	(29)	(9)
Carrying amount as of December 31	(14)	(9)

Sensitivity analysis of derivative instruments

The following table shows the impact (prior to the tax impact) of a sudden 10% increase or decrease in oil commodity prices.

	10% price increase		**10% price decrease**	
(in millions of euros, excluding taxes)	**Hedging reserve increase (decrease)**	**Net Profit/(loss)**	**Hedging reserve increase (decrease)**	**Net Profit/(loss)**
12/31/2008	(1)	-	1	-
12/31/2007	5	-	(5)	-

26.5 *Carbon instrument risk management (EUA/CER)*

CER future sale hedges

Rhodia hedges against fluctuations in the future sale prices of CERs (certificates for the reduction of CO_2 emissions) mainly through forward CER sales and, to a lesser extent, forward EUA2 sales, via **orbeo** which is 50% owned in partnership with Société Générale.

At December 31, 2008, Rhodia, through **orbeo**, sold forward CERs with delivery guarantees in a notional amount of around €177 million (€162 million at December 31, 2007). These derivatives were recognized under cash flow hedge accounting.

The fair value of these forward CER sales was recognized in the Rhodia balance sheet under assets in the amount of €28 million (€6 million as of December 31, 2007) and under liabilities in the amount of €7 million (€16 million as of December 31, 2007).

Changes in the hedging reserve for carbon derivatives in fiscal 2007 and 2008 are shown in the following table:

(in millions of euros, excluding taxes)	**2008**	**2007**
Carrying amount as of January 1	(13)	1
Amount transferred to profit or loss [(1)]	9	14
Amount recognized directly in the hedging reserve	26	(28)
Carrying amount as of December 31	22	(13)

(1) Amount recognized in Net sales.

Other activities of orbeo

Orbeo also performs proprietary trading and arbitrage transactions. At December 31, 2008, the fair values of the derivatives contracted by **orbeo** were recognized in Rhodia's assets for €24 million and in its liabilities for €21 million.

Sensitivity analysis of EUA/CER derivative instruments

The following table shows the impact (prior to the tax impact) of a sudden 10% increase or decrease in carbon instrument prices:

	10% price increase		10% price decrease	
(in millions of euros, excluding taxes)	Hedging reserve increase (decrease)	Net Profit/(loss)	Hedging reserve increase (decrease)	Net Profit/(loss)
12/31/2008	(7)	3	7	(3)
12/31/2007	(16)	-	16	-

26.6 Credit risk

The financial assets that may potentially expose Rhodia to credit risk are as follows:

- short-term investments;
- derivatives;
- trade receivables;
- loans granted.

The maximum exposure of financial assets to credit risk corresponds to their net carrying amount (see note 25).

Cash investments and derivatives

Rhodia mainly invests its short-term investments and enters into interest rate and currency contracts with banks or financial institutions with S&P and Moody's ratings which are equal to or greater than AA- and Aa3, respectively (December 31, 2008 ratings).

Interest rate and currency contracts are carried out with banks or financial institutions with S&P and Moody's ratings belong to the Investment Grade category. In addition, most of these transactions as well as those with a maturity of more than one year are carried out with counterparties which have ratings from these agencies that are equal or greater than A- and A2 respectively.

Trade receivables

Credit risk exposure mainly depends on the individual characteristics of customers, more particularly customer default risk and country risk.

Rhodia's customer portfolio is much diversified with more than 10,000 customers, with a limited concentration (the 30 largest customers represent less than 30% of Group net sales).

Rhodia sells exclusively to industrial firms or distributors and does not deal with retailers or final customers. The vast majority of these customers are from the private sector.

Rhodia's customers are regular and well-known customers, and net sales with new customers only represent around 5%.

Rhodia financial management set up customer risk management organization and procedures. In each country where Rhodia is located, a financial team (credit management) is responsible for analyzing and preventing customer credit risk as well as recovery.

Customer risk management procedures were set up at Group level:

a) Risk categories and credit lines:

A risk category and credit line are allocated to each customer:

- the risk category is determined using a scoring method for which the criteria are the customer's size, profitability and indebtedness;
- the credit line is assessed by credit management, according to the customer's risk category, a financial analysis of the customer and/or an external rating.

b) Credit line guarantees:

Rhodia partially guarantees net sales using credit insurance (COFACE), particularly to hedge the export sales of Group subsidiaries.

- the authorizations granted by the credit insurer fully or partially guarantees the credit lines defined by credit management.
- when exports sales cannot be insured, the credit management can decide whether they should be guaranteed using documentary credit or letters of credit.
- Rhodia's general terms and conditions of sale contain a reservation of ownership clause, so that the Group is guaranteed in the event of default.

c) Management of exceeded credit lines and outstanding receivables:

- the IT systems are configured so as to systematically report an exceeded credit line or an outstanding receivable;
- an exceeded credit line or outstanding receivable systematically blocks any new customer orders in the IT systems;

- only credit management is authorized to accept the confirmation of a new order from a customer with an exceeded credit line or outstanding receivable.

Trade receivables are impaired individually if it is highly probable that they will not be partially or fully recovered.

Trade receivables aging report

(in millions of euros)	**At December 31, 2008**	**At December 31, 2007**
Not due	532	694
Overdue:	108	114
less than 30 days	*52*	*27*
between 30 and 180 days	*17*	*8*
more than 180 days	*39*	*79*
Allowance	(49)	(73)
TOTAL	**591**	**735**

Other receivables

The financial assets under the "French State and local authorities" heading do not present any major credit risk.

The other headings mainly relate to non-recurring transactions monitored on an individual basis.

26.7 *Liquidity risk*

Cash flows arising from financial liabilities by maturity date

The table below shows the contractual cash flows arising from financial liabilities including interest rate flows:

(in millions of euros)	**Carrying amount**	**Contractual cash flows**	**12 months or less**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities	2,572	3,132	1,054	88	1,307	683
Non-secured bonds	*1,069*	*1,422*	*70*	*75*	*1,277*	-
OCEANE [(1)]	*509*	*692*	*3*	*3*	*9*	*677*
Securitization of receivables	*37*	*48*	*48*	-	-	-
Bilateral credit facilities	*162*	*174*	*151*	*8*	*15*	-
Finance leases debts	*8*	*9*	*4*	*1*	*3*	*1*
Accrued interest payable	*27*	*27*	*27*	-	-	-
Trade payables	*741*	*741*	*741*	-	-	-
Other debts	*19*	*19*	*10*	*1*	*3*	*5*
Derivative financial liabilities	123	125	87	11	27	-
Of which foreign exchange derivatives	*71*	*71*	*52*	*4*	*14*	-
Disbursements	*71*	*71*	*52*	*4*	*14*	-
Collections	-	-	-	-	-	-
Total financial liabilities	**2,695**	**3,257**	**1,141**	**99**	**1,334**	**683**

(1) Assuming the OCEANE bonds are not converted.

Liquidity risk management

Rhodia regularly monitors its liquidity and uses levers to meet any major financial requirements.

At December 31, 2008 and 2007, the liquidity position breaks down as follows:

(in millions of euros)	**2008**	**2007**
Other liquid current financial assets	10	7
Non-utilized credit facilities	534	537
Cash and cash equivalents	492	415
Liquidity position	**1,036**	**959**

At December 31, 2008, Rhodia has, via its syndicated credit facility ("RCF"), an undrawn and immediately available credit line of €534 million.

Finally, the fact that Rhodia can grant collateral and financial guarantees means that it is always able to raise new financing if need be and if the market conditions allow it.

26.8 Capital management

To maintain a satisfactory financial structure and manage its indebtedness compared to the profitability of its operations, Rhodia uses net debt/recurring EBITDA ratio.

Net debt is defined as the sum of long-term borrowings, short-term borrowings and the current portion of long-term borrowings less cash and cash equivalents and other current assets.

