Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlaying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the controlling interests and the identity of the shareholders has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris La Défense, March 11, 2010

Statutory Auditors

PricewaterhouseCoopers Audit

Christian Perrier

KPMG Audit

Division of KPMG S.A.

Denis Marangé

6.5.2 STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

A. BALANCE SHEET

ASSETS *(in millions of euros)*	Note	December 31, 2009 Gross amount	Depreciation & amortization	Net amount	December 31, 2008 Net amount
Intangible assets, and property, plant and equipment	3	9	(8)	1	1
Equity investments	4	4,063	(1,951)	2,112	1,897
Loans to equity investments	5	1,371	(2)	1,369	2,831
Other long-term investments		-	-	-	9
Non-current assets		**5,443**	**(1,961)**	**3,482**	**4,738**
Other receivables	6	98	(3)	95	1,203
Cash advances to subsidiaries	7	500	-	500	402
Marketable securities	8	458	-	458	106
Cash and short-term investments		2	-	2	109
Current assets		**1,058**	**(3)**	**1,055**	**1,820**
Deferred charges	9	5	-	5	7
Unrealized foreign exchange losses		8	-	8	192
TOTAL ASSETS		**6,514**	**(1,964)**	**4,550**	**6,757**

LIABILITIES AND SHAREHOLDERS' EQUITY *(in millions of euros)*	Note	December 31, 2009 Before appropriation	December 31, 2008 Before appropriation
Share capital		1,213	1,213
Additional paid-in capital		14	14
Legal reserve		58	40
Other reserves		464	123
Net profit for the year		(120)	359
Shareholders' equity	10	**1,629**	**1,749**
Provisions	11	**326**	**382**
Bank borrowings		1,670	1,689
Other borrowings		473	1,697
Borrowings	12	**2,143**	**3,386**
Tax and employee-related liabilities		4	2
Other liabilities	13	440	1,202
Liabilities		**2,587**	**4,590**
Unrealized foreign exchange gains		8	36
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,550**	**6,757**

B. INCOME STATEMENT

	Note	2009	2008
(in millions of euros)			
Dividends received from equity investments		3	15
Interest income		138	358
Interest expense		(103)	(254)
Charges to/reversals of provisions for impairment of securities		(62)	(198)
Charges to/reversals of provisions for subsidiary-related risks		(4)	8
Other financial income/(expenses)		(77)	356
Net financial items	14	**(105)**	**285**
Operating profit/(loss)	15	(30)	(21)
Net profit/(loss) from ordinary activities		**(135)**	**264**
Net exceptional items	16	(10)	4
Net profit/(loss) from ordinary activities before tax		**(145)**	**268**
Corporate income tax	17	25	91
Net profit/(loss) for the year		**(120)**	**359**

C. CASH FLOW STATEMENT

(in millions of euros)	2009	2008
Operating cash flow		
Net profit for the year	(120)	359
Elimination of non-cash and non-operating income and expenses		
• Charges to depreciation, amortization and provisions	114	211
• Profit/(loss) from assignment and waiver of receivables	6	(13)
• Share in profit/(loss) of partnerships (SNC)	40	(356)
• Unrealized foreign exchange (gains) or losses	47	(41)
Changes in working capital requirement	(17)	80
Net cash from operating activities (A)	*70*	*240*
Investing cash flow		
Disbursements related to acquisitions of equity investments	-	(1)
Disbursements related to a capital increase on equity investments	(284)	-
Proceeds from disposal of equity investments	2	15
Proceeds from the impact of a capital reduction on equity investments	-	24
Net changes in loans to equity investments and other long-term investments	705	440
Net cash from investing activities (B)	*423*	*478*
Financing cash flow		
Dividends paid to shareholders	-	(25)
New bonds and bank borrowings	-	2
Redemption of bonds and repayment of bank borrowings	(40)	(17)
Net changes in inter-company loans	(167)	(398)
Cash advances to subsidiaries	(128)	(271)
Net cash used in financing activites (C)	*(335)*	*(709)*
Change in cash and cash equivalents (A+B+C)	158	9
Cash and cash equivalents at the beginning of the year (D)	202	193
Cash and cash equivalents at the end of the year (A+B+C+D)	360	202

NOTES TO THE STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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NOTE 1 ACTIVITIES AND HIGHLIGHTS OF THE YEAR

Rhodia S.A. (hereinafter referred to as "Rhodia S.A." or the "Company") is the parent company of the Rhodia specialty chemicals group. It acts as a holding company and also provides services as parent company to support, advise, coordinate and manage Rhodia's subsidiaries.

No significant events occurred during the year 2009.

NOTE 2 ACCOUNTING POLICIES

The annual financial statements of Rhodia S.A. were prepared in accordance with the accounting principles generally accepted in France and more specifically the 1999 French General Chart of Accounts. The balance sheet and profit or loss statement presentation has been adapted to the Company's holding company status.

2.1 Intangible assets and property, plant and equipment

Valuation methods

Intangible assets and property, plant and equipment are stated at purchase cost if acquired for valuable consideration, at production cost if internally generated, and at contribution value if received as a contribution.

Purchase cost includes:

- purchase price including import duties and non-recoverable taxes less rebates, trade discounts and payment allowances;
- incidental expenses excluding purchase expenses.

It should be noted that acquired brands are capitalized. The renewal costs of generated or acquired brands are expensed as incurred.

Methods used to calculate depreciation and amortization

Depreciation and amortization are calculated on a straight-line basis over the expected period of use.

Acquired brands with unlimited useful lives are not amortized.

Assessment of asset value

When there is an indication of impairment, the net carrying amount of the non-current asset is compared with its present value. An impairment loss is recorded, where appropriate, when the present value of the non-current asset falls below its net carrying amount.

2.2 Long-term investments

Equity investments are initially recognized at cost. Purchase expenses are, where applicable, allocated to the purchase cost of the securities.

Periodically, and particularly when valuing its portfolio, the Company measures the value in use of its equity investments. Where the purchase cost exceeds the value in use, two types of provision can be recorded:

- an impairment provision for up to the initial amount of the securities;
- a financial contingency provision for subsidiaries in respect of the residual amount.

Where value in use exceeds the purchase cost, no unrealized capital gains are recognized.

The value in use of equity investments is determined as follows:

1/ The value in use of operating entities mainly takes into account the weighting of two criteria:

- the share of consolidated equity held;
- the share of enterprise value net of indebtedness. The enterprise value is determined using a market multiple applied to 2009 adjusted EBITDA[36].

On a case-by-case basis, external valuations are carried out, mainly based on the discounted future cash flows of the subsidiary, including the gains arising from the Group tax consolidation.

2/ For non-operating or immaterial entities, the value in use is determined based on the share of equity held, calculated using the accounting principles applied by Rhodia for the preparation of its consolidated financial statements.

2.3 Receivables and payables

Receivables and payables are stated at nominal value. An impairment loss is recorded when their historical cost exceeds their carrying amount.

2.4 Marketable securities

Negotiable medium-term notes

Negotiable medium-term notes are recognized at cost. An impairment loss is recorded when their net carrying amount exceeds their net asset value.

Treasury shares

Treasury shares allocated to bonus share allotment plans are not subject to impairment based on market value due to Rhodia S.A.'s commitment to allocate these shares to employees. A provision is recognized in liabilities (see paragraph 2.14 below).