NOTE 27 Retirement benefits and similar obligations

The obligations recognized in the balance sheet break down as follows:

(in millions of euros)	**2008**	**2007**
Obligations recognized in liabilities:		
Retirement benefits	1,168	1,161
Other employee benefits	80	85
Total	**1,248**	**1,246**
Of which:		
Non-current	1,155	1,154
Current	93	92
Expenses recognized in profit or loss:		
Retirement benefits	68	56
Other employee benefits	8	9
Total	**76**	**65**

Actuarial assumptions

The main actuarial assumptions used to measure defined benefit plan obligations are as follows:

	2008			**2007**		
	France	**United States**	**United Kingdom**	**France**	**United States**	**United Kingdom**
Discount rate	5.25%	6.50%	6.40%	5.25%	6.00%	5.70%
Salary increase rate	4.00%	3.00%	2.95%	4.00%	3.50%	3.75%
Retirement pension increase rate	2.00%	n/a	2.45%	2.00%	n/a	3.25%
Mortality table	TGH 05 and TGF 05 (Insee 2002)	RP 2000 Combined	114% PLA00 104% PLA00	TGH 05 et TGF 05 (Insee 2002)	RP 2000 Combined	PA92

Assumptions relating to mortality tables are based on published statistical and historical data for each country.

The probability assumptions regarding the retention of employees in the Group, future salary increases and a retirement age of between 60 and 67 years old are determined according to the countries and applicable laws.

Sensitivity of obligations to the actuarial assumptions

In the event of increases or decreases in the discount rates, the present value of the obligations at December 31, 2008 and cost of services rendered in 2009 would be as follows:

(in millions of euros)	December 31, 2008 discount rate	- 50 basis points	+ 50 basis point
Present value of the obligations	2,182	2,311	2,063
Cost of services rendered	20	22	19

A 100 basis point change in the presumed medical cost rates would have a negligible impact on the profit or loss components (cost of services rendered and interest cost) and the cumulative obligation in respect of post-employment benefits relating to medical costs (€2 million).

The medical cost rates totaled 8.5% in the US and 7% in the UK.

Rate of return on plan assets

Plan assets are comprised of the following:

(in percentage)	2008	2007
Shares	33%	44%
Bonds	35%	38%
Liabilities driven investments *	31%	16%
Other	1%	2%

* *Assets portfolio (mainly floating rate bonds) with interest and inflation rate swaps, structured to replicate the exposure of retirement obligations to fluctuations in these rates, in order to reduce the volatility of the deficit.*

Plan assets do not include any financial instruments specific to Rhodia.

The expected rates of return are determined based on the allocation of assets and expected yield projections given past trends.

	At December 31, 2008			At December 31, 2007		
	France	United States	United Kingdom	France	United States	United Kingdom
Expected return on pension plan assets	n/a	7.00%	5.70%	n/a	7.50%	7.00%

In France, retirement benefit obligations are not hedged through dedicated funds. Rhodia is totally responsible for making these payments.

27.1 Retirement benefits

Description of obligations in connection with defined benefit plans

Retirement obligations include retirement and other post-employment benefits, including termination benefits. The corresponding obligations mainly concern employees working in the United States, the United Kingdom and France. These three countries represent 88% of the Group's total obligations.

In France, these obligations mainly include termination benefits, a closed "IRP RP" defined benefit plan, and an "ARS" supplementary retirement plan. The main characteristic of these plans are as follows:

- the "IRP RP" plan is for all current and retired employees who contributed to the plan prior to its closure. It offers a full benefit guarantee compared with the end-of-career salary, and has no longer applied since the 1970s;
- the "ARS" plan is for executives. It sets a level of benefits independently of the change in mandatory plan benefits. It is subject to conditions, end-of-career salary, retirement age and seniority in the Group. This plan is supplemented for executive managers depending on the potential rights arising from the plans specific to this category.

In the US, they are mainly related to the following plans:

- the "Pension Equity Plan" enabling the acquisition of increasing capital according to age brackets. This plan was closed in 2003 and replaced by a defined contribution plan;
- the "Hourly Plan" providing for the acquisition of a percentage of salary by year of service (resulting from negotiations with trade unions);
- the "Restoration Plan" and "Senior Executive Retirement Plan" covering the portion of salary exceeding the limits of the "Pension Equity Plan" or granting specific guarantees to a very small group of senior executives.

In the United Kingdom, there is mainly a defined benefit plan with entitlement to a salary percentage acquisition rate per year of service. This plan was closed in 2003 and replaced by a defined contribution plan. This plan provides for a contribution rate according to age brackets.

An actuarial valuation of defined benefit obligations is performed at least once a year at the balance sheet date by independent actuaries.

Obligations recognized in the balance sheet

The obligations recognized in the balance sheet break down as follows:

(in millions of euros)	**At December 31, 2008**	**At December 31, 2007**	**At December 31, 2006**	**At December 31, 2005**	**At December 31, 2004**
Present value of unfunded obligations	1,005	975	969	928	816
Present value of funded obligations	1,092	1,423	1,551	1,639	1,368
Present value of total obligations	**2,097**	**2,398**	**2,520**	**2,567**	**2,184**
Fair value of plan assets	(946)	(1,234)	(1,287)	(1,327)	(1,186)
Net value of obligations	**1,151**	**1,164**	**1,233**	**1,240**	**998**
Unrecognized past service cost	-	(3)	(4)	(5)	-
Assets not recognized in accordance with asset ceiling rules	16	-	3	-	-
Net present value of recognized obligations	**1,167**	**1,161**	**1,232**	**1,235**	**998**
Balance sheet amounts:					
Assets	1	-	1	6	-
Liabilities	1,168	1,161	1,233	1,241	998

During fiscal year 2005, the French termination benefits plan was amended for certain employees as a result of the classification of the Pont de Claix site as being eligible for the early retirement benefits paid to asbestos workers.

Past service costs not yet amortized relating to the amendment of this plan amounted to €3 million at December 31, 2007. They have been fully amortized in 2008 following the transfer of employees from the Pont de Claix site following the disposal of the Isocyanates business at September 1, 2008.

In Brazil, the plan surplus of €16 million was not recognized following the asset ceiling rules.

Analysis of the present value of the recognized obligation

The present value of the obligations and the fair value of the assets break down as follows:

(in millions of euros)	2008	2007
Present value of obligations at the beginning of the period	2,398	2,520
Cost of services rendered	17	19
Interest cost	129	126
Benefits paid	(150)	(157)
Employee contributions	1	2
Past service cost	-	(1)
Actuarial gains and losses	(60)	5
Currency translation differences	(234)	(119)
Changes in the consolidation scope [(1)]	(10)	(3)
Curtailments and settlements [(2)]	6	6
Present value of obligations at the end of the period	2,097	2,398
Fair value of plan assets at the beginning of the period	1,234	1,287
Expected return on assets	87	94
Actuarial gains and losses on return on asset	(109)	(2)
Employer contributions	41	45
Employee contributions	1	2
Benefits paid	(89)	(97)
Currency translation differences	(219)	(95)
Fair value of plan assets at the end of the period	946	1,234
Present value of the obligation	1,151	1,164
Unrecognized past service cost	-	(3)
Assets not recognized in accordance with asset ceiling rules	16	-
Present value of the recognized obligation	**1,167**	**1,161**

(1) Disposal of the Isocyanates business.
(2) Including termination benefits allocated to employees who retired prior to normal retirement age.

The present value of the obligation corresponds to the difference between the present value of the obligations and the fair value of the plan assets.

The breakdown of obligations and assets by geographical area is as follows:

(in millions of euros)	At December 31, 2008			At December 31, 2007		
	France	Other countries	Total	France	Other countries	Total
Present value of the obligation	856	1,241	2,097	825	1,573	2,398
Fair value of plan assets	-	(946)	(946)	-	(1,234)	(1,234)
TOTAL	**856**	**295**	**1,151**	**825**	**339**	**1,164**

The actual rate of return on plan assets amounted to €92 million in 2007 and €(22) million in 2008. The expected rate of return was €94 million for 2007, €87 million for 2008. Actuarial gains and losses were recognized to account for the difference between these two amounts, i.e. a €(2) million gain for 2007 and a €(109) million loss for 2008.