(36) "Adjusted EBITDA" corresponds to annual operating profit or loss before restructuring costs, net charges to depreciation, amortization and impairment, and other operating income and expenses adjusted for the first half of 2009, and considered not relevant with regard to the Group's long term valuation.

Treasury shares not allocated to bonus share allotment plans are subject to impairment where their carrying amount exceeds their market value at the balance sheet date.

Treasury stock options

With respect to the stock option plan allocated in 2009, Rhodia S.A. hedged itself by buying treasury stock options and the premium paid was recognized in marketable securities. A provision was recognized in liabilities (see Note 2.12 hereafter).

2.5 Bond issues

OCEANE bonds (bonds that can be converted or exchanged for new or existing shares) have been recorded in borrowings at nominal value on issuance, excluding redemption premiums. A provision determined on an actuarial basis to cover the risk that bonds may not be converted and the redemption premium-related expense is recorded so long as the conversion is not reasonably probable.

2.6 Bond issuance costs and premiums

Issuance costs and premiums incurred by Rhodia S.A. in respect of the issuance of bonds are spread out over the terms of the bonds on a straight-line basis when they are not rebilled to subsidiaries. A one-time amortization charge is recognized in the event of early redemption or buyback of the bonds.

2.7 Foreign currency transactions

Foreign currency-denominated income and expenses are recorded for their euro equivalent amount on the date of the transaction or commitment. Foreign currency-denominated payables, receivables and cash are shown on the face of the balance sheet for their euro equivalent amount at the exchange rate prevailing at the year-end. Differences arising from the revaluation of payables and receivables denominated in foreign currencies at the year-end exchange rate are shown on the face of the balance sheet as Currency translation adjustments. A provision is set aside for unrealized exchange losses. The difference arising from the revaluation of cash balances is recorded in the income statement.

2.8 Derivative financial instruments

Rhodia S.A. uses derivative financial instruments in order to manage and mitigate its exposure to foreign exchange, interest rate and commodity index risk. Rhodia S.A.'s policy is to manage its positions on an overall basis without necessarily setting up specific hedges.

Interest-rate derivatives

Income and expenses arising from the use of interest-rate derivatives are recognized in profit or loss symmetrically to the income and expenses from hedged transactions when they qualify for hedge accounting.

When they do not qualify for hedge accounting, these instruments are valued as follows:

- net unrealized losses on OTC instruments are fully provided for;
- net unrealized gains on OTC instruments are recorded in profit or loss solely when the transaction has been settled;
- unrealized gains and losses on organized markets are directly recognized in profit or loss.

Foreign exchange derivatives

Foreign exchange derivatives underpin Rhodia S.A.'s foreign exchange position. Unrealized gains and losses on such instruments are included in the calculation of the provision for unrealized foreign exchange losses.

Energy and commodity hedging derivatives

Gains and losses arising from these instruments are recorded in net financial items.

2.9 Retirement obligations

Rhodia S.A. recognizes its retirement obligations, other post-employment benefits and termination benefits via a provision.

The amount thus provided corresponds to the actuarial value of rights vested by the beneficiaries at the year-end, without taking into account their future salary increases. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recorded in profit or loss as soon as recognized. Charges to and reversals from provisions are recorded in operating profit or loss.

2.10 Long-service awards

The Company's obligations with regard to employee long-service awards are fully provided for and estimated based on the assumptions used to calculate retirement obligations.

2.11 Treasury stock subscription options

Stock subscription plans are recorded when options are exercised as a capital increase in an amount corresponding to the subscription price paid by option holders. The difference between the subscription price and the par value of the stock represents additional paid-in capital where appropriate. No remuneration expense is recorded for employee benefits.

2.12 Treasury stock purchase options

Pursuant to CNC notice 2008-17 of November 6, 2008 on the accounting treatment of stock options plans:

- a provision was set aside to cover Rhodia S.A.'s obligation to deliver shares to the beneficiaries when the purchase options are exercised. The provision was determined by multiplying:
  - the probable share buyback price measured at the forward purchase price plus the premium paid for the hedge and less the strike price likely to be paid by employees,

- by the number of options that should be allocated considering the allotment plan requirements (performance/presence),
- this provision is amortized on a straight-line basis over the vesting period, as and when the rights are vested by the beneficiaries,

- the charge to the contingency provision is presented in employee expenses via an expense reclassification account.

2.13 Bonus shares to be issued

Rhodia S.A. records the bonus shares definitely vested by beneficiaries when they are issued, via an offsetting entry against available reserves up to the par value amount of the shares issued.

No remuneration expense is recorded for employee benefits. The costs arising from bonus share allotment plans are expensed.

2.14 Allocations of existing bonus shares

Pursuant to CNC notice 2008-17 of November 6, 2008 on the accounting treatment of employee bonus share allotment plans:

- a provision is set aside to cover Rhodia S.A.'s obligation to deliver the shares to the beneficiaries at the definitive allocation date. The provision is determined by multiplying the share buyback price by the number of shares that should be allocated considering the allotment plan requirements (performance/presence). This provision is amortized on a straight-line basis over the bonus share vesting period, as and when the rights are vested by the beneficiaries;
- the charge to the contingency provision is presented in employee expenses via an expense reclassification account;
- the fair value of the shares at the time of allocation is used to calculate the base for the 10% social security contributions payable by Rhodia S.A.

2.15 Dividends

Dividends receivable by Rhodia S.A. from its subsidiaries and equity investments are recorded as income on the date of approval by their Annual General Meetings.

2.16 Method of recognizing profit or loss of partnerships (SNC)

Under the bylaws of Rhodia Participations (SNC), the share of profit or loss allocated to Rhodia S.A. is deemed to have been granted retroactively as of the period-end. As a result, the share of profit or loss is offset in net financial items against a current account classified under "Other receivables" or "Other payables".

This method of recognition was also applied to Rhodianyl until June 2009, when the entity's legal structure was modified (change from SNC to SAS).

2.17 Corporate income tax

Rhodia S.A. and certain of its French subsidiaries have entered into a tax consolidation group agreement whereby each subsidiary computes its tax expense as if it were not part of a tax group.

The tax savings resulting from the utilization of the tax losses of subsidiaries included in the tax group are immediately recognized in profit or loss by Rhodia S.A. and do not give rise to any subsequent cash payback. When subsidiaries become profit-making, Rhodia S.A. assumes, as appropriate, an additional tax expense as a result of having already deducted its subsidiaries' tax losses.

2.18 Statement of cash flows

Cash and cash equivalents include cash, marketable securities with an initial maturity of less than 3 months, excluding treasury shares and the premium paid for treasury stock purchase options, and bank balances in credit.

NOTE 3 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

This heading includes primarily the Rhodia S.A. brand acquired when the Group was established.

NOTE 4 EQUITY INVESTMENTS

(in millions of euros)	December 31, 2008	Increase	Decrease	**December 31, 2009**
Gross	3,787	284	(8)	4,063
Impairment	(1,890)	(271)	210	(1,951)
Net	1,897	13	202	2,112

The increase in gross equity investments is primarily attributable to the impact of a capital increase involving Rhodia Holding Ltd securities in the amount of €270 million and Rhodia Iberia S.L securities in the amount of €12 million.