The amount disbursed by the Group with respect to defined benefit plans corresponds to benefits paid to employees (€150 million in 2008, €157 million in 2007) and Rhodia's contributions to funds (€41 million in 2008, €45 million in 2007), less the benefits paid directly by these funds (€89 million in 2008, €97 million in 2007). This amount totaled €102 million in 2008 and €105 million in 2007 and is estimated at around €100 million with respect to 2009.

Expense for the year

The expense relating to retirement benefit obligations breaks down as follows:

(in millions of euros)	**2008**	**2007**
Cost of services rendered	17	19
Interest cost	129	126
Expected return on plan assets	(87)	(94)
Amortization of past service cost	3	(1)
Curtailments and settlements [1]	6	6
Total expense recognized on profit or loss	**68**	**56**

(1) Including specific termination benefits for €7 million in 2008 and €8 million in 2007, recorded under Restructuring costs.

The cost of services rendered is recognized in operating profit or loss by destination. The interest cost and the expected return on plan assets have been recognized respectively in finance costs and finance income.

The actuarial gains and losses relating to retirement benefit obligations recognized in the statement of recognized income and expense are as follows:

(in millions of euros)	**2008**	**2007**	**2006**	**2005**	**2004**
Actuarial gains and losses (1)	49	7	41	247	1
Application of asset ceiling rules	16	(3)	11	-	-
TOTAL	**65**	**4**	**52**	**247**	**1**
(1) Of which:					
Experience adjustments on measurement of obligations – loss/(gain)	62	28	3	39	(48)
Experience adjustments on measurement of plan assets – loss/(gain)	109	1	(41)	(50)	(15)

27.2 *Other employee benefits*

Description of obligations and actuarial assumptions

Other benefits granted to employees are mainly comprised of bonuses related to employee seniority in addition to other post-employment benefits in France, the US and the UK. The resulting obligations of defined benefit plans have been measured according to the same methods, assumptions and calculation rates as those used for retirement plans.

Obligations recognized in the balance sheet

The net obligation recognized under liabilities in the balance sheet breaks down as follows:

(in millions of euros)	**At December 31, 2008**	**At December 31, 2007**	**At December 31, 2006**	**At December 31, 2005**	**At December 31, 2004**
Net value of the unfunded obligations	80	85	90	107	111
Present value of funded obligations	5	7	8	7	7
Present value of the obligation	**85**	**92**	**98**	**114**	**118**
Fair value of plan assets	(5)	(7)	(6)	(5)	(4)
Obligations recognized in liabilities	**80**	**85**	**92**	**109**	**114**

Analysis of the present value of the obligation recognized under liabilities in the balance sheet

The net obligation recognized under liabilities breaks down as follows:

(in millions of euros)	At December 31, 2008	At December 31, 2007
Present value of obligations at the beginning of the period	92	98
Cost of services rendered	5	6
Interest cost	5	5
Benefits paid	(9)	(10)
Actuarial gains and losses	(1)	(1)
Currency translation differences	(3)	(4)
Changes in the consolidation scope	(4)	(2)
Present value of obligations at the end of the period	85	92
Fair value of plan assets at the beginning of the period	7	6
Employer contributions	1	2
Expected return on assets	1	1
Benefits paid	(2)	(1)
Currency translation differences	(2)	(1)
Fair value of plan assets at the end of the period	5	7
Present value of the obligation recognized under liabilities in the balance sheet	**80**	**85**

The amount disbursed by the Group totaled €8 million in 2008, (€11 million in 2007), and is estimated at €10 million for 2009.

Expense for the year

The expense recognized in profit or loss breaks down as follows:

(in millions of euros)	2008	2007
Cost of services rendered	5	6
Interest cost	5	5
Expected return on assets	(1)	(1)
Actuarial gains and losses	(1)	(1)
Expense/(income) recognized in the income statement	**8**	**9**

NOTE 28 Provisions

28.1 Analysis by type

	At December 31, 2008			At December 31, 2007		
(in millions of euros)	More than one year	Less than one year	Total	More than one year	Less than one year	Total
Restructuring	26	34	**60**	15	53	**68**
Environmental	165	31	**196**	170	33	**203**
Other provisions for contingencies and losses	88	72	**160**	133	52	**185**
TOTAL	**279**	**137**	**416**	**318**	**138**	**456**

28.2 Movements over the year

(in millions of euros)	January 1, 2008	Net Charge	Utilization	Changes in consolidation scope	Currency translation differences	Other movements	At December 31, 2008
Restructuring	68	35	(30)	(1)	(3)	(9)	60
Environmental	203	41	(27)	(1)	(20)	-	196
Other provisions for contingencies and losses	185	21	(31)	-	(21)	6	160
TOTAL	**456**	**97**	**(88)**	**(2)**	**(44)**	**(3)**	**416**

28.3 Restructuring

Restructuring provisions cover the following costs:

(in millions of euros)	At December 31, 2008	At December 31, 2007
Employee expenses	38	36
Site closure costs	22	32
TOTAL	**60**	**68**

Employee expenses include costs resulting from miscellaneous departure measures, including early retirement plans. The plans set up include voluntary, i.e. proposed by the employer and accepted by the employee, or involuntary, i.e. at the employer's sole discretion, departure measures. The provisions relating to involuntary measures are recognized as soon as they are officially announced by executive management to the employee representative bodies of the employees concerned by the detailed implementation plan.

Changes in fiscal year 2008

New measures represent a total estimated cost of €30 million and mainly concern the Italian closure site of Ceriano (Polyamide Entreprise) and productivity measures on support functions in France, in the United-Kingdom and in the United States.

Changes in estimates of previous plans result in an additional net charge in 2008 of €5 million mainly relating to termination benefits allocated to employees who retired prior to normal retirement age in the United Kingdom.

Utilizations of provisions relating to employee expenses and site closures represent €(30) million and mainly correspond to the closure of industrial activities on Mulhouse, Lille, Roussillon, Avonmouth and Oldbury sites, as well as productivity improvement plans on Freibourg site and support function in Europe.

Changes in fiscal year 2007

New measures represent a total estimated cost of €51 million and mainly concern Organics and Acetow as well as Corporate and Other.

They mainly correspond to the following transactions:

In France

Charges for new measures represented €21 million corresponding mainly to the following plans of Organics:

- closure of the production of chlorophenols at the Pont de Claix site, announced on January 12, 2007;
- plan to discontinue business at the Mulhouse Dornach, announced on March 23, 2007 and effective as of December 31, 2007;
- closure of production of nitrophenols at the Roussillon site, announced on May 4, 2007;
- plan to discontinue the paracetamol business at the Roussillon site, announced on October 26, 2007.

Foreign operations

The new measures represent a cost of €30 million corresponding mainly to industrial productivity measures undertaken in various countries The most significant measure involves the plan to cease activities at the Avonmouth site in the United Kingdom (Corporate & Other) and the plans to improve productivity at the Freibourg site in Germany (Acetow) and the Oldbury site in the United Kingdom (Novecare). These action plans also concern the support functions located at these sites.

Changes in estimates of previous plans result in an additional net charge in 2007 of €2 million mainly relating to the Lille site.

Utilizations of provisions relating to employee expenses and site closures represent €(38) million and break down as follows:

- €(25) million in France, mainly corresponding to the closure of workshops or sites within Organics for €(15) million, industrial restructuring measures in Polyamide for €(4) million and the support functions plan initiated at the end of 2003 for €(5) million;
- €(13) million excluding France, of which €(6) million in the United Kingdom mainly corresponding to the costs relating to the discontinuation of certain activities at the Avonmouth site, in addition to head office closure costs, and €(7) million mainly for the United States, Brazil and Europe, relating to the streamlining of administrative structures.

28.4 Environment

Rhodia periodically assesses its environmental liabilities and future possible remediation measures.

As indicated in note 2.19, the provision is estimated by taking into account future discounted cash flows.

The discount rates used at December 31, 2008 are set up by geographical area based on inflation and risk-free interest rates (government bonds) over the probable term of the remediation obligations related to the sites.