The decrease in gross equity investments is due to the sale to Rhodia Operations of Rhodia Electronics & Catalysis securities in the amount of €4 million and the sale of Phosphoric Fertilizers Industry S.A securities in the amount of €4 million.

Charges for the impairment of equity investments in the amount of €(271) million mainly concern Rhodia Holding Ltd. The value of Rhodia Holding Ltd was heavily impacted by the changes in retirement obligations in one of its subsidiaries.

The reversal of the provision for impairment for €210 million mainly concerns:

- Rhodia Holding Inc. and Rhodia Brazil Ltda for respectively €62 million and €78 million, mainly due to the decrease of their indebtedness in 2009;
- Rhodia Deutschland for €61 million, due to the calculation of a new value in use by an expert;
- disposal of Rhodia Electronics & Catalysis and Phosphoric Fertilizers Industry, each for €3 million.

As of December 31, 2009, the gross equity investments pledged in connection with the set-up of a new credit facility in 2007 amounted to €425 million, as in the previous period.

NOTE 5 LOANS TO EQUITY INVESTMENTS

All items under this heading concern equity affiliates.

As part of its business as the Group's holding company, Rhodia S.A. finances its subsidiaries and sub-subsidiaries, particularly by means of medium-term loans.

Loans to equity investments break down by maturity as follows:

(in millions of euros)	**December 31, 2009**	December 31, 2008
2009	-	330
2010	201	167
2011	1	74
2012	231	304
2013	938	1,958
TOTAL	**1,371**	**2,833**

The change in loans to equity investments between 2008 and 2009 was mainly due to:

- the offsetting of Rhodianyl loans against Rhodia S.A.'s share in the losses of this subsidiary in respect of 2008 and 2009 for €733 million;
- the repayment by Rhodia Holding Ltd of its debt with Rhodia S.A. for €273 million, made possible by the share capital increase subscribed to by Rhodia S.A. (see Note 4);
- the repayment by Rhodia Finance of a portion of its debt for €288 million.

As of December 31, 2009, the loans pledged in connection with the set-up of a new credit facility in 2007 total €200 million, as in the previous period.

NOTE 6 OTHER RECEIVABLES

As of December 31, 2009, this gross heading totals €98 million and includes:

- receivables from equity affiliates of €75 million (€1,167 million as of December 31, 2008), of which €60 million for current accounts relating to the tax consolidation. The sharp decrease in receivables from equity affiliates between 2008 and 2009 was mainly due to the payment in 2009 of Rhodia S.A.'s share in Rhodia Participations' 2008 profits for €1,057 million;
- receivables from the French State of €21 million (€30 million as of December 31, 2008) in respect of the 2009 research tax credit (€19 million) and the 2009 employee profit-sharing tax credit (€2 million);
- accrued income on interest rate swaps of €1 million (€8 million as of December 31, 2008);
- options in the amount of €1 million (€1 million as of December 31, 2008).

NOTE 7 CASH ADVANCES TO SUBSIDIARIES

This heading includes Rhodia S.A.'s advances to equity affiliates as part of the Group cash pooling arrangement.

NOTE 8 MARKETABLE SECURITIES

As of December 31, 2009, marketable securities comprise negotiable medium-term notes of €53 million, bank deposits, deposit certificates and associated interest for €171 million, open-ended investment funds and money-market funds for €224 million, treasury shares for €8 million and treasury stock purchase options for €2 million.

As of December 31, 2009, the carrying amount of these cash instruments, excluding the treasury shares, approximated their net asset value.

A portion of the treasury shares bought back in 2008 to hedge the bonus share allotment plans was transferred to the beneficiaries in 2009. As new bonus share allotment plans were voted in 2009 (see Note 22.2), there were no more treasury shares that could not be allocated as of December 31, 2009.

Rhodia S.A. bought treasury stock purchase options to hedge the stock option plans voted in 2009, with the premium paid for the hedge purchase being recognized in marketable securities.

NOTE 9 DEFERRED CHARGES

Deferred charges total €5 million as of December 31, 2009 and relate to bond issuance costs that are to be spread forward (€1 million in respect of the 2006 fourth quarter bond issue and €4 million in respect of the new bond issue subscribed during the first half of 2007).

NOTE 10 EQUITY

10.1 Share capital and additional paid-in capital

As of December 31, 2009, Rhodia S.A.'s share capital totaled €1,213,044,816, comprising 101,087,068 Rhodia S.A. shares with a par value of €12 each.

As of December 31, 2009, Rhodia S.A. held 1,121, 784 treasury shares (recognized in marketable securities) that were bought back during 2008 in order to cover the bonus share allotment plans granted to the employees or corporate officers of the Company and its subsidiaries. A total of 670,353 treasury shares were transferred to the beneficiaries of bonus share allotment plans expiring in 2009.

10.2 Breakdown of changes in equity

(in millions of euros)	As of December 31, 2008	Appropriation of 2008 earnings	2009 net loss	**As of December 31, 2009**
Share capital	1,213	-	-	1,213
Additional paid-in capital (1)	14	-	-	14
Legal reserve	40	18	-	58
Other reserves	123	341	-	464
Net profit/(loss) for the year	359	(359)	(120)	(120)
Shareholders' equity	**1,749**	**-**	**(120)**	**1,629**

(1) Of which €8 million retained with respect to treasury shares as part of the buyback in order to hedge all the bonus share allotment plans, already decided in 2008 and 2009.

10.3 Proposed appropriation of 2009 loss

It will be proposed at the Shareholders' General Meeting to appropriate the 2009 loss of €(120) million as follows:

Origin *(in millions of euros)*	
Year loss	(120)
Other reserves	464
i.e. a distributable amount of	344
Proposed appropriation:	
Legal reserve (5% of net profit)	-
• Dividends *	25
• Other reserves	319

** This amount will be adjusted according to the number of treasury shares remaining on the date of dividend payment.*

NOTE 11 PROVISIONS

Provisions as of December 31, 2009 and changes during fiscal year 2009 break down as follows:

(in millions of euros)	Amount as of 12/31/2008	Charges	Reversals	**Amount as of 12/31/2009**
Unrealized exchange losses [1]	109	-	(109)	-
Termination payments on retirement and long service medals	27	13	(2)	38
Subsidiary-related contingencies [2]	209	172	(142)	239
Other contingencies and losses [3]	37	18	(6)	49
Total provisions	**382**	**203**	**(259)**	**326**

(1) The repayment of the Rhodia Holding Ltd pound sterling loan (see Note 5) allowed for the reversal of the provision for unrealized foreign exchange losses. As of December 31, 2009, the revaluation of foreign currency-denominated receivables and payables, and foreign exchange derivative instruments results in a net unrealized gain.

(2) Following Rhodia S.A.'s subscription to the Rhodia Holding Ltd capital increase in 2009, the provision for contingencies recognized in 2008 was reversed in the amount of €140 million.
The charges for the year also mainly involve Rhodia Holding Ltd. The measurement of the Rhodia S.A. securities portfolio as of December 31, 2009 generated a new provision for contingencies for Rhodia Holding Ltd, due to the impacts arising from the change in retirement obligations in one of its subsidiaries.

(3) As of December 31, 2009, provisions for other contingencies and losses mainly relate to:
- *financial risk (redemption premium) of the OCEANE bond issued in 2007 (€30 million) (see Note 12.5),*
- *guarantees given to sold subsidiaries or their buyers (€13 million),*
- *contingency provision corresponding to the estimated cost of the allotment of bonus shares to employees and corporate officers over four years for €(5) million. The allocation cost is determined based on an annual employee turnover assumption of 3%,*
- *contingency provision corresponding to the difference between the forward purchase price, plus the treasury stock purchase option premium and the strike price of the stock options granted to employees and corporate officers over two years for €(1) million.*

6

NOTE 12 BORROWINGS

12.1 Breakdown by type

(in millions of euros)	**December 31, 2009**	December 31, 2008	Maturity as of December 31, 2009
2004 Senior notes ($ denominated)	4	4	06/01/2010
2004 Senior notes (€ denominated)	1	1	06/01/2010
2013 bond issue (€ denominated)	1,035	1,067	10/15/2013
2014 OCEANE bonds (€ denominated)	595	595	01/01/2014
Banks with a credit balance	24	-	
Accrued interest and other borrowings	11	22	
Sub-total bonds and bank borrowings	1,670	1,689	
Equity affiliate loans	473	1,697	
TOTAL	**2,143**	**3,386**	

12.2 Breakdown by foreign currency

(in millions of euros)	**December 31, 2009**	December 31, 2008
Bonds and bank borrowings		
Euro	1,666	1,685
US dollar	4	4
Sub-total bonds and bank borrowings	1,670	1,689
Equity affiliates		
Euro	384	1,531
Swiss franc	11	11
US dollar	77	9
Pound sterling	-	133
Singapore dollar	-	13
Other foreign currencies	1	-
Sub-total equity affiliates	473	1,697
TOTAL	**2,143**	**3,386**

12.3 Breakdown by maturity

As of December 31, 2009, the maturity dates of these borrowings are as follows:

(in millions of euros)	**December 31, 2009**	December 31, 2008
Bonds and bank borrowings		
2009	-	22
2010	40	5
2011	-	-
2012 and beyond	1,630	1,662
Sub-total bonds and bank borrowings	1,670	1,689
Equity affiliates		
2009	-	1,685
2010	473	12
Sub-total equity affiliates	473	1,697
TOTAL	**2,143**	**3,386**

12.4 Breakdown by rate

Long and medium-term borrowings broken down by interest rate, excluding the derivatives portfolio, break down as follows:

(in millions of euros)	**December 31, 2009**	December 31, 2008
Floating rate	1,529	2,365
Fixed rate	614	1,021
TOTAL	**2,143**	**3,386**

12.5 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 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.

In 2009, Rhodia S.A continued with the early redemption of another portion of these bonds for a nominal amount of €32 million, thus reducing the principal amount of the notes to €1,035 million at December 31, 2009. The redemption price was €29 million.

OCEANE

On April 27, 2007, OCEANE bonds (bonds that can be converted or exchanged for new or existing shares), maturing on January 1, 2014 and bearing interest at 0.5%, were issued for a nominal amount of €595 million. 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.

Syndicated credit line

On March 30, 2007, Rhodia entered into a multi-currency syndicated credit facility 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 45% 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 S.A. 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. In order to guarantee its liquidity until maturity on June 30, 2012, Rhodia re-negotiated these covenants on April 3, 2009 as follows:

	Consolidated net debt/Adjusted recurring EBITDA	Recurring EBITDA /Net financial expenses
12/31/2009	4.75:1.0	2.50:1.0
06/30/2010	3.75:1.0	3.10:1.0
12/31/2010	3.50:1.0	3.40:1.0
06/30/2011	3.00:1.0	4.00:1.0
12/31/2011	3.00:1.0	4.00:1.0

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

- consolidated net indebtness: aggregate of non-current and current borrowings and guarantees given to third parties with respect to financial indebtedness of unconsolidated subsidiaries minus the aggregate of cash and cash equivalents and other current financial assets;
- recurring EBITDA: operating profit or loss prior to depreciation and impairment, restructuring costs and other operating income and expenses;
- adjusted recurring EBITDA: the Group's recurring EBITDA plus recurring EBITDA, of non consolidated entities whose borrowing are secured by the Group, pro rata to the percentage interest held by the Group;
- net financial expenses: interest on non-current and current borrowings, after capitalization of interest expense 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.

At and prior to December 31, 2009, Rhodia has complied with all applicable financial covenants.

In 2009, the RCF syndicated credit facility was only drawn down for bank guarantees. As of December 31, 2009 bank guarantees totalized €57 million, the amount not drawn down was €543 million.

12.6 Market value of borrowings

As of December 31, 2009, Rhodia S.A.'s debt was discounted by around 8.3% (49% as of December 31, 2008) versus its nominal due to interest rate fluctuations and the general financial markets situation arising from the continued uncertainty of investors regarding the changes in macro-economic conditions.

12.7 Rating

Rhodia is rated by two independent international rating agencies, Moody's Investors Service and Standard & Poor's.

In May 2009, Moody's Investors Service maintained its *Corporate Family Rating* at Ba3 and changed the outlook from stable to negative. The unsecured senior debt and the OCEANE bond retained a B1 rating. On the same date, Standard & Poors issued a BB- rating (stable outlook) to Rhodia (*Corporate credit rating*) and a BB- rating to long-term borrowings.

Previously, two BB ratings were issued.

No downward rating of either of these agencies can cause an accelerated repayment of any of the current borrowings or an increase in the cost thereof.

NOTE 13 OTHER LIABILITIES

This item includes cash advances from subsidiaries as part of the Group cash pooling system and Rhodia S.A.'s share in the 2009 loss of Rhodia Participations SNC.

NOTE 14 NET FINANCIAL ITEMS

Net financial items break down as follows:

(in millions of euros)	**2009**	2008
Dividends from equity investments	3	15
Interest income	138	358
Interest expense	(103)	(254)
Net foreign exchange gains/(losses)	5	(2)
Net reversal from/(charge to) provisions for impairment of equity investments and for subsidiary-related contingencies	(66)	(190)
Other net interest income/(expense)	(82)	358
TOTAL	**(105)**	**285**

14.1 Dividends from equity investments

All dividends received are from equity affiliates.

14.2 Interest income and expense

Net interest income totals €35 million in 2009, compared to €104 million in 2008. The change compared to the previous year results primarily from the repayment of a loan through the allocation of Rhodia S.A.'s share to the 2008 and 2009 losses of Rhodianyl SNC.

Interest income mainly relates to loans and cash advances granted to equity affiliates for €123 million (€313 million in 2008), interest rate swaps for €14 million (€39 million in 2008).

Interest expense relates to bond issuance costs for €51 million (€89 million in 2008), interest rate swaps for €29 million (€30 million in 2008) and to loans and cash advances to equity affiliates for €23 million (€135 million in 2008).

14.3 Impairment of equity investments and provisions for subsidiary-related contingencies

Changes in impairment of equity investments and provisions for subsidiary-related contingencies are analyzed in Notes 4 and 11.