	5 years	10 years	20 years
France	-	1.40%	-
Europe (except United Kingdom and France)	-	0.90%	-
United Kingdom	0.40%	-	1.90%
United States	0.00%	0.00%	-
Brazil	-	7.60%	7.60%

At December 31, 2008, provisions related to environmental risks totaled €196 million, compared with €203 million at December 31, 2007.

The main provisions by geographical area are as follows:

(in millions of euros)	At December 31, 2008	At December 31, 2007
South America	63	89
France	73	54
North America	39	39
United Kingdom	19	21
Europe (except United Kingdom and France)	2	-
Total environmental provisions	**196**	**203**

The South American area mainly covers sites located in Brazil, in particular the Cubatao site.

In France, these provisions include the La Rochelle, Thann, Wattrelos, Mulhouse, Pont de Claix and Lille sites and several former mining sites.

The North American area principally covers the sites located in the US, notably the Silver Bow, New Brunswick, Dalton, Charleston and Morrisville sites.

In the UK, they mainly cover the Staveley, Whitehaven and Oldbury Rattlechain sites.

The provisions mostly relate to sites or activities which have been shut down, some of them even before the creation of Rhodia.

Changes in fiscal year 2008

A net charge of €41 million was recognized and breaks down as follows:

- €36 million corresponding to additional provisions, mainly €19 million for the La Rochelle site in France essentially relating to the revision of costs of research into the future ANDRA (French National Agency for the Management of Radioactive Waste) center, according to the latest available data provided by the agency, as well as the revision of costs for the storage of radioactive waste at the future center, €6 million for the Pont de Claix site in France, and €4 million for the Cubatao site in Brazil;
- €(1) million corresponding to the net reversal of provisions set aside for changes in the discount rate, of which €(9) million

in provisions reversals relating to the discount rate increase in Brazil and €8 million in respect of the decline in discount rates in Europe and North America;

- and €6 million in charges linked to financial discounting.

Utilizations of provisions amounted to €(27) million and mainly concern the sites of:

- Cubatao in Brazil for €(9) million;
- La Rochelle, Wattrelos, Pont de Claix and Roussillon in France for €(2) million, €(2) million, €(1) million and €(1) million respectively;
- Silverbow and New Brunswick in the United States for €(1.5) million and €(1) million respectively.

Changes in fiscal year 2007

A net charge of €21 million was recognized and breaks down as follows:

- €16 million corresponding to additional provisions, mainly €4 million for the Cubatao site in Brazil, €3 million for the La Rochelle site in France and €2 million for the Charleston site in the United States;
- €1 million corresponding to the decline of the discount rate mainly impacting Silverbow in the United States;
- €3 million corresponding to provision reversals, including €2 million with respect to various remediation plan re-estimates, and the remainder with respect to the increase in the discount rate mainly at the La Rochelle site;
- and €7 million corresponding to charges linked to financial discounting.

Utilizations of provisions amounted to €(26) million and mainly concern the sites of:

- Cubatao in Brazil for €(9) million;
- Whitehaven in United Kingdom for €(1) million;
- Silverbow and New Brunswick for €(1) and €(0.5) million, respectively;
- La Rochelle, Roussillon and Wattrelos in France for €(1), €(1) and €(2) million, respectively.

Contingent environmental liabilities and re-estimates

Based on current information, Rhodia's management estimates that it does not have probable liabilities for environmental matters other than those provided for at December 31, 2008. However, Rhodia may need to incur additional expenditure if there are changes to existing laws, regulations or their interpretations.

Estimated contingent liabilities before discounting amounting to around €158 million at December 31, 2007 were increased to around €183 million at December 31, 2008, mainly relating to the La Rochelle site in France for the re-estimated forecast cost of introducing waste or materials in a future storage center designed for radioactive products and graphites. Excluding the impact of this site, contingent liabilities have not significantly changed since December 31, 2007. They mainly relate to the Pont de Claix site in France for the possible containment of an internal landfill and the possible treatment of pollution areas, as well as the SilverBow site (Montana, United States) and the Cubatao site (Brazil) for the possible obligation to incinerate waste off site. No provision has been recognized at December 31, 2008 to cover these contingent liabilities in the absence of any obligation as of this date.

28.5 *Other provisions*

Other provisions mainly concern tax litigation and the provided risks and costs relating to operations sold or being sold.

NOTE 29 Trade and other payables

(in millions of euros)	**At December 31, 2008**	**At December 31, 2007**
Operating goods and services payables	695	733
Capital expenditure payables	46	47
Employees and social security	118	163
French State and local authorities (1)	72	68
Accrued expenses	6	27
Other	35	33
TOTAL	**972**	**1,071**

(1) At the end of December 2008, the heading "French State and local authorities" includes a liability with respect to CO_2 allowances to be delivered for €25 million (€9 million at the end of December 2007).

NOTE 30 Leases

30.1 Operating leases

The income and expenses relating to operating leases in 2008 and 2007 break down as follows:

(in millions of euros)	**2008**	**2007**
Minimum lease payments	(39)	(27)
Conditional lease payments	2	2
TOTAL	**(37)**	**(25)**

Minimum future payments related to operating leases can be analyzed as follows:

(in millions of euros)	**At December 31, 2008**	**At December 31, 2007**
Less than one year	36	40
From one to five years	78	86
More than five years	38	47
TOTAL	**152**	**173**

30.2 Finance leases

The reconciliation between future finance lease payments and their present value is as follows:

(in millions of euros)	**Less than one year**	**From one to five years**	**More than five years**	**Total**
At December 31, 2008				
Minimum future lease payments	4	4	1	9
Interest	-	(1)	-	(1)
Minimum future lease payments excluding interest	**4**	**3**	**1**	**8**

(in millions of euros)	**Less than one year**	**From one to five years**	**More than five years**	**Total**
At December 31, 2007				
Minimum future lease payments	4	8	3	15
Interest	(1)	(1)	-	(2)
Minimum future lease payments excluding interest	**3**	**7**	**3**	**13**

NOTE 31 Off-balance sheet commitments and contractual obligations

(in millions of euros)	At December 31, 2008	At December 31, 2007
Commitments to purchase		
Firm orders for the acquisition of industrial assets	55	60
Commitments for the purchase of goods and services:		
Commitment for the acquisition of goods	2,122	2,206
Commitment for the acquisition of energy	880	973
Guarantees and liens granted		
Guarantees given to unconsolidated entities to guarantee their debt	1	6
Liens granted	110	122
Total commitments and guarantees given	**3,168**	**3,367**

Assets pledged can be analyzed as follows:

(in millions of euros)	At December 31, 2008	At December 31, 2007
Property, plant and equipment	68	66
Financial assets	42	56
TOTAL	**110**	**122**

NOTE 32 Litigation

32.1 *Legal proceedings*

In the ordinary course of its business, Rhodia is involved in a certain number of judicial, arbitral and administrative proceedings. These proceedings are mainly initiated by buyers of businesses sold by Rhodia or involve environmental or civil liability compensation claims related to marketed chemicals. Rhodia is also subject to certain claims and lawsuits which fall outside the scope of the ordinary course of its business, the most significant of which are summarized below in this section.

Provisions for the charges that could result from these procedures are not recognized until they are probable and their amount can be reasonably estimated. The amount of provisions made is based on Rhodia's assessment of the level of risk on a case-by-case basis and depends on its assessment of the basis for the claims, the stage of the proceedings and the arguments in its defense, it being specified that the occurrence of events during proceedings may lead to a reappraisal of the risk at any moment.

In addition, certain of the Group's US subsidiaries have potential liabilities under US Federal Superfund legislation and environmental regulations. Given the nature of the proceedings, the number of plaintiffs, the volume of waste at issue and the provisions that have already been recognized for these cases, Rhodia estimates that these claims will not result in significant costs for the Group and will not give rise to significant additional provisions.

Finally, Rhodia believes that there is no litigation or exceptional issues that, taken individually or as a whole, could have a material negative impact on its business, financial position or results, other than those detailed below.