14.4 Other financial income and expense

In 2009, this item primarily includes:

- the share of Rhodia S.A. in the 2009 profits of Rhodianyl and Rhodia Participations for a total of €73 million. In addition, Rhodia Participations recorded as of December 31, 2009 additional provisions for the securities of its subsidiaries, particularly Rhodia Services, in the amount of €(59) million. Rhodianyl changed its legal structure from SNC to SAS during the year, so only the loss incurred before the change was recorded in Rhodia S.A. accounts;
- the charge to a provision for financial contingencies regarding the redemption of OCEANE bond premiums for €(12) million (€11 million in 2008);
- non-rebilled negotiation expenses and non-utilized credit lines for €(1) million;
- capital gains on sales of marketable securities for €2 million (€4 million in 2008);
- the €3 million (€16 million in 2008) profit on the early redemption of FRN (see Note 12.5).

In 2008, this item included Rhodia S.A.'s shares in the profits of Rhodianyl and Rhodia Participations for €356 million.

NOTE 15 OPERATING PROFIT/(LOSS)

(in millions of euros)	**December 31, 2009**	December 31, 2008
Services billed to equity affiliates	8	6
Taxes	(1)	(1)
Personnel costs excluding retirement	(15)	(15)
Net retirement expenses and similar commitments (1)	(11)	(4)
Other operating expenses	(11)	(7)
Net operating loss	**(30)**	**(21)**

(1) the actuarial gains and losses arising from changes on French pension regulations and the change in discount rates generated an increase in retirement expenses in 2009.

NOTE 16 NET EXCEPTIONAL ITEMS

(in millions of euros)	**December 31, 2009**	December 31, 2008
Net gains/(losses) on disposals of securities and assignment of receivables (1)	(6)	12
Investment disposal costs	-	(3)
Other	(4)	(5)
TOTAL	**(10)**	**4**

(1) Net losses arose from the disposal of Rhodia Electronics & Catalysis (REC) and Phosphoric Fertilizers Industry securities.

NOTE 17 TAX POSITION

Rhodia S.A. has been under a tax consolidation group regime since 1999. The scope of the tax group covered 11 companies in 2009 versus 12 in 2008 primarily as a result of the merger of activities conducted in France, particularly in Rhodia Opérations (sale of Rhodia Electronics & Catalysis securities held by Rhodia S.A. to Rhodia Opérations, then upstream merger of Rhodia Electronics & Catalysis into Rhodia Opérations).

In 2009, under the tax consolidation group regime, the Group reported net tax savings of €50 million (€91 million in 2008), that were equivalent to the tax charge of the profitable companies in the tax group. Furthemore, the reevaluation of tax contingencies at group level led to the recognition of an expense in the amount of €(25) million.

Had Rhodia S.A. not belonged to a tax group, it would not have incurred any tax charge in respect of 2009 and 2008 due to its own loss-making position.

As of December 31, 2009, the tax group's tax loss carryforwards totaled €2,194 million (as a base) (€2,134 million in 2008), of which €1,871 million in losses transferred from consolidated subsidiaries.

NOTE 18 OFF-BALANCE SHEET COMMITMENTS AND TRANSACTIONS INVOLVING DERIVATIVE FINANCIAL INSTRUMENTS

18.1 Commitments given

(in millions of euros)	**December 31, 2009**	December 31, 2008
To guarantee the obligations of equity affiliates	80	121
To guarantee the obligations of related parties	-	1
Other	-	13
TOTAL	**80**	**135**

Certain Rhodia S.A. subsidiaries are financed as part of trade receivable securization programs entered into with financial institutions and Rhodia S.A. is committed to guarantee the payment of any amount payable by its subsidiaries under such programs. As of December 31, 2009, financings secured by Rhodia S.A.'s subsidiaries under such programs totaled €41 million.

In addition, Rhodia S.A. granted Orbeo a guarantee of up to a maximum of €200 million to cover its subsidiaries' obligations arising from the sale of greenhouse gas emissions ("CER"). Orbeo is a joint venture created in 2006 with *Société Générale Énergie* (a subsidiary of Société Générale) for the purpose of having the CER products marketed by the Rhodia Group in Brazil and South Korea. As the forward CER sales price negotiated with Orbeo and not settled as of December 31, 2009 is higher than the spot exchange rate at this date, the risk covered by this guarantee is nil at the year-end.

18.2 Commitments relating to disposals

Disposals in 2009 and previous fiscal years were covered by the standard warranties with regard to accounting, tax, social and environmental matters.

None of the warranties granted in connection with the disposals were triggered in 2009.

18.3 Derivative financial instruments

Rhodia S.A. is exposed to market risks as a result of its financial transactions.

To manage its subsidiaries' exposure to the exchange risk arising primarily from their trading transactions, Rhodia S.A. sets up derivative instruments with external counterparties on behalf of its subsidiaries. The resulting exposure is immediately cancelled by setting up symmetrical contracts with the relevant subsidiaries. Thus, Rhodia S.A. does not assume any risk associated with these instruments.

This exposure is mainly related to fluctuations in exchange and interest rates.

Interest rate risk management

Derivatives designated as hedges

Rhodia S.A. is exposed to the variability of interest rates on the floating rate portion of its financial indebtedness. Since 2006, interest rate swaps and options (caps) have been entered into in order to hedge the floating rate bonds issued in October 2006. The notional amounts of these contracts and their fair values are detailed in the table below.

		2009					2008	
(in millions of euros)		**< 1 yr**	**1 to 5 yrs**	**> 5 yrs**	**Total**	**Fair value**	Total	Fair value
Interest-rate swap	Floating-rate lender	-	735	-	735	(27)	717	(11)
Cap	Purchase	-	300	-	300	(1)	350	1
TOTAL		**-**	**1,035**	**-**	**1,035**	**(28)**	**1,067**	**(10)**

Derivatives not designated as hedges

As of December 31, 2009, Rhodia S.A. did not have any interest rate derivatives not designated as hedges.

Foreign exchange risk management

Rhodia S.A.'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 S.A. are forward foreign exchange contracts with terms of less than one year.

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

The nominal amounts as well as the fair values of forward purchase and sale contracts entered into with either external counterparties or subsidiaries are detailed below:

(in millions of euros)	Foreign currencies	As of December 31, 2009 Nominal	Fair value
	USD	408	7
	GBP	44	1
	JPY	126	8
	Other	118	1
Forward purchases	**Total**	**696**	**17**
	USD	366	(1)
	GBP	61	(1)
	JPY	173	(7)
	Other	84	-
Forward sales	**Total**	**684**	**(9)**
Call sales	USD	58	(1)
Call purchases	USD	58	1

Commodity risk management (fuel-oil, diesel)

The commodities investment portfolio is showed hereafter.

		December 31, 2009		December 31, 2008	
(in millions of euros)	Diesel and fuel-oil swaps	Qty (tons)	Fair value	Qty (tons)	Fair value
	Buyer	17,736	-	77,102	(12)
External transactions	Seller	336,519	(1)	43,200	6
	Buyer	336,519	1	43,200	(6)
Internal transactions	Seller	17,736	-	77,102	12

18.4 Counterparty risk

Transactions that may potentially expose Rhodia S.A. to a counterparty risk are essentially:

- short-term investments;
- derivative instruments.

Rhodia S.A. makes short-term investments with banks or financial institutions having S&P and Moody's ratings greater than or equal to A+ and Aa3, respectively, as of December 31, 2009.

Interest-rate or foreign currency contracts are entered into with banks or financial institutions whose S&P and Moody's ratings are greater than or equal to A+ and Aa3, respectively, as of December 31, 2009.

NOTE 19 LITIGATION

19.1 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.