AMF administrative proceedings

On June 21, 2007, on completion of the administrative proceedings involving, *inter alia*, Rhodia and relating to facts dating back to the years 2001-2003, the AMF Enforcement Committee made its decision public. The Company was fined € 750,000. Rhodia lodged an appeal on August 20, 2007. In a ruling dated May 20, 2008, the Paris Court of Appeal confirmed the decision rendered by the AMF Enforcement Committee. Rhodia has appealed to the Court of Cassation, France's highest civil court.

Litigation with shareholders

Two proceeedings brought in January 2004 before the Paris Commercial Court by certain shareholders were stayed:

- an individually brought ("*ut singuli*") action challenges Sanofi-Aventis (formerly Aventis) and certain individuals who were members of the Board of Directors of the Company at the time of the alleged facts. This action disputes the terms and conditions of the acquisition of Albright & Wilson by Rhodia. The plaintiffs demand that the defendants be ordered to pay the Company €925 million as compensation for the alleged harm the Company suffered. These proceedings were stayed on January 27, 2006;
- the other suit challenges Sanofi-Aventis (formerly Aventis), certain individuals who were members of the Board of Directors of the Company and the Statutory Auditors at the time of the alleged facts, as well as the Company on a subsidiary basis. This action alleges that the information on environmental risks and deferred tax assets made public by the Company in 2001 and until January 29, 2002, in respect of the acquisition by Rhodia of Albright & Wilson and then Chirex, were inaccurate and misleading. Both plaintiffs demand that the defendants be ordered to pay €131.8 million as a compensation for damages. These proceedings were stayed on February 10, 2006.

Both proceedings were stayed due to the existence of a criminal investigation conducted by examining magistrates of the financial division of the Paris Court of First Instance concerning the same facts and pursuant to three criminal complaints filedin 2003 and 2004 against an unspecified defendant by the same shareholders for misuse of company assets, insider dealings, publication of false or misleading information, fraudulent balance sheet and disclosure of inaccurate accounts. Rhodia joined the criminal investigation as a civil plaintiff ("partie civile") on January 25, 2006. The investigation was still in progress as of December 31, 2008.

Since April 7, 2005, various complaints have been filed by shareholders in United States against Rhodia as well as certain of its Directors and senior management. The plaintiffs have generally alleged that between April 26, 2001 and March 23, 2004 or March 24, 2005, depending on the plaintiff, certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 were violated, notably in terms of financial communication. Some of these "Erisa" type complaints were filed by participants in the Company's US pension schemes. In this context, the parties entered into an out-of-court settlement (of approximately $2.4 million, fully assumed by the Company's insurers) that was approved by the Court, thus terminating these proceedings. In respect of the other complaints, the U.S. District Court for the Southern District of New York ruled, in its September 26 and December 12, 2007 rulings, to dismiss all the plaintiffs' claims brought as part of class action suit. In the absence of appeal against these decisions, these proceedings are definitely closed.

Trade litigation

Innophos litigation

On November 8, 2004, Rhodia received from Innophos, a subsidiary of Bain Capital, a complaint originating from Mexico's National Water Commission relating to water use at the Coatzacoalcos site during the period from 1998 to 2002. The total claim amounts to approximately 1.5 billion Mexican pesos (around €100 million), including user fees, interest and penalties. The Coatzacoalcos site was part of the speciality phosphates business that was sold in August 2004 to Bain Capital, giving rise to the creation of a new company, Innophos. To best protect its interests, Rhodia then informed Bain that it was willing to assume direct responsibility, subject to certain legal reservations, for resolving this matter with the Mexico National Water Commission. Since then, Rhodia has worked closely with Innophos to prepare a response, which was filed in Innophos' name on January 17, 2005. The amount of the initial claim was lowered following the application made by Rhodia to the administrative authority to reconsider and materialized by a decision rendered on August 29, 2005. The total amount of the revised claim was approximately €16.5 million. The Mexican Federal Administrative and Fiscal Court subsequently rejected all claims from the Mexican Water Commission. The decision was appealed by the latter on September 23, 2008. The Circuit Court rendered a decision on January 2009, definitively rejecting some of the claims made by the Mexican Water Commission (which therefore reduced the claim amount to around €9.5 million) while invalidating the decision of the Mexican Federal Administrative and Fiscal Court for the remainder. On February 5, 2009, this court rendered a new decision, again rejecting all the claims of the Mexican Water Commission. The Commission can appeal this decision. Should the case be decided against Innophos, the New York court has ruled that Rhodia should fully indemnify Innophos. Rhodia did not consider it necessary to record a provision in respect of this claim.

City of Metz litigation

At the request of the City of Metz, an expert was appointed by the Administrative Court of Nancy in 2002 in order to review the regulatory compliance of chloride disposals involving Solvay Carbonate France and Novacarb (Rhodia Chemicals acting as guarantor for Novacarb in connection with Rhodia's sale to Bain Capital in 2002 of certain European industrial and commercial activities relating to itst basic chemicals business as well as the financial loss which, according to the City of Metz, this chloride waste caused by requiring it to make, in particular, investments for the supply and distribution of drinking water in the early 1970s. The expert submitted his report on February 14, 2008. The report confirmed the waste chloride's compliance with the prefect orders for installations. The expert also concluded that the current installations for the production of drinking water could supply drinking water to the greater Metz region and that, accordingly, the use of new units, and particularly treatment units, was not necessary, except potentially as a back-up system. The expert did not decide conclusively on the correlation between the City's investments to supply drinking water in the early 1970s and the chloride disposals at the time, or on the evaluation of the loss invoked. As his expertise was of a technical nature, he did not conclude further on whether the actions of the City of Metz were time-barred. By writ of summons dated December 30, 2008, the City of Metz nevertheless referred to the trial court of Metz seeking joint and several damages and interest of €51.5 million from Solvay Carbonate France and Novacarb to compensate for its alleged loss. Rhodia did not believe that it was necessary to record a provision.

Other proceedings

Securities and Exchange Board of India

Rhodia S.A. is involved in proceedings in India initiated by the Securities and Exchange Board of India ("SEBI"), which is seeking to require Rhodia to initiate a public tender offer for 20% of the shares of Albright & Wilson Chemicals India Limited ("AWCIL"), a listed subsidiary of the group formerly known as Albright & Wilson, which Rhodia acquired in 2000 and of which it now owns 72.79%. These shares would be acquired at a price of 278 rupees per share, based on the value of those shares at the time of our acquisition of Albright & Wilson, and increased by interest accrued since 2000. Such a decision by the SEBI would increase Rhodia's holding of AWCIL from 72.79% to 92.79%. As its shareholding would exceed 90%, Rhodia would then be required to initiate a mandatory public tender offer (or "squeeze out") for the remaining 7.21% of outstanding shares for the same price. In this case, all the shares not yet held by Rhodia (27.21%) would be acquired for €7.2 million. Rhodia is challenging the merits of SEBI's claim but this risk is provided for in the financial statements. The High Court of Mumbai, which is hearing the case on Rhodia's appeal following an initial unfavorable judgment, had yet to make a final decision as of the date hereof.

Significant proceedings entered into by the Company

The Company is pursuing various proceedings initiated in 2004 and 2005 in France, in Brazil and in the United States against Sanofi-Aventis (Rhône-Poulenc's successor) in respect of environmental and other employee pension liabilities inherited from its former parent company.

Other

Valauret litigation

On March 19, 2005, Valauret SA, a shareholder, brought a suit (in an "ut singuli" proceeding) against the Chairman of the Board of Directors and Chief Executive Officer before the Nanterre Commercial Court alleging personal mismanagement, in an attempt to have them repay Rhodia the amounts paid to Mr. Jean-Pierre Tirouflet upon his departure in October 2003 (severance payment of €2.1 million and, if applicable, payments made under a supplementary retirement plan for which no sums have been paid to date). On November 21, 2007, when the case was ready to be tried, the plaintiff requested a stay in the proceedings on the grounds that a non-peremptory charge had been brought by the Paris Prosecutor's office. The defendants and the Company dispute the merits of such demands. On February 13, 2008, the Nanterre Commercial Court declared itself to be the competent authority and did not announce a stay in the proceedings. On December 3, 2008, it rendered a non-enforceable decision jointly ordering Messrs. Jean-Pierre Clamadieu and Yves René Nanot to pay Rhodia the amount of €2.1 million in damages. They were blamed for not having challenged at the time the payment to Mr. Jean-Pierre Tirouflet of the compensation stipulated in his employment contract upon his departure from the company in 2004. Messrs. Clamadieu and Nanot have filed an appeal against this decision.

32.2 Commitments relating to disposals

In connection with disposals made in 2008 and prior years, Rhodia provided customary warranties related to accounting, tax, employee and environmental matters.

No warranties granted as part of the disposals were triggered between January 1 and December 31, 2008.

NOTE 33 Related party transactions

33.1 Transactions with joint ventures, associates and non-consolidated subsidiaries

Transactions with joint ventures, associates and non-consolidated subsidiaries are performed under normal market conditions and break down in the income statement as follows:

(in millions of euros)	**2008**	**2007**
Revenue [(1)]	160	141
Non-consolidated subsidiaries	9	14
Associates	10	9
Joint ventures	141	118
Cost of sales [(1)]	51	52
Non-consolidated subsidiaries	3	7
Associates	2	1
Joint ventures	46	44

(1) Including transactions with related parties which were only related parties for a certain period during the year up to the date of their disposal or liquidation.

The assets and liabilities recognized in Rhodia's balance sheet in respect of related parties are as follows:

(in millions of euros)	**2008**	**2007**
Trade and other receivables	20	39
Non-consolidated subsidiaries	-	5
Associates	2	2
Joint ventures	18	32
Trade and other payables	16	9
Non-consolidated subsidiaries	-	1
Associates	1	-
Joint ventures	15	8
Net cash (borrowings)	1	1
Non-consolidated subsidiaries	1	-
Associates	-	-
Joint ventures	-	1

33.2 *Compensation and benefits paid to key Group executives*

Key Group executives are defined as being company officers or are either Directors of the Rhodia Group or members of the Executive Committee.

Amounts due in respect of the year (salary) or obligations existing at the end of the year (other elements):

(in thousands of euros, except for subscription options and free shares)	**2008**	**2007**
Wages, charges and short-term benefits	4,395	6,035
Accumulated retirement and other post-employment benefits	18,461	16,074
Severance payments (1)	8,508	6,009
Total stock subscription options and free shares granted	497,748	516,082

(1) Severance payments acquired correspond to the commitments undertaken by Rhodia for the Group's key executives in the event of employment contract termination.

Amounts paid during the year:

(in thousands of euros, except for subscription options and free shares)	**2008**	**2007**
Wages, charges and short-term benefits	5,903	5,900
Severance payments	-	696
Total stock subscription options and free shares granted	129,500	168,424

33.3 *Loans granted to key Group executives*

As of December 31, 2008, no loans had been granted to any key Group executives.

NOTE 34 Share-based payment

The principal changes in the stock subscription option and free share plans occurring during the year are as follows:

	2008			2007		
	Options	**Free shares**	**Total**	**Options**	**Free shares**	**Total**
Outstanding at the beginning of the year	**2,072,536**	**1,628,651**	**3,701,187**	**2,141,278**	**733,279**	**2,874,557**
Adjustment for reverse share split	-	-	-	931	506	1,437
Granted	-	1,023,960	1,023,960	-	923,360	923,360
Cancelled	(38,743)	(621,857)	(660,600)	(50,689)	(28,494)	(79,183)
Exercised	(1,111)	(718,126)	(719,237)	(18,984)	-	(18,984)
Outstanding at year-end	**2,032,682**	**1,312,628**	**3,345,310**	**2,072,536**	**1,628,651**	**3,701,187**

34.1 Share capital increase reserved for employees

Rhodia did not perform any capital increases reserved for employees in 2008 and 2007.

34.2 Stock option plans

Rhodia S.A. has granted stock subscription options to certain of its executive managers and employees. All of these option plans are payable in shares over the vesting periods mentioned below. The exercise of the stock subscription options is subordinated to the beneficiary's continued employment within the Group on the date of said fiscal year, with certain exceptions (such as retirement). The options vested may be exercised over a period limited in time. The exercise period varies according to the reason for leaving the Group.

Current stock option plans

During 2007 and 2008, the Board of Directors did not grant any new stock option plans.

Options granted under the 2004 plans are exercisable over a eight-year period, with a holding period of four years for French tax residents and three years for foreign tax residents as from the grant date by the Board of Directors.

Options granted under the 2001, 2002 and 2003 plans are exercisable over a twelve-year period, with a holding period of four years for French tax residents and three years for foreign tax residents as from the grant date by the Board of Directors.

Options issued under the 1999 and 2000 plans are exercisable over a ten-year period, with a holding period of five years for French tax residents and three years for foreign tax residents as from the grant date by the Board of Directors.

In accordance with IFRS 2, only the plans granted after November 7, 2002 that were not yet vested at January 1, 2005 were measured and recognized under this standard.

Main changes in stock option plans outstanding at December 31, 2008:

	2008		2007	
	Options	**Weighted average exercise price** *(in €)*	**Options**	**Weighted average exercise price** *(in €)*
Options outstanding at the beginning of the period	2,072,536	61.73	2,141,278	61.34
Adjustment for reverse share split	-	-	931	-
Options forfeited [(1)]	(38,743)	48.79	(50,689)	59.88
Options exercised	(1,111)	15.12	(18,984)	23.28
Options outstanding at the end of the period	**2,032,682**	**62.00**	**2,072,536**	**61.73**

(1) Stock subscription options forfeited during the year.

The weighted average remaining contractual life of the stock subscription options outstanding as of December 31, 2008 is 3 years (4 years as of December 2007).

In 2008, of all plans granted by the Rhodia Board of Directors, 1,111 options have been exercised on the 2004 A plan.

Main features of the stock option plans outstanding at December 31, 2008:

Stock subscription option plan	1998 Plan	1999/1 Plan	1999/2 Plan	2000/1 Plan	2000/2 Plan	2001 Plan	2002 Plan	2003 Plan	2004 A Plan	2004 B Plan
Date of shareholders' meeting approval	05/13/1998	05/13/1998	05/13/1998	05/13/1998	04/18/2000	04/18/2000	04/18/2000	05/21/2002	05/21/2002	05/21/2002
Date of grant as approved by the Board of Directors	06/24/1998	02/23/1999	02/23/1999	03/30/2000	09/27/2000	03/16/2001	03/20/2002	05/28/2003	06/17/2004	06/17/2004
Exercise period (a)	7 years from 06/24/01	7 years from 02/23/02	7 years from 03/01/02	7 years from 03/30/03	7 years from 09/27/03	9 years from 03/16/04	9 years from 03/20/05	9 years from 05/28/06	5 years from 06/17/2007	5 years from 06/17/07
Options granted at inception	133,333	131,667	100,000	175,000	12,500	215,022	166,667	109,412	225,125	114,375
Of which granted to the Board of Directors and Executive Committee (b)	6,667	7,792	5,000	17,250	-	19,750	14,837	8,542	29,500	46,250
Fair value of the option	-	-	-	-	-	-	-	6,30	2,68	2,76
Original exercise price (in €)	256.08	180.00	180.00	205.68	195.12	188.40	144.48(e)	66.00(e)	18.00	18.00
Maximum term (years)	10	10	10	10	10	12	12	12	8	8
Weighted-average remaining contractual life at December 31, 2008 (years)	-	0.2	0.2	1.2	-	4.2	5.2	6.4	3.5	3.5
Adjusted exercise price (c)	-	76.56	76.56	87.48	-	80.16	61.44(e)	28.08(e)	15.12	15.12
Weighted average exercise price	-	76.56	76.56	87.48	-	80.16	62.76	31.44	15.12	15.12
Weighted average exercise price of exercisable options	-	76.56	76.56	87.48	-	80.16	62.76	31.44	15.12	15.12
Options outstanding at December 31, 2007	2,618	263,058	196,249	328,195	-	408,012	326,224	210,658	216,415	121,107
Options forfeited between January 1 and December 31, 2008	(2,618)	(1,176)	(1,178)	(3,430)	-	(4,905)	(6,292)	(4,292)	(10,481)	(4,371)
Options exercised between January 1 and December 31, 2008	-	-	-	-	-	-	-	-	(1,111)	-
Options exercisable at December 31, 2008	-	261,882	195,071	324,765	-	403,107	319,932	206,366	204,823	116,736
Of which granted to the Board of Directors and Executive Committee (d)	-	12,828	7,345	35,642	-	40,537	30,167	11,066	31,918	50,336
Options outstanding at December 31, 2008	-	261,882	195,071	324,765	-	403,107	319,932	206,366	204,823	116,736
Of which granted to the Board of Directors and Executive Committee (d)	-	12,828	7,345	35,642	-	40,537	30,167	11,066	31,918	50,336
Of which corporate officers										
• Jean-Pierre Clamadieu	-	2,938	1,469	2,938	-	3,917	6,756	3,721	9,977	14,891
• Jacques Khéliff	-	-	-	-	-	-	-	392	844	795
• Yves René Nanot	-	-	-	-	-	-	-	-	9,977	19,855
Number of beneficiaries at December 31, 2008	-	275	270	372	-	559	390	408	238	65