19.2 AMF administrative proceedings

In a decision handed down on July 7, 2009, the Court of Cassation, France's highest court, rejected the appeal launched by Rhodia against the Paris Court of Appeal's ruling that confirmed the €750,000 fine imposed by the AMF Enforcement Committee in a decision rendered on June 21, 2007, relating to facts dating back to the years 2001-2003.

19.3 Litigation with shareholders

Two suits brought in January 2004 before the Paris Commercial Court by certain shareholders were adjourned:

- 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 adjourned 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 adjourned on February 10, 2006.

Both proceedings were adjourned 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 proceedings instituted in 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 decided to join the criminal investigation as a plaintiff claiming damages ("partie civile") on January 25, 2006. The investigation was still in progress as of December 31, 2009.

19.4 Commercial 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 amounted to approximately 1.5 billion Mexican pesos (around €100 million), including user fees, interest and penalties. The Coatzacoalcos site was part of the specialty 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 in August 29, 2005. The total amount of the revised claim is approximately €16.5 million. The Mexican Federal Administrative and Fiscal Court rendered several decisions in favor of Innophos in August 2008 and March 2009 that were partially invalidated by the Circuit Court in January and September 2009. On October 27, 2009, the Mexican Federal Administrative and Fiscal Court rendered a new ruling, which did not this time favor Innophos. This ruling and Circuit Court's previous decisions in this case lead Rhodia to re-estimate the risk relating to this litigation at €16.3 million (including any fines and late interest penalties payable) and set aside a provision of this amount. Innophos has appealed against this decision. Should that case be decided against Innophos, the New York courts had ruled that Rhodia should fully indemnify Innophos.

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 Chimie acting as guarantor for Novacarb in connection with Rhodia's sale of certain basic chemicals industrial and commercial activities to Bain Capital in 2002) and the financial loss which, according to the City of Metz, this chloride waste would have caused by necessitating, 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 chloride waste compliance with the operation permits of the installations. The expert also concluded that the current installations for the production of drinking water could supply drinking water to Metz and its suburbs and that, accordingly, the use of new units, and particularly the treatment units, was not necessary, save as a potential back-up system. The expert did not pronounce himself 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 or not. By writ of summons dated December 30, 2008, the City of Metz nevertheless referred to the tribunal in Metz (tribunal de grande instance) seeking joint and several damages and interest of €51.5 million from Solvay Carbonate France and Novacarb to compensate for its alleged loss. Rhodia has decided not to recognize a provision.

19.5 Other proceedings

Rhodia litigation with the 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 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 72.93%. 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 72.93% to 92.93%. As its shareholding would exceed 90%, Rhodia would then be required to initiate a mandatory public tender offer (or "squeeze out") for the remaining 7.07% of outstanding shares for the same price. In this case, all the shares not yet held by Rhodia (27.07%) would be acquired for approximately €6 million. Rhodia is challenging the merits of SEBI's claim but this risk is provided in the financial statements. As of the date hereof, the *High Court of Mumbai,* which is hearing the case on Rhodia's appeal following an initial unfavorable judgment, has not made a final decision.

19.6 Significant proceedings entered into by the Company

Since 2004, the Company is pursuing various proceedings 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

19.7 Other

Valauret litigation

On March 19, 2005, one of the shareholders in the cases mentioned above brought a suit (in an "ut singuli" proceeding) against the Chairman of the Board of Directors and the Chief Executive Officer before the Nanterre Commercial Court alleging personal mismanagement, in an attempt to have them repay Rhodia the amounts paid to M. 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, whereas the case was ready to be judged, the plaintiff requested an adjournment 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, including the application for adjournment. On February 13, 2008, the Nanterre Commercial Court declared it had jurisdiction over the matter 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 M. Jean-Pierre Tirouflet of the compensation stipulated in his employment contract upon his departure from the company in 2004. Messrs. Clamadieu and Nanot have lodged an appeal against this decision. A decision of the Court of appeal is expected in 2010.

NOTE 20 COMPENSATION AND BENEFITS PAID TO KEY GROUP EXECUTIVES

Compensation and other benefits vested and paid to members of the Executive Committee and corporate officers break down as follows:

20.1 Amounts paid during the period

(in thousands of euros, except for options/shares granted)	**2009**	2008
Wages, costs and short-term benefits	2,902	3,654
Total stock subscription options and bonus shares granted	169,000	71,000

20.2 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 options/shares granted)	**2009**	2008
Wages, costs and short-term benefits	3,801	2,583
Accumulated retirement and other post-employment benefits	13,609	7,592
Severance payments (1)	1,800	5,881
Total stock subscription options and bonus shares granted	297,379	263,694

(1) Severance payments acquired correspond to the commitments undertaken by Rhodia S.A. for the Group's key executives in the event of employment contract termination. An agreement between Rhodia S.A and its Chief Executive Officer, approved in May 2009 by the Annual General Meeting, provides for the end of his severance payments.

NOTE 21 AVERAGE NUMBER OF EMPLOYEES

	2009	2008
Management	34	27
Non-management	3	3
TOTAL	**37**	**30**

The increase in the average number of employees was due to the transfer of Rhodia Services employees to Rhodia S.A. in 2008.

NOTE 22 SHARE-BASED PAYMENT

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

	2009			2008		
	Options	**Free shares**	**Total**	Options	Free shares	Total
Outstanding at the beginning of the year	**2,032,682**	**1,312,628**	**3,345,310**	**2,072,536**	**1,628,651**	**3,701,187**
Granted	1,010,000	762,400	1,772,400	-	1,023,960	1,023,960
Cancelled/expired	(467,744)	(25,680)	(493,424)	(38,743)	(621,857)	(660,600)
Exercised	-	(667,603)	(667,603)	(1,111)	(718,126)	(719,237)
Outstanding at the year-end	**2,574,938**	**1,381,745**	**3,956,683**	**2,032,682**	**1,312,628**	**3,345,310**

22.1 Share capital increase reserved for employees

Rhodia S.A. did not perform any capital increases reserved for employees in 2009 and 2008.

22.2 Stock option plans

Current 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.

During 2009, the Board of Directors did not grant any new stock option plans.

Options granted under the 2004 plans are exercisable over an 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.

Stock option purchase plan

On May 20, 2009, the Board of Directors approved a new stock option purchase plan for 41 beneficiaries (1,010,000 options) subject to the conditions governing Rhodia's performance and the continued employment of the beneficiaries. The terms and conditions of this plan are as follows:

	Plan	
	French tax residents	Foreign tax residents
Number of shares	605,000	405,000
Number of beneficiaries	17	24
Grant date	May 20, 2009	
Vesting date	May 20, 2011	
Exercise period	May 21, 2011 to May 20, 2017	
Holding period	May 20, 2013	-
Performance criteria	Total free *cash flow of* fiscal years 2009 and 2010, as presented in the consolidated financial statements for the years ended December 31, 2009 and 2010	
Validation of vesting conditions	Board of Directors	

Main changes in stock option and free share plans outstanding at December 31, 2009:

	2009		2008	
	Options	**Weighted average exercise price** *(in €)*	Options	Weighted average exercise price *(in €)*
Options outstanding at the beginning of the period	**2,032,682**	**62.00**	**2,072,536**	**61.73**
Options granted	1,010,000	5.62	-	-
Options forfeited [1]	(467,744)	75.91	(38,743)	48.79
Options exercised	-	-	(1,111)	15.12
Options outstanding at the end of the period	**2,574,938**	**37.36**	**2,032,682**	**62.00**

(1) Stock subscription options forfeited during the year.

The weighted average remaining contractual life of the stock subscription options outstanding at December 31, 2009 is 5 years (3 years at December 2008).

In 2009, of all the plans granted by the Rhodia Board of Directors, no options were exercised.

Main features of the stock option plans outstanding at December 31, 2009:

Stock subscription Option 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	2009 Plan
Date of Shareholders' Meeting approval	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	05/03/2007
Date of grant as approved by the Board of Directors	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	05/20/2009
Exercise period [(a)]	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	6 years from 05/21/11
Options granted at inception	131,667	100,000	175,000	12,500	215,022	166,667	109,412	225,125	114,375	1,010,000
Of which granted to the Board of Directors and Executive Committee [(b)]	7,792	5,000	17,250	-	19,750	14,837	8,542	29,500	46,250	30,000
Original exercise price *(in €)*	180.00	180.00	205.68	195.12	188.40	144.48 [(e)]	66.00 [(e)]	18.00	18.00	5.62
Maximum term *(years)*	10	10	10	10	12	12	12	8	8	8
Weighted-average remaining contractual life at December 31, 2009 *(years)*	-	-	0.2	-	3.2	4.2	5.4	2.5	2.5	7.4
Adjusted exercise price (*c*)	76.56	76.56	87.48	-	80.16	61.44 [(e)]	28.08 [(e)]	15.12	15.12	5.62
Weighted average exercise price	76.56	76.56	87.48	-	80.16	62.76	31.44	15.12	15.12	5.62
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, 2008	261,882	195,071	324,765	-	403,107	319,932	206,366	204,823	116,736	-
Options granted between January 1 and December 31, 2009	-	-	-	-	-	-	-	-	-	1,010,000
Options forfeited between January 1 and December 31, 2009	(261,882)	(195,071)	(961)	-	(2,846)	(1,948)	(962)	(3,279)	(795)	-
Options exercised between January 1 and December 31, 2009	-	-	-	-	-	-	-	-	-	-
Options outstanding at December 31, 2009	-	-	323,804	-	400,261	317,984	205,404	201,544	115,941	1,010,000
Of which granted to the Board of Directors and Executive Committee [(d)]	-	-	21,934	-	25,850	21,061	5,974	28,691	45,570	30,000
Options exercised at December 31, 2009	-	-	323,804	-	400,261	317,984	205,404	201,544	115,941	-
Of which granted to the Board of Directors and Executive Committee [(d)]	-	-	21,934	-	25,850	21,061	5,974	28,691	45,570	-
Of which corporate officers										
• Jean-Pierre Clamadieu	-	-	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, 2009	-	-	368	-	548	383	403	233	64	41

(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, M. 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).

22.3 Free share 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.

2009 A and B plans

On March 16, 2009, the Rhodia Board of Directors approved a new free shares plan for 173 beneficiaries (2 x 381,200 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:

	Plans A		Plans B	
	"2+2"	"4+0"	"2+2"	"4+0"
Number of shares	279,800	101,400	279,800	101,400
Number of beneficiaries	101	72	101	72
Grant date	March 16, 2009		March 16, 2009	
Vesting date	March 16, 2011	March 16, 2013	March 16, 2011	March 16, 2013
Holding period	Minimum March 16, 2013	-	Minimum March 16, 2013	-
Performance criteria	Positive Free Cash Flow as presented in the consolidated financial statements for the year ended December 31, 2009		Recurring EBITDA / net sales ratio (including CER activities), as presented in the consolidated financial statements of the Company for the year ended December 31, 2009, exceeding by 2 points the average ratio of a panel of competitors	
Validation of vesting conditions	Board of Directors		Board of Directors	

Expense recognized

The expense recognized with respect to all free shares plans totaled €3 million for the year ended December 31, 2009 (€8 million in 2008).

Main features of the free shares plans outstanding at December 31, 2009:

Free shares plans	Plan 2007 A	Plan 2007 B	Plan 2007 "2+2"	Plan 2007 "4+0"	Plan 2008 B "2+2"	Plan 2008 B "4+0"	Plan 2009 A "2+2" (c)	Plan 2009 A "4+0" (c)	Plan 2009 B "2+2" (c)	Plan 2009 B "4+0" (c)
Date of Shareholders' Meeting approval	06/23/2005	06/23/2005	05/03/2007	05/03/2007	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	01/15/2007	01/15/2007	07/30/2007	07/30/2007	03/17/2008	03/17/2008	03/16/2009	03/16/2009	03/16/2009	03/16/2009
Vesting date	01/16/2009	01/16/2009	07/31/2009	07/31/2011	03/18/2010	03/20/2012	03/16/2011	03/16/2013	03/16/2011	03/16/2013
Free Bonus shares granted at inception	344,308	344,308	92,355	142,755	355,000	156,980	279,800	101,400	279,800	101,400
Of which granted to the Board of Directors and Executive Committee (a)	84,167	84,167	90	-	117,000	-	117,000	-	117,000	-
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 -	-
Number of free bonus shares outstanding at December 31, 2008	289,424	289,424	90,285	135,315	352,200	155,980	-	-	-	-
Bonus Free shares granted between January 1 and December 31, 2009	-	-	-	-	-	-	279,800	101,400	279,800	101,400
Bonus Free shares forfeited between January 1 and December 31, 2009	-	-	(1,530)	(750)	(9,890)	(11,110)	(500)	(700)	(500)	(700)
Number of bonus free shares vested at December 31, 2009	(289,424)	(289,424)	(88,755)	-	-	-	-	-	-	-
Number of bonus free shares outstanding at December 31, 2009	-	-	-	134,565	342,310	144,870	279,300	100,700	279,300	100,700
Of which granted to the Board of Directors and Executive Committee (b)	-	-	-	-	117,000	-	117,000	-	117,000	-
Of which corporate officers										
• Jean-Pierre Clamadieu	-	-	-	-	37,000	-	37,000	-	37,000	-
• Jacques Khéliff	-	-	-	-	7,500	-	7,500	-	7,500	-
Number of beneficiaries at December 31, 2009	-	-	-	8,971	186	142	100	72	100	72

(a) As made up on the grant date.
(b) Actual data.
(c) The performance criteria were met as of December 31, 2009.

NOTE 23 SUBSEQUENT EVENTS

There were no subsequent events.