(a) Without taking into account the tax holding period for tax residents in France of 4 years as from 2001 and 5 years previously.

(b) As made up on the stock subscription option grant date.

(c) After the capital increases which took place on May 7, 2004 and December 20, 2005, the Board of Directors adjusted the exercise price and the number of options outstanding in accordance with the French Commercial Code and applicable regulations to stock option plans.

(d) Actual data.

(e) Due to a personal commitment, Mr. Tirouflet accepted that the exercise price of his options would be set at €15 (after the 2004 and 2005 adjustments, this price was reduced to €6.38 before the reverse share split or €76.56 after the reverse share split).

The expense incurred during the period relating to services compensated by equity-based instruments (stock options) totaled less than €1 million at December 31, 2007 and nil at December 31, 2008.

34.3 *Free shares plan*

Under the 2005 French Finance Act, French companies are entitled to grant free shares to their executives and employees as from January 1, 2005.

2008 A and B plans

On March 17, 2008, the Rhodia Board of Directors approved a new free shares plan for 342 beneficiaries (2 x 511,980 shares) subject to the conditions governing Rhodia's performance 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	355,000	156,980	355,000	156,980
Number of beneficiaries	189	153	189	153
Grant date	March 17, 2008	March 17, 2008	March 17, 2008	March 17, 2008
Vesting date	March 18, 2010	March 20, 2012	March 18, 2010	March 20, 2012
Holding period	Minimum March 18, 2012	-	Minimum March 18, 2012	-
Performance criteria	Level of CFROI (Cash Flow Return On Investments), as presented in the consolidated financial statements of the Company for the year ended December 31, 2008		Recurring EBITDA/net sales ratio (including CER activities), as presented in the consolidated financial statements of the Company for the year ended December 31, 2008, exceeding by 2 points the average ratio of a panel of competitors	
Validation of vesting conditions	Board of Directors		Board of Directors	

The performance criteria of the 2008 A plans were not met at the 2008 year-end.

Expense recognized

The expense recognized with respect to all free shares plans totaled €15 million for the year ended December 31, 2008 (€18 million in 2007). It includes €2 million for B plans granted during the year.

Major changes in the free shares plans during fiscal year 2008:

Free shares plans	Plan 2006 A (c)	Plan 2006 B (c)	Plan 2007 A (d) (e)	Plan 2007 B (d) (e)	Plan 2007 "2+2"	Plan 2007 "4+0"	Plan 2008 A "2+2" (f)	Plan 2008 A "4+0" (f)	Plan 2008 B "2+2" (f)	Plan 2008 B "4+0" (f)
Date of shareholders' meeting approval	06/23/2005	06/23/2005	06/23/2005	06/23/2005	05/03/2007	05/03/2007	05/03/2007	05/03/2007	05/03/2007	05/03/2007
Date of grant as approved by the Board of Directors	01/13/2006	01/13/2006	01/15/2007	01/15/2007	07/30/2007	07/30/2007	03/17/2008	03/17/2008	03/17/2008	03/17/2008
Vesting date	01/14/2008	01/14/2008	01/16/2009	01/16/2009	07/31/2009	07/31/2011	03/18/2010	03/20/2012	03/18/2010	03/20/2012
Free shares granted at inception	387,760	387,760	344,308	344,308	92,355	142,755	355,000	156,980	355,000	156,980
Of which granted to the Board of Directors and Executive Committee (a)	83,917	83,917	84,167	84,167	90	-	117,000	-	117,000	-
Fair value of the share	21.99	21.99	30.44	30.44	33.03	34.08	10.94	11.30	10.94	11.30
Period of non-transferability	2 years after the vesting period	2 years after the vesting period	2 years after the vesting period	2 years after the vesting period	2 years after the vesting period	-	2 years after the vesting period	-	2 years after the vesting period	-
Number of free shares outstanding at December 31, 2007	359,313	359,313	339,490	339,490	91,695	139,350	-	-	-	-
Free shares granted between January 1 and December 31, 2008	-	-	-	-	-	-	355,000	156,980	355,000	156,980
Free shares forfeited between January 1 and December 31, 2008	(250)	(250)	(50,066)	(50,066)	(1,410)	(4,035)	(355,000)	(156,980)	(2,800)	(1,000)
Number of free shares vested at December 31, 2008	(359,063)	(359,063)	-	-	-	-	-	-	-	-
Number of free shares outstanding at December 31, 2008	-	-	289,424	289,424	90,285	135,315	-	-	352,200	155,980
Of which granted to the Board of Directors and Executive Committee (b)	-	-	74,167	74,167	75	-	-	-	129,500	-
Of which corporate officers										
• Jean-Pierre Clamadieu	-	-	25,000	25,000	-	-	-	-	37,000	-
• Jacques Khéliff	-	-	4,167	4,167	15	-	-	-	7,500	-
Number of beneficiaries at December 31, 2008	-	-	341	341	6,019	9,021	-	-	186	151

(a) As made up on the grant date.
(b) Actual data.
(c) The performance criteria were met as of December 31, 2006.
(d) The performance criteria were met as of December 31, 2007.
(e) The free shares forfeited in 2008 were mostly exchanged for the right to receive cash based on the share price at the vesting date.
(f) The performance criteria were met for B plans but not for the A plans as of December 31, 2008.

NOTE 35 Statutory auditors' fees for 2007 and 2008

	PricewaterhouseCoopers Audit				KPMG Audit			
	Amount (excluding tax)		%		Amount (excluding tax)		%	
(in millions of euros)	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Audit								
Statutory Auditors, certification; examination of individual and consolidated financial statements	1.9	3.5	90	88	1.9	1.3	100	86
Issuer	0.5	0.9	23	23	0.4	0.4	21	26
Consolidated subsidiaries	1.4	2.6	67	65	1.5	0.9	79	60
Other tasks and services directly related to the statutory auditor's mission	0.1	0.4	5	10	-	0.1	-	7
Issuer	-	0.2	-	5	-	0.1	-	7
Consolidated subsidiaries	0.1	0.2	5	5	-	-	-	-
Sub-total	2.0	3.9	95	98	1.9	1.4	100	93
Other services provided to by consolidated subsidiaries								
Legal, tax, labor	0.1	0.1	5	2	-	0.1	-	7
Other (to be given in detail if it is more than 10% of the audit fees)	-	-	-	-	-	-	-	-
Sub-total	0.1	0.1	5	2	-	0.1	-	7
TOTAL	**2.1**	**4.04**	**100**	**100**	**1.9**	**1.5**	**100**	**100**

The amounts shown include, for the share of costs borne by Rhodia, the fees relating to proportionately consolidated entities.