NOTE 24 SUBSIDIARIES AND AFFILIATES

(in millions of euros)	Share capital	Shareholders' equity (excluding net profit for the year) [(a)]	% held	Gross carrying amount	Net carrying amount	Loans granted by the Company not yet repaid	Amount of guarantees given by the Company	Previous year revenue exclusive of tax [(b) (c)]	Net profit or loss of previous year [(b)]	Dividends received by the Company during the previous year
1./ French subsidiaries										
Rhodia Participations	110	110	100.00%	110	110	-	-	-	(40)	-
Rhodianyl	605	615	100.00%	615	615	34	-	-	(171)	-
Rhodia Finance	252	104	99.98%	252	252	583	-	-	(32)	-
Rhodia Chimie	29	143	100.00%	84	-	-	-	7	(14)	-
Total French subsidiaries				**1,061**	**977**	**617**	**-**	**7**	**(257)**	**-**
2./ Foreign subsidiaries [(d)]										
Rhodia Holding Inc.	768 USD	133	89.02%	425	425	-	-	-	(1)	-
Rhodia de Mexico SA de CV	204 MXN	(7)	100.00%	25	-	5	-	15	-	-
Rhodia Silica Koréa Co Ltd	12,989 KRW	15	100.00%	9	9	-	-	44	6	-
Rhodia Holding Ltd	546 GBP	102	100.00%	1,199	-	-	-	-	107	-
Rhodia New Zealand	3 NZD	2	100.00%	2	2	-	-	2	-	-
Sopargest	20 CHF	16	99.99%	74	17	-	-	-	-	1
Rhodia Ibéria	17 EUR	27	100.00%	127	39	-	-	51	(12)	-
Rhodia Hong Kong	6 HKD	1	100.00%	2	1	-	-	13	-	2
Rhodia Polyamides Co Ltd	24,629 KRW	24	59.40%	24	24	32	-	230	9	-
Rhodia Brasil LTDA	210 BRL	129	100.00%	386	230	-	-	41	(15)	-
Rhodia China Co LTD	405 CNY	42	100.00%	43	43	-	-	17	1	-
Rhodia Deutschland	8 EUR	163	100.00%	677	340	273	-	-	41	-
Other companies at minimum 50% held				7	5	18	-	44	1	-
Total foreign subsidiaries				**3,000**	**1,135**	**328**	**-**	**457**	**137**	**3**
Total subsidiaries at minimum 50% held				**4,061**	**2,112**	**945**	**-**	**464**	**(120)**	**3**
Subsidiaries at maximum 50% held										
French subsidiaries				2	-	25	2	420	19	-
Foreign subsidiaries				-	-	-	-	392	2	-
Total subsidiaries at maximum 50% held				**2**	**-**	**25**	**2**	**812**	**21**	**-**
Total equity investments				**4,063**	**2,112**	**970**	**2**	**1,276**	**(99)**	**3**

(a) The currency translation rate used for foreign companies is that prevailing at the end of December 2009.
(b) The currency translation rate used for foreign companies is the cumulative average rate from January 1 through December 31, 2009 for consolidated companies and the rate prevailing at end of December 2009 for non consolidated companies.
(c) For foreign companies, revenues exclusive of services and ancillary revenues.
(d) Share capital in (millions of) local currency. Shareholders equity, revenue and net income are derived from the statutory accounts estimated to date.

This table has been compiled according to the currently available data.

6.5.3 PORTFOLIO OF EQUITY INVESTMENTS AND MARKETABLE SECURITIES

6.5.3.1 Equity investments

Subsidiaries	Number of shares	% capital	Value at December 31, 2009 *(in millions of euros)*
1. French Subsidiaries			
Rhodianyl	40,357,499	100.00%	615
Rhodia Finance	16,797,466	99.98%	252
Rhodia Participations	7,348,699	100.00%	110
Rhodia Chimie	28,836,752	100.00%	-
Total French subsidiaries			977
2. Foreign Subsidiaries			
Rhodia Holding Inc.	1,540	89.02%	425
Rhodia Deutschland	7,721	100.00%	340
Rhodia Brasil LTDA	369,823	100.00%	230
Rhodia China Co LTD	49,000	100.00%	43
Rhodia Polyamides Co Ltd	2,925,780	59.40%	24
Rhodia Ibéria	2,792,500	100.00%	39
Sopargest	19,997	99.99%	17
Rhodia Silica Korea Co Ltd	2,597,810	100.00%	9
Rhodia New Zealand	1,499,999	100.00%	2
Rhodia Hong Kong	55,999	100.00%	1
Rhodia de Mexico SA de CV	283,053,127	100.00%	-
Rhodia Holding Ltd	546,088,254	100.00%	-
Other companies held at more than 50%			5
Total foreign subsidiaries			1,135
Total subsidiaries held at more than 50%			2,112
Subsidiaries held at 50% or less			
French subsidiaries			-
Foreign subsidiaries			-
Total subsidiaries held at 50% and less			-
Total equity investments			**2,112**

6.5.3.2 Marketable securities

Mutual funds	Number held	Unit value *(in euros)*	Value at December 31, 2009
1. BMTN			
Société Générale BMTN TR 61	43	171,060	7
Société Générale BMTN TR 68	16	191,869	3
Société Générale BMTN TR 81	209	163,943	34
Société Générale BMTN TR 84	52	174,728	9
2. Banking deposits, certificates of deposit and shareholder interests			
Société Générale			146
Natexis			25
3. Sicav (investment company) and FCP (unit trust)			
Natexis tréso	1,510	100,035	151
CIC UNION +	135	183,675	25
CAAM TRESO 3 MONTHS	39	1,023,517	40
HSBC MONEY SELECT	77	103,332	8
Total UCITS			**448**
Own shares held by Rhodia	1,121,784	7.08	8
Purchase options of the Company's shares	1,010,000	2.07	2
TOTAL MARKETABLE SECURITIES			**458**

6.5.4 COMPANY 5 YEAR FINANCIAL SUMMARY

(Articles R. 225-81, R. 225-83 and R. 225-102 of the Commercial Code).

	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005
Period end date	12 months	12 months	12 months	12 months	12 months
I. Share capital at year-end					
Share capital *(in thousands of euros)*	1,213,045	1,213,045	1,204,414	1,204,186	1,176,717
Number of shares					
• ordinary (1)	101,087,068	101,087,068	100,367,831	1,204,186,174	1,176,716,541
• priority dividend					
Maximum number of shares to be created:					
• by conversion of bonds					
• by subscription right					
II. Results of operations *(in thousand of euros)*					
Sales excluding tax	7,798	5,676	1,197	595	12,702
Profit before tax, investments, depreciation amortization and provisions	(164,728)	497,422	140,102	326,577	(400,485)
Income tax (including net gain under the Group's tax consolidation regime)	25,049	91,160	71,149	24,356	13,476
Participation of employees					
Depreciation, amortization and provisions	20,190	(229,667)	(165,803)	(132,426)	(288,899)
Net profit for the year	(119,489)	358,915	45,447	218,507	(675,908)
Distributed profit	-	-	25,092	-	-
III. Earnings per share *(in euros)*					
Earnings per share after tax and investments and before depreciation, amortization and provisions	(1.38)	5.82	2.10	0.29	(0.33)
Earnings per share after tax, investments, depreciation, amortization and provisions	(1.18)	3.55	0.45	0.18	(0.57)
Dividends	-	-	0.25	-	-
IV. Employees					
Average number of employees	37	30	7	8	24
Payroll *(in thousands of euros)* (2)	11,758	11,647	3,413	4,921	12,204
Employee benefits (social security, social services) *(in thousands of euros)* (2)	3,537	2,931	1,633	1,166	3,423
(1) Recapitulation of successive issuances of ordinary shares forming capital	-	*719,237*	-	*27,469,633*	*549,134,383*
Reverse share split (number of shares)	-	-	*(1,103,818,343)*	-	-
Capital increase with maintenance of preferential subscription rights	-	-	-	-	*549,134*
Increase reserved for employees (in thousands of euros)	-	*8,631*	*228*	*27,470*	-
(2) Including severance payments and post-employment benefits					