NOTE 36 Subsequent events

On February 27, 2009, Rhodia signed an agreement to purchase the privately-held McIntyre Group Ltd, a global manufacturer of speciality surfactants. This acquisition will reinforce Rhodia Novecare's product range for personal cleansing and extend its offer for hair care, as well as home, institutional and industrial cleaning markets. It will drive new opportunities for oilfield production and agrochemicals applications and allow further business developments in fast-growing markets such as Asia-Pacific and Latin America.

Based near Chicago, the McIntyre Group employs about 200 people and has manufacturing facilities in the United States (Illinois) and in Europe (UK), complemented by a global commercial network. The company has shown strong business performance, achieving double-digit growth during the past three years, with 2008 estimates of US$146 million sales and around 10% recurring EBITDA margin.

NOTE 37 List of companies included in the consolidated financial statements for the year ended December 31, 2008

The consolidated financial statements for the year ended December 31, 2008 included 99 companies, of which 87 subsidiaries, 8 joint ventures, 4 associates.

Subsidiaries	Country	%
RHODIA ACETOW GMBH	Germany	100.00
RHODIA DEUTSCHLAND GMBH	Germany	100.00
RHODIA GMBH	Germany	100.00
RHODIA CHEMICALS PTY LTD	Australia	100.00
RHODIA BELGIUM	Belgium	100.00
RHODIA BRASIL LTDA	Brazil	100.00
RHODIA ENERGY BRASIL LTDA	Brazil	100.00
RHODIA POLIAMIDA BRASIL LTDA	Brazil	100.00
RHODIA POLIAMIDA E ESPECIALIDADES LTDA	Brazil	100.00

Subsidiaries	Country	%
RHOPART – PARTICIPAÇÕES, SERVI SERVIÇOS E COMÉRCIO LTDA	Brazil	100.00
RHODIA CANADA INC.	Canada	100.00
JADE FINE CHEMICALS (WUXI) Co. LTD	China	100.00
RHODIA (SHANGHAI) INTERNATIONAL TRADING Co. LTD	China	100.00
RHODIA (CHINA) Co. LTD	China	100.00
RHODIA PERFUMERY WUXI Co. LTD	China	100.00
RHODIA POLYAMIDE (SHANGHAI) Co. LTD	China	100.00
RHODIA SILICA QINGDAO Co. LTD	China	100.00
RHODIA SPECIALTY CHEMICALS WUXI Co. LTD	China	100.00
RHODIA WUXI PHARMACEUTICAL Co. LTD	China	100.00
RUOHAI (ZHEJIANG) FINE CHEMICALS Co. LTD	China	100.00
LIYANG RHODIA RARE EARTH NEW MATERIALS Co. LTD	China	96.32
RHODIA HENGCHANG (ZHANGJIAGANG) SPECIALTY CHEMICAL Co. LTD	China	70.00
BEIJING RP EASTERN CHEMICAL Co. LTD	China	60.00
BAOTOU RHODIA RARE EARTH Co. LTD	China	55.00
RHODIA (ZHENJIANG) CHEMICALS Co. LTD	China	100.00
RHODIA FINE CHEMICALS ADDITIVES (QINGDAO) Co. LTD	China	100.00
RHODIA ENERGY KOREA Co. LTD	South Korea	100.00
RHODIA POLYAMIDE Co. LTD	South Korea	100.00
RHODIA SILICA KOREA Co. LTD	South Korea	100.00
RHODIA IBERIA SL	Spain	100.00
ALCOLAC, INC.	United States	100.00
RHODIA FUNDING CORP.	United States	100.00
HEAT TREATMENT SERVICES INC.	United States	100.00
RHODIA FINANCIAL SERVICES INC.	United States	100.00
RHODIA HOLDING INC.	United States	100.00
RHODIA INC.	United States	100.00
RHODIA-INDIA HOLDING INC.	United States	100.00
RHODIA CHIMIE	France	100.00
RHODIA ELECTRONICS & CATALYSIS	France	100.00
RHODIA ENERGY	France	100.00
RHODIA ENERGY GHG	France	100.00
RHODIA FINANCE	France	100.00
RHODIA LABORATOIRE DU FUTUR	France	100.00
RHODIA OPERATIONS	France	100.00
RHODIA PARTICIPATIONS	France	100.00
RHODIA	France	100.00
RHODIA SERVICES	France	100.00
RHODIANYL S.N.C.	France	100.00
RHODIA HONG KONG LTD	Hong Kong	100.00
ALBRIGHT & WILSON CHEMICALS INDIA LTD	India	72.80
CEIMIC-RE LTD	Ireland	100.00
RHODIA ITALIA S.p.A.	Italy	100.00
RHODIA JAPAN LTD	Japan	100.00
ANAN KASEI Co., LTD	Japan	67.00
RHODIA NICCA LTD	Japan	60.00
CAREDOR	Luxembourg	100.00
PARTICIPATIONS CHIMIQUES	Luxembourg	100.00
RHODIA DE MEXICO SA DE CV	Mexico	100.00

Subsidiaries	Country	%
RHODIA ESPECIALIDADES SA DE CV	Mexico	100.00
RHODIA NEW ZEALAND LTD	New Zealand	100.00
RHODIA INTERNATIONAL HOLDINGS BV	The Netherlands	100.00
RHODIA POLYAMIDE POLSKA Sp.zo.o	Poland	100.00
HOLMES CHAPEL TRADING LTD	United Kingdom	100.00
RHODIA ECO SERVICES LTD	United Kingdom	100.00
RHODIA FOOD UK LTD	United Kingdom	100.00
RHODIA HOLDINGS LTD	United Kingdom	100.00
RHODIA HPCII UK LTD	United Kingdom	100.00
RHODIA INDUSTRIAL SPECIALTIES LTD	United Kingdom	100.00
RHODIA INTERNATIONAL HOLDINGS LTD	United Kingdom	100.00
RHODIA LTD	United Kingdom	100.00
RHODIA ORGANIQUE FINE LTD	United Kingdom	100.00
RHODIA OVERSEAS LTD	United Kingdom	100.00
RHODIA PHARMA SOLUTIONS HOLDINGS LTD	United Kingdom	100.00
RHODIA PHARMA SOLUTIONS LTD	United Kingdom	100.00
RHODIA REORGANISATION	United Kingdom	100.00
RHODIA UK LTD	United Kingdom	100.00
OOO SERTOW	Russia	100.00
ALBRIGHT & WILSON ASIA PACIFIC HOLDINGS PTE LTD	Singapore	100.00
RHODIA ASIA PACIFIC PTE LTD	Singapore	100.00
SOPARGEST – SOCIETE DE PARTICIPATION ET DE GESTION S.A.	Switzerland	99.98
RHODIA THAI HOLDINGS LTD	Thailand	100.00
RHODIA THAI INDUSTRIES LTD	Thailand	74.00
ALAVER SOCIEDAD ANONIMA	Uruguay	100.00
FAIRWAY INVESTMENTS S.A.	Uruguay	100.00
ZAMIN COMPANY S/A	Uruguay	100.00
RHODIA ACETOW VENEZUELA C.A.	Venezuela	100.00
RHODIA SILICES DE VENEZUELA C.A.	Venezuela	100.00

Joint ventures	Country	%
WÄRMEVERBUNDKRAFTWERK FREIBURG GMBH	Germany	49.90
PRIMESTER	United States	50.00
BUTACHIMIE	France	50.00
COGENERATION CHALAMPE	France	50.00
ORBEO	France	50.00
RHODIGAZ	France	50.00
HINDUSTAN GUM & CHEMICALS LTD	India	50.00
P.T. RHODIA MANYAR	Indonesia	50.00

Associates	Country	%
QINGDAO DONGYUE RHODIA CHEMICAL Co Ltd	China	30.00
GIE OSIRIS	France	41.00
GIE CHIMIE SALINDRES	France	50.00
ZAKLAD ENERGOELEKTRYCZNY «ENERGO-STIL» Sp. z o. o.	Poland	25.00

